



Housing Executive

43rd Annual Report

1 April 2013 - 31 March 2014





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Northern Ireland Housing Executive Annual Report & Accounts

For the year ended 31 March 2014

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Chairman's Foreword

2013/14 was a difficult year as we tackled serious matters relating to response and planned maintenance contracts. This meant we were unable to start any new schemes for double glazing or planned maintenance contracts during the year. These matters regrettably impacted on our tenants who were waiting on improvements to be carried out on their homes.

We have been working to ensure we have adequate controls, more robust contracts and systems to monitor contractors' performance so that this cannot happen again. Improvement plans put in place for response and planned maintenance contract management will continue to be the focus of our business improvement activity in the year ahead. New contracts for the delivery of double glazing and planned maintenance have now been let. We also significantly increased the size of our Direct Labour Organisation as they assumed responsibility for additional response maintenance contracts.

On a positive note, the year saw many achievements and I'm very pleased to record, in partnership with the housing associations, 1,967 new social housing units were completed, whilst work also started on 1,299 new homes, exceeding the target of 1,200. These will provide applicants on the social housing waiting list with much needed new homes. For our own tenants we started schemes to install new heating systems in 5,997 homes, and completed planned maintenance schemes to 12,596 homes.

We managed our rental income, collecting 99.92%, provided a range of advice to our tenants on money and welfare matters, and engaged with them to improve housing services and build confidence in our housing estates.

We also helped 21,000 people through the Supporting People Programme, managed over 88,000 homes, administered Housing Benefit to over 165,600 tenants, approved over 2,000 improvement, repair and disabled facilities grants, paid almost 9,000 grants to replace old inefficient heating boilers in the private sector and worked with 20,000 households in our shared neighbourhood programme.

Our customers need us now more than ever. Whether this is the delivery of new housing, improving and maintaining our stock, helping people sustain their tenancies or supporting communities, our job is to provide and deliver high levels of public services to all our tenants and customers. We remain committed to continuing our work and in doing so, ensuring we have sound systems to support the achievement of our policies, aims and objectives whilst safeguarding public funds and Housing Executive assets.

It is a fact that levels of investment in past years cannot be sustained unless change is delivered. During the year we worked with the Department for Social Development to take forward the Minister's programme for social housing reform to explore options to deliver a more financially sustainable model for social housing provision for future generations.

Alongside this, we started work to restructure our organisation to meet current responsibilities as well as begin the transformation of the organisation, giving more clarity to our landlord and regional housing roles. We have also commenced a major change programme aimed at delivering excellence across all our services. The year ahead will be challenging, but it will bring with it opportunities to allow us to deliver our vision for housing, shape and prepare for a future



Our job is to provide and deliver high levels of public services to all our tenants and customers.

that lets us best deliver on the housing needs of our citizens.

The year also saw the retirement of our Chief Executive, Dr John McPeake after 32 years' service to housing and I want to record our gratitude to him for his strategic leadership of the organisation. I would also like to recognise the work of Eamonn O'Neill, Board Member who retired from the Board after eight years of unstinting service.

I would like to take this opportunity to thank Nelson McCausland, Minister for Social Development and his officials in the Department for Social Development for their support. I would

also thank the Northern Ireland Housing Council, other political and community representatives, the voluntary sector, district councils and the housing associations for their commitment. Finally I would like to thank my fellow Board members and especially the staff of the Housing Executive for their support and work during the year.

Donald Hoodless
Chairman



Northern Ireland Housing Executive

The Northern Ireland Housing Executive is a Public Corporation, established by the Housing Executive Act (Northern Ireland) 1971.

From 1 April 2014, following a review by the Office for National Statistics, the accounting classification of the Housing Executive will change from being a Public Corporation. The new definition means the Housing Executive is now seen as comprising of two accounting classification units. Landlord services and functions have been re-classified as a quasi-Public Corporation (which is similar to the previous designation for the entire organisation) while Regional services and functions are now categorised as a Non-Departmental Public Body (NDPB). The main impact of this is that the NDPB will, for accounting purposes, be more closely integrated with our sponsor department and our budgetary management arrangements will be aligned to those already in place for the Department.

Mission Statement

Working in partnership to ensure that everyone has access to a good affordable home in a safe and healthy community.

Our Vision

Our vision is one in which housing plays its part in creating a peaceful, inclusive, prosperous and fair society.

Housing Executive's Core Values

- Openness and accountability
- Responsiveness to our customers and community
- Fairness and equity
- Caring for the environment
- Valuing and developing our staff
- Value for money



Management Commentary - Strategic Report

As the regional, strategic housing authority for Northern Ireland our business is to deliver regional and landlord services to ensure that everyone in Northern Ireland has access to a good affordable home in a safe and healthy community. Our plans, strategies and services focus on improving the quality of life for people across all tenures.

During the year we worked hard to address and rectify a number of legacy issues which emerged within the organisation over recent years. We are fully committed to ensuring the Housing Executive regains the confidence of all our stakeholders as a housing body which provides and delivers the highest quality services to all our tenants, customers and partners.

Already we have introduced two new directorates delivering Regional Services and Landlord Services under our vision for housing and neighbourhoods in Northern Ireland. As one organisation our task remains to work in partnership with communities and other organisations to meet the housing needs of existing and future generations in a fair and impartial way.

This annual report gives an account of the Housing Executive's performance and has been prepared in accordance with the Government Financial Reporting Manual.

Business Objectives

Our work covers the whole of the social housing sector, our role as Northern Ireland's largest landlord and our wider strategic role which extends to wider housing issues in all tenures across the housing market.

Our business objectives are influenced and shaped by a number of factors including housing activity set out in the Programme for Government, the Department for Social Development's draft Housing Strategy for Northern Ireland,

Government's Welfare Reform agenda, the strength of the housing market and the level of housing need.

This Commentary details the progress against our corporate objectives, mission statement and core values as set out in our Corporate Plan 2013/14 - 2015/16 and Business Plan for 2013/14. The "Northern Ireland Housing Market: Review & Perspectives" is published annually in order to provide the context for the Housing Executive's Corporate and Business Plans and its intervention in the market. The most recent edition was launched in June 2014 and is available on our website.

Commitment and Professionalism of Staff

An Investor in People organisation since 1997, we are committed to providing services to our customers in a professional manner. Our Landlord Services Division holds the Customer Service Excellence standard and has done since September 2008, demonstrating our commitment to continuous customer service improvement. During the year we were awarded the NI Chartered Institute of Housing's Integrating Communities Award recognising our work supporting communities. In addition we continued to place a strong emphasis on developing our staff through a range of corporate, functional and generic programmes.

Scale of our Business

- 3,107 staff in post at 31 March 2014;
- 88,599 homes were managed by the Housing Executive;
- 347,584 people visited our local offices for landlord services;



- 436,836 repair requests were dealt with;
- 8,809 homes were allocated by the Housing Executive and housing associations;
- 549 tenants purchased their home;
- 8,055 tenants received energy advice through Heatsmart;
- 12,039 tenants received energy efficiency measures such as insulation or heating;
- 20,000 households in 50 Housing Executive estates are now actively involved in the Shared Neighbourhood Programme;
- 88 estates are involved in the Building Relationships in Communities programme;
- Over 400 community groups worked in partnership with us through the Housing Community Network;
- £656.78m was administered in Housing Benefit;
- Over 21,000 vulnerable people have had their quality of life enhanced through the Supporting People Programme;
- 39,967 applicants were on the housing waiting list at 31 March 2014 and 21,586 of these were classified as being in housing stress;
- 9,649 housing applicants were found to be homeless after investigation;
- 1,299 new homes were started through the Housing Executive's Social Housing Development Programme Group;
- 1,075 private sector grant applications were approved;
- 19,045 private sector households received energy advice through Bryson Energy;
- 18,177 private sector households received energy efficiency measures such as insulation or heating boilers;
- 6,900 physical adaptations in both social and private housing to help people to remain living independently in their own homes.

Our Objectives

The following sections summarise the Housing Executive's performance for the year 2013/14 against each of the objectives and indicators included in the Business Plan for the year. The tables at the end of the Commentary show results against Key Performance Indicators (KPIs) in the Corporate and Business Plans for 2013/14. Where comparative figures are available, these are also shown. Our objectives and supporting strategies aim to achieve the following:

- Delivering better homes;
- Supporting independent living;
- Building stronger communities;
- Delivering quality services.



Our Performance - Summary

Regional Services

● Target Achieved ● Target Nearly Achieved ● Target Not Achieved

KPI	Key performance indicator	Score
KPI 2	<p>To start 1,275 new build units and complete 1,200 units.</p> <ul style="list-style-type: none"> • Work with DSD on the formulation of an affordable housing policy on NIHE land. • Work with DSD to implement recommendations from Performance and Delivery Unit (PEDU) report. • Prepare 26 District Housing Plans for consultation meetings held. 	<p>●</p> <p>●</p> <p>●</p> <p>●</p>
KPI 3	To approve 700 repair grants, register 650 HMOs under the statutory HMO registration scheme and enforce HMO standards through inspection of 1,800 HMOs.	●
KPI 4	Address heating and insulation problems in privately owned properties by approving Warm Homes grants for 9,000 properties and improve SAP rating by 15%. Approve 10,000 boiler replacement grants.	<p>●</p> <p>●</p>
KPI 5	Provide energy advice.	●
KPI 7	<p>To deliver housing support services to vulnerable people through the Supporting People programme.</p> <ul style="list-style-type: none"> • Strategic Development - Commission and approve a gross programme of 350 new supported housing units to support identified priorities by March 2014 (325). • Develop a Supporting People Action Plan following completion of the consultation exercise for housing related services by September 2013. • Supporting People Performance. Ensure 100% of quarterly performance workbooks are returned from providers in compliance with contractual requirements and; 90% of providers meet minimum performance targets. <p>Supporting People contract management, validation and risk assessment</p> <ul style="list-style-type: none"> • Ensure that a risk assessment is completed for 100% of providers • Ensure that 100% of providers with a high risk have a service validated and at least two contract meetings annually. • Ensure that 100% of providers with a medium risk have a service validated and at least once every two years and at least one contract management meeting annually. • Ensure that 100% of providers with a low risk have a service validated and at least once every two years and at least one contract management meeting bi-annually. • Ensure that 90% of all providers validated, meet the minimum *QAF standards. 	<p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p>



KPI 7 cont	<p>Supporting People funding and accreditation.</p> <ul style="list-style-type: none"> • Ensure funding arrangements are in place for all payments to providers. • Ensure all grant payments are made according to published timetable for the 13 periods each year. • To review Supporting People provider organisations that require re-accreditation as part of the SP accreditation 3 year rolling programme. 	<ul style="list-style-type: none"> ● ● ●
KPI 8	<p>Implement the Homelessness Strategy.</p> <ul style="list-style-type: none"> • Implement the action plan 2011-2017 developed from the strategy. • Monitor and quality assure regional homeless action plans. • Process at least 95% of homeless applications within 33 days. 	<ul style="list-style-type: none"> ● ● ●
KPI 10	Approve 1,300 Disabled Facilities Grants.	<ul style="list-style-type: none"> ●
KPI 11	Complete the 3rd Traveller accommodation needs assessment by September 2013 and develop accommodation programme as required.	<ul style="list-style-type: none"> ●
KPI 12	Support the implementation of local Neighbourhood Renewal action plans in support of DSD's Neighbourhood Renewal Strategy. Urban regeneration. Implement the Urban Renewal programme in 5 areas in Belfast.	<ul style="list-style-type: none"> ● ●
KPI 13	<p>Rural Regeneration.</p> <ul style="list-style-type: none"> • Implement and report on progress against 58 actions in the 2013 - 2015 Rural Action Plan. • Set a rural Social Housing Development programme target and promote and monitor delivery against target. 	<ul style="list-style-type: none"> ● ●
KPI 14	Deliver the DSD's SPOD Programme to 17 areas in Northern Ireland.	<ul style="list-style-type: none"> ●
KPI 18	Contribute to the Sustainable Development Strategy for NI by developing and maintaining an externally accredited environmental management system (EMS).	<ul style="list-style-type: none"> ●
KPI 6	Empty homes. Implement an Empty Homes Policy designed to bring properties back into use and remove blight from local communities.	<ul style="list-style-type: none"> ●



Landlord Services

● Target Achieved ● Target Nearly Achieved ● Target Not Achieved

KPI	Key performance indicator	Score
KPI 1	To start planned <ul style="list-style-type: none"> external cyclical maintenance work on 3,200 dwellings, 2,750 kitchen replacement and 9,000 double glazing starts. 5,750 heating installations. 	● ●
KPI 4	Upgrade the energy efficiency of at least 14,800 NIHE homes; Analyse 4,800 poor energy performance properties to inform remedial action.	● ●
KPI 5	Provide energy advice to 8,000 NIHE customers through Heatsmart visits.	●
KPI 26	Stock Transfer - Develop with DSD, a revised Stock Transfer protocol. Initiate Tranche 1 of the Stock Programme. Complete the Bloomfield bungalows stock transfer proposal by March 2014.	● ● ●
KPI 9	Start heating adaptations to 100 NIHE homes. Start 200 extensions; Install 150 lifts; install 800 showers to NIHE homes. Review the accessible housing register (AHR) pilot exercise of 40 Housing Executive/ Housing Association properties and develop plans to implement a full AHR across all Housing Executive Regions by September 2013. The development of an AHR will enable the Housing Executive to identify specific properties that may meet the needs of a particular group of applicants on the waiting list, develop comprehensive accessible asset intelligence and make better use of those assets.	● ● ●
KPI 15	To develop and implement a new 2013 Community Safety Strategy 'Building a safer Future' by April 2013. Community Safety. To respond to all reports of anti-social behaviour in a speedy and effective manner - Register within 3 working days, interview complainant within 5 days with an average of 48 days for investigation and action.	● ●
KPI 16	Increase support for shared housing among our tenants by developing a further 14 shared communities. Community Cohesion. Through the year develop good relations in 50 NIHE estates and support 50 staff to develop good relations objectives within their own area through the BRIC programme.	● ●



KPI 17	<p>Community Involvement.</p> <p>Carry out a strategic review of community participation and implement outcomes by September 2013.</p> <p>Review community involvement and implement outcomes in the delivery of housing services and policy formulation by September 2013.</p> <p>Promote social economy and volunteering projects in each of the 12 areas.</p> <p>Build community confidence and capacity, encouraging greater access to on-line services for tenants without internet access, through community groups.</p>	<p>●</p> <p>●</p> <p>●</p> <p>●</p>
KPI 19	<p>Management of rental income.</p> <ul style="list-style-type: none"> ● Reduce total arrears from March 2013 figure of £14,604,000. ● Management of rental income. Strive to achieve 99.6% of net collectable income, excluding arrears brought forward. 	<p>●</p> <p>●</p>
KPI 20	<p>Relet properties that are not low demand within 25 calendar days.</p> <ul style="list-style-type: none"> ● Manage stock. *Actionable void properties should not exceed 1% of total stock. Stock at 31 March 2014 = 88,599. ● Quality of service satisfaction with appointment service. Contractors are required to make and keep appointments for a minimum of 90% of all job requests issued to the contractor which are classified as routine. Target > or = 90%. <p>Response maintenance.</p> <ul style="list-style-type: none"> ● Quality of service/ inspection failures - measures the level of job requests which fail inspection for poor workmanship/ materials; work not done. Target > or = 90%. ● Cost predictability/ inspection findings - reduce the incidence of occurrence of job requests which fail inspection and to promote a high level of accuracy by the Contractor. Target > or = 90%. ● Time predictability/defect resolution - measures contractor performance in resolving job requests which fail inspection within five working days. Target > or = 90%. ● Jobs completed within contractor target date - measures the contractors' performance in carrying out job requests within the response time. Target > or = 90%. ● Time predictability - job requests completion date reported promptly. Target > or = 90%. ● Customer satisfaction - Service of contractor and quality of work. Target > or = 90%. ● Customer satisfaction - CSU reported service failure. Target > or = 90%. 	<p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p>
KPI 22	<p>Improve customer satisfaction with the overall service at 85% or above.</p> <p>Improve customer satisfaction with repairs completed in the last 12 months at 85% or above.</p> <p>Customers.</p> <ul style="list-style-type: none"> ● Financial inclusion - to make 600 debt advice service referrals. ● Provide appropriate and targeted information and advice regarding Welfare Reform to affected households. ● Prompt payment of invoices, 90% of payments within 10 days. 	<p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p>
KPI 25	<p>Strive to be a top quartile provider in landlord services. Develop and monitor an improvement plan to improve results within the top two quartiles of Housemark.</p>	<p>●</p>



Support Services

● Target Achieved ● Target Nearly Achieved ● Target Not Achieved

KPI	Key performance indicator	Score
KPI 21	<p>Housing Benefit.</p> <ul style="list-style-type: none"> • Process new Housing Benefit claims within an average 25 days. • Process changes of circumstances within an average of 8 days • Ensure an accuracy rate of 97.5% for Housing Benefit assessments. • Recover at least £13m of overpayments. • Improve and sustain the achieved level of fraud and error (2.6%) of annual benefit expenditure. 	<p>●</p> <p>●</p> <p>●</p> <p>●</p> <p>●</p>
KPI 22	<p>Customers.</p> <ul style="list-style-type: none"> • Reply to 90% of complaints within 15 days. • Meet and brief the Housing Council on a monthly basis. • Update the Corporate Procurement Programme to the Board and implement. • Prompt payment of invoices, 90% to be paid within 10 days. 	<p>●</p> <p>●</p> <p>●</p> <p>●</p>
KPI 23	<p>Staff/Resources.</p> <p>Review and update the manpower plan by April 2013 to reflect organisational developments.</p> <p>Maximise staff availability/attendance target of 10.8 days.</p> <p>Update and implement the People Strategy by April 2013.</p> <p>Develop and implement a Learning and Development Strategy to underpin the investment in our staff by April 2013.</p>	<p>●</p> <p>●</p> <p>●</p> <p>●</p>
KPI 24	<p>IT Services.</p> <p>Develop a technology strategy that aims to provide the infrastructure and technical solutions to help improve communications and collaborative working, and to support the practice and management of agile working.</p>	<p>●</p>



Regional Housing Services





Regional Housing Services

Regional Housing Services focus on influencing and shaping the strategic direction of housing within Northern Ireland. It includes new social housing development and Supporting People programmes, strategic housing need and assessment, tackling fuel poverty, homelessness and allocations policy, private sector improvement grants, and land and strategic regeneration.

Budgetary Management

During the year the Housing Executive declared a number of “easements” through the monitoring round process, some of which related to slippage in the social development programme (SDHP).

This reflects the challenging environment in which new build social housing is being delivered. The SHDP includes funding for Supported Housing and, due to lower than expected costs per unit and the general under-delivery of Supported Housing schemes by associations, the full allocated budget was not required. While much of the surplus funding was successfully reallocated to other general need schemes, housing associations were unable to identify and progress sufficient additional schemes to spend fully the budget surplus.

The Housing Executive monitors the SHDP budget against scheme forecasts for schemes going on site and their likely period of construction. The budget forecasts are based on the scheme information provided to us by housing associations. The major uncertainties associated with budgetary spend are a result of the back-loading of the programme starts and the high levels of uncertainty associated with the timescales for land acquisition and planning approval. On an ongoing basis we support associations to unblock the issues with their

schemes to ensure the budget is fully spent and to ensure that starts and completions are met. We have also started work with the DSD on a new delivery strategy, one of the main aims of which will be to share the risk of underspend more equitably with associations.

We work in partnership with colleagues in the housing association sector and, once again, were able to meet our overall target in terms of new starts and completions. This is reported in more detail in a later section of this report. However, there are sometimes considerable constraints which influence the pace with which projects can be delivered.

Housing Investment

Delivery of our programmes and services depends on government subsidy.

The year saw a reduction in our capital budget for new build housing, reflecting the policy position of lower grant rates and greater reliance on private borrowing by housing associations to fund the delivery of the Social Housing Development Programme. Capital funding for private sector grants, also reduced, which in part reflects lower demand. We prioritise our resources to those in greatest need. In our sixth year of managing the social development programme, with funding from the Department for Social Development and delivered by the housing associations, 1,299 new social housing starts were achieved, exceeding the target of 1,275.

We are also required to meet ongoing efficiency targets, one of which is a year-on-year reduction of 5% in our staffing costs over the 5 years of the Comprehensive Spending Review 2011 - 2015.



OBJECTIVE 1

Delivering Better Homes

During 2013/14 we increased the supply of social and affordable housing, improved standards of housing in the private sector, and increased thermal efficiency across all tenures.

Housing Research

Housing research continues to play an important role in guiding the intervention of the Housing Executive and the Department for Social Development in Northern Ireland's housing market. The 1981 Housing Order (Article 6) places a statutory duty on the Housing Executive to "regularly examine housing conditions and need" and "may, with the consent of the Department, conduct or promote research into any matter relating to any of its functions". In fulfilling this role, the Northern Ireland Housing Market: Review & Perspectives is published annually in order to provide contextual information for the Housing Executive's Corporate Plan. It is also a source of information for the public, private and voluntary sectors, including the housing associations. The most recent edition covering the period 2014-2017 was launched in June 2014.

Headline figures from the 2011 House Condition Survey for Northern Ireland as a whole have been available since March 2012. However, further modeling work undertaken throughout 2013 in partnership with NISRA's Census team and the Building Research Establishment has now provided new District Council figures in relation to unfitness, the Decent Homes Standard and fuel poverty.

The second phase of research undertaken in partnership with the Department for Social Development to ascertain the impact of the changes in Housing Benefit on tenants and landlords in the private rented sector has provided a number of new insights. This was complemented by research commissioned from

the University of Ulster into landlord-tenant relationships in the private rented sector, which showed that while relationships were generally very good, additional strains were emerging as the gap between market rents and the amount of Housing Benefit payable was widening.

The annual Continuous Tenant Omnibus Survey continues to provide a wealth of customer views on how well the Housing Executive is delivering its key services. The 2013 survey, the results of which were published in June 2014 indicated high levels of satisfaction with services. The 2014 survey now includes for the first time questions on tenants' awareness of the Department for Social Development's Social Housing Reform Programme and what tenants feel are their priorities for services which will be provided to them in the future. Emerging results will help guide the outcome of the Social Housing Reform Programme as well as the Housing Executive's Journey to Excellence programme.

From the start of 2014, the Research Unit has been re-invigorated through a greater emphasis on market intelligence. A Housing Market Intelligence Exchange Forum is being established which will meet twice a year and provide an opportunity to sense check the Housing Executive's research and intelligence with key players in the housing market.

Social Housing Need

The social housing waiting list amounts to 39,967 households at 31 March 2014, of whom 21,586 are considered to be in housing stress, including 9,649 households deemed to be statutorily homeless.

A minimum of 1,200 new social dwellings are needed each year to meet housing need. In addition, a further 800 units are included to partially address the backlog that has built up from earlier years and the expectation that rates of private sector new build will remain low over the next three years.



We meet this need through relets of social housing and new social housing development.

Our Social Housing Development Programme is “rolled-on” annually through a re-assessment of housing needs, review of current programme progress and identification of new programme requirements, set within the context of an approved Strategic Guidelines framework.

The prime purpose of the Strategic Guidelines is to facilitate programme development and to allocate programme share geographically and across a range of programme categories, based on need through an evidence based approach. A second purpose of the guidelines is to prioritise and objectively target the programme when Housing Association Grant funding is limited. This approach is designed to direct social new build to those areas of greatest housing need.

New Social and Affordable Housing

During 2013/14, in partnership with housing associations, we delivered 1,299 new social housing starts to help meet the needs of applicants for social housing, ranging from those with general housing needs (families and individuals) through to applicants with supported housing needs. In approving these schemes, the Housing Executive committed Housing Association Grant funding totalling £83m. A total of 1,967 new homes were also completed, against our target of 1,200.

We transferred land in our ownership to housing associations on which 22 schemes for 247 homes were started, representing 20% of total starts on site during the year.

We also commenced a programme to scope our amenity lands to maximise potential to provide further development sites to continue to support the housing associations in the delivery new social housing.

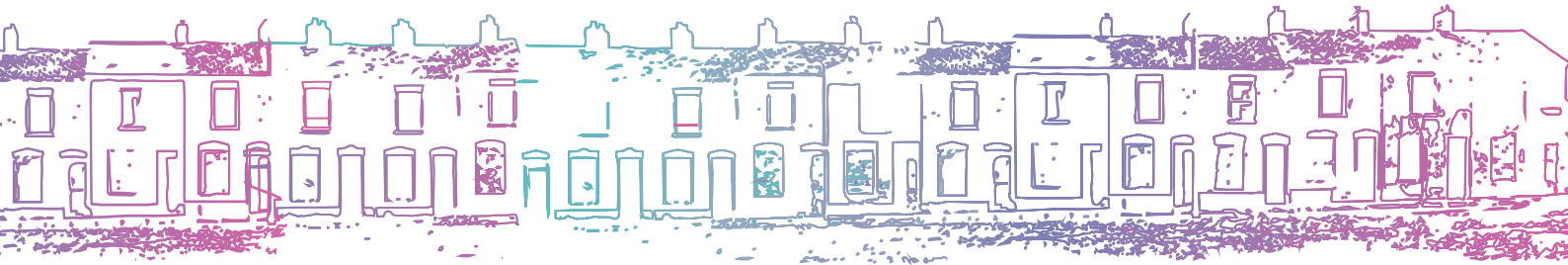
Key achievements include:

- 27 new homes started and 13 rehabilitated homes in the Village area through a partnership with Fold Housing Association;
- Starting 60 new homes at Girdwood Barracks in Belfast by Apex;
- The procurement of 41 new homes at Ravenhill in Belfast by Fold through an innovative design and build competition;
- Significant land purchases to support future development at Galliagh, Derry/Londonderry (Apex for 196 homes); St Mary’s Primary School, Ballymena (Trinity for 74 homes); St Peter’s School, Creggan (Apex for 127 homes); and the Visteon site in West Belfast (Fold for 196 homes).
- New rural schemes started at School Road, Forkhill (12 homes by Fold,) and Crossgar Road, Saintfield (12 homes by Trinity) both on former PSNI sites.
- Supported Housing schemes to assist vulnerable people live independently in the community in Newry (Oaklee) and Rossorry Court, Enniskillen (Triangle) for Young People Leaving Care; and 15 units at Annadale in Belfast for people with learning disabilities (Triangle).
- Developing sites using public sector land at John Street, Downpatrick where Ark started 8 homes on the site of the former Housing Executive offices, Mountview Drive, Lisburn, 36 ex-MOD homes purchased by Clanmil and Ballyduff Primary School, Newtownabbey for 30 homes started by Oaklee.

House and Land Sales

During the year we sold 549 homes to tenants providing them with the opportunity to own their own home, realising capital receipts of £16m. This compares with 290 homes sold the previous year.

Under the Scheme for the Purchase of Evacuated dwellings (SPED) we acquired 17 dwellings at a cost of £1.7m and disposed of 12 dwellings, realising £1.5m.



We also disposed of surplus land realising £120,000.

Improve Standards of Housing in the Private Sector

The continued reduction in funding for private sector grants has restricted acceptance of applications for discretionary grants for improvement and repair. In addition to the mandatory Repairs Grants we did approve a small number of discretionary Renovation, Replacement and Home Repair Assistance Grants where exceptional circumstances were deemed to exist.

During 2013/14 we approved 956 Mandatory Repairs Grants, and 119 Discretionary Grants. This resulted in a total number of approvals of 1,075 compared to 1,032 grants approved in 2012/13. Funding was also made available to complete 39 dwellings in the Northwood Group Repair Scheme in Belfast.

Houses in Multiple Occupation (HMOs) Registration Scheme and Strategy

We aim to protect the health, safety and wellbeing of the occupants in HMOs by enforcing appropriate standards (including fire standards) through the progressive implementation of the HMO Statutory Registration Scheme, which is currently under review. During the year we registered a further 790 HMOs against a target of 650 and carried out 2,287 inspections of HMOs against a target of 1,800. This brings the total number of HMOs registered to 4,400.

Our comprehensive strategy for HMOs in April 2009 included a list of recommendations for changes to legislation which would help with the enforcement of the registration scheme and improve the management of HMOs. The Department for Social Development is currently carrying out a fundamental review of HMOs in Northern Ireland, the consultation on which was completed in September 2012. We look forward to the outcome of the consultation and the introduction of new legislation in the future.

The responsibility for the regulation of HMOs will be transferred to councils under the Reform of Local Government legislation. We are currently working with the DSD and councils to ensure there is a smooth transfer of this function at 1 April 2015.

Thermal Efficiency

As the Home Energy Conservation Authority for Northern Ireland we continued to make progress on improving energy efficiency in the private sector through addressing heating and insulation problems and providing energy advice. Energy efficiency works mitigate the impact of fuel poverty but rising fuel prices ensure that it remains a serious issue in Northern Ireland.

The key highlights and events of 2013/14 relating to energy efficiency and fuel poverty included:

- 9,185 heating and insulation measures in private homes under DSD's Warm Homes scheme;
- 9,454 approvals issued to owner occupiers and 8,992 old, inefficient heating boilers replaced through DSD's boiler replacement scheme which is administered by the Housing Executive;
- Provision of energy advice to 19,045 households through Bryson Energy;
- Providing energy advice to year 5 and 6 classes in 260 schools through the schools energy efficiency education programme administered by Bryson Energy;
- An Affordable Warmth pilot on an area based approach was funded by DSD and a wider roll out is now planned to replace the Warm Homes Scheme;
- Initiated a tender process for the installation of solar photovoltaic panels to generate electricity initially in 1,000 Housing Executive homes through a private finance mechanism which will provide those tenants with free electricity;
- Completed a pilot scheme to test the effectiveness of external wall insulation in 3 Housing Executive homes.



Objective 1 - Delivering Better Homes

Key Performance Indicators

KPI 2 - New Social and Affordable Housing.

To start 1,275 new build units and complete 1,200 units. Prepare District Housing Plans for consultation with Councils.

Performance 2013/14

1,299 new social housing units were started.

1,967 new social housing units were completed.

Performance 2012/13

1,379 new build starts of which 163 were for Supported Housing.

1,254 completions.

KPI 2 - New Social and Affordable Housing.

Work with DSD on the formulation of an affordable housing policy on NIHE land.

Work with DSD to implement recommendations from Performance and Delivery Unit (PEDU) report.

NIHE worked closely with the Department for Social Development on the formulation of an affordable housing policy on NIHE land.

The PEDU report produced 25 recommendations, 9 of which were the responsibility of NIHE. These were completed in December 2013 with the publication of the new three year Social Housing Development Programme.

Pilots for affordable housing were programmed and evaluated but did not proceed in the current housing market climate.

This was not previously identified as a KPI.

KPI 2 - New Social and Affordable Housing. Prepare 26 District Housing Plans for consultation with Councils.

All 26 Plans completed in June 2013 and consultation meetings held.

All 26 Plans completed in June 2012 and consultation meetings held. Work is underway with 2013 Plans.

KPI 3 - Private sector.

To approve 700 repair grants, register 650 HMOs under the statutory HMO registration scheme and enforce HMO standards through inspection of 1,800 HMOs.

During the year a total of 956 Repair Grants were approved.

Performance exceeded the target with 790 registrations.

Performance on inspections exceeded the target with 2,287 inspections completed.

During the year a total of 926 Repair Grants were approved.

Performance exceeded the target with 432 registrations.

Performance on inspections exceeded the target with 2,153 inspections completed.



KPI 4 - Thermal efficiency.

Address heating and insulation problems in privately owned properties by approving Warm Homes grants for 9,000 properties and improve SAP rating by 15%.

Approve 10,000 boiler replacement scheme installations.

Performance 2013/14		Performance 2012/13	
Warm Homes approvals	9,185	Warm Homes approvals	9,904
SAP improved by	17.34%	SAP improved by	16.7%
Boiler Replacement approvals	9,454	This was not previously indentified as a KPI.	

KPI 5 - Provide energy advice.

As the Home Energy Conservation Authority Authority, provide energy advice across all tenures to 8,000 customers through an Energy Advice Centre and provide energy advice to 120 schools through the programme of visits.

Target for advice to customers was exceeded but there were no cost implications to NIHE with the additional customers.	19,045	Advice to customers through Bryson Energy. Target was exceeded but there were no cost implications to NIHE with the additional customers.	19,225
Advice was given to 260 schools. Approval was sought and given to exceed target.	260	Provide advice to schools. A revised target of 260 was approved by NIHE in-year.	260



OBJECTIVE 2 -

Supporting Independent Living

During the year we helped vulnerable people maintain independence in their home, met the needs of homeless people, provided an adaptations service for people with a disability and quality accommodation for Travellers.

Supporting People

During the year we spent £68.6m on over 800 housing support schemes to 18,000 vulnerable people with a throughput of an additional 3,000 during the year. Our services incorporated the development of new and expanding existing floating support services for a range of vulnerable client groups, thus increasing the reach and impact of housing support services across Northern Ireland.

A total of 13 new supported housing schemes also went on site which will provide 117 units of high quality accommodation for vulnerable people including those with learning disabilities and mental health issues, older people, young homeless people and victims of domestic abuse. In addition 15 schemes for 150 units of accommodation completed during the year. We also approved the purchase of 4 sites which will provide a further 62 units in the coming year.

Key achievements included:

- 147 contract meetings and 101 validation visits as part of our continual monitoring and reviewing of Supporting People services;
- Training of both service provider and Housing Executive staff by SITRA across the Supporting People sector;
- Accreditation of Supporting People providers in keeping with the agreed 3 year cycle;
- Continued support for organisations to consider collaborative and joined up working;
- The development of support services in partnership with NIACRO in Belfast;

- Development of the draft Housing Related Support Strategy (2012-15);
- Working in partnership with a range of homeless providers around reconfiguration and restructuring of their services portfolio in order to enhance service delivery.

Homelessness

During the year there was a decrease in the number of households presenting as homeless, from 19,354 in 2012/13 to 18,862 in 2013/14. In addition there was a similar decrease in the number accepted as homeless from 9,878 to 9,649. The largest group presenting as homeless were single households representing 54% of all homeless presenters. The breakdown in sharing/family disputes, accommodation not reasonable, loss of rented accommodation, marital breakdown and no accommodation in Northern Ireland remain the five most common reasons for homelessness, representing 69% of all those presenting.

Our strategy for addressing homelessness has the overall vision of eliminating long term homelessness and rough sleeping by 2020 and focuses on prevention and early intervention.

Significant progress has been achieved in addressing 'rough sleeping' which is the severest form of homelessness. In Belfast the Welcome Centre has been funded through the Housing Executive and the Supporting People programme to extend their drop in centre and street outreach services to rough sleepers who have complex and multiple needs. In Derry City Council area Damien House provides short stay accommodation for rough sleepers and street drinkers.

As in other parts of the UK greater use is being made of the private rented sector to provide both temporary and permanent accommodation for those who are homeless or threatened with homelessness. Throughout the province we are making use of over 1,000 units of private sector accommodation as temporary housing and we are in the process of procuring a private rented



sector access scheme to provide permanent accommodation for low income families on the common waiting list.

Sustaining tenancies is a key theme of the homelessness strategy to prevent tenancies breaking down that could result in repeat homelessness. In our South Region we have been running an innovative tenancy sustainment programme which offers assistance to tenants who require help to establish and sustain their tenancies and where appropriate, referral to a floating support service.

One of the key themes of the homelessness strategy is to tackle youth homelessness and during the year staff in the Health & Social Care Trusts met with local Housing Executive staff to address this issue. A protocol is in place that sets out joint working arrangements.

Housing and homelessness education is being delivered in schools to make young people aware of issues around homelessness and where to seek advice and support if required. A range of other services are in place for those groups at high risk of homelessness.

We also launched the Sexual & Domestic Violence helpline which provides 24 hour advice and assistance to the victims of domestic violence. In addition, an advice service continues to be provided for those entering and leaving prison in order that accommodation is available for those prisoners on release. New support services have been put in place for members of BME communities.

The nature of homelessness has been changing over recent years with greater numbers presenting as homeless with complex health problems including mental health, drug and alcohol addictions. In Belfast a multi-disciplinary team is in place staffed by social workers and other health professionals to assess homeless applicants with complex health needs and to help them access appropriate services. A Regional Working Group on health and homelessness meets on a regular basis to address the wider issues where health can impact on homelessness.

Housing Selection Scheme

As part of his Housing Strategy, the Minister for Social Development announced a fundamental review of social housing allocation policy. This review commenced last year when the Department for Social Development commissioned independent consultants to carry out a research project and make recommendations for improvement to current approaches and systems based on sound analysis and evidence. This 'Research to inform a fundamental review of social housing allocations policy' was published in December 2013 and was followed by a public consultation exercise undertaken by the Department in conjunction with the researchers from the University of Ulster. The results are currently being considered by the Department with a view to issuing proposals later this financial year.

We have continued to monitor developments in relation to Welfare Reform and particularly the social sector size criteria. If implemented in Northern Ireland, this would have a clear impact on our tenants and housing applicants - should that be the case, we will contact those affected and if required, introduce amendments to the Housing Selection Scheme to take account of any measures introduced.

Adaptations to Homes

During the year we helped households across all sectors of the housing market maintain their independence and live comfortably in their own homes. This is carried out through a combination of adaptations to Housing Executive and housing association properties and through Disabled Facilities Grants.

In the private sector we approved 1,177 Disabled Facilities Grants for approximately £11m. This scheme is demand led and our annual target of 1,300 approvals was not met.

Adaptations to Housing Executive stock are detailed in the Landlord Services section of our report.



During the year we made a significant contribution to DSD and DHSSPS Inter-Departmental Review of Adaptations for people with a disability. Both the Design Standards Toolkit and a summary of the Inter-departmental Review of Adaptations consultation responses were launched by the Ministers for the Department of Health, Social Services and Public Safety and the Department for Social Development in April 2014. The Housing Adaptations Design Communications Toolkit is the product of cross sector collaborative working with disabled people, occupational therapists and housing designers/providers.

Both Departments have endorsed the toolkit as best practice guidance for cross sector housing adaptations design benchmarking, inter-agency communications protocols and the provision of minor housing adaptations which do not require Health and Social Care Trust Occupational Therapy assessment.

Working with the Traveller Community

We continue to progress the accommodation options for Travellers in areas of identified need.

The fieldwork for the 3rd comprehensive traveller needs assessment was carried out during the year and the draft report is due in Autumn 2014. The Traveller Consultative Forum is being re-established and we will be working with them and other stakeholders on the new accommodation programme in the coming year.

Planning approval has been granted for the provision of a 12 unit serviced site at Burnside, Craigavon and two additional pitches at an existing site at Acorn Grove also in Craigavon. A scheme is also currently on site to provide a 6 unit group housing scheme at Father Cullen Park, Bessbrook with an expected completion date of September 2014. This scheme is being delivered by Clanmil Housing Association.

In addition significant improvements to Traveller site amenities were undertaken in Belfast and Craigavon, while substantial works are planned for Strabane and Derry/Londonderry. We have also commenced work to provide individual electricity metering at sites, with Glen Road, Belfast and Ballyarnett transit site in Londonderry, completed.

Objective 2 - Supporting Independent Living

Key Performance Indicators

KPI 7 - To deliver housing support services to vulnerable people through the Supporting People Programme.

Strategic Development - Commission and approve a gross programme of 350 new supported housing units to support identified priorities by March 2014.

Performance 2013/14

Gross programme of 350 agreed. Several of the schemes programmed for 2013/14 have slipped to 2014/15 largely due to Health reviewing priorities in relation to provision, particularly in relation to older people services.

Performance 2012/13

There were 163 supported housing starts.

KPI 7 - Develop a Supporting People Action Plan following completion of the consultation exercise for housing related services by September 2013.

Action plan approved at September 2013 Board meeting.

The target date was met and an update report on progress was provided to the October 2012 Board meeting.



KPI 7 - Supporting People Performance. Ensure 100% of quarterly performance workbooks are returned from providers in compliance with contractual requirements and; 90% of providers meet minimum performance targets.

Performance 2013/14	Performance 2012/13
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91% of providers meet minimum performance targets at Quarter 3. Quarter 4 performance workbooks for the final quarter of the financial year not required until late April and will be reported in the first quarter of the new financial year.	This was not previously identified as a KPI.
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KPI 7 - Supporting People contract management, validation and risk assessment. Ensure that a risk assessment is completed for 100% of providers.

A risk assessment was completed for all providers and this set the programme for the next three actions shown below.	This was not previously identified as a KPI.
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KPI 7 - Supporting People contract management, validation and risk assessment. Ensure that 100% of providers with a high risk have a service validated and at least two contract meetings annually.

There were 6 validations and 11 contract meetings during the year.	This was not previously identified as a KPI.
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KPI 7 - Supporting People contract management, validation and risk assessment. Ensure that 100% of providers with a medium risk have a service validated and at least once every two years and at least one contract management meeting annually.

Target exceeded with 39 validations carried out against a target of 36 and 69 contract meetings against a target of 66.	This was not previously identified as a KPI.
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KPI 7 - Supporting People contract management, validation and risk assessment. Ensure that 100% of providers with a low risk have a service validated and at least once every two years and at least one contract management meeting bi-annually.

Target exceeded with 56 validations carried out against a target of 52 and 67 contract meetings against a target of 53.	This was not previously identified as a KPI.
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KPI 7 - Supporting People contract management, validation and risk assessment. Ensure that 90% of all providers validated, meet the minimum *QAF standards.

Target met 91 out of 101 providers/services validated in 2013/14.	This was not previously identified as a KPI.
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*Quality Assessment Framework

KPI 7 - Supporting People funding and accreditation. Ensure funding arrangements are in place for all payments to providers.

Target met. Funding agreements in place for payments for all services in 2013/14; there were 836 services at the year end.	This was not previously identified as a KPI.
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KPI 7 - Supporting People funding and accreditation. Ensure all grant payments are made according to published timetable for the 13 periods each year.

Performance 2013/14

Target met. All payments made according to timetable (13 payment periods). 836 services at year the end.

Performance 2012/13

This was not previously identified as a KPI.

KPI 7 - Supporting People funding and accreditation. To review Supporting People provider organisations that require re-accreditation as part of the SP accreditation 3 year rolling programme.

The target for re-accreditation for the year is 31. An additional one was also added which was not included in the original target. At the year-end 26 re-accreditations had been completed. Of the remaining 6 organisations due for re-accreditation in 2013/14, two no longer require re-accreditation; one is closing and one is merging with another, accredited provider. Two are being progressed with action plans agreed.

This was not previously identified as a KPI.

KPI 8 - Implement the Homelessness Strategy. Implement the action plan 2011-2017 developed from the strategy.

Steady progress continues to be made in implementing the homelessness strategy. All actions in the strategy due for implementation during 2013/14 have been completed.

The PSI Homelessness Partnership is an inter-departmental cross sectoral working group and each of the four sub groups has representatives from statutory and voluntary agencies. The Housing Executive is represented on each of the PSI sub groups and a key part of the funding comes from the Supporting People and Homelessness budgets. Each of the 4 PSI sub groups have produced a Year 1 Action Plan which will be implemented and further developed in subsequent years.

KPI 8 - Implement the Homelessness Strategy. Monitor and quality assure regional homeless action plans.

All Homelessness Action Plans have been quality assured and comments provided to the Regional Housing Managers.

A template for the Homelessness Action Plans has been agreed. Area Homelessness Action Plans produced and quality assured by the homeless policy section. The plans will be updated on a yearly basis.

KPI 8 - Implement the Homelessness Strategy. Process at least 95% of homeless applications within 33 days.

For the year ending 31 March 2014, 99% of homeless applications were processed within 33 days.

99% of homeless applications for the year ending 31 March 2013 have been processed within 33 days.



KPI 10 - Private Sector adaptations. Approve 1,300 Disabled Facilities Grants.

Performance 2013/14

Performance 2012/13

There are over 3,000 live applications in the system, the majority of which will lead to approvals however the target was missed by 123 approvals.

1,177 Grants

1,209

Disabled Facilities Grants are demand led through referrals from the Health Service. Issues which prevent approval times being met are:

- a) Decisions by applicants not to progress their application due to the required financial outlay;
- b) Requested documentation not returned;
- c) Changes to recommendations based on the changing needs of the person with a disability.

KPI 11 - Implement the Traveller Accommodation Programme. Complete the 3rd Traveller accommodation needs assessment by September 2013 and develop accommodation programme as required.

The needs assessment, ie fieldwork, is now complete. The data is currently being validated and a draft report is due by Autumn 2014. The findings will inform and facilitate the development of the future accommodation programme for the Irish Traveller community. The Traveller Consultative Forum has been re-established and a work programme will be developed in the coming year.

The 3rd Traveller accommodation needs assessment was included in NIHE Research Unit's Programme for September 2012 with completion in 2013. The first meeting of the Traveller Needs Assessment Reference Group was held on 17 January 2013. Terms of Reference for the research were agreed. A professional market research team is to be procured to carry out research with an anticipated start date of May 2013.



Objective 3

Building Stronger Communities

Through this objective we helped restore confidence and vibrancy, through the regeneration of communities in both urban and rural areas as well as promoting sustainable development, making our contribution to the Sustainable Development Strategy for Northern Ireland.

Urban Regeneration and Neighbourhood Renewal

The Housing Executive continued to play a key role in fostering urban and rural regeneration through a range of physical and social renewal programmes.

In Belfast we continued to tackle unfit housing through our urban renewal programme in 6 areas with rehabilitation or new build schemes in the Village, Upper New Lodge, Parkside, Queen Victoria Gardens, Lawnbrook and Fortwilliam Parade. Further Vesting Orders became operative in Limestone Road, Torrens and Cupar Street to facilitate social housing.

We allocated £415k Neighbourhood Renewal funding in 16 neighbourhoods through the Small Pockets of Deprivation Programme (SPOD) to support regeneration initiatives and commenced a study to examine the social return on investment through this programme.

We continued to explore funding opportunities to support our regeneration and community involvement activities and commenced a study to develop a new approach to support Social Enterprise and Community Asset Transfer through a Housing Social Enterprise Strategy.

We set up a new Empty Homes Unit to address blight and seek to return these homes back into use. A new web site was launched as a mechanism to report empty homes. The Unit provides advice and support to owners and recorded 165 contacts. A small pilot of 10

properties and potential incentives are being developed to inform the future Empty Homes Strategy.

A new initiative to 'Build Successful Communities' was launched by DSD. We commenced a partnership to address housing related issues in Lower Oldpark, Tigers Bay/ Mountcollyer, Lower Shankill/ Brown Square, Andersontown, Divis Street/Albert Street in Belfast and Doury Road, Ballymena, to enable the growth of successful communities. 26 properties are being refurbished in Lower Oldpark with 16 completed and allocated by Clanmil Housing.

During 2013/14 one Group Repair scheme involving a total of 39 dwellings was completed at the Northwood area in Belfast. This scheme formed part of the programme of area based private sector improvements which was set out in the North Belfast strategy.

Rural Homes & People

Our 'Rural Homes and People' Strategy and Rural Action Plan 2013-2015 ensures that an equitable share of our available resources is channelled towards rural areas, based on analysis of need and monitoring of our activities.

During 2013/14, we have again put an emphasis on the delivery of new social homes in rural areas, and have exceeded the annual target. 15 scheme starts during the year will see the provision of 105 new social housing units across our rural towns and villages. This will add to the 225 units completed during the year, helping to house those in need and to sustain rural communities.

In rural areas demand for housing may be hidden as people sometimes do not register as they feel they will have little chance of being housed. During the year we carried out exercises in 17 locations to determine the need for new social housing as well as examining interest in buying an affordable home through shared ownership - part buy/part rent. In addition a programme of



site identification studies for rural settlements is underway, which includes a focus on those areas where PPS 21 may offer development potential.

We have continued to monitor services to our tenants and most recent statistics show that 93% of rural tenants surveyed are satisfied with the services provided by the Housing Executive.

While new homes regenerate communities, we have also provided direct rural regeneration funding for village plans and projects in 18 rural settlements during 2013/14. This funding is provided in partnership with the Northern Ireland Rural Development Programme and is an example of how different government agencies can work together with rural communities to promote village renewal.

With regard to private owners in rural areas, budgetary constraints in relation to improvement grants have limited our activity in this area. However, given levels of fuel poverty in rural areas (44%), it is important to ensure that rural homes are as energy efficient as possible and in this respect, we can report that the rural target for 'Warm Homes' installations has been met with 40% of 'Warm Homes' installations being delivered in rural areas. In addition, boiler replacements have also been undertaken in rural areas, equating to around 31% of the overall programme. We also organised a Rural Energy seminar in November which informed rural community groups of ways in which they could reduce their expenditure on home heating oil, alongside providing other energy saving advice.

The implementation of our Rural Action Plan is being monitored by the Rural Policy Implementation Panel and an annual progress report is due to be prepared in September 2014.

Environmental Management & Sustainable Development

Our environmental policy is to ensure that all of our activities and decisions make a positive contribution to the Sustainable Development

Strategy for Northern Ireland. Concern for environmental conditions and best use of resources is part of our business strategy. During the year we:

- Maintained an independently certified environmental management system to ISO 14001:2004 standards;
- Remained committed to legal compliance and continual improvement of our environmental management system, particularly around energy efficiency and waste management;
- Provided staff training on sustainable development awareness;
- Developed and maintained targets in keeping with NI Sustainable Development Strategy;
- Applied the reduce, recycle approach to waste streams;
- Prevented pollution of air, land and water;
- Monitored and reported on our contribution to the NI Sustainable Development Strategy;
- Supported initiatives to develop sustainable local communities;
- Offered environmental and sustainability advice to business, community and voluntary sector stakeholder organisations.

In partnership with Sustainable NI, we also completed a Sustainable Audit Matrix for the organisation to assess our performance against the Sustainable Development themes. This matrix assesses the work already done by the Housing Executive by identifying policies, practices and functions where sustainability principles are incorporated. Sustainable NI scored the matrix at 83% which is a measure of the performance and the importance we give to sustainable development. The next stage of this process will be to produce a sustainable action plan aimed at ensuring sustainable development, particularly sustaining communities, is further embedded within the ethos of the organisation.



Objective 3 - Building Stronger Communities

Key Performance Indicators

KPI 12 - Urban regeneration. Support the implementation of local Neighbourhood Renewal action plans in support of DSD's Neighbourhood Renewal Strategy.

Performance 2013/14

The Housing Executive continues to support the DSD's Neighbourhood Renewal Strategy through: the Urban Renewal Programme Delivery of the Neighbourhood Renewal Research Programme and local managers participation in Neighbourhood Renewal partnerships.

Performance 2012/13

We continue to support the DSD's Neighbourhood Renewal Strategy through programmes and local managers' participation in Neighbourhood Renewal Partnerships.

KPI 12 - Urban regeneration. Implement the Urban Renewal programme in 5 areas in Belfast.

Work is progressing for six identified locations as follows:

Lawnbrook Phase 2 - Fold is now on site with the construction of 26 units of social housing.

Lawnbrook Phase 2 - The land has been transferred to Fold Housing Association during March 2013 to facilitate a March 2013 start.

Village - Fold to develop a third phase of social housing. The land transfer completed on the 28/03/14.

Village - Fold Housing Association will develop a third phase of social housing to commence in 2013/14.

Queen Victoria Gardens - Trinity is now on site with the construction of 27 units of social housing.

Queen Victoria Gardens - The land has been transferred to Trinity Housing Association during March 2013 to enable a March 2013 start date.

Parkside: Phase 2: Newington HA has carried out an economic appraisal to determine what action is needed in the area. Redevelopment is the preferred option, Board approval has been granted to transfer 2 properties to facilitate the proposed redevelopment. The scheme has been programmed for 2014/15.

Parkside Phase 2 - Newington Housing Association will carry out an Economic Appraisal to determine what action is needed in the area.

Upper New Lodge: The Vesting Order became operative on the 13th January 2014. The new build development will have 3 phases. Phase 1 for 35 social units is programmed for 2014/15, dependent on a successful decanting and demolition programme.

Upper New Lodge Area - A position statement has been sent to DSD confirming that 11 objections to the vesting application cannot be resolved. The new build development will have 5 phases which will need to be reprogrammed to take account of the operative date of the vesting order when a decision has been reached.

24-54 Fortwilliam Parade: A vesting application was submitted and the vesting order made in August 2014.

Fortwilliam Parade was not included in 2012/13.



KPI 13 - Rural Regeneration. Implement and report on progress against 58 actions in the 2013 - 2015 Rural Action Plan.

Performance 2013/14

Commenced delivery on all 58 actions contained within the 2 year Action Plan. 48 are on target with key progress to date including: A programme of latent demand studies and rural site identification studies is underway; invoices have been received for successful projects in the final round of the 3 year Rural Development Programme match funding, and a rural energy seminar took place in November which examined initiatives which could alleviate fuel poverty in rural areas.

Performance 2012/13

A draft Rural Action Plan was submitted to Board in November. Following consultation the draft Rural Action Plan was resubmitted to CXBC and approved in March 2013 and will be launched early summer.

KPI 13 - Rural Regeneration. Set a rural Social Housing Development programme target and promote and monitor delivery against target.

The target for 95 units has been exceeded; there were 105 rural social housing starts (equating to 8.9% of total general needs starts.

The rural new build target starts was met. The target of 10.3% represents 103 units of the 2012/13 Social Housing Development Programme. There were 118 rural starts during the financial year.

KPI 14 - Small Pockets of Deprivation Programme (SPOD). Deliver the DSD's SPOD Programme to 17 areas in Northern Ireland.

There are now 16 SPOD areas as some amalgamated under one umbrella. Full funding assistance totalling £415,000 was paid out to all SPOD areas in 2013/14. The Social Return on Investment analysis is currently underway with a consultant in conjunction with SPOD Liaison Officer and NIHE Research Department.

Full funding of £415,000 approved by the Board for 2012/13 financial year has been released to the groups.

KPI 18 - Sustainable Development. Contribute to the Sustainable Development Strategy for NI by developing and maintaining an externally accredited environmental management system (EMS).

External accreditation for the EMS was again achieved in January 2014.

Following on from the Sustainable Audit Matrix in 2013, a Sustainable Action Plan is being developed to replace the Sustainability Monitor. It is anticipated that this will be completed in the next financial year with the first monitor produced in October.

Accreditation of ISO 14001 was achieved on the 30th November 2012. Information paper to December CXBC. Continued accreditation of ISO 14001 ensures that all our activities and decisions integrate sustainable development into our strategic goals enabling us to effectively meet both existing and future environmental challenges.



KPI 6 - Empty homes. Implement an Empty Homes Policy designed to bring properties back into use and remove blight from local communities.

Performance 2013/14

The Empty homes Strategy is being implemented and monthly meetings are held with DSD. A pilot to bring 10 ex NIHE houses back into social housing continues and 165 properties have been identified, 23 met the ex NIHE pilot criteria of which 10 are under consideration. A website link and a publicity campaign have been launched. DSD is considering the second version of the business case submitted in December 2013.

Performance 2012/13

The pilot was completed and the report issued to the Minister for Social Development. Recruitment is underway for a designated Empty Homes team which will sit in our Land & Property Section.



Landlord Services





Landlord Services

Landlord Services focuses on the delivery of services to our 89,000 tenants and include the management and maintenance of our housing stock, tenancy issues including rent collection, management of rent arrears, allocations, managing voids and building stronger communities.

Budgetary Management

During the year the Housing Executive declared a number of significant “easements” through the monitoring round process and returned a grant funding to the Department for reallocation to other government programmes. These easements, or in-year underspends, were mainly due to delays in the appointment of contractors for planned maintenance and double glazing schemes as well as problems following a number of response maintenance contractors going into administration. We also generated additional income from garages and commercial property.

Releasing these funds was a difficult decision for the Housing Executive, particularly given the significant investment requirement we have identified for our housing stock. However, we have an obligation to ensure public funds are properly applied and, despite our best efforts, we were unable to progress our intended planned maintenance programme for double glazing and kitchen replacements, and external maintenance work. These schemes will now be carried forward into 2014/15 and delivered under our new planned maintenance contract arrangements.

Housing Investment

Delivery of our programmes and services depends on income from rents, government subsidy and the sale of assets including land and house sales (known as capital receipts).

Capital receipts from the sale of surplus land and, under the ‘right to buy’ scheme, houses to tenants, while depressed because of market conditions and the availability of finance to potential buyers, showed some signs of recovery, with a small increase. However, the overall funding position means we are unable to conduct comprehensive improvement on those Housing Executive properties that require such investment and, instead, we have continued to work with the DSD on a stock transfer programme to housing associations as an alternative means of getting this work done.

OBJECTIVE 1

Delivering Better Homes

During 2013/14 we carried out improvements to our tenants’ homes, increased the thermal efficiency and assisted both tenants and applicants for social housing through allocations of new homes.

Housing Allocations

During the year the Housing Executive and housing associations allocated 8,809 homes.

As part of our ongoing work in relation to housing allocation, we introduced a pilot Choice Based Lettings scheme in January 2014. This scheme focussed on allocations in low demand areas and involved advertising available properties on a weekly basis. Interested applicants then register their interest, after which the property is allocated in accordance with normal Housing Selection Scheme rules. This work will help inform the Fundamental Review of Allocations.



Also during 2013/14, the Housing Executive procured the 'Homeswapper' scheme which is an internet based exchange service that allows tenants to register interest and obtain information on potential exchanges of properties with other tenants. Approximately 1,300 Housing Executive and Housing Association tenants are currently registered on HomeSwapper.

It is anticipated that this may assist in addressing the impact on under-occupying tenants, should bedroom size restrictions be introduced as part of Welfare Reform in Northern Ireland.

Improvements to Housing Executive Homes

Significant progress was made with the heating programme during the year with 5,997 starts delivered against a target of 5,750 and 5,721 completions; in addition schemes were also started to install 7,145 carbon monoxide detectors and 5,695 smoke alarms.

Unfortunately, however, we were unable to go on site with any new schemes during the year for external cyclical maintenance, double glazing and kitchen replacement as the appointment of contractors to deliver these programmes was delayed due to contractual issues. During the year we worked to tackle these issues ensuring we have adequate controls, and more robust contracts and systems in place.

We did however complete existing contracts for external maintenance schemes to a total of 6,441 dwellings, kitchen replacements to 2,482 dwellings and double glazing to 3,673 dwellings. We commenced major adaptation works to 150 dwellings during the year to facilitate our tenants experiencing difficulties through disabilities.

New contracts for the delivery of double glazing and planned maintenance are now let.

Progress was also made with the stock transfer programme. The second pilot scheme for 72 bungalows in Bloomfield estate in Bangor was approved by the Department for Social

Development following an overwhelming vote by the tenants in favour of the transfer proposal; the transfer of the properties to Oaklee Homes Group took place in June 2014.

In July 2013 the Minister for Social Development announced a Stock Transfer Programme which may see some 2,000 dwellings transferred to housing associations in order that comprehensive modernisation works can be undertaken. It was hoped that the transfer process for the first tranche of 702 dwellings in this Programme would have been initiated in 2013/14, but this will now be delayed to 2014/15 as several elements of the stock transfer process were subject to review.

Thermal Efficiency

Fuel poverty remains a major issue for many of our tenants with the main causes being the high cost of fuel prices and low household income. We continued to make progress on improving the energy efficiency in our housing stock to mitigate this. During the year we:

- Carried out 5,721 heating conversions in Housing Executive stock;
- Installed roofspace insulation in 3,039 homes;
- Provided energy advice to over 8,000 tenants through Bryson Energy;
- Carried out a review of our heating policy which is currently being evaluated.
- As a member of the S-IMPLER Partnership, we started work on an innovative project in seven of our properties in Springfarm in Antrim to achieve potential methods of insulating solid wall homes, which are very difficult to heat. Supported by the UK's innovation agency, the Technology Strategy Board, the S-IMPLER Project -Solid Wall Innovative Insulation and Monitoring Processes using Lean Energy Efficient Retrofit - aims to achieve a 60% reduction in monitored energy costs of 1950s solid wall homes.



Objective 1 - Delivering Better Homes

Key Performance Indicators

KPI 1 - NIHE stock maintenance. To start planned external cyclical maintenance work on 3,200 dwellings, start 2,750 kitchen replacements, 5,750 heating installations and 9,000 double glazing starts.

Performance 2013/14	Performance 2012/13
External Cyclical Maintenance	- External Cyclical Maintenance 8,429
Kitchen replacements	- Kitchen replacements 5,449
Heating installations 5,997	Heating installations 4,054
Double glazing	- Double glazing 8,856*

*8,204 carried out under double glazing programme and 652 carried out under ECM work.

Targets for external cyclical maintenance (ECMs), kitchen replacements and double glazing were not achieved due to a continuing delay in appointing contractors. However, during the year there were 6,441 ECM completions and 2,482 kitchen replacements which commenced in the previous year. We are aiming to complete the double glazing target within the 2014/15 Programme for Government timescale.

KPI 4 - Energy efficiency of NIHE stock. Upgrade the energy efficiency of at least 14,800 Housing Executive Properties and analyse 4,800 poor energy performance properties to inform remedial action.

Energy efficiency 6,042	Energy efficiency 4,983
Poor energy performance 5,000	This was not previously identified as a KPI.

The energy efficiency target for NIHE stock, which includes double glazing and insulation work, was not met due to a continuing delay in appointing contractors. We have identified around 5,000 properties termed 'No Fines' with poor energy performance certificates and we are addressing these subject to more research through a pilot scheme -the S-IMPLER Project.

KPI 5 - Provide energy advice to 8,000 NIHE customers through Heatsmart visits.

Provide advice to NIHE tenants through Heatsmart visits. 8,055	Provide advice to NIHE tenants through Heatsmart visits. 8,544
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KPI 26 - Stock Transfer - Develop with DSD, a revised Stock Transfer protocol.

DSD initiated a review of the project in February 2014 which has been completed. The review recommended a revised transfer process. An amended protocol was presented to NIHE Board in July and is with DSD for approval. This was not previously identified as a KPI.

KPI 26 - Initiate Tranche 1 of the Stock Programme.

Pending; awaiting the outcome of the review which may result in a reconfiguration of the Programme, tranches and their timescales. This was not previously identified as a KPI.

KPI 26 - Complete the Bloomfield bungalows stock transfer proposal by March 2014.

Following the tenants' vote in favour of the transfer proposal and DSD approval, work by the Housing Executive and Oaklee Housing on the legal agreement completed, with the transfer taking place at end of June 2014. This was not previously identified as a KPI.



OBJECTIVE 2

Supporting Independent Living

We helped support our tenants with their tenancies and provided adaptations to help those with a disability live more comfortably in their homes.

Adaptations to Homes

During the year we carried out a total of 489 major adaptations which included extensions, lifts and changes of heating, helping our tenants maintain their independence in their own homes. In addition we installed 1,235 showers and over 4,000 other minor adaptations such as handrails and lever taps.

Sustaining Tenancies

Following a successful project in Newry, a new Sustaining Tenancies policy was developed during 2013/14. This sets out how we will support tenants to sustain their tenancies in order to prevent tenancy breakdown. The policy is a shift from reactive work practices in addressing tenancy sustainment towards a focus on proactive methods. Based on this approach, a Sustaining Tenancies programme has been rolled out and is operational across the Housing Executive's South Region. This will be reviewed through the year before extending it province wide.

Objective 2 - Supporting Independent Living

Key Performance Indicators

KPI 9 - NIHE adaptations (public sector). Start heating adaptations to 100 NIHE homes; install 150 lifts; start 200 extensions; and install 800 showers to NIHE homes.

Performance 2013/14		Performance 2012/13	
Heating adaptations	45	Heating adaptations	111
Lifts installed	294	Lifts installed	249
Extensions	150	Extensions	142
Showers installed	1,235	Showers installed	1,346

KPI 9 - Review the accessible housing register (AHR) pilot exercise of 40 Housing Executive/Housing Association properties and develop plans to implement a full AHR across all Housing Executive Regions by September 2013. The development of an AHR will enable the Housing Executive to identify specific properties that may meet the needs of a particular group of applicants on the waiting list, develop comprehensive accessible asset intelligence and make better use of those assets.

The review was completed however plans to implement an accessible housing register have been investigated but will be delayed until a full stock asset survey has been implemented.

This was not previously identified as a KPI.

Adaptations are demand led and while some exceed the targets there has been a continued decrease in the demand for heating adaptations as the major heating programme progresses. Design work was carried out on 277 individual scheme briefs for extensions during the year but there is a high drop-out rate and in addition, delays were caused by contractor and resource issues.



OBJECTIVE 3

Building Stronger Communities

Through this objective we worked with communities to improve community safety and relations and build confidence in our housing estates.

Community Involvement

The Housing Executive recognises the significant benefits it has derived from working with communities in the delivery of its services. During the year we consulted extensively on our review of our strategy for community involvement, which refocuses our partnerships with tenants, leaseholders and residents. We want to ensure we have an effective, active and meaningful partnership in the coming years and longer term future which can be built on and which gives residents a real say in making their neighbourhoods better places in which to live. Our reviewed strategy is due to be published in September 2014.

We continued to work in partnership with external bodies to facilitate the development, training and support of community groups throughout Northern Ireland, most notably with Supporting Communities NI (SCNI). Over the year SCNI staff have delivered a range of accredited training courses including Community Capacity Building and Social Economy to 31 groups (comprising 86 delegates) and individual training for 70 groups (154 delegates), as well as training over 400 digital champions.

We have reinforced our Housing Community Network to engage with tenants, community groups and community champions throughout Northern Ireland. We will continue to develop this network, supporting and providing skills training to participants.

We also worked with specialist groups to develop and support networks to engage with difficult to reach groups in the areas of youth, rural communities, people with disabilities and BME.

We used customer led evaluation of housing services leading to continuous improvement and increased satisfaction, including mystery shopping which was again carried out by community representatives on behalf of the Housing Executive. SCNI has also been coordinating regional consultation with community representatives on social housing reform.

We have continued to support and fund existing community development workers to provide local support and development of communities; we have also enabled community service agreements with community groups to carry out void property inspections and cleaning of low-rise flats on our behalf.

We introduced a Community Grant Scheme to support volunteering, enhance inter agency working and encourage social economy projects, which has proved successful, with oversubscription of interest in some areas.

The Annual Community Conference, the theme of which was volunteering, was held in November 2013, and showcased the important work carried out in our communities on a voluntary basis.

We have continued to liaise with Building Control to regularise the 300+ community lettings which we provide to community groups, providing an engine for improvement and involvement within their estates.

Community Cohesion

In line with the First and Deputy First Minister's 'Together: Building a United Community Strategy (TBUC)' which signalled the continued support for shared housing, the Housing Executive has been working closely with the Department for Social Development to help achieve this Government objective.

TBUC also set an ambitious target to have all peacewalls removed by 2023. The Housing Executive has 20 interface structures and during the year we significantly increased our work with communities which wished to see such structures



altered, adjusted and re-modelled. We provided technical assistance to communities to assist them design and regenerate these areas and we hope in 2015 to begin work to at least two interface structures in Belfast.

We have continued with our re-imagining work across Northern Ireland to help estates become more welcoming to all and supported a number of communities re-image paramilitary murals into less contentious more community focused art works. We supported communities in Ballysally, Coleraine, in inner East Belfast, in Mourneview, Lurgan, in Donegall Pass, South Belfast and in Sliabh Dubh in West Belfast, to name but a few.

We also continued to deliver our BRIC (Building Relations in Communities) programmes, delivering good relations training to over 400 staff and designing and delivering good relations projects and training in 88 estates across NI. This Peace III funded programme has had a major impact in our estates and has complemented the Shared Communities Programme which completes in December 2014, bringing the shared neighbourhoods to 50 estates in total.

All this work was undertaken in the context of a difficult year in terms of community relations and amidst a backdrop of increasing community tensions, with a rise in street disturbances and racist incidents.

Earlier in the year, the Housing Executive was recognised for its work in this area and was the recipient of the Chartered Institute of Housing's inaugural Integrating Communities Award. We remain passionately committed to supporting our communities develop better community relations and will continue to lead out innovative new programmes to support Northern Ireland becoming a stronger and more cohesive society.

Safer Communities

We continued to respond to all reports of anti-social behaviour in a speedy and effective manner through a range of housing management services which are delivered through our network of local

offices. Over the past 12 months, we have received and processed over 3,200 reports of alleged anti-social behaviour. Most of these reports have been resolved through the use of warning letters and follow up visits by local office staff.

Repossession is always a last resort with the Housing Executive having tested other interventions as a means of resolving problems of anti-social behaviour. We have forged a number of partnerships with a wide range of statutory, voluntary and community sector agencies to ensure that our responses not only stop the anti-social behaviour from recurring but also put in place measures to address many of the underlying issues which lead to such behaviour. However, where such interventions fail or are deemed inappropriate, we will not hesitate to use our legal powers to end unacceptable behaviour. During the year 24 properties were repossessed on the grounds of anti-social behaviour.

We work closely with the Department of Justice and continue to partner other agencies and support a number of community safety initiatives throughout the province, aimed at addressing anti-social behaviour issues in our housing areas. During 2013/14, we produced a new updated and comprehensive Community Safety Strategy "Safer Together" which sets out our strategic direction and action plan for the period 2014-17.

In addition to addressing anti-social behaviour head on, we also use mediation and restorative practices. The organisation's external panel of independent, trained mediators provided interventions in 47 neighbour disputes involving more than approximately 100 individuals and families.

Our restorative practice partners, Northern Ireland Alternatives and Community Restorative Justice Ireland, meanwhile, provided mediation and community support in another 200 cases of neighbour disputes, working with several hundred people in the process. This work was funded by the Housing Executive, Atlantic Philanthropies and the PSNI.



Commercial Property

We maintain a commercial portfolio for economic and social reasons. The shops and businesses in our commercial portfolio are an integral part of the development of our housing areas and serve the day to day needs of local residents.

The commercial property portfolio comprises a total of 406 units. 354 are currently let, 4 are within Housing Executive use and 48 units are void (5 of which are pending demolition). The annual rent roll for the portfolio at 31 March 2014 was almost £2m.

The most common lettings are general stores, newsagents, tobacconists and confectioners, hot food outlets, post offices, chemists, butchers and grocery stores. Overall the commercial property portfolio comprises approximately ½ million square feet of lettable space, with an average unit size of approximately 1,000 sq. ft.

In addition we manage 8 telecoms transceiver sites and 7 advertising sites with a joint income of £89,450 per annum.

Leasehold Services

During 2013/14 we managed the service charges, including the calculation of these, for just over 5,800 sold Housing Executive flats and maisonettes. The service charge covers items such as buildings insurance, communal repairs, and communal lighting and allows residents of flats to continue to avail of the services of shared facilities when they move from being a Housing Executive tenant to an owner occupier. In the case of multi storey flats items such as the maintenance of lifts, caretakers and concierge wages are also included in the calculation.

Objective 3 - Building Stronger Communities

Key Performance Indicators

KPI 15 - Community Safety. To develop and implement a new 2013 Community Safety Strategy 'Building a Safer Future' by April 2013.

Performance 2013/14:

The strategy was approved by NIHE Board in February 2014. Implementation was delayed due to landlord restructuring and a change to a two tier delivery process with specialist Area Anti-social Behaviour officers.

Performance 2012/13:

The strategy has been drafted but implementation has been postponed until Autumn 2013 to allow the new Area re-structuring of NIHE offices to be fully implemented.

KPI 15- Community Safety. To respond to all reports of anti-social behaviour in a speedy and effective manner - Register within 3 working days, interview complainant within 5 days with an average of 48 days for investigation and action.

Recording of incidents are now made using a new electronic reporting system, implemented during the year and while testing of reports is continuing, initial results indicate that performance, while variable, overall is good.

The Housing Executive has in place an ASB policy to support ASB local office service delivery within agreed performance standards based on the Housemark benchmarking standards.



KPI 16 - Community Cohesion. Increase support for shared housing among our tenants by developing a further 14 shared communities.

Performance 2013/14:

15 new estates have been brought on to the Shared Neighbourhood programme, exceeding the target.

Performance 2012/13:

Six new areas joined the Shared Communities Programme in year exceeding the target for the programme.

KPI 16 - Community Cohesion. Through the year develop good relations in 50 NIHE estates and support 50 staff to develop good relations objectives within their own area through the BRIC programme.

BRIC is now working across all 88 target NIHE estates and 112 staff have been trained supporting them to develop good relations objectives. A further 331 have also been trained in good relations as part of their business planning days.

During the year 75 staff were trained through BRIC to develop good relations objectives within their areas of work. We also worked in over 30 estates developing good relations plans and delivering good relations training to community representatives.

KPI 17 - Community Involvement. Carry out a strategic review of community participation and implement outcomes by September 2013.

The review is complete however, we were requested to extend the consultation period which was facilitated, and which ended on 14 February 2014. The final document was presented to the Business Committee in July 2014.

The review was completed. Outcomes to be delivered in April 2013 as part of the Strategic Review of Community Participation.

KPI 17 - Community Involvement. Carry out a strategic review of community participation and implement outcomes in the delivery of housing services and policy formulation by September 2013.

Area managers are working closely with Supporting Communities NI to develop tenant scrutiny panels and inter-agency working groups. There will be further outcomes following approval by the Business Committee in July 2014, as above.

Five pilots were identified and in four of the cases their outcomes have been mainstreamed into existing and future policy. Proposals to be presented as part of the Community Participations Strategic Review in April (CPSR) 2013.

KPI 17 - Community Involvement. Promote social economy and volunteering projects in each of the 12 areas.

Supporting Communities NI is currently in the process of identifying projects and a recently launched grants scheme is being promoted by area offices.

This was not previously identified as a KPI.

KPI 17 - Community Involvement. Build community confidence and capacity, encouraging greater access to on-line services for tenants without internet access, through community groups.

Various levels of training courses have been established. The representatives of the Tenant Scrutiny Panels and inter-agency working groups will have the opportunity to avail of them over the coming year.

Skills gaps will be identified and proposals for implementing necessary training programmes will form part of the implementation plan following the Community Participation Strategic Review in April (CPSR) as above.



OBJECTIVE 4

Delivering Quality Services

We focused on increasing efficiency, improving customer satisfaction and maximising the contribution of our staff to deliver the best possible services.

Customer Satisfaction

Our Landlord Services Division holds the Customer Service Excellence standard and has done since September 2008, demonstrating our commitment to continuous customer service improvement. We monitor services to our tenants through our annual Continuous Tenant Omnibus Survey, the most recent of which (2013) was published in June 2014. This indicated that 89% of our customers expressed satisfaction with our overall service compared to 88% the previous year. In relation to the repairs service, 81% of all tenants who had reported a repair were satisfied with the repairs service overall, compared to 79% the previous year.

Business Improvement

In benchmarking our core activities two comparisons were carried out for the year 2012/13. The first was against 317 UK housing organisations of all sizes and the second against similarly large stock holding social landlords (with a minimum stock size of 20,000 units). Out of 32 measures completed the Housing Executive was in first or second quartile for 21 (66%). This was an improvement from the previous year when the figure was 50%.

There were reductions in vacant stock, improvements in relet times and improved customer satisfaction figures in a number of areas including quality of homes, neighbourhood as a place to live, tenant views listened to and acted upon, and overall service.

Completion times for repairs increased. The move to new contracts during the course of the year created delays in completions as contractors familiarised themselves with new requirements. In addition a number of contractors went

into administration adversely impacting upon completion of repairs within target times.

Response Maintenance

We deliver our response maintenance service to our housing stock of over 88,000 through 26 contracts. During the year we dealt with 436,836 requests for repairs. This year we continued to measure our contractors' performance focusing on customer satisfaction as well as more robust inspections of work carried out. Performance was exceeded in seven out of eight of our targets. Indeed, 99% of customers expressed satisfaction with contractors' service and quality of work.

During the year, two contractors for eight of our contracts went into administration which regrettably impacted on our ability to respond to those repair requests as quickly as our tenants and, indeed, we would expect. Backup arrangements were put in place to minimise disruption to the service and we have been working to ensure permanent arrangements.

Direct Labour Organisation

Our Direct Labour Organisation (DLO) provided response maintenance repairs, grounds maintenance and void property steel up services along with a ten year electrical inspection and testing service from two main depots in Belfast and Coleraine with an approximate workforce of 185.

Following difficulties experienced by our contractor for West Belfast, DLO took on the contract in April 2013 with 43 staff transferring to DLO under the TUPE regulations. Following additional contractual difficulties in another 7 contracts, DLO further upgraded its operation, employing an extra 172 staff who transferred under TUPE regulations to provide a continuous response maintenance service to affected districts.

DLO currently employs a total 450 staff (including agency staff) and forecasts a 2014/15 turnover of around £20m. It is now based in all three regions and provides an All Trades response maintenance service to West, North and South Belfast areas, Coleraine and Lurgan/Portadown.



Due to the rapid expansion of DLO a new committee has been set up by the Board to advise and monitor performance.

Income Collection

Improving rental collection and helping tenants avoid having to face the terrible impact of housing debt is of utmost priority to the Housing Executive. Our tenants are some of the most economically challenged in our society and it is vital we do all we can to prevent arrears accumulating and to assist those we serve to come to a suitable repayment method that ensures families continue to enjoy their homes and not have to face the potential of their homes being re-possessed.

The collection of rent and rates was a key focus for the organisation and during the year 99.92% of rent and rates charges were collected by our seven dedicated Accounts Units throughout the province. The total rent and rates income collected from domestic properties and garages during the year, less advance refunds, was £319.287m.

- At the 6th April 2014 the total rent and rates debt was reduced to £13.712m, a decrease of £892k over the year.
- Current tenant arrears for dwellings and garages reduced by £600k to £10.63m.
- The number of current debtors also reduced by 1,550 to 24,700.
- Former tenant arrears also reduced throughout the year by £292k with the value of this debt totalling £3.082m.

The performance on income collection during the year has been good and this is set against a continued backdrop of harsh economic conditions. To attain these results, staff involved in income collection have focused on early intervention and a number of pilots are on-going with new tenants.

We continue to promote and offer specialist money advice referrals to the Debt Action NI project to assist with maintaining rental payments and help in dealing with multiple debts. In addition, we continued to actively participate

in the Northern Ireland Financial Capability Partnership, working with the Consumer Council and other partners to promote support services to our tenants and customers who are particularly vulnerable due to their low levels of income and benefit dependency. We participated in local money advice events and published with partners a new Money Worries, Practical Advice booklet. An information video was also developed, 'Debt Matters', with the Youth Forum and this available on You Tube and a number of partners' websites.

However, despite these successes, there was an increase in the number of repossessions with 23 more than the previous year. A total of 75 properties had to be repossessed during the year because of significant debt levels. While repossession is viewed as a last resort, unfortunately it proves necessary when tenants do not recognise the importance of maintaining rent payments and addressing their rent arrears at the earliest possible time. It is vital therefore that tenants and the Housing Executive act immediately a debt accrues in order to take prompt and appropriate action to prevent the potential of repossession action becoming necessary.

Tenancy Fraud

Housing tenancy fraud is the use of social housing by someone who is not entitled to it.

During 2013/14, the Housing Executive developed and commenced implementation of its tenancy fraud strategy. This provides a framework for the prevention, detection and pursuance of cases of suspected tenancy fraud within the Housing Executive's housing stock. The overall aim of the Tenancy Fraud Strategy is to provide preventative measures which will minimise tenancy misuse and fraud and enable the recovery of any properties that are unlawfully occupied, therefore, maximising appropriate use of our limited housing stock. During the year we trained our staff on how to detect and deal with all instances of tenancy fraud and we rolled out general publicity through our website, our tenants' magazine, Housing News, newsheets, leaflets and posters.



Objective 4 - Delivering Quality Services

Key Performance Indicators

KPI 19 - Management of rental income. Reduce total arrears from March 2013 figure of £14,604,000. (2013/14 target was £13,988,000).

Performance 2013/14

Arrears reduced by £891,000, exceeding target.

Performance 2012/13

Arrears increased by £616,000 above the 2013 target.

KPI 19 - Management of rental income. Strive to achieve 99.6% of *net collectable income, excluding arrears brought forward.

99.92% of income collected, exceeding target.

This was not previously identified as a KPI.

**Net collectable income is defined as gross collectable rent and rates income for domestic dwellings and detached garages less voids and abatements, excluding debt carried forward.*

KPI 20 - Manage stock. Relet properties that are not low demand within 25 calendar days.

The year to date average was 29 days and is partly a consequence of contractor issues. New contracts were awarded during the year and performance has improved with an average of 20 days recorded for the month of March 2014.

Performance was an average of 43 days. During the year it was forecast that this target would not be met due to some contract times for change of tenancy repairs. Targets and contract times are being examined.

KPI 20 - Manage stock. *Actionable void properties should not exceed 1% of total stock. Stock at 31 March 2014 = 88,599.

At March 2014 there were 702 lettable void properties.

At March 2013 there were 769 lettable void properties (0.87% of the housing stock).

**Actionable void properties excludes any empty properties held for decant, demolition, sale, stock transfer or major improvements.*

KPI 20 (KPI 1) - Response maintenance. Note - The year commenced with 26 contracts, eight of which went into administration during the course of the year. A variety of backup arrangements were put in place to minimise disruption to the service. We are working to ensure permanent arrangements are in place for the remainder of the contract period.

Quality of service satisfaction with appointment service. Contractors are required to make and keep appointments for a minimum of 90% of all job requests issued to the Contractor which are classified as routine. Target > or = 90%.

The performance for 18 contracts was 94.9%, exceeding the 90% target.

Different measurements for 2012/13. See note at the end of the response maintenance section.

KPI 20 (KPI 2) - Response maintenance. Quality of service/ inspection failures - measures the level of Job requests which fail inspection for poor workmanship/ materials; work not done. Target > or = 90%.

The performance for 18 contracts was 94.9%, exceeding the 90% target.

Different measurements for 2012/13. See note at the end of the response maintenance section.



KPI 20 (KPI 3) - Response maintenance. Cost predictability/ inspection findings - reduce the incidence of occurrence of job requests which fail inspection and to promote a high level of accuracy by the Contractor. Target > or = 90%.

Performance 2013/14

The performance for 18 contracts was 90.9%, exceeding the 90% target.

Performance 2012/13

Different measurements for 2012/13. See note at the end of the response maintenance section.

KPI 20 (KPI 4) - Response maintenance. Time predictability/defect resolution - measures contractor performance in resolving job requests which fail inspection within five working days. Target > or = 90%.

The performance for 18 contracts was 94.3%, exceeding the 90% target.

Different measurements for 2012/13. See note at the end of the response maintenance section.

KPI 20 (KPI 5) - Response maintenance. Jobs completed within contractor target date - measures the contractors' performance in carrying out job requests within the response time. Target > or = 90%.

The performance for 18 contracts was 92.8%, exceeding the 90% target.

Different measurements for 2012/13. See note at the end of the response maintenance section.

KPI 20 (KPI 6) - Response maintenance. Time predictability - job requests completion date reported promptly. Target > or = 90%.

The performance for 18 contracts was below target at 87.6%.

Different measurements for 2012/13. See note at the end of the response maintenance section.

KPI 20 (KPI 7) - Response maintenance. Customer satisfaction - Service of contractor and quality of work. Target > or = 90%.

The performance for 18 contracts exceeded the target at 99.0%.

Different measurements for 2012/13. See note at the end of the response maintenance section.

KPI 20 (KPI 8) - Response maintenance. Customer satisfaction - CSU reported service failure. Target > or = 90%.

The performance for 18 contracts exceeded the target at 95.3%.

Different measurements for 2012/13. See note at the end of the response maintenance section.

**Note: There was a move to a new form of contracts in the 2013/14 business year which involved a new set of performance indicators as shown in KPIs 1-8 in the table.*

Response maintenance targets and performance 2012/13:

- *The response maintenance targets for 2012/13 were to complete for each classification, 90% of emergency, urgent and routine repairs within the agreed timescales of 24 hours, 4 days and 4 weeks respectively. Performance was:*
- *96% of emergency repairs were completed on time;*
- *95% of urgent repairs were completed on time;*
- *90.8% of routine repairs were completed on time;*
- *Satisfaction with repairs service 79%. This was an increase of 5 percentage points on last year's results. Generally satisfaction with repairs has continued to increase during 2012/13. The most recent data in the 6 months to end March 2013 indicates an average of 98.7% customer satisfaction.*



KPI 22 - Customers. Improve customer satisfaction with the overall service at 85% or above; Improve customer satisfaction with repairs completed in the last 12 months at 85% or above.

Performance 2013/14

The Continuous Tenant Omnibus Survey 2013 indicated satisfaction with overall service was 89%.

The Continuous Tenant Omnibus Survey 2013 indicated satisfaction with repairs service 81% and while below target, generally satisfaction with repairs has improved.

Performance 2012/13

Satisfaction with overall service was 88%.

Satisfaction with repairs service 79%. This was an increase of 5 percentage points on last year's results. Generally satisfaction with repairs has continued to increase during 2012.

KPI 22 - Customers. Financial inclusion - to make 600 debt advice service referrals.

There were 1,015 referrals made of which there were 233 acceptances and 782 refusals.

This was not previously identified as a KPI.

KPI 22 - Customers. Provide appropriate and targeted information and advice regarding Welfare Reform to affected households.

Welfare Reform was not introduced during this financial year. When it is, the appropriate information will be provided.

This was not previously identified as a KPI.

KPI 22 - Customers. Prompt payment of invoices, 90% of payments within 10 days.

92.1% of Landlord Services invoices were paid within 10 days (419,688).

This was not previously identified as a KPI.

KPI 25 - Strive to be a top quartile provider in landlord services. Develop and monitor an improvement plan to improve results within the top two quartiles of Housemark.

Performance has been monitored and there are improvements in a number of areas. Achieved 2nd quartile performance for arrears as a % of collectable income, for reducing current arrears and for the number of vacant properties.

This was not previously identified as a KPI.

Achieved 1st quartile performance for % of rent collected excluding arrears brought forward.



Support Services





Support Services

Support Services include Finance and Corporate Services which provide the necessary support services to underpin Regional and Landlord Services.

Finance Services provide corporate accounting, financial support, counter fraud & security and Housing Benefit services.

Corporate Services include human resources, IT, legal services, facilities management, internal audit, corporate assurance, procurement, secretarial and communication services.

Budgetary Management

The net overall budgetary outturn for the year was £248.5m, including expenditure of £8.8m for Corporation Tax liabilities. Given the funding allocation of £230.9m, both from capital receipts and DSD General Grant, there was an overspend of some £18 million, which is within the tolerance agreed with DSD. During the year the Housing Executive declared a number of "easements" through the monitoring round process and returned a significant value of grant funding to the Department for reallocation to other government programmes. These easements, or in-year underspends, were mainly due to delays in the appointment of contractors for planned maintenance and double glazing schemes as well as problems following a number of response maintenance contractors going into administration. Other factors also contributed. We had budgeted for the implementation of welfare reform proposals and the development of a social enterprise scheme, both of which were delayed. There was also slippage in the social housing development programme in relation to a number of supported living schemes and additional income generated from garages and commercial property.

We are also required to meet ongoing efficiency

targets, one of which is a year-on-year reduction of 5% in our staffing costs over the 5 years of the Comprehensive Spending Review 2011 – 2015.

Tackling Fraud

The Housing Executive's Counter Fraud Unit has an overarching responsibility for the investigation of all fraud and related offences.

It has a zero tolerance approach and is committed to fighting fraud and dishonesty in all business areas of the organisation.

Considerable work was carried out during the year to limit the organisation's exposure to fraud and minimise financial loss or reputational damage, through encouraging an anti-fraud culture, delivering fraud awareness training, reviewing fraud policy and response, and maintaining associated risk registers.

Reform of Social Housing

During the year we worked with our colleagues in the Department for Social Development to take forward the proposals for the reform of social housing announced by the Minister last year. We want to ensure that the values that have underpinned the work of the Housing Executive for more than 40 years are preserved and in preparing for the changes, we continue to deliver high quality, value for money services that our customers require.

We also want to ensure that our tenants, services users, key partners and staff are at the heart of shaping the Reform discussion to make sure any potential changes deliver the very best for housing in Northern Ireland.

The Department for Social Development is currently working to develop and appraise options to progress social housing reform with a view to making recommendations on the preferred



options to the Northern Ireland Assembly. The Housing Executive continues to work in partnership with the Department to explore these future options and opportunities. All potential options are being considered and appraised and may include the separation of the Housing Executive's regional and landlord roles with both remaining in the public sector, the establishment of new bodies outwith the public sector or the partial transfer of some of the Housing Executive's responsibilities. Taking this into account we have presented two discussion papers to DSD on a regional body and the landlord function to inform the debate on the social housing reform process. Both papers recognise the need for change.

Working closely with the Department for Social Development, we want to ensure any resultant structural changes are fit for purpose and protect the interests of our tenants, communities, staff and key partners now and in the future.

Business Improvement

We are determined that 2014 is our year to start getting back on top in everything that we do, with a strong Regional Services which enables housing led regeneration and increases the new supply of housing across Northern Ireland; and our landlord services (the UK's biggest social landlord) which invests in our homes within current financial constraints and delivers great services for our customers.

At the beginning of 2014, we embarked on a programme to improve all aspects of our business - Our Journey to Excellence.

The vision for our Journey to Excellence programme is to ensure that we deliver top class regeneration and housing solutions, meeting the needs of our customers, communities and partners now and in the future, providing value for money, delivered by high performing, skilled and motivated staff across the organisation.

The priorities for the transformation programme will be the achievement of:

- Customer excellence to ensure we provide customers with what they want and need constantly and consistently, exceeding their expectations;
- Business excellence to ensure we make best use of available resources so services and rents are kept affordable and capacity is created to reinvest savings to improve services;
- People excellence in terms of how the organisation will recruit, develop, support and retain the best people to achieve our vision and objectives.

The Journey to Excellence programme aims to ensure consistent approaches to business, customer and people excellence, whilst still allowing distinct focus on our strategic Regional Service enabling and Landlord Service delivery roles.

Staff, our customers and partners will play a key role in the major business review programmes planned over the coming months and years of the Programme in order to improve the quality of service, our performance and achieve greater value for money for customers and citizens.

A key priority in delivering business excellence will be the application of systems thinking to improve our business and redesign our services to deliver optimum effectiveness and efficiency and joined up services to customers. Working closely with customers, the systems reviews will consider all aspects of our customer journey from housing application to tenancy cessation. The first major reviews are due to commence in the Spring 2014 and will ensure we have the expertise over future years of the programme to expand and sustain business improvement across all business areas, working closely with customers to deliver excellent services.

Although distinct and different from the Social Housing Reform Programme (SHRP), the Journey to Excellence programme will also be essential to getting our organisation 'in shape' and ready to take full advantage of the challenges and



opportunities that the SHRP may provide, should the Northern Ireland Assembly support any future changes in structures.

This involves major change for the organisation and aims to deliver excellence across three key themes - Business, Customer and People. The first stage has been achieved with internal restructuring to strengthen our management and controls in key areas of our business, bringing clarity and focus between our landlord and strategic regional housing functions. This will help us prepare for the eventual separation of the landlord and regional services under the social housing reform proposals.

The Journey to Excellence programme which received Board approval at the end of January 2014 was launched in February through a series of leadership and staff forums.

Structure Review

Our new structure from 2 January 2014 is based on five Divisions:

Core Services

- Regional Services responsible for social housing development, Supporting People and homelessness, research and market intelligence, strategic planning, private sector grants and land & strategic regeneration.
- Landlord Services responsible for housing management and services, community engagement, asset management and Direct Labour Organisation.

Support Services

- Corporate Services responsible for human resources, procurement, communications, legal services, corporate assurance, internal audit, and IT.
- Finance Services responsible for corporate accounting, financial support services, counter fraud and security and Housing Benefit.
- Transformation Division responsible for

transformation, business improvement, social housing reform programme, efficiency services and portfolio programme project.

Equality

Our new Equality Scheme was approved by the Equality Commission and we have begun implementing key actions including the new policy screening methodology and the application of a standardised consultation toolkit.

During the year we continued to liaise and consult with our partners in the Consultative Forum on Equality, the Disability Forum, the Black and Minority Ethnic Forum, and the Community Involvement framework.

We continued to examine how we communicate with our customers in an increasingly diverse community and provided services in over 30 languages with almost 3,500 individual requests for linguistic or sensory disability support. We also provided communication support training to staff.

Our equality monitoring systems have been improved with increased response rates allowing us to refine our understanding of how our services impact on our customers. We make this information available for others to use and regularly provide a range of complex information to public representatives.

Our work in relation to children and young people was centred mainly on safeguarding policy and delivering training to 2,100 staff. We have also begun implementing our Safeguard Vulnerable Adults policy with 30 training sessions to date covering almost 900 staff. In addition we introduced a new policy development training programme for managers.

Personal Data

We have security systems in place to ensure the protection of all personal data which we hold. There were no security incidents recorded involving the loss of personal data during the year. In July 2014 an incident occurred which is reported in the Governance Statement.



OBJECTIVE 4

DELIVERING QUALITY SERVICES

During the year we focused on increasing efficiency, improving customer satisfaction and maximising the contribution of staff to deliver the best possible services.

Housing Benefit Administration

At the end of March 2014 we were paying Housing Benefit to 165,665 claimants broken down as follows:

NIHE tenants	67,912
Housing Association tenants	26,456
Private Rented Sector tenants	71,297

Over the course of the year we paid out £656.78m in Housing Benefit, assessed 74,487 new claims and dealt with 383,784 changes to existing claims. New claims were processed on average within 23 days of receipt of the claim, while changes in circumstances were made on average in less than seven days of notification.

Additional financial assistance was also delivered to 17,712 private sector claimants through the Discretionary Housing Payment scheme with awards totalling £3.34m being made over the course of the year.

Further help with rates charges was also provided through the Rate Relief and Lone Pensioner Allowance schemes to tenants in the Housing Executive, the housing associations and the private rented sector. During 2013/14 a total of £3.05m, (excludes administration costs), was awarded in Rate Relief where the caseload stood at 21,570 at the end of March 2014, while a further £0.57m (excludes administration costs), was paid out to 4,273 claimants for Lone Pensioner Allowance.

During the year we worked closely with the Department for Social Development in assessing the impact of the proposals for Welfare Reform on Housing Benefit claimants. We have also

maintained our focus on the prevention and detection of fraud and error in the Housing Benefit system. During the year 28 claimants were prosecuted for benefit fraud and we recovered over £15m of overpaid Housing Benefit.

Complaints

We are committed to providing a high quality customer service and have a formal complaints scheme for when a customer is unhappy with the service they have received. Details of our Complaints Procedure are on our website and complaints may be made by telephone, email or in writing. During the year we dealt with 328 complaints, carrying out detailed investigations and addressing any issues raised. Performance on complaints is reported to our Business Committee and annually to the Board.

Customer Service

The website continues to be a primary means of communication with tenants and stakeholders, with 1.3m visits this year - a 35% increase from last year. Our mobile version of the site, which was launched in 2012, has seen a particularly sharp increase in traffic, more than doubling from last year and now accounting for over 30% of all visits to the site.

We are continually looking for ways to make it easier for people to do business with us online and last year 18,000 people used our online payment facility, over 90,000 people looked up advice about Housing Benefit and over 70,000 came to us for help with private renting, while over 60,000 got advice on the Boiler Replacement Allowance. New forms make it easier for people to report fraud, make a complaint or give us feedback.

Our social media channels are also becoming increasingly popular, with over 1,500 Facebook fans and almost 2,000 Twitter followers. We are constantly looking at ways to engage with our tenants online and encourage them to go digital first. In 2013 we won the Chartered Institute



of Housing (NI) Excellence in Customer Service Award for our online communication and we aim to build on that success in the coming year.

Human Resources

Our people strategy sets out the strategic context for our personnel and development policies and is aimed at supporting staff in the achievement of organisational objectives. During the year, we undertook a re-structuring of the divisions which required the recruitment of a new Director of Corporate Services; and support for all the Directors, and their staff, in forming the new Divisional groupings.

A major focus this year was on the implementation of a new Payroll System and Pension Auto Enrolment for our staff. We have continued to work closely with the recognised Trade Unions in reviewing and developing our key policies including this year - policy on redeployment, and implementing and communicating a revised policy on whistleblowing.

An in-year bid for additional monies for salaries, to cover Housing Benefit staffing, governance and restructuring payments was successful; and this allowed the organisation to remain within its agreed, albeit revised salary budget.

The Housing Executive currently has a high level of temporary resources covering pressures within Landlord Services, Asset Management and Housing Benefit. This is in large part due to the management of vacancies in light of the anticipated phased reduction in Housing Benefit staffing in line with the Universal Credit Programme.

The workforce plan 2014/15 has identified this as a key theme to be addressed in the coming year. Given the uncertain timescale around the Universal Credit Programme we will be endeavouring to reduce the current reliance on temporary resources, through making permanent appointments and through use of Fixed Term Contracts (for 3/4 years), consistent with ensuring

that we can meet the redeployment needs of our permanent staff currently working in the Housing Benefit function.

Sickness Absence

The estimated level of absence over the year was 12.8 days. This represents a decrease in the level of absence from 13.8 days for 2012/13. However, it was above the target we had set for ourselves, 10.8 days, which was the unmet target for the previous two years and which we retained as our objective. We reviewed our policy on absence during the year; and, will be undertaking a programme of work including training for managers, improved absence management information and complementary policies to promote the health and wellbeing of our staff, with the aim of reducing the level of absence.

Learning & Development

We continue to place a strong emphasis on providing learning and development opportunities for our staff. In all, 7,394 participants undertook a range of corporate, functional and generic programmes, including towards the end of the year, attending a number of events associated with the Housing Executive's Journey to Excellence Programme.



Objective 4 - Delivering Quality Services

Key Performance Indicators

KPI 21 - Housing Benefit. Process new Housing Benefit claims within an average 25 days.

Performance 2013/14			Performance 2012/13		
	Target	Actual		Target	Actual
Overall	25	21.25	Overall	25	24.40

KPI 21 - Housing Benefit. Process changes of circumstances within an average of 8 days.

Performance 2013/14			Performance 2012/13		
	Target	Actual		Target	Actual
Overall	8	4.94	Overall	8	9.1

KPI 21 - Housing Benefit. Ensure an accuracy rate of 97.5% for Housing Benefit assessments.

The performance at the year-end was 96.8%. The continuing complexity of the HB regulations, coupled with increasing workload and staffing issues have contributed to an accuracy level below the target rate. HB Policy Unit is considering ways to improve the manpower situation while individual Service Centre Managers will be reviewing causes of error and any training needs within their offices.

The performance at the end of the year was 98%. During the year it was agreed with DSD to measure the level of financial inaccuracy rather than number of cases.

KPI 21 - Housing Benefit. Recover at least £13m of overpayments.

£15,045k was recovered during the year, exceeding the target.

£13,922k was recovered during the year exceeding the target.

KPI 21 - Housing Benefit. Improve and sustain the achieved level of fraud and error (2.6%) of annual benefit expenditure.

The target for the estimated level of HB Fraud and Error had not been set by DSD at the start of the year. At the quarterly performance meeting between NIHE and DSD held on 11 April 2014 it was agreed that the target should have been set at a 10% reduction on the outturn figure for 2012/13 (4.5%) giving a target performance level of 4.1%. The actual outturn for 2013/14 was 4.2%.

Performance for year-end was 4.5% at the end of December 2012. Results are being analysed and will be submitted to senior management and the Audit Committee.

KPI 22 - Customers. Reply to 90% of complaints within 15 days.

Performance was 68%. Priority was given to more detailed investigations of complaints to ensure that all issues were fully addressed rather than completing within timescale. Targets will be reviewed.

Performance was 70%.



KPI 22 - Customers. Meet and brief the Housing Council on a monthly basis.

Performance 2013/14

The NIHE briefs the Housing Council on a monthly basis and this is on-going.

Performance 2012/13

Meetings with the Housing Council took place on schedule. Completed and ongoing.

KPI 22 - Customers. Update the Corporate Procurement Programme to the Board and implement.

The Corporate Procurement Strategy has now been updated following the recent Centre for Procurement Expertise re-accreditation exercise. In addition the Works Procurement Board is to be re-constituted as the Procurement Governance Board with new Terms of Reference.

An update report was provided to Board in March on major procurement activities for the year.

KPI 22 - Customers. Prompt payment of invoices, 90% to be paid within 10 days.

The target was not met at 18.1% for regional services, although in the organisation overall, 86% of invoices were paid within 10 days. There is an ongoing programme of work to streamline and standardise this complex workflow.

This was not previously identified as a KPI.

KPI 23 - Staff/Resources. Review and update the manpower plan by April 2013 to reflect organisational developments.

The manpower/ workforce plan was submitted to the Board in July following discussion with DSD on the salary budget. A bid for additional staffing requirements to cover HB, Governance and restructuring projects was made which has allowed the organisation to remain within its revised salary budget allocation.

The manpower plan was approved by the Board in April 2012. Salary budget as part of the Plan was agreed with DSD and was challenging in terms of meeting resourcing needs while achieving efficiency savings. The Salary budget is subject to regular monitoring to achieve the necessary savings. Additional money was received during the year.

KPI 23 - Maximise staff availability/attendance target of 10.8 days.

The target was not met with an estimated outturn of 12.8 days. We have reviewed policy on absence and have established a Project within the HR Programme to improve absence management processes.

The target was not met with an outturn of 13.8 days. Absence levels have reduced consistently for past 3 years but have seen a significant increase in this financial year. The breakdown is approximately 60% long term, 40% short term. A review of current trends and actions will be undertaken.

KPI 23 - Update and implement the People Strategy by April 2013.

The People Strategy was approved by the Board in July along with the Workforce Plan.

Board approved Strategy in May 2012. Agreement reached on voluntary early retirement posts and restructuring of regions and areas. A revised Code of Conduct was introduced and specific policy reviews have been carried out.



KPI 23 - Develop and implement a Learning and Development Strategy to underpin the investment in our staff by April 2013.

Performance 2013/14

The Learning and Development Strategy was approved by the Board in July 2013.

Performance 2012/13

A Learning and Development Strategy was approved by the Board in May 2012. Work continued in developing the new approach to e-learning and Learning Management. An accredited training programme for Maintenance Officers commenced in October and evaluation of the programme is positive. Governance training for staff at Level 2-4 has been carried out and will complete in the next quarter.

KPI 24 - IT Services. Develop a technology strategy that aims to provide the infrastructure and technical solutions to help improve communications and collaborative working, and to support the practice and management of agile working.

During the course of 2013/2014 a number of important technology 'building blocks' have been put in place as a foundation for improving communications and collaborative working, and supporting the practice and management of agile working through a mixture of upgrades, new technologies and some successful 'pilot' projects. Details of projects are available on request.

This was not previously identified as a KPI.



Risk Management

The responsibility for ensuring that a robust and effective risk management framework is embedded and consistently complied within the Housing Executive is the responsibility of every Housing Executive employee and is overseen by the Corporate Assurance Unit (CAU).

Providing strategic leadership, direction and advice on the implementation of risk management, CAU ensures that key risks are identified in the Corporate Risk Register and are appropriately managed and reported to the Board, and the Audit and Risk Assurance Committee internally and externally to the Department for Social Development every three months.

CAU where appropriate, works with management to address gaps in control and to develop actions to manage key risks. CAU reports on the management arrangements in place to manage the key corporate risks, and will ensure risk management processes are consistently applied throughout the organisation.

Our Risk Management strategy describes the processes that the Housing Executive has put in place to manage risks. This is subject to continuous review to ensure that it remains up to date and reflects best practice in the field of risk management. A formal review is carried out annually to reflect the significant changes to the risk management process and compliance with the current requirements of corporate governance.

During the year we ensured the key risks to the organisation were identified and managed. Our full report is detailed in our Governance Statement in the Directors' Report in our Annual Accounts.

The key corporate risks identified by the Board for inclusion in the Corporate Register in 2013/14 are as follows:

1 Political Support

Failure to build effective political and key stakeholder relationships leading to lack of support/confidence/political distrust and reputational damage.

2 Social Housing Reform Programme (SHRP)

Inability to achieve buy in from Board, staff, and tenants to achieve delivery of the SHRP leading to confusion, reputational damage and service disruption.

3 Management of Allocated Funding

Failure to utilise and manage allocated funding effectively.

4 Procurement

NIHE does not have effective procurement.

5 Contract Management

Failure to effectively manage NIHE contracts leading to:

- poor VFM
- poor quality work
- overpayments

6 Welfare Reform

Fail to effectively manage impact of Welfare Reform leading to:

- reputational damage
- reduction in quality of service
- tenant distress
- financial loss

7 Health & Safety

Failure to protect the Health and Safety (H&S) of tenants, employees and others and ensure compliance with H&S regulations leads to death or serious injury.

8 Housing Benefit

Failure to deliver a Housing Benefit service.



Corporate Assurance

During 2013/14 the Housing Executive further reviewed and embedded the corporate assurance process whereby the Chief Executive, Directors and Assistant Directors sign-off assurance statements for their area of responsibility. This 'assurance chain' is underpinned with the revised risk management processes. This facilitates the production of the Accounting Officer's Stewardship Statement to DSD on a quarterly basis.

Our Commitment

An Investor in People organisation since 1997, we are committed to providing the best possible services to our customers in a professional manner. Our Landlord Services Division holds the Customer Service Excellence standard and has done since September 2008, demonstrating our commitment to continuous customer service improvement.

We are now fully committed to ensuring the Housing Executive regains the confidence of all our stakeholders as a housing body which provides the highest quality services to all our tenants and customers. We believe that 2014 marks a turning point for the Housing Executive. In the coming year we will introduce new business excellence strategies to guide us on our 'Journey to Excellence', ensuring we get back on top in everything that we do, delivering top quality services which provide value for money.

We will work closely with staff, our customers and partners preparing and shaping for a future that lets us best deliver on the housing needs of our citizens and ensuring we meet our responsibilities to all our customers and partners in an effective and efficient way.

During the year we worked closely with the Minister, Nelson McCausland MLA, officials within the Department for Social Development and our colleagues in the housing association movement.

We also worked with members of the Northern Ireland Housing Council, many people in the statutory and voluntary sectors and all the political and community representatives who play an active role in housing issues and whose contributions are invaluable.

The performance detailed throughout this management commentary has been delivered against a background of change for many of our staff as they took on new roles and responsibilities. The future for our organisation is about embracing change and ensuring that we as an organisation meet that change effectively and efficiently.

The achievements carried out over the year highlight the hard work and dedication of staff throughout the organisation and I know our staff are committed to delivering excellent housing services. I would like to thank them for their continued commitment and professionalism. Our Journey to Excellence programme will be a key element of our business in the future.

Mags Lightbody
Acting Chief Executive

Date: 3 September 2014



Key Performance Validation Certificate

Under Managing Public Money Northern Ireland (MPMNI) rules the Chief Executive has prime responsibility for the achievement of performance targets agreed with the Department for Social Development and that suitable systems are in place to provide reliable information on performance against those targets.

Internal Audit is responsible for assessing the adequacy and effectiveness of controls within these systems and validating actual performance.

Opinion

Based on the sample validation testing carried out, Internal Audit is content to conclude that the 2013/14 KPIs have been calculated on a reasonable basis with appropriate supporting evidence.

pp John McVeigh
Head of Internal Audit



Management Commentary - Directors' Report

This part of the Annual Report sets out the Accounts of the Northern Ireland Housing Executive for the financial year ended 31 March 2014.

Statutory basis

The Northern Ireland Housing Executive (the Housing Executive) is a Non-Departmental Public Body (NDPB) which was originally established by the Housing Executive Act (Northern Ireland) 1971 (since superseded by the Housing (Northern Ireland) Order 1981 and 2003). Under the terms of the Act, the Housing Executive assumed the housing responsibilities of some 65 separate authorities and became Northern Ireland's single comprehensive regional housing authority.

Primary responsibilities

As a comprehensive regional housing authority, under existing legislation the Housing Executive's primary responsibilities are to:

- regularly examine housing conditions and housing requirements;
- draw up wide ranging programmes to meet these needs;
- effect the closure, demolition and clearance of unfit houses;
- effect the improvement of the condition of the housing stock;
- encourage the provision of new houses;
- establish housing information and advisory services;
- consult with district councils and the Northern Ireland Housing Council; and
- manage its own housing stock in Northern Ireland.

The Housing Executive is the Home Energy Conservation Authority for Northern Ireland and administers the Supporting People programme and Housing Benefit. We are responsible for management of the Social Housing Development Programme and the Warm Homes Scheme.

Board Members

The Housing Executive is subject to the Department for Social Development's (DSD) right to issue a direction in connection with the exercise of any of its functions. Responsibility for general policy, management and operation of the Housing Executive is vested in a 10-person Board. Following Ministerial approval, all Board Members are appointed by the Permanent Secretary of the DSD. Four members are nominated by the Housing Council from its membership and the remainder are DSD nominees. Legislation states that at least one member shall be a woman.

Board Members for the period 1 April 2013 - 31 March 2014

Chairman Donald Hoodless BA, DPA, OBE

Vice Chairman Professor Peter Roberts BA, MA, DLitt, MRTPI, FIED, AcSS, FRSA, OBE

Eamonn O'Neill BA
(1 April 2013 until 4 November 2013)

Jim Speers MBE

Jenny Palmer

Angela Coffey BSc, IEng, MCHIT, FIHIE, MCIM

Edna Dunbar MBE

Kenneth Millar BA

Sean Begley

Greg Lomax (from 15 April 2013)

Frank Britton (from 17 February 2014)



Register of interests

In accordance with the Code of Practice for Board Members of the Northern Ireland Housing Executive, a Register of Interests is maintained to record Members' declarations of any personal or business interests which may conflict with their responsibilities as Board Members. Members of the public have access to the Register, upon prior written notice.

Financial accounts

The accounts are presented in accordance with the Accounts Direction given by the Department for Social Development with the approval of the Department of Finance and Personnel, in accordance with article 21(2) of the Housing (Northern Ireland) Order 1981.

Results for the year

The overall net budgetary outturn for the year was £248.5m, including expenditure of £8.8m for Corporation Tax liabilities. Given the funding allocation of £230.9m, both from capital receipts and DSD General Grant, there was an overspend of some £17.6 million, which is within the limit agreed with DSD.

Slippage in the proposed planned maintenance programme for double glazing, kitchen replacement and external maintenance work resulted in underspends being declared to DSD.

Similarly, in the Social Housing Development Programme, easements were declared, although the target for new build starts was achieved. The underspend was caused by a combination of lower unit costs and the difficulties associated with land acquisition.

2014/15 will present challenges to utilise fully all of the available funding, but every effort is being made to address any perceived risks. Regular updates on the financial position will be provided to the Board of the Housing Executive.

For the Year Ending 31 March 2014, the Housing Executive has prepared its annual report and accounts in accordance with International Financial Reporting Standards (IFRS). This is the

fifth year that the annual report and accounts have been prepared in accordance with IFRS.

In 2013/14 the Housing Executive received funding from the DSD of £230.9million (2013: £290.8 million). This included £69.6million (2013: £66.4million) for Supporting People grant, £75.4million (2013: £85.1million) for the Social Housing Development Programme grant and additional grant of £14million (2013: £16.5million) to support Private Sector Grants. Note 31 within the Financial Statements provides a breakdown of that funding and how it was spent. In addition, the Housing Executive has accounted for Housing Benefit grant of £654million (2013: £632 million).

The accounts show Net Expenditure for the year of £891.8million (2013: £891.7 million).

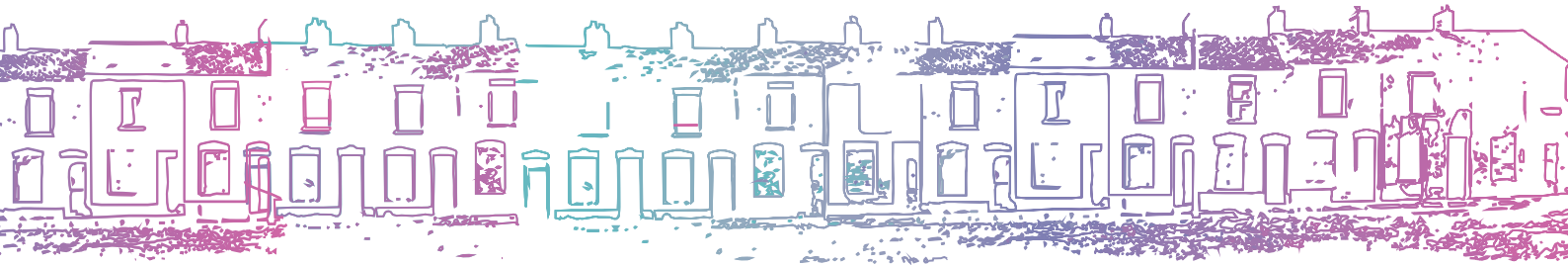
During the year a revaluation of the Housing Executive's land and housing stock portfolio was undertaken by independent external valuers. More detail is provided in Note 12 and in the section below titled "Property, Plant & Equipment".

The Housing Executive continues to undertake a programme of restructuring. In-year costs of £486k (2013:£100k) have been included in the Statement of Comprehensive Net Expenditure, in accordance with "International Accounting Standard 1", Presentation of Financial Statements. More details regarding the restructuring can be found in Note 6.

The annual pension report, which is provided by the appointed independent actuary, continued to show a deficit in the pension fund although the deficit has decreased from £117million in 2012/13 to £80.5million in 2013/14. The actuary explained that this decrease in the deficit is mainly due to a change in the assumptions, particularly the increase in the discount rate used to calculate the year end pension liability and a higher than expected return on assets. Note 24 provides further pension disclosures.

Property, plant and equipment

For Year ending 31 March 2014 annual accounts, the Housing Executive's land and housing stock



have been revalued by an independent external valuer as at 31 March 2014. The Land was valued by McKibben Commercial Property Consultants and the Housing Stock was valued by Land and Property Services, an executive agency within the Department of Finance and Personnel for Northern Ireland. The remainder of the Housing Executive's property was revalued using appropriate indices supplied by Land & Property Services.

Housing Stock continues to be valued at 'Existing Use Value for Social Housing', based on the 'Guidance on Stock Valuation for Resource Accounting' published by the Department of Communities & Local Government in England. Valuations were made in accordance with the Royal Institution of Chartered Surveyors' Red Book. Land, Commercial Properties and Offices are valued at open market value for existing use. Hostels and Travellers' sites are considered to be specialised assets and are valued at Depreciated Replacement Cost.

A revaluation of the Housing Executive's property portfolio as at 31 March 2014 resulted in a decrease in value of £1,239million which has been transferred to the Revaluation Reserve Account. Of this amount, £1,237million represented a decrease in the housing stock valuation. This is mainly due to a change in the adjustment factor used in the valuation of the Housing Executive's housing stock.

The Housing Executive's housing stock is revalued each year on the basis of open market value for existing use (Existing Use Value for Social Housing) in accordance with the guidance issued by the Department of Communities & Local Government: 'Stock Valuation for Resource Accounting - Guidance for Valuers 2010'. Existing Use Value for Social Housing is obtained by adjusting the market value for each property archetype by a factor (adjustment factor) which reflects the valuation for the properties if they were to be sold with sitting tenants enjoying tenant's rights. The Adjustment Factor measures the difference between private open market rented and socially rented property at a regional level.

Up until 2013/14, Land & Property Services (LPS) provided the adjustment factors as part of the annual valuation of the Housing Executive's Housing Stock for year-end accounting purposes. LPS based the adjustment factor on the relationship between rents in the private and the public housing sectors as there was no information available to calculate the described rent/yield relationship between the public/private residential sector as outlined in the guidance.

During 2013/14, following research carried out by the Housing Executive and the University of Ulster, the required information became available and the Housing Executive engaged the University of Ulster to calculate adjustment factors which, for the first time, reflected the private/public sector yield relationship. Application of these adjustment factors, in accordance with the Department of Communities and Local Government guidance, has resulted in a considerable reduction of the value of Housing Executive stock from that determined previously on the basis of the incomplete, rent proxy information.

The land and other buildings within operational property suffered a downward revaluation movement of £2.3million.

During the current financial year, a number of land sites, which had previously been identified as 'Open Space Land', were valued at 31 March 2014 for £4.5m. Previously this land was classified as amenity land and was deemed to have no value for accounting purposes as it was reflected within the social housing values. Other land identified of £1.02 million during the year, which was previously identified as 'Amenity', has now been reclassified as 'Undeveloped Land'.

The realised revaluation surplus on the disposal of houses and land of £9.7 million has been transferred to the Revenue Reserve Account from the Revaluation Reserve Account. During the financial year the Housing Executive sold 529 dwellings. In addition 13 houses were transferred to Housing Associations.



Employee involvement

Employee involvement is considered to be essential to the success of the organisation and is underpinned through our People Strategy.

Communication with staff is managed through our Communication Strategy which ensures that staff are involved and consulted on all aspects of the business. In particular, they are encouraged to contribute to the development of our Corporate and Business Plans and to organisational change through involvement in project teams. In addition, a system of Team Briefing provides the framework for managers to update staff on a monthly basis on Board decisions, organisational topics and local issues, including progress against objectives. Other channels include appraisal, best practice events, circulars and newsletters.

The Housing Executive has embarked on a programme - Journey to Excellence - to improve all aspects of its business. This programme is based on maximising employee involvement in the process of change and improvement. Staff are taking part in a series of Transformation Seminars, aimed at building awareness for the Journey to Excellence programme and ensuring staff are engaged in the process. Staff will be kept up to date with the progress and development of the programme and how they can get more involved over the year ahead.

Learning and development activity is key to supporting staff in the delivery of our objectives, particularly through a time of change. The organisation achieved Investors in People (IIP) status for the fifth time during 2011 and will be assessed again in the financial year 2014/15. Emphasis is placed on a co-ordinated approach to learning based on a competency framework, the use of internal and external courses and the achievement of relevant qualifications. Our core programmes include an in-house Chartered Institute of Housing accredited Level 3 Certificate in Housing Management and Housing Maintenance.

Volunteering has provided excellent opportunities for staff to contribute to the community

whilst developing team skills. An employee led volunteering group plans and co-ordinates volunteering activities which include both fund raising and practical activities.

All of these initiatives give staff the opportunity to contribute constructively to the work of the organisation.

Employees with a disability

It is the Housing Executive's policy to ensure that equality of opportunity is provided to all employees and those seeking employment and to provide opportunities and make all reasonable adjustments to support the employment, training and development and retention of those with a disability.

The average number of staff with a disability employed by the organisation during the year was 122.

Equality of opportunity (employment)

The Housing Executive is an Equal Opportunities Employer and has a range of policies and procedures in place to ensure fair representation and participation in the workforce, irrespective of religious belief, political opinion, race or ethnic origin, gender, marital status, disability, age, sexual orientation or those with or without dependents.

An Affirmative Action policy is being implemented aimed at attracting more applications from the Protestant community, given their under representation in the workforce. This has included a major outreach programme to schools and youth organisations within this sector.

The impact of all employment policies on the composition of the workforce is monitored and actions required reflected in the Affirmative Action Programme. A range of policies are in place to ensure staff can balance their work and have responsibilities.

Equality of opportunity (general)

The Housing Executive is committed to effective compliance with its obligations under Section 75 of the Northern Ireland Act 1998 and aims



to ensure that, in practice, issues of equality of opportunity are given due prominence in all appropriate spheres of Housing Executive activity.

Charitable donations

The Housing Executive made no charitable donations during the year.

Research and development

Housing research and intelligence plays a critical role in informing the work of the Housing Executive and helping it to meet its key objectives. The eighteenth "Northern Ireland Housing Market: Review & Perspectives" was published in June 2014. It analyses and synthesises the most recent housing statistics and market intelligence and underpins the Housing Executive's Corporate/Business Plan and its need for intervention in the market. It is also used as a source of information for the public, private and voluntary sectors, including the housing associations.

Headline figures from the 2011 House Condition Survey were available in March 2012 and for the first time indicated a slight worsening of the overall condition of the housing stock in Northern Ireland, reflecting primarily the more difficult economic environment, which in turn has been reflected in falling household incomes. The headline rate of unfitness rose from 2.4 % in 2009 to 4.6 % in 2011. The growth in unfitness was predominantly in the private sector, and particularly in vacant properties. However, further modelling work undertaken throughout 2013 in partnership with NISRA's Census team and the Building Research Establishment has provided new District Council figures in relation to unfitness, the Decent Homes Standard and fuel poverty.

The second phase of research undertaken in partnership with the Department for Social Development to ascertain the impact of the changes in Housing Benefit on tenants and landlords in the private rented sector has provided a number of new insights. This was complemented by research commissioned from the University of Ulster into landlord-tenant

relationships in the private rented sector, which showed that while relationships were generally very good, additional strains were emerging as the gap between market rents and the amount of Housing Benefit payable was widening.

The annual Continuous Tenant Omnibus Survey continues to provide a wealth of customer views on how well the Housing Executive is delivering its key services. The 2013 survey, the results of which were published in May 2013 indicated high levels of satisfaction with services. The 2014 survey now includes for the first time questions on tenants' awareness of the Department for Social Development's Social Housing Reform Programme and what tenants feel are their priorities for services which will be provided to them in the future. Emerging results will help guide the outcome of the Social Housing Reform Programme as well as the Housing Executive's Journey to Excellence.

Health and safety

The Housing Executive is committed to adhering to all existing legislation on health and safety at work to ensure that staff and customers enjoy the benefits of a safe environment.

Open Government

The Housing Executive complies with the Freedom of Information Act 2000.

Payment to creditors

The Housing Executive is committed to the prompt payment of bills for goods and services. We aim to pay valid invoices within 10 working days in line with the Government Prompt Payment Target and within 30 days at the latest in line with our standard terms and conditions, unless otherwise stated in the contract.

In 2013-14, a total of 534,286 payments were processed with 496,583 (92.9%) being paid within 30 days of the invoice date. In relation to the 10 day payment target which relates to goods and services invoices only, a total of 446,852 invoices were processed of which 385,784 (86.3%) were paid within 10 days of the invoice date.



Off-Payroll Engagements

Off-payroll engagements refer to agency staff or staff employed by other bodies seconded to the Housing Executive. The Northern Ireland Housing Executive had the following 'off-payroll' engagements at a cost of over £58,200 per annum in place as at 31 March 2014:

	Number
As at 1 April 2013	0
New Engagements during 13/14	1
New Engagements in payroll for 13/14	0
Engagements ceased during 13/14	0
As at 31 March 2014	1

The new 'off-payroll' engagement refers to Ms Lightbody who is seconded from the Strategic Investment Board. Ms Lightbody is also a member of the Senior Management Team and occupied the position of Director of Transformation from November 2013 to 31 March 2014. From 1 April 2014, Ms Lightbody has been the Acting Chief Executive of the Housing Executive, pending the appointment of a Chief Executive on a permanent basis.

Pensions

The Housing Executive participates in the NILGOSC pension scheme for the majority of its employees. This is a defined benefit pension scheme. The assets are accumulated in the scheme, which is multi-employer, and are held separately from the assets of the Housing Executive. The Housing Executive Accounting Policy 1(o) provides additional information on pensions.

Financial instruments

IFRS 7, "Financial Instruments: Disclosures", requires the Housing Executive to disclose the significance of financial instruments for the Organisation's financial position and performance, the nature and extent of risks arising from financial instruments and how those risks are managed.

The Housing Executive is not exposed to the same financial risks as that faced by commercial business as it is in receipt of subvention from the DSD, however full disclosure is given in Note 22.

Disclosure of relevant audit information

So far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware. The Accounting Officer has taken all the necessary steps to ensure that both she and the auditors are aware of all relevant audit information.

Auditor

The Comptroller and Auditor General (C&AG) was appointed as the Statutory Auditor of the Housing Executive from 1 April 2003 following the Audit and Accountability (Northern Ireland) Order 2003. The C&AG is the Head of the Northern Ireland Audit Office and he and his staff are wholly independent of the Northern Ireland Housing Executive. He reports his findings to the Northern Ireland Assembly.

Committee of the Board - Audit Committee

The Audit Committee is a committee of the Board. It is an advisory body which supports the Accounting Officer and the Board by offering objective advice on the risk, control and governance processes which have been established in the Housing Executive.

The Audit Committee comprises three Board members and two independent members. The Committee is chaired by the Vice Chairman and meets not less than four times each year.

Ms Mags Lightbody
(Acting) Chief Executive

Date: 3 September 2014



Remuneration Report

Remuneration policy

The remuneration of senior staff employed by the Housing Executive is determined by two factors:

- Results of the national negotiations by the Joint Negotiating Committee for Chief Officers (for Directors) and Joint Negotiating Committee for Chief Executives (for Chief Executive);
- Movement through the scale in line with guidance issued by the Department of Finance and Personnel.

Service contracts

Senior appointments are made in line with the organisation's Appointments and Promotions Procedure which requires appointments to be made on merit and on the basis of fair and open competition. Appointments are open-ended until officers reach retirement. Twelve weeks' notice is required in relation to termination of contract.

Separate procedures are in place for short term or temporary arrangements.

Included in the table overleaf are pay and pension details for all members of the Senior Management Team who were employed as staff for the Housing Executive during the Year Ended 31 March 2014. Pension benefits disclosed represent the value of pension benefits accrued during the year and are calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights.

Ms Lightbody, who is seconded from the Strategic Investment Board, was also a member of the Senior Management Team from November 2013, occupying the position of Director of Transformation. Ms Lightbody has been the Acting Chief Executive of the Housing Executive since 1 April 2014, pending the appointment of a Chief Executive on a permanent basis. Payments to the Strategic Investment Board for Pay, Pension and Benefits in Kind for the period from November 2013 to March 2014 were as follows:

Name and Title	2014 Salary payments £'000	2014 Bonus Payments £'000	2014 Benefits in Kind £	2014 Pension Payments £'000
M Lightbody Director of Transformation (from Nov 2013)	55 - 60 *140-145	-	2,800 (to nearest £100)	5 - 10

Benefits in Kind refer to Life Assurance payments paid by the Housing Executive on behalf of Ms Lightbody.

**Full year equivalent salary*



Chairman and Directors' Emoluments continued - Audited Information

Name and Title	Date of Contract	2014 Salary £'000
D Hoodless Chairman	5 Nov 2012	30 - 35
Dr J McPeake Chief Executive (retired 31 Mar 2014)	1 Sept 2011	110-115
S Cuddy Director of Corporate Services/Deputy Chief Executive (retired 31 Mar 2013)	1 March 1998	-
G Flynn Director of Housing and Regeneration (from 1 April 2012 - 31 Dec 2013) Director of Landlord Services (from 1 Jan 2014)	1 April 2012	75 - 80
C Bailie Director of Finance	1 Nov 2007	75 - 80
M Taggart Director of Personnel & Management Services (retired 4 July 2013)	1 Jan 2008	20 - 25 *85- 90
S McCauley Director of Design and Property Services (from 1 April 2012 - 31 Dec 2013) Director of Regional Services (from 1 Jan 2014)	1 April 2012	65 -70
D Ferran Acting Director of Design & Property Services (from 1 Jan 2011 - 10 April 2012)	1 Jan 2011	-
T McCartney Director of Corporate Services (from 1 Jan 2014)	1 Jan 2014	20 - 25 *85- 90
M Jennings Acting Director of Personnel & Management Services (from 24 June 2013 - 31 Dec 2013)	24 June 2013	30 - 35 *65 - 70
C McQuillan Acting Director of Corporate Services (from 1 April 2013 - 31 Dec 2013)	1 April 2013	45 - 50 *65 - 70

* Full year equivalent salary.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in its organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the Housing Executive in the financial year 2013/14 was £140k - £145k (2012/13:

£100k - £105k). This was 6.35 times (2012/13: 4.61) the median remuneration of the workforce, which was £22,443 (2012/13: £22,221).

Total remuneration includes salary, non-consolidated performance-related pay, Benefits in Kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.



2014 Bonus Payments £'000	2014 Benefits In Kind £'000	2014 Pension Benefits £'000	2014 Total £'000	2013 Salary £'000	2013 Bonus Payments £'000	2013 Benefits In Kind £'000	2013 Pension Benefits £'000	2013 Total £'000
-	-	-	30 - 35	10 - 15 * 30 - 35	-	-	-	10 - 15
-	-	2	110-115	100-105	-	-	70	170-175
-	-	-	-	100-105	-	-	(43)	55 - 60
-	-	-	75 - 80	75 - 80	-	-	93	165-170
-	-	1	75 - 80	75 - 80	-	-	5	80 - 85
-	-	(1)	20 - 25	85 -90	-	-	(6)	80-85
-	-	9	70 - 75	65 -70	-	-	94	160-165
-	-	-	-	0 - 5 *65 - 70	-	-	-	0 - 5
-	-	6	25-30	-	-	-	-	-
-	-	57	90 - 95	-	-	-	-	-
-	-	92	140 - 145	-	-	-	-	-

	2014	2013
Band of highest paid Director's total remuneration	£140k - £145k	£100k - £105k
Median Total Remuneration	£22,443	£22,221
Ratio	6.35	4.61



Directors' Pensions - Audited Information

Name and Title	Real Incr. (Decr) In Pension & Related Lump Sum At Age 60 £'000	Total Accrued Pension at Age 60 & Related Lump Sum £'000	CETV at 31 March 2013 £'000	CETV at 31 March 2014 £'000	Real Incr. (Decr) in CETV after adj. £'000
Dr J McPeake Chief Executive (Retired 31 March 2014)	0-2.5 Plus (2.5-5) Lump Sum	40-45 Plus 100-105 Lump Sum	786	835	28
G Flynn Director of Housing and Regeneration (from 1 April 2012- 31 December 2013) Director of Landlord Services (from 1 January 2014)	0-2.5 Plus (0-2.5) Lump Sum	30-35 Plus 80-85 Lump Sum	618	655	20
C Bailie Director of Finance	0-2.5 Plus (0-2.5) Lump Sum	30-35 Plus 75-80 Lump Sum	482	513	18
M Taggart Director of Personnel & Management Services (Retired 4 July 2013)	0-2.5 Plus (0-2.5) Lump Sum	45-50 Plus 115-120 Lump Sum	1,018	1,061	16
S McCauley Director of Design and Property Services (from 10 April 2012 - 31 December 2014) Director of Regional Services (from 1 January 2014)	0-2.5 Plus (0-2.5) Lump Sum	15-20 Plus 30-35 Lump Sum	188	204	11
T McCartney Director of Corporate Services (from 1 January 2014)	0-2.5 Plus 0-2.5 Lump sum	0-2.5 Plus 0-2.5 Lump Sum	-	4	4
M Jennings Acting Director of Personnel and Management Services (from 24 June 2013 - 31 December 2013)	2.5-5 Plus 5-7.5 Lump Sum	25-30 Plus 70-75 Lump Sum	572	633	58
C McQuillan Acting Director of Corporate Services (from 1 April 2013 - 31 December 2013)	2.5-5 Plus 7.5-10 Lump Sum	20-25 Plus 55-60 Lump Sum	348	427	72

Amounts disclosed regarding pension information above refer to the dates officers occupied the post.



Northern Ireland Housing Executive Pension Arrangements

The Housing Executive participates in the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) pension scheme for the majority of its employees. The Chairman is not a member of the NILGOSC Scheme. The NILGOSC scheme is a statutory scheme that provides pension benefits on a 'Final Salary' basis at a normal retirement age of 65. Prior to 1 April 2009, benefits accrued at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3/80ths of pensionable salary for each year of service, prior to 1 April 2009, is payable on retirement.

As part of a general review of public sector pension schemes from 1 April 2009, the Government has introduced changes to the pension scheme. Benefits from this date accrue at the rate of 1/60th of pensionable salary for each year of service. Also instead of employees paying a standard contribution rate of 6%, which was applicable up to 1 April 2009 (5% for non-administrative employees prior to 1 January 2003, and 6% thereafter of their pensionable pay), there are now different contribution rates for different pay bands. The new rates are between 5.5% and 7.5% of pensionable pay. The Scheme's professionally qualified actuaries recommend the rates of employer's contribution to be paid.

From April 2011, pensions payable are increased annually in line with changes in the Consumer Price Index (CPI). Prior to April 2011, pensions were increased in line with changes in the Retail Prices Index (RPI).

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NILGOSC arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with "The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations" and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The actuarial factors that are used in the CETV calculation were changed during 2010, due to changes in demographic assumptions and the move from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) as the measure used to uprate Housing Executive pensions.



Board Members' Emoluments - Audited Information

Name and Title	Date of contract	Length of Contract (yrs)	2014 Salary £'000	2013 Salary £'000
A Henderson Vice Chair (Departed Prior Financial Year)	5 Nov 2007	-	-	0 - 5 * 15 - 20
Professor P Roberts Vice-Chairman	5 Nov 2012	5	15-20	5- 10 * 15 - 20
Dr M Wilson (Departed Prior Financial Year)	5 Nov 2009	-	-	0 - 5
E O'Neill (Departed 4 November 2013)	5 Nov 2009	-	0 - 5 * 5 - 10	5 - 10
J Speers	5 Nov 2009	4	5 - 10	5 - 10
J Palmer	5 Nov 2009	4	5 - 10	5 - 10
E Dunbar	1 June 2010	5	5 - 10	5 - 10
A Coffey	1 June 2010	5	5 - 10	5 - 10
K Millar	1 June 2010	5	5 - 10	5 - 10
S Begley	3 October 2011	5	5 - 10	5- 10
F Britton	17 Feb 2014	Until 31 March 2015	0 - 5 *5- 10	-
G Lomax	15 Apr 2013	5	5 - 10 *5 - 10	-

**Full year equivalent salary*

Mags Lightbody
Acting Chief Executive

Date: 3 September 2014



Statement of Northern Ireland Housing Executive's and Chief Executive's Responsibilities

Under Article 21(2) of the Housing (Northern Ireland) Order 1981 the Department for Social Development has directed the Northern Ireland Housing Executive to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Northern Ireland Housing Executive and of its income and expenditure, movement in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Department for Social Development, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departure in the financial statements; and
- prepare the financial statements on a going concern basis.

The Accounting Officer of the Department for Social Development has designated the Chief Executive of the Northern Ireland Housing Executive as Accounting Officer for the Housing Executive. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Housing Executive's assets, are set out in the Accounting Officers' Memorandum issued by the Department of Finance and Personnel and published in Managing Public Money Northern Ireland.



Governance Statement for the Year Ended 31 March 2014

The Chief Executive as the Northern Ireland Housing Executive ("NIHE") Accounting Officer ("AO") is required to have in place adequate and effective arrangements for the management of risk and to produce an Annual Governance Statement ("AGS"). This Governance Statement is approved by the NIHE Board and forms part of the Annual Statements.

This AGS has been produced in line with guidance issued by the Department of Finance and Personnel ("DFP") in Dear Accounting Officer letter DAO 10/12 and Annex 3.1 of Managing Public Money Northern Ireland ("MPMNI"). It comprises the following sections:

1. Scope of responsibility;
2. The NIHE Governance Framework;
3. Overview of significant reports (3a External Reports & 3b Internal Reports);
4. Declaration of significant governance issues; and
5. Conclusion.

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of NIHE policies, aims and objectives, whilst safeguarding the public funds and the NIHE's assets, for which I am personally responsible, in accordance with the responsibilities assigned in MPMNI.

The Management Statement and Financial Memorandum (The "Statement") issued to the Housing Executive by its Sponsoring Department, the Department for Social Development ("DSD"), sets out the policy and resource framework within which the NIHE operates. It sets out the role and aims of the NIHE, its duties and powers, the responsibilities of the Chairman, Board and Chief

Executive, and the relationship with the Minister and Sponsoring Department.

The Statement, MPMNI and relevant Accounting Officer letters set out the controls to be exercised over the different areas of activity, either by the Department directly, or by the NIHE, through its Board under delegated authority.

2. The NIHE Governance Framework

NIHE operates a governance framework that brings together legislative requirements, governance principles and management processes. It comprises the systems and processes, cultures and values by which decisions are made and the functions undertaken to deliver the highest standards of housing services in accordance with the organisation's duties and responsibilities.

The NIHE has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the divisional managers within NIHE who contribute to the development and maintenance of the governance environment. NIHE maintained a system of Internal Control for the year ended 31 March 2014 in accordance with DFP guidance.

The Head of Internal Audit's annual assurance statement for the 2013/2014 financial year provides an opinion on the NIHE's control environment. During the year 2013/2014 DSD carried out an External Quality Assessment of NIHE Internal Audit Unit; one of the preliminary findings of the review was to have the Internal Audit quarterly reporting period coincide with the financial accounting period. This adjustment has been reflected in the Head of Internal Audit's Annual statement.



NIHE's Corporate Assurance Unit ("CAU") provides assurance that key risks have been identified and managed and provides assurance on the management of response and planned maintenance contractors through annual inspection programmes.

The Chairman of the NIHE Board on behalf of the Board commissioned external consultants Campbell Tickell to bring to a conclusion the situation in relation to allegations of over-charging on planned maintenance contracts, let following the introduction of partnering for planned works in 2008.

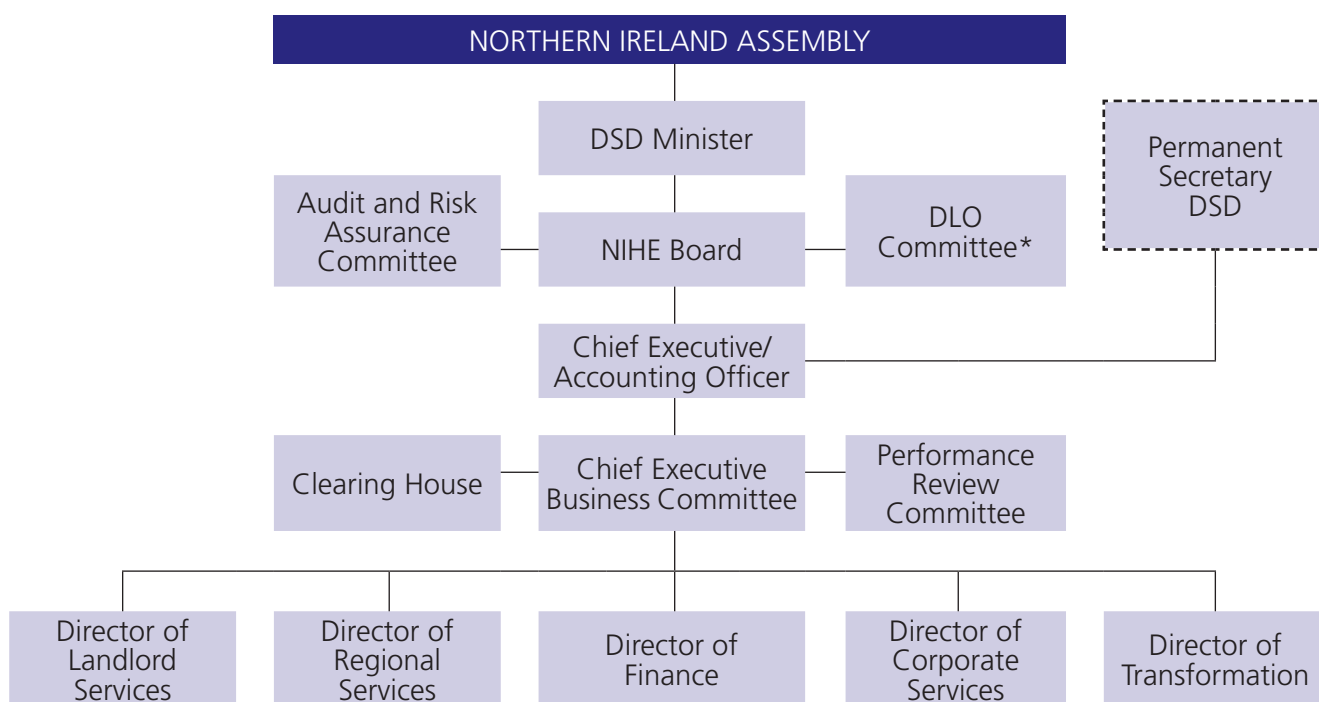
The results of this review were reported to and accepted by the Board in October 2013. The report made a recommendation to address the current duplication and fragmentation between the Internal Audit and Corporate Assurance units.

In order to address this recommendation a review of the Internal Audit and Corporate Assurance Units within NIHE was undertaken. As a result of this review, the preferred option to merge the

Internal Audit and Corporate Assurance Unit was identified and approved by the Audit & Risk Assurance Committee and the Board in April 2014.

The organisation benefits of this option are that the NIHE Board and Audit & Risk Assurance Committee will get their assurance through a single point of contact, with one overall assurance plan. This will provide better risk mapping and integration of risk management processes across the organisation, thus enhancing and strengthening the Internal Audit & Risk Assurance framework across NIHE.

In January 2014 new organisational structural changes were implemented to provide a clearer focus on strategic and operational issues. The new governance structure diagram detailed below shows the relationship between the NIHE and its sponsor department, the DSD; and between the Board, its Committees and the Chief Executive and her Senior Management Team. This also reflects the structural and divisional changes within the business.



* Established as a committee of the Board effective 1 April 2014.



The Board

A 10 member Board governs the NIHE. In April 2013 DFP issued DAO (DFP) 06/13, which advised of the publication of 'Corporate Governance in Central Government department: Code of Good Practice NI 2013 (2013 Code)'. This replaced the 2005 HM Treasury (HMT) Code. Annex A of the 2013 Code sets out a model Board operating framework to document a Board's roles and responsibilities. NIHE's Board considered the practices of the 2013 Code and revised and renamed their existing Terms of Reference to suit the needs of the business.

The new 'Board Operating Framework' was approved at the November 2013 Board meeting. The Board received training on emerging best practice on good governance during 2013/2014. Future training needs will be assessed as part of the continuing measurement of Board effectiveness.

The Audit & Risk Assurance Committee ("ARAC") (formerly Audit Committee ("AC"))

During the 2013/2014 financial year the Board took the decision that as a Board they would focus on performance and the ARAC would focus on risk and assurance.

The ARAC provides an independent assurance to the Board on the adequacy of the risk management framework and associated control environment. The ARAC supports the Board in its responsibilities for issues of risk, control and governance, by reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's assurance needs and reviewing the reliability and integrity of these assurances.

The ARAC will undertake an Effectiveness Review in September 2014.

Committee Attendance

During 2013/2014 the Board met on a monthly basis whilst the Audit & Risk Assurance Committee ("ARAC") met on the following dates (NB: the March 2014 meeting of the ARAC was deferred until 16 April 2014):

Audit & Risk Assurance Committee (ARAC) Meetings

25 June 2013
9 October 2013
15 January 2014

The attendance of each member of the Board and ARAC from April 2013 to March 2014 is as follows:

Board Attendance

Donald Hoodless (Chair)	11/12
Prof Peter Roberts (Vice-Chair)	12/12
Angela Coffey	12/12
Ken Millar	11/12
Greg Lomax	11/12
Jenny Palmer	11/12
Edna Dunbar	11/12
Sean Begley	10/12
Jim Speers	9/12
Eamonn O'Neill*	6/7
Frank Britton*	0/2

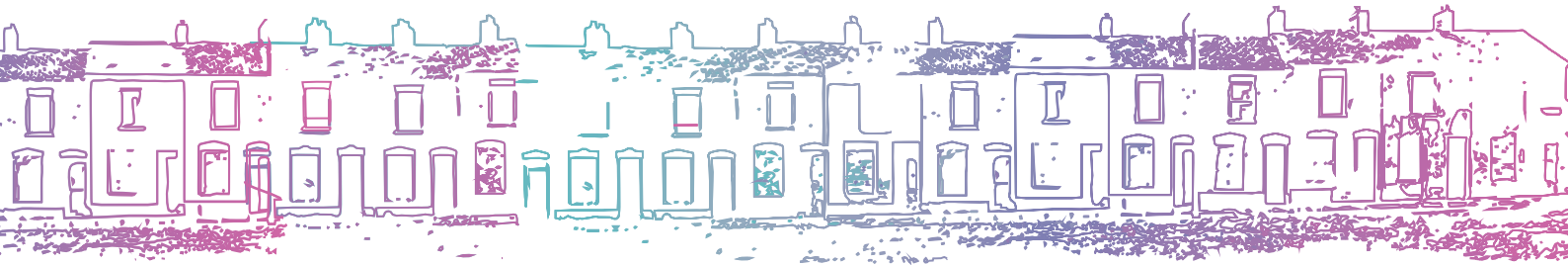
ARAC Attendance

Prof Peter Roberts (Chair)	3/3
Jenny Palmer	3/3
Edna Dunbar	3/3
Eamonn O'Neill ¹	2/2
Deane Morrice*	3/3
Bob McCann ²	1/2

* Independent Audit Committee Members

1. Eamonn O'Neill's term of office ended in November 2013. His last Board meeting was October 2013 and his last ARAC meeting was October 2013. In February 2014 Frank Britton replaced Eamonn O'Neill on the Board. Ken Millar replaced Edna Dunbar on the ARAC with Edna Dunbar replacing Ken Millar on the DLO Performance and Development Committee, both effective from April 2014.

2. Bob McCann's term of office ended in December 2013; his last ARAC was October 2013. Bob McCann was replaced on the ARAC by JP Irvine whose first meeting was in April 2014.



Standing Orders

Standing Orders, a key governance document for any Board, are in place to ensure transparent and effective decision making throughout the organisation. Standing Orders are used to regulate the proceedings, meetings and business of the NIHE and its Committees. As a result of past issues NIHE have continued to review Standing Orders on an annual basis.

Assessment of Compliance with the 2013 Corporate Governance Code of Good Practice NI

There is a requirement for Departments, agencies, Non Departmental Public Bodies and other arm's length bodies to compile their Governance Statements for the 2013/2014 reporting period in line with the 2013 Code principles (where these are relevant). NIHE as an arm's length body of the DSD complies with all relevant aspects of the 2013 code.

Performance of the NIHE Board 2013/2014

The Board identified the need to undertake an independent review of their effectiveness and engaged external consultants to facilitate the review and assist the Board to establish a forward workplan to enhance its effectiveness.

The review identified the strengths of the Board and areas for development. On the basis of the findings and the associated discussions with the Board a forward workplan was collated.

The effectiveness review is an exercise undertaken by the Board on a regular basis in line with good governance practice.

Quality of data used by the Board

The Chairman has continued his programme of restructuring Board business to ensure the Board's time is focused on strategic matters and reflects the new organisational structures, roles and responsibilities.

The changes introduced and approved by the Board aim to delegate responsibilities and authority to the Chief Executive and Senior

Management Team to ensure business decisions are made at the appropriate level. This will empower the Board to focus on key strategic business in accordance with its role and responsibilities.

Board papers have been subject to ongoing review to give the Board assurance that the data and information provided within them can allow for effective decision making.

Powers Reserved to the Board/Board Scheme of Delegations

During 2013/2014 a Working Group chaired by the Director of Finance undertook a review of the powers reserved to the Board and the Board Scheme of Delegations. The purpose of the review was to determine what powers could be further delegated to the Chief Executive's Business Committee ("CXBC") thereby allowing the Board to focus on more strategic matters and allow more time at Board meetings for discussions on key issues. The review was completed in May 2013 and a new suite of governance documentation was produced to reflect the changes. A further review was carried out in April 2014 to reflect the new organisational structures and a review is planned in the coming months to identify the opportunity for further simplification of organisational governance.

Conflict of Interest

A process for declaration of interests by both Board Members and Officers is well established within the NIHE and is addressed at the start of every meeting of the Board, its Committees and Senior Management Committees. During the year, 3 Board Members declared standing interests at each meeting attended in respect of their roles as Landlords of properties whose tenants are in receipt of Housing Benefit. There were 2 additional instances whereby Conflicts of Interest were highlighted by Board Members. All stated conflicts of interest were dealt with in compliance with the established processes and have been recorded in the Board minutes.



National Fraud Initiative

The Comptroller & Auditor General (“C&AG”) for Northern Ireland has been given statutory powers to conduct data matching exercises for the purposes of assisting in the prevention and detection of fraud.

NIHE is fully engaged with this process which analyses data submitted by the wide range of public sector bodies participating in the National Fraud Initiative. For example, through the Northern Ireland Audit Office, the Housing Executive is provided with data matches generated by comparing payroll and occupational pension databases against housing benefit records. This allows us to test and ensure the accuracy and completeness of claimant details.

So far, the Housing Executive has participated in two data matching exercises. For the current exercise, NFI 2012-13, the Housing Executive received 26,897 matches. Over three-quarters of these related to housing benefit claimants.

About 10,000 of the housing benefit matches were referred to colleagues in the Social Security Agencies Benefit Investigation Service (“SIS”) for investigation (these cases are known as “passport” cases as the claimant is in receipt of other welfare benefits).

Alongside the referrals to SIS, the Housing Executive is separately investigating a similar number of housing benefit data matches which are not directly linked to other benefits (known as “non-passport”). The remainder of the matches relate mainly to general financial transactions.

Good progress has been made and, by mid May 2014, 12,873 matches had been reviewed, with 10 suspected frauds and 252 errors identified. A total of £789k of overpayments has been identified. Appropriate actions to address these issues are in place or being implemented. This will include consideration as to how existing systems and controls can be improved to provide stronger deterrence and detection of both fraud

and error. Awareness and assessment of the risk of fraud will be central to this, with the fraud risk register updated regularly. Actions to address any perceived potential weaknesses will be identified and implemented within agreed timescales. Each suspected or actual fraud case will be carefully evaluated at closure to identify any lessons learned and what measures are required to prevent reoccurrence. Ongoing awareness training will support staff. There is further information on Housing Benefit Fraud and Error in Section 4 below.

Assurance Reporting

Directors and Assistant Directors are required to submit signed quarterly assurance statements which provide the Chief Executive with assurance that risks within their area of responsibility are being satisfactorily identified and managed. These are then used to support the Chief Executive’s quarterly Stewardship Statement submitted to the Board and DSD.

Risk Management

The NIHE has a Board approved risk management strategy which sets out the organisation’s attitude to risk and associated risk activities and processes.

Internal Audit and Corporate Assurance currently provide independent assurances over risk management and assurance processes.

The Audit and Risk Committee (“ARAC”) has recently approved the introduction of a Risk Assurance Framework. This is designed to map assurance over the key corporate risks. The framework includes each of the corporate risks and key controls and is based on the ‘three lines of defence’ model, recommended by HM Treasury. This framework links corporate risk management and assurance processes and provide accurate data on the effectiveness of the management of major strategic risks and significant control issues. The framework also provides an opportunity to identify gaps in assurance needs.

The Corporate Risk Register (“CRR”) identifies the



key NIHE risks, management actions in place to address them and proposed actions to manage them. Risks are evaluated on the basis of the likelihood and impact of the risk materialising.

The Corporate Risk Register includes the following evaluated as red risks (high priority and impact) and therefore attracting most scrutiny and management:

Risk	Progress
<p>Political Support Failure to build effective political and key stakeholder relationships leading to lack of support/confidence/political distrust and reputational damage</p>	<p>The Chairman and Vice-Chairman meet with the Minister for Social Development on a monthly basis to discuss issues relevant to the work of the NIHE. In addition to this, NIHE representatives meet regularly with local political representatives to discuss local housing issues. The 4 political representatives on the Board are Members of the Northern Ireland Housing Council. Senior Management continues to attend monthly Housing Council Meetings and present housing plans to each District Council.</p>
<p>Social Housing Reform Programme ("SHRP") Inability to achieve buy-in from staff, Board and tenants to achieve delivery of the SHRP leading to confusion, reputational damage and service disruption</p>	<p>The Director of Transformation (Acting Chief Executive as of 1 April 2014) leads the transformation programme to ensure NIHE moves towards excellence with service improvements to tenants and customers and will aim to ensure consistent approaches to business, customers and people.</p> <p>Although distinct and different from the Social Housing Reform Programme ("SHRP") the transformation will be complementary to it. The Journey to Excellence ("J2E") programme aims to achieve buy-in from all stakeholders and was initiated following NIHE Board approval at the end of January 2014.</p>
<p>Management of Allocated Funding Failure to utilise and manage allocated funding effectively</p>	<p>NIHE has put in place a robust budget process which ensures realistic and achievable targets are set. To strengthen this process NIHE has in place an on-going monitoring of performance in new build and planned maintenance programme, to enable early identification of potential underspends and therefore allow early corrective actions to be taken. This monitoring of budget against spend is advised to NIHE Board and DSD.</p> <p>During the year there were delays in awarding new planned maintenance contracts which resulted in a significant amount of underspend. As a consequence, NIHE declared easements through the Monitoring Round process.</p>



Risk	Progress
<p>Procurement³</p>	<p>A Project Team is in place to action the 7 recommendations resulting from the Centre of Procurement Expertise (CoPE) Accreditation review.</p> <p>In June 2014 Permanent Secretary DSD updated the CPD on the work of the DSD Procurement Oversight Board and confirmed good progress has been made in implementing the recommendations. Members agreed that NIHE should retain its CoPE status with the Oversight Board remaining in place.</p> <p>Corporate Procurement Unit (“CPU”) is working towards gaining ISO 9001 accreditation.</p>
<p>Contract Management</p>	<p>Significant progress has been made in improving contract management performance in relation to response maintenance. This is evidenced by the results from the current CAU inspection programme which have provided all Areas with either a Substantial or Satisfactory classification. However it is prudent that this remains a ‘red’ risk within the NIHE Corporate Risk Register due to the issues still being addressed in relation to planned maintenance schemes.</p> <p>NIHE are currently implementing recommendations from the external review completed by Campbell Tickell to improve controls and systems around planned maintenance.</p> <p>Specific training by external contract management/procurement specialists was provided to key personnel during 2013/2014. This training covered the following areas: Introduction to NEC 3 Contracts, contract law, roles and responsibilities, early warning and risks, disputes and terminations.</p> <p>Specific work which was undertaken by the Corporate Assurance Unit during 2013/2014 to develop risk management thinking within NIHE Board and Senior Management teams included a number of Risk Workshops.</p> <p>The Corporate Risk Register was refreshed following a Board risk workshop facilitated by CAU on 26 June 2013. Following this, CAU facilitated risk workshops for each of the Divisions attended by the Divisional Management Teams and CAU produced revised Divisional Risk Registers to ensure alignment with the Corporate Risk Register.</p>

3. New Risk identified during the 2013/2014 year.



3. Overview of Significant Reports/Issues

3a. External Reports

Northern Ireland Audit Office (“NIAO”)

In September 2013, the NIAO published its ‘Tackling Social Housing Tenancy Fraud in Northern Ireland’ report.

Tenancy fraud is the possession of a social housing tenancy by someone who is not entitled to it. This deprives those on housing waiting lists of the chance of a permanent home and gives rise to additional costs for temporary accommodation and additional house building.

The NIAO report highlighted, based on GB estimates, that as many as 2,400 properties in Northern Ireland’s social housing sector could be occupied fraudulently. This figure was derived from the Audit Commission in England from a non-random indicative sample of approximately 6,000 London properties. The NIAO report was examined at a Public Accounts Committee (“PAC”) hearing on 14 May 2014.

Tenancy audits carried out by NIHE would indicate the figure in NI could be lower than the NIAO estimate. The NIHE are currently carrying out a further audit of 2,845 properties which will further inform our estimates of the scale of tenancy fraud in NI. Initial results at 14 May 2014 show:

- 2,547 cases closed with residency confirmed;
- 205 initial action commenced to confirm residency;
- 5 cases still to be commenced;
- 83 Abandonment Notices still live (these allow a 4 week period for the tenant to confirm residency or the NIHE to recover the property);
- 5 recovered properties.

Specific recommendations in the NIAO report are being taken forward by an oversight group involving representatives of NIHE and NIFHA and chaired by DSD.

Land Disposals (Progress on previous NIAO report is as follows):

Significant work has been completed by NIHE to continue to improve system controls in this area. The following work is continuing to implement further improvements:

- The undeveloped land schedule process has been reviewed and a programme of Economic Appraisals on retained sites is ongoing with completion of programme scheduled for 2014/2015;
- The programme of policy and procedural reviews has been progressed with a completion of prioritised programme scheduled for 2014/2015.

Public Accounts Committee - NIHE’s Management of Response Maintenance Contracts

As disclosed in the 2012/2013 governance statement NIAO published a report on 4 September 2012 examining NIHE contract management. In this report NIAO made 10 recommendations to address the weaknesses in contract management.

NIHE accepted all the recommendations in the NIAO report and put in place an action plan to address them. All the recommendations made have been implemented in full. However, with regard to 3 of these recommendations NIHE have undertaken to review the resulting controls on a continuous basis.

The NIAO report was examined at a Public Accounts Committee (“PAC”) hearing on 12 September 2012. Following this hearing a Memorandum of Reply was presented which comprised a total of 10 recommendations, which were accepted by NIHE, DSD and DFP. NIHE has made significant progress in addressing the recommendations relating to them, including a review of the assurance framework and the timeliness of inspections.



Department for Social Development (DSD) - Governance Review 2010

In November 2013 the DSD advised NIHE of the outcome of its follow-up review of the implementation of the recommendations made in the 'Review of Governance in the Northern Ireland Housing Executive' (DSD reported in December 2010). This review considered the progress made by NIHE in implementing the recommendations and actions outlined in the 2010 Report and Work Plan. The review of Governance in NIHE - Follow-up Report was completed and issued to the NIHE Chairman on the 10 February 2014.

DSD advised at the date of their review, that 4 Critical Control and 21 Good Practice Recommendations had not yet been implemented in full, together with 3 actions from the 2012 Ministerial Work Plan.

The Director of Corporate Services chaired an in-house review group with the recommendation owners to work through the outstanding recommendations and actions in the follow-up report. The review group assessed the findings and conclusions in the report and noted that 3 Critical Control and 11 Good Practice Recommendations were not yet fully implemented, together with 3 actions from the 2012 Ministerial Work Plan. In their response on 7 March 2014 NIHE informed DSD that all outstanding recommendations were projected to be implemented by December 2014. A paper was submitted to the March 2014 NIHE Board advising of same and a further update will be provided in January 2015.

Department for Social Development (DSD) - Minister's Work Plan/Accountability Meetings

Arising from these various reviews, special accountability provisions were introduced by the DSD. As part of these, improvement actions related to a series of maintenance and governance issues, have been collated into a Work Plan and progress on this plan has been reported on a monthly basis to the DSD. Accountability Meetings continue between the NIHE Chief Executive and the Permanent Secretary.

3b. Internal Reports

Head of Internal Audit Opinion

During the 12 months to 31 March 2014, Internal Audit carried out 51 internal audit assignments. Eight reports were issued with a Limited assurance opinion and 1 with an Unacceptable assurance opinion. (It should be noted that 1 of the reports issued with a limited opinion (Disability Adaptations) and the report with the unacceptable assurance opinion (Planned Maintenance Lifts) were reported in the 2012/2013 governance statement and are duplicated here as a result of the aligning of Internal Audit's quarterly reporting periods to the financial year).

The Head of Internal Audit, ("HIA") on the basis of work carried out, provided an overall Satisfactory assurance opinion regarding the adequacy and effectiveness of the NIHE's internal control environment in 2013/2014.

In forming the overall opinion, the HIA has taken account of the NIHE's internal control systems, risk management and governance arrangements.

Where internal control weaknesses have been identified these have been reported to senior management and the ARAC together with the recommendations for improvement. Progress on recommendations is reported to the ARAC on a quarterly basis.

The audit assignments issued with a Limited audit opinion are as follows:

- Disability Adaptations;
- Complaints Handling;
- Supporting People Governance Review;
- Review of Heating Maintenance;
- Planned Maintenance Windows;
- Staff Interests and Hospitality;
- Procurement (Contract Extension Processes); and
- HMO Regulation.



The audit assignment issued with an Unacceptable audit opinion is as follows (as advised this audit report was reported in the 2012/2013 AGS):

- Planned Maintenance (Lifts)

Where Audit reports are classified as limited or unacceptable NIHE Internal Audit will revisit the area to get adequate assurance on the implementation of the recommendations as agreed by management.

During the period, the Permanent Secretary also asked Internal Audit to review the process surrounding a decision to withdraw funding from a voluntary body and reported their findings to the NIHE Audit Committee and DSD. NIHE and the voluntary body continue to liaise to progress the resolution of this issue.

Internal Audit also carried out an audit of Emergency Planning within NIHE which provided a Satisfactory Assurance level. During the flooding crisis in January 2014, NIHE's emergency plans and response were tested and shown to be effective in reality with the organisation playing a key role in supporting the emergency services in their community response.

Internal Investigations 2013/2014

At the end of 2012/2013 five investigations were reported as ongoing. These cases were investigated during the financial year with 3 being referred to PSNI. None required any further action.

During the 2013/2014 year, 5 new cases were investigated. Out of these 5, 1 is complete with 4 ongoing.

In relation to the 4 ongoing cases, NIHE Counter Fraud and Security Unit ("CFSU") progress is as follows:

- CFSU has provided advice to CAU regarding a whistleblowing investigation into the operation of a number of heating contracts;
- investigation into a private landlord is in the final stages of preparation before submission to the PSNI;

- a home loss fraud allegation is under active investigation; and
- investigation into the operation of one of the former planned maintenance contracts is ongoing, following allegations made by a whistleblower, with significant disciplinary action having been taken in the case of two members of staff.

Planned Maintenance report

External consultants Campbell Tickell were commissioned by the Chairman of the NIHE Board on behalf of the Board to bring to a conclusion the situation in relation to allegations of over-charging on planned maintenance contracts, let following the introduction of partnering for planned works in 2008.

The results of this review were reported to and accepted by the Board in October 2013. A comprehensive action plan and dedicated team has been put in place to address the weaknesses and culture which allowed this to happen and to ensure that recommendations are implemented efficiently and effectively.

Ministerial instructions

There were no Ministerial instructions in the financial year 2013/2014.

Protective security breaches

During July 2014, the Housing Executive was advised by the Social Security Agency that system controls had detected that an agency employee within the Housing Benefit section had made an unauthorised access to sensitive personal data. The matter had been reported to PSNI as there were links to the witness protection scheme. The Housing Executive co-operated fully with the PSNI investigation. The agency employee was arrested and charged.

There were no other security breaches in the financial year 2013/2014.



4. Declaration of Significant Governance Issues for 2013/14

I can confirm that the significant governance issues raised in the Governance Statement for the year 2012/2013 were highlighted in the appropriate risk registers, risk owners were allocated and actions put in place to address them. Progress in terms of managing these issues was monitored by the Performance Review Committee and through the risk reporting process, including appropriate reporting to the ARAC and the Board. It is important to note that many of these continue to be issues for the NIHE and therefore management actions are still ongoing.

As part of this year's Governance Statement and taking account of the views of internal and external assurance providers, I wish to declare the following as areas at risk of a potential significant governance issues:

Resourcing

In March 2014 NIHE Board approved a baseline 2014/2015 Workforce Plan. This plan is a critical component of NIHE's 'People Strategy' in 2014/2015. The purpose of the workforce plan is to enable business areas and human resources ("HR") to plan for having the right number of staff, with the right skills, in the right place, at the right time, in order to support the organisation in the achievement of its objectives.

NIHE will also be focusing on the level of absence, 5.8% (12.8 days), which is currently higher than comparative organisations. We are reviewing our approach to the management of attendance and will be bringing forward a programme aimed at addressing the Health and Wellbeing of Staff.

This will put in place a process to address any resourcing issues which may impact upon organisational service delivery, including:

- Ability to deliver efficiency savings for 2014/2015 whilst resourcing additional key activities;

- Major change programme and over the coming years to allow restructure and succession planning;
- Welfare Reform, including the introduction of Universal Credit.

Further revision of the NIHE Workforce Plan will be presented to the Board over 2014/2015 into the coming years.

Funding

During the year, significant easements were declared and accepted by DSD and DFP. They arose mainly because of:

- Efficiencies obtained through a change in the housing model being applied within the Social Housing Development Programme for individuals moving from health and social care settings to supported living in the community;
- Delays in the award of new contracts leading to programme slippage against the start dates and progress of planned maintenance schemes (External Cyclical Maintenance, kitchen replacement).

The new contracts are to be awarded in early 2014/2015 but, there is still a risk of underspend against planned maintenance budgets in 2014/2015. This risk will be closely monitored and managed during 2014/2015.

Transformation Programme

At the beginning of 2014, the NIHE embarked on a programme to improve all aspects of the business. This is the "Journey to Excellence". The vision for our Journey to Excellence is to ensure that we deliver top class regeneration and housing solutions, meeting the needs of our communities and partners now and in the future, providing value for money, delivered by high performing, skilled and motivated staff across the organisation.

Although distinct and different from the Social Housing Reform Programme ("SHRP"), the Journey to Excellence programme will also be



essential to getting our organisation 'in shape' and ready to take full advantage of the challenges and opportunities that the SHRP may provide, should the NI Assembly support any future changes in structures.

The Journey to Excellence programme received NIHE Board approval at the end of January 2014 and has also been well received by the Housing Council, the DSD and NIHE Staff.

In 2013, the Board took steps to review and align our existing structures to provide equal focus on both regional and landlord services. The first stage of the transformation of the NIHE was achieved in 2013/2014 with our internal restructuring process to bring clarity and focus between our landlord and strategic regional housing functions.

The Journey to Excellence programme will aim to ensure consistent approaches to business, customer and people excellence - the "golden threads" that should run through the whole Housing Executive, whilst still allowing distinct focus on our strategic Regional Service enabling and Landlord Service delivery roles. A range of specific programmes and actions will underpin the Journey to Excellence and will be implemented across the coming years, starting in 2014/2015.

Stock Transfer

The DSD and the NIHE have agreed a protocol that sets out the governance arrangements for the transfer to Housing Associations of stock requiring significant work to bring it up to the 'Decent Homes Standard'.

An integral element of this Protocol is a Transfer Process that sets out the major stages, roles and responsibilities in taking a scheme from initial identification to transfer. The Protocol (and associated process) will continue to be amended as required as the transfer project is progressed. The DSD/NIHE Working Group (Programme Board) that oversee the Project continue to update the CXBC, the Board and the Minister on progress on a regular basis.

NIHE and DSD have agreed to carry out a review of the Stock Transfer Project with the SHRP team and NI Federation of Housing Associations. The NIAO has recently submitted a draft report on the Stock Transfer Programme to DSD. The final report was published on 3 June 2014.

Housing Benefit Fraud and Error

Housing Benefit ("HB") overpayments arise from a combination of customer fraud and error, as well as official error.

During 2013/2014 the level of cumulative overpayments increased from £31.5m to £33.6m; an increase of £2.1m. A large part of the increase in reported customer fraud and error stems from successful detection activity undertaken under the auspices of NIHE's HB Fraud and Error Strategy

During 2013/2014 approximately £3.3m was raised in overpayments arising from this counter-fraud activity, the impact of which can clearly be seen on the overall level of overpayments outstanding.

DSD's Standards Assurance Unit undertakes an exercise to estimate the level of fraud and error (including official error). For the calendar year 2013, this showed that the overall combined estimate of fraud and error fell from 4.5% of annual benefit expenditure to 4.2%. Within this total, the level of official error fell from 1.9% to 1.5% of annual benefit expenditure. Customer error also fell, from 1.1% to 0.9%, but customer fraud increased from 1.5% to 1.8%.

NIHE remains committed to minimising error and maximizing detection of fraud and the NIHE HB Fraud and Error Strategy and the HB Overpayments Strategy are reviewed annually. NIHE participates in the Fraud and Error Implementation Project alongside other relevant bodies.

A wide range of measures to prevent and detect fraud are in place and are kept under regular review. A target to reduce fraud and error by 0.75%, ie from 4.2% to 3.35% of housing benefit expenditure by March 2016 has



been agreed by the Housing Executive and the Department. Performance against this target is tracked on a quarterly basis.

The front page of each Housing Benefit claim form provides clear advice to the claimant on the requirement to provide accurate and complete information, and that the Housing Executive will take action on fraudulent claims. Each year, Housing News, which is issued to all our tenants, contains a section on fraud awareness and reporting. We take seriously any information on suspected fraud provided by concerned tenants or members of the public. All Housing Executive staff have received Fraud Awareness Training and this has been supplemented with specific Housing Benefit Fraud Awareness Training for all staff working in this area.

As already noted, we make extensive use of data matching techniques, using computer software to search and compare records to identify possible errors and fraudulent claims. We have increased the number of Customer Compliance visits and interviews, and raised £0.92m in Housing Benefit overpayments, up from £0.48m in the previous year. For those claimants receiving earned income, we are responding quickly to changes in income, contacting claimants promptly to prevent any overpayment of Housing Benefit due to claimants not informing us of their changed circumstances. During the period 1 October 2013 to 31 March 2014, 4,865 cases have been reviewed and adjustments made in 2,413 cases, resulting in overpayments of £0.6m being raised.

The Housing Executive's ongoing work to combat tenancy fraud has important links with our Housing Benefit counter fraud activity. Both teams will work closely together to prevent and detect fraud arising from non-residence and illegal subletting in NIHE properties.

When we detect suspected or actual fraud, we take action. Under our Service Level Agreement with the Social Security Agency ("SSA"), potential fraud cases are referred to the Single

Investigation Service ("SIS") for investigation and possible prosecution. We provide training for our colleagues in the SIS on the conditions of entitlement to Housing Benefit and work closely with them to ensure that investigators have a high level of knowledge. In 2013/2014 we referred 1,003 cases of suspected fraud to SIS, up from 359 the previous year. The Social Security Agency will publicise those cases where a criminal conviction has resulted following an investigation of benefit fraud.

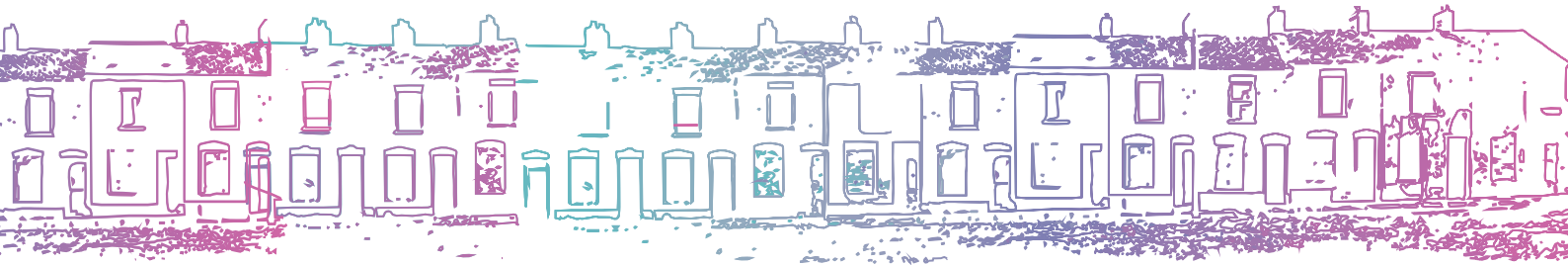
Contract Management (Response Maintenance)

This year has seen significant improvement being made in relation to contract management performance in response maintenance. This is evidenced by the results from the current CAU inspection programme which have provided all Areas with either a Substantial or Satisfactory classification.

However it is prudent NIHE continue to closely monitor the performance of contractors in relation to response maintenance as the introduction of the new contract structures require a bedding-in period for both the NIHE and Contractors.

Response maintenance staff have undergone extensive training in the new contracts, including a session with the Director of Landlord Services which focused key learning points from internal assurance inspections and audits and a review of the 2013/2014 inspection programme.

A gateway review 5 of response maintenance contracts was carried out in April 2014. Although the review recognised the delivery of improvements in contract management and performance since previous response contracts it gave a Delivery Confidence Score of Amber/Red and made 8 recommendations for improvement. Since the issue of the report a member of the review team met with the Housing Executive in August 2014 to review progress on implementation of the recommendations. Following this meeting the Delivery Confidence Score has been changed to Amber.



At the beginning of the 2013/2014 year, 2 response maintenance contractors went into administration. This affected contracts in North and East Belfast, Lisburn Shankill, South Belfast, Lisburn Dairy Farm and Portadown. As a consequence NIHE took the decision to deliver the contracts by their in-house Direct Labour Organisation ("DLO").

In order to ensure effective delivery of the contracts through the in-house DLO, NIHE have put in place a DLO Performance & Development Committee to support the Board in monitoring the performance, effectiveness and value for money of the DLO. The Committee will also review DLO performance against other organisations. The Terms of Reference for this committee were approved by the NIHE Board in February 2014 with appointments being made effective from 1 April 2014.

Contract Management (Planned Maintenance)

In order to provide clear lines of responsibility the Board approved the introduction of new structures that will strengthen operational control and oversight. The new Landlord Division is now in place and is responsible for the management and delivery of all our works programme.

With effect from January 2014 a new asset management team has been created to co-ordinate NIHE's physical programmes. NIHE is engaging external support to review our contract management arrangements including structures, processes and controls.

NIHE are currently implementing recommendations from the external review completed by Campbell Tickell to improve controls and systems around planned maintenance.

During 2013/2014 an issue arose in relation to the late processing of grounds maintenance invoices. The matter has been analysed and was referred to Senior Counsel. Having received Senior Counsel's advice, the Housing Executive has reached an

amicable settlement covering the six contracts involved and has paid the settlement figures.

Planned Maintenance Contracts - Settlement Agreement with Contractors

In January 2008 the Housing Executive entered into new planned maintenance contracts covering the supply and installation of replacement kitchens and external cyclical maintenance (ECM - painting, double glazing, guttering etc.). This was later extended to include the installation of fire doors. The contracts were initially for four years, but then extended for a further year, expiring in January 2013.

During 2010 concerns were raised within the organisation about potential overpayments. However, these concerns were not brought to the attention of the Audit Committee, and then the Board, until September 2011, both of which then requested immediate action.

An initial investigation by Internal Audit confirmed that overpayments may have occurred. A wider survey was then undertaken by Moore MacDonald, an independent firm of chartered surveyors and building consultants. This work, which involved negotiation with the expert appointed by the contractors, identified overpayments and underpayments, and is discussed in more detail in a later section.

During 2013 the Board appointed management consultants, Campbell Tickell, to provide an independent review of how the contracts had been managed and why overpayments had occurred. Campbell Tickell highlighted shortcomings in management and governance, concluding that the prime cause of the overpayments was poor planning, preparation, implementation and control. In particular, there had been a mistaken decision by Housing Executive senior management not to implement an important provision of the contract requirements, namely the re-measurement of work for which contractors had submitted claims for payment. Campbell Tickell also noted that



incomplete information had been passed up the management hierarchy, and ultimately to the Board and Audit Committee, meaning they could not exercise effective oversight and challenge of the situation.

Initial estimate of the maximum overpayment exposure

In April 2013, the Board asked the Senior Management Team to provide a value for the maximum potential overpayment exposure on planned maintenance schemes. An estimation technique was applied which combined the initial results from the Moore MacDonald reviews with internal information generated through the work of the Housing Executive's Central Cost Group (CCG). At the time of preparing the estimate, the number of scheme investigations completed by Moore MacDonald (20) and CCG (72) was relatively small against a total programme of 469 schemes.

At its meeting on 29 May 2013, the then Chief Executive advised the Board that "the overpayment of £18 million for planned maintenance was an estimate on the basis of the evidence collected to date and would continue to be refined". In June 2013, the Chairman of the Housing Executive advised the Minister for Social Development that an internal investigation had indicated that an estimated £18 million had been overpaid to planned maintenance contractors.

There were limitations to the approach used in that it was based on a small sample of schemes and on estimated spend rather than actual spend. Also, the findings did not reflect any comment or explanation on the part of the contractors.

Under the contract, contractors have an entitlement to submit claims for work carried out in addition to that included in the initial work content agreed for each scheme. These are known as "compensation events". However, a decision by Housing Executive management in the early days of the contract to set aside the strict terms and conditions of the contract meant that

contractors may have been paid for work not done but also that contractors had carried out work but had not raised any separate charges.

When the original £18 million estimated maximum overpayment exposure was determined, it did not include any allowance for the value of possible compensation events. This was because the extent and eligibility of compensation events had not been established at this stage and therefore could not be reliably quantified.

Agreed Settlement

An early attempt by the Housing Executive to pursue the issue of overpayments through an adjudication process failed and the Housing Executive Board then authorised senior management to enter into discussions with contractors to seek a resolution. This allowed consideration of compensation events alongside a wider sampling of schemes.

Following a lengthy negotiation process, facilitated by both parties' legal and technical experts, the Housing Executive reached an agreed settlement with each of the contractors. In consideration of all the factors involving overpayments and compensation events for kitchen replacement, double glazing, ECMs and fire doors schemes, three of the four planned maintenance contractors agreed to pay the Housing Executive, by way of set off, £670k. The Housing Executive agreed to pay a fourth contractor £470k to cover established underpayments. The settlement proposal concluded all issues relating to schemes within the period prior to July 2012.

Schemes completed after July 2012 will be dealt with in accordance with the terms of the contract. They are not, therefore, included within the financial resolution set out in the proposed terms of settlement.

The Housing Executive obtained external legal opinion from Queen's Counsel who advised there was a strong commercial reason for accepting



the terms of settlement. This was because of the uncertainties around securing success in litigation (given the legal and evidential issues set out in the opinion) together with the high costs which would be incurred through further evidence collection, mediation and litigation.

Revised estimate of overpayments and compensation events

Following completion of the negotiations, the Housing Executive undertook additional analysis to provide an indication of the overall financial impact of the settlement. This showed that:

- the original estimate of an £18 million gross overpayment was revised to £12.540 million as not all the schemes included within the original calculation were covered by the agreed settlement;
- the estimated value of compensation events was £10.264 million;
- after taking account of the financial settlement reached, there was an unreconciled amount of £2.076 million which required to be written-off for accounting purposes.

This overall analysis was not put to or agreed with contractors but provides a broad brush indicator of the estimated value of overpayment and compensation events. It should be noted that the contractors' expert believed that his clients had an entitlement to a significantly greater level of settlement.

A business case requesting approval for acceptance of the settlement and the write-off was submitted to DSD and then to DFP. After due consideration, the approvals were issued. A disclosure note for the write-off is shown in the financial statements.

Lessons learned

Given the circumstances described above, it is incumbent for any public sector body to reflect on what has happened, identify any learning points and take action as appropriate to prevent reoccurrence. The Housing Executive has

considered the matter carefully across a number of important areas.

Staff

Following the completion of the work undertaken by Campbell Tickell, the Housing Executive initiated an action plan to implement the recommendations contained within the report. In addition, staff involved with the management of planned maintenance schemes received refresher training during 2013 and were reminded of their duties and responsibilities. This training covered all grades of staff with more senior staff being required to provide a formal assurance that they were applying the correct control procedures. In particular, staff were reminded that there must be satisfactory inspection and remeasurement of all work undertaken by contractors before claims can be authorised for payment.

With some limited exceptions which are being addressed separately, payments being made against the remaining schemes not covered by the financial settlement are being managed in compliance with the terms and conditions of the contract. This will ensure satisfactory closure of these schemes. For a small number of schemes, there may not have been full compliance exercised by Housing Executive staff and these matters are currently being investigated, including application of disciplinary procedures.

New planned maintenance contracting arrangements

New arrangements have been put in place for the management of the new planned maintenance contracts which were recently awarded to six contractors, three of whom are not associated with the settlement. These new arrangements will address a range of important issues which were identified in relation to the management of the previous contracts. Some of the key areas are set out below:

- the new contracts better define how the partnering arrangements between the Housing



Executive, the scheme managing consultants and contractors will work;

- external consultants will manage each scheme on behalf of the Housing Executive from design stage through agreement of costs and work content and then on to delivery;
- the input of the consultants will be monitored by Housing Executive technical staff ;
- all staff, consultants and contractors have been trained on their roles and responsibilities;
- a set of key performance indicators will be used to monitor both consultant and contractor performance;
- there will be continuous monitoring of how the arrangements are working, including regular review by the Audit and Assurance Unit.

The new control environment has been “stress tested” to provide further assurance on its effectiveness. This has highlighted a number of areas where further improvements can be achieved.

Asset Management Strategy

The Housing Executive has commenced a major review of its existing arrangements for asset management, including how maintenance contracts are sourced, delivered and managed. This will be a comprehensive and systemic examination of all aspects of asset management and will clearly identify the most effective way to ensure our properties meet current and future tenant needs, delivering best value and effectiveness. An Asset Advisor has been appointed on a temporary basis to provide specialist advice and guidance within the Housing Executive. In addition, DSD has commissioned an independent stock condition survey of the Housing Executive’s properties to assess current and future investment needs.

The Housing Executive accepts that its management of planned maintenance contracts was flawed and significant work is required to address these concerns and restore confidence amongst all

stakeholders. Significant actions have already been put in place as part of an ongoing and developing strategic solution. However, this will take time to implement fully and will require considerable resources. The Comptroller and Auditor General has commented on this area in his Report.

Social Housing Development Programme (“SHDP”)

The back-loading of the SHDP remains a major concern with the majority of the budget being accrued in the last month of the financial year. There are a number of systemic reasons for the back-loading of the programme and actions have been introduced to address this problem. These include the earlier publication of the programme and the target that by 2016 land must be in the ownership of the association before the building development is programmed.

To support the land-ownership target, increased grant will be provided to associations that purchase land this financial year and achieve an on-site by December 2014.

There is a target in 2014/2015 of 2,000 starts on site, and an objective to spend around £20m on advanced land purchases to support delivery in future years. This is a significant increase in activity from the 1,299 starts on-site on 2013/2014.

Delivery of the supported housing schemes remains challenging. As a result NIHE will continue to closely monitor association performance against key delivery milestones and will target early on-sites where this is possible and similarly third quarter starts from 2013/2014 funded ALPs.

All developing associations have been invited by NIHE to a Housing Summit in June 2014 to consider how barriers to delivery may be removed and associations supported to help ensure delivery of the target 2,000 starts and to achieve full budget spend.

We are working with associations to improve delivery in areas such as Planning, NIHE land transfers and procurement approaches.



Supporting People

DSD's "Facing the Future: Northern Ireland Housing Strategy 2012-2017, gave a commitment to review the Supporting People programme including its policy and legislative framework in 2014/2015.

DSD are leading the review supported by their key delivery partners, the NIHE and the Department of Health, Social Services and Public Safety, who sit on the project working group. Supporting People contribute to the review by means of the project advisory group which meets at key junctions throughout the course of the project as a means of offering provider input. The intended timescale for completion of the review is 31 March 2015 with the final report to be submitted to the Minister for approval.

Housing Management System

In November 2013 a performance incident occurred following the latest software release on the Housing Executive's Housing Management System (HMS). This had significant impact on service levels. The nature of the incident resulted in poor system performance when the total number of Users logged on exceeded 200. This was as a result of the underlying HMS software rather than the enabling hardware infrastructure within NIHE. Following the incident, an action plan was created which included an enhanced performance testing strategy. The action plan was fully implemented by March 2014 to ensure that there would be no further re-occurrence.

Land Disposals

A pending NIAO report on a number of land transactions is expected to be published in 2015.

Corporation Tax

The Housing Executive has been in discussions with HM Revenue & Customs (HMRC) seeking clarification regarding the Corporation Tax status of the Housing Executive. HMRC has advised that its position is that NIHE is liable to corporation tax

on profits from tradable activities. Up to 31 March 2013, NIHE only considered interest receivable on deposit income as a tradable activity. HMRC, however, believes that the rental income account (rent received less all allowable expenses) and chargeable gains on the sale of housing stock under "Right to Buy" should also be included as tradable activities. HMRC has now agreed that the Housing Executive is only liable to Corporation Tax from 2009/10.

The Housing Executive is currently in discussions with HMRC regarding the submission of Corporation Tax returns for the periods from 2009/10 to 2013/14. The Housing Executive has provided for potential tax liabilities in the 2013/14 Annual Accounts on the basis of 'best estimates'. The Comptroller and Auditor General makes comment on this matter in his Report.

The Housing Executive has engaged tax consultants to provide expert technical assistance so that this issue can be clarified and completed in a timely and satisfactory manner.

5. Conclusion

The Annual Governance Statement identifies a range of significant governance issues that the organisation is facing during a period of significant change. I can confirm that actions are in place to manage these issues and that NIHE management are committed to ensuring that these are appropriately addressed without undue delay. Progress in relation to these will be reported to the ARAC and the Board throughout 2014/2015.

Mags Lightbody
Acting Chief Executive

Date: 11 September 2014



The Certificate of the Comptroller and Auditor General to the Northern Ireland Assembly

I certify that I have audited the financial statements of the Northern Ireland Housing Executive for the year ended 31 March 2014 under the Housing (Northern Ireland) Order 1981. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement of Northern Ireland Housing Executive and Chief Executive's Responsibilities, the Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Housing (Northern Ireland) Order 1981. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

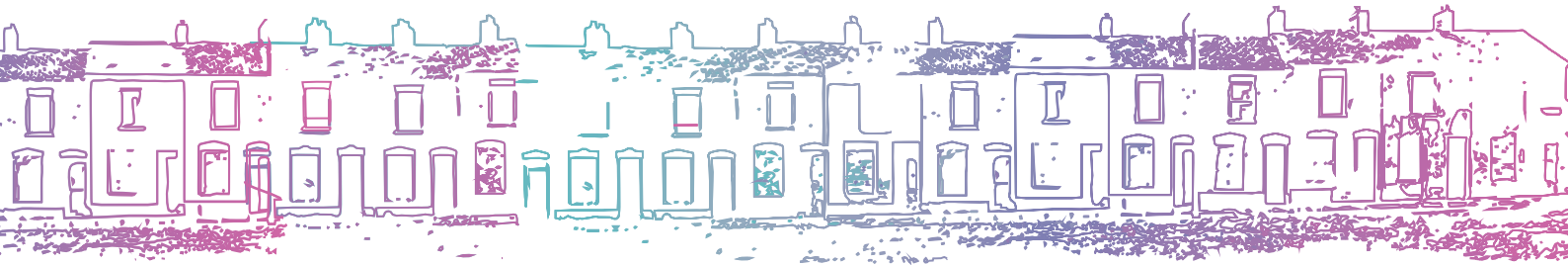
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate

to the Northern Ireland Housing Executive's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Northern Ireland Housing Executive and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinion on regularity arising from erroneous housing benefit awards and payment of fraudulent claims

The total amount paid in housing benefit is £654 million. The level of estimated fraud and error as reported in Note 30 to the accounts resulted in overpayments of £21.1 million and underpayments due to official error of £4.8 million. The housing benefit overpayments are irregular as the expenditure has not been applied in accordance with the purposes intended by the Northern Ireland Assembly and also because



fraudulent transactions are by definition irregular since they are without proper authority. In addition both over and underpayments arising because of official error are irregular because the Housing Executive is required to calculate benefits in accordance with the regulations which specifies the entitlement criteria for housing benefit and the method used to calculate the amount of benefit to be paid.

I have therefore qualified my opinion on the regularity of housing benefit expenditure because of the level of overpayments attributable to fraud and error which have not been applied to the purposes intended by the Northern Ireland Assembly and because of the level of overpayments and underpayments due to official error in such benefit expenditure which are not in conformity with the relevant authorities.

Basis for qualified opinion on regularity arising from weaknesses in control of expenditure on response and planned maintenance

The total expenditure on response and planned maintenance was £127 million. Significant weaknesses in control have continued to emerge in a number of areas in respect of this maintenance expenditure incurred by the Housing Executive. I was unable to obtain sufficient evidence that the Northern Ireland Housing Executive's control of this response and planned maintenance expenditure was adequate. Because of this lack of evidence I was unable to form an opinion whether the expenditure of £127 million on response and planned maintenance had been applied for the purposes intended by the Northern Ireland Assembly.

Qualified opinion on regularity

In my opinion, except for the issues relating to £25.9 million of housing benefit payments attributable to estimated levels of fraud and error, and, except for response and planned

maintenance expenditure of £127 million, in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions conform to the authorities which govern them.

Basis for qualified opinion on financial statements

Total expenditure on corporation tax in 2013-14 is £14.25 million. As disclosed in note 11, £11.5 million of this amount has either been accrued or provided for as the Housing Executive's estimate of the corporation tax that may become payable depending on the outcome of ongoing discussions with HMRC. The Housing Executive has also appointed consultants to help them in these discussions but at this early stage in their engagement with HMRC they were unable to confirm the reliability of the Housing Executive's estimate. The outcome of the discussions with HMRC is very uncertain and could result in the amount of corporation tax due being substantially increased or decreased from the current estimate. The evidence available to me to support the tax liability was therefore limited and as there were no reasonable alternative procedures that I could carry out I was unable to obtain sufficient appropriate audit evidence to support the accruals and provisions for corporation tax of £11.5 million included in the financial statements at Notes 18 and 23.

Qualified opinion on financial statements

In my opinion, except for the financial effect of such adjustments which may have been determined necessary had I been able to obtain sufficient and appropriate audit evidence concerning the completeness and accuracy of the corporation tax liabilities:

- the financial statements give a true and fair view of the state of Northern Ireland Housing Executives' affairs as at 31 March 2014 and of the net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and



- the financial statements have been properly prepared in accordance with the Housing (Northern Ireland) Order 1981 and Department for Social Development directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department for Social Development directions made under the Housing (Northern Ireland) Order 1981; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In respect of the issues relating to response and planned maintenance expenditure and the limitation of my work in relation to the completeness and accuracy of the corporation tax liabilities referred to above I have not received all of the information and explanations that I require for my audit.

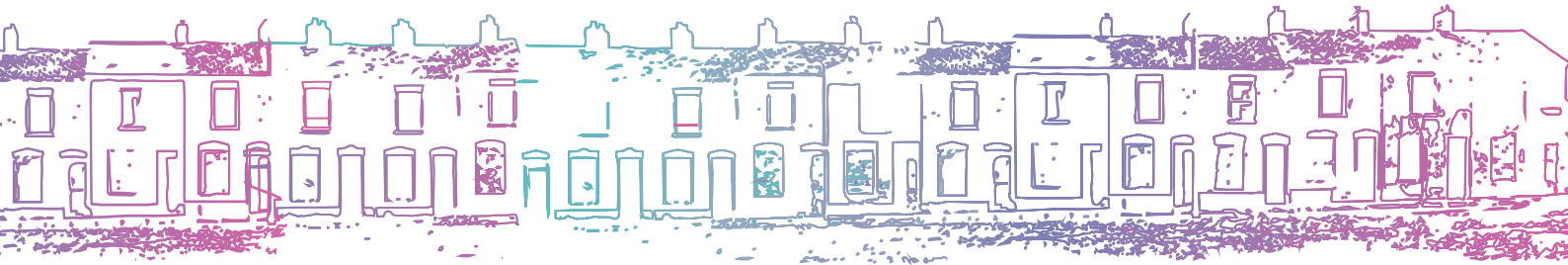
I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- the Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.

My detailed observations are included in my Report attached to the financial statements.

KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

Date: 5 September 2014



Northern Ireland Housing Executive

Statement of Comprehensive Net Expenditure for the year ended 31 March 2014

	Note	2014 £'000	Restated 2013 £'000
Expenditure			
Staff Costs	4	91,258	81,463
Other Expenditures	5, 6 & 7	383,754	389,148
Housing Benefit - DSD	8	654,303	632,039
Depreciation, Amortisation, Write Offs & Write Down	12(a)	39,498	53,814
Total Expenditure		1,168,813	1,156,464
Income			
Rental Income	10	277,898	269,011
EU Income	10	3,301	205
Other Income	10	59,876	50,818
Total Income		341,075	320,034
Net Expenditure before Interest		(827,738)	(836,430)
Interest Receivable	11(b)	616	886
Financing Charges	9	(45,503)	(51,862)
Pension Financing Charges	24(d)	(4,969)	(4,070)
Net Expenditure before taxation		(877,594)	(891,476)
Tax on ordinary activities	11	(14,252)	(261)
Net Expenditure after taxation		(891,846)	(891,737)
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net operating costs:			
Net gain/(loss) on revaluation of Property, Plant and Equipment		(1,239,566)	10,194
Net gain/(loss) on revaluation of Pension Actuarial Gains and Losses	24(e)	43,030	(33,638)
Total Comprehensive Net Expenditure for Year ended 31 March 2014		(1,196,536)	(23,444)

All amounts in the Statement of Comprehensive Net Expenditure relate to the continuing operations of the Northern Ireland Housing Executive.

The notes on pages 99 to 157 form part of the accounts.



Northern Ireland Housing Executive
Statement of Financial Position as at 31 March 2014

	Note	2014 £'000	2013 £'000
Non-current assets			
Property, Plant & Equipment - Operational	12(a)	2,108,725	3,394,630
Property, Plant & Equipment - Non Operational	12(b)	1,236	984
Intangible Assets	12(c)	1,989	2,711
Total non-current assets		2,111,950	3,398,325
Current Assets			
Assets Classified as Held for Sale	13	4,854	4,541
Inventories	14	4,830	5,009
Trade and other receivables	15 & 16	71,379	45,231
Cash and cash equivalents	17	155,327	172,691
Total current assets		236,390	227,472
Total assets		2,348,340	3,625,797
Current Liabilities			
Trade and other payables	18	(258,100)	(250,140)
Provisions	23	(14,444)	(7,890)
Total current liabilities		(272,544)	(258,030)
Net Current Liabilities		(36,154)	(30,558)
Non-current assets less net current liabilities		2,075,796	3,367,767
Non-current liabilities			
Other payables	18	(15,672)	(7,614)
Loans Outstanding	20	(409,963)	(473,109)
Provisions	23	(6,042)	(3,351)
Pension Liability	24(d)	(80,488)	(117,090)
Total Non-current liabilities		(512,165)	(601,164)
Assets less Liabilities		1,563,631	2,766,603
Taxpayers' Equity			
Statement of Comprehensive Net Expenditure Reserve		1,060,366	1,014,122
Revaluation Reserve		503,265	1,752,481
		1,563,631	2,766,603



The financial statements on pages 93 to 157 were approved by the Board Members of the Northern Ireland Housing Executive and signed on their behalf by:

Mr Donald Hoodless
Chairman

Ms Mags Lightbody
Acting Chief Executive

Date: 3rd September 2014

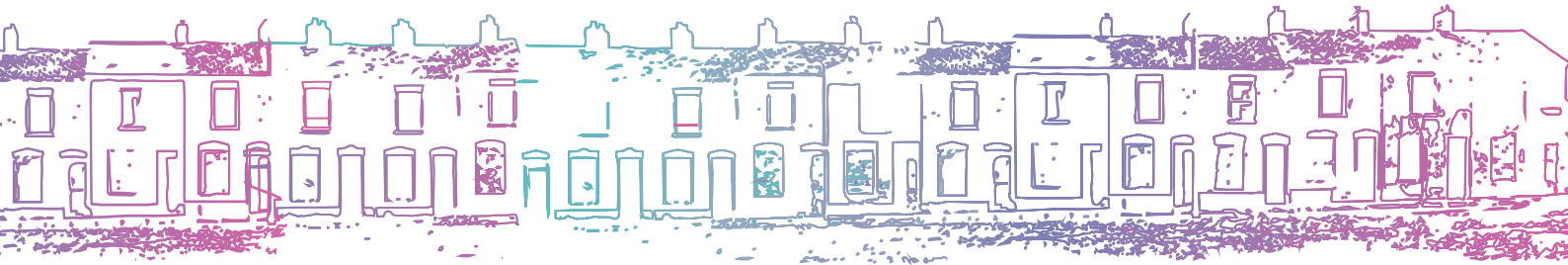
The notes on pages 99 to 157 form part of the accounts.



Northern Ireland Housing Executive
Statement of Cash Flows for the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Net Cash Outflow from Operating Activities	25(a)	(797,597)	(785,037)
Cashflow from Investing Activities	25(b)	(112,646)	(135,086)
Cashflow from Financing Activities	25(c)	886,910	922,789
(Decrease)/Increase in Cash & Cash Equivalents		(23,333)	2,666

The notes on pages 99 to 157 form part of the accounts.



Northern Ireland Housing Executive

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2014

	Note	SOCNE Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 31 March 2012		1,009,717	1,749,270	2,758,987
Changes in reserves 2012/13				
Unrealised deficit on Revaluation:				
Housing Stock		-	25,116	25,116
Land & Buildings		-	(16,468)	(16,468)
Non Operational Assets		-	-	-
Other Assets		-	1,554	1,554
Realisation of assets on disposal		6,991	(6,991)	-
Net Expenditure for year		(891,737)	-	(891,737)
Actuarial losses on defined benefit pension scheme	24(e)	(33,638)	-	(33,638)
Total 2012/13 Movements		(918,384)	3,211	(915,173)
Total recognised Income & Expense for 2012/13		91,333	1,752,481	1,843,814
Grant from Sponsoring Department	25(c)	922,789	-	922,789
Balance at 31 March 2013		1,014,122	1,752,481	2,766,603

The notes on pages 99 to 157 form part of the accounts.



Northern Ireland Housing Executive

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2014

	Note	SOCNE Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 31 March 2013		1,014,122	1,752,481	2,766,603
Changes in reserves 2013/14				
Unrealised deficit on Revaluation:				
Housing Stock		-	(1,237,011)	(1,237,011)
Land & Buildings		-	(2,292)	(2,292)
Other Assets		-	(263)	(263)
Realisation of assets on disposal		9,650	(9,650)	-
Net Expenditure for year		(891,846)	-	(891,846)
Actuarial losses on defined benefit pension scheme	24(e)	43,030	-	43,030
Total 2013/14 Movements		(839,166)	(1,249,216)	(2,088,382)
Total recognised Income & Expense for 2013/14		174,956	503,265	678,221
Grant from Sponsoring Department		885,410	-	885,410
Balance at 31 March 2014		1,060,366	503,265	1,563,631

The notes on pages 99 to 157 form part of the accounts.



Notes to the accounts

Note 1

Accounting Policies

Introduction

These financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel Northern Ireland (DFPNI). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Housing Executive for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by the Housing Executive are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The accounting policies which have a material impact on the accounts are as follows:

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

The policies which have a material impact on the accounts are as follows:

a) Accounting Conventions

- The revenue and capital accounts are maintained on an accruals basis. This means that expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received.
- Income is matched with associated costs and expenses in so far as their relationship can be established or justifiably assumed.

- Income has only been disclosed in the accounts where there is reasonable certainty, and proper allowances have been made for all foreseeable losses and liabilities.
- Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, the reason and effect have been separately disclosed.
- The accounts have been prepared on a going concern basis.
- Where estimating techniques are required to enable the accounting practices adopted to be applied, then the techniques used are, in the Housing Executive's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, if practicable, the effect on the results for the current year is separately disclosed. Note 2 provides detail of material changes to estimating techniques for the current reporting year.

b) Rents

Rental Income shown in the Statement of Comprehensive Net Expenditure is the gross rent collectable less rents collectable on voids (vacated dwellings) and abatements for housing stock and commercial properties. All arrears and advances are reported in the receivables and payables due within one year and after one year.

Rates Income Received, which is shown in Other Income within the Statement of Comprehensive Net Expenditure, refers to Rates collectable on Housing Stock and garages.

c) Insurance

It is the Housing Executive's policy to self insure and expense immediately against Public Liability Claims below £250k for any one incident (limit of indemnity £20m), damage to Housing Stock (with the exception of multi storey flats and hostels) and Professional Indemnity Insurance.



d) Housing Benefit

Means tested Housing Benefit is administered by the Housing Executive on behalf of the DSD. All claimant payments and the majority of the administrative costs are funded by the Department. Housing Benefit overpayments are accounted for in the Housing Executive's books as a debtor due from the overpaid claimant and a creditor due to the DSD when the debt has been recovered. The Department's accounts will include as a debtor the amount of Housing Benefit recoverable by the Housing Executive.

e) Service Concession Arrangement (strategic partnership with an IT Service provider)

In March 2005, the Housing Executive entered into a contract with an IT Service provider for the development, implementation and support of current and future Information and Communications Technology (ICT) systems and services up to 2015. Under the terms of the contract, the provider is contractually obliged to provide IT services to the Housing Executive. The IT Service to be delivered by the provider is specified by NIHE through service element components at the outset of the contract.

IFRIC (International Financial Reporting Interpretations Committee) 12, "Service Concession Arrangements", covers the accounting treatment of Public Private Partnership (PPP) arrangements, Private Finance Initiative (PFI) contracts or other similar contracts that meet the definition of service concession arrangements. The Housing Executive contract with the IT provider, although not a PFI contract, is within the scope of IFRIC 12 as the Housing Executive controls the ICT services that the IT provider must provide. Furthermore, the Housing Executive has the right to the residual interest at the end of the contract when ownership of all assets pertinent to the contract will revert to the Housing Executive.

In accordance with IFRIC 12, the Housing Executive recognises hardware and software as a non-current asset when it meets the recognition

criteria for other non-current assets of that generic type. Hardware costs, recognised under International Accounting Standard (IAS)16 as non-current assets, are accounted for as Property, Plant & Equipment within Note 12(a). Software costs, recognised under IAS 38 as non-current assets, are accounted for as Intangible Assets within note 12(c). An asset is only recognised as a non-current asset when the asset comes into use by the Housing Executive. Any payments in advance of the asset coming into use are treated as prepayments.

The Housing Executive measures non-current assets initially at cost. This represents the costs incurred by the provider in bringing the asset into use for each service element. Following initial recognition, non-current assets acquired under this contract are re-valued each year by reference to appropriate Treasury approved indices. The accounting is in accordance with other non-current assets of that generic type as outlined below for hardware in 'Property, Plant & Equipment' and software in 'Intangible Assets'.

After a service element is brought into use, the Housing Executive starts to make unitary charge payments to the provider. The unitary charge payment incorporates payments for the service element of the contract, a finance charge and payments for the capital element of the contract. Payments for the capital element of the contract are offset against the liability recognised for the capital value of assets brought into use. The service element and the finance charge are expensed annually to the Statement of Comprehensive Net Expenditure.

f) Intangible Assets

IAS 38, "Intangible Assets", covers accounting for the recognition, measurement and amortisation of Intangible assets, in particular Computer Software.

Computer software is defined as an Intangible Asset under IAS 38. It is measured on initial recognition at cost. Following initial recognition,



computer software is re-valued each year by reference to appropriate Treasury approved indices. Computer software is carried at valuation less any accumulated amortisation and any accumulated impairment losses.

Computer software is amortised over its useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for computer software with a finite useful life is reviewed at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method of amortisation as appropriate. Any adjustments are treated as changes in accounting estimates. The amortisation expense on computer software is recognised in the Statement of Comprehensive Net Expenditure within Depreciation, Write Offs and Write Down.

Gains or losses arising from de-recognition of computer software are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Comprehensive Net Expenditure Accounts when the asset is de-recognised.

Amortisation

It is policy to provide a full year's amortisation in the year of purchase. Computer Software is amortised on a straight line basis with no residual value. The principal terms used are:

Computer Software purchased outside of the IT service concession arrangement contract	5 years
Computer Software purchased within the IT service concession arrangement contract	Over the life of the contract

g) Property, Plant and Equipment

IAS 16, "Property, Plant and Equipment", covers accounting for the recognition, measurement, valuation and depreciation of non current assets. IAS 16 allows for revaluation of such assets and states that it will be sufficient to perform a full valuation by a qualified external valuer at least every five years, an interim valuation in year three, and an interim valuation in other years where there has been a material change in value. In interpreting IAS 16 for the public sector, the FReM permits a full valuation of assets every five years with annual indexation in the intervening years and no interim professional valuation. The Housing Executive has adopted this latter approach for all non-current assets other than Housing Stock and Land, which will continue to be revalued annually.

Operational Assets

Housing Stock

Operational housing stock is revalued each year on the basis of open market value for existing use (Existing Use Value for Social Housing).

To determine the open market value, the "Beacon approach" to valuation is adopted for valuing the housing stock. Under the Beacon approach, the Housing Executive's total housing stock is split into property archetypes, through uniting characteristics material to the valuation. The value of a property archetype is determined by valuing a sample dwelling, representative of the property archetype, and using this value as the average value for the group. Internal inspections of each sample dwelling will be carried out every five years, in line with FReM. In intervening years, the Housing Executive's housing stock is subject to an annual 'desk-top' revaluation to reflect changes in stock numbers and local prices indices.

To obtain Existing Use Value for Social Housing, the market value for each property archetype is adjusted by a factor which reflects the valuation for the properties if they were to be sold with



sitting tenants enjoying tenant's rights. This method of valuation is carried out using guidance issued by the Department of Communities & Local Government in England titled 'Stock Valuation for Resource Accounting 2010 : Guidance for Valuers'.

Voids which will be lettable are valued in line with normal stock valuations. Non-lettable voids are valued at Open Market Value, in line with the guidance issued by the Department of Communities & Local Government.

Land

Land is revalued each year on the basis of open market value. Additions to the land bank have been valued by external qualified valuers. Amenity land is recorded at Nil value as its value is considered to be reflected within the social house values. Where there is a reclassification of such land to development use, a revised valuation will be undertaken. Departmental approval provides for the transfer of land to Housing Associations (HA) at Nil value. Such a transfer is recorded in the Housing Executive accounts as a 'Capital Grant in Kind'.

Other Property

Commercial Properties, Hostels, Offices and Stores, and Travellers' Sites are valued in accordance with the FReM. They are revalued and relifed every five years by external professional valuers and in the intervening years appropriate indices are applied. Commercial Properties, Offices and Stores are valued on the basis of fair value for existing use. Hostels and Travellers' sites are valued at depreciated replacement cost.

Other assets

Short life assets, which includes Motor Vehicles, Plant and Machinery, Estate Management Equipment and Computer Equipment, are revalued each year by reference to appropriate Treasury approved indices.

De minimis rule

Non housing and housing stock related expenditure valued at £2,000 or less is charged to the Statement of Comprehensive Net Expenditure, except for expenditure incurred in the initial capital costs of a new asset e.g. fitting out of a new hostel. Items of computer network and ancillary equipment are excluded from the de minimis rule. Expenditure on housing stock in excess of the de minimis rule which does not add financial value to the stock will be treated as revenue.

Non Operational Assets

Redevelopment Expenditure

Redevelopment (Urban Regeneration) Expenditure is classified as non operational assets. Expenditure is incurred in the purchase of properties zoned for redevelopment, demolition of properties and in site clearance. Expenditure is accrued for land that has been vested and where a claim has been made, with legal title confirmed. A provision is made for claims submitted and where legal title has yet to be confirmed.

Impairment results from the costs associated with land acquisition and development costs exceeding their brownfield site value.

Other property

Other properties noted as surplus to requirements are also classified as non operational assets and valued at fair value.

h) Depreciation

It is the Housing Executive's policy to provide a full year's depreciation in the year of purchase. Assets are depreciated on a straight line basis with no residual value. The principal rates used are:



Land	Not depreciated
Housing Stock (Building element)	50 year life
Other Buildings - Built or Purchased (Building element)	As directed by valuer
Office Premises Adaptations - Leased	Over Lease Period
Plant and Machinery	7 year life
Estate Management Equipment	4 year life
Motor Vehicles	4 year life
Office Furniture	7 year life
Specialised Equipment	5 year life
Furniture and Fittings - Hostels	7 year life
Computer Network and Ancillary Equipment	5 Year life

i) Assets held for Sale

Assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and expected to be completed within one year from classification and the asset is available for sale in its present condition.

Housing Stock classified as Held for Sale is based on actual post year-end house sales in April and estimated post year-end house sales for May and June.

j) Inventories

The valuation of inventory held by the Housing Executive's Direct Labour Organisation is stated at the lower of cost and net realisable value.

Houses purchased under the Special Purchase of Evacuated Dwellings (SPED) Scheme are considered to be current assets as it is anticipated

that such houses will be sold within 12 months of purchase. SPED inventory is valued at the lower of cost and net realisable value.

k) Cash and Cash Equivalents

Cash and Cash equivalents comprise cash on hand and deposits and other short-term liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

l) Financial Instruments

Financial Assets

Financial Assets are classified into four types:

- Financial Assets at fair value through profit or loss- assets that an entity determines are held for trading and for derivatives with a positive value;
- Held to Maturity Investments- assets that have fixed or determinable payments and a fixed maturity;
- Loans and Receivables- assets that have fixed or determinate payments but are not quoted in an active market;
- Available for Sale Financial Assets- assets that have a quoted market price and / or do not have fixed or determinable payments.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Statement of Comprehensive Net Expenditure for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This results in the amount presented in the Statement of Financial Position as the outstanding principal receivable and interest credited to the Statement of Comprehensive Net Expenditure Account as the amount receivable in the loan agreement.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Statement of Comprehensive Net



Expenditure for Interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The majority of the external borrowing that the Housing Executive has is with the Consolidated Loans Fund. In accordance with the Government FReM, Loans, Public Dividend Capital and other interests in public bodies outside the departmental boundary should be reported at historical cost less impairment. Therefore, the Government and local authority loans are stated at historical cost in the accounts.

As required by IFRS 7, the fair value of the financial instruments, i.e. the loans inherited from former local authorities and loan advances received from the DSD, is disclosed in Note 22.

m) Government Grants

Capital and Revenue Grants & Grant In Aid from Department for Social Development

A Non Departmental Public Body (NDPB) must treat general grants and grant-in-aid received for revenue and capital purposes as financing because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of the NDPBs.

Any general revenue and capital grants received from the Housing Executive's sponsoring body, the DSD, to assist the Housing Executive in carrying out its statutory function, must be accounted for through the Revenue Reserve Account on the Statement of Financial Position.

The Housing Executive receives general grants from the DSD to support its operational activities and to enable it to administer the functions of Supporting People, Private Sector Grants, Warm Homes, Boiler Replacement Scheme, Social Housing Development Programme and Housing Benefit. Note 31 provides a breakdown of general grants and grant-in-aid and how it was spent. Note 31 does not include Housing Benefit Grant received from the DSD.

Capital and Revenue grants

Capital and Revenue grants received for specific operational assets and revenue purposes are accounted for in line with IAS 20.

Capital Grants receivable for specific operational assets are recognised in the Statement of Comprehensive Net Expenditure immediately unless there are conditions stipulated by the Grant Paying body on their use which, if not met, would mean the grant is repayable. In such cases, the income will be deferred and released when the obligations are met. Where the capital grant has no conditions attached to it, the income is recognised immediately.

Grants receivable for revenue purposes are also recognised in the Statement of Comprehensive Net Expenditure so as to match them with the expenditure towards which they are intended to contribute.

Grants Payable

The Housing Executive pays grants in accordance with the terms and conditions inherent within the respective funding agreement, letter of offer or grant approval scheme. Grants payable are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs. Grants related to activity occurring over a specific time period, usually a financial year, are recorded as expenditure for that period.

n) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The leases the Housing Executive currently holds are all regarded as operating leases and the rentals are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the lease term.



Housing Executive as a lessee

Finance leases

Finance leases, which transfer to the Housing Executive substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Statement of Comprehensive Net Expenditure.

Operating leases

Operating lease payments are recognised as an expense in the Statement of Comprehensive Net Expenditure on a straight line basis over the lease term.

o) Pensions

The Housing Executive participates in the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) pension scheme for the majority of its employees. The Scheme's professionally qualified actuaries recommend the rates of contribution to be paid. The Housing Executive has accounted for its pension costs arising from the NILGOSC scheme, and for all unfunded discretionary benefits which it has granted, as defined benefit schemes.

NILGOSC pension scheme

For the NILGOSC defined benefit scheme, the Housing Executive has recognised its share of the pension fund assets and liabilities in its Statement of Financial Position as a pension liability, as well as recognising the full cost of providing for future retirement benefits in the Statement of Comprehensive Net Expenditure.

Measurement of Scheme Assets

The pension fund asset is accounted for at fair value.

Measurement of Scheme Liabilities

Pension liabilities are measured on an actuarial basis using the projected unit method. The scheme liabilities at the valuation date relate to:

- i) the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases; and
- ii) the accrued benefits for members in service on the valuation date.

Recognition of Net Pensions Liability

The Housing Executive has recognised a liability in its Statement of Financial Position for the shortfall in value of its share of pensions fund assets and liabilities at the Statement of Financial Position date. This shortfall is recoverable wholly from increases in future contributions made by the Housing Executive to the pension fund.

The movement in the pension liability is analysed across the following components:

- Current Service Cost - represents the increase in the present value of the scheme liabilities expected to arise from employee service in the current period. The current service cost is included in Employee Costs within the Statement of Comprehensive Net Expenditure.
- Interest on Service Cost- this is accounted for in Employee Costs and the Net Interest Cost within the Statement of Comprehensive Net Expenditure.
- Administration Expenses- an allowance for administration expenses and insurance premiums is included in the pension expense as part of the current service cost within the Statement of Comprehensive Net Expenditure.



- **Past Service Cost** - represents the increase in liabilities arising from decisions made during the year which affect years of service earned in earlier years, such as the award of early retirement with added years of service. The past service cost is included in Employee Costs within the Statement of Comprehensive Net Expenditure.
- **Net Interest Cost**- reflects the change during the period in the net defined benefit liability/ (asset). The Net Interest Cost is included in financing costs within the Statement of Comprehensive Net Expenditure.
- **Actuarial Gains and Losses**- arise from differences because events have not coincided with the actuarial assumptions made for the last valuation or changes in the actuarial assumptions and due to experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred). Actuarial Gains and Losses are reflected in the Statement of Changes in Taxpayers' Equity.
- **Gains and losses on settlements and curtailments**- settlements are actions that relieve the employer of the primary responsibility for a pension obligation. A curtailment reduces the expected years of future service or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Gains and losses on settlements and curtailments are included in employee costs within the Statement of Comprehensive Net Expenditure.

Added Years Discretionary Benefits

The Housing Executive recognises the actuarial liability from added years granted in respect of past employees who have retired early. Given projected life spans, this liability will be payable over a number of years. The Housing Executive makes a provision each year based on the projected liability. Payments in respect of individual employees who have retired early are

paid annually to NILGOSC and will continue to be paid until these employees cease to be recipients of the scheme.

p) Taxation (including Value Added Tax)

Corporation Tax

As the Housing Executive does not have Crown exemption, it is potentially liable to corporation tax on certain sources of income (in this case, interest receivable, chargeable gains on sale of Housing Stock and net rental income in the landlord activities) earned in any year. A tax charge is recognised and shown on the face of the Statement of Comprehensive Expenditure. More details can be found in Note 11.

Value Added Tax

All revenues, expenses and assets are shown net of Value Added Tax (VAT) unless it is irrecoverable. The net amount of VAT recoverable from, or payable to, HMRC is included as part of receivables or payables in the Statement of Financial Position.

q) Provisions

Provisions are recognised when either a legal or constructive obligation, as a result of a past event, exists at the Statement of Financial Position date and where the amount of the obligation can be reasonably estimated.

r) Contingent Liabilities

A contingent liability is disclosed in Note 26 if an obligation cannot be accurately estimated or if an outflow of economic benefit to settle the obligation is more than remote.

It is the Housing Executive's policy to challenge all public liability claims made against the organisation.

Payments in respect of settled claims are included in the Statement of Comprehensive Net Expenditure in the year in which they are made and a note of the possible liability is included in the supporting notes to the accounts.



s) Related Party Transactions

Details of transactions and outstanding balances at the year-end between the Housing Executive and related parties are disclosed in Note 28 in accordance with IAS 24.

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

A related party is a person or entity that is related to the Housing Executive. The following are classed as related parties for the Housing Executive:

- a) A Director or Board Member (or a close member of that person's family);
- b) An entity if any of the following conditions applies:
 - i) The entity and the Housing Executive are members of the same group i.e. other Government body;
 - ii) The entity is controlled or jointly controlled by a person identified in (a).

t) Estimation Techniques

The Housing Executive makes estimates and assumptions concerning the future which, by definition, will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provisions

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Please see note 23 for further details of the carrying amounts.

Pension Liability

An asset or liability in respect of the NILGOSC scheme is recognized on the Statement of Financial Position in accordance with the accounting policy o). The present value of a defined benefit obligation is dependent upon a number of factors that are determined on an actuarial basis. The Housing Executive determines the appropriate discount rate to be used at the end of each year. Please see note 24 for further details of the carrying amounts.

Assessing the need for and measurement of impairment losses

Impairment losses on receivables, particularly Housing Benefit receivable and Tenant Arrears, is dependent upon NIHE deriving the best estimate of probable losses inherent in the portfolio. Such estimate requires consideration of historical loss experience, adjusted for current conditions, and judgments about the probable effects of relevant observable data. Please see note 16 for further details of the impairment losses for 2013/14.

Useful lives of Property, Plant and Equipment and Intangible assets

The estimation technique employed in determining the useful lives of Intangible assets and Property, Plant and Equipment is enclosed in accounting policy f) and g) respectively. Please see note 12 for further details of the carrying amounts.

Valuation of Housing Stock

The estimation technique employed in selection of the beacon property and calculation of the adjustment factor is carried out using Guidance issued by the Department of Communities & Local Government in Great Britain titled 'Stock Valuation for Resource Accounting 2010: Guidance for Valuers'. More information is enclosed in accounting policy g). Please see note 12 for further details of the carrying amount.



Note 2

Changes in Accounting Policy

Application of International Accounting Standard (IAS) 19R- Employee Benefits

Up to 31 March 2013, the Housing Executive applied IAS 19, "Employee Benefits", to the Financial Statements. A revised statement, IAS 19R, was issued by the International Accounting Standards Board (IASB) on 19 June 2011, with implementation to come into effect for financial years commencing on or after 1 January 2013. The Housing Executive has implemented this new standard with effect for the 2013/14 Financial Statements in line with the Government Financial Reporting Manual.

The main changes with the introduction of IAS 19R are:

- 1) the expected rate of return is replaced by the discount rate and is combined with the interest cost, resulting in a Net Interest Cost;
- 2) interest on the Service Cost is now part of Service Cost and moves from Financing Charges to Staff Costs;
- 3) investment related expenses are recognised as part of the asset gain/loss in the Other Comprehensive Income (effectively being accounted for in Revenue Reserves).

The revised IAS 19R requirements represent a change in accounting policy and therefore comparative figures have been restated.

The effects on the financial statements for the previous year are shown below.

	At 31 March 2013 (without adopting new policy) £'000	Impact of adopting the new policy £'000	At 31 March 2013 (after adopting new policy) £'000
Statement of Comprehensive Net Expenditure			
Expenditure:			
Staff Costs	(81,486)	23	(81,463)
Pension Financing Income/(Charges)	4,000	(8,070)	(4,070)
Statement of Financial Position			
Taxpayers' Equity			
Statement of Comprehensive Net Expenditure Reserve	1,014,122	8,047 (8,047)	1,014,122



Changes in Accounting Estimate

Adjustment Factor used in valuation of Housing Stock

As described above in the Accounting Policy note 1(g), operational housing stock is revalued each year on the basis of open market value for existing use (Existing Use Value for Social Housing) in accordance with the guidance issued by the Department of Communities & Local Government: 'Stock Valuation for Resource Accounting- Guidance for Valuers 2010'.

To obtain Existing Use Value for Social Housing, the market value for each property archetype is adjusted by a factor which reflects the valuation for the properties if they were to be sold with sitting tenants enjoying tenant's rights.

The guidance states the Adjustment Factor measures the difference between private open market rented and socially rented property at a regional level.

In particular, the adjustment factor is the relationship between the capitalised net rent (investment value) of a private dwelling and the equivalent public sector investment. It is determined with reference to the relationship between rents and yields in the private residential sector and the public/socially rented sector.

Up to 2012/13, NIHE applied two adjustment factors to reflect two regions within Northern Ireland- Belfast and the rest of NI.

Up until 2012/13, Land & Property Services provided the adjustment factors as part of the annual valuation of the Housing Executive's Housing Stock for year-end accounting purposes. LPS based the adjustment factor on the relationship between rents in the private and the public housing sectors as there was no information available to calculate the described rent/yield relationship between the public/private residential sector as outlined in the guidance.

During 2013/14, following research carried out by the Housing Executive and the University of Ulster, the required information became available and the Housing Executive engaged the University of Ulster to calculate adjustment factors which, for the first time, reflected the private/public sector yield relationship. Application of these adjustment factors, in accordance with the Department of Communities and Local Government guidance, means that the value of Housing Executive stock has reduced considerably from that determined previously on the basis of the incomplete, rent proxy information.

The table below summarises the impact of applying the guidance in full:

	Value of Housing Stock	
	Previous method	Revised Method
2012/13	£3.31bn	£2.11bn
2013/14	£3.19bn	£2.03bn

It is impracticable to estimate the amount of the effect of this change in future periods.



Note 3

Analysis of Net Expenditure by Segment

IFRS 8, 'Operating Segments', requires disclosure of financial information about an organisation's reportable segments, based on the format and structure of internal reporting arrangements as evaluated regularly by the 'Chief Operating Decision Maker'.

IFRS 8 defines an operating segment as a component of an entity that engages in business activities from which it may earn revenues and incur expenses and whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The 'Chief Operating Decision Maker' for the Housing Executive is deemed to be the Board as it has the authority and responsibility for directing the major activities of the Housing Executive at a corporate level during the year. In particular, the Housing Executive Board approves the annual budget and scrutinises financial performance against this on an ongoing basis. The allocation of resources through the information presented to the Board each month does not include non-cash items such as depreciation or impairment.

The Housing Executive's objectives and programmes reflect its role as the regional strategic housing authority for Northern Ireland. It is fully committed to working with others to ensure everyone has access to a decent affordable home in a safe and healthy community. The Housing Executive aim to achieve this through the following objectives:

- Delivering the Decent Homes Standard;
- Promoting independent living;
- Urban and rural regeneration;
- Promoting affordable housing;
- Building a stronger community;
- Better public services.

The Board of the Housing Executive determines a comprehensive set of objectives and targets to ensure it meets its responsibilities across this wide range of programmes and services. This Board approved framework is then used to allocate resources, monitor performance (both financial and non-financial) and thereby control the activities of the organisation at corporate level.

Operating segments can therefore be readily identified using the performance and resource framework already established by the Board and provide compliance with the reporting requirements of International Financial Reporting Standard (IFRS) 8.

The following operating segments have been identified:

- NIHE Landlord Function - this covers the expenditure, both capital and revenue, required to allow the Housing Executive to meet its statutory responsibility for the management and upkeep of some 87,500 housing units;
- Social Housing Development Programme - sometimes described as the 'New Build' programme, this is mainly concerned with the grant support provided to Housing Associations;
- Urban Renewal Programme - this programme funds the acquisition of privately owned houses in designated inner-city areas to allow major development schemes to proceed;
- Private Sector Grants (including Warm Homes) - this scheme provides grants to private home owners to fund repairs, improvements and adaptations and thereby improve the overall stock of housing within the region;
- Supporting People - the Housing Executive manages this Government Scheme which is aimed at providing housing based assistance to allow eligible individuals to obtain the benefits of independent living;



- Housing Benefit - the Housing Executive, on behalf of the Department of Social Development, is responsible for the administration of the housing benefit scheme which provides financial support to eligible persons on low income to help them pay their rent; and
- Other - the 'other' category is comprised of purchase and sale of Special Purchase of Evacuated Dwellings (SPED) properties, disabled adaptations expenditure, IT computer costs and non landlord supervision and management costs which are not required to be disclosed as the totals are below the quantitative thresholds required within IFRS 8.

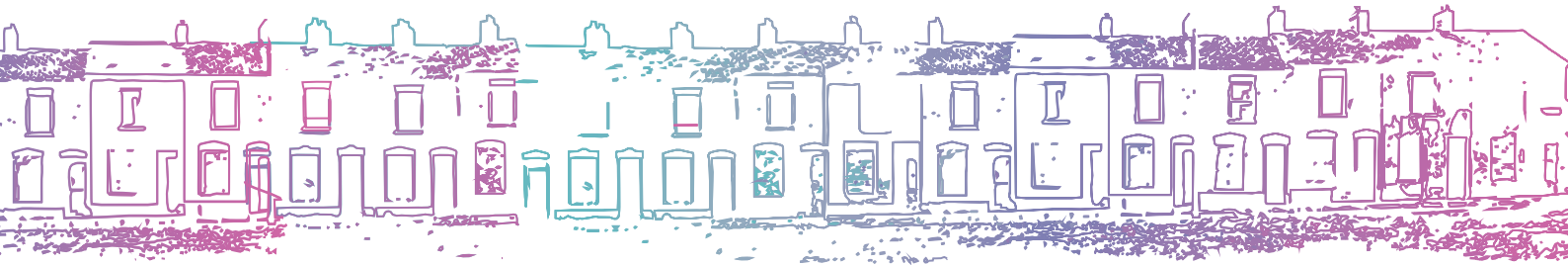


Note 3

Analysis of Net Expenditure by Segment (continued)

The following table summarises the budgeted spend as included in Note 3 for each of the operating segments for the year end 31 March 2014.

Segment	Note	Expenditure				Net Expend £'000	% of Total Net Expend £'000
		Capital £'000	Revenue £'000	Loans £'000	Less Income £'000		
Total Net expenditure reported for Operating Segments:							
Social Housing Development Programme		82,514	876	-	-	83,390	34%
Supporting People		-	70,093	-	-	70,093	28%
Private Sector Grants, incl Warm Homes		33,702	4,968	-	-	38,670	16%
Housing Executive Landlord Function		12,934	189,333	113,524	(282,350)	33,441	13%
Urban Renewal Programme		8,676	292	-	-	8,968	4%
Other		-	30,400	-	(1,469)	28,931	12%
		137,826	295,962	113,524	(283,819)	263,493	
Less Capital Receipts		(14,998)	-	-	-	(14,998)	(6%)
Total		122,828	295,962	113,524	(283,819)	248,495	
Working Capital						(17,605)	
Total Net Expenditure funded by DSD	31					230,890	
Housing Benefit Expenditure	8					654,303	
Other						6,653	
Total Net Expenditure per the Statement of Comprehensive Net Expenditure						891,846	



Note 3

Analysis of Net Expenditure by Segment (continued)

The following table summarises the budgeted spend as included in Note 3 for each of the operating segments for the year end 31 March 2013.

Segment	Note	Expenditure				Less Income £'000	Net Expend £'000	% of Total Net Expend £'000
		Capital £'000	Revenue £'000	Loans £'000				
Total Net expenditure reported for Operating Segments:								
Social Housing Development Programme		82,955	968	-	-	83,923	29%	
Supporting People		-	67,557	-	-	67,557	23%	
Private Sector Grants, incl Warm Homes		37,444	6,863	-	-	44,307	15%	
Housing Executive Landlord Function		11,906	190,869	125,141	(265,626)	62,290	22%	
Urban Renewal Programme		2,058	379	-	-	2,437	1%	
Other		-	48,598	-	(11,955)	36,643	13%	
		134,363	315,234	125,141	(277,581)	297,157		
Less Capital Receipts		(9,805)	1,249	-	-	(8,556)	(3%)	
Total		124,558	316,483	125,141	(227,581)	288,601		
Working Capital						2,150		
Total Net Expenditure funded by DSD	31					290,751		
Housing Benefit Expenditure	8					632,039		
Other						(31,053)		
Total Net Expenditure per the Statement of Comprehensive Net Expenditure						891,737		



Note 4

Staff numbers and related costs

	2014				Restated
	Permanent	Others	Board	Total	2013
	Staff	Others	Members	Total	Total
	£'000	£'000	£'000	£'000	£'000
a) Staff costs comprise					
Wages and Salaries	67,742	3,540	112	71,394	67,608
Social Security Costs	4,799	245	5	5,049	4,851
Total Staff costs excl Pension Costs	72,541	3,785	117	76,443	72,459
Other Pension Costs				14,815	9,004
				91,258	81,463

The costs of the following staff seconded to other agencies have been netted off the Total Salaries Costs.

	2014	2013
	£'000	£'000
Wages and Salaries	436	609
Social Security Costs	35	53
Other Pension Costs	86	103
	557	765

The costs of staff seconded from other Public Sector Bodies are not included in Total Salaries Costs. Costs in respect of these secondees are included in Supplies, Services, Write-offs and Other Costs (Note 5(a)) and amount to £123k.

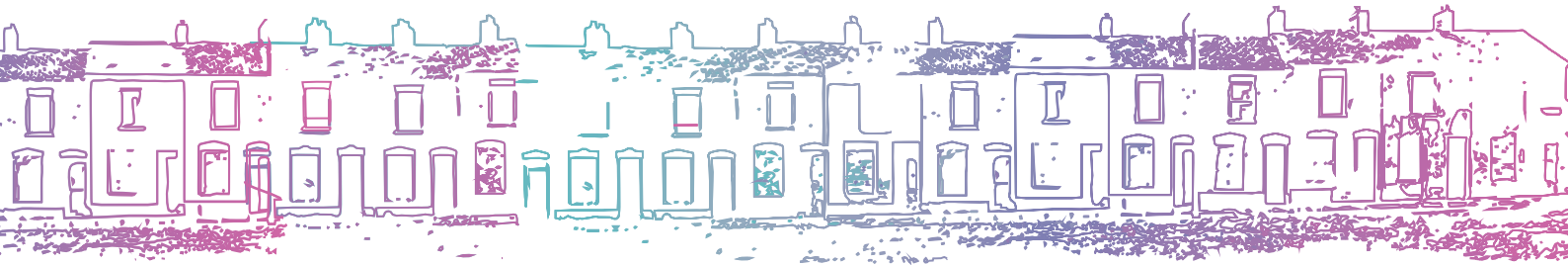
In addition, staff employed by recruitment agencies amounted to £6,866k, of which £4,523k is reflected in Supplies, Services and Other Costs and £2,343k is included in Dwelling Related Costs.

b) Average number of persons employed

The average number of whole-time equivalent persons employed during the year is shown in the table below.

	2014				Restated
	Permanent	Others	Board	Total	2013
	Staff	Others	Members	Total	Total
Executive	6	-	10	16	17
Staff	2,770	199	-	2,969	2,880
	2,776	199	10	2,985	2,897

From 1 January 2014, a re-organisation within the the Housing Executive has resulted in a change to departments. The new four departments are Landlord Services, Regional Services, Corporate Services and Finance. Due to the change from 1 January 2014, it is not possible to show whole-time equivalent persons for each directorate. Numbers have been amalgamated into the 'Staff' category above.



Notes 5

Other Expenditures

	Note	2014 £'000	2014 £'000	2013 £'000
Direct Employees Costs			428	627
Transport Related Costs			2,344	2,359
Premises Related Costs			8,177	7,608
a) Supplies, Services, Write - Offs & Other Costs			23,460	21,566
External Audit - Auditor's Remuneration		153		
b) - Other Services		-	153	166
Bank Charges			275	306
c) Dwelling Related Costs			137,578	149,332
Public Sector Expenditure			1,891	1,442
Rates Relief Expenditure			2,652	2,318
Lone Pensioner Allowance (LPA)			153	147
d) Private Sector Expenditure			13,498	13,919
e) Private Sector Grants			40,355	44,819
Rates paid on Housing Stock			35,643	35,212
Supporting People			68,632	65,915
Public Liability Charges			2,224	2,638
f) Social Housing Development Programme			88,478	81,245
g) Impairment	12(a) & 12(b)		9,965	1,128
Capital Grant in Kind			2,295	3,903
Restructuring Costs	6		486	100
			438,687	434,750
Less:				
Recharges - salaries & overheads of Housing Executive staff providing professional services in the delivery of its core business.			(54,933)	(45,602)
			383,754	389,148



Note 5

Other Expenditures (Continued)

- a) Includes costs in respect of agency staff, which amount to £4,523k
- b) No other Services were provided by External Audit during the year.
- c) The major element of Dwelling Related Costs is for the maintenance of the Housing Executive's housing stock including grounds and general maintenance costs.
- d) Private Sector Expenditure is analysed as follows:

	£'000
Special Purchase of Evacuated Dwellings (SPED)	1,884
Allowance for loss in Fair Value on SPED	61
Homelessness	9,283
Asylum Seekers	2,103
Other	167
	13,498

- e) This includes Group Repairs of £46k, Grants of £18,641k and Warm Homes Grants of £21,668k.
- f) Social Housing Development Programme includes payments to Housing Associations for the following:

	£'000
New Build	45,332
Advance Land Purchase Grant	26,481
Voluntary Purchase Grant	544
Small Adaptations Grant	539
"Bamford" New Build	5,925
"Bamford" Advance Land Purchase	1,370
Recoupment of grants overpaid	8,287
	88,478

- g) Impairment relates to the write down of Assets. (See Note 12 (a) and 12 (b)).



Note 6

Early Departure Costs

	2014		2013	
	Nos.	£'000	Nos.	£'000
The cost of early departure decisions taken this year and in previous years are shown in the table below:				
a) Actuarial compensation paid by the Housing Executive for the early payment of pension benefits provided by NILGOSC to officers who retired early;	26	176	24	622
b) Restructuring compensation paid and accrued by the Housing Executive for the early retirement of staff;	5	310	1	(522)
	31	486	25	100

Pension Liability

c) Annual cost of added years pension granted by the Housing Executive to officers retiring early which is paid by NILGOSC on the Housing Executive's behalf;	533	1,006	544	985
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During the year ending 31 March 2014 the Housing Executive continued to initiate a restructuring scheme. The restructuring scheme was taken up by staff who fulfilled the 85 year and flexible retirement rules. Costs of staff leaving under this scheme are shown in note 6(d).

Costs included in Note 6 (a) and (b) reflect accrued costs and account for staff leaving between 1 April 2013 and 30 June 2014.

All costs are shown on the face of the Statement of Comprehensive Net Expenditure Account in accordance with IAS 1, 'Presentation of Financial Statements.'

Payments in respect of added years granted to individual employees who retired early in previous years are paid annually to NILGOSC and will continue to be paid until those employees cease to be recipients from the scheme. These costs are accounted for in accordance with IAS 19 and are charged to the Net Pension Liability in the Statement of Financial Position.

Other Early Departure Costs are included in Direct Employees Costs, Note 5.

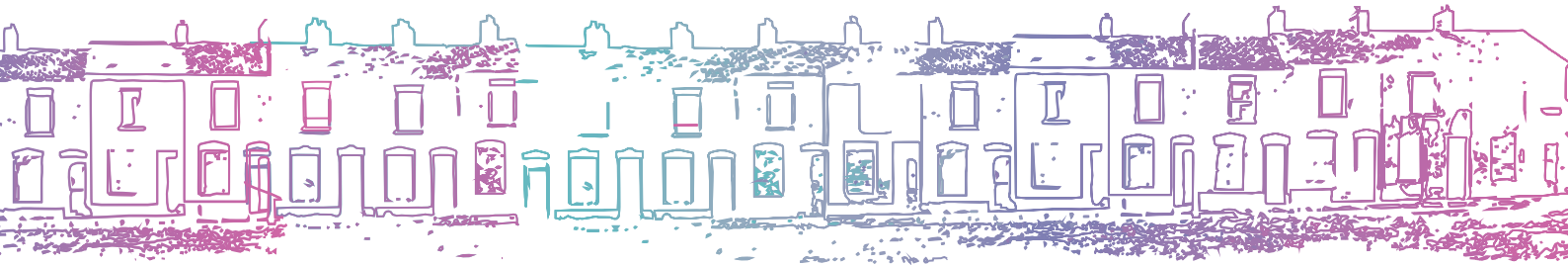


Note 6

Early Departure Costs (continued)

Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band
d) Reporting of Compensation and Exit Packages for all Staff 2013-14			
<£10,000	-	1	1
£10,000 - £25,000	-	14	14
£25,000 - £50,000	-	8	8
£50,000 - £100,000	-	4	4
£100,000 - £150,000	-	2	2
Total Number of Exit Packages			
2013-14	-	29	29
2012-13	-	1	1
Total Cost £'000			
2013-14	-	985	985
2012-13	-	97	97

Compensation payments for early departure costs have been paid in accordance with discretions allowed under the provisions of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations (NI) as approved by the Housing Executive's Board on 30th April 2008 and amended in September 2011 and August 2012. Ill-health retirement costs are met by the pension scheme and are not included in the table.



Note 7

Statement of Losses and Special Payments

	2014		2013	
	Number	£'000	Restated Number	£'000
Claims Waived (Amounts Written Off):				
Rent & Rates	3,372	1,418	3,063	926
Commercial Property	-	-	-	-
District Heating	-	-	14	3
Recoverable Charges - Damages	106	37	25	6
Recoverable Charges - Legal	494	165	163	73
Hostels	194	65	143	7
Housing Benefits Overpayments	4,846	1,341	4,672	1,247
	9,012	3,026	8,080	2,262
Special Payments	1	2,076	-	-
over £250,000	1	1,376	-	-
Ex Gratia Payments	16	29	9	3
Extra Statutory Payments	8	8	2	2
Debtors ledger	14	6	9	1
Other Write Offs and Cash losses - numerous	18	1	258	1,841
	9,070	6,522	8,358	4,109

Losses and Special Payments are included in Note 5 with the exception of the Special Payment of £1.376m (disclosed above as over £250k) which is accounted for as a Land Addition within Note 12(a). A notional write off has been separately disclosed above for £2.076m in respect of the estimated value of overpayments made to a number of planned maintenance contractors which were not recovered under the terms of the settlement reached.

The number of Housing Benefit Overpayments written off has been restated to 4,672 for 2012/13 due a change in methodology in how the number is calculated. The revised method results in individual cases being written off as opposed to individual transactions.



Note 8

Housing Benefit Expenditure

Under the Social Security Administration (NI) Act 1992, the Housing Executive has responsibility for administering Housing Benefit on behalf of DSD. Since 2007/08 the accounts of the Housing Executive have included overpayments of Housing Benefit, shown as a debtor due from the overpaid claimant, and a creditor due to DSD upon recovery by the Housing Executive. Such overpayments are also recognised in the DSD's accounts.

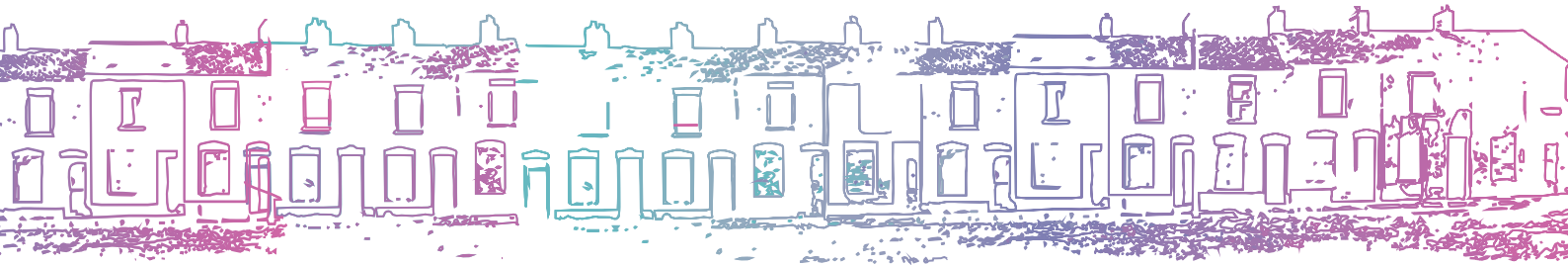
Housing Benefit payments in the year are as follows:

	2014 £'000	2013 £'000
Housing Benefit - Public & Private	656,784	635,711
Housing Benefit - Overpayment recoveries	(15,021)	(13,867)
Net Funding from DSD	641,763	621,844
Administration Expenses	14,330	11,955
Transfer of Housing Benefit overpayment movement to overpayment debtor account	(2,109)	(1,489)
Increase/(Decrease) in HB Overpayment Provision	319	(271)
Total Housing Benefit Costs	654,303	632,039

Note 9

Financing Charges

	2014 £'000	2013 £'000
Loan Interest Charges	45,460	51,819
Finance Charges on Service Concession Arrangements	43	43
	45,503	51,862



Note 10

Income

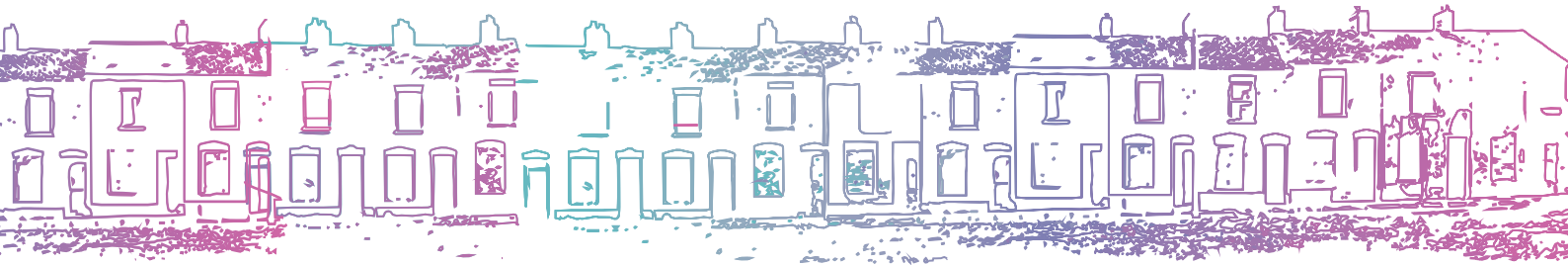
The Housing Executive's core business activity is the provision of a public sector housing service and the rental income from this service is a principal source of income.

	2014 £'000	2013 £'000
Rental Income		
Dwellings & Garages	280,335	272,000
Redevelopment	63	6
Commercial Properties	2,062	2,165
Lands	6	115
Travellers, Hostels and Requisitioned Properties	660	672
Miscellaneous	301	225
DLO Depots	119	125
	283,546	275,308
Less: Abatements		
Dwellings & Garages	(1,004)	(1,040)
Commercial Properties	(16)	(16)
	(1,020)	(1,056)
Less: Voids		
Dwellings & Garages	(4,191)	(5,035)
Redevelopment	(35)	20
Commercial Properties	(187)	(213)
Hostels	(205)	-
Traveller Sites	(10)	(13)
	(4,628)	(5,241)
Total Rental Income (C/Fwd)	277,898	269,011



Note 10
Income (continued)

	Note	2014 £'000	2013 £'000
Total Rental Income (B/Fwd)		277,898	269,011
EU Income		3,301	205
Other Operating Income			
Income from Housing Associations		944	607
Disposal Proceeds Fund Income		-	553
Recoverable Grants due re SHDP		8,287	-
Revenue grants		313	175
Capital Grant		64	395
Rates Income from Housing Stock	28	35,532	35,212
Income from Land & Property Services:			
Rates Collection		4,053	3,917
Rates Relief Income	28	2,652	2,318
Lone Pensioner Allowance	28	153	147
Income from Other Bodies		11	24
Legal Expenses Recovered		513	359
Other Recoverable Charges		132	-
Ground Rents Receivable		83	88
Professional Indemnity Insurance		77	77
HMO Multiple Occupancy - Registration Fees		471	(703)
Group Repairs Income		76	80
SPED Income		1,490	2,306
Income from Hostels		1,811	1,836
Income for Asylum Seekers		2,425	2,187
Income from sold flats		340	399
Income from Service Enhancement Fund		133	798
Income recoverable on maintenance contracts		308	-
Miscellaneous Income		8	43
		59,876	50,818
Total Income		341,075	320,034



Note 11

Taxation

a) Taxation charge in the year

Analysis of charge in the year (estimate)

Current tax:

	2014 £'000	2013 £'000
UK Corporation tax on taxable income for the current year	16,160	206
Adjustments to the tax charge in respect of previous periods	(1,908)	2
Interest due on overdue tax	-	53
	14,252	261

Up to 31 March 2013, the Housing Executive accounted for Corporation Tax on Interest receivable within the Annual Accounts. The Housing Executive is currently in discussions with HM Revenue and Customs regarding submitting Corporation Tax returns for the periods from 2009/10 to 2013/14 and has prepared calculations in the 2013/14 Annual Accounts based on best estimates. HM Revenue and Customs has noted that Rental Income, Interest Receivable and Chargeable gains on sale of Housing Stock are considered tradable activities, which are subject to Corporation Tax. Including these as tradable activities has resulted in a substantial increase in the Corporation Tax charge for 2013/14.

There is also an adjustment of £1.9m over-provision in respect of previous periods for Corporation Tax due to the offset of rental income losses against the previous provision of Corporation Tax due on Interest Receivable and the agreement by HM Revenue and Customs that the Housing Executive is only liable to Corporation Tax from 2009/10. Previously the Housing Executive had calculated corporation tax on Interest Receivable from 2005/06. Although the calculations are based on best estimate, £3m has been paid on account and £5.5m of the 2013/14 charge has been accounted for as a provision, details of which are included in Note 23. £6m is included within Accruals and Deferred Income within Note 18. The Housing Executive has also included a contingent liability note (see Note 26) due to the uncertainty surrounding the corporation tax charge.

b) Factors affecting the tax charge

	2014 £'000	2013 £'000
Interest Receivable - current year	616	886
Rental Income	64,917	-
Chargeable Gains	4,728	-
	70,261	886
Net Expenditure before taxation multiplied by the effective rate of Corporation tax in the UK for the current year of approx. 23% (2013: 24%)	16,160	206
Adjustments to the tax charge in respect of previous periods	(1,908)	2
Interest Penalties	-	53
Current tax charge	14,252	261

A corporation tax charge of £14,252k has been recognised in the accounts. The Housing Executive does not have Crown exemption status in relation to Corporation Tax.

(c) Deferred tax

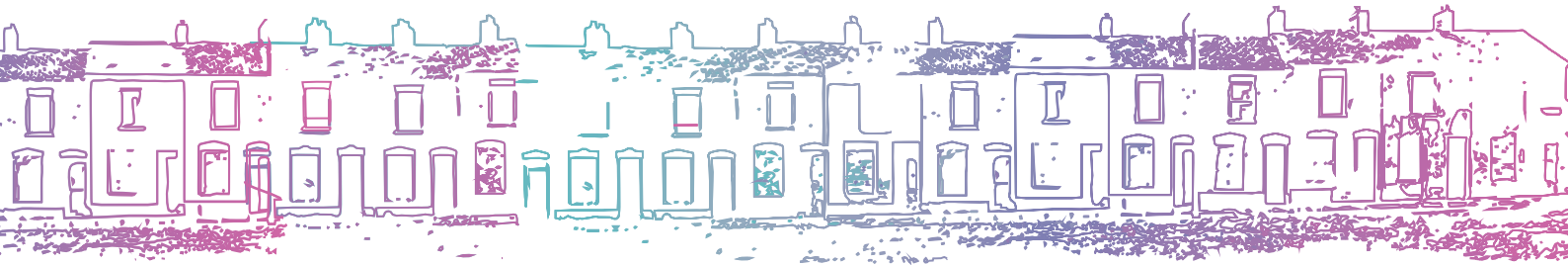
No provision for deferred tax has been made as at 31 March 2014 or for previous financial years.



Note 12 (a)

Property, Plant & Equipment

Operational	Housing	Land
	Stock £'000	£'000
Cost or Valuation		
At 31 March 2013	3,308,504	33,101
Additions	7,947	1,411
Reclassification Uplift		5,526
Disposals	(17,896)	(2,197)
Demolitions	(63)	
Write off Adaptations to Leased Offices		
Transfer from Housing Stock	(1,034)	789
Transfer to Housing Stock	405	
Transfer to Non-Operational Assets	(2,228)	
Transfer to Non Current Assets Held for Sale	(5,267)	(180)
Transfer from Non Current Assets Held for Sale		2,056
Transfer to Non Operational Assets		78
Impairment		
Write down in valuation		(400)
Revaluation Adjustments	(1,265,312)	(9,333)
At 31 March 2014	2,025,056	30,851
Depreciation		
At 31 March 2013	-	-
Charged in year	(28,301)	
Written back on Revaluation	28,301	
Backlog Depreciation		
Disposals		
Depreciation on transfer to Housing Stock		
Depreciation on demolitions		
Depreciation on transfer to Non Operational Assets		
At 31 March 2014	-	-
Carrying amount at 31 March 2013	3,308,504	33,101
Carrying amount at 31 March 2014	2,025,056	30,851
Asset financing: Owned	2,025,056	30,851
Finance Leased	-	-
On-balance sheet Service Concession contracts	-	-
Carrying amount at 31 March 2014	2,025,056	30,851



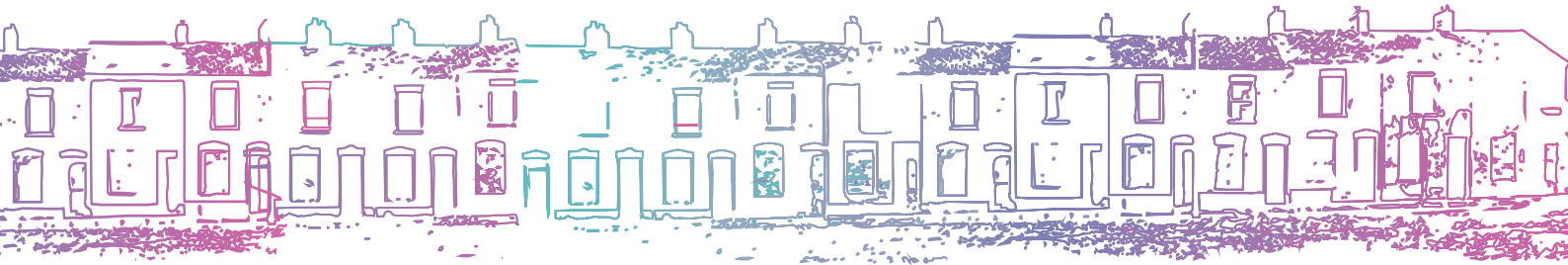
Commercial Property £'000	Office Premises £'000	Hostels £'000	Travellers Sites £'000	Other Assets £'000	Total £'000
10,908	24,341	14,914	2,595	22,598	3,416,961
19	273		97	2,107	11,854
(84)				(1,997)	5,526
	(206)				(22,174)
		245			(63)
		(429)			(206)
					-
					(24)
					(2,228)
					(5,447)
					2,056
(5)					73
(12)					(12)
					(400)
		1,104	190	(112)	(1,273,463)
10,826	24,408	15,834	2,882	22,596	2,132,453
(764)	(1,564)	(1,083)	(162)	(18,758)	(22,331)
(243)	(534)	(392)	(61)	(1,920)	(31,451)
					28,301
		(92)	(14)	56	(50)
4				1,774	1,778
		24			24
1					1
					-
(1,002)	(2,098)	(1,543)	(237)	(18,848)	(23,728)
10,144	22,777	13,831	2,433	3,840	3,394,630
9,824	22,310	14,291	2,645	3,748	2,108,725
9,824	22,310	14,291	2,645	517	2,105,494
-	-	-	-	-	-
-	-	-	-	3,231	3,231
9,824	22,310	14,291	2,645	3,748	2,108,725



Note 12 (a)

Property, Plant & Equipment (continued)

Operational	Housing	Land
	Stock £'000	£'000
Cost or Valuation		
At 1 April 2012	3,335,134	45,607
Additions	8,471	157
Reclassification Uplift	-	787
Disposals	(10,779)	(3,422)
Demolitions	(355)	-
Write off Adaptations to Leased Offices	-	-
Transfer from Housing Stock	(747)	600
Transfer to Housing Stock	78	-
Transfer of Land from Redevelopment	-	1,334
Transfer to Non Current Assets Held for Sale	(2,173)	(821)
Transfer from Non Current Assets Held for Sale	-	1,956
Transfer to Non Operational Assets	-	-
Write down in valuation	-	(520)
Revaluation Adjustments	(21,125)	(12,577)
At 31 March 2013	3,308,504	33,101
Depreciation		
At 1 April 2012	-	-
Charged in year	(46,241)	
Written back on Revaluation	46,241	
Backlog Depreciation		
Disposals		
Depreciation on transfer to Housing Stock		
Depreciation on transfer to Non Operational Assets		
At 31 March 2013	-	-
Carrying amount at 31 March 2012	3,335,134	45,607
Carrying amount at 31 March 2013	3,308,504	33,101
Asset financing: Owned	3,308,504	33,101
Finance Leased	-	-
On-balance sheet Service Concession contracts	-	-
Carrying amount at 31 March 2013	3,308,504	33,101



Commercial Property £'000	Office Premises £'000	Hostels £'000	Travellers Sites £'000	Other Assets £'000	Total £'000
11,964	26,661	15,520	2,696	19,747	3,457,329
139	654	-	-	2,218	11,639
-	-	-	-	-	787
-	-	-	-	(78)	(14,279)
-	-	-	-	-	(355)
-	78	-	-	-	78
-	-	147	-	-	-
-	-	(82)	-	-	(4)
-	-	-	-	-	1,334
-	-	-	-	-	(2,994)
-	-	-	-	-	1,956
-	(251)	-	-	-	(251)
-	-	-	-	-	(520)
(1,195)	(2,801)	(671)	(101)	711	(37,759)
10,908	24,341	14,914	2,595	22,598	3,416,961
(562)	(1,144)	(751)	(112)	(16,489)	(19,058)
(258)	(534)	(362)	(54)	(1,986)	(49,435)
					46,241
56	105	26	4	(361)	(170)
				78	78
		4			4
	9				9
(764)	(1,564)	(1,083)	(162)	(18,758)	(22,331)
11,402	25,517	14,769	2,584	3,258	3,438,271
10,144	22,777	13,831	2,433	3,840	3,394,630
10,144	22,777	13,831	2,433	806	3,391,596
-	-	-	-	-	-
-	-	-	-	3,034	3,034
10,144	22,777	13,831	2,433	3,840	3,394,630



Note 12 (a)

Property, Plant & Equipment (continued)

Valuation Methodology

Housing Stock

Operational Housing Stock has been valued on the basis of Open Market Value for Existing Use (Existing Use Value for Social Housing), in accordance with guidance issued by the Department of Communities & Local Government in England titled 'Stock valuation for resource accounting 2010: guidance for valuers'.

To determine the Open Market Value at 31 March 2014, the beacon approach to valuation was adopted. Under the Beacon principle, the total housing stock was split into property archetypes, through uniting characteristics material to the valuation. The value of a property archetype has been determined by valuing a sample dwelling, representative of the property archetype, and using this value as the average value for the group. A full valuation was carried out by Land & Property Services at 31 March 2014, where valuers carried out an internal inspection of each sample dwelling. An internal inspection is carried out every five years, in line with FReM.

To obtain Existing Use Value for Social Housing the open market value for each property archetype is adjusted by a factor (adjustment factor) which reflects the valuation for the properties if they were to be sold with sitting tenants enjoying tenants rights. The Adjustment Factor measures the difference between private open market rented and socially rented property at a regional level.

During 2013/14, the University of Ulster calculated adjustment factors reflecting the private/public sector yield relationship. Application of these adjustment factors, in accordance with the Department of Communities and Local Government guidance, has resulted in a considerable reduction of the value of Housing Executive stock from that determined previously on the basis of incomplete, rent proxy information. More information can be found in Note 2.

In the intervening years between the full valuation, as part of the five year valuation cycle process, the housing stock is subject to an annual 'desk-top' revaluation by Land & Property Services to reflect changes in stock numbers and market values. The valuation process is again based on the beacon approach adopted in year one of the five year valuation cycle with the revised open market value being adjusted by the adjustment factor applied in year one. This follows the guidance issued by the Department of Communities & Local Government.

Voids which will be lettable have been valued in line with normal stock valuations. Non lettable voids are valued at Open Market Value in line with the above guidance.

Depreciation - Housing Stock

The building element of the Housing Stock is depreciated over a uniform 50 year life. There is no requirement for accumulated depreciation in respect of Housing Stock as property is valued net of depreciation.



Note 12 (a)

Property, Plant & Equipment (continued)

Valuation Methodology

Land and Other Buildings

Land and Other Buildings includes Land, Commercial Properties, Offices, Hostels and Travellers' Sites.

Land was revalued at 31 March 2014 on the basis of open market value by McKibben Commercial Property Consultants. The valuation is in accordance with the Royal Institution of Chartered Surveyors appraisal and valuation manual.

This land is revalued every year through physical inspection.

During the current financial year, a number of sites which were previously identified as amenity have been reclassified as Undeveloped Land and revalued at £5.5m. Land classified as amenity land has no value and is reflected within the social house values.

Offices, Commercial Properties, Travellers' Sites and Hostels were revalued and relifed at 31 March 2010 by professional valuers of Land and Property Services, using Fair Value for Existing Use. Offices and Commercial Properties were revalued at 31 March 2010 at open market value based on Existing Use.

Hostels and Travellers' Sites were revalued at 31 March 2010 using Depreciated Replacement Cost as they are considered specialised assets. Indices provided by Land and Property Services have been used to revalue these properties at 31 March 2014.

The building element of all of the above properties has been depreciated over the remaining useful life as directed by the valuer. Included within the Net Book Value of Offices is £646k for adaptations relating to Offices rented on short leases. Adaptations are written off over the life of the leases.

The FReM permits a full external valuation of assets once every five years with the use of appropriate indices in intervening years. Land & Property Services provide appropriate indices in the intervening financial years in order to revalue Offices, Commercial Properties, Travellers' Sites and Hostels.



Note 12 (a)

Property, Plant & Equipment (continued)

Other Assets

Other Assets includes Motor Vehicles, Plant and Machinery, Estate Management Equipment, Furniture, Equipment & Fittings and Computer Equipment which have been revalued by reference to appropriate Treasury approved indices.

Asset Net Book Value (NBV)

	At 31 March 2014 £'000	At 31 March 2013 £'000
Motor Vehicles	234	383
Plant and Machinery	55	32
Estate Management Equipment	181	344
Office Furniture	11	3
Office Equipment	8	16
Hostels Furniture & Fittings	-	1
Computer Hardware	3,259	3,061
	3,748	3,840

Depreciation, Amortisation, Write Offs and Write downs charged to the Statement of Comprehensive Net Expenditure consisted of the following:

	At 31 March 2014 £'000	At 31 March 2013 £'000
Depreciation - less Backlog Depreciation	31,501	49,605
Amortisation - IT Software	1,193	1,939
Revaluation Adjustments - Other Assets	(18)	-
Revaluation Adjustments - Land	370	520
Writedown in Assets Held for Sale	234	678
Losses on Sale of Surplus Land	326	276
Losses on Sale of Housing Stock	5,400	531
Losses on Sale of Other Assets	223	-
Losses on Demolished Property	63	355
Write off Adaptations to Leased Offices	206	(78)
Profit on Sale of Assets	-	(12)
	39,498	53,814



Note 12 (b)
Property, Plant & Equipment (continued)
Non Operational Assets

	Redevelopment Land £'000	Commercial Properties £'000	Offices £'000	Total £'000
At 1 April 2012	1,770	8	260	2,038
Expenditure in year	1,166	-	-	1,166
Transfer of Property (to)/ from Operational Assets	(1,334)	-	242	(1,092)
Impairment	(901)	(1)	(226)	(1,128)
At 31 March 2013	701	7	276	984
Expenditure in year	8,050	-	-	8,050
Transfer of Property (to)/ from Operational Assets	2,228	5	(77)	2,156
Impairment	(9,954)	-	-	(9,954)
At 31 March 2014	1,025	12	199	1,236

Non Operational Assets comprises Redevelopment Land. The main reason for the £9.96 million write down in the value of Redevelopment Land is that the land acquisition and development costs greatly exceed their brownfield site value.

During 2013/14, a new redevelopment site at Upper New Lodge was vested. This has resulted in significant expenditure for 2013/14 which has accounted for a significant part of the Impairment of £9.96 million. Additionally, once the individual pockets of redevelopment are converted to brownfield sites, they are usually transferred to Housing Associations at Nil proceeds. This transfer is accounted for as a Capital Grant in Kind.

The Housing Executive, on behalf of its sponsor Department, the Department for Social Development, recoups the market value of these sites by deducting this value off the Housing Association grant paid to Housing Associations.

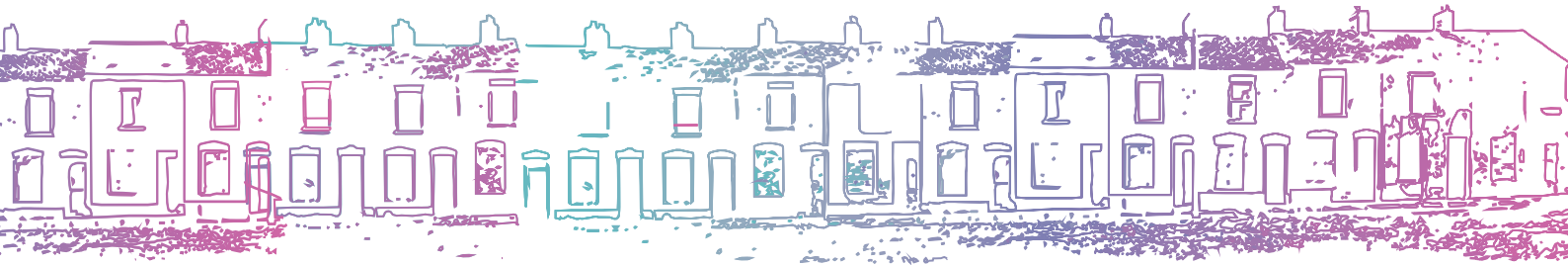
Non operational assets also comprise Commercial Properties which are due to be demolished and offices which are currently not in use by the Housing Executive.



Note 12 (c)

Intangible Assets

	IT Software £'000	Total £'000
Cost or valuation at 31 March 2013	13,594	13,594
Additions	604	604
Reclassification Uplift	-	-
Disposals	-	-
Revaluation Adjustments	(133)	(133)
At 31 March 2014	14,065	14,065
Amortisation at 31 March 2013	(10,883)	(10,883)
Charged in year	(1,264)	(1,264)
Backlog Amortisation	71	71
Disposals	-	-
At 31 March 2014	(12,076)	(12,076)
Carrying amount at 31 March 2013	2,711	2,711
Carrying amount at 31 March 2014	1,989	1,989
Asset Financing: Owned	170	170
On-balance sheet Service Concession contracts	1,819	1,819
Carrying amount at 31 March 2014	1,989	1,989
Cost or valuation at 1 April 2012	12,086	12,086
Additions	665	665
Reclassification Uplift	-	-
Disposals	-	-
Revaluation Adjustments	843	843
At 31 March 2013	13,594	13,594
Amortisation at 1 April 2012	(8,944)	(8,944)
Charged in year	(1,527)	(1,527)
Backlog Amortisation	(412)	(412)
Disposals	-	-
At 31 March 2013	(10,883)	(10,883)
Carrying amount at 31 March 2012	3,142	3,142
Carrying amount at 31 March 2013	2,711	2,711
Asset Financing: Owned	199	199
On-balance sheet Service Concession contracts	2,512	2,512
Carrying amount at 31 March 2013	2,711	2,711



Note 13

Assets classified as held for Sale

	Land £'000	Housing Stock £'000	Total £'000
At 1 April 2013	3,036	1,505	4,541
Transfer from Land	180	-	180
Transfer from Buildings	-	5,267	5,267
Disposals	(133)	(2,687)	(2,820)
Transfer to Land	(2,056)	-	(2,056)
Revaluation Decrease	(258)	-	(258)
At 31 March 2014	769	4,085	4,854

IFRS 5 details that non-current assets classified as held for sale must be disclosed separately from other assets in the Statement of Financial Position.

£0.8m of land classified as held for sale relates to surplus land which is available for immediate sale and where an active programme to locate a buyer is initiated. Due to the continued downturn in market conditions it is uncertain whether the sale will occur within 12 months, however, the delay in the sale is due to circumstances which are beyond the Housing Executive's control.

The revaluation decrease of £258k, representing a fall in value of certain land sites classified as Land Held for Sale, is accounted for in the Statement of Comprehensive Net Expenditure.

£4.1m of Housing stock which has been reclassified as held for sale refers to sale proceeds received during the period April to June 2014.

Note 14

Inventories

	2014 £'000	2013 £'000
Consumable Stores	645	293
Work in Progress - Housing Associations	412	424
SPED (Net of the Allowances at Note 16)	3,773	4,292
Total	4,830	5,009



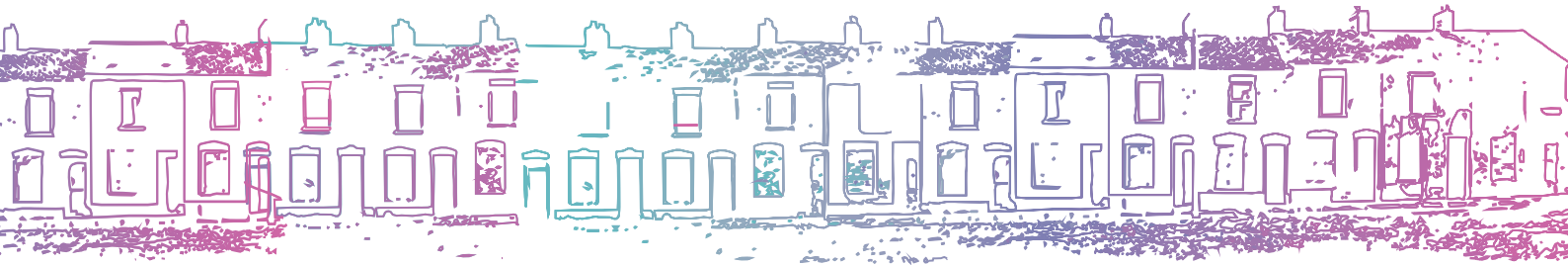
Note 15

Trade Receivables & Other Current Assets

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Trade Receivables (Net of the Allowances at Note 16)	34,048	20,577
Other receivables	8,869	6,777
VAT	2,443	3,533
Prepayments and accrued income	7,078	3,072
	52,438	33,959
Amounts falling due after more than one year:		
Trade Receivables (Net of the Allowances at Note 16)	14,473	11,272
Prepayments and accrued income	4,468	-
	18,941	11,272
Total	71,379	45,231

15.1 Intra- Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Balances with central government bodies	22,224	11,892	-	-
Balances with local authorities	4	9	-	-
Subtotal: intra-government balances	22,228	11,901	-	-
Balances with bodies external to government	30,210	22,058	18,941	11,272
Total receivables at 31 March	52,438	33,959	18,941	11,272



Note 16

Allowances for Trade receivables and Losses

	Tenants Debt £'000	Home Loans £'000	Housing Benefit Over- payments £'000	Other Debts £'000	Special Purchase Evacuated Dwellings £'000	Total £'000
Opening Balance						
At 1 April 2012	7,848	-	15,805	485	1,501	25,639
Movement in allowance in year	502	-	245	290	(82)	955
Movement in long term debt discount	7	-	(516)	-	-	(509)
At 31 March 2013	8,357	-	15,534	775	1,419	26,085
Movement in allowance in year	261	-	313	184	61	819
Movement in long term debt discount	(13)	-	6	(2)	-	(9)
At 31 March 2014	8,605	-	15,853	957	1,480	26,895

IAS 39 Financial Instruments: Recognition and Measurement requires long term debtors to be measured at amortised cost. This involves a review of debtors for impairment, forecasting the cash flows expected from the recoverable debts and discounting the cashflows to present day value using a discount rate of 2.2%.

Note 17

Cash & Cash Equivalents

	2014 £'000	2013 £'000
Balance at 1 April 2013	172,691	175,772
Net Change in Cash & Cash Equivalent Balances	(17,364)	(3,081)
Balance at 31 March 2014	155,327	172,691

The following balances at 31 March 2014 were held at:

	2014 £'000	2013 £'000
Commercial Banks and Cash in Hand	7	241
Short Term Investments	155,320	172,450
Balance at 31 March 2014	155,327	172,691



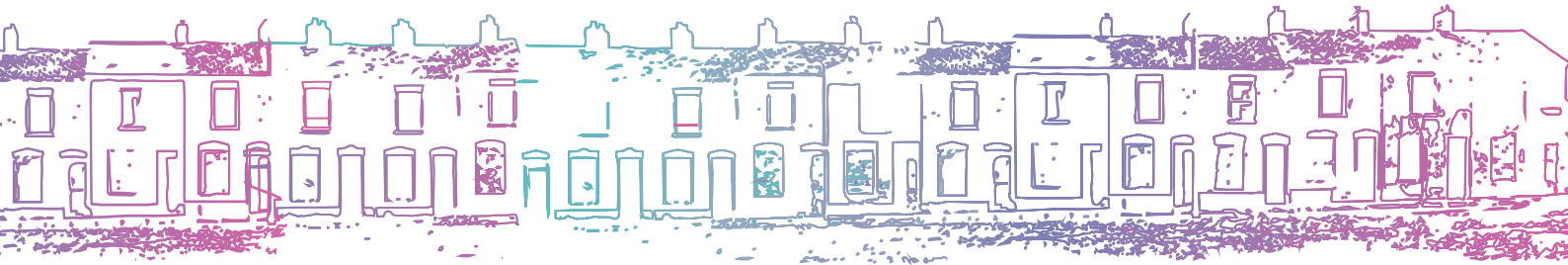
Note 18

Trade payables and other current liabilities

	2014 £'000	2013 £'000
Amounts falling due within one year:		
Bank Overdraft	(8,524)	(2,554)
Trade Payables	(3,568)	(7,371)
Taxation and social security	(1,501)	(1,600)
Corporation tax payable	(6,000)	(261)
Commitment under Service Concession arrangement	(483)	(1,198)
Other Payables	(11,230)	(9,744)
Accruals and deferred income	(163,734)	(159,337)
Loan Repayments	(63,060)	(68,075)
Total	(258,100)	(250,140)
Amounts falling due after more than one year:		
Commitment under Service Concession arrangement	(321)	(335)
Other Payables	(10,883)	(7,266)
Accruals and deferred income	(4,468)	(13)
Total	(15,672)	(7,614)

18.1 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Balances with central government bodies	(85,099)	(82,604)	(15,351)	(7,266)
Balances with local authorities	(2,151)	(2,026)	-	-
Subtotal: intra-government balances	(87,250)	(84,630)	(15,351)	(7,266)
Balances with bodies external to government	(170,850)	(165,510)	(321)	(348)
Total receivables at 31 March	(285,100)	(250,140)	(15,672)	(7,614)



Note 19

Commitments under Service Concession Arrangement

	2014 £'000	2013 £'000
Not later than one year	(3,645)	(3,538)
Later than one year and not later than five years	(1,351)	(4,373)
Later than five years	-	-
	(4,996)	(7,911)

Note 20

Loans Outstanding

	2014 £'000	2013 £'000
Loans from the Government Loans Fund & Former Local Authorities maturing:		
Between 1 and 2 years	(56,991)	(63,067)
Between 2 and 5 years	(135,396)	(154,767)
Between 5 and 10 years	(109,292)	(134,346)
After 10 years	(108,284)	(120,929)
Total	(409,963)	(473,109)

- All Government Loans are repayable by Annuity and Local Authority Loans are repayable using an average Loans Pool rate
- Interest rates are those current at time of borrowing.
- Loans are repayable to the Department of Finance and Personnel.

Note 21

Commitments under leases

Operating Leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	2014 £'000	2013 £'000
Obligations under operating leases comprise:		
Property		
Not later than one year	1,764	1,734
Later than one year and not later than five years	4,635	5,623
Later than five years	1,365	1,463
	7,764	8,820



Note 22

Financial Instruments

The Government FRM requires financial statements to comply with the accounting standards on Financial Instruments, namely IAS 32, IAS 39 and IFRS 7. The objective of these standards is to establish principles for presenting, recognising, measuring and disclosing Financial Instruments.

A Financial Instrument is "any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity". Financial Assets include, amongst others, cash, trade receivables and loans to other entities. Financial liabilities include, amongst others, trade payables, loans from other entities and accruals. Equity instruments include, amongst others, types of preference shares, and are unlikely to occur within the Housing Executive's financial statements.

a) Significance of Financial Instruments for Financial Position and Performance

The borrowings and investments disclosed in the Statement of Financial Position are made up of the following categories of financial instruments:

	Long Term		Short Term	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Financial Assets at fair value through profit or loss	-	-	-	-
Held to Maturity Investments	-	-	-	-
Loans and Receivables	14,473	11,272	200,687	203,578
Available for sale financial assets	-	-	-	-
Total Investments	14,473	11,272	200,687	203,578
Financial Liabilities at fair value through profit or loss	-	-	-	-
Financial Liabilities measured at amortised cost	425,635	480,723	258,100	250,140
Total Borrowings	425,635	480,723	258,100	250,140

The table above includes long term debtors, trade payables and receivables and cash balances held for working capital purposes.



Note 22

Financial Instruments (continued)

b) Financial Instruments Gains and Losses

The gains and losses recognised in the Statement of Comprehensive Net Expenditure for Year end 31 March 2014 in relation to financial instruments are made up as follows:

Financial Liabilities	Liabilities measured at fair value through profit or loss £'000	Liabilities measured at amortised cost £'000
Interest Expense	-	45,503
Losses on derecognition	-	-
Impairment Loss	-	-
Interest payable and similar charges	-	45,503
Interest Income	-	-
Gains on derecognition	-	-
Interest and Investment Income	-	-

Financial Assets

	Financial assets held at fair value through profit or loss £'000	Held to maturity assets £'000	Loans and receivables £'000s	Available for sale assets £'000s
Interest Expense	-	-	-	-
Losses on derecognition	-	-	-	-
Impairment Loss	-	-	750	-
Interest payable and similar charges	-	-	750	-
Interest Income	-	-	616	-
Gains on derecognition	-	-	-	-
Interest and Investment Income	-	-	616	-



Note 22

Financial Instruments (continued)

c) Fair Value of Assets and Liabilities Carried at Amortised Cost

IFRS 7 states that financial liabilities and financial assets represented by loans and receivables are carried on the Statement of Financial Position at amortised cost. The Housing Executive prepares its accounts in accordance with the Government FRM, which states that Loans, Public Dividend Capital and other interests in public bodies outside the departmental boundary should be reported at historical cost less impairment, therefore, the Government loans and Local Authority loans are stated at historical cost in these accounts. The majority of Housing Executive loans are repayable by fixed rate annuities. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

Assumptions:

- 1) For loans from the Consolidated Loans Fund and other loans payable, the real discount rate of 2.2%, as set by HM Treasury, has been applied to provide fair value;
- 2) No early repayment or impairment is recognised; and
- 3) Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the principal outstanding or the billed amount.

2014		2013	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
£'000	£'000	£'000	£'000

The fair values calculated are as follows:

Financial Liabilities

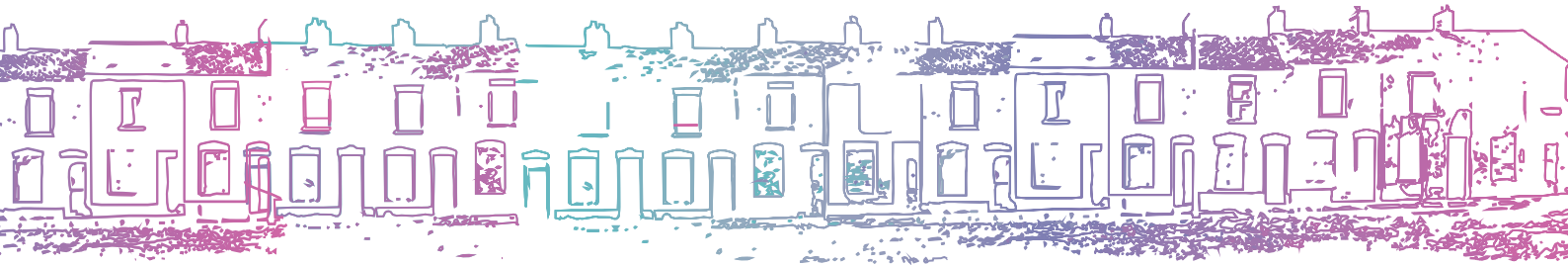
Consolidated Loans Fund	458,427	675,675	524,476	772,407
Non Consolidated Loans Fund	14,597	21,514	16,708	24,606
Total Debt	473,024	697,189	541,184	797,013

Loans and receivables

Long term Debtors	20,000	18,941	12,340	11,272
Total Investments	20,000	18,941	12,340	11,272

Long term trade debtors are stated at amortised cost using the effective interest rate of 2.2%. An assessment is made on the future collectability of the debtors based on historic trends which is profiled over future years. The cash flows are discounted using the effective interest rate of 2.2%. This is a method used to calculate the carrying value and the fair value.

The fair values for trade payables and receivables and cash balances are not included in the table above as the fair value is taken to be the invoiced or billed amount.



Note 22

Financial Instrumentals (continued)

Nature and Extent of Risks arising from Financial Instruments

IFRS 7, "Financial Instruments: Disclosures", requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Due to the largely non trading nature of its activities and the way in which the entity is financed, the Housing Executive is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. As a result, the sensitivity analysis on market risk, as required by IFRS 7, has not been undertaken due to the majority of the Housing Executive loans carrying fixed rates of interest. Details of financial risks which the Housing Executive's activities expose it to are noted below:

Credit Risk

Credit risk arises from deposits with banks, as well as credit exposure to the Housing Executive's customers, specifically tenant arrears and Housing Benefit overpayment debt. There is no historical experience of default in relation to deposits with banks used by the Housing Executive, therefore, there is no estimated exposure to risk of default. Deposits are placed only with banks holding robust credit ratings. The allowance for trade receivables reflects the Housing Executive's assessment of the risk of non-payment by trade debtors and, as such, there is no additional estimated exposure to default and inability to collect.

Liquidity Risk

The Housing Executive's net revenue and net capital funding requirements are financed by a deficit grant and a capital grant respectively from DSD. Due to current market conditions the Housing Executive has experienced a decline in capital receipts from the sale of houses and land. This is managed through a reduction in the Housing Executive's capital programme.

There is no risk that the Housing Executive is unable to meet its commitments to repay loan balances in accordance with the repayment timetable as the loans are fully funded by DSD. The maturity analysis of financial liabilities is included in Note 20.

Market Risk

Interest-Rate Risk

Approximately 97% of the Housing Executive's financial liabilities carry fixed rates of interest and the Housing Executive is not therefore exposed to significant interest rate risk with respect to loans.

The continued low bank interest rates have maintained the low level of interest receivable on short term cash investments held with banks. Due to the continued reduced capital receipts from sale of houses and land, less funds are made available for investment which limits the effect of the interest rate risk.

Foreign Currency Risk

The Housing Executive has no exposure to foreign currency risk.

Fair Value

The fair value of loans outstanding after one year at 31 March 2014 for the Government Loans Funds is £637m (2013: £730m), and the estimated fair value of Local Authority Loans is £18m (2013: £22m).



Note 23

Provision for Liabilities and Charges

2013/14	Redevelopment Area Purchases £'000	Home Loss & Disturbance Payments £'000	Contractual Claims £'000
Opening Balance - at 31 March 2013	(1,073)	-	(2,590)
Provided	(5,876)	(571)	1,524
Utilised	777	-	-
At 31 March 2014	(6,172)	(571)	(1,066)
Amount due for settlement:			
Within 12 months	(3,868)	(438)	(760)
After 12 months	(2,304)	(133)	(306)
At 31 March 2014	(6,172)	(571)	(1,066)
Opening Balance - at 31 March 2012	(1,712)	-	(766)
Provided	(504)	-	(1,824)
Utilised	1,143	-	-
At 31 March 2013	(1,073)	-	(2,590)
Amount due for settlement:			
Within 12 months	(956)	-	(2,215)
After 12 months	(117)	-	(375)
At 31 March 2013	(1,073)	-	(2,590)



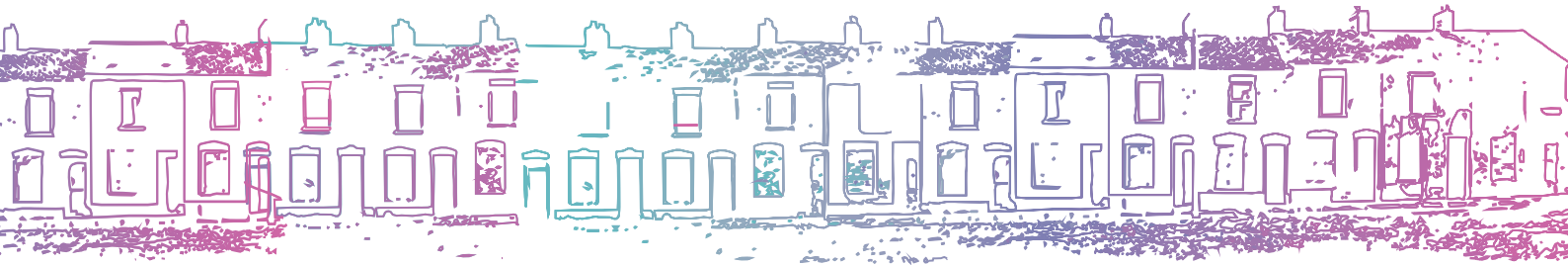
Public Liability Claims £'000	Managing Asbestos £'000	Supporting People £'000	Corporation Tax £'000	Total £'000
(2,105)	(5,473)	-	-	(11,241)
(2,116)	(1,465)	(250)	(5,500)	(14,254)
1,688	2,544	-	-	5,009
(2,533)	(4,394)	(250)	(5,500)	(20,486)
(1,428)	(2,200)	(250)	(5,500)	(14,444)
(1,105)	(2,194)	-	-	(6,042)
(2,533)	(4,394)	(250)	(5,500)	(20,486)
(2,287)	(5,928)	-	-	(10,693)
(1,059)	(1,622)	-	-	(5,009)
1,241	2,077	-	-	4,461
(2,105)	(5,473)	-	-	(11,241)
(1,308)	(3,411)	-	-	(7,890)
(797)	(2,062)	-	-	(3,351)
(2,105)	(5,473)	-	-	(11,241)



Note 23

Provision for Liabilities and Charges (continued)

- a) An amount of £5.8m has been provided for in respect of amounts due to compensate previous owners in areas vested for redevelopment (Urban Renewal Areas). Further, a provision of £353k has been accounted for in respect of houses vested by the Housing Executive and which are to be refurbished or demolished, but which fall outside of approved redevelopment areas.
- b) An amount of £571k has been provided for in respect of Home Loss and disturbance compensation claims expected from those displaced as a result of properties vested in a) above.
- c) An amount of £1.1m has been provided for in respect of 10 contractual claims issued against the Housing Executive.
- d) Public Liability Claims see Note 26 (Contingent Liabilities).
- e) The Housing Executive has undertaken to survey all its housing stock to identify the presence of asbestos and the risk it presents. The costs of surveying and managing asbestos in the remaining dwellings to be surveyed have been estimated at £8.8m (2012/13 - £10.9m). £4.3m has been accounted for as an accrual and is expected to be paid out during 2014/15. Within this amount 23,140 dwellings previously surveyed prior to 2008 now require full resurvey to meet current Health and Safety Executive regulations. A provision of £2.2m has been accounted for in respect of properties which were due to be resurveyed by 31 March 2014 as required under Health & Safety Regulations. The remaining provision covers estimated costs for managing asbestos where it is found.
- f) Previously Interest receivable was considered to be the only tradable activity subject to Corporation Tax. HMRC has advised that Sale of Housing Stock and Rental Income are also subject to corporation tax. An accrual has been accounted for in respect of calculations prepared by NIHE. A further £5.5m has been accounted for as a provision in respect of a further possible liability due to the uncertainty surrounding the add back in respect of disallowable revenue expenditure which is considered capital for corporation tax purposes.
- g) The Supporting People provision is required in respect of estimated hardship payments to service providers for the 2013/14 year.



Note 24

a) Pensions

The Housing Executive participates in the Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC) for the majority of its employees. Pension benefits are provided through the NILGOSC Scheme. This is a statutory scheme that provides benefits on a "final salary" basis at a normal retirement age of 65.

Prior to 1 April 2009 benefits accrued at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to 3/80ths of pensionable salary for each year of service, prior to 1 April 2009, is payable on retirement. From 1 April 2009 the scheme changed and benefits from this date accrue at the rate of 1/60th of pensionable pay for each year of service. The scheme's professionally qualified actuaries recommend the rates of contribution to be paid. As part of the general review of public sector pension schemes from 1 April 2009, the Government has introduced changes to the contribution rates. Instead of most people paying a standard contribution rate of 6% of their pensionable pay, there are now different contribution rates for different pay bands. The new rates are between 5.5% and 7.5% of pensionable pay.

The total contributions paid by the Housing Executive in respect of employer's and employees' contributions in this financial year were £16.3m (2013:£15.0m).

In accordance with IAS 19, the Housing Executive accounts for employer pension contributions as a defined benefit scheme. Under IAS 19 the Housing Executive is required to account for their share of assets and liabilities in the scheme. Added years discretionary benefits awarded to former employees who retired early are also accounted for as a defined benefit scheme, as in accordance with IAS 19. This liability represents the actuarial liability of future costs to NILGOSC in respect of past employees who retired early. Given projected lifespans, this liability will be payable over a number of years.

The last formal actuarial valuation of the fund was carried out as at 31 March 2013, with the next formal valuation due at 31 March 2016. The results from this formal valuation were released during the 13/14 financial year. In calculating the Housing Executive's assets and liabilities the appointed actuaries have rolled forward the values calculated at the latest valuation (March '13). Further, the appointed actuaries had to make a number of assumptions about events and circumstances in the future meaning that the results of actuarial calculations are subject to uncertainties within a range of possible values.

b) The following actuarial assumptions were accepted on the recommendation of the actuary:

Actuarial Assumptions used at:	31 March 2014	31 March 2013
Rate of Inflation (RPI)	3.30%	3.30%
Rate of Inflation (CPI)	2.50%	2.50%
Rate of Increase in Salaries	4.00%	4.30%
Rate of Increase in Pensions	2.50%	2.50%
Discount Rate	4.40%	4.20%



Note 24

Pensions (continued)

Actuarial assumptions continued:

b) Breakdown of Life Expectancies

Life expectancy for mortality tables used to determine benefit obligations at:	31 March 2014	31 March 2013
Male member aged 65 (current life expectancy)	22.0	21.3
Female member aged 65 (current life expectancy)	24.6	24.1
Male member aged 45 (life expectancy at age 65)	24.2	23.2
Female member aged 45 (life expectancy at age 65)	26.9	26.0

Future mortality is the single most significant demographic assumption. Recent studies have disclosed a faster increase in the rate of mortality improvement than had previously been expected.

The basic table used is 110% SAPS S1 (Year of Birth) with medium cohort mortality improvement, and a minimum improvement per year of 1.5% for both males and females. This means the mortality rates assumed for members of a particular age differ from those for members who will reach that age in future.

These assumptions should result in an appropriate allowance for future longevity, and are similar to assumptions used for many schemes in the UK. The same assumptions were used for the formal NILGOSC valuation as at 31 March 2013. The assumptions will continue to be monitored in the light of general trends in mortality experience.

Sensitivity Analysis

IAS 19 valuation results depend critically on the principal assumptions used in the calculations. The discount rate used to value the liabilities is prescribed under IAS 19 and the results are particularly sensitive to the discount rate. A reduction in the net discount rate will increase the liabilities as a higher value is placed on benefits in the future. Regarding mortality assumptions, if longevity improves at a faster rate than allowed for in the assumptions then, a higher value would be placed on the employer's liabilities. Further increases in pensionable pay, inflation and hence pension, more than allowed for in the assumptions will increase the value of the liabilities.

Below we have detailed the sensitivity of the benefit obligation to various key assumptions.

	Current Assumptions £'000	Discount Rate -0.25% pa	Salary Increase +0.25%pa	Inflation +0.25%pa	Life Expectancy +1 year
Liabilities	786,977	818,812	792,606	815,291	804,005
Assets	706,489	706,489	706,489	706,489	706,489
Total Scheme shortfall	80,488	112,323	86,117	108,802	97,516
Funding Level	90%	86%	89%	87%	88%
Increase in Liabilities	-	31,835	5,629	28,314	17,028



Note 24

Pensions (continued)

- c) The fair value of the assets held by the pension scheme attributable to the Housing Executive are analysed as follows:

Asset Class	Assets at 31 March 2014 £'000	Assets at 31 March 2013 £'000
Equities	531,091	610,048
Bonds	85,388	51,580
Property	55,873	45,380
Cash	34,137	8,105
	706,489	715,113

The above asset values as at 31 March 2014 are at bid value as required under IAS 19. The bid value of assets is the value which can be realised immediately upon a sale.

Statement of Financial Position

Year Ended	31 March 2014 £'000	31 March 2014 £'000
Fair Value of Employer Assets	706,489	715,113
Present value of Funded Liabilities	(773,538)	(818,387)
Net Underfunding in Funded Plans	(67,049)	(103,274)
Present value of Unfunded Liabilities	(13,439)	(13,816)
Unrecognised Actuarial (Gain)/Loss	-	-
Unrecognised Transition (Asset)/Liability	-	-
Net Liability	(80,488)	(117,090)
Amounts in the Statement of Financial Position		
Liabilities	(80,488)	(117,090)
Assets	-	-
Net Asset/(Liability)	(80,488)	(117,090)
Funding Level	90%	



Note 24

Pensions (continued)

d) Notes to the Statement of Comprehensive Net Expenditure

Amount Charged to Employee Costs	Year End 31 March 2014		Restated	
	£'000	% of Payroll	Year End 31 March 2013	% of Payroll
Current Service Cost	13,677	22.30%	9,120	15.5%
Administration Expenses	184	0.30%	177	0.3%
Insurance premiums for risk benefits	1,229	2.00%	1,179	2.0%
Past Service Cost	-	-	-	-
Curtailment and Settlements	-	-	-	-
Decrease in Irrecoverable Surplus	-	-	-	-
Total Operating Charge (A)	15,090	24.6%	10,476	17.8%

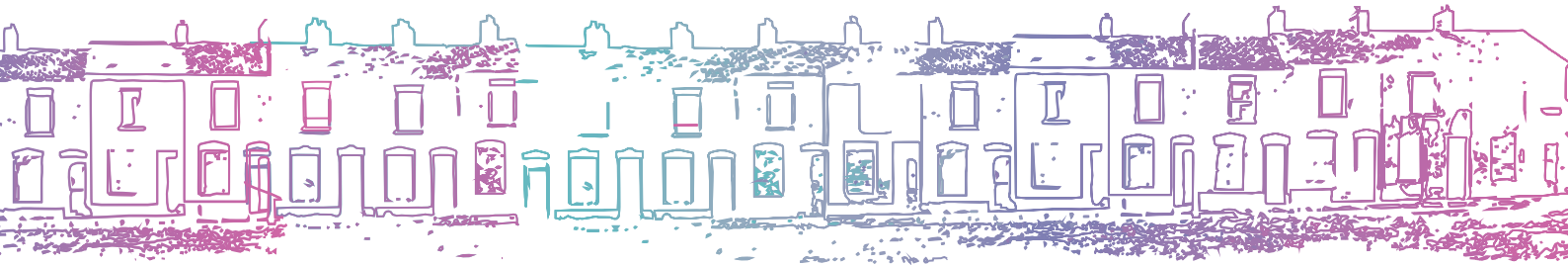
Amount (Debited)/Credited to Other Financing costs	Year End 31 March 2014		Restated	
	£'000	% of Payroll	Year End 31 March 2013	% of Payroll
Interest Income on Scheme Assets	29,841	48.5%	30,543	51.8%
Interest on Pension Scheme Liabilities	(34,810)	(56.6%)	(34,613)	(58.7%)
Net Return (B)	(4,969)	8.1%	(4,070)	(6.9%)

Net Revenue Account Cost (A) - (B)	20,059	16.5%	14,546	24.7%
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Actual return on Plan Assets	105,250
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Notes to the Statement of Changes in Taxpayers Equity

	Restated	
	31 Mar 2014	31 Mar 2013
	£'000	£'000
Actuarial Gains/(Losses) on Plan Assets	(30,237)	74,707
Actuarial Gains/(Losses) on Obligation	73,267	(108,345)
Actuarial Gain/(Loss) Recognised in Statement of Changes in Taxpayers Equity	43,030	(33,638)



Note 24

Pensions (continued)

d) The attributable movement in the scheme liabilities during the period was as follows:

Reconciliation of Defined Benefit Obligation	Year End 31 March 2014	Restated Year End 31 March 2013
	£'000	£'000
Opening Defined Benefit Obligation	(832,203)	(695,285)
Current Service Cost	(13,677)	(9,120)
Past Service Cost	-	-
Interest Expense	(34,810)	(34,613)
Members Contributions	(4,044)	(3,824)
Unfunded Benefits Paid by Employer	1,006	985
Benefit Payments from Plan	23,484	17,999
<i>Actuarial movements:</i>		
Effect of change in demographic assumptions	(13,564)	-
Effect of change in financial assumptions	25,388	(108,345)
Effect of Rebasing adjustments	61,443	-
Closing Defined Benefit Obligation	(786,977)	(832,203)

The attributable movement in the scheme assets during the period was as follows:

Reconciliation of Fair Value of Employer Assets	Year End 31 March 2014	Restated Year End 31 March 2013
	£'000	£'000
Opening Fair Value of Employer Assets	715,113	612,856
Employer Contributions	12,625	12,538
Members Contributions	4,044	3,824
Interest Income	29,841	30,543
Contributions in respect of Unfunded Benefits	1,006	985
Unfunded Benefits Paid	(1,006)	(985)
Rebalancing due to valuation	-	-
Benefits Paid from Plan	(23,484)	(17,999)
Settlement Payments	(184)	(177)
Taxes paid from plan assets	(1,229)	(1,179)
Other Significant events	-	-
<i>Actuarial movements:</i>		
Return on Plan Assets	26,207	74,707
Effect of Rebasing adjustments	(56,444)	-
Closing Fair Value of Employer Assets	706,489	715,113
Net Pension Liability	(80,488)	(117,090)



Note 24

Pensions (continued)

- d) The liabilities show the underlying commitment that the Housing Executive has in the long term to pay retirement benefits. The total pension liability is £787m (2013: £832m) and results in a net overall deficit balance of £80m (2013: £117m) which is recorded on the Statement of Financial Position. The deficit on the NILGOSC scheme will be funded over a period of many years through increased employer contributions over the remaining working life of employees as assessed by the scheme actuary. For 2013/14, employers participating in the scheme increased contributions to 20% (2012/13 19%). Contribution rates will remain at 20% for the 2014/15 year.
- e) Actuarial gains and losses represent the extent to which actual outcomes have differed from the assumptions which were used in calculating IAS 19 figures. For assets, the gain/loss is normally the difference between the actual and expected return on assets, and, for liabilities, the gain/loss normally arises from the change in financial assumptions. These actuarial gains/losses are shown in the table below as Experience Gains and Losses. Actuarial gains and losses are recognised as movements in reserves with no impact on the Statement of Comprehensive Net Expenditure.

Amounts for the current and previous accounting periods	Year End 31 March				
	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Fair Value of Employer Assets	706,489	715,113	612,856	608,519	526,757
Present Value of Defined Benefit Liability	(786,977)	(832,203)	(695,285)	(684,561)	(809,596)
(Deficit)/Surplus	(80,488)	(117,090)	(82,429)	(76,042)	(282,839)
Experience Losses/(Gain) on Assets	26,207	66,637	(37,215)	20,862	132,116
Experience (loss)/Gains on Liabilities	-	-	-	(85,576)	1,641
Actuarial Gains/(Losses) on Employer Assets	26,207	66,660	(37,205)	20,947	132,116
Actuarial (Losses)/Gains on Obligation	11,824	(108,345)	24,108	138,226	(256,804)
Rebalancing due to Valuation	4,999	-	-	24,799	-
Actuarial (Losses)/Gains recognised in Statement of changes in Taxpayers' Equity	43,030	(41,685)	(13,097)	183,972	(124,688)



Note 25

Notes to the Statement of Cash Flows

	2014	Restated 2013
	£'000	£'000
a) Reconciliation of Net Expenditure before interest to Operating Cash Flows		
Net Expenditure before Interest	(827,738)	(836,430)
Taxation paid	(3,013)	(2,350)
Depreciation of Property, Plant & Equipment	31,501	49,605
Amortisation of Software	1,193	1,939
Impairment	9,965	1,128
Capital Grant in Kind	2,294	3,903
Income from Government Grants - Non Current Assets	(64)	(395)
Decrease in Inventories	178	425
Decrease/(Increase) in Receivables	(26,711)	(1,428)
Increase in Payables and Provisions	7,994	(3,703)
Loss on Disposals and Write Offs	6,804	2,269
Net Cash Outflow from Operating Activities	(797,597)	(785,037)



Note 25

Notes to the Statement of Cash Flows

b) Cashflow from Investing Activities

Payments to Acquire Non-Current Assets

Land and Buildings

Other Operational Assets

IT Hardware and Software

Non Operational Assets

Total Expenditure

2014

£'000

(9,422)

(102)

(2,609)

(3,073)

(15,206)

2013

£'000

(18,801)

(533)

(2,378)

(1,166)

(22,878)

Income from Sale of Non-Current Assets and Grants

House Sales (Inc. Land & Buildings)

Plant & Equipment

Government Grants

Total Income and Grants

15,559

-

64

15,623

10,801

12

395

11,208

Repayment of Loans

Repayment of Loan Debt

(68,160)

(73,222)

Financing Charges

Loan Interest charges

Other Financing Charges

Total Financing Charges

(45,477)

(43)

(45,520)

(51,039)

(43)

(51,082)

Interest Receivable

616

886

Other Investing Activities

Other loan Advancements

Other Loan repayments

Total Other Investing Activities

-

1

1

-

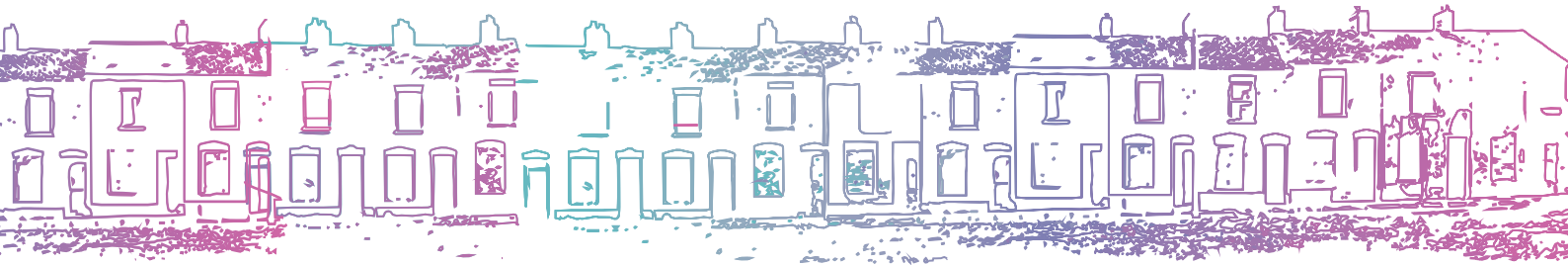
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Net Cash (Outflow) from Investing Activities

(112,646)

(135,086)



Note 25

Notes to the Statement of Cash Flows (continued)

	2014 £'000	2013 £'000
c) Cashflow from Financing Activities		
Grant from Sponsoring Department	886,910	922,789
	886,910	922,789

d) Analysis of Change in Cash and Cash Equivalents

	At 1 April 2013 £'000	Cash Flows £'000	Other Changes £'000	At 31 March 2014 £'000
Cash at Bank & in Hand	172,690	(17,364)	-	155,326
Overdrafts	(2,554)	(5,969)	-	(8,523)
Total	170,136	(23,333)	-	146,803

	At 1 April 2012 £'000	Cash Flows £'000	Other Changes £'000	At 31 March 2013 £'000
Cash at Bank & in Hand	175,772	(3,082)	-	172,690
Overdrafts	(8,302)	5,748	-	(2,554)
Total	167,470	2,666	-	170,136

e) Reconciliation of Net Cash Flow to Movement in Cash & Cash Equivalents

	2014 £'000	2013 £'000
Net Increase in Cash & Cash Equivalents in Period	(23,333)	2,666
Cash & Cash Equivalents at 1 April 2013	170,136	167,470
Cash & Cash Equivalents at 31 March 2014	146,803	170,136



Note 26

Contingent Liabilities and Assets

Liabilities

At 31 March 2014 public liability claims notified and not processed amounted to an estimated potential liability of £9.3m (2013: £8.1m) in respect of 890 claims (2013: 824). Further, the closing provision at 31 March 2014 has decreased by £428k, based on past payments history, in respect of claims which may become a debt in a future financial year.

At 31 March 2014 a provision of £5.8m (2013: £698k) has been accounted for in respect of redevelopment land vested and owned by the Housing Executive. A further estimated £2.1m (2013: £1.4m) has not been accounted for in respect of properties where no claims have yet been made by previous owners. A provision of £353k (2013: £376k) has been accounted for in respect of houses vested by the Housing Executive and which are to be refurbished or demolished, but which fall outside of approved redevelopment areas. A further £455k (2013: £572k) has not been accounted for where claims have not been received but payment may still be due.

At 31 March 2014 a provision of £1.1m (2013: £2.6m) has been accounted for in respect of contractual claims issued against the Housing Executive. A further estimated £1.2m has not been accounted for in respect of additional exposure to contractual claims issued against the Housing Executive.

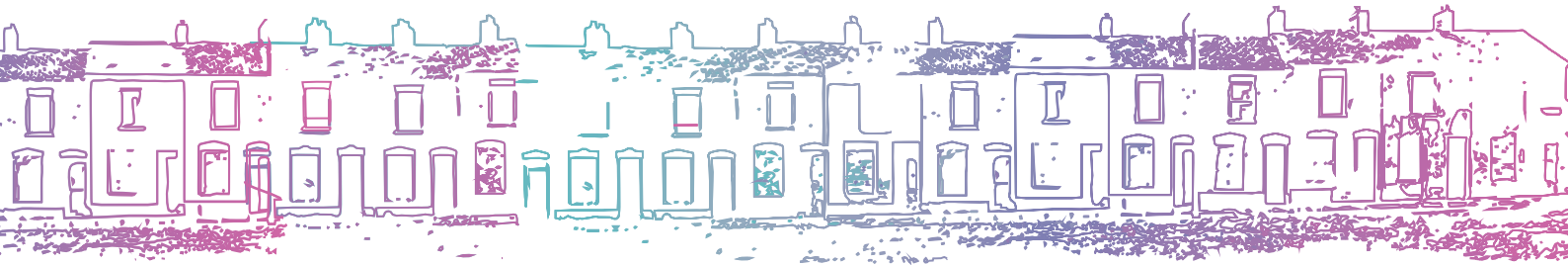
At 31 March 2014 a provision of £5.5m (2013: £Nil) has been accounted for in respect of corporation tax. Previously interest receivable was considered to be the only tradable activity, but HMRC now consider the rental income and sale of housing stock to be subject to corporation tax. An accrual has been accounted for in respect of Corporation Tax for £6m in respect of calculations prepared by NIHE. Due to the uncertainty surrounding the add-back in respect of disallowable expenditure a provision of £5.5m was created. However, additional obligations may be placed on the Housing Executive following from ongoing discussions with HM Revenue & Customs.

The Housing Executive are also currently in discussions with HMRC regarding the VAT treatment that we have followed for many years. These discussions are at a very early stage but depending on their outcome they could result in substantial additional VAT liabilities being identified. No provision has been made for these liabilities at this stage as, based on the discussions with HMRC to date, the Housing Executive does not consider that they are probable to crystallise.

Note 27

Commitments

The Housing Executive has to plan its Capital and Revenue in advance of work proceeding. At 31 March 2014 the Housing Executive has entered into contracts which will incur expenditure of £53m in future years. Of this £53m, private sector grant approvals up to 31 March 2014 of £7.8m have been committed by the Housing Executive, but not yet paid.



Note 28

Related Party Transactions

The Housing Executive is a Non Departmental Public Body sponsored by DSD, who are regarded as a related party. Note 31 details the funding received from DSD and how it was spent. During the year, the Housing Executive has had various material transactions with DSD with respect to Housing Benefit. Note 8 provides a breakdown of that expenditure.

In addition, the Housing Executive has had a number of transactions with other Government Departments and Agencies, the most material of which related to repayment of loans to DFP. Notes 18 and 20 detail the schedule of repayments.

The Housing Executive collects rates for its own properties, which are payable to Land & Property Services (LPS), for which it receives an allowance. Rates paid during 2013/14 to LPS amounted to £35.6m. An allowance of £4.05m is received from LPS which resulted in Rates collected during 2013/14 of £39.7m. Notes 5 and 10 show the income received and expenditure incurred in respect of Rates collected.

LPS also funded the Housing Executive for its part in administering the Rates Relief and Lone Pensioner Allowance systems for which the Housing Executive received £2.7m and £153k respectively.

None of the Board Members, members of the key management staff or other related parties has undertaken any material transactions with the Housing Executive during the year.

Note 29

Third Party Assets

The Housing Executive administers a number of schemes which are separately funded and not reflected in these accounts. The schemes relate to the Home Energy Conservation Act, Energy Efficiency Schemes, and the Cross Schools Project (funded by the Republic of Ireland's Department of Foreign Affairs and Trade's Anti-Sectarianism Fund).

The aggregate cash transactions through the separate bank accounts in the year were as follows:

Restated			
Opening Balance 1 April 2013	Income	Expenditure	Closing Balance 31 March 2014
£'000	£'000	£'000	£'000
30	-	(11)	19



Note 30

Fraud and Error

The Housing Executive administers Housing Benefit on behalf of the Department for Social Development. Estimates of the levels of fraud and error in Housing Benefit for tenants are reported by the Disability, Incapacity & Benefit Security Directorate Standards Assurance Unit of the Social Security Agency through Benefit Reviews, which measure Official Error, Customer Fraud and Customer Error.

The Social Security Agency issued a report titled 'Fraud and Error for Housing Benefit' for the calendar year 1 January 2013 to 31 December 2013. This report highlighted an estimated amount of £21.1m overpaid (customer fraud £11.7m, customer error £4.6m and official error £4.8m) and £6.0m underpaid (customer error £1.2m and official error £4.8m) through fraud and error in Housing Benefit for tenants. This represents approximately 4.2% of the related expenditure for the calendar year. Official Error, Customer Error and Customer Fraud estimates for Housing Benefit for tenants are based on the results of Benefit Reviews in 2013.

Note 31

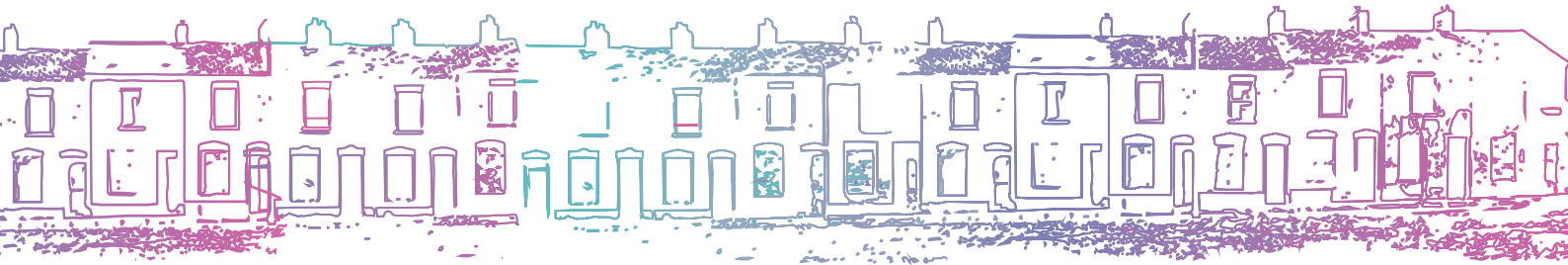
Key Financial Target

The Northern Ireland Housing Executive was set the key financial target of managing the financial resources allocated by the Department to support the performance targets within the Business Plan. The following tables show the final outturns for 2013/14 and 2012/13 matched to the total funding provided.

The tables do not include non cash items eg. Depreciation and Impairment.

Non departmental grant income of £3,585k has been excluded.

	2014 £'000	2014 £'000	2013 £'000
Funded by DSD:			
Deficit Grant	52,644		
less SPED sales	(1,500)	51,144	98,236
Social Housing Development Programme (SHDP)		75,433	85,083
Supporting People Grant		69,584	66,384
Grant to support:			
Private Sector Grants		14,000	16,450
Capital Improvements	35,729		
less capital receipts	(15,000)	20,729	24,598
		230,890	290,751



Note 31

Key Financial Target (continued)

	2014 Outturn £'000	2014 Outturn £'000	2013 Outturn £'000
Net Expenditure:			
Deficit Grant	58,504		
less SPED sales	(1,469)	57,035	98,129
Social Housing Development Programme (SHDP)		82,514	82,955
Supporting People		68,632	65,915
Expenditure on Grants to support:			
Private Sector Grants		13,374	17,826
Capital Improvements	41,938		
less Capital Receipts	(14,998)	26,940	23,776
Working Capital		(17,605)	2,150
		230,890	290,751

Note 32

Events after the Reporting Date

There have been no significant events since the year end which would affect these accounts.

Note 33

Authorisation Date

The financial statements were authorised for issue on 5th September 2014 by the Chairman and Chief Executive of the Housing Executive.





Report of the Comptroller and Auditor General to the Northern Ireland Assembly

Part 1: Introduction

1. The Northern Ireland Housing Executive (the Housing Executive) is a Public Corporation sponsored by the Department for Social Development (DSD/the Department). The Housing Executive is the regional housing authority for Northern Ireland with a wide range of housing responsibilities including acting as landlord for housing stock of approximately 90,000 dwellings.
2. I am required to report my opinion as to whether the financial statements give a true and fair view. I am also required to report my opinion on regularity, that is, whether in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly (the Assembly) and the financial transactions conform to the authorities which govern them.
3. This report reviews the results of my 2013-14 audit of the Housing Executive and sets out the reasons why I have limited the scope of both my financial and regularity audit opinions in the following areas:

Response and Planned Maintenance Expenditure (Part 2)

The Housing Executive spent a total of £127 million on maintenance during 2013-14; £41 million on response maintenance expenditure and £86 million on planned maintenance expenditure. Considerable problems have been identified in the past in relation to Housing Executive controls over work done by contractors on its response and planned maintenance programme. While I have

found some improvement in the operation of these controls this year I continue to have significant concerns in this area and therefore have again qualified my regularity audit opinion with respect to this expenditure.

Housing Benefit (Part 4)

The Housing Executive spent £659 million on housing benefit in 2013-14. Significant levels of estimated fraud and error in housing benefit expenditure continue to arise and I have qualified my regularity audit opinion on this as I have done in previous years.

Corporation Tax (Part 5)

HM Revenue & Customs (HMRC) recently advised the Housing Executive that it considers that rental income and proceeds from sales of housing stock should be subject to corporation tax. These areas have not been included within the Housing Executive's tax computations in the past. Therefore a potential liability has arisen in relation to the corporation tax payable on this income over the last five financial years. The Housing Executive has estimated a potential liability of £11.5 million in its 2013-14 accounts although this could increase or decrease substantially depending on the outcome of ongoing discussions with the HMRC. The Housing Executive has also appointed consultants to help them in these discussions but at this early stage they are unable to confirm the reliability of the Housing Executive's estimate. The evidence available to me to support the tax liability is therefore limited and consequently I have qualified my audit opinion on the truth and fairness of the financial statements due to this limitation on the scope of my audit.



4. Part 3 of my report examines the circumstances surrounding the estimated overpayment of £18 million to planned maintenance scheme contractors that was widely reported last year and how this has now been settled.

Part 2: Response and Planned Maintenance

5. Qualified opinion due to weaknesses in the control of expenditure on response maintenance and planned maintenance

Response Maintenance

Response maintenance expenditure relates to the day to day repairs and maintenance that has to be carried out on housing stock in response to a specific need, usually initiated by a tenant. In 2013-14 the Housing Executive spent £41 million in this area compared to £51.4 million in 2012-13. The Housing Executive told me that this reduction is largely explained by the impact of 20 of the 26 ongoing contracts having been procured at a more competitive rate. I continue to have concerns in relation to the controls exercised by the Housing Executive in relation to this expenditure as set out below:

a) General response maintenance inspection results

Response maintenance covers a wide variety of expenditure. Due to the technical nature of this work I rely on the Housing Executive's internal controls to ensure that work done by their contractors is properly inspected by district staff and payments are not made until the work has been satisfactorily completed. One of the key controls in ensuring that proper inspections are taking place is the Corporate Assurance Unit (CAU/the Unit). CAU provides the Housing Executive with assurance on the effectiveness of the key controls in operation over its maintenance functions. To do this it statistically selects samples of maintenance

work done and re-performs the checks that have already been carried out in each district office.

In previous years, as part of its annual programme, the Unit examined the 35 districts within the Housing Executive and presented a report for each one. Scores were recorded against four specific criteria¹ and classified as unacceptable, limited, satisfactory or substantial. In October 2012, following a review to ensure that it was fit for purpose, the methodology adopted by the Unit was amended, in consultation with Housing Executive management. Amendments included changes in scoring performance, a move to statistical sampling, provision of CAU training support and revisits where necessary. During 2012-13 the Housing Executive merged their previous area offices to create three new regions covering 12 new areas and retained 32 local offices. From 2013-14 onwards CAU reports are prepared for each area.

The results of the work of the Unit are summarised in Table 1 below:

Table 1: Results of response maintenance inspections

	2013-14	2009-12*
Rating	Number of areas	
Substantial	7	2
Satisfactory	3	1
Limited	-	6
Unacceptable	-	1
Total	10	10

Source: Housing Executive

* CAU has provided these comparative results by applying the new methodology to previous inspection results. These inspections were carried out during 2009, 2010, 2011 and 2012.

1. Contract Management; Inspection (on site) now revised to Post Inspections; Probity; and Procedures.



I am pleased to note this year that the Unit has reported an improved performance in the delivery and management of these contracts at an area level. To date thirty local offices (out of 32) have been visited within 10 areas². Of these CAU found two local offices to have limited /unacceptable inspection results compared to thirteen district offices last year. For these two local offices the Unit is providing a support programme to help them address areas of weakness.

The Direct Labour Organisation (DLO) provides an in house contractor service for the Housing Executive³. Previously it delivered contracts in two districts. Since then its work has increased, as a number of contractors have gone into administration, and it is a 'caretaker contractor' in a further five districts. The Unit also inspected work completed by the DLO and found it to be of a good standard. I note that the Housing Executive has established a DLO Performance and Development Committee to support its Board in monitoring the performance, effectiveness and value for money of this service.

I asked the Housing Executive what key steps it felt had led to the improved performance reported by CAU and it told me that this was the result of a number of actions taken during the year, which included:

- all maintenance staff receiving accredited competency based training delivered by the Chartered Institute of Housing;
- the appointment of contract managers;
- establishment of an intervention team, tasked with visiting those offices with an unacceptable audit rating and helping local management to implement an improvement plan; and

2. At the time of my audit fieldwork (June 2014) the two remaining area reports were at draft stage.

3. This covers building and grounds maintenance, adaptations for the disabled, electrical inspections, plumbing, and change of tenancy repairs and security of empty properties.

- monthly reporting of contract performance which is subject to critical scrutiny.

I have reviewed a sample of the work done by CAU and, while I am not a technical expert in the area of property repairs, I was satisfied that the work I examined was properly carried out in line with their procedures and methodology. However I do have some concerns that the ongoing NIHE due diligence exercise into the planned maintenance scheme inspections' methodology (discussed further in paragraph 7 (a)) could also have implications for the reliability of CAU work completed in the area of response maintenance.

Given the fact that the Unit has adopted a new methodology for its inspections, the ongoing NIHE due diligence exercise and the level of systemic weaknesses in the past, I consider that a further year of these inspections will provide a more robust indication of whether this improved performance has been fully embedded.

b) Heating response maintenance inspection results

The Housing Executive spends £3.2 million a year responding to heating maintenance issues. Despite incurring this substantial amount of expenditure, in the past there has not been an independent review of how the district offices ensure the quality of the work done and the accuracy of the payment to the contractor in respect of heating work. This has been partly because of a lack of technical expertise within CAU. As far back as October 2010 the Department recommended that the Housing Executive should also gain assurance over inspections of both planned and response maintenance heating contracts. CAU has, in 2013-14, now incorporated these inspections into their work programme and arranged for support from appropriately qualified staff. At the time of this report two of the twelve areas have been



issued with reports and both received limited opinions due largely to concerns around the credibility of contractors' engineers in carrying out heating work, documentation failures and potential overpayments, for example, paying for the servicing of newly installed heating appliances. The Housing Executive told me that the delivery of this inspection programme was delayed by an investigation into the operation of heating service contracts and next year CAU intends to deliver a full programme of heating inspections. It is imperative that CAU is allocated the necessary technical resources to enable it to complete its full programme particularly given the results to date.

c) Management of contracts

The Housing Executive has introduced innovations in the structure of the response maintenance contracts and the way in which they are managed. In particular the revised response maintenance contracts provide the facility to apply financial penalties when contractors do not perform to the standard expected against agreed key performance indicators. Whilst the contracts do allow for damages to be waived in certain circumstances, I was surprised that since the new contracts have operated the Housing Executive has recovered only £58,000 of the £108,000 penalties it had raised (53 per cent). I asked the Housing Executive why this rate of recovery has been so low and what it is doing to improve this in the future. It told me that an ongoing legal challenge has caused a number of delays in recovery. In addition, a number of contractors went into administration and the outcomes from these may have a positive impact upon the recovery rate.

The new contracts also include clear escalation procedures to address persistent unsatisfactory performance. I have been advised that one contractor, who had been at final escalation stage and on a

weekly monitoring plan, has now gone into administration and alternative arrangements have been put in place.

Office of Government Commerce (OGC) Gateway Review 5: Operations review and benefits realisation⁴

As noted in my report last year the new response maintenance contracts were to be critically evaluated through an OGC Gateway Review. The OGC report was issued to the Housing Executive in May 2014. The report made a number of recommendations, all of which have been accepted and action plans are now being developed to address them. In particular the review:

- Confirmed the improved performance from contractors and evidence of positive tenant satisfaction.
- Found an overall level of complexity and lack of clarity within the roles and responsibilities for those involved in managing the contract.
- Highlighted the need for the Housing Executive to improve the operation of current contract arrangements, in particular, the key performance indicators.
- Commented that the assurance processes in place reflected the needs of the organisation during a period of extensive scrutiny. However as the contract progresses this function needs "reviewing and adjusting proportionally to the needs of an established contract management arrangement in a steady state".

In relation to the above comment, I agree that when the Housing Executive is completely satisfied that its new procedures are bedded in and working effectively, the extent of the assurances provided should be re-assessed. It is, however, important that the Housing Executive continues to build on the improvements made

4. The primary purpose of an OGC Gateway Review 5 is to assess whether the anticipated benefits are being delivered and ongoing contractual arrangements meet business need.



in the management of general response maintenance contracts to date.

Conclusion on response maintenance expenditure

6. While I am content that there has been considerable progress in the Housing Executive's management of response maintenance contracts these improvements need to have further time to bed in before I will consider removing my audit qualification in this area. This is particularly so for the area of heating maintenance which covers a substantial amount of expenditure. Also I will closely monitor the results of the due diligence exercise on planned maintenance to see if this has any implications for the methodology used for response maintenance. If the improvements that have been seen so far in general response maintenance continue and heating maintenance schemes are subject to a programme of inspections, that result in satisfactory assurance being provided, then it is likely that I will be in a position to consider removal of this qualification next year. However, for this year, I have continued to qualify my regularity audit opinion on response maintenance expenditure.

Planned Maintenance

7. Planned maintenance expenditure relates to larger schemes of maintenance scheduled

to maintain the housing stock over time and includes work such as painting, boiler replacement, kitchen replacement and double glazing. During 2013-14 the Housing Executive incurred expenditure of £86 million compared to £94.2 million last year. The main reason for the decrease in expenditure this year has been the delay in awarding new contracts for planned maintenance work. I continue to have concerns in relation to the effectiveness of controls exercised by the Housing Executive in relation to this expenditure as set out below:

a) Planned maintenance schemes inspection results

The delays in awarding these contracts have led to fewer schemes being completed this year. CAU completed and issued draft reports on 21 schemes in 2013-14 as compared to 36 schemes in 2012-13. The results of these inspections are set out in Table 2 and show a significantly improved performance for 2013-14. This year 14 per cent of the schemes inspected had either a limited or unacceptable classification. In these reports the types of issues raised included concerns regarding wiring and health and safety issues relating to window restrictors. The percentage of limited/unacceptable compares favourably to last year when 61 per cent of schemes were classified as such. Nevertheless the fact that

Table 2: Results of planned maintenance scheme inspections 2013-14

Scheme	Rating				TOTAL
	Substantial	Satisfactory	Limited	Unacceptable	
External Cyclical Maintenance	3	-	-	-	3
Health and Safety /Fire Safety	2	1	-	-	3
Kitchen Replacement	4	1	1	1	7
Window Replacement	7	-	-	1	8
TOTAL	16	2	1	2	21
Percentage	76%	10%	4%	10%	

Source: Northern Ireland Housing Executive



14 per cent of planned maintenance schemes examined had less than satisfactory controls for inspecting the work of contractors is still a significant cause for concern.

I understand that in the current year CAU have expanded the scope of their previous inspections and work done in the 2013-14 programme is more comprehensive. CAU told me that previously it had mainly looked at the quality of the work completed but it now also examines other areas of the scheme delivery process such as contract management and has been identifying health and safety issues and non-compliance with NIHE specified standards.

One important point I note is that CAU has not had the benefit of its own Quantity Surveyor expertise in its inspection reports for a number of years. This is important because CAU need this input to ascertain whether district staff carrying out the inspections at area level are ensuring that contractors are only being paid for work that has been properly completed. If CAU do not have this resource then its reports cannot, in my opinion, provide a full picture. I understand this has been due to staffing and recruitment difficulties and consider that the Housing Executive must ensure this gap is addressed as a matter of urgency.

As with CAU's work on response maintenance I reviewed a sample of their work on planned maintenance and was satisfied that it follows their procedures and methodology. However a recent issue has arisen following concerns raised by a whistleblower. The Housing Executive has told me that once these concerns were raised a dedicated investigation team was established to review a number of planned maintenance schemes in one particular Housing Executive area. The team found that some officers were not managing schemes as directed, leading to compliance failures and potential overpayments to the contractor in question. As a result disciplinary action was taken

against one permanent member of staff who was dismissed and an agency employee was required to leave. The Housing Executive also told me that the investigation is ongoing and may result in further disciplinary action. It also intends to take steps to recover any potential overpayments.

Following on from this work, the Housing Executive was concerned that CAU had not identified the issues raised by the whistleblower and had in fact given the area in question a satisfactory rating. As a result the Accounting Officer has initiated a due diligence exercise to look at the appropriateness of the methodology and reporting of planned maintenance scheme inspection results during 2013-14. Until this work is completed it inevitably casts some doubt on the work that has been carried out by CAU.

b) Planned heating maintenance inspection results

The Housing Executive spent £24.7 million (28 per cent of total planned maintenance expenditure) during 2013-14 on planned heating maintenance. This year the planned annual heating inspection programme has been delayed due to an investigation into the operation of heating contractors. The investigation identified differences in interpretation of the contract between the heating contractors and the Housing Executive and concluded that, in some cases, servicing of oil heating systems was not in line with industry standards and contractors were getting paid for services not delivered. I asked the Housing Executive if this issue has now been fully addressed and whether similar concerns extend to gas boilers. It informed me that the issues regarding services not completed and industry standards have been largely addressed with some work still ongoing in relation to difference in interpretation of the contract and that these concerns did not apply to gas boilers.



New planned maintenance contracts

8. Until January 2013 when the contracts expired there were 506 planned maintenance contracts covering all scheduled work across the housing stock. Due to various issues, including the resolution of potential overpayments as discussed in Part 4 of this report, the new contracts for planned maintenance contracts had not been awarded by the end of the financial year. The only exception to this is double glazing which was separated from the main contracts, tendered separately and awarded in November 2013.

I asked the Housing Executive what steps have been taken to ensure that the new contract arrangements are fit for purpose and less open to interpretation. It told me that:

- The new contracts set out more clearly how a partnership concept should operate.
- There are now a larger number of contractors (up to 10) to reduce overdependence on contractors and expand competition.
- External consultants will be the scheme managers and be involved in designing schemes, agreeing costs, supervising and approving the work contract. This should address the risk of contractors inflating work content.
- The input of the consultants will be subject to monitoring and checking by technical staff within the Housing Executive.
- Officers engaged in contractor and consultant supervision and management have been fully trained and will be held to account.
- The Housing Executive is engaging external support to review contract management arrangements including structures, processes and controls.
- Lessons learnt from the past, especially on pricing and inspection, should help transfer some of the risks associated with scheme

design as consultants will have to meet key performance indicators or suffer financial penalties. Controls will be further enhanced by improved access to key technical resources.

CAU has advised that when the new contracts are in place it intends to carry out a robust review of the new consultant contracts which will look at contract management and administration in accordance with clauses and conditions set out in the contracts. Specifically it will examine and score key areas such as quality of work carried out by the contractor, health and safety issues, non-compliance with specified Housing Executive standard, pricing list issues and other contract management issues. It is essential, especially in the early stages of the new contract, that the Housing Executive exercises strong control over its consultants to ensure that it is satisfied that contracts are being properly managed.

Conclusion on planned maintenance expenditure

9. As with response maintenance there are some signs of improvement in the operation of the controls over the planned maintenance expenditure of £86 million. Nevertheless there continues to be a significant level of non-compliance in the controls over this expenditure and this looks unlikely to be comprehensively addressed until the new contracts are up and running. I also note that nearly 30 per cent of this expenditure is in relation to heating maintenance which has not been fully inspected by CAU in 2013-14 and has been the subject of investigation during the year.

The fact that CAU inspections do not have their own Quantity Surveyor input to examine the financial aspect of the schemes is a cause for concern and reduces the extent to which I can rely on their work. The current investigation into whistleblower allegations and the resulting Housing Executive due



diligence review of the methodology used by CAU exacerbates this further.

Consequently I was unable to obtain sufficient evidence that the Housing Executive's control of this expenditure was adequate for the purposes of ensuring that these payments had been applied for the purposes intended by the Assembly and I have qualified my regularity audit opinion again on planned maintenance expenditure this year.

Part 3:

Estimated contractor overpayments in planned maintenance schemes

Introduction

10. In June 2013 it was widely reported that the Housing Executive had overpaid its planned maintenance contractors by an estimated £18 million. I provided some further background to this figure in my report of 2 July 2013 when I made it clear that this figure was an estimate based on an extrapolation of overpayments identified in a relatively small sample of schemes. At that point this figure was not included as a debtor within the Housing Executive's 2012-13 accounts as the evidence supporting it was not sufficient.
11. I have reported significant issues in relation to the Housing Executive's controls over planned maintenance contracts for several years. These issues contributed to this overpayment arising.
12. In this particular case, problems were first identified in the work that the Housing Executive's contractors were completing on planned maintenance schemes in 2010 and then again in 2011. It was late 2012 before the Housing Executive began to take substantive action by appointing independent surveyors to review work completed by contractors. By June 2013 these surveyors had examined a relatively small proportion of schemes and

found estimated overpayments of over £1 million. The rate of error identified from this work, together with the other work done by the Housing Executive, was projected across all planned maintenance schemes to arrive at the £18 million overpayment estimate.

13. This estimate did not include the impact of any underpayments to contractors, that is, any work which had been done by the contractors at the request of staff within the Housing Executive but not yet billed. It was only after June 2013 that the contractors were approached and substantial amounts of work that they had not charged for began to be taken into account. This is partially explained by the fact that in most cases final account reconciliations were not completed promptly after jobs were finished.
14. As the original £18 million estimated overpayments was based on an extrapolated figure and the contractors have identified a large amount of underpayments, the final agreed settlement is much less than anticipated. The details of what have been agreed and how the Housing Executive has reached this position are discussed in more detail below.

Background to planned maintenance contract issues and the £18 million estimate

15. In January 2008 the Housing Executive introduced new planned maintenance contracts initially for a period of four years which were then extended for a further year. The contracts were designed to reflect the principles and recommendations set out by Sir John Egan⁵ and were let under the New Engineering Contract (NEC3). This contract was aimed at delivering better value for money by promoting a partnership type arrangement between the public

5. *Achieving Excellence in Construction (AEC) 1999.*



sector and contractors. Over the five years of the contracts the Housing Executive let 469⁶ planned maintenance schemes at an estimated contract sum of £172 million covering schemes for kitchen replacements, external cyclical maintenance (ECM) and other work such as window replacements.

16. The contracts were structured so that payments were based on a standard Project Price List (PPL) which was effectively the bill of quantities⁷ for each scheme. The PPL provided an indication of the cost of each piece of work. Before making payments the Housing Executive should have carried out 'remeasurement' to identify and cost the variation between the work actually completed at each job and the PPL. This remeasurement was generally not carried out and payments were therefore based on the PPL. In the absence of this important control it was very difficult for the Housing Executive to know exactly how much work had been done on each property.
17. At the end of each contract final account reconciliations should be prepared to ensure that the total work completed on the contract is in line with payments that have been made. The 469 schemes let between 2008 and 2013 included a large proportion of schemes for which financial reconciliations had not been agreed with the contractors⁸. Previously⁹ I have drawn attention to the considerable delays in the completion of these reconciliations. I consider that more

timely completion of these reconciliations would have significantly reduced the potential for overpayments or underpayments to have arisen on these contracts.

18. An approximate timeline of the key events is given in the table overleaf.

Calculation of the £18 million estimate

19. Issues with how these contracts were being managed were first identified by the Scheme Inspection Unit (SIU) in 2010 and then raised again by CAU in November 2011. Unfortunately there was a considerable degree of challenge by Housing Executive management to these findings which led to independent surveyors not being appointed to investigate the issue until September 2012.
20. The work done by the independent surveyors was reported in the first part of 2013 and found that, in general, normal contract management arrangements had been set aside by the Housing Executive in favour of more relaxed procedures based on partnership, trust and mutual co-operation which meant that effective checking and inspection was not being carried out and consequently potential overpayments were not being identified. They found that of the 20 kitchen replacement schemes examined (out of 242 undertaken to that time) there were potential overpayments of £1.319 million out of a total cost of £6.259 million with overpayment rates on different schemes ranging from 2 per cent to 40 per cent. It should be noted, however, that at this stage the surveyors were not identifying underpayments as the contractors had not yet been approached.
21. The Housing Executive used the work of the independent surveyors, together with work undertaken by its Central Cost Group, as a basis for estimating the potential overpayments across all of its planned maintenance work from 2008. By extrapolating the error rates across the expected contract costs the total

6. The number of schemes increased to 506 when contracts were extended to include the installation of fire doors.

7. A document drawn up by a quantity surveyor which provides details of materials, parts, labour and costs required to complete a project or scheme.

8. In my 2012-2013 Report to those charged with Governance I reported that the final accounts had only been submitted for 96 of the 469 schemes, leaving 373 schemes still remaining open at 31 March 2013.

9. NIHE 2011-12: Report of the Comptroller and Auditor General to the NI assembly, when I reported that a number of external maintenance schemes, some dating back to December 2008, with a gross value of £17.3 million had not been subject to final account reconciliations.



Table 3: Timeline of key events (2010-2014)

Date	
April 2010	Inspection reports prepared by NIHE's Scheme Inspection Unit (a predecessor of CAU) conclude that there is potential for contractor overpayments in kitchen replacement schemes. However this is not reported to NIHE audit committee.
September 2011	The Head of CAU produces a report advising of potential overpayments of £513,000. This is based on a review of five kitchen schemes.
November 2011	The information from CAU is presented to the NIHE audit committee and there is considerable disagreement between management and CAU over the figures. Internal Audit is asked to review both sets of figures.
December 2011	Internal Audit Review agrees with conclusions of CAU but also highlights its lack of technical expertise. A Senior Procurement Manager (within NIHE) is then asked to also look at the figures in detail.
May 2012	The Senior Procurement Manager concludes that there are indicators of overpayments but at a lower level than CAU estimated.
September 2012	NIHE appoints an independent firm of surveyors to review a sample of 20 kitchen schemes.
February 2013	Independent surveyors issue a draft report concluding there have been overpayments of significant sums.
29 May 2013	NIHE prepare estimate of potential overpayment of £18 million and advise their Board. Chairman briefs Minister as to the size of the estimated potential overpayment.
7 June 2013	Chairman arranges for a review of the NIHE handling of planned maintenance contracts to be carried out by Campbell Tickell.
10 June 2013	Minister makes a statement to the Assembly regarding the estimated potential overpayment of £18 million.
10 June 2013	Chairman announces that a review into the planned maintenance issue is to be completed by independent consultants.
July 2013	Independent surveyors asked to review a further 19 schemes and engage with the contractors.
October 2013	Campbell Tickell Review published.
November 2013- March 2014	Detailed negotiations with contractors to reach an agreed settlement.
March 2014	Proposed agreement reached and approved by NIHE Board, subject to DSD/DFP approval.
April 2014	Contractors sign agreed terms of settlement, subject to DSD/DFP approval.
July 2014	DFP/DSD approval received for the settlement



contractor overpayment was estimated at around £18 million.

22. This estimate was based upon the figures that were available at June 2013. However the limitations of this figure should have been made clearer. These limitations included:
- the figure was based on a relatively small sample of data;
 - the figure was based on estimated, rather than actual, spend; and
 - there was a possibility that when negotiations began with contractors underpayments may be identified which could then be set against the overpayments.

I asked the Housing Executive why these limitations had not been made clearer when this figure was reported. It told me that at June 2013 the assessment of these contracts was at an early stage and the eventual outcome would not have been known. This only became available following the extensive work undertaken by the appointed experts, the contractors and the Housing Executive. Furthermore they advised that there were also uncertainties, under the terms of the contract, regarding whether a contractor could pursue compensation events after a specified period of time. While the limitations were recognised, it would appear they were not always effectively communicated at that time.

Progress since the £18 million estimate was reported

23. In June 2013 the Chairman of the Housing Executive commissioned an external independent review of the Housing Executive's handling of planned maintenance contracts. The Chairman appointed the chosen firm using a single tender action¹⁰ and has stated that this was to ensure that the review could start

quickly as there was a considerable degree of urgency given the issues that had been found. The company appointed was Campbell Tickell. The Chairman has told me he knew of their work for other similar organisations and he felt they had the necessary expertise to carry out this review.

24. The Chairman submitted a business case to the Department's Accounting Officer estimating the investigation costs to be £40,000 which was approved. In fact the actual input of Campbell Tickell was higher than anticipated and the final cost agreed with the Housing Executive is around £66,000 (some 66 per cent higher than the figure proposed in the original business case). Campbell Tickell has advised that these extra costs were largely due to the volume of documents and records that required review.
25. I also note that a Board member of the Housing Executive is an associate of Campbell Tickell. I asked the Housing Executive how it ensured there was no conflict of interest in this case. It told me that the Chairman was fully aware that the Board Member had a business association with Campbell Tickell and that the Board Member was not involved in the appointment of the company. Therefore the Housing Executive is satisfied that any potential for a conflict of interest was managed entirely correctly.
26. The terms of reference for Campbell Tickell were to:
- Review the information received by the Housing Executive Board on the planned maintenance contracts leading to the potentially significant overpayments to four contractors.
 - Confirm whether or not the information was accurate and complete, or to add any additional relevant information.
 - Assess whether the calculation of the estimated overpayment was reasonable and robust.

10. Public sector bodies are allowed to opt out of normal procurement processes and adopt a single tender action if a sound business case can be made to support this.



- Assess whether the actions taken or planned were sufficient to pursue the recovery of these monies.
- Consider whether management weaknesses led to this situation.
- Make recommendations to deal with any inappropriate actions or identified weaknesses.

Campbell Tickell noted in their report that, following agreement with the Housing Executive, they could only partly report on the fourth bullet point as they wanted to avoid the risk of prejudicing ongoing negotiations with the contractor.

27. The review was completed in October 2013 and identified the following key issues:

- The prime cause of these potential overpayments being the poor planning, preparation, implementation and controls by the Board and management of a new form of partnering or Egan building contract known as NEC3.
- Mistakes by the Housing Executive in deciding not to implement an important provision of NEC3, namely the ongoing requirement to re-measure the work undertaken by contractors.
- Various shortcomings in management and governance within the Housing Executive which led to substantial overcharging by contractors on planned maintenance contracts.
- Potential contractor overpayments estimated to be within a range of £9 million - £13 million, lower than the amount estimated by the Housing Executive.

28. The review noted that the problems were exacerbated by:

- The Housing Executive and contractors not understanding the fundamental culture change needed to create a true partnering approach.
- The lack of meaningful management information to allow appropriate monitoring,

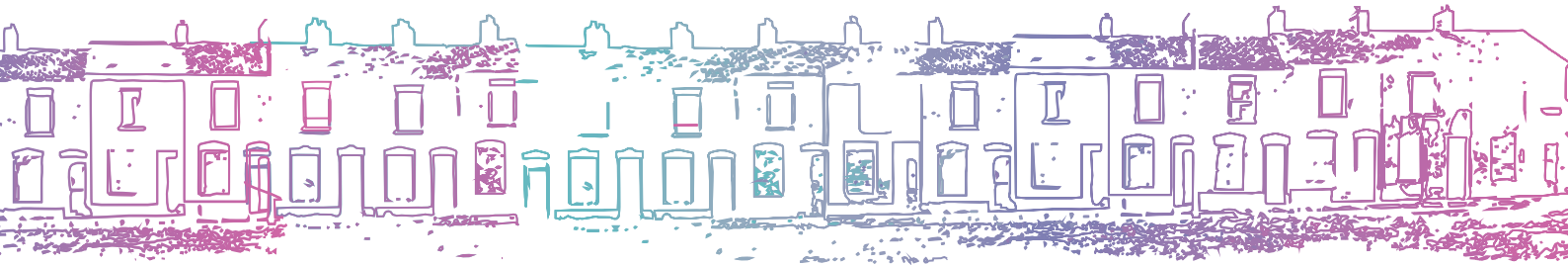
oversight and comparative performance management.

- The organisational culture which created distrust and antagonism within different parts of the Housing Executive.
- The cost saving programme which led to experienced staff leaving who had particular expertise on these contracts.
- A fragmented and inadequate framework for control and assurance.
- Incomplete information being passed up the hierarchy and ultimately to the Audit Committee and Board meaning they could not exercise effective oversight and challenge of the situation.

29. I asked the Housing Executive what steps it had taken to address the key recommendations arising from the review. It told me that an improvement plan has been established to address the recommendations against which progress is monitored by the Board. Furthermore the Housing Executive advised me that the following key actions were ongoing:

- the establishment of user groups across the main contract maintenance areas of planned, response, heating, grounds and adaptations;
- comprehensive reviews of scheme delivery processes;
- mechanisms to support front line staff and to share good practice:
- a mobile working solution project for response maintenance;¹¹
- setting up a system of benchmarking of performance and costs;
- a systematic review and risk assessment of all contract processes;
- additional training in contract awareness and management;

11. This project describes the use of handheld devices which maintenance officers will use to record their inspections at the time of visits and will automatically update the main housing system.



- a thorough review of the format and content of reports to the Audit Committee and Board; and
- taking steps to foster a support culture in audit and inspection activities.

Negotiations for an agreed settlement

30. While the review by Campbell Tickell confirmed that there did appear to have been substantial overpayments to contractors, although at a lower level than the Housing Executive estimate, their review did not involve engagement with the contractors.
31. To progress the issue of recovering the overpayments the independent surveyors who had examined the original 20 schemes were asked in July 2013 to examine a further 19 kitchen schemes and to begin to engage directly with the contractors (who by this time had appointed their own expert) in order to confirm and agree the level of overpayment. The instruction to the surveyors was to undertake negotiations to agree final costs for a number of schemes, including any compensation events (any underpayments to contractors for additional work that had been done by them.) They were also asked to examine how the results of this work could be extrapolated across all of the kitchen projects.
32. Negotiations continued into 2014 when the surveyors finally reached an agreed position with the contractor's expert whereby, in respect of the kitchen projects, total overpayments were estimated at £8,367,000 but crucially underpayments were estimated at £8,175,000. This meant that in total a net £192,000 could be recovered by the Housing Executive.
33. A settlement offer was then agreed with the four contractors which involved three of them paying £670,000 to the Housing Executive and one of them being paid £470,000 - ie a net recovery of £200,000. This settlement covered all issues surrounding the planned maintenance contracts, including ECMs and

windows' replacement. Legal opinion, received by the Housing Executive, recommended that this settlement should be accepted.

35. This settlement has now been approved by the Department for Social Development and the Department of Finance and Personnel and the figures have been included within the 2013-14 accounts of the Housing Executive.

Overpayments not recovered

35. The work done by the surveyors only looked at the kitchen projects whereas the original £18 million estimate had also included overpayments arising from windows' replacement and ECMs. The Housing Executive's Central Cost Group estimated over and underpayments for these areas based on extrapolated data. These estimates have not been reviewed by independent surveyors or agreed with contractors and therefore can only give a high level estimate of potential over and underpayments. Indeed I am aware that the contractors have argued that they are entitled to higher levels of compensation events than negotiated. Nevertheless, for the purposes of the accounts and to comply with public sector accounting rules, the Housing Executive has estimated that a net overpayment of £2.1 million (relating to the External Cyclical Maintenance, window replacement and other planned maintenance) should be written-off and it has received the necessary approvals to do so.
36. I asked the Housing Executive why it decided not to pursue this potential overpayment. It told me that the legal advice it had obtained highlighted, for this particular case, the high costs associated with obtaining evidence to support a recovery strategy based on adjudication and then, if required, litigation. These costs, both technical and legal, would have been substantial with no certainty of successfully recovering any amounts outstanding.



Summary of overall movements in overpayments and underpayments

37. Table 4 shows the link between the original estimate of £18m and the figures eventually agreed in the settlement:

Table 4: Changes to the original contractor overpayment estimate

	Overpayments £ million	Underpayments £ million
Original estimate	18.0	-
Reduction in estimate ¹²	(5.5)	-
Revised estimated overpayment	12.5	-

Made up of:		
Kitchens	8.3	8.1
External Cyclical Maintenance	3.8*	1.3*
Other	0.4*	0.8*
Total	12.5	10.2

Net overpayment	2.3*	
Settlement figure	0.2	
Estimated loss	2.1*	

* These figures are based on estimates produced by the Housing Executive using extrapolated data. As explained in the paragraphs above they have not been reviewed by independent surveyors or agreed with contractors and therefore can only give a high level estimate of potential over and underpayments

12. The planned maintenance schemes let 2008-2013 had an estimated contract value of £172 million. As part of the settlement it was agreed that schemes with a value of £65 million would be excluded from the overpayment calculation as they were not yet complete and therefore could still be fully measured under the NEC3 contract. These schemes will now be subject to normal contract management procedures. The £5.5 million is the estimated overpayment for these schemes.

Conclusion

38. Since the introduction of the new planned maintenance scheme contracts in 2008 the Housing Executive has been lax in managing them. If proper arrangements had been in place, including remeasurement as required under the contract, then the overpayments and underpayments since identified would not have occurred.
39. It is unacceptable that checks which should have been carried out under the planned maintenance contracts were set aside in favour of a 'light touch' regime under which the Housing Executive appeared to trust that work not done by contractors but paid for would be balanced by the work done by contractors and not charged for.
40. There were opportunities for the Housing Executive to identify the problems occurring at a much earlier stage and to have taken steps to address them. However for various reasons, including a large degree of challenge from Housing Executive management to the 2010 findings of the Scheme Inspection Unit, this did not happen. As a result there was a delay in dealing with the issues and the problems only began to be dealt with towards the end of the contracts.
41. I am disappointed to note the parallels between this issue and a similar issue I identified in my 2004 report¹³ on gas central heating in Housing Executive homes. Gas contracts were also managed on a 'bill of quantities' basis. Detailed building surveys were not undertaken as the Housing Executive considered this to represent commercial sense. Final contract costs consistently exceeded tendered prices and my examination at that time indicated that net overspends and variances were likely to be at least £2.5 million.

13. *Introducing Gas Central Heating in Housing Executive Homes*, NIAO: NIA 43/03, HC 725 Session 2003/04 1 July 2004.



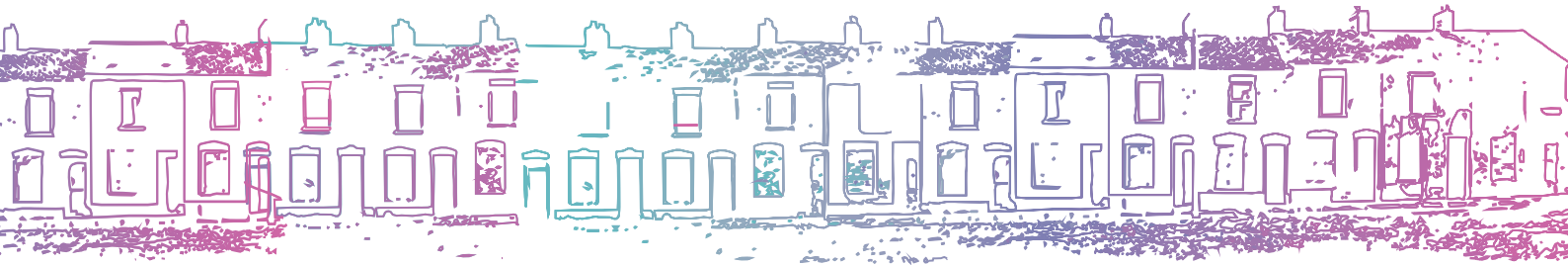
42. The Executive has reached a settlement with the contractors following a long negotiation process. Despite the fact that the Housing Executive is following legal advice it is disappointing to note their estimate of a further net balance of £2.1 million of overpayments which will not be pursued. While it is important to highlight that this figure has not been put to the contractors or subjected to the detailed scrutiny of a negotiation process it is very concerning that the Housing Executive has potentially incurred such a significant loss.
43. I note that schemes completed after July 2013 should now be dealt with in accordance with the terms of the contract, that is, the full remeasurement process is applied and compensation events addressed where appropriate. I have already commented on the new planned maintenance contracts in Part 2 of my report and hope that lessons have now been learnt so that such a situation does not arise in the Housing Executive again.
44. The results of this testing are used to produce a range of likely fraud and error in housing benefit (within 95 per cent confidence levels) and the midpoint of this range is presented in Note 30 (entitled 'Fraud and Error') to the financial statements as an estimate of the monetary value of the fraud and error in the year. The estimates of fraud and error are by their nature subject to uncertainty because they are based on sample testing but do, however, represent the best measure of fraud and error available. In order to facilitate the timetable for the production of the financial statements, SAU's testing is reported on a calendar year basis, not on a financial year basis. I am satisfied that this is reasonable.
45. I examined the work undertaken by the SAU to assess the estimated levels of fraud and error within the housing benefit system. My staff examined and re-performed a sample of the case work during the year and also reviewed the methodologies applied by the SAU in carrying out these exercises. Based on this work I am content that results produced by the SAU are a reliable estimate of the total fraud and error in the housing benefit system.

Part 4: Housing Benefit

Background and methodology

44. The Housing Executive administers housing benefit on behalf of DSD. The Department's Standards Assurance Unit (SAU) regularly monitors and provides estimates of levels of fraud and error within the housing benefit system. In order to do this, statisticians from the Department's Analytical Services Unit randomly select samples of ongoing housing benefit claims and SAU subjects them to detailed examination for evidence of customer fraud, customer error or official error.¹⁴
47. The entitlement criteria and the method to be used for payment of housing benefit are set out in legislation. Where fraud and error has resulted in an over or underpayment of benefit to an individual who is either not entitled to housing benefit, or is paid at a rate which differs from that specified in the legislation, the payments made are not in conformity with the governing legislation and are therefore irregular.
48. The levels of fraud and error for housing benefit for the year 1 January 2013 to 31 December 2013, estimated by the SAU in total represent some 3.9 per cent of housing benefit expenditure.

14. Customer fraud arises when customers deliberately seek to mislead NIHE. Customer error occurs when customers make inadvertent mistakes with no fraudulent intent. Official error arises when housing benefit is paid incorrectly due to inaction, delay or a mistaken assessment by the NIHE.



for 2013 would reduce the level of customer fraud. When asked why this did not happen the Housing Executive pointed out that in two of the nine cases reported by SAU, the fraud originated in the base Social Security benefit which passported entitlement (and the fraud) to housing benefit. The financial impact of this “passported” fraud would account for an estimated 20 per cent of the fraud total. The majority of the remaining fraud relates to claimants’ living arrangements and this type of fraud is now being targeted in part by the work undertaken under the Housing Executive’s new Tenancy Fraud strategy. The Atlas system and the earnings exercise both help identify irregularities in claimants’ financial circumstances but there tends to be a time lag between using these tools and reducing related fraud in the system. The Housing Executive also told me that the latest figures produced by SAU for the period April 2013 to March 2014 show that the estimated level of Customer Fraud has fallen to 1.2 per cent of benefit expenditure, equivalent to £7.9 million ie below the 2012 estimate.

Customer Error

52. Customer error relates to situations where customers have made mistakes in claiming benefit which are not judged to have arisen from fraudulent intent. This would include situations where errors arise because:
- customers cannot properly navigate the complex housing benefit system;
 - customers are unaware of rules on capital, investments or redundancy payments;
 - customers do not understand the requirement to report any changes in their circumstances; and
 - many customers incorrectly believe that reporting changes once to a public body will lead to all government bodies updating their records for that individual.

53. I note that estimated customer error has dropped slightly from last year. I asked the Housing Executive to comment on this and it told me that the earlier identification of changes through the operation of the Atlas system and other counter-fraud and error techniques have helped in reducing this.

Official Error

54. The estimated level of overpayments due to official error has dropped considerably this year while the level of estimated underpayments has increased marginally. As official errors arise from mistakes by the Housing Executive these errors are within its control and it is best placed to reduce them. Therefore I welcome the estimated level of this error being reduced.
55. Official error is often difficult to identify and consequently the cumulative impact can be considerable. Reasons for official errors include:
- incorrectly recording a customer’s income;
 - incorrectly applying complex benefit rates; and
 - making errors in establishing the customer’s status (such as single status, etc).
56. Last year the Housing Executive told me that considerable work was being undertaken to reduce the level of official error including automating approximately 80 per cent of actions prompted by Atlas and introducing additional resources to deal with the backlog of work that had built up over the first half of the year. It is reassuring to see that these measures appear to be achieving results but it is important that the Housing Executive continue to focus on bringing this level down further. The Housing Executive told me that it is pleased to note that the work put into reducing Official Error is achieving the desired outcome and it will continue to focus its efforts on making further progress in this area.



Conclusion on housing benefit expenditure fraud and error

57. I recognise the considerable efforts and resources committed by the Housing Executive to address housing benefit fraud and error. However the estimated levels of fraud and error in housing benefit expenditure remain material and I have therefore continued to qualify my audit opinion on the regularity of this expenditure.

Other issues relating to Housing Benefit Benefit overpayments to be recovered

58. Benefit overpayments arise whenever benefits are paid in error to customers. During the year the gross level of housing benefit overpayments owed by claimants increased from £46.9 million to £49.4 million. Table 6 shows the total value of benefit overpayments to be recovered by the Housing Executive as at 31 March for each of the last five financial years.

59. I note that debt due from benefit overpayments continues to rise with the gross debt at the year end of £49.4 million being 32 per cent higher than it was in

2010. However the Housing Executive has managed to recover more monies overpaid this year than last year and has substantially exceeded the Department's overpayment recovery target for 2013-14 of £13 million. The recovery rate at 31.3 per cent still appears low and I asked the Housing Executive what further action is being taken to improve this.

60. The Housing Executive told me that it remains committed to achieving as high a rate of recovery as possible and will be reviewing its strategy aimed at both preventing and recovering housing benefit overpayments during the year. It pointed out that there are constraints on recovery rates imposed both by legislation and claimants' ability to repay which can limit the recovery amount achievable during the course of the year and, when set against the number and value of overpayments identified though the Housing Benefit Fraud and Error Strategy (over £4 million for 2013-14), it becomes increasingly difficult to match recovery rates with the rate of creation of overpayments. This situation has been recognised by the Department in the setting of a key performance indicator in this area of work and, as has been noted,

Table 6: Trends in the recovery of Housing Benefit Overpayments

	2014 £ million	2013 £ million	2012 £ million	2011 £ million	2010 £ million
Gross debt	49.4	46.9	45.4	41.8	37.5
Written off	(1.3)	(1.3)	(1.3)	(1.8)	(1.3)
Provided for ¹⁷	(15.8)	(15.5)	(15.8)	(13.1)	(12.1)
Net debt recoverable	32.3	30.1	28.3	26.9	24.1
Recovered	(15.0)	(13.9)	(13.9)	(13.1)	(12.8)
Recovery % (as % of gross debt)	31.3%	30.5%	31.4%	32.7%	35.3%
Net debt at year end	17.3	16.2	14.4	13.8	11.3

Source: Housing Benefit Overpayments Strategy and Northern Ireland Housing Executive financial statements

17. This relates to debts that the Housing Executive considers may not be recovered but have not yet been written off. See Note 16 to the Accounts.



the Housing Executive has exceeded its targeted recovery amount in each of the last three years. In addition to this, the Housing Executive told me it has benchmarked its performance on the rate of recovery of overpayments against that of a number of Great Britain Local Authorities and has achieved above average performance levels in each of the last two years.

Tenancy fraud

61. Tenancy fraud is the possession of a social housing tenancy by someone who is not entitled to it. This deprives those on housing waiting lists of the chance of a permanent home and gives rise to additional costs for temporary accommodation and additional house building. It is estimated that tenancy fraud costs the public purse £1 billion a year in England and Wales. In September 2013 I published a report¹⁸ on this area which highlighted that:
- Not enough was being done to tackle tenancy fraud.
 - Every 100 additional properties recovered through a proactive detection programme may have the potential to save approximately £800,000 in costs for private rented accommodation.
 - By applying the Audit Commission's 2% estimate¹⁹ the number of properties fraudulently occupied in NI could be as high as 2,400 with a current replacement cost in the region of £200 million.
62. The Housing Executive has now developed a strategy to address this issue and advised me that it has commenced implementation. This strategy sets out new measures to address tenancy fraud and includes unannounced visits, contact with utility providers to initiate

data sharing arrangements, roll out of general publicity and a training programme on how to detect and deal with instances of this fraud.

63. The PAC recently held an Evidence Session on my report and is likely to publish their Report later this year.

National Fraud Initiative

64. The National Fraud Initiative (NFI) is an exercise to conduct data matching reviews to assist in the prevention and detection of fraud and I welcome that the Housing Executive has fully engaged with this process. The outcomes to date of this exercise in Northern Ireland have demonstrated the value of NFI in identifying and countering benefit fraud and error.
65. The Housing Executive has taken part in two NFI exercises which have involved matching data from a number of databases such as payroll and occupational pension details with its housing benefit records and preliminary work has been undertaken for a third exercise.
66. The second exercise identified nearly 25,000 matches, of which just over 75 per cent related to housing benefit. The Housing Executive told me that about 10,000 of these matches²⁰ were referred by the Housing Executive to the Social Security Agency's Benefit Investigation Service (the Agency). By the end of May the Housing Executive had processed nearly 13,000 matches and identified 10 suspected frauds and 254 errors totalling £778,000.

18. *Tackling Social Housing Tenancy Fraud* (24 September 2013)

19. *Audit Commission: Protecting the Public Purse 2011: Fighting Fraud against local government* (10 November 2011).

20. *These figures relate to housing benefit data matches which are sent to the Agency where personal information on passported claimants is required to process the match as this data is not held within the Housing Executive. The Housing Executive also investigates matches in other data sets, for example, creditors and payroll.*



Part 5:

Corporation Tax

Qualified opinion on financial statements

67. Prior to 2013-14 the Housing Executive paid corporation tax on interest receivable only. During the year HM Revenue and Customs advised that it now considers that rental income and income from the sale of housing stock should also have been liable to corporation tax. This is the subject of ongoing negotiations with HMRC but in the meantime the Housing Executive has prepared tax calculations to attempt to estimate the potential liabilities arising from this income since 2009-10 (HMRC have confirmed they will not seek any corporation tax due for periods before this).
68. To date the Housing Executive has paid HMRC £3 million on account. An amount of £6 million has been accrued in the financial statements within Note 18 to the accounts to represent management's estimate of the likely liability to HMRC and £5.5 million has been provided for within Note 23 to the accounts in respect of potential further liabilities.
69. The Housing Executive has now engaged tax consultants to provide them with expert advice in their discussions with HMRC but it is too early for them to conclude whether management's estimate is reasonable. There is still considerable uncertainty as to the actual amount that may become payable once negotiations with the HMRC have been completed and there is scope for this to increase or decrease substantially from the current estimate. While the Housing Executive has carried out considerable work to support their estimate of potential liabilities, this is a very complex area and due to the degree of uncertainty I consider that I do not have sufficient evidence to conclude on the completeness and accuracy of the tax liabilities disclosed in the accounts.

70. As a result I am unable to obtain sufficient appropriate audit evidence to support the material figures for accruals and provisions for tax of £11.5 million which are included in the financial statements at Notes 18 and 23 and have qualified my audit opinion on the truth and fairness of the financial statements due to this limitation on the scope of my audit. I am hopeful that these issues will be resolved during 2014-15 and will keep this matter under review.

Part 6:

Conclusion

71. I have qualified my regularity opinion on the Housing Executive's 2013-14 accounts for the following reasons:
- On response maintenance because while there has been considerable progress in the management of response maintenance contracts these improvements need further time to bed in;
 - On planned maintenance because significant weaknesses continue to be identified in the Housing Executive's controls over work done by contractors on its planned maintenance programme; and
 - Material levels of estimated fraud and error in housing benefit expenditure.

I have also qualified my financial audit opinion because of uncertainty as to potential corporation tax liabilities arising from an ongoing review by HM Revenue and Customs.

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5 September 2014



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