



# 44TH ANNUAL REPORT

1 April 2014 - 31 March 2015

**Housing**  
Executive



Northern Ireland Housing Executive Annual Report and Accounts  
For the year ended 31 March 2015  
Laid before the Northern Ireland Assembly  
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By the Department for Social Development  
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Donald Hoodless  
Chairman

# CHAIRMAN'S FOREWORD

2014/15 marked a turning point for the Housing Executive. The Board addressed a number of governance and contract management issues which had overshadowed our work since 2010. Our focus now is to ensure that effective oversight and scrutiny arrangements are in place within the organisation and we continue to deliver first class housing solutions for all our customers.

In March 2014, we embarked upon our Journey to Excellence transformation programme and in the past 12 months we have delivered a year of genuine transformational change. The review and streamlining of our frontline services is beginning to produce real results for our tenants, customers and our staff. The Board has set the senior management team the task of accelerating this programme across the organisation in 2015/16.

It is important that we use all of our connections to consult on the future direction of the Housing Executive and housing in general.

In February and March 2015 the Investors In People (IIP) assessors visited the Housing Executive. This resulted in the Housing Executive being awarded the Silver Standard for IIP for the first time. With less than 7 per cent of all organisations awarded IIP Silver, this is a remarkable achievement, only made possible by the hard work and determination of the people we have working within the organisation.

The Housing Executive carries out many significant and important functions that contribute greatly to society in Northern Ireland and 2014/15 was a year of considerable investment for the Housing Executive, with more than £350 million being invested in the local economy.

Importantly for tenants we delivered a £100 million programme of maintenance schemes through Landlord Services across Northern Ireland for almost 30,000 homes.

Through our partnership with housing associations 2,013 new starts were delivered in 2014/15, with a total of 6,101 delivered during the four-year period of the Northern Ireland Executive's Programme for Government (against a target of 6,000). We also exceeded this year's completion target finishing 1,658 new homes.

Over £200 million was channeled into Regional Services, helping vulnerable people across Northern Ireland, including £10 million on tackling homelessness and £72 million being administered through the Supporting People programme. We also administered £671 million in Housing Benefit in the last year to 167,000 customers.

This year has also seen continued delays in the legislative process of the Northern Ireland Welfare Reform Bill. We are working closely with the Department for Social Development to develop and implement a plan to advise and support tenants that are likely to be impacted by the proposed changes to the welfare system.

This is also a period of significant change in the governance of social housing in Northern Ireland. The Department for Social Development (DSD) continues to develop options to progress the reform of social housing announced last year, with a view to making recommendations on the preferred options to the Northern Ireland Assembly.

The implementation of the Reform of Local Government (RLG) in Northern Ireland has also seen the introduction of eleven new councils and we look forward to working closely with them in the future.

As Chairman, I have the privilege to visit Housing Executive offices as well as community projects and initiatives across Northern Ireland. We work with over 500 community groups through the Housing Community Network. It is important that we use our firm base in the community to help shape the future direction of the Housing Executive and housing in general.

I would like to take this opportunity to thank Mervyn Storey, Minister for Social Development, his predecessor Nelson McCausland, and the 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.

This year saw the resignation of our Acting Chief Executive, Mags Lightbody and it is important to pay tribute to the impact that Mags has had on our Journey to Excellence. Mags' legacy of transformation and customer focus to the Housing Executive will remain for many years and she has made a real tangible difference to housing in Northern Ireland in this period. I am also very grateful for the support that Mags has provided to me and to the Board. I would like to wish her all the very best in the future.

Housing retains an essential role in improving the lives of local residents and communities. Whilst there will always be difficult issues to deal with, it is also a time of opportunities for the Housing Executive. Following a number of challenges over the past 12 months, we have been able to address the contractual and governance issues which have overshadowed our work, and are now looking forward to the coming year and our plans for major investment in the future.



Donald Hoodless  
Chairman

## **Northern Ireland Housing Executive**

The Northern Ireland Housing Executive was 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 changed from being a Public Corporation. The Housing Executive now operates 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.

This has been an exceptional year of achievement for the Housing Executive as we have met or exceeded our key targets for 2014/15. We remain committed to service excellence for every customer every time and however they contact us.

### **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**

As part of the Journey to Excellence initiative we asked staff to consider the key words or phrases which capture or reflect what is important to the Housing Executive and its customers.

During 2014 a total of 17 staff focus groups, with 135 staff participants, were held to build on the initial work and assist in the development of our new organisational values. The key themes which emerged both from the Journey to Excellence staff events and the focus groups led us to develop the following new values statement.

We are committed to making a difference through fairness, passion and expertise.



**Making a difference**

- We strive to make people's lives better.
- We put our customers first and deliver right, first time.
- We build strong partnerships and share great ideas.

**Fairness**

- We treat our customers, staff and partners fairly.
- We respect diversity.
- We work in an open and transparent way.

**Passion**

- We are professional in all that we do.
- We strive for excellence.
- We look for new, creative, better ways to do things.

**Expertise**

- We believe in our people.
- We are constantly learning and developing.
- We provide strong, confident housing leadership.



Clark Bailie  
Acting Chief Executive

# MANAGEMENT COMMENTARY STRATEGIC REPORT

In 2013 we reorganised our internal management structures and introduced two new divisions for the delivery of Regional Services and Landlord Services - under our vision for housing and neighbourhoods in Northern Ireland. Our Landlord Services Division has responsibility for managing our social housing stock of 88,000 homes. Our Regional Services Division leads on a range of statutory functions and also provides the Department for Social Development and other central government departments with expertise and knowledge through local understanding and experience.

The Housing Executive's aim remains to deliver good housing and ensure the long-term future of all neighbourhoods across Northern Ireland. To do the first of these tasks without the other would be to fail to maximise the use of public resources.

We have produced our Customer Excellence Strategic Statement that will apply across all of our services. We will empower staff to use their experience and professional judgement to execute our vision and make a meaningful contribution to achieving our ambitions. We have introduced a number of integrated programmes to create a new "Think Yes" culture aimed at encouraging staff to find solutions to suit our customers and other stakeholders' needs by the simplest, most effective route.

We want our staff to know our customers, build relationships with them and add value for them. We are trusting our staff to use their experience and professional judgement to do the right thing. We expect this new culture to revolutionise the way we work and the way we serve our customers and stakeholders.

## **Journey to Excellence/Transformation**

In 2014, our Journey to Excellence Programme began to transform the Housing Executive. Its vision is to ensure we deliver top class regeneration and housing solutions, meeting the needs of our communities and partners now and in the future. By 2017 we want to be recognised as an organisation which is best in class in all that we do, delivering excellent results across our services with high levels of customer satisfaction and business structures which are customer focussed, streamlined and demonstrate value for money.

As part of this journey we launched our strategic statements for the 3 pillars of excellence - Business, Customer and People, with an enabling Technology platform which will underpin all of our work. We are committed to service excellence for every customer, every time. A cultural shift across the business to 'Think Yes' allows us to build relationships with our customers based on trust.

We are exploring ways to ensure our organisation will recruit, develop, support and retain the best people to achieve our ambitions. We are developing our leaders as coaches and mentors so that our frontline staff manage themselves and take responsibility and accountability for delivering on our promises to customers and stakeholders. We will use modern technology to revolutionise how we do business and to make our services easy to access.

The challenges to achieving our vision for the Journey to Excellence are significant given the scale of change and the aspiration to become an excellent organisation. Some of the new challenges facing us include digital inclusion, welfare reform, asset management and development. Achieving our vision will take time. Considerable effort is also being made to ensure we anchor the changes in our corporate culture and staff remain instrumental in reflecting our vision in our renewed organisational values and in capturing how we live these values through our attitudes and behaviours.

As an organisation we are confident that with the commitment and drive which has already been demonstrated by both our senior management team and our staff delivering our services, the organisation will achieve the vision of our Journey to Excellence.

An Investor in People (IIP) organisation since 1997, this year we were awarded the Silver Standard for IIP - one of fewer than 7% of organisations to have achieved this accreditation. The positivity of staff and our current Journey to Excellence programme have contributed greatly to this achievement.

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**

The Housing Executive is Northern Ireland's single comprehensive regional housing authority and the largest local landlord. We also have a wider strategic role which extends to addressing broader housing issues across all tenures in Northern Ireland.

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 change agenda, and the level of housing need.

This Commentary details our performance against the corporate objectives, mission statement and core values as set out in our Corporate Plan and Business Plan for 2014/15-2016/17. 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 December 2014 and is available on our website.

## Scale of our Business

### Regional Services

- 39,338 applicants were on the housing waiting list at 31 March 2015 (39,967 at 31 March 2014);
- 22,097 of these were classified as being in housing stress (21,586 at 31 March 2014);
- 7,600 approvals were issued to private households to assist with insulation and heating measures through the Warm Homes Scheme/Affordable Warmth Scheme;
- 11,016 housing applicants were deemed to be homeless after investigation;
- 2,013 new homes were started through the Housing Executive's Social Housing Development Programme Group;
- 17,618 housing support places were provided to assist the most vulnerable citizens in our local community;
- 1,205 Disabled Facilities Grants were approved to the value of approximately £10.9 million;
- 907 mandatory Repair Grants were approved.

### Landlord Services

- 87,117 homes were managed by the Housing Executive;
- 397,118 repairs were carried out;
- 347,584 people visited our offices;
- 8,129 homes were allocated by the Housing Executive and housing associations;
- we collected 99.71% of rent and rates due totalling £324.2m;
- we developed 14 shared communities;
- Over 600 community groups worked in partnership with us through the Housing Community Network.

## Our Objectives

The following sections summarise the Housing Executive's performance for the year 2014/15 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 2014/15. Where comparative figures are available, these are also shown.

Our objectives and supporting strategies aim to achieve the following:

- Identification of housing requirements across Northern Ireland
- Investing in homes and neighbourhoods
- Improving people's homes
- Transforming people's lives
- Enabling sustainable neighbourhoods and regeneration
- Delivering quality service
- Delivering better homes
- Fostering Vibrant Communities

## Our Performance - Summary

● Target Achieved ● Target Nearly Achieved ● Target Not Achieved

Regional Services		
KPI	Key performance indicator	Result
RSKPI 1	Market intelligence <ul style="list-style-type: none"> <li>Undertake annually, a client-led programme of research and development which includes an analysis of housing market trends, housing conditions, housing and housing related needs and identifies gaps.</li> </ul>	●
RSKPI 2	District Housing Plans <ul style="list-style-type: none"> <li>Publish 26 District Housing Plans to consult and inform Councils in order to help shape their local housing market, regeneration priorities and Housing Executive investment plans in their areas.</li> </ul>	●
RSKPI 3	New social homes <ul style="list-style-type: none"> <li>Start 2,000 new social homes;</li> <li>Complete 1,200 new social homes;</li> <li>Start 200 one-bed units to meet the requirements of Welfare Reform.</li> </ul>	●
RSKPI 4		●
RSKPI 5		●
RSKPI 6	Advance land purchase <ul style="list-style-type: none"> <li>Housing Executive to facilitate the advance purchase of land to allow housing associations to build 1,200 units</li> </ul>	●
RSKPI 7	Private sector: <ul style="list-style-type: none"> <li>Approve 700 repair grants;</li> <li>Approve 8,500 applications for boiler replacement;</li> <li>Implement the Affordable Warmth/Warm Homes Schemes to 9,000 properties and;</li> <li>Approve 1,300 disabled facilities grants.</li> </ul>	● ● ● ●
RSKPI 8	Houses in Multiple Occupation <ul style="list-style-type: none"> <li>Register 650 Houses in Multiple Occupation and</li> <li>Inspect 1,800 HMO living standards</li> </ul>	● ●
RSKPI 9	Supporting People <ul style="list-style-type: none"> <li>Continue to provide 17,000 housing support places;</li> <li>Fund the development of an additional 340 housing support places to meet Bamford and homelessness requirement;</li> <li>Provide home based support services for 4,000 users in the private rented sector.</li> </ul>	●
RSKPI 10		●
RSKPI 11		●
RSKPI 12	Homeless service <ul style="list-style-type: none"> <li>Deliver the Homelessness Strategy Action Plan.</li> </ul>	●
RSKPI 13	Regeneration <ul style="list-style-type: none"> <li>Develop housing regeneration best practice principles and identify a potential mixed use, mixed tenure regeneration project. One pilot site was secured and DSD are now taking the lead on this KPI.</li> </ul>	-
RSKPI 14	Together Building United Communities (TBUC) <ul style="list-style-type: none"> <li>Support DSD in the delivery of 3 shared housing estates.</li> </ul>	●
RSKPI 15	Social enterprise <ul style="list-style-type: none"> <li>Develop a housing social enterprise programme to encourage and support capacity building in local communities. Preliminary work has been undertaken and the programme will be delivered by Landlord Services.</li> </ul>	-
RSKPI 16	Empty Homes Strategy <ul style="list-style-type: none"> <li>Implement the Action Plan.</li> </ul>	●

Landlord Services		
KPI	Key performance indicator	Result
LSKPI 1	Management of rental income <ul style="list-style-type: none"> <li>Collect 99.8% of rent due including Housing Benefit.</li> </ul>	●
LSKPI 2	Management of rental income <ul style="list-style-type: none"> <li>Collect 99.6% of rent due excluding Housing Benefit.</li> </ul>	●
LSKPI 3	Management of rental income <ul style="list-style-type: none"> <li>Reduce arrears as at April 2014 by £100k</li> </ul>	●
LSKPI 4	Management of rental income <ul style="list-style-type: none"> <li>Increase the number of tenants with a clear rent account by 1.16% to 75%.</li> </ul>	●
LSKPI 5	Manage stock <ul style="list-style-type: none"> <li>Relet empty properties in no more than 25 days (non-difficult to let).</li> </ul>	●
LSKPI 6	Manage stock <ul style="list-style-type: none"> <li>Ensure voids are no greater than 1% of lettable stock.</li> </ul>	●
LSKPI 7	Welfare Reform <ul style="list-style-type: none"> <li>Work with DSD to develop and implement a plan to advise and support tenants impacted by the changes to the welfare system.</li> </ul>	●
LSKPI 8	Sustaining tenancies <ul style="list-style-type: none"> <li>Implement the Sustaining Tenancies Strategy in all areas.</li> </ul>	●
LSKPI 9	Landlord Services <ul style="list-style-type: none"> <li>Redesign and simplify how we collect rent and manage lettings and voids to streamline our processes so that we can be 'best in class'. This KPI was moved into the overall 'Journey to Excellence' strategies.</li> </ul>	●
LSKPI 10	Tenancy fraud <ul style="list-style-type: none"> <li>Implement our Tenancy Fraud Strategy.</li> </ul>	●
LSKPI 11	Asset Management <ul style="list-style-type: none"> <li>Support DSD in the delivery of a stock condition survey.</li> </ul>	●
LSKPI 12	Maintenance of Housing Executive stock - commence planned maintenance to our homes which includes: <ul style="list-style-type: none"> <li>starting external cyclical maintenance (ECMs) to 9,000 of our housing stock;</li> <li>5,000 kitchen replacements;</li> <li>6,000 heating installations, and</li> <li>9,800 double glazing.</li> </ul> <p>The actual number of starts recorded against this KPI is considerably lower than the target set in the annual business plan. However, the original estimated target was reassessed during the year to ensure priority was given to putting in place a programme of work to meet the requirement under the Programme for Government that all Housing Executive properties should be double glazed by 31 March 2015. For a number of properties, the programmed work will not be completely finalised until September 2015 and these remaining properties have been given high priority. In reflection of the significant volume of work undertaken during the year, both in completions and starts, this KPI has been given an "Amber" score.</p>	● ● ● ●
LSKPI 13	Adaptations to our homes <ul style="list-style-type: none"> <li>Install 1,100 showers;</li> <li>Install 250 lifts;</li> <li>Start 200 extensions to our properties.</li> </ul>	● ● ●
LSKPI 14	Response maintenance: <ul style="list-style-type: none"> <li>90% of jobs to be completed within contractor target date;</li> <li>90% customer satisfaction with the service from the contractor and the quality of the work.</li> </ul>	● ●

LSKPI 14 cont.	Response maintenance targets - 90% of: <ul style="list-style-type: none"> <li>• Emergency repairs to be carried out within 24 hours;</li> <li>• urgent repairs within 4 days;</li> <li>• routine repairs within 4 weeks;</li> <li>• Change of tenancy repairs within 25 days.</li> </ul>	● ● ● ●
LSKPI 15	Inspections <ul style="list-style-type: none"> <li>• Ensure all homes have a valid annual gas safety certificate. 99.4% had a valid gas certificate and appropriate actions are in place to manage the remaining properties.</li> </ul>	●
LSKPI 16	Stock transfer <ul style="list-style-type: none"> <li>• Initiate Tranche 1 of the stock transfer programme to allow housing associations to undertake investment in a number of current Housing Executive properties.</li> </ul>	●
LSKPI 17	Energy advice <ul style="list-style-type: none"> <li>• Provide energy advice to 8,500 tenants.</li> </ul>	●
LSKPI 18	Community Safety <ul style="list-style-type: none"> <li>• Implement the action plan from the Community Safety Strategy 2014-2017.</li> </ul>	●
LSKPI 19	Community Cohesion <ul style="list-style-type: none"> <li>• Increase support for shared housing among our tenants by developing a further 14 shared communities and by developing good relations in 88 Housing Executive estates.</li> </ul>	●
LSKPI 20	Community Involvement <ul style="list-style-type: none"> <li>• Implement the 2014 Community Involvement Strategy.</li> </ul>	●

<b>Support Services</b>		
KPI	Key performance indicator	Result
SSKPI 1	Finance <ul style="list-style-type: none"> <li>• Ensure that financial resources are managed effectively, maximising the benefits to tenants and customers.</li> </ul>	●
SSKPI 2	Finance <ul style="list-style-type: none"> <li>• Continue the development of revised financial reporting arrangements, including an internal cost apportionment model.</li> </ul>	●
SSKPI 3	Housing Benefit <ul style="list-style-type: none"> <li>• Process new Housing Benefit claims within an average 25 days;</li> <li>• Process changes of circumstances within an average of 8 days;</li> <li>• Ensure an accuracy rate of 97% for Housing Benefit assessments;</li> <li>• Recover at least £14m of overpayments;</li> <li>• Reduce the level of fraud and error by 0.75% from 4.1% to 3.35% of benefit expenditure by March 2016.</li> </ul>	● ● ● ● ●
SSKPI 4	Housing Benefit - Welfare Reform <ul style="list-style-type: none"> <li>• Work with the Department for Social Development to develop and agree a transition plan to respond to the changes to the welfare system.</li> </ul>	●
SSKPI 5	Communication <ul style="list-style-type: none"> <li>• Through better use of technology and the internet we will develop ways for our customers to manage the services they have with us.</li> </ul>	●
SSKPI 6	Internal services <ul style="list-style-type: none"> <li>• We will develop better internal ways of working that are based on robust technology and that support efficient ways of working.</li> </ul>	●
SSKPI 7	Programme Management <ul style="list-style-type: none"> <li>• Put in place a clear and structured programme management function and methodology to ensure delivery of the organisation's needs going forward.</li> </ul>	●
SSKPI 8	Ministerial correspondence <ul style="list-style-type: none"> <li>• Reply to Ministerial correspondence within the timescales requested, which may vary.</li> </ul>	●





# REGIONAL HOUSING SERVICES



# REGIONAL HOUSING SERVICES

The core business of the Regional Services Division is focused on influencing and shaping the strategic direction of housing and associated housing led regeneration within Northern Ireland. It includes new social housing development including Co-Ownership and Supporting People programmes, strategic housing need and assessment, tackling fuel poverty, homelessness and allocations policy, and private sector improvement grants.

## **Budgetary Management**

Regional Services has a total budget of £333.9 million (including administrative support) funded almost entirely by grants issued through the Department for Social Development, helping vulnerable people across Northern Ireland, including £10m on tackling homelessness; £72m administered through the Supporting People Programme and £147m allocated to Social and Affordable Housing (including £50m for Co-Ownership). A further £29m was earmarked for tackling fuel poverty and private sector grants.

## **Housing Investment**

We aim to plan, enable and invest in homes across all tenures to ensure affordable, high quality, sustainable housing and neighbourhoods are provided across Northern Ireland.

During 2014/15, in partnership with housing associations, we successfully delivered 2,013 new social housing starts (against a target of 2,000) with a total of 1,658 new homes completed during this period.

Additionally, through our Regional Services Division, we continue to address the important current issues impacting on the lives of many citizens Northern Ireland:

- fuel poverty; under the Boiler Replacement Scheme and Warm Homes/Affordable Warmth Schemes we helped more than 16,000 private home owners improve the fuel efficiency of their homes;
- dwelling unfitness; grants, etc;
- independent living: there are a number of activities in this broad objective including helping those most vulnerable in society, assessing an individual's need for housing, as well as providing Supporting People and Homelessness Services.

Our Homelessness Strategy 2012-17 places prevention at the forefront of service along with reducing the length of time households and individuals experience homelessness and removing the need to sleep rough. Regional Services will support contemporary urban and rural regeneration, create the environment to explore new delivery models, and provide a strategic overview of the opportunities available for neighbourhood and other regeneration initiatives.

## **OBJECTIVE 1**

### **Identification of housing requirements across Northern Ireland**

#### **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 2015.

Headline figures from the 2011 House Condition Survey for Northern Ireland have been available since March 2012. However, further modelling work undertaken in 2013 and 2014 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 2011 Census provided updated demographic data which underpinned an important strategic report entitled Demographic Change and Future Housing Need in Northern Ireland. This report, which was completed in November 2014, has already provided valuable insights into the impact of Northern Ireland's changing demographic profile on the need and demand for housing over a 10 year period and provided Government with an evidence base for the resources allocated to build new social housing as part of the Programme for Government.

Research which focused on an analysis of the impact of migrant workers on two contrasting housing markets was completed December 2014. The contrast between Dungannon and Larne housing markets highlighted a number of policy and operational issues which are now being addressed.

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 2014 survey once again indicated high levels of satisfaction with services. The 2015 survey now includes, for the first time questions reflecting an ongoing process of engagement with tenants to determine their priorities, and in particular what tenants feel are their priorities for services which will be provided to them in the future.

The first Housing Market Intelligence Exchange was held in November 2014.

This forum provided the opportunity to engage with key stakeholders and decision makers, sense check recent findings emerging from research studies undertaken or commissioned by the Housing Executive and ensure that the Research Unit is meeting the needs of the sector. The forum will continue to meet twice a year.

## Social Housing Need

The social housing waiting list amounts to 39,338 households at 31 March 2015 (39,967 at 31 March 2014), of whom 22,097 (21,586 at 31 March 2014) are considered to be in housing stress, with 11,016 households deemed to be statutorily homeless. The homeless figure is a marked increase on the 9,649 households deemed homeless the previous year.

The reported level of housing demand indicates that a minimum of 1,500 new social dwellings are needed each year to meet housing need. In addition, a further 500 units are required 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.

The main tools to help meet this need are 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 relative housing need.

## OBJECTIVE 1

### Identification of housing requirements across Northern Ireland

**RSKPI 1: Market Intelligence.** Undertake annually, a client-led programme of Research and Development which includes an analysis of housing market trends, housing conditions, housing and housing-related needs and identifies gaps in provision.

#### Performance 2014/15

The research programme comprises 22 separate projects. During the year 16 completed and three are progressing to timescales beyond this financial year. Three projects have slipped - Evaluation of Supporting People (SP) - Grants Customer Surveys, and the review of new build TCIs (Total Cost Indicators). Slippage is largely due to resource reasons and the complexity of the projects.

#### Performance 2013/14

Not a KPI in 2013/14

**RSKPI 2: District Housing Plans.** By December 2014, publish District Housing Plans to consult and inform councils in order to help shape their local housing market, regeneration priorities and Housing Executive investment plans in their area.

All 26 Plans were completed and consultation meetings held with councils, to agreed timescales.

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

## **OBJECTIVE 2**

### **Investing in homes and neighbourhoods**

#### **New Social and Affordable Housing**

During 2014/15, in partnership with housing associations, we exceeded the target of 2,000 new social housing starts, delivering 2,013. This helped 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. Across the four year Programme for Government period 2011/12-2014/15 a total of 6,101 social housing starts have been achieved against a target of 6,000. A total of 1,658 new homes were also completed in 2014/15.

We transferred land in our ownership to housing associations to support the start on site of 335 new homes. Fold Housing Association is developing 102 units on transfer land at Rathgill (Bangor) and the Housing Executive also provided sites for several smaller rural new build schemes in locations such as Ballinderry, Stewartstown and Charlemont. 119 rural units were recorded as starts in 2014/15, bringing a total of over 500 new rural homes over the last 4 years.

Six shared community schemes have been approved to be part of the Northern Ireland Executive's Together Building United Communities (TBUC), with the 67 unit scheme at 314 Ravenhill Road in Belfast by Apex Housing being completed and successfully allocated on a cross-community basis. The Housing Executive approved these schemes as part of a total Housing Association Grant allocation of £96m.

Schemes of note from 2014/15 include:

- The largest single scheme started on-site since the Housing Executive has managed the programme - 197 units being developed by Apex at Lower Galliagh.
- 127 new units started by Apex at St. Peter's School, Creggan.
- 98 new units started by Connswater for Lisburn on the site of the former Dunmurry High School.
- 92 new units started by OakleeTrinity for Hannahstown.
- 32 unit Supported Housing Scheme for dementia clients in Greenisland.
- The Housing Executive transferred land to Helm Housing to enable 30 new social homes at Deerfin Park/Derrycoole Way in Newtownabbey.
- The Housing Executive transferred land to Apex Housing to enable 6 new social homes at Temple Park in Castlerock.
- 79 new units started by Clanmil at the former Killard School, Newtownards.
- Habinteg started work on 28 new properties at the Cloisters in Dungannon, as a second phase to the 12 completed properties which the association acquired in 2013/14.
- OakleeTrinity commenced work on a new 12 unit scheme in Bangor and a 13 unit scheme in Magherafelt to support young people leaving care.
- Associations secured several completed properties in rural areas such as Belleek and Mayobridge.

## Objective 2

### Investing in homes and neighbourhoods

RSKPI 3, 4, & 5: New Social Homes. Administer grant aid to Housing Associations to start 2,000 new homes (Target 1,275 in 2013/14), including 200 one bed units to meet the requirements of Welfare Reform; and complete 1,200 (Target 1,200 in 2013/14) new social homes units.

Performance 2014/15	Performance 2013/14
2,013 new social homes were started, meeting the four year Programme for Government target for new social homes.	1,299 new social housing units were started.
1,658 new social homes were completed.	1,967 new social housing units were completed.
238, new one bedroom social housing units were commenced.	Not a KPI in 2013/14
RSKPI 6: Housing Executive to facilitate the advance purchase of land to allow housing associations to build 1,200 units (Target was 1,200 in 2013/14).	
572 units were secured out of 704 which were approved. Housing associations were unable to secure the land for the other 132 Advance land Purchases before the end of March 2015 however, some of these sites may still be secured in 2015/16.	1,254 units were completed

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

## OBJECTIVE 3

### Improving people's homes

#### Grants

In the private sector, we assist independent living through financial support for Disabled Facilities Grants. During the year we spent over £10.7m on adaptations, helping 1,022 households to maintain independence in their own homes. We approved 1,205 Disabled Facilities Grants to the value of approximately £10.9m. This was below the target number of approvals (1,300) for the year as Disabled Facilities Grants are demand led. We will continue to market the scheme in 2015/16 to help those with a disability to continue to live in their home.

During 2014/15 we exceeded our target of 700 Repair Grant approvals for 2014/15, approving 907 mandatory Repair Grants. These are available to landlords, agents and tenants towards the cost of repairing houses following the issue of statutory notices by the local council.

The continued reduction in funding for Private Sector Grants has restricted the acceptance of applications for Discretionary Grants for improvement and repair. We did approve 202 Discretionary Renovation, Replacement and Home Repair Assistance Grants where exceptional circumstances were deemed to exist.

As part of the DSD's review of Support for Repair and Improvement in the Private Sector, we are committed to introducing a pilot loans scheme during 2015/16 which will focus on addressing items of disrepair within the private sector.

## **Adaptations to Homes**

We carry out adaptations for people across all sectors of the housing market including the Grants Scheme for the private sector so that they can live comfortably in their own homes. During the year we spent £20.3m (£8.4m Housing Executive, £10.7m private and £1.2m housing associations) on adaptations.

Through our Private Sector Improvement Service we approved Disabled Facilities Grants to the value of approximately £10.9m. Adaptations to Housing Executive stock are detailed in the Landlord Services section of our report.

## **Inter-Departmental Review of Adaptations**

The Adaptations Policy Unit submitted the Inter-Departmental Review of Adaptations Final Report and Action Plan to departmental leads for ministerial clearance prior to presentation to Northern Ireland Executive. The purpose was to review the current system of approval, resources and delivery of housing adaptations in Northern Ireland on a cross tenure basis, to maximise resources, ensure best value and equality of provision across Health and Social Care Trusts and housing providers.

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.

## **Design Standards Toolkit**

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.

The toolkit can be viewed online at: [http://www.nihe.gov.uk/adaptations\\_design\\_communications\\_toolkit.pdf](http://www.nihe.gov.uk/adaptations_design_communications_toolkit.pdf).

Work is ongoing to expand the Design Standards Toolkit Occupational Therapy specification for new build housing scenarios.

## **Accessible Housing Register (AHR)**

Regional Services completed Phase 1 of the "Interim Accessible Housing Register" which will go live during 2015.

Regional Services are currently investigating an AHR software package that will link with a variety of housing systems.

### **Houses in Multiple Occupation (HMOs)**

We have a statutory responsibility to protect the health, safety and wellbeing of the occupants in HMOs by enforcing appropriate standards (including fire standards) through the implementation of the HMO Statutory Registration Scheme.

During the year we registered a further 685 HMOs against a target of 650 and carried out 2,500 inspections of HMOs, exceeding the target of 1,800. This brings the total of HMOs registered to 5,152.

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. Consultation on the fundamental review was completed in September 2012. We look forward to being informed of the outcome of the consultation and the introduction of new legislation in the future.

It was proposed that the responsibility for the regulation of HMOs would be transferred to councils at 1 April 2015 under the Reform of Local Government legislation.

However the Minister announced on 11 November 2014 that he had decided to await the implementation of the Housing Strategy Action Plan 2012-17 before transferring the regulation of HMOs to the new Councils.

### **Energy efficiency**

As the Home Energy Conservation Authority (HECA) 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.

We managed the Warm Homes Scheme (on behalf of DSD) to help vulnerable households in the private sector to improve the energy efficiency of their homes and help to alleviate fuel poverty. The Warm Homes Scheme ended on 31 March 2015. In its place, the Housing Executive will work with DSD and local District Councils to deliver the Affordable Warmth Scheme, which will deliver energy efficiency improvements to private sector households in targeted areas.

In 2014/15 we assisted 7,600 private households with insulation and heating measures through those two initiatives.

We also manage the DSD's Boiler Replacement Scheme which was launched in September 2012. Between September 2012 and 31 March 2014, 16,759 private households had been issued with approval to replace their old inefficient heating boilers. In 2014/15, 9,251 private households received approval to replace their old inefficient heating boilers.



### Objective 3

#### Improving people's homes

RSKPI 7: Private sector. To approve 700 repair grants (target was 700 for 2013/14).

Performance 2014/15

During the year a total of 907 Repair Grants were approved, exceeding the target.

Performance 2013/14

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

Approve 8,500 boiler replacements. (Target was 10,000 in 2013/14).

During the year a total of 9,251 boiler replacements were approved and the target was exceeded.

During the year a total of 9,454 boiler replacements were approved

Implement the new Affordable Warmth Scheme to run concurrently with the Warm Homes Scheme for 9,000 privately owned properties and improve the SAP ratings by 15%. (Target for 2013/14 was for Warm Homes only).

There were 7,600 approvals during the year which was less than the target. The interruption in the Warm Homes Scheme and the delay in the approval to implement the Affordable Warmth Scheme created capacity issues during the year.

During the year there were 9,185 Warm Homes approvals and SAP improved by 17.34%.

An average annual energy efficiency gain of 22.37% was achieved.

RSKPI 10: Private sector adaptations. Approve 1,300 Disabled Facilities Grants. (Target 1,300 for 2013/14).

1,205 approvals were made. This activity is demand led and we carried out intensive marketing to encourage uptake of the scheme.

1,177 approvals were made. There were over 3,000 live applications in the system, the majority of which will lead to approvals however the target was missed by 123 approvals.

RSKPI 8: Houses in Multiple Occupation - register 650 Houses in Multiple Occupation and inspect 1,800 HMO living standards. (Targets were the same for 2013/14).

During the year there were 685 registrations and the target was met.

Performance exceeded the target with 790 registrations.

Performance on inspections exceeded the target with 2,500 inspections completed.

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

## **OBJECTIVE 4**

### **Transforming people's lives**

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 distributed £72m on over 850 housing support schemes to 23,000 vulnerable people. Our services incorporated the development of both new and existing floating support services for a range of vulnerable client groups, thus increasing the reach and impact of housing support services across Northern Ireland. Floating Support offers assistance provided in a person's own home by a support worker to help that person maintain independence in their own home.

583 new supported living places were created throughout the year exceeding the annual target of 340 places. The available places include accommodation based support and floating support.

The new places created were profiled across the client groups as follows:

- Homelessness - 343 places
- Mental Health and Learning Disability - 82 places
- Older People and Physical/Sensory Disability - 158 places.

Key achievements included:

- 135 contract meetings and 83 validation visits as part of our continual monitoring and reviewing of Supporting People services: these confirm if a service is meeting the minimum quality standards and whether it is still strategically relevant or requires reconfiguration as part of ongoing continuous improvement.
- Accreditation of Supporting People providers in keeping with the agreed 3 year cycle;
- Continued support for organisations to consider collaborative and joined up working;
- Working in partnership with a range of homeless providers around reconfiguration and restructuring of their services portfolio in order to enhance service delivery.

#### **Homelessness**

July 2014 saw a review and reprioritising of the Homelessness Strategy 2012-17. The review took the views of our statutory, voluntary and community partner organisations within the sector and found that while there was agreement that much progress had been made, there was a requirement for a more focussed approach on homeless prevention. It was also agreed that there was a need for a refreshed approach to the delivery of the strategy.

As a result of the consultation new structures were put in place. A Central Homelessness Forum and three Regional Homelessness Forums, chaired by the Housing Executive, were established. It is the role of the Central Forum to make sure that our homeless sector partners are involved and participate fully in the delivery of the strategy objectives. The Central Forum will agree the priorities for the commissioning of new services and the remodelling of existing

services. The Regional Forums are tasked with engaging the voluntary and statutory partners at a local level to identify local need and gaps in provision and to inform commissioning priorities.

The second element of the reprioritising of the strategy is the ongoing review of our customer journey and a renewed focus on homeless prevention. As a result, work is now underway to develop a Housing Options Approach, a Common Assessment Framework and a Central Access Point for homeless services.

A Housing Options Approach examines an individual's options and choices in the widest sense when they look for housing advice. This approach features early preventative intervention and explores all possible housing options including social renting, private renting, affordable housing and remaining in current accommodation. A Housing Options Approach is currently being developed in Belfast, Coleraine, Limavady and Newry local offices.

A core component of the fully developed Housing Options Approach will be a Common Assessment Framework (CAF) which will provide a standardised system for assessing and identifying the support needs of homeless applicants, regardless of where they present for assistance with a housing issue. The CAF will provide a facility to share information with other agencies and providers when required in order to provide more holistic interventions that better meet the client's needs.

A Central Access Point (CAP) is also being developed which will provide a centralised facility which makes information available to our staff on live current temporary and permanent housing vacancies and has access to a range of support services. When established this will allow for much more accessible information about accommodation/support services for homeless clients at a single point of contact.

During 2014/15 a Housing First pilot was launched to provide intensive support packages to people with complex needs allowing them to live in their own home. Initial evidence from the delivery of the pilot indicates successful tenancy sustainment of customers receiving the service. The pilot was extended to Londonderry in January 2015 and an evaluation of the service model to determine applicability to the rest of Northern Ireland will be completed during 2015/16.

In 2014/15 there has been an increase in homeless presentations from 18,862 to 19,621 representing a 4% increase overall. Those accepted as having a full legal duty also rose from 9,649 to 11,016 over the year. Singles at 53% remain the highest overall presenter household grouping.

The top three reasons for homeless presentations remain the same. These are sharing breakdown/family dispute, accommodation not reasonable and loss of rented accommodation. Overall 52% of presenters are in these categories. It is anticipated that the development of a Housing Solutions and Support model for our front line services will, by offering housing choices to customers, reduce the number of people presenting as homeless.

### **Working with the Traveller Community**

We continue to progress the accommodation options for Travellers in areas of identified need. The fieldwork for the third Comprehensive Traveller Accommodation Needs Assessment was carried out during the year and the report was published in March 2015. The Traveller

Consultative Forum was re-established and we will continue to work with the Forum and other stakeholders on the new accommodation programme throughout the life of the programme.

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 number of families have also left the immediate area and this has reduced the current accommodation need. The local office, along with our central Traveller support group, plan to complete a more local needs assessment, which will determine the feasibility of any additional Traveller accommodation in the Craigavon area. A group housing scheme to provide 6 units of accommodation at Father Cullen Park, Bessbrook was completed in September 2014. This scheme was 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 sites at Greenbrae in Strabane and Daisyfield in Londonderry. We have also commenced work to provide individual electricity metering at Acorn Grove, Craigavon while similar works at Glen Road, Belfast; Ballyarnett, Londonderry and the Glen site, Coalisland have been completed.

## Objective 4

### Transforming People's Lives

**RSKPI 9: Continue to provide 17,000 housing support places through the Supporting People Programme, assisting over 23,000 of the most vulnerable citizens in our local community.**

Performance 2014/15

Performance 2013/14:

There were 17,618 housing support places provided during the year, an increase of 618 additional places.

Not a KPI in 2013/14

**RSKPI 10: Fund the development of an additional 340 Supporting People places to meet Bamford and Homelessness requirements. (Target for 2013/14 was Strategic Development - Commission and approve a gross programme of 350 new supported housing units to support identified priorities by March 2014).**

During the year we funded the development of an additional 583 places. The breakdown of these is: 158 for older people; 82 for Bamford; and 343 were for homeless people.

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.

**RSKPI 11: Provide home based support services for 4,000 Supporting People service users in the private rented sector.**

There were 4,249 home based support services provided, an increase of 249 additional units.

Not a KPI in 2013/14

**RSKPI 12: Deliver the Homelessness Strategy Action Plan (2013/14 target - Implement the action plan 2011-2017 developed from the strategy).**

We implemented the first year of the Homelessness Strategy which included the implementation of a Private Rented Access Scheme; scoped options for a Housing Options approach and a Common Assessment Tool; piloted a Housing Led model and started a needs assessment to inform future service development across all client groups.

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.

## **Objective 5**

### **Enabling sustainable neighbourhoods and regeneration**

#### **Urban Regeneration**

##### **Urban Renewal Areas**

Under our current Urban Renewal Programme, newbuild or rehabilitation schemes were undertaken in Belfast, to replace outdated, unfit and unsuitable homes in the private sector. In these areas the properties of homeowners and landlords are vested and they are compensated at market value.

2014/2015 saw activity in four Urban Renewal Areas (URAs) with a total spend amounting to £6.6m. Compensation claims continued to be received for the Village, Fortwilliam/Queen Victoria Gardens, Parkside and Upper New Lodge URAs, all in Belfast.

The bulk of this expenditure was as a direct result of the fast pace of compensation claims received for Upper New Lodge URA. A Vesting Application for a number of properties in Fortwilliam Parade was made by the DSD and became operative on 13th October 2014.

##### **Small Pockets of Deprivation**

The Small Pockets of Deprivation Programme (SPOD) is part of the Department for Social Development's Neighbourhood Renewal Strategy for Northern Ireland. It was developed to ensure that the people living in the most deprived neighbourhoods have access to the best possible services, to the opportunities which make for a better quality of life and to improve the environment and image of our most deprived neighbourhoods so that they become attractive places to live and invest in. In order to qualify for SPOD funding, delivery organisations must evidence a contribution to at least one of the Strategy's four strategic objectives of Community, Economic, Social or Physical renewal.

In 2014/15 £415,000 was paid to 14 SPOD delivery organisations across Northern Ireland. Projects funded included programmes for men and women's groups, youth clubs, environmental groups, senior citizen groups; contributions to community office running costs; one off community events including health fairs, community fun days, Christmas events; education and training courses; after schools clubs; signposting services and drop in centres.

A social return on investment analysis was conducted by our Research Department in conjunction with an external consultant for the 2011/12 SPOD Programme. Reports and impact maps were produced for each area and research found that in all cases, SPOD funding had a positive impact and created social value in each of the areas examined.

2015/16 will be the final year that we will administer the SPOD Programme as the Urban Regeneration functions are scheduled to transfer to the local councils on 31 March 2016. After this time the new councils will have the scope to exercise powers in relation to urban regeneration and community development work in different ways. During this transitional year of the programme a number of changes have been applied such as an individual maximum allocation for each group determined by the Department. In 2015/16 a total of £402,000 will be available to fund SPOD delivery groups.

### **Building Successful Communities**

The Building Successful Communities Programme is a strand of the "Facing the Future - Housing Strategy for Northern Ireland" and aims to use housing interventions as one of the main catalysts for local regeneration. The Building Successful Community Programme objectives are to:

- improve current housing and infrastructure;
- deliver new social and affordable homes;
- deliver environmental upgrading works;
- improve access to amenities; and
- improve access to economic and social activity.

Six pilot areas have been selected based on their level of deprivation.

Additionally, these six areas are also considered to be neighbourhood renewal areas or "areas at risk". Taken together, these multiple indicators justify intervention and collaboration across government departments. The areas selected within Belfast are - Lower Shankill/ Brown Square, Lenadoon and Glen Colin, Lower Falls, Lower Oldpark and Hillview, Tiger's Bay, and, in Ballymena, the Doury Road area. DSD has established six forums and has committed £3m funding for 2015/16.

Each forum has been asked to develop an action plan which will be brought forward by consultants when they have been appointed by DSD. The Housing Executive, through its Regional Services Division, will assist in the successful delivery of the programme.

### **Empty Homes**

The Empty Homes Strategy and Action Plan, which was launched by the Department for Social Development in September 2013, seeks to bring empty homes across Northern Ireland towns and cities back into use and address and reduce the negative impact of blight, property deterioration, anti - social behaviour and vandalism. To assist in this strategy the Housing Executive developed the Empty Homes Unit (EHU) in January 2014. Steady progress has been made in meeting targets outlined in the action plan with 13 of the 16 tasks either achieved or ongoing.

One of the major challenges to the work being carried out is the limited availability of reliable data about the location and ownership of empty homes. While Land and Property Services (LPS) within the Department for Finance and Personnel collects such information for rates collection purposes, LPS is prohibited from sharing this information. It has therefore been proposed that the next Housing (Amendment) Bill will make it a legal requirement that any relevant information held by LPS shall, if requested, be shared with the Department for Social Development and the Housing Executive or a Registered Housing Association for the purpose of making contact with the owners of empty homes in Northern Ireland.

In April 2014, we launched the Empty Homes website as a vehicle to assist the general public in reporting empty homes. Out of the 1,190 properties reported - as empty homes, up to 31 March, 613 of these cases had been closed after investigation found the properties were occupied/for sale/for letting/under renovation etc. This leaves a total of 577 properties still considered as empty homes.

We approved our first Empty Homes incentive programme 'Heritage in Housing' in January 2015. Working in partnership with the Heritage Lottery Fund, this project will support 15 properties located within areas of Townscape Heritage to be brought back into use as affordable housing.

### **Rural Homes and People**

We have now reached the end of our 2013-15 Rural Action Plan and will prepare the final report over the coming months with a summary of achievements stemming from the 58 actions included in the plan. With the Reform of Local Government and the emergence of the 11 new councils 2015/16 is an appropriate time to review our rural approach and our vision and goals for rural housing services.

In terms of increasing the supply of rural social housing stock, of the 2,013 new build scheme starts (accompanied by existing satisfactory and off-the shelf purchases) during 2014/15, some 119 social housing units were delivered across our rural villages and small settlements. When added to the figures from the previous year this highlights that a total of 224 units have been delivered during the two year plan period helping to house those in need and to sustain rural communities.

In an effort to address fuel poverty, the Housing Executive launched an Oil Buying Clubs initiative at the end of 2014 in partnership with Bryson Energy.

In addition, the 40% target for Warm Homes installations and 30% for boiler replacements was met consistently throughout the plan period helping to increase the energy efficiency of rural homes.

Partnership working with other government agencies to support and matchfund the Rural Development Programme continued throughout 2013-15 and we are pleased to report that in total the Housing Executive funded 53 rural community projects with a total of almost £460,000 helping to regenerate rural communities and promote community involvement. In Spring 2014, we also launched our first Rural Community Awards competition to great success and this year we sought to raise the profile of the competition further by launching it at the Housing Executive stand at the Balmoral Show.

Following the conclusion and review of the 2013-15 Rural Action Plan, we will focus in 2015/16 on developing our new 'Rural Strategy' building on the achievements of previous action plans and embracing the wider reforms of social housing, local government and the emergence of community planning.

### **Sustainable Development and Environmental Management**

In the interest of best practice and against set objectives and targets, the Housing Executive continues to address sustainable development in all our strategic, internal and operational activities. We have embedded the principles of sustainable development against the priority areas of the 2010 Sustainable Development Strategy 'Everyone's Involved' and we have effectively integrated sustainable development thinking across all our business operations, housing and communities.

Our Environmental Policy has been the driver for continuing and improving the organisation's contribution to sustainable development which is linked to the Programme for Government (PfG) priorities and reported through a six monthly Sustainable Development Monitor maintained through our Environmental Management System (EMS).

In accordance with our Environmental Policy we will continue to support initiatives which develop local and sustainable communities, together with continued participation and involvement with stakeholder groups, volunteer groups and non-governmental organisations. In September 2014 we partnered Waste Resource Action Plan (WRAP) in the Love Food Hate Waste (LFHW) campaign to reduce food waste across Northern Ireland households.

In October 2014 we became one of 10 participating organisations in the RSPB's Pledge for Nature Project with Grounds Maintenance. We have formulated a 5-year Urban Biodiversity Action Plan tailored to meet specific biodiversity objectives and targets. Agreement on the Plan has been reached and actions will be implemented over the coming five years commencing January 2015 and finishing in 2020. To achieve the objectives of the Plan specific workshops have been tailored for grounds maintenance staff to examine the technical aspects of biodiversity alongside practical exercises to help implement what is learnt. Additionally, a Pledge for Nature Collaboration Seminar was held on the 18 June 2015 for the 10 partner organisations who can potentially work together to help nature in the urban environment. This represented an opportunity for non-governmental organisations and different sectors to provide biodiversity enhancement in an integrated way across a large area of land by working together to make a bigger difference for nature.

In May 2015, our Environmental Policy Unit coordinated a submission to the pilot of a Business and Biodiversity Charter for Northern Ireland on behalf of the organisation. We attained a Platinum Award based on information and evidence captured and recorded in Business and Nature Attainment Criteria Matrix appropriate for the level we were applying for. The awards comprise of four categories, Platinum (highest), Gold, Silver and Bronze (lowest). The award is in recognition of the contribution our grounds maintenance staff have carried out across all land holdings and Housing Executive estates to measures introduced to halt biodiversity loss, which link to the PfG Government Priority 3 - 'Protecting our people, the environment and creating safer communities' identified in our Corporate and Business Plan 2014/15-2016/17.

Through our Environmental Policy we will remain committed to legal compliance and continual improvement of our Environmental Management System which was certified to ISO 14001 on the 28 May 2015. We will ensure that all of our activities and decisions are compliant with the International Standard in areas such as waste management, CO<sup>2</sup> emissions, prevention of pollution to air, land and water, energy efficiency and the monitoring and reporting of utility usage.



## Objective 5

### Enabling sustainable neighbourhoods and regeneration

RSKPI 13: Develop a housing regeneration Best Practice principles and identify a potential mixed use, mixed tenure regeneration project.

Performance 2014/15

During the year we established a housing led regeneration and best practice approach, which will be further explored through a pilot scheme. A site for a pilot scheme has been secured and a business case was submitted to the Department for Social Development, who are now taking the lead role in the progression of this action.

Performance 2013/14

Not a KPI in 2013/14

RSKPI 14: Together Building United Communities. Support DSD in the delivery of three shared housing estates.

The target has been exceeded with six shared schemes included in the Social Housing Development Programme.

Not a KPI in 2013/14

RSKPI 15: Develop a housing social enterprise programme to encourage and support capacity building in local communities.

A business case for a sector wide response was submitted to the Department for Social Development however, this was not approved. This work will transfer to our Landlord Services Division to take forward social enterprise projects in Housing Executive estates.

Not a KPI in 2013/14

RSKPI 16: Implement the Empty Homes Strategy. (2013/14 KPI 6 - Empty homes. Implement an Empty Homes Policy designed to bring properties back into use and remove blight from local communities).

Regional Services met its targets in respect of this DSD strategy.

However, the business case to bring back former Housing Executive properties was not approved by the Department for Social Development.

During the year we completed our communication plan, developed our policy and a programme for implementation. A Heritage in Housing scheme was approved by our Board which aims to bring empty homes in Townscape Heritage areas back into use. This started in April 2015.

The Empty Homes Strategy is being implemented and monthly meetings are held with DSD. A pilot to bring 10 ex Housing Executive houses back into social housing continues and 165 properties have been identified, 23 met the ex Housing Executive 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.



# **LANDLORD SERVICES**



# LANDLORD SERVICES

Landlord Services focuses on the delivery of services to our 87,000 tenants and includes the management and maintenance of our housing stock, tenancy issues including rent collection, management of rent arrears, allocations, managing voids and building stronger communities.

As part of our 'Journey to Excellence' we remain committed to service excellence for every customer, every time. Using a systems thinking approach we commenced a major review of our front line services to ensure a "joined-up" one-stop approach for customers, whether they call on services from our Regional or Landlord Services Divisions. We also worked in partnership with more than 600 community groups and community champions through the Housing Community Network.

## **Budgetary Management**

Our Landlord Services net budget of £23m comprises expenditure programme budgets for stock maintenance and improvement programme of £162m, stock loan repayments of £102m, and community partnership programmes of £7m.

These programmes together with a share of administrative support function are funded largely by a rental income budget of £291m.

## **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).

## **OBJECTIVE 1**

### **Delivering Quality Services**

#### **Income Collection**

Staff are committed to ensuring that we maximise our rental income to provide the resources that help us to deliver services to our tenants, including repairs and improvements to their homes.

During the year we collected 99.71% of rent and rates due, totalling £324.2m. At the 5 April 2015, total rent and rates arrears were reduced by £1.1m to £12.6m, a significant reduction. Current tenant arrears are now £9.9m, with former tenant arrears £2.7m. The number of tenants in arrears also reduced during the year by 1,100.

Our staff are dedicated to providing assistance to those tenants who are struggling to pay their rent, and continue to focus on early resolution to prevent debt escalation. Work has continued with our specialist money advice partners in the Debt Action NI Project and staff continue to promote and offer referrals, to help tenants maintain rental payments and help in dealing with multiple debts.

## **Financial Inclusion**

Throughout the year much work has been done to promote financial inclusion. Our tenants and customers continue to be amongst the lowest income households in Northern Ireland and as such very often have limited choices in accessing financial services. We have worked with the Housing Community Network to join the Rental Exchange which will help tenants to improve their credit rating to access a wider range of financial products than currently available to them.

Promotion of top tips for managing finances has also been issued to all tenants through the magazines "Quids In" and "Quids In: New Tenants Guide".

A key area of focus is to work with other voluntary and statutory agencies to provide good practical help, advice and support to our customers, with a view to improving their financial well-being. We have actively participated with other voluntary and statutory organisations who are members of the Financial Capability Partnership and the Money Advice Service Forum. This allows us to connect others with our tenants to improve their financial well-being and assist in sustaining tenancies.

## **Sustaining Tenancies**

Last year we piloted our draft Sustaining Tenancies Policy in the South Region over a six month period with a view to implementing the policy across all regions by the end of the year. An evaluation of the pilot showed high levels of customer satisfaction and benefits in terms of a reduction in the number of tenancies breaking down through eviction, abandonment or early termination. However, the evaluation also highlighted room for improvement in terms of developing a more flexible, less bureaucratic service. This has also been emphasised in our overall "systems thinking" work which commenced while the South Region Pilot was underway. We will now review our policy to take account of the lessons learnt in the pilot and potential improvements being identified through "systems thinking". This will then allow a tenancy sustainment approach to be mainstreamed in all our offices in due course.

## **Housing Allocations, Choice Based Lettings and HomeSwapper**

During the year the Housing Executive and Housing Associations allocated 8,129 homes. A pilot Choice Based Lettings Scheme which focussed on allocations in low demand areas was also introduced. Through the scheme we advertise Housing Executive homes, from those currently available for rent within designated locations, at [www.propertynews.com/nihe](http://www.propertynews.com/nihe). Applicants can then register an interest in the specific home advertised. Choice Based Lettings gives people on the waiting list the chance to search for their own home, rather than wait for the Housing Executive to make them an offer. An evaluation of the pilot was carried out and the outcomes were reported to the Department and will help inform the Fundamental Review of Allocations. The Housing Executive is examining the potential for Northern Ireland wide usage of a Choice Based Lettings approach in respect of difficult to let properties as an option under the Housing Selection Scheme.

Last year an internal allocation process review was also carried out as part of the current 'Journey to Excellence' involving system thinking and improved customer excellence. The outcome of this review, which identified blockages and how the current allocation processes could be re-designed and simplified, is currently being taken forward.

This year also saw the continuation of the contract for HomeSwapper Scheme which is an internet based exchange service procured by the Housing Executive that allows tenants to register interest and obtain information on potential exchanges of properties with other tenants. 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.

### **Housing Selection Scheme, Fundamental Review of Allocations and Welfare Reform**

In October 2014 the Department produced a summary of the responses to the research which it had commissioned the Universities of Ulster and Cambridge to carry out to inform a fundamental review of social housing allocations policy in Northern Ireland. The responses to the consultation and prior Housing Executive consultations are being considered by the Department with a view to developing proposals for change. The Housing Executive has been facilitating the Department to model the impact of any potential changes.

This year has seen continuing delays in the legislative passage of the Northern Ireland Welfare Reform Bill. The Housing Executive has been tracking progress with the legislation and talks between the political parties and has been working closely with the Department for Social Development to prepare affected households should the Welfare Reform Bill be passed.

### **Tenancy Fraud**

Last year we set out to implement our Tenancy Fraud Action Plan in recognition that every house fraudulently occupied denies a genuine applicant a home. The Action Plan sets out a range of measures aimed at preventing, detecting and tackling tenancy fraud and incorporates a number of recommendations made by the Northern Ireland Audit Office and the Northern Ireland Assembly's Public Accounts Committee. Measures introduced throughout the year included: photographing of tenants at sign up, data sharing protocols developed with utility companies, a tenancy audit of 2,845 properties resulting in the recovery of 24 properties, staff training, a media publicity campaign and the introduction of improved reporting mechanisms.

The majority of planned actions were achieved with the exception of some new additional actions which were identified and added following publication of the Public Accounts Committee Report in October 2014; these are being carried forward into the new year. Through actively tackling the issue of tenancy fraud the Housing Executive has been able to recover properties to make available to customers on the waiting list.

## **Objective 1**

### **Delivering quality services**

**LLKPI 1: Management of rental income. Collect 99.8% of rent due including Housing Benefit.**

Performance 2014/15

At the year-end we had collected 99.71% of rent due which benchmarks favourably against the Housemark first quartile figure of 99.7% for all organisations and for those with over 20,000 stock.

Performance 2013/14

Not a KPI in 2013/14

**LLKPI 2: Collect 99.6% of rent due excluding Housing Benefit.**

At the year-end we had collected 98.89% of rent due.

Not a KPI in 2013/14

**LLKPI 3: Reduce current arrears, as at April 2014 (£10630k) by £100k (2013/14 target Reduce total arrears from March 2013 figure of £14,604,000).**

Arrears reduced to £9,853k which was a reduction of £777k, exceeding the target.

Arrears reduced by £891,000, exceeding target.

**LLKPI 4: Increase the number of tenants with a clear rent account by 1.16% to 75%.**

The target was achieved at the yearend with 75% of tenants (64,330) with a clear rent account.

Not a KPI in 2013/14

**LLKPI 5: Manage stock. Take no more than 25 days to relet empty properties for non difficult to let properties. (Target for 2013/14 was 25 days).**

Relets were made within an average of 24 days, meeting the target.

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.

**LLKPI 6: Manage stock. Ensure voids are no greater than 1% of lettable stock. \*Lettable stock at the end of March 2015 was 87,117. (Target was the same for 2013/14 stock was 88,599 at 31 March 2015).**

The percentage of void stock at the year-end 0.70% (612 properties), meeting the target.

At March 2014 there were 702 lettable void properties.

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

**LLKPI 7: Welfare Reform. Work with the Department for Social Development to develop and implement a plan to advise and support tenants impacted by the changes to the welfare system.**

There have been continued delays in the legislative process of the Northern Ireland Welfare Reform Bill. However, we have been tracking the process and working closely with DSD to develop a Mitigation Scheme for the implementation of the Social Sector Size Criteria.

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

**LLKPI 8: Sustaining tenancies. Implement the Sustaining Tenancies Strategy in all Regions.**

The South Area pilot is completed and has been evaluated. However, our systems thinking work has highlighted the potential for a more radical look at our customer interactions. Therefore, the wider roll-out of this strategy is now scheduled for September 2015.

Not a KPI in 2013/14

**LLKPI 9: Landlord Services. We will redesign and simplify how we collect rent and manage lettings and voids so that our processes are more streamlined and 'best in class'. (Target for 2013/14 - 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.)**

Work on this KPI was moved into the Journey to Excellence Strategies during the year. Work is underway to redesign services using a 'systems thinking' approach.

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.

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

**LLKPI 10: Tenancy Fraud. Implement our Tenancy Fraud Action Plan.**

The tenancy audit of 2,845 properties resulted in the recovery of 24 properties during the year. The majority of actions have been completed however, some additional actions were incorporated following publication of the Northern Ireland Assembly's Public Accounts Committee report (October 2014) and are still being progressed.

Not a KPI in 2013/14

## **OBJECTIVE 2**

### **Delivering better homes**

#### **Asset Management Commission**

During the year we and the Department for Social Development (DSD) awarded a major commission to Savills PLC to carry out a stock condition survey and prepare reports on various elements of our asset management activities. The survey, funded by DSD, was completed in January 2015 and we will use its findings to prepare both a new Asset Management Strategy (including a strategy for our Tower Blocks) and 5 Year Investment Plan to replace our existing Maintenance Investment Strategy.

#### **Response Maintenance**

We deliver our response maintenance service to our housing stock of over 88,000 through 23 contracts. During the year we dealt with 397,118 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.

During the course of the year one contractor covering one contract went into administration with a resultant detrimental service impact. The ability to quickly provide an alternative contractor from the existing frameworks ensured the continuity of service and lessened the initial impact in change over to a new contractor.

#### **Investment Programme**

In 2014/15 we invested significantly in our housing stock and undertook our largest annual planned maintenance programme of the last decade. We exceeded our physical programme targets by starting schemes in year to deliver External Cyclical Maintenance works for 9,314 dwellings, modern heating systems for 6,910 dwellings and new kitchens for 5,114 dwellings.

We commenced all of the final schemes in our programme to deliver the Programme for Government's target for full double glazing in our stock and installed new windows in 7,800 dwellings. In addition we addressed our compliancy requirements by initiating various minor health and safety works for a further 5,268 properties. We invested almost £105m in carrying out these improvements.

#### **Interim Investment Programme**

In anticipation of capital funding being made available for works in 2015/16 and 2016/17, we have agreed a number of capital investment priorities with the Department for Social Development and will be taking forward a programme of schemes beginning this year. The Interim Investment Programme will in part act as a bridge between our current and future maintenance strategies, and will test new approaches to packaging and delivering works that would optimise procurement arrangements and reduce disruption to tenants.

#### **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 was carried out through a combination of adaptations to Housing Executive and housing association properties and through Disabled Facilities Grants (as outlined in our Regional Services Section).



In 2014/15 Landlord Services carried out 354 major adaptations to Housing Executive homes, including 101 extensions, 235 lifts, and 17 changes of heating. Landlord Services also installed 1,156 showers and carried out 3,326 other minor adaptations such as handrails and lever taps.

During the year we also made a significant contribution to DSD and DHSSPS Inter-Departmental Review of Adaptations for people with a disability (as detailed in our Regional Services section).

### **Stock Transfer**

In June 2014 we completed our second pilot transfer scheme with 72 bungalows in Bloomfield estate in Bangor transferring to Oaklee Homes Group in order that major refurbishment works can be funded and delivered. Oaklee's works scheme for the bungalows is on site and due to be completed in 2016.

Building on a report prepared by the Northern Ireland Audit Office we carried out a major review of the stock transfer project during the year with the Department for Social Development, the Strategic Investment Board and the Northern Ireland Federation of Housing Associations. The Review recommended a new approach to transfer and, following approval by both our Board and the Minister for Social Development, we have been preparing a new transfer programme and a revised transfer process. We initiated transfer proposals for four areas late in 2014/15, and during this year we will appoint housing associations to work with us on developing transfer proposals for these areas, and consulting their tenants on these with a view to determining whether there is support for transfer.

### **Direct Labour Organisation**

Our Direct Labour Organisation (DLO) currently employs a total of 480 staff and has an approximate turnover of £23m per annum.

360 DLO employees deliver an all trades response maintenance service with running costs of approximately £17.5m per annum to just over 30,000 properties within the Craigavon, Coleraine and restructured North, South and West Belfast Areas. The remaining 120 staff are engaged in the delivery of a grounds maintenance service, the motor vehicle workshop and the electrical Health and Safety inspections.

Performance and service delivery is measured against organisational KPI's and reported monthly to the Performance Review Group and quarterly to the DLO Performance and Development Committee which consists of three Housing Executive Board members and two external members.

DLO aims to meet repair quality targets, meet repairs completion targets, provide continued training to develop a highly skilled and committed workforce and develop best in class and best value models. It also aims to achieve customer satisfaction targets and support the organisation on its Journey to Excellence.

## Objective 2

### Delivering better homes

**LLKPI 11: Asset management.** Support DSD in the delivery of a stock condition survey by March 2015, develop an asset management strategy by March 2015; and develop a five year investment plan by March 2015.

Performance 2014/15	Performance 2013/14
We have worked to support the Department for Social Development on the stock condition survey of our properties. A draft report from Savills is due early in the new financial year.	Not a KPI in 2013/14
We are working to develop an Asset Management Strategy, however this will be informed by the results of the stock condition survey. We expect a draft Strategy to be signed off in the new financial year following consultation with senior management and the Housing Community Network.	Not a KPI in 2013/14
Our five year Investment Plan will also be informed by the results of the stock condition survey and a draft is to be completed in the new financial year.	Not a KPI in 2013/14

**LLKPI 12: Maintenance of Housing Executive stock.** To start planned external cyclical maintenance work on 9,000 (3,200) dwellings, start 5,000 (2,750) kitchen replacements; 6,000 (5,750) heating installations and 9,800 (9,000) double glazing starts. Figures in brackets are 2013/14 targets.

External Cyclical Maintenance	9,314	External Cyclical Maintenance	N/A
Kitchen replacements	5,114	Kitchen replacements	N/A
Heating installations	6,910	Heating installations	5,997
Double glazing	7,800	Double glazing	N/A

**LLKPI 13: Housing Executive adaptations to our homes.** Install 250 (150) lifts; start 200 (200) extensions; install 1,100 (800) showers to Housing Executive homes (start heating adaptations to 100 Housing Executive homes). Figures in brackets are 2013/14 targets.

N/A	N/A	Heating adaptations	45
Lifts installed	235	Lifts installed	294
Extensions	101	Extensions	150
Showers installed	1,156	Showers installed	1,235

**LLKPI 14: Response maintenance.** 90% of jobs completed within contractor target date; and 90% customer satisfaction with service from contractor and quality of work.

The year-end performance for 23 contracts for KPI 5 was 90.61%.	The performance for 18 contracts was 92.8%, exceeding the 90% target.
The year-end performance for 23 contracts for KPI 7 was 96.73%.	The performance for 18 contracts exceeded the target at 99.0%.

**LLKPI 14-01: Carry out response maintenance repairs within target times - emergency within 24 hours; urgent within 4 days; routine within 4 weeks and change of tenancy within 25 days.**

Emergency	99.05%	Not a KPI in 2013/14
Urgent	96.79%	Not a KPI in 2013/14
Routine	96.09%	Not a KPI in 2013/14
COTs	97.34%	Not a KPI in 2013/14

**LLKPI 15: Inspections.** Ensure all occupied homes have a valid annual gas safety certificate.

*99.4% had a valid gas certificate	Not a KPI in 2013/14
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\*The target was introduced in 2014/15

#### LLKPI 16: Stock transfer. Initiate Tranche 1 of the stock transfer programme

During the year a review of the stock transfer programme was agreed by the Minister on the 4 November 2014. The first schemes on the revised programme have been initiated.

Pending; awaiting the outcome of the review which may result in a reconfiguration of the Programme, tranches and their timescales.

#### KPI 17: Provide energy advice to 8,500 (8,000) Housing Executive customers helping our tenants to make the most efficient use of heating systems as well as gains from our heating programme to help reduce the energy efficiency element which contributes to fuel poverty.

Advice was provided to 7,537 tenants through Heatsmart visits.

Advice was provided to 8,055 tenants through Heatsmart visits.

### OBJECTIVE 3

#### Fostering Vibrant Communities

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

##### Community Involvement

With the launch of the Housing Executive's Community Involvement Strategy 2014-2017, a vibrant community sector continues to flourish and grow throughout Northern Ireland. Scrutiny Panels have been established in all of the Housing Executive's 13 areas. They will be a key component in the delivery of business planning processes in the future. These panels have responsibility for holding the Housing Managers to account in the delivery of housing services and working closely with the local offices to improve the delivery of customer services.

Local offices continue to work with resident and inter-agency working groups to continue to improve the environment and the estates in which our tenants live. In partnership with Supporting Communities Northern Ireland we continue to support and work with over 600 local community groups.

The Central Housing Forum has representatives from all areas in Northern Ireland with further representation from the disability sector, the rural sector and the youth sector. All major policies are consulted on with the Forum. They continue to meet regularly with the Housing Executive's Board.

##### 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 3,052 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 staff.

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 19

properties were repossessed on the grounds of anti-social behaviour. Repossession continues to be a last resort with the Housing Executive having tested other interventions as a means of resolving problems of anti-social behaviour first.

We work closely with the Department of Justice and continue to partner other agencies. We support a number of community safety initiatives across the province to address local concerns and fund projects addressing issues regarding home security, community wardens and hate crime.

Following consultation through the year on our Community Safety Strategy, 'Safer Together', this now sets out our strategic direction and action plan for the period 2015-2017.

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 57 neighbour disputes involving more than 100 individuals and families.

Our community based restorative partners, Northern Ireland Alternatives and Community Restorative Justice Ireland, also provided mediation and community support in over 200 cases of neighbour disputes. This work was funded by the Housing Executive, Atlantic Philanthropies and the PSNI.

### **Community Cohesion**

The Government's 'Together: Building a United Community' (TBUC) Strategy, published in May 2013, reflects the Executive's commitment to improving community relations and continuing the journey towards a more united and shared society. The Strategy represents a key building block in the implementation of the Programme for Government 2011-2015 (extended to 2016).

The Housing Executive, along with our DSD and Housing Association partners, are currently working to bring forward 10 shared new build schemes through the TBUC Strategy to assist with delivering the key priorities of shared and safe communities (Programme for Government target).

In Northern Ireland, housing segregation continues to be a lasting legacy of the 'conflict', with the large majority of tenants in social housing continuing to live separately in areas which are predominantly one community or the other.

Over the past three years, we have supported 130 estates and communities to become more accessible to all and to be welcoming to everyone regardless of their religion, political beliefs or ethnicity.

A key priority for us is to continue to lead on this important work through our programmes such as the Shared Communities Programme and Building Relationships in Communities (BRIC).

Other cohesion work has to be delivered in tandem with this objective in order to address all the issues that continue to affect our segregated society including:

- Our extensive work within our estates to transform paramilitary murals into more welcoming expressions of culture. We have had many successes in this area of work in recent years and these projects have helped regenerate communities both visually and economically, making areas more attractive to inward investment;

- We will continue to deliver a range of projects through our Race Relations theme. In 2014/15 we supported many estate based cohesion projects that have allowed communities to run events and programmes that bring people of all ages and backgrounds together to create greater understanding of difference.

In 2014, we were commended by the Customer Service Excellence assessors for our community work. "There were again very many examples of where the Housing Executive and especially Landlord Services, goes well beyond what may be considered by some as its normal remit i.e. providing properties, collecting rent and arranging repairs. There are many communities within Northern Ireland that have moved forward into a more inclusive and accepting environment primarily as a result of the often very confidential input from staff." (Customer Service Excellence Assessment April 2014).

The assessor also commented that we particularly excel at programmes to build understanding between the two main communities in Northern Ireland and help the community to develop their own estates and areas.

### Objective 3

#### Fostering Vibrant Communities

**LLKPI 18: Community Safety.** Implement the action plan from the Community Safety Strategy 2014-2017. (Target for 2013/14 - To develop and implement a new 2013 Community Safety Strategy 'Building a safer Future' by April 2013).

Performance 2014/15	Performance 2013/14
During the year the Community Safety Action Plan was published for public consultation. Following an extended consultation period a revised Action Plan was approved by the Board in February 2015. The Action Plan is now being implemented.	The strategy was approved by the Housing Executive 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.

**LLKPI 19: Community Cohesion.** Increase support for shared housing among our tenants: Develop 14 further shared communities and develop good relations in 88 Housing Executive estates. (Target for 2013/14 - Increase support for shared housing among our tenants by developing a further 14 shared communities.)

By December we had developed good relations in 88 Housing Executive estates. A further 14 shared communities were developed.	15 new estates have been brought on to the Shared Neighbourhood programme, exceeding the target.
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**LLKPI 20: Community involvement.** Implement the 2014 Community Involvement Strategy, particularly the introduction of tenant scrutiny panels to all areas, and to promote social enterprise projects. (2013/14 target - Community Involvement. Carry out a strategic review of community participation and implement outcomes by September 2013.)

There are seventeen individual projects contained within the strategy; 14 are complete, 2 progressing to timescales in 2015/16 and a pilot for digital inclusion is currently being discussed.  The Strategy included the introduction of tenant scrutiny panels, mystery shopping, supporting the Housing Community Network, promoting social enterprise projects, a community conference and customer involvement as an integral part of area business plans.	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.
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# SUPPORT SERVICES



# SUPPORT SERVICES

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

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

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

Corporate Management includes the Chief Executive's department with overall responsibility for corporate matters.

## **Budgetary Management**

Support Services have a total directly managed budget of £56.6m funded through a mixture of Government Grant and Rental Income. The funding allocation to support these functions is allocated on the following basis: salaries and payroll expenses £30.2m, overheads and operational running costs £26.4m. These costs are apportioned across the various Landlord and Regional Services.

## **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.

## **Housing Benefit Administration**

At the end of March 2015 there were 166,600 tenants claiming Housing Benefit (HB) as follows:

Housing Executive tenants	67,477
Housing Association tenants	27,685
Private Rented Sector tenants	71,438

Over the course of the year we paid out £666.9m in HB awards, assessing 67,639 new claims for HB and dealing with 397,016 changes to existing claims in the process. New claims were processed on average within 21 days of receipt of the claim with 44% of these being processed in under 10 days while changes were made on average in less than six days of our being notified of the change.



Additional financial assistance was also delivered to 15,453 private sector claimants through the Discretionary Housing Payment Scheme with awards totalling £3.2m being made over the course of the year.

Further help with rates charges was also provided through the Rate Relief and Lone Pensioner Allowance (LPA) Schemes. During 2014/15 awards of Rate Relief totalling £3.38m were made although only £1.5m was paid via the Housing Executive the remainder paid via credit through Land and Property Services. This also excludes £1.05m in relation to Rates Relief administration expenditure. The caseload stood at 23,978 at the end of March 2015. In respect of LPA awards totalling £0.63m were made during 2014/15 although £0.15m was paid via the Housing Executive the remainder paid via credit through Land and Property Services. The caseload was 5,141 at the end of March 2015.

During the year the Housing Executive has continued to work closely with the Department for Social Development in assessing the impact of the proposals for Welfare Reform on HB claimants. We have also maintained our focus on the prevention and detection of fraud and error in the HB system. However, it was disappointed that the estimated level of fraud showed an increase against that reported for the previous year. We are working with the Social Security Agency to ensure best practice procedures are being applied. During 2014/15 sanctions were taken against more than 500 claimants for benefit fraud and we recovered over £15m of overpaid HB.

## **Equality**

The Equality Unit is responsible for five main areas of work. As part of implementing the Equality Scheme we conduct equality awareness training for all staff and more recently for new employees. During the year we conducted 5 courses covering 70 staff. In addition we contribute to mainstreaming equality in our work by ensuring all policies have been subject to equality analysis. In 2014/2015 we conducted equality policy screenings on 11 main policies and 10 minor policies. In addition we provided the lead for the organisation in preparing a response to OFMDFMs Race Equality Strategy and the Department of Health's Adult Safeguarding Policy.

Measuring equality of opportunity and monitoring equality performance are vital aspects of housing policy. We continue to develop our approach to monitoring and in addition to using this information to inform planning and strategy this information is in demand from the community and voluntary sector, the statutory sector and public representatives at local and Assembly level. Over the year we responded to around 40 separate requests, often having to provide very detailed and complex data.

The value of effective consultation cannot be understated and the Equality Unit offers a bespoke service using a best practice toolkit to the organisation where it needs to consult generally on a policy. This approach was used to consult on the Community Involvement Strategy 2014-2017; 'Safer Together' Community Safety Strategy 2014-2017 and the Corporate and Business Plans 2014/15-2016/17.

With the rapid changes in society over the past number of years the Housing Executive has constantly reviewed and amended its communication services. Managed by the Equality Unit, this service provided language, sensory disability and communication support in 36 languages including sign language.

The Equality Unit also manages the Child and Vulnerable Safeguarding Policy for the organisation. This involves the development and maintenance of processes for the referring of concerns to Social Services and PSNI and the training of staff in the operation of this policy. These policies are relatively new commencing in 2011 with Child Safeguarding training for staff. A total of 117 sessions of training have been held to date with over 2100 staff attending.

The Housing Executive's commitment to safeguarding was further enhanced with a Safeguarding Vulnerable Adults Policy which was approved by the Board in October 2012. A programme of Adult Safeguarding training commenced in 2013, and a total of 91 sessions of training have been held to date with 1,700 staff attending.

### **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 315 complaints, 54 were of which were dealt with at second stage by our Chief Executive, carrying out detailed investigations and addressing any issues raised. A further two cases were investigated by the Commissioner for Complaints. 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 1.6m visits this year - a 23% increase from last year.

The mobile version of our website continues to see marked increases in traffic and now accounts for some 48% of all visits to the website.

We are continually looking for ways to make it easier for people to do business with us online and last year 46,000 people used our online payment facility, over 88,000 people looked up advice about Housing Benefit and almost 70,000 came to us for advice on private renting, while over 100,000 got advice on the Boiler Replacement Allowance. Our online services also allow people to report fraud, make a complaint or give us feedback.

Our social media channels continue to grow in popularity, with more than 3,000 Facebook fans and close to 2,700 Twitter followers. We continue to look for ways to engage with our tenants online and encourage them to go digital first.

### **Human Resources**

#### **Resourcing**

The Workforce Plan 2014/15 (approved by the Board at its meeting in March 2014) was the document upon which the Housing Executive based its workforce and resourcing plans during the year.

Drawing on the evidence of the Workforce Plans, and the outworking of System Thinking, divisions devised new outline proposals for the preferred organisational structures moving forward.

A key element in enabling the transition to the new structures was the development of a Voluntary Early Severance (VES) Scheme, which would facilitate the voluntary release of staff from the Housing Executive.

Departmental approval to the Housing Executive's VES Scheme was obtained in November 2014. Expressions of interest from staff were sought over the Christmas period. Some 190 staff have been approved for early release from the Housing Executive as Tranche 1 of the release programme during 2015/16, the majority of which had left by the end of May 2015.

The Housing Executive re-structured its Human Resources team, during the year, with the aim of providing more strategic support to the divisions while improving the focus on attendance management. In addition, a programme aimed at addressing the health and well-being of staff was implemented.

### **Sickness Absence**

The level of absence over the year was 10.3 days. This represents a decrease in the level of absence from 11.4 days for 2013/14 (and from 13.8 days in 2012/13). Long term sick absence accounted for 56% and short term 44% of all absences. Long term absence refers to 20 days and above. However, the level of absence was above the target of 10 days, which we had set for the year. As part of the re-structuring of the Human Resources group we have created a unit to focus solely on attendance management. We have also introduced an Absence Management Toolkit for managers; while also promoting complementary initiatives aimed at improving the health and well-being of our staff.

### **Learning and Development**

In all 9,420 participants took part in a range of learning and development programmes covering corporate, functional and generic topic areas. The Housing Executive's emphasis on developing its people was reflected in the Investors in People assessment which was carried out in March of this year.

Following the assessment the Housing Executive was judged to have met the Investors in People Standard - Silver Award.

### **Risk Management**

Following the merger in June 2014 of Internal Audit and the Corporate Assurance Unit the new Audit and Assurance Department has responsibility for risk management within the Housing Executive. This includes facilitating the development and management of the Corporate Risk Register (CRR), the assurance and stewardship statement process and the implementation of the Assurance Framework that provides the Chief Executive, and the Board, with an effective and efficient framework which will give robust assurance on organisational stewardship and the management of the major risks on behalf of the Board.

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 new Audit and Assurance Department.

Providing strategic leadership, direction and advice on the implementation of risk management, the Audit and Assurance Department 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.

The Audit and Assurance Department (AAD) where appropriate, works to address gaps in control and to develop actions to manage key risks. AAD 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 2014/15 are as follows:

1	<b>Political Support</b> Failure to build effective political and key stakeholder relationships leading to lack of support/ confidence/ political distrust and reputational damage.
2	<b>Social Housing Reform Programme (SHRP)</b> 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	<b>Management of Allocated Funding</b> Failure to utilise and manage allocated funding effectively.
4	<b>Procurement</b> The Housing Executive does not have effective procurement.
5	<b>Contract Management</b> Failure to effectively manage the Housing Executive contracts leading to: <ul style="list-style-type: none"> <li>• poor VFM</li> <li>• poor quality work</li> <li>• overpayments</li> </ul>
6	<b>Welfare Reform</b> Fail to effectively manage impact of Welfare Reform leading to: <ul style="list-style-type: none"> <li>• reputational damage</li> <li>• reduction in quality of service</li> <li>• tenant distress</li> <li>• financial loss</li> </ul>
7A	<b>Health and Safety</b> Failure to protect the Health and Safety of tenants, employees and others and ensure compliance with Health and Safety regulations
7B	<b>Health and Safety (Landlord)</b> 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	<b>Housing Benefit</b> Failure to deliver a Housing Benefit service.
9	<b>Budget Reduction</b> Failure to properly prepare for and manage financial cuts could result in the Housing Executive failing to deliver its strategic objectives, delivering its statutory remit, change programmes and living within budget.
10	<b>Social Housing Development Plan ("SHDP")</b> Fail to adequately meet assessed housing needs and deliver Social Housing Development in line with budget.

## Support Services

**SSKPILL 1.1: Finance: Ensure that financial resources are managed effectively, maximising the benefits to tenants and customers. Ensure that Landlord Services financial resources are managed.**

Performance 2014/15

Performance 2013/14

At the end of the financial year there was a reported underspend of:

£12.425m (including corporation tax accrual); or

£15.820m (excluding corporation tax accrual).

Please note that corporation tax accruals are funded from a separate AME funding arrangement. This underspend will be carried forward into 2015/16.

Not a KPI in 2013/14

**SSKPIRS 1.1: Ensure that Regional Services financial resources are managed.**

At the end of the financial year there was an underspend of:

£15.78m (including AME/Non- Cash expenditure).

£5.01m (excluding AME/Non-Cash expenditure. This is within the 2% tolerance of a Non Departmental Public Body (NDPB).

It should be noted that AME/Non- Cash funding is held separately from DEL capital and resource budgets.

Not a KPI in 2013/14

**SSKPI 2: Finance: Continue the development of revised financial reporting arrangements, including an internal cost apportionment model.**

A new cost apportionment model was developed and independently reviewed by the Northern Ireland Audit Office and was introduced in 2014/2015.

Not a KPI in 2013/14

**SSKPI 3: Housing Benefit. Process new Housing Benefit claims within an average of 25 days.**

	Target	Actual		Target	Actual
Overall end of year average - measured in (days).	25	20.08	Other	25	21.52

**SSKPI 3: Housing Benefit. Process changes of circumstances within an average of 8 days.**

	Target	Actual		Target	Actual
Overall end of year average - measured in (days).	8	5.7	Other	8	4.94

**SSKPI 3: Housing Benefit. Ensure an accuracy rate of 97% for Housing Benefit assessments.**

The accuracy rate at the year-end was 98.9%, exceeding the target.

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.

**SSKPI 3: Housing Benefit. Recover at least £14m of overpayments (Target for 2013/14 was £13m).**

\*£15,240k was recovered during the year, exceeding the target.

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

\*rounded down to agree with note 8.

**SSKPI 3: Reduce the level of HB fraud and error to 3.35% of benefit expenditure by March 2016. (Target for 2013/14 - Improve and sustain the achieved level of fraud and error (2.6%) of annual benefit expenditure).**

This is measured at the end of the calendar year and at the end of December 2014 the result showed a slight reduction at 4.1%. Within this total the level of official error fell from 1.5% to 1.1%. Customer error also fell from 0.9% to 0.4% but customer fraud increased from 1.8% to 2.6% although a significant proportion of this estimate related to passported HB claims where the fraud related to a claim for a different social security benefit, but also affected the HB award.

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 the Housing Executive 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%.

**SSKPI 4: Housing Benefit Welfare Reform. Work with the Department for Social Development to develop and agree a transition plan to respond to the changes to the welfare system.**

This year has seen continued delays in the legislative process of the Northern Ireland Welfare Reform Bill. A transition plan was developed during the year and options for future delivery are being considered.

Not a KPI in 2013/14

**SSKPI 5: Communication. Through better use of technology and the internet we will develop ways for our customers to manage the services they have with us.**

During the year a technical strategy was developed, defining the approach and capturing requirements. The majority of this work now sits under the Journey to Excellence Technology Strategy. Discussions are on-going with DSD and Landlord Services to introduce a small digital inclusion pilot project for our tenants.

Not a KPI in 2013/14

**SSKPI 6: Internal Services. Develop better internal ways of working that are based on robust technology and that support efficient ways of working.**

During the year a technical strategy was developed, defining the approach and capturing requirements. An agile 'Worksmart' pilot was implemented in the Lisburn office for response maintenance staff and a 'manager on the move' pilot is being implemented for a small group initially, both of which will be incrementally implemented. The majority of this work now sits under the Journey to Excellence Technology Strategy.

Not a KPI in 2013/14

**SSKPI 7: Programme Management. Put in place a clear and structured programme management function and methodology to ensure delivery of the organisation's needs going forward.**

A new programme management team was put in place during November 2014.

Not a KPI in 2013/14

**SSKPI 8: Ministerial Correspondence. Reply to Ministerial correspondence within the timescales requested, which may vary.**

From July 2014 to March 2015 there were 427 requests with 346 responses within timescales requested. We worked closely with DSD throughout the year to ensure that all correspondence was delivered to agreed timescales. While it appears that we have not met the deadlines in all of these cases we have liaised closely with DSD to keep them updated on our approach and to agree more achievable deadlines.

Not a KPI in 2013/14

## **Commitment**

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.

During the year we worked closely with the Minister, Mervyn Storey MLA, his predecessor Nelson McCausland, 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 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.



Clark Bailie  
Acting Chief Executive

Date: 30 June 2015





# 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.

Our Audit and Assurance Department 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, our Audit and Assurance Department is content to conclude that the 2014/15 KPIs have been calculated on a reasonable basis with appropriate supporting evidence.

A handwritten signature in black ink, appearing to read 'J McVeigh', with a stylized flourish at the end.

John McVeigh  
Head of Audit and Assurance Department

# 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 2015.

## **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 2014-31 March 2015**

Chairman Donald Hoodless BA, DPA, OBE

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

Jim Speers MBE (until 31 March 2015)

Jenny Palmer (until 31 March 2015)

Sean Begley (until 31 March 2015)

Frank Britton (until 31 March 2015)

Angela Coffey BSc, IEng, MCHIT, FIHIE, MCIM

Edna Dunbar MBE

Kenneth Millar BA

Greg Lomax

The Acting Chief Executive throughout the year  
ended 31 March 2015 was Mags Lightbody.

At 31 March 2015 the gender breakdown  
of the Board and Chief Executive was:

Female: 4

Male: 7

## **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**

A directive from the Office for National Statistics, to reclassify the Housing Executive between Landlord Services (Quasi Public Body) and Regional Services (NDPB) Services, became operational from 1 April 2014. Previously the Housing Executive was classified as a Public Corporation. As a result there are now separate budgetary control and reporting requirements for Landlord Services and the Regional Services.

Landlord Services is mainly funded by rental income from tenants, supplemented by grant funding from DSD and a small amount of miscellaneous income. Not all of the rental income was spent. This will now be available to spend in 2015/16.

Regional Services is almost entirely funded by DSD Government Grant and, includes both;

- DEL Capital and Resource funding; as well as
- AME funding.

Note 31 in the accounts shows that;

- Including both DEL Capital and Resources and AME funding the underspend was £15.78m; whereas
- Including only the DEL Capital and Resource funding the underspend was reduced to £5.01m.

It should be noted that AME funding and associated expenditure are reported separately from DEL Capital and Resource, and are not subject to the same level of tolerance control.

For the Year Ending 31 March 2015, the Housing Executive has prepared its annual report and accounts in accordance with International Financial Reporting Standards.

The table below highlights the funding allocations awarded to both Landlord Services and Regional Services in the 2014/15 financial year, together with their level of respective cash drawdown. The allocation noted below agrees to the funding level recorded in Note 31.

Category	Landlord		Regional	
	Allocation	Cash Drawdown	Allocation	Cash Drawdown
	£'m	£'m	£'m	£'m
Capital	9.7	9.7	185.2	113.8
Revenue	15.6	15.6	141.8	114.4
AME	7.0	7.0	6.9	0.1
Other Departmental Grant	0.1	0.1	-	-
<b>TOTAL</b>	<b>32.4</b>	<b>32.4</b>	<b>333.9</b>	<b>228.3</b>

Summary of cash drawdown			
	Note	£'m	£'m
Landlord Services		32.4	
Less Other Departmental Grant		(0.1)	
Net Landlord Services			32.3
Regional Services			228.3
<b>Total Grant from Sponsoring Department</b>	<b>Statement of Changes in Taxpayers' Equity</b>		<b>260.6</b>

The Statement of Comprehensive Net Expenditure within the annual accounts shows Net Expenditure for the year of £309.5 million (2014: £251.8 million restated).

During the year a revaluation of the Housing Executive's land and housing stock and other property assets 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 £7.4million (2014:£486k) 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, continues to show a deficit in the pension fund. The deficit has increased from £80.5million in 2013/14 to £108.6million in 2014/15. The actuary explained that this increase in the deficit is mainly due to a change in the assumptions, particularly the decrease in the discount rate which increased the year end pension liability and which was partly offset by a higher than expected return on assets. Note 24 provides further pension disclosures.

### **Property, plant and equipment**

For Year ending 31 March 2015 annual accounts, the Housing Executive's housing stock, land and other property assets have been revalued by independent external valuers as at 31 March 2015. The Land was valued by McKibben Commercial Property Consultants and the Housing Stock, Offices, Commercial Property, Travellers Sites and Hostels were 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 "other assets" category were revalued using appropriate indices.

Housing Stock continues to be valued at 'Existing Use Value for Social Housing' based on the guidance issued by the Department of Communities and Local Government: 'Stock Valuation for Resource Accounting- Guidance for Valuers 2010'. Valuations were made in accordance with the Royal Institution of Chartered Surveyors' Red Book.

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 and has been calculated in accordance with the guidance.

A revaluation of the Housing Executive's property portfolio as at 31 March 2015 resulted in an increase in value of £81.8million which has been transferred to the Revaluation Reserve Account. Of this amount, £59.2million represented an increase in the housing stock valuation, which is reflective of a general improvement in property prices in Northern Ireland.

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 movement of £22.7m is accounted for in the Revaluation Reserve as a result of revaluation movements in Land & Buildings.

There was a £2.3m increase in the value of land as a result of the revaluation exercise undertaken by McKibben Commercial Property Consultants. During the current financial year, land which was previously identified as 'Amenity' has been reclassified as 'Undeveloped Land' with a value of £1.1m (see Note 12(a) Land – Reclassification uplift) and is accounted for as a revaluation movement. Land classified as Amenity Land has no value and is reflected within the social housing values.

There was also a £19.3m increase in the revaluation reserve as a result of the Land and Property Services revaluation exercise which was undertaken as at 31 March 2015 in respect of the Housing Executive's commercial property, offices, depots and travellers' sites and hostels. For all these assets (with the exception of land above) this revaluation exercise takes place every five years, and has this year resulted in a £11m increase in the valuation of offices and depots, a £6.9m increase in respect of commercial property and a £1.5m increase in relation to hostels, offset only slightly by a £0.1million reduction in the valuation of travellers' sites.

The realised revaluation surplus on the disposal of houses and land of £10.7 million has been transferred to the Revenue Reserve Account from the Revaluation Reserve Account. During the financial year the Housing Executive sold 475 dwellings. In addition 80 houses were transferred to Housing Associations.

### **Employee involvement**

In 2014, we embarked upon our Journey to Excellence transformation programme which has at its heart our people and our customers. At the core of Journey to Excellence is a clear and simple principle that motivated, empowered and highly skilled people, supported by best in class technologies and processes, are the key to delivering the very best service to our customers.

It is this approach to our people that has resulted in the Housing Executive being accredited with IIP Silver for the first time in our history.

Employee involvement is considered to be essential to the success of the organisation and is underpinned through our People Strategy. This is a wide-ranging strategy, focusing on every element of how we support and enable our people to deliver best in class service for our customers.

As an organisation, we realise that the health and wellbeing of our staff is vital to the achievement of our goals and ambitions. Healthy, stress-free and motivated employees will result in continued high levels of performance. That is why we have a strong focus on facilitating work-life balance and ensuring the health and wellbeing of our staff.

For that reason, we offer a wide range of initiatives including Fitech health assessments, smoking cessation clinics, health awareness promotion, corporate gym memberships, a cycle to work scheme, healthy eating initiatives, flexible working patterns, childcare vouchers and a staff welfare service.

Communication with staff is managed through our Internal Communications Policy which ensures that our people are involved and consulted on all aspects of the business.

In the last year our people, with the full support of our Board, were given the freedom to reconstruct and redevelop the core values for the organisation. These are the values everyone in our organisation now seeks to live by on a daily basis: Making a Difference, Fairness, Passion and Expertise.

In addition, a system of internal communication channels provide the framework for managers to update staff on a monthly basis on Board decisions, organisational topics and local issues, including progress against objectives.

Staff News is our email service which combines news on job trawls, staff bulletins, corporate news, office relocations, CSR events and opportunities for training or advancement. Gateway is our new refreshed intranet which hosts news, bulletins and key messages.

The Housing Executive Annual Conference is a key opportunity for two way communication involving all of our people. It allows our Board and senior management team to keep staff up to date on what is happening across the organisation and it is also provides staff with an opportunity to share their views.

Other channels include team briefings, office visits by the Chairman and senior management team, the Board Bulletin, staff appraisals and a staff magazine.

Our Learning and Development Strategy offers significant opportunities for the development of staff. We invest in staff through a broad range of internal and external training programmes, supporting them in both their day-to-day work and in the development of new skills.

We support and fund our people through further education and we deliver Institute of Leadership Management (ILM) accredited development programmes and CIH Housing Management and Housing Maintenance programmes.

Our web-based training programmes and supported online courses meet the needs of individual learning styles and our Success Plans are individually tailored to identify the specific training needs of every staff member.

### **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 115.

### **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 nineteenth "Northern Ireland Housing Market: Review & Perspectives" was published in June 2015. 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.

Strategic projects completed during 2014/15 included a review of the demographic changes that occurred in Northern Ireland between 2001 and 2011 and their implications for housing need, and an update of the Housing Supply and Affordability Model for Northern Ireland. Both will inform decision-making about the allocation of increasingly scarce public resources. The three-year rolling programme of Shared Communities research was also completed during 2014/15. The findings of surveys carried out in localities across Northern Ireland have helped communities develop Good Relations Action Plans for their areas, with the aim of ensuring that neighbourhoods are safe and welcoming to all.

The annual Continuous Tenant Omnibus Survey continues to provide a wealth of customer views on how well the Housing Executive is delivering its services. The key findings of the 2013 survey, which were published in August 2014, indicated high levels of satisfaction with services and, for the first time, the summary report that was produced focused principally on the service areas of interest to tenants. The findings of the 2014 survey are due to be published in September 2015, and field work for the 2015 survey is under way. The questionnaire was reviewed in consultation with stakeholders - particularly tenant representatives - to ensure that the results reflect tenants' priorities as well as helping to guide the outcome of the Social Housing Reform Programme and the Housing Executive's Journey to Excellence.

House Condition Survey-based modelling work undertaken in partnership with NISRA's Census team and the Building Research Establishment provided new District Council figures in relation to unfitness, the Decent Homes Standard and fuel poverty. Planning for the 2016 survey is now under way.

As part of the commitment to engage with customers and stakeholders, the Housing Executive held its first Housing Market



Intelligence Exchange in autumn 2014. These Insight exchange events will continue to take place twice-yearly, providing an opportunity to share research findings and discuss key issues across the housing sector.

**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 2014-15, a total of 428,783 payments were processed with 418,482 (97.6%) 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 390,480 (91.07%) were paid within 10 days of the invoice date.

Interest paid during the year ended 31 March 2015 as a result of the late payment of creditors amounted to £137k.

**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 2015:

	Number
As at 1 April 2014	1
New Engagements during 14/15	0
New Engagements in payroll for 14/15	0
Engagements ceased during 14/15	0
As at 31 March 2015	1

**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 Housing Executive’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.

### **Going Concern**

The future financing of the Housing Executive's liabilities will be met by future grants from the Department for Social Development, approved annually by the Assembly, and the application of future income. There is no reason to believe that future approvals will not be forthcoming. It has therefore been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

### **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 he 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.

During the year ended 31 March 2015, the Northern Ireland Audit Office carried out additional non-audit services for the Housing Executive. These related to costs associated with the Housing Executive participating in the National Fraud Initiative and the Northern Ireland Audit Office carrying out an independent examination of a new internal apportionment process used by the Housing Executive to allocate Supervision and Management Charges between Regional Services and Landlord Services. The costs of these exercises have been disclosed in Note 5 to the financial statements.

### **Committee of the Board - Audit and Risk Assurance Committee**

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



Clark Bailie  
Acting Chief Executive

Date: 30 June 2015

# 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.

The acting Chief Executive for 2014-15 was employed on a fixed term contract from the Strategic Investment Board and so her salary was not determined as outlined above.

Appointments to the Board are the responsibility of the Minister and are conducted in accordance with the Code of Practice of the Commissioner for Public Appointments.

## **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.

## **Chairman and Directors' Emoluments - Audited Information**

Included in the forthcoming tables 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 2015. Pension benefits disclosed represents the value of pension benefits accrued during the year and is 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 increase or decreases due to a transfer of pension rights.

## Chairman and Directors' Emoluments - Audited Information continued

Name and Title	Date of Contract	2015 Salary	2015 Bonus Payments
	£'000	£'000	£
D Hoodless Chairman		40 - 45	-
Dr J McPeake Chief Executive (Retired 31/03/14)	01/09/11	-	-
G Flynn Director of Housing and Regeneration (from 01/04/12- 31/12/13) Director of Landlord Services (from 01/01/14)	01/04/12	80 - 85	-
C Bailie Director of Finance	01/11/07	80-85	-
M Taggart Director of Personnel and Management Services (Retired 04/07/13)	01/01/08	-	-
S McCauley Director of Design and Property Services (from 01/04/12 - 31/12/13) Director of Regional Services (from 01/01/14)	01/04/12	70-75	-
T McCartney Director of Corporate Services (from 01/01/14)	01/01/14	85-90	-
M Jennings Acting Director of Personnel and Management Services (from 24/06/13 - 31/12/13)	24/06/13	-	-
C McQuillan Acting Director of Corporate Services (from 01/04/13 - 31/12/13)	01/04/13	-	-

The Benefits in Kind relate to the travel and accommodation costs of the Chairman paid by the Housing Executive and treated by HMRC as a taxable emolument, together with the income tax and national insurance costs borne by the Housing Executive on his behalf.

\*Full year equivalent salary

Mags Lightbody, who was employed on a fixed term contract with the Strategic Investment Board to perform the duties of the Director of Transformation role as set out by the Social Housing Reform team, was also a member of the Senior Management Team during 2014/15, occupying the position of Acting Chief Executive until her resignation took effect on 21 June 2015. The permanent Chief Executive post was advertised in early June and the process to install the new Chief Executive is expected to be completed by December 2015. Clark Bailie has been appointed as temporary Acting Chief Executive for the interim period. Payments to the Strategic Investment Board for Mags Lightbody's Pay, Pension and Benefits in Kind for 2014/15 and 2013/14 were as follows:

Mags Lightbody Director of Transformation (from 01/11/13 - 31/03/14) Acting Chief Executive (from 01/04/14 - 21/06/15)		140 - 145	-
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Benefits in Kind refer to £7,100 of Life Assurance payments as well as £13,300 of Travel and Accommodation costs paid by the Housing Executive on behalf of Ms Lightbody.

\*Full year equivalent salary

2015 Benefits In Kind	2015 Pension Benefits	2015 Total	2014 Salary	2014 Bonus Payments	Restated 2014 Benefits In Kind	2014 Pension Benefits	2014 Total
£'000	£'000	£'000	£'000	£	£'000	£'000	£'000
19,700 (to nearest £100)	-	60-65	30-35	-	23,000 (to nearest £100)	-	55-60
-	-	-	110-115	-	-	2	110-115
-	11	90-95	75-80	-	-	-	75-80
-	12	95-100	75-80	-	-	1	75-80
-	-	-	20-25 *85-90	-	-	(1)	20-25
-	13	80-85	65-70	-	-	9	70-75
-	22	105-110	20-25 *85-90	-	-	6	25-30
-	-	-	30-35 *65-70	-	-	57	90-95
-	-	-	45-50 *65-70	-	-	92	140-145

20,400 (to nearest £100)	10-15	175-180	55 - 60 * 140-145	-	8,800 (to nearest £100)	5-10	65-70
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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 2014/15 was £140k - £145k (2013/14: £140k - £145k). This was 5.99 times (2013/14: 6.35) the median remuneration of the workforce, which was £23,698 (2013/14: £22,443). A staff pay award was made in 2014/15, whilst the remuneration of the highest-paid director remained in the same band as the previous year.

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.

	2015	2014
Band of highest paid Director's total remuneration	£140K- £145K	£140K - £145K
Median Total Remuneration	£23,698	£22,443
Ratio	5.99	6.35

Name and Title	Total Accrued Pension at Age 60 & Related Lump Sum	Real Incr. (Decr) In Pension & Related Lump Sum At Age 60	CETV at 31 Mar 2014	CETV at 31 Mar 2015	Real Incr. (Decr) in CETV after adj.
	£'000	£'000	£'000	£'000	£'000
G Flynn Director of Housing and Regeneration (from 01/04/12- 31/12/13) Director of Landlord Services (from 01/01/14)	30 - 35 Plus 80 - 85 Lump Sum	0 - 2.5 Plus (0 - 2.5) Lump Sum	655	693	30
C Bailie Director of Finance	30 - 35 Plus 75 - 80 Lump Sum	0 - 2.5 Plus (0 - 2.5) Lump Sum	513	545	26
S McCauley Director of Design and Property Services (from 10/04/12 - 31/12/14) Director of Regional Services (from 10/01/14)	15 - 20 Plus 30 - 35 Lump Sum	0 - 2.5 Plus (0 - 2.5) Lump Sum	204	221	15
T McCartney Director of Corporate Services (from 01/01/14)	0 - 2.5 Plus 0 - 2.5 Lump Sum	0 - 2.5 Plus 0 - 2.5 Lump sum	4	18	15

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 and the Acting Chief Executive are not members 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)	2015 Salary £'000	2015 Benefits in Kind £ (to nearest £100)	2014 Salary £'000	Restated 2014 Benefits in Kind £ (to nearest £100)
Professor P Roberts Vice Chairman	05/11/12	5	15-20	11,600	15-20	16,000
E O'Neill (Departed 04/11/13)	05/11/09	-	-	-	0 - 5 *5 - 10	-
J Speers	05/11/09	Until 31/03/15	5 - 10	-	5 - 10	-
J Palmer	05/11/09	Until 31/03/15	5 - 10	-	5 - 10	-
A Coffey	01/06/10	5	5 - 10	-	5 - 10	-
E Dunbar	01/06/10	5	5 - 10	-	5 - 10	-
K Millar	01/06/10	5	5 - 10	-	5 - 10	-
S Begley	03/10/11	5	5 - 10	-	5 - 10	-
G Lomax	15/04/13	5	5 - 10	10,200	5 - 10	6,000
F Britton	17/02/14	Until 31/03/15	5 - 10	-	0 - 5 *5 - 10	-

\*Full year equivalent salary

The Benefits in Kind relate to travel and accommodation costs paid by the Housing Executive and treated by HMRC as a taxable emolument, together with the income tax and national insurance costs borne on behalf of the Board Members.



Clark Bailie  
Acting Chief Executive

Date: 30 June 2015



# 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 2015

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. This Annual Governance Statement has been approved by the NIHE Board and forms part of the Annual Report and Accounts.

This Annual Governance Statement 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 NIHE 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**

The 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

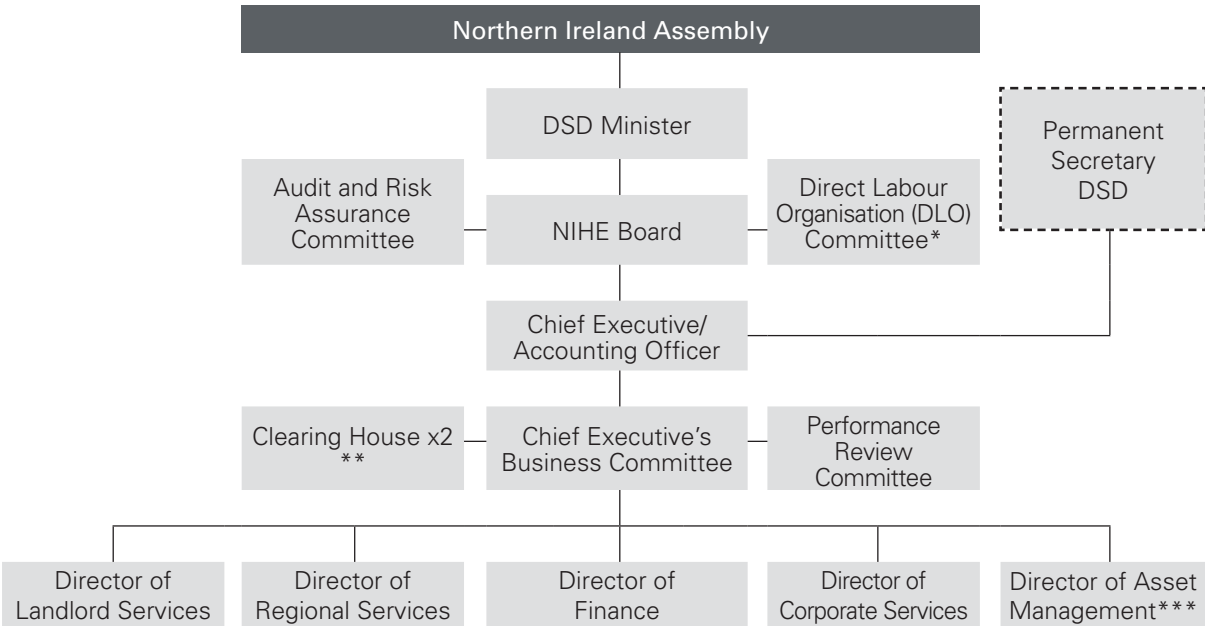
of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the divisional managers within the NIHE who contribute to the development and maintenance of the governance environment. The NIHE maintained a system of Internal Control for the year ended 31 March 2015 in accordance with DFP guidance.

In October 2013 an external consultant’s report into the overcharging on planned maintenance contracts recommended that the NIHE undertake a review of its Internal Audit and Corporate Assurance Unit. As a result of this review, a 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 two units merged in June 2014 to form the Audit and Assurance Department.

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

The Head of Audit and Assurance Department annual assurance statement for the 2014/2015 financial year provides an opinion on the NIHE’s control environment. During the year 2013/2014 DSD carried out an External Quality Assessment of the 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.

The 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 the Senior Management Team.



\* Established as a Committee of the Board effective 1 April 2014.  
 \*\* Both Regional and Landlord Division have a Clearing House Committee. (Please see more detail on Clearing House Committees below).  
 \*\*\* Director of Asset Management appointed 1st June 2015.

## **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 Departments: 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. The NIHE's Board considered the practices of the 2013 Code and revised and renamed their existing Terms of Reference to better reflect 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 2014. Future training needs will be assessed as part of the continuing measurement of Board effectiveness.

## **The Audit & Risk Assurance Committee ("ARAC")**

During the 2014/2015 financial year the Board continued to focus on performance and strategic decisions whilst the ARAC took the lead on risk and assurance.

The ARAC provides 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.

The ARAC undertook an Effectiveness Review in September 2014. As a result of the review a number of training requirements were identified and workshops were held to address this.

## **Board & Committee Membership and Attendance**

During 2014/2015 the Board met on a monthly basis whilst the Audit & Risk Assurance Committee ("ARAC") met on the following dates:

16 April 2014
11 June 2014
24 June 2014
10 September 2014
11 December 2014
12 March 2015

The attendance of each member of the Board and ARAC from April 2014 to March 2015 is as follows:

Board Attendance	
Donald Hoodless (Chair)	12/12
Prof Peter Roberts (Vice-Chair)	12/12
Angela Coffey	11/12
Ken Millar	11/12
Greg Lomax	12/12
Jenny Palmer	12/12
Edna Dunbar	11/12
Sean Begley	2/12
Jim Speers	11/12
Frank Britton	11/12
ARAC Attendance	
Prof Peter Roberts (Chair)	6/6
Jenny Palmer	6/6
Ken Millar	6/6
Deane Morrice*	6/6
JP Irvine*	6/6

\* Independent Committee Members

Following the restructuring of the organisation in January 2014, the Board undertook the decision to give primacy respectively to Landlord and Regional Divisional issues on an alternating bi-monthly basis.

### **Direct Labour Organisation (DLO) Performance & Development Committee**

The DLO Performance and Development Committee is an advisory and scrutiny body with no executive powers. The Committee is responsible for providing assurance to the Board on the effectiveness and efficiency of management, performance, governance, and compliance control in respect of the DLO. Emerging risks will be identified and brought to the Board and the Audit & Risk Assurance Committee.

The NIHE Board approved the establishment of the Committee in February 2014 and appointments were made effective from 1 April 2014. The sub-committee was formed to ensure sufficient oversight of the DLO contractor. The DLO Performance and Development Committee met for the first time on the 12th June 2014. The Committee met throughout the year on the following dates:

12 June 2014
14 August 2014
28 October 2014
15 January 2015
19 March 2015

The Committee, which comprises three board members and two independent members, meets with the NIHE Acting Chief Executive, Directors and DLO management six weeks prior to the Landlord Services Board. The attendance of each member from June 2014 to March 2015 is as follows:

DLO Committee	
Greg Lomax (Chair)	5/5
Angela Coffey	3/5
Edna Dunbar	5/5
Billy Graham *	5/5
Bob Millar *	3/5

\* Independent Committee Members

### **Clearing House Committee's**

Both Landlord and the Regional Divisions have a Clearing House Committee with the purpose of considering and scrutinising all routine papers for compliance with organisational governance requirements. The committees comprise of senior staff from each relevant division.

Landlord Services Clearing House Committee has delegated authority from the Chief Executives Business Committee to approve schemes up to and including £500k.

Regional Services Clearing House Committee has delegated authority from the Chief Executives Business Committee to consider a range of Land and Property Papers for compliance with Organisational Governance Requirements. It has a delegated limit of authority to approve Land and Property transactions up to and including £100k with the exception of Special Purchase of Evaluated Dwellings (SPED) disposals which have a limit of up to and including £250k.

### **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. In line with good governance the NIHE reviews the 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 2014/2015 reporting period in line with the 2013 Code principles (where these are relevant). The NIHE as an arm's length body of the DSD complies with all relevant aspects of the 2013 code.

### **Performance of the NIHE Board 2014/2015**

The Board completed an effectiveness review in April 2014. The Chairman requested a number of training sessions and workshops to enhance Board Members knowledge and skills which have been facilitated. In addition the Audit and Risk Assurance Committee identified a number of training requirements which have subsequently been met through workshops.

Some of the training needs identified and addressed through workshops and training sessions included governance, fraud, and risk management comprising of control environment, tolerances and appetite. A session was also held in relation to the new Asset Management Division providing an overview of the high-level proposed strategy. This was partly facilitated by outsourced consultants, Savills, who were commissioned by the DSD to conduct a review of all NIHE stock.

### **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 Senior Management Team in conjunction with Board also reviewed the Forward Work Plan for 2014/2015.

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

### **Powers Reserved to the Board/Board Scheme of Delegations**

The Powers reserved to the Board/Board Scheme of Delegations were extensively reviewed over the course of the last year to simplify the organisational governance.

Whilst there is an annual review of the Board governance documentation, in line with best practice, there was also a wider governance review commenced by NIHE in July 2014, led by the Programme Management Office. The governance review is a multi-phased project with phase 2 focusing on the Standing Orders and Board Scheme of Delegations, this is being led by the Company Secretary.

### **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 three 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.

All stated conflicts of interest were dealt with in compliance with the established processes and have been recorded in the Board minutes. A new electronic database has been established which captures all outside interests, including conflicts of interest. This database is reviewed annually and updated as declarations are made.

## **National Fraud Initiative (NFI)**

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.

The 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 NIHE 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.

In the 2012/13 NFI exercise, NIHE received 20,845 Housing Benefit related referrals. Of these 9,750 were passed to Social Security Agency (SSA) as they referred to claims where the claimants were in receipt of other welfare benefits which give entitlement to Housing Benefit (these are known as passported claims).

The SSA has responsibility for reporting on the outcomes of these referrals. Of the 11,095 remaining cases reviewed by the NIHE, adjustments to the Housing Benefit award were made in 298 cases, with overpayments amounting to £1.1m being raised.

A further 745 cases were referred to the Single Investigation Services (SIS) as potential fraud cases. As at April 2015 SIS have reported on 373 of these cases where 17 have been identified for possible prosecution or administrative penalties and 356 investigations proving ineffective. A further 372 remain with SIS for completion. Results from these cases will be recorded as they are received.

While the 2012/13 NFI exercise produced some worthwhile results it was evident that these tended to be limited to certain match types. This experience has been used to prioritise the resources applied to the 2014/15 exercise. Referrals from the 2014/15 NFI exercise were received in February 2015. These were sifted and prioritised as mentioned above and 5,767 were identified as passported cases and forwarded to the SSA. Of the remaining cases 1,344 have been prioritised for action and were passed to Housing Benefit review staff for investigation in April 2015. The outcomes of these cases will be reported via the NFI website on an ongoing basis.

The process is currently ongoing and all outcomes, sanctions and savings will be reported in 2015/16.

Alongside the referrals to SIS, the NIHE has processed the remainder, and have selected approximately 1,300 housing benefit data matches which are not directly linked to other benefits (known as "non-passported"). The remainder of the matches relate mainly to general financial transactions.

Activities to date have focused on the higher risk cases which form the basis of the investigations. Appropriate actions to address these issues are in place or are 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 is central to this, with the fraud risk register is 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.

### **Housing Benefit Fraud & Error - Peer Review**

In March 2015, the Social Security Agency presented their findings on the Peer Review they carried out on the NIHE's strategy to deal with Fraud and Error. An initial meeting between NIHE and SSA has been held to discuss the findings and recommendations in the report and to explore how these could be taken forward with the aim of developing a co-ordinated approach to addressing all aspects of fraud and error. An outline plan was agreed and will be built on during the coming year.

### **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 areas of responsibility are being satisfactorily identified and managed. These are then used to support the Chief Executive's quarterly Stewardship Statement which is submitted to the Board and DSD.

### **Risk Management**

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

The Audit and Assurance Department ("AAD") provides independent assurances over risk management and assurance processes.

The Audit and Risk Assurance Committee approved the introduction of a Risk Assurance Framework in April 2014. 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.

The three lines of defence are:

1. First Line - this relates to 'front line' or Operational Business Areas and comes from those directly responsible for delivering specific objectives. Examples would include provision of Assurance Statements, reporting of performance and management information systems;
2. Second Line - this work is associated with oversight of management activity. It is separate from those responsible for delivery, but not independent of the organisations management chain. Examples would include AAD who report independently, Project Oversight Boards, reviews of policy implementation and quality reviews; and
3. Third Line - this relates to independent and more objective assurance and focuses on the role of Internal Audit, although other independent sources of assurance such as Gateway Reviews and external accreditation process also form part of the third line of defence.

This framework links corporate risk management and assurance processes and provides 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.

A governance project commenced in September 2014 with a set goal to implement a full and complete risk based revised assurance framework throughout the NIHE in order to enhance the effectiveness of the current system of internal control. The scope of the project includes a review of internal governance and associated documentation.

In order to implement an effective and relevant assurance framework it is important to set a risk appetite for NIHE, inclusive of direction from the Board and Senior Management Team. The process of setting a risk appetite for the NIHE is currently underway.

A workshop took place with the Board and Senior Management in February 2015 to consider risk appetite on various business themes. It was agreed that the Board should determine an agreed risk appetite to enable NIHE to pursue projects such as Transformation and Build Yes and to provide services which would add value and support the front line delivery. A further meeting is planned in September 2015 to refresh the Corporate Risk Register to take cognisance of a determined set appetite and ensure it is aligned with the revised business objectives of NIHE.

When complete, this will ensure greater links between NIHE's risk management processes and the new NIHE assurance framework to ensure better use of audit and assurance resource.

The framework will provide ongoing assurance that risks to organisational objectives are being managed in-line with the new and clearly defined appetite and tolerances for risk. It will also ensure that prompt, corrective action is delivered where required.

The current Corporate Risk Register for 2015/16 (under review) identifies the key NIHE risks, management actions in place to address them, and the proposed actions to manage them. Risks are evaluated on the basis of the likelihood and impact of the risk materialising.

Two new risks and associate management actions were added to the Corporate Risk Register as emerging issues in February 2015. The titles of the two new risks are Budget Reduction and Social Housing Development Plan ("SHDP"). These risks were evaluated as red risks (high priority and high impact) and therefore attract considerable scrutiny and management.

The Corporate Risk Register as at 31st March 2015 includes the following evaluated as red risks: (There are 10 corporate risks recorded on the register however the four detailed below are red risks. These are scored as Likelihood High and Impact High on a risk scoring matrix)

Risk	Progress
Budget Reduction	<p>In-line with the Public Sector in Northern Ireland, the NIHE faces major reductions in budget. This issue was considered as budget constraints may have a potentially significant impact on service delivery, the NIHE's reputation and public confidence.</p>
Social Housing Development Plan (SHDP)	<p>The risk that the SHDP programme fails to adequately meet assessed housing needs and deliver the Social Housing Development Programme in-line with budget was escalated to the Corporate Risk Register in February 2015.</p> <p>If the NIHE falls outside the 2% expenditure underspend tolerance, then the accounting officer will need to write a letter of explanation to the DSD and that part of the budget will be lost.</p> <p>The Regional Services Division is currently developing a delivery strategy to enhance delivery including NIHE land identification and acquisition.</p>
Health and Safety (Landlord Division)	<p>The responsibility for the Health and Safety risk was split during the year. The occupational element of the risk became the responsibility of Corporate Services.</p> <p>The Landlord Services Division assumed responsibility of the property aspect which held greater risk for the organisation. The process of procuring Fire Risk Assessors was initiated to aid in the delivery of an Action Plan for 'closing out' Building Control Regularisation process.</p> <p>A Review of Fire Risk Assessments to all premises also commenced on the 11th August 2014 to review existing assessments and undertake additional assessments at relevant premises.</p>
Procurement	<p>As reported in last year's statement, a Project Team was put in place to action the 7 recommendations resulting from the Centre of Procurement Expertise (CoPE) Accreditation review.</p> <p>Further to a meeting of the 11th June 2014, the DSD Procurement Oversight Board confirmed that good progress had been made on implementing the recommendations. Members agreed that the NIHE should retain its CoPE status with the Oversight Board remaining in place.</p> <p>Following a 2 day review by the Centre of Procurement Expertise assessment team held on the 2nd and 3rd of March 2015, the Assessment of Action Plan Review Team reported significant improvement in the management and delivery of procurements carried out by the NIHE CoPE. All the recommendations of the Assessment have been satisfactorily addressed, some of them in an exceedingly effective manner.</p> <p>From April 2015 the Procurement Risk scoring will be reduced to acknowledge the above comments and will not be considered a red corporate risk.</p>

### **3. Overview of Significant Reports/Issues**

#### **3a. External Reports**

##### **Social Development Committee**

On the 13 March 2015, the Assembly Committee for Social Development published its report on Phase 2 of its inquiry arising from the BBC NI Spotlight Programme which aired on 3 July 2013. The Committee examined the adequacy of the actions taken by the Department and the NIHE to address well documented failings in procurement, governance and contractual management. Overall the Committee agreed that good progress had been made. The recommendations from this report will be reviewed and actioned by the NIHE in order to further to enhance our procedures.

##### **Public Accounts Committee (“PAC”)**

###### **Tenancy Fraud**

In October 2014 the PAC published its Tenancy Fraud Report which contained four recommendations applicable to the NIHE. All recommendations were accepted and have either been implemented or are currently works in progress.

1. Establish an evidence based baseline figure for the level of tenancy fraud in Northern Ireland.  
UPDATE: A random sample of 1,000 NIHE properties is currently under way and will be reported on in September 2015.
2. Develop formal protocols with utility companies regarding utility usage. UPDATE: Formal protocols have been established where appropriate.
3. Greater cooperation across the social housing sector in Northern Ireland. UPDATE: An oversight group has been established which is chaired by the department and attended by NIHE, NIFHA and Housing Association Representatives. This group meets quarterly and considers innovative approaches to combating tenancy fraud.
4. Review of the legislative position in Northern Ireland.  
UPDATE: NIHE are working with the DSD to consider the introduction of legislation similar to the Prevention of Social Housing Fraud Act in England.

A Tenancy Fraud Audit was carried out in 2014/15 by the Audit and Assurance Department. The audit investigated 2,845 properties, on the basis that they had not reported a repair within the previous 12 months. As a consequence 23 properties were recovered.

In December 2014, the NIHE had the first successful Tenancy Fraud criminal conviction in Northern Ireland. A NIHE tenant was convicted under the Fraud Act and sentenced to three months in prison (suspended for 12 months) for the sublet of his NIHE property for profit. The case was reported on the NIHE website, locally in the press and shared with the national Tenancy Fraud Forum.

##### **Advanced Land Purchases**

The NIHE gave evidence on the subject of Advanced Land Purchases to the Public Accounts Committee on the 18th February 2015. The Public Accounts Committee will publish a report in due course.

There is also a pending NIAO report relating to land disposals which is expected to be published later in 2015.

## **Department for Social Development (DSD) - Governance Review 2010**

In February 2014 the DSD reported on the outcome of their November 2013 follow-up 'Review of Governance in the NIHE.' On 9th December 2014 NIHE reported the following update on the implementation of the findings and conclusions.

The majority of the outstanding critical control recommendations and Ministerial work plan actions have been implemented in full with the exception of good practice recommendation 54 (Egan Planned Maintenance Contracts). This recommendation is encompassed into the legal settlement on the Previous Egan contracts with a target date of closure as August 2015.

In August 2014, the Department approved the settlement the NIHE had reached with the contractors on the closure of the January 2008 to July 2012 Egan Planned Maintenance contracts. All outstanding contracts are being worked on and will be closed in due course, once finalised this would complete all recommendations made under the Review of Governance.

All outstanding contracts are being worked on and will be closed in due course, closing out all recommendations made under the Review of Governance in the NIHE recommendations.

## **Department for Social Development (DSD) - Accountability Meetings**

The NIHE continues to engage with DSD at regular accountability meetings between the NIHE Chief Executive and the Permanent Secretary. An engagement framework has been proposed and is due to be implemented in the coming year.

### **3b. Internal Reports**

#### **Head of Audit and Assurance Opinion**

As previously outlined, the Audit and Assurance Department (AAD) was formed following a merger of the former Internal Audit and Corporate Assurance Units; effective from June 2014. The newly structured AAD follows a process delivery approach ensuring a greater risk based focus. The new approach will be closely supported by ICT through the use of data analytics. AAD will work with all divisions to ensure a risk based methodology delivers for NIHE.

The Head of Audit and Assurance, on the basis of work carried out by AAD, provided an overall Satisfactory Assurance opinion regarding the adequacy and effectiveness of the NIHE's internal control environment in 2014/2015.

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

In addition to an overall Head of Audit and Assurance Opinion in relation to the NIHE control environment, the Head of Audit and Assurance has provided a separate opinion on the system of internal control over Housing Benefit (HB) which is also a satisfactory assurance. (See Housing Benefit Opinion)

When 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 and is monitored on a monthly basis through the Performance Review Committee which is chaired by the Chief Executive. The Head of Audit and Assurance is engaging with all Directors and their divisions to determine the inspection programme and horizon scan for emerging issues that may have an impact on achieving the NIHE objectives.

### **Internal Audit Reports**

During the 12 months to 31 March 2015, the Internal Audit unit within AAD carried out 33 internal audit assignments. Five reports were issued with a Limited Assurance opinion and no reports were unacceptable.

The internal audit assignments issued with a Limited audit opinion were:

- Social Housing Development Programme:  
Advance Land Purchases and Programme Back loading;
- Review of Heating Maintenance (Follow Up);
- Supporting People Non-Recurrent Funding;
- Review of the Economic Appraisals Control Environment;
- Health & Safety (Fire Safety Strategy);

When Internal Audit reports are classified as Limited or Unacceptable the Assurance and Improvement unit within AAD will revisit the topic to ensure recommended actions were taken and to get adequate assurance on the implementation of the recommendations as agreed by management.

### **Technical (Response/Planned Maintenance) and Compliance (Assurance and Improvement) Reports**

During the 12 months to 31 March 2015, the Technical (Response/Planned Maintenance) and Assurance and Improvement Unit within AAD carried out 52 inspections. Three reports were issued with a Limited Assurance opinion and five were issued with an Unacceptable assurance opinion.

The Technical Inspection reports issued with a Limited audit opinion were:

- South East Area (Newtownards) Housing Benefit Controls and Assessments 2013/14 (Assurance and Improvement Inspection); and
- Scheme Inspection Rostrevor/ Warrenpoint Kitchen Scheme (Planned Scheme Inspection).
- South Down Area Response Maintenance Heating.

The Technical Inspection reports issued with an Unacceptable audit opinion were:

- Downpatrick Low Rise Fire Doors (Planned Scheme Inspection);
- Portadown Fire Doors (Planned Scheme Inspection);
- Newtownabbey 1 Medium Rise Health and Safety Fire Door Scheme Project (Planned Scheme Inspection); and
- Estate Services Vertical Lift Installations - All Areas (Planned Scheme Inspection); and
- Planned Heating Inspection South Area Office - Mourneview/ Cambrai Lurgan Heating Scheme (Planned Scheme Inspection).

## **Head of Audit and Assurance Opinion (Housing Benefit)**

During the 12 months to 31 March 2015, AAD carried out 17 audit assignments on Housing Benefit. Seven reports were issued with a Substantial assurance opinion, nine had a Satisfactory opinion and one was Limited.

- HB Controls & Assessments - Newtownards HB Unit

The Head of Audit and Assurance on the basis of work carried out, provided an overall **Satisfactory Assurance opinion** on the system of internal control over the NIHE Housing Benefit in 2014/2015.

In forming the overall opinion, the Head of Audit and Assurance 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 to the ARAC, together with the recommendations for improvement. Progress on recommendations is reported to the ARAC on a quarterly basis.

In relation to the audit report classified as Limited, AAD will revisit that office to get adequate assurance on the implementation of the recommendations as agreed by management within 12 months of the Final report being issued.

### **Recommendations Monitor**

The AAD monitors internal and external recommendations and reports. The AAD provides quarterly updates on the implementation of recommendations to the Audit and Risk Assurance Committee. Also, since October 2014, Audit and Assurance Department has reported monthly updates on recommendations which were due for completion to the Chief Executive's Performance Review Committee. This was introduced to ensure more recommendations are completed on time.

In March 2015 AAD was able to report to ARAC that it had successfully managed the reduction of outstanding Internal Audit recommendations. As at the end of quarter 4 March 2015 recommendations had reduced by 86 from 203 to 117.

In addition, AAD carried out an audit of recommendations where management had confirmed they had been implemented. This audit was given a Satisfactory classification and was reported to the March 2015 ARAC meeting.

### **Update on Internal Investigations including potential Fraud Investigations reported in 2013/2014 Annual Statement**

During the 2013/2014 year nine new referred cases were investigated. Out of these nine, three referrals were not deemed fraudulent and the cases concluded.

Three referrals were found to be insufficient in evidence to the criminal standard of proof. These cases are now being progressed through disciplinary proceedings.

Two cases were submitted to the police for further investigation and are currently with the Public Prosecution Office for direction.

One case of Fraud by False Representation was prosecuted by the Public Prosecution Service. This case resulted in a three month suspended jail sentence for the offender suspended for 12 months.

### **Internal Investigations 2014/2015 (including Potential Fraud)**

During the 2014/2015 year 15 new cases have been referred to the Counter Fraud Security Unit (CFSU) 14 of which are still within the unit and at various stages of investigation. One case has been referred to the police with a recommendation of prosecution for multiple offences of Fraud by False Representation. The offender has been arrested by police and is currently on bail.

In addition to these cases, CFSU are providing advice and guidance to AAD regarding a whistleblowing investigation, which is in the early stages of review.

### **Investigation Steering Group (ISG)**

The NIHE treats all concerns raised by Whistleblowers as serious matters and all are investigated. The Investigation Steering Group (ISG) was established to consider whistleblowing allegations and allegations of possible fraud and misconduct within NIHE. In conjunction with the NIHE Whistleblowing Policy, the ISG aims to develop a more stringent process around the timeliness and management of whistleblowing claims. This will address a control weakness identified by the Group. The Group meets on a quarterly basis and by exception, and is chaired by the Director of Corporate Services.

The Investigation Steering Group (ISG) is made up of the following personnel:

Director of Corporate Services (Chair)

Director of Finance

Director of Regional Services

Director of Landlord Services

Head of Audit and Assurance Services

Head of Human Resources

Head of the Counter Fraud Security Unit

In the year from 01/04/14 to 31/03/15 there have been eight whistleblowing cases referred to ISG broken down as follows:

- Five relate to Heating Maintenance (live)
- Two relate to Planned Maintenance (closed);and
- One relates to Procurement (closed)

The current 5 whistleblowing cases that are live are being investigated by Human Resources and the Audit and Assurance Department. These are currently ongoing and form part of AAD Heating Review.

The allegations involve issues relating to heating maintenance in the South and Belfast Region. Regular updates are provided to the Senior Team and Board on the progress of these investigations.

### **Ministerial instructions**

There were no Ministerial instructions in the financial year 2014/2015.

### **Protective security breaches**

During July 2014, NIHE 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 on the Department of Works and Pensions system. The matter had been reported to the PSNI as there were links to the witness protection scheme. The NIHE co-operated fully with the PSNI investigation. The agency employee was arrested and charged.

The incident was reported via the NIHE internal security incident channels on 7 July 2014 and closed off on 29 July 2014.

#### **4. Declaration of Significant Governance Issues for 2014/15**

I can confirm that the significant governance issues raised in the Governance Statement for the year 2014/2015 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 continuing.

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**

The Acting Chief Executive, Mags Lightbody tendered her resignation on 27th May 2015. A temporary Acting Chief Executive has been appointed from within the Senior Management Team. The permanent Chief Executive post was advertised in early June and the process to have the new Chief Executive in position is expected to be completed by December 2015.

The Workforce Plan 2014/15 (approved by the Board at its meeting in March 2014) was the document upon which the NIHE based its workforce and resourcing plans during the year.

Drawing on the evidence of the Workforce Plans, and the outworking of System Thinking, divisions devised new outline proposals for the preferred organisational structures moving forward.

A key element in enabling the transition to the new structures was the development of a Voluntary Early Severance (VES) Scheme, which would facilitate the voluntary release of staff from the NIHE.

Departmental approval to the NIHE's VES Scheme was obtained in November 2014. Some 190 staff have been approved for early release from the NIHE as Tranche 1 of the release programme during 2015/16, the majority of which have left at the end of May 2015.

The VES Programme will assist the transition to the new ways of working envisaged as part of the NIHE's Journey to Excellence programme.

The NIHE re-structured its Human Resource Team, during the year, with the aim of providing more strategic support to the divisions, while improving the focus on attendance management. In addition, a programme aimed at addressing the Health and Wellbeing of staff was implemented.

## **Transformation Programme**

In 2014, our Journey to Excellence Programme began to transform the NIHE. Its vision is to ensure we deliver top class regeneration and housing solutions, meeting the needs of our communities and partners now and in the future.

By 2017 we want to be recognised as an organisation which is best in class in all that we do, delivering excellent results across our services, with high levels of customer satisfaction and business structures, which are customer focussed, streamlined and demonstrate value for money.

As part of this journey we launched our strategic statements for the three pillars of excellence – Business, Customer and People, with an enabling technology platform which will underpin all of our work. We are committed to service excellence for every customer, every time and however they contact us. A cultural shift across the business to ‘Think Yes’ allows us to build relationships with our customers based on trust that attracts, retains and delights them.

We are exploring ways to ensure our diverse organisation will recruit, develop, support and retain the best people to achieve our ambitions. We are developing our leaders as coaches and mentors so that our frontline staff manage themselves and take responsibility and accountability for delivering on our promises to customers and stakeholders. We will use modern technology to revolutionise how we do business and to make our services easy to access.

The challenges to achieving our vision for the Journey to Excellence are significant given the scale of change and the aspiration to become an excellent organisation. This also means that our vision will take time to deliver. Considerable effort is also devoted to ensuring that we anchor the changes in our corporate culture and that staff have been instrumental in reflecting our vision in our renewed organisational values and in capturing how we live these values through our attitudes and behaviours.

Despite the challenges, as an organisation we are confident that with the commitment and drive which has already been demonstrated by both our senior management team and our staff delivering our services, the organisation will achieve the vision of our Journey to Excellence.

## **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 improvement work.

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 oversees the Project continues to update the Chief Executives Business Committee (CXBC), the Board and the Minister on progress on a regular basis.

The NIHE and the DSD have agreed to carry out a review of the Stock Transfer Project with the SHRP team and NI Federation of Housing Associations. In June 2014 the Northern Ireland Audit Office

published the report Improving Social Housing Standards through Stock Transfer.

NIAO's findings and recommendations in its report on Stock Transfer were considered as part of the Review of the programme carried out by NIHE, DSD, SHRP/SIB and NIFHA in 2014. The Review recommended a new approach to the programme including a reconfigured programme and a revised transfer process; this was approved by the Board of the Housing Executive in July 2014 and by the Minister in November 2014. NIAO's recommendations are consequently being used by NIHE and DSD to inform the development of the new transfer process that is currently being prepared.

### **Housing Benefit Fraud and Error**

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

During 2014/15 the level of cumulative overpayments increased from £33.6m to £34.6m; an increase of £1.0m. A large part of the increase in overpayments stems from successful detection activity undertaken under the auspices of the NIHE's HB Fraud and Error Strategy. During 2014/15 approximately £4.1m was raised in overpayments arising from this counter-fraud activity.

The DSD's Standards Assurance Unit undertakes an annual exercise to estimate the level of fraud and error (including official error). For the calendar year 2014, this showed that the overall combined estimate of fraud and error fell from 4.2% of annual benefit expenditure to 4.1%. Within this total, the level of official error fell from 1.5% to 1.1% of annual benefit expenditure. Customer error also fell, from 0.9% to 0.4%, but customer fraud increased from 1.8% to 2.6% although a significant proportion of this estimate related to passported HB claims where the fraud related to a claim for a different social security benefit but also affected the HB award.

The 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.

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 to 3.35% of HB expenditure by March 2016 has been agreed by the NIHE and the DSD. Performance against this target is tracked on a quarterly basis.

Warnings regarding fraud and the need to provide accurate and complete information are included on every application form for Housing Benefit and all communications issued to claimants emphasise the need to promptly report any changes in circumstances. In addition, 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.

To supplement the communications to claimants, 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 £1.7m in Housing Benefit overpayments from this activity during 2014/15, up from £0.92m 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 2014/15, 12,773 cases have been reviewed and adjustments made in 9604 cases, resulting in overpayments of £0.97m being raised.

In addition, from October 2014 we have participated in the Real Time Information (RTI) programme which identifies cases of undeclared earnings and occupational pensions using data supplied by HMRC. Up to the end of March 2015 we reviewed 2377 cases and identified 761 instances of undeclared income, raising overpayments of £1.03m. The combination of the annual review of earnings cases and the RTI programme provide an effective tool in addressing what is seen as the most common cause of fraud and error in HB.

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

When we detect suspected or actual fraud, we take action. Under our service level agreement with the Social Security Agency potential fraud cases are referred to the Single Investigation Service for investigation and possible prosecution. We provide training for our colleagues in the Single Investigation Service on the conditions of entitlement to Housing Benefit and work closely with them to ensure that investigators have a high level of knowledge. In 2014/15 we referred 688 cases of suspected fraud to SIS resulting in the detection of overpayments of approximately £300,000 and 18 prosecutions. The Social Security Agency publicise those cases where a criminal conviction has resulted following an investigation of benefit fraud.

Following a review of our HB Fraud and Error Strategy and a Peer Review of counter-fraud activity undertaken by Single Investigation Service, it has been agreed to consider pilot arrangements to better co-ordinate the approach to addressing fraud and error across all social security benefits during 2015/16.

### **Welfare Reform**

The NIHE continues to make preparations for the implementation of Welfare Reform. Liaison is ongoing with the DSD in relation to the Social Sector Size Criteria and a scheme for mitigation. In the absence of clarity, work is continuing to establish potential costings of such a scheme. Initial estimates put the NIHE's administration/staffing costs in the region of £3-£3.5 million in the first year. In addition, there are likely to be ongoing costs for the duration of the mitigation.

### **Contract Management (Response Maintenance)**

The current All Trade contracts have been in place since 2014. Following the loss of two contractors both going into administration during 2013/14, the affected contracts in North and East Belfast, Shankill, South Belfast, Lisburn and Portadown are running smoothly with replacement contractors now in place. Direct Labour Organisation is one of the contractors.

In order to provide governance the All Trade contracts are monitored by the measurement of Key Performance Indicators (KPI s) and incorporate clearly defined escalation procedures for cases of poor performance and contractual non-compliances. Poor performance and breach of contract can lead to termination.

The key performance measures in place are primarily targeted against quality, cost accuracy and timely delivery. Monthly assessments of the KPIs are considered at a monthly performance meeting. The contractors are assessed on the quality and quantity of their completed works, their ability to rectify defects in a timely manner and their adherence to time scales for completed works.

The Audit and Assurance Department has identified that there has been continuous improvements within the delivery of the Response Maintenance Contracts during the 2014/15 annual programme. Of the All Trade Contracts, 7 are at Final report stage with 6 being substantial and 1 being satisfactory while the 6 heating reports are at final report stage with all being satisfactory.

The All Trade contract process has recently been stress tested by representatives at a senior level from the Landlord Division, Finance and the Audit and Assurance Department and a Financial Control Procedure document has been drawn up as a follow on from the stress test.

To reflect the continuous improvement in Contract Management the residual risk score for Corporate Risk 5 has reduced from a red risk due to the controls now in place and proposed actions which have been implemented.

### **Office of Government Commerce (OGC) Gateway Review 5**

The NIHE received the OGC Gateway 5 Review on the new Response Maintenance Contracts at the end of April 2014. The Review contained 8 Recommendations, an Action Plan is being developed to address these and monitoring arrangements has been established in order to ensure progress against set timescales. The NIHE view it as an opportunity to review how the contracts are being managed, the benefits to be realised from them and how we develop the relationship between the Contractors and ourselves for the benefits of all.

NIHE have recently received the final report into the Assurance of the Action Plan on the Gateway Review. 6 of the 8 actions are now green and complete with the further 2 being addressed. The overall status of the report has moved to Amber-Green and is reflective of NIHE's commitment to address these actions.

The All Trade contracts are due for renewal in 2016; these renewals will most likely coincide with the changes around asset management. A change of contract style may follow on from the changes in asset management. Arrangements are being put in place to look at the future procurement of Response Maintenance contracts in conjunction with the work being carried out in relation to asset management. The arrangements placed around the new procurement will be subject to normal project governance.

## **Direct Labour Organisation**

The in-house Direct Labour Organisation (DLO) continues to deliver effectively the Response Maintenance Contracts (All Trades) to around 30,000 homes in North, South and West Belfast, as well as Craigavon and Coleraine.

It currently employs a total of 480 staff and has a turnover of some £23m per annum providing the All Trades response maintenance service along with a grounds maintenance service and a ten year Health & Safety electrical inspection programme.

The current DLO response repairs business consists of 360 staff (including agency staff) with running costs of £17.5M per annum. The remaining 120 staff are engaged in the delivery of a grounds maintenance service, the motor vehicle workshop and the electrical health and safety inspections.

The DLO delivers the Response Repairs services in Belfast from a single leased depot in Stockman's Way, which replaced the smaller depots in Glengall St. and Argyll Business Park. It has also procured a depot in Portadown from which it delivers the maintenance services to Craigavon and Portadown, and the services in Coleraine are delivered from a leased depot at Hillmans Way.

All DLO staff have attended the NIHE Governance training courses and are now included in the 2015 programme for Data Protection training.

Job interviews commenced in May 2015 to begin replacing the temporary management structures. The introduction of new day-to-day mobile working device technology is being considered. The environmental impact of the DLO business is being assessed and ways to improve its apprenticeship programme are being developed.

Health & Safety training is supported weekly by supervisory led tool box talks, and risk assessments are carried out on all new tasks and catalogued for daily reference.

Performance and service delivery is measured against organisational KPIs and reported monthly to the Performance Review Group and quarterly to the DLO Performance and Development Committee which consists of three NIHE board members and two independent members.

The DLO aims to meet repair quality targets, meet repairs completion targets, provide continued training to develop a highly skilled and committed workforce and develop best in class and best value models. It also aims to achieve customer satisfaction targets and support the organisation on its journey to excellence.

## **Contract Management (Planned Maintenance)**

New Planned Maintenance Contracts have now been live since June 2014 and have been delivering projects on site since August 2014. The delivery of Planned Schemes is now the responsibility of our multi-discipline professional consultants who we in turn hold accountable.

In order to provide governance, both the planned schemes and the multi-discipline professional consultants' contracts are monitored by the measurement of Key Performance Indicators and incorporate clearly defined escalation procedures for cases of poor performance

and contractual non-compliance. Poor Performance can lead to low performance damages being attributed to the contractors however this can present difficulties when trying to recover. In significant cases of poor performance NIHE may seek termination under breach of contract.

The key performance measures in place are primarily targeted against quality, cost accuracy and timely delivery. The consultants, at a monthly performance meeting, assess the contractors on the quality of their completed works, the accuracy of their invoicing and their adherence to programme. Subsequently for each project our in-house staff assess the consultant on the quality of the finished product accepted by them, the accuracy of their payments under the contract and their delivery.

Similar contracts are in place for other planned works such as heating and grounds where the works are directly managed by our in-house staff. These contracts contain similar key performance indicators and escalation procedures measuring quality, cost accuracy and timely delivery providing the necessary governance.

The Planned Schemes, Heating and Multi-discipline professional contracts/delivery processes have been reviewed by representatives at senior level from Landlord Division, Finance and the Audit and Assurance Department. Minor improvements have been implemented.

The closure of the 2010-2014 "Egan" planned schemes is nearing completion. Agreement was reached between both parties, contractors/employer, on the projects completed up to July 2012 with projects from July 2012 being closed on a project by project basis. Principles from the agreement have been applied across into the latter projects and only a few compensation events remain to be agreed.

### **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 a start on-site by December 2015.

The purchase of land was a challenge in 2014/15. The level of advanced land purchases was lower than anticipated with around £13m of the £20m available being utilised. The remaining money was used for schemes starting on-site in-year.

Delivery of the supported housing schemes remains challenging and as a result the NIHE will continue to monitor closely Housing Association performance against key delivery milestones.

To address the underlying issues a "delivery strategy" is being developed with the DSD to fundamentally review how the programme is formulated, funded and managed. It will also look for ways of increasing the reliable supply of public and private sector land to support new social housing.

## **Supporting People**

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

There is a project working group led by the DSD which includes key delivery partners such as the NIHE, Department of Health and Public Safety. The Supporting People team engage with the steering group and project advisory group. These groups meet at key points throughout the course of the project. The report, subject to ministerial approval, is due to be published in August 2015.

## **Warm Homes**

From 1 April 2014 – 31 March 2015 approximately £12m in grant aid was issued under the Warm Homes Initiative. Under the scheme private sector households could access grants for energy efficiency measures to be installed. Over 7,000 dwellings applied and were granted the funding available. A maximum of £6,500 could be allocated per household for the installation of energy efficiency measures. In some cases the cost of the proposed measures exceeded the maximum allowed payment, in each of these cases Department of Finance & Personnel approval was sought by NIHE.

## **Land Disposals**

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

## **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 the NIHE management are committed to ensuring that these are appropriately addressed without undue delay. Progress in relation to these will be reported to the Audit Risk Assurance Committee and the Board throughout 2015/2016.



Clark Bailie  
Acting Chief Executive

Date: 30 June 2015



# **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 2015 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 £671million. The level of estimated fraud and error as reported in Note 30 to the accounts resulted in overpayments of £22.3 million and underpayments due to official error of £4.4million. 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 heating response and planned maintenance**

The total expenditure on heating response and planned maintenance was £102.6million. 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 heating response and planned maintenance expenditure was adequate. Because of this lack of evidence I was unable to form an opinion whether the expenditure of £102.6million on heating 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 £26.7million of housing benefit payments attributable to estimated levels of fraud and error, and, except for heating response and planned maintenance expenditure of £102.6 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.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of Northern Ireland Housing Executives' affairs as at 31 March 2015 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.

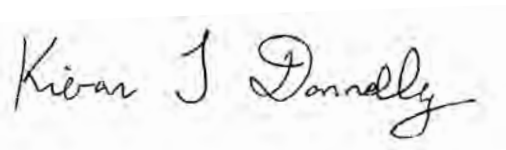
### **Matters on which I report by exception**

In respect only of the issues relating to heating response and planned maintenance expenditure 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.



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

2 July 2015

**Northern Ireland Housing Executive**  
**Statement of Comprehensive Net Expenditure for the year ended 31 March 2015**

	Note	2015 £'000	Restated 2014 £'000
<b>Expenditure</b>			
Staff Costs	4	103,316	98,247
Other Expenditures	5, 6 & 7	473,165	381,293
Total Housing Benefit Costs	8	655,233	639,973
Depreciation, Amortisation, Write Offs & Write Down	12(a)	34,141	41,013
<b>Total Expenditure</b>		<b>1,265,855</b>	<b>1,160,526</b>
<b>Income</b>			
Rental Income	10	287,961	277,898
EU Income	10	3,043	3,301
Other Income	10	52,511	51,589
Total Housing Benefit Income	8	655,233	639,973
<b>Total Income</b>		<b>998,748</b>	<b>972,761</b>
<b>Net Expenditure before Interest</b>		<b>(267,107)</b>	<b>(187,765)</b>
Interest Receivable	11(b)	425	616
Financing Charges	9	(39,629)	(45,503)
Pension Financing Charges	24(d)	(3,587)	(4,969)
<b>Net Expenditure before taxation</b>		<b>(309,898)</b>	<b>(237,621)</b>
Tax on ordinary activities	11	355	(14,252)
<b>Net Expenditure after taxation</b>		<b>(309,543)</b>	<b>(251,873)</b>
<b>Other Comprehensive Net Expenditure</b>			
<b>Items that will not be reclassified to net operating costs:</b>			
Net gain/(loss) on revaluation of Property, Plant and Equipment		81,848	(1,239,566)
Net gain/(loss) on revaluation of Pension Actuarial Gains and Losses	24(e)	(21,533)	43,030
<b>Other Comprehensive Net Expenditure</b>		<b>60,315</b>	<b>(1,196,536)</b>
<b>Total Comprehensive Net Expenditure for Year ended 31 March 2015</b>		<b>(249,228)</b>	<b>(1,448,409)</b>

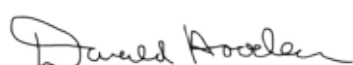
All amounts in the Statement of Comprehensive Net Expenditure relate to the continuing operations of the Northern Ireland Housing Executive.

The notes on pages 101 to 169 form part of the accounts.

**Northern Ireland Housing Executive  
Statement of Financial Position as at 31 March 2015**

	Note	2015 £'000	2014 £'000
<b>Non-current assets</b>			
Property, Plant & Equipment - Operational	12(a)	2,151,937	2,108,725
Property, Plant & Equipment - Non Operational	12(b)	977	1,236
Intangible Assets	12(c)	2,113	1,989
<b>Total non-current assets</b>		<b>2,155,027</b>	<b>2,111,950</b>
<b>Current Assets</b>			
Assets Classified as Held for Sale	13	3,690	4,854
Inventories	14	4,071	4,830
Trade and other receivables	15 & 16	72,954	71,379
Cash and cash equivalents	17	101,940	155,327
<b>Total current assets</b>		<b>182,655</b>	<b>236,390</b>
<b>Total assets</b>		<b>2,337,682</b>	<b>2,348,340</b>
<b>Current Liabilities</b>			
Trade and other payables	18	(280,428)	(258,100)
Provisions	23	(6,174)	(14,444)
<b>Total current liabilities</b>		<b>(286,602)</b>	<b>(272,544)</b>
<b>Net Current Liabilities</b>		<b>(103,947)</b>	<b>(36,154)</b>
<b>Non-current assets less net current liabilities</b>		<b>2,051,080</b>	<b>2,075,796</b>
<b>Non-current liabilities</b>			
Trade and other payables	18	(13,435)	(15,672)
Loans Outstanding	20	(352,967)	(409,963)
Provisions	23	(1,103)	(6,042)
Pension Liability	24(d)	(108,557)	(80,488)
<b>Total Non-current liabilities</b>		<b>(476,062)</b>	<b>(512,165)</b>
<b>Assets less Liabilities</b>		<b>1,575,018</b>	<b>1,563,631</b>
<b>Taxpayers' Equity</b>			
Statement of Comprehensive Net Expenditure Reserve		1,000,559	1,060,366
Revaluation Reserve		574,459	503,265
		<b>1,575,018</b>	<b>1,563,631</b>

The financial statements on pages 96 to 169 were approved by the Board Members of the Northern Ireland Housing Executive and signed on their behalf by:



Mr Donald Hoodless  
Chairman



Mr Clark Bailie  
Chief Executive (Acting)

Date: 30 June 2015

The notes on pages 101 to 169 form part of the accounts.

**Northern Ireland Housing Executive  
Statement of Cash Flows for the year ended 31 March 2015**

	Note	2015 £'000	2014 £'000
Net Cash Outflow from Operating Activities	25(a)	(209,857)	(157,624)
Cashflow from Investing Activities	25(b)	(100,349)	(112,646)
Cashflow from Financing Activities	25(c)	265,342	246,937
<b>Decrease in Cash &amp; Cash Equivalents</b>		<b>(44,864)</b>	<b>(23,333)</b>

The notes on pages 101 to 169 form part of the accounts.

**Northern Ireland Housing Executive**  
**Statement of Changes in Taxpayers' Equity for the year ended 31 March 2015**

	Note	SOCNE Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
<b>Balance at 31 March 2013</b>		<b>1,014,122</b>	<b>1,752,481</b>	<b>2,766,603</b>
<b>Changes in reserves 2013/14</b>				
Unrealised deficit on Revaluation:				
Housing Stock		-	(1,237,011)	(1,237,011)
Land & Buildings		-	(2,292)	(2,292)
Non Operational Assets		-	-	-
Other Assets		-	(263)	(263)
Realisation of assets on disposal		9,650	(9,650)	-
Net Expenditure for year		(251,873)	-	(251,873)
Actuarial gain on defined benefit pension scheme	24(d)	43,030	-	43,030
<b>Total 2013/14 Movements</b>		<b>(199,193)</b>	<b>(1,249,216)</b>	<b>(1,448,409)</b>
<b>Total recognised Income &amp; Expense for 2013/14</b>		<b>814,929</b>	<b>503,265</b>	<b>1,318,194</b>
Grant from Sponsoring Department		245,437	-	245,437
<b>Balance at 31 March 2014</b>		<b>1,060,366</b>	<b>503,265</b>	<b>1,563,631</b>

The notes on pages 101 to 169 form part of the accounts.

**Northern Ireland Housing Executive**  
**Statement of Changes in Taxpayers' Equity for the year ended 31 March 2015**

	Note	SOCNE Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
<b>Balance at 31 March 2014</b>		<b>1,060,366</b>	<b>503,265</b>	<b>1,563,631</b>
<b>Changes in reserves 2014/15</b>				
Unrealised gain on Revaluation :				
Housing Stock		-	59,177	59,177
Operational Land & Buildings		-	22,609	22,609
Non Operational Land & Buildings		-	62	62
Realisation of assets on disposal		10,654	(10,654)	-
Net Expenditure for year		(309,543)	-	(309,543)
Actuarial losses on defined benefit pension scheme	24(e)	(21,533)	-	(21,533)
<b>Total 2014/15 Movements</b>		<b>(320,422)</b>	<b>71,194</b>	<b>(249,228)</b>
<b>Total recognised Income Expense for 2014/15</b>		<b>739,944</b>	<b>574,459</b>	<b>1,314,403</b>
Grant from Sponsoring Department		260,615	-	260,615
<b>Balance at 31 March 2015</b>		<b>1,000,559</b>	<b>574,459</b>	<b>1,575,018</b>

The notes on pages 101 to 169 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 which have been 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.

Up to 31 March 2014 the Housing Executive treated the funding received from DSD for Housing Benefit as financing and accounted for the funding through the Revenue Reserve Account. However, it has now been agreed with the Department that the funding received for Housing Benefit should not be treated as a grant but rather treated as Income in the Statement of Comprehensive Net Expenditure. The impact of this change in accounting policy has been explained in Note 2.

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 books 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 IAS 16 as non-current assets, are accounted for as Property, Plant & Equipment within Note 12(a). Software costs, recognised under International Accounting Standard (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	4-10 years

### g) Property, Plant & Equipment

IAS 16, "Property, Plant & 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 'Loss on Disposal - Housing Association (see Note 12(a))'.

### **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	7 year life
Motor Vehicles	7 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 & 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 and Social Housing Development Programme. Note 31 provides a breakdown of general grants and grant in aid and how it was spent.

#### **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.

Any unspent grant paid to a Housing Association under the Social Housing Development Programme is recouped by the Housing Executive who in turn pay it to the Department for Social Development. Previously the recouped grant was accounted for in the Housing Executive's accounts as income in Note 10 and the payment to the Department for Social Development as expenditure within Note 5. From 2014/15 the grant previously paid out and now recouped is accounted for as a reduction in social housing development programme expenditure in Note 5. See Note 2 for an explanation of the impact of this change in accounting policy.

#### **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 liable to corporation tax on certain sources of income (in this case, interest receivable, chargeable gains on sale of Housing Stock & Land 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.

Provisions not required and written back during the year are disclosed separately in Note 23 with the exception of the provisions for Public Liability Claims and Managing Asbestos, for which this information is not available. The amount disclosed as provided in the year in respect of these items includes the impact of any provisions not required from the prior year-end, since the amount of this impact cannot be readily ascertained in order to be disclosed separately.

## **r) Contingent Liabilities**

A contingent liability is disclosed in Note 26 in accordance with IAS 37 if an obligation cannot be accurately estimated or if an outflow of economic benefits to settle the obligation is remote.

It is the Housing Executive's policy to challenge all public liability claims made against the organisation.

Where the likelihood of settlement of a claim is deemed to be remote, no provision is made but a note of the possible liability is included in Note 26. Payments in respect of settled claims are included in the Statement of Comprehensive Net Expenditure in the year in which they are made.

## **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 impairment losses.

##### **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.

#### **u) Apportionment Methodology - used for annex**

Accommodation and Support Service Department costs borne by the Housing Executive are apportioned to Landlord Services and Regional Services in order to establish the full cost of service delivery for each entity. Costs are apportioned as follows:

- Accommodation - apportioned on the basis of building utilisation
- IT Programme Costs - based on system specific utilisation where identifiable, otherwise apportioned on basis of Full Time Equivalent (FTE)
- All other Support Service functions - apportioned on the basis of FTE

The same basis as described above is used to apportion support service department costs within Trade and Other Receivables and Trade and Other Payables in the Statement of Financial Position.

#### **v) Commissioned Services**

Commissioned Services are those services that Landlord Services delivers on behalf of Regional Services, and vice-versa. The quantum of staffing resources applied to the delivery of Commissioned Services was confirmed by various local managers across the organisation using staff activity templates. In each instance the full cost of a Commissioned Service is quantified and a charge levied to reflect the full cost of service delivery.

Commissioned Services delivered by Landlord Services on behalf of Regional Services are:

- Homelessness
- Waiting List Management
- Housing Benefit
- Travellers

Commissioned Services delivered by Regional Services on behalf of Landlord Services are:

- House / Land Sales
- Research
- Adaptations

## Note 2

### Changes in Accounting Estimate

During 2014/15, a review of the depreciation rates used for the other assets category was undertaken. Subsequently the following rates were amended:

	Previously	Revised
Software	5 year life	varies 4 – 10 year life
Estate Management Equipment	4 year life	7 year life
Motor Vehicles	4 year life	7 year life

As this is deemed to be a change in accounting estimate there is no requirement to account for a prior year adjustment. Should the previous rates have continued to be applied during 2014/15 there would have been an additional depreciation charge of £316k.

### Changes in Accounting Policy

The following changes in accounting policies have been made:

#### 1) Housing Benefit Funding

In line with Government FReM, Note 1m) notes that general revenue / capital grants and grant-in-aid received from the Housing Executive's sponsoring body, the Department for Social Development, to assist the Housing Executive in carrying out its statutory function, must be treated as financing and be accounted for through the Revenue Reserve Account on the Statement of Financial Position. Up to 31 March 2014 NIHE treated the funding received from DSD for Housing Benefit as financing and accounted for the funding through the Revenue Reserve Account. It has now been agreed with the Department for Social Development that the funding received for Housing Benefit should not be treated as a grant but rather treated as Income in the Statement of Comprehensive Net Expenditure. The effect in 2014/15 is an additional £655,233k is accounted for as Income within the Statement of Comprehensive Net Expenditure. This previously would have been accounted for within Revenue Reserves as 'Grant from Sponsoring Department'. For 2013/14, Grant from Sponsoring Department within the Revenue Reserves has been reduced by £639,973k, which is now accounted for in Income within the Statement of Comprehensive Net Expenditure.

## **Note 2**

### **Changes in Accounting Policy (continued)**

#### **2) Transfer of Assets to third party organisations**

Up to 2013/14, following the Consolidated Budgeting Guidance issued by HM Treasury, the Housing Executive accounted for transfers of property to Housing Associations as a 'gift' in the Annual Accounts in Note 5 titled 'Capital Grant in Kind'. Following the issue of a Finance Director letter by the Department for Finance and Personnel, FD (DFP) 05/15 'Community Asset Transfer - Financial / Budgeting Implications', it has been clarified that for budgeting purposes a community asset transfer is treated as a capital grant-in-kind. However the letter further states the transfer is regarded for accounting purposes as a loss on disposal in the Statement of Comprehensive Net Expenditure. The result of this is that the transfer to Housing Associations in 2014/15 of £3,645k is accounted for within Depreciation, Amortisation, Write-Offs & Write Down. Previously this was accounted for in Note 5 as a capital grant in kind. As this is a change in accounting policy it has resulted in a prior year adjustment with £2,295k being reclassified from Note 5, 'Capital Grant in Kind', to loss on disposal within Depreciation, Amortisation, Write-Offs & Write Down.

#### **3) Recoupment of Social Housing Development Programme Grant**

Following agreement between the Department for Social Development, the Housing Executive and Housing Associations, unspent grant paid under the Social Housing Development Programme by the Housing Executive to a Housing Association is recouped and repaid to the Housing Executive who in turn pay it to the Department for Social Development. Previously the recouped grant was accounted for in the Housing Executive's accounts as income in Note 10 and the payment to the Department for Social Development as expenditure within Note 5 within 'Social Housing Development Programme'. From 2014/15 the grant previously paid out and now recouped is accounted for as a reduction in social housing development programme expenditure in Note 5. For 2014/15 this has resulted in Note 10 income and Note 5 expenditure being reduced by £1,337k. The effect on 2013/14 is a corresponding decrease in Note 5 and Note 10 for £8,287k.

## Note 2

### Changes in Accounting Policy (continued)

Summary of impact of change on the results for the previous year:

	At 31 March 2014 (without adopting new policy) £'000	Prior Year Adjustment 1 – Housing Benefit Funding £'000	Prior Year Adjustment 2 – Transfer of Assets to Third Party Organisations £'000	Prior Year Adjustment 3 – Recoupment of SHDP Grant £'000	Other disclosure changes * £'000	At 31 March 2014 (after adopting new policy) £'000
<b>Statement of Comprehensive Net Expenditure</b>						
<b>Income</b>						
Total Housing Benefit Income	-	(639,973)	-	-	-	(639,973)
Other Income	(59,876)	-	-	8,287	-	(51,589)
<b>Expenditure</b>						
Staff Costs	91,258	-	-	-	6,989	98,247
Other Expenditures	383,754	-	(2,295)	(8,287)	*8,121	381,293
Total Housing Benefit Expenditure	654,303	-	-	-	(14,330)	639,973
Depreciation, Amortisation, Write Offs & Write Down	39,498	-	2,295	-	(780)	41,013
<b>Net Expenditure after taxation</b>	<b>891,846</b>	<b>(639,973)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>251,873</b>
<b>Statement of Financial Position</b>						
Revenue Reserves	1,060,366	(639,973) 639,973	-	-	(14,330) 14,330	1,060,366



Summary of impact of change on the results for the current year:

	At 31 March 2015 (without adopting new policy)	Prior Year Adjustment 1 – Housing Benefit Funding	Prior Year Adjustment 2 – Transfer of Assets to Third Party Organisations	Prior Year Adjustment 3 – Recoupment of SHDP Grant	Other disclosure changes	At 31 March 2015 (after adopting new policy)
	£'000	£'000	£'000	£'000	£'000	£'000

Statement of Comprehensive Net Expenditure

Income

Total Housing Benefit Income	-	(655,233)	-	-	-	(655,233)
Other Income	(53,848)	-	-	1,337	-	(52,511)

Expenditure

Other Expenditures	478,147	-	(3,645)	(1,337)	-	473,165
Depreciation, Amortisation, Write Offs & Write Down	30,496	-	3,645	-	-	34,141
<b>Net Expenditure after taxation</b>	<b>964,776</b>	<b>(655,233)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>309,543</b>

Statement of Financial Position

Revenue Reserves	1,000,559	(655,233)	-	-	-	1,000,559
		655,233				

## Note 2

### Changes in Accounting Policy (continued)

\* Other disclosure changes during the year ended 31 March 2015 were

	£'000	£'000
Transfer of Agency Costs from Other Expenditures to Staff Costs		(6,989)
Removal of Housing Benefit recharges		14,330
Removal of recharges for Loss on Disposal of Housing Stock		780
Removal of other recharges		(23,453)
Reallocation of other charges to specific expenditure areas:		
Recharges within Premises Related Costs	222	
Recharges within Supplies, Services, write-offs & other costs	520	
Recharges within Dwelling Related Costs	13,258	
Recharges within Public Sector Expenditure	46	
Recharges within Private Sector Expenditure	966	
Recharges within Private Sector Grants	6,750	
Recharges within Supporting People	1,691	
Total Reallocation		23,453
Total movements from 'Other Expenditures'		8,121

### **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.

An Accounting directive from HM Treasury, to reclassify the Housing Executive between its Landlord Services (Quasi Public Body) and Regional Services (N.D.P.B), became operational from 1 April 2014. Previously the Housing Executive was classified as a Public Corporation. As a result there were separate budgetary control and reporting requirements for the Landlord Services and the Regional Services during the 2014/15 financial year, with the Board monitoring performance for each of these services individually. Regional Services will also be required to meet additional budgetary requirements for both 'non-cash' and 'AME (Annually Managed Expenditure - non voted)' budgets.

Operating segments are therefore readily identified for both Landlord Services and Regional Services 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 for the Housing Executive:

#### **Landlord Services**

- Loan Charges - this relates to the principal and interest loan repayments in connection with loans raised by the Housing Executive or transferred to the Housing Executive upon its creation.
- Dwelling Related Costs - this relates to capital improvements (primarily Disability Adaptation extensions and Decent Homes improvements such as replacement kitchens) and revenue maintenance & upkeep of the Housing Executive's housing units.
- Supervision and Management Costs - this includes salary costs, travel and subsistence, Office expenses and IT programme costs for Landlord Services.
- Land & Property Programme - relates to the capital costs associated with purchase of land and associated expenses.
- Rental & Miscellaneous Income - includes all Rental Income on the Housing Executive's homes, commercial property, hostels and land.
- Capital Receipts - relates to proceeds received from sale of housing stock and land.
- Other - the 'other' category comprises payments in respect of Public Liability Claims, write offs and losses, contributions paid to outside agencies and expenditure incurred on the upkeep of hostels and capital expenditure on IT.

#### **Regional Services**

- Supporting People - Regional Services manages this Government Scheme which is aimed at providing housing based assistance to allow eligible individuals to obtain the benefits of independent living;
- Supervision and Management Costs - this includes salary costs, travel and subsistence, Office expenses and IT programme costs for Regional Services.
- 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;
- Land & Property Programme - this programme funds the acquisition of privately owned houses in designated inner-city areas to allow major development schemes to proceed;
- Misc Public & Private Programme - the expenditure covers payments in respect of managing the Homeless service and asylum seekers;
- Social Housing Development Programme - sometimes described as the 'New Build' programme, this is mainly concerned with the grant support provided to Housing Associations;
- Rental & Miscellaneous Income - includes Rental Income on Travellers sites and Income received from the sale of Special Purchase of Evacuated Dwellings (SPED) properties;

- 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;
- Other - the 'other' category is the purchase of Special Purchase Evacuated Dwellings (SPED) properties.
- DEL non-cash - relates to the depreciation charge for Traveller's sites and the impairment charge for Redevelopment Areas. This is only applicable to Regional Services for the 2014/15 year.
- AME (Annually Managed Expenditure) - AME expenditure lines (as defined by HM Treasury) are those which are deemed to be demand led and may also be volatile in nature i.e. not able to be directly controlled by NIHE. They are used to fund items like pension revaluations, corporation tax, benefits et al. Due to the volatility of AME budgets they are 'non-voted' by UK Parliament, and funded (ultimately) through the proceeds on general taxation across the UK. Within the NI context this is undertaken by Department of Finance and Personnel. This is only applicable to Regional Services for the 2014/15 year due to the reclassification of Regional Services as a Non-Departmental Public Body.

### 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 2015.

Segment	Note	Landlord Services		Regional Services		Net Expend £'000	% of Total Net Expend
		Capital £'000	Revenue £'000	Capital £'000	Revenue £'000		
<b>Total Net expenditure reported for Operating Segments:</b>							
Loan Charges		-	102,646	-	-	102,646	16%
Dwelling Related Costs		4,989	145,179	501	-	150,669	23%
Supporting People		-	-	-	72,067	72,067	11%
Supervision and Management Costs		-	62,126	1,070	54,553	117,749	18%
Private Sector Grants, incl Warm Homes		-	-	29,575	-	29,575	5%
Land & Property Programme		624	-	7,484	-	8,108	1%
Misc Public / Private Programme		-	-	-	13,189	13,189	2%
Social Housing Development Programme		-	-	146,089	-	146,089	22%
DEL non Cash (Deprecn + Impair)		-	-	-	1,994	1,994	-
Capital Grant Income		-	-	(62)	-	(62)	-
Annual Managed Expenditure		-	5,105	-	(2,473)	2,632	-
Other		3,056	7,593	1,189	-	11,838	2%
		<b>8,669</b>	<b>322,649</b>	<b>185,846</b>	<b>139,330</b>	<b>656,494</b>	<b>100%</b>
Less Rental & Miscellaneous income		-	(296,448)	(2,123)	(4,952)	(303,523)	(46%)
Less Capital Receipts		(14,945)	-	-	-	(14,945)	(2%)
<b>Total</b>		<b>(6,276)</b>	<b>26,201</b>	<b>183,723</b>	<b>134,378</b>	<b>338,026</b>	
Working Capital		-	-	-	-	12,425	
- Landlord Services							
Underspend from Budget		-	-	-	-	15,782	
- Regional Services							
Other Departmental Grants Expenditure		-	-	-	-	94	
<b>Total Net Expenditure funded by DSD</b>	<b>31</b>					<b>366,327</b>	
Other		-	-	-	-	(56,784)	
<b>Total Net Expenditure per the Statement of Comprehensive Net Expenditure</b>						<b>309,543</b>	

### 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	Restated Landlord Services Capital £'000	Restated Services Revenue £'000	Restated Regional Services Capital £'000	Restated Revenue £'000	Restated Net Expend £'000
<b>Total Net expenditure reported for Operating Segments:</b>						
Loan Charges		-	113,524	-	-	113,524
Dwelling Related Costs		7,017	123,869	839	-	131,725
Supporting People		-	-	-	66,940	66,940
Supervision and Management Costs		-	50,160	-	50,575	100,735
Private Sector Grants, incl Warm Homes		-	-	33,342	-	33,342
Land & Property Programme		769	-	8,748	-	9,517
Misc Public / Private Programme		-	-	-	11,500	11,500
Social Housing Development Programme		-	-	80,191	-	80,191
DEL non Cash (Deprecn + Impair)		-	-	-	-	-
Annual Managed Expenditure		-	-	-	-	-
Other		3,459	16,974	1,405	51	21,889
		<b>11,245</b>	<b>304,527</b>	<b>124,525</b>	<b>129,066</b>	<b>569,363</b>
Less Rental & Miscellaneous income		-	(284,317)	(1,469)	(20,084)	(305,870)
Less Capital Receipts		(14,998)	-	-	-	(14,998)
<b>Total</b>		<b>(3,753)</b>	<b>20,210</b>	<b>123,056</b>	<b>108,982</b>	<b>248,495</b>
Working Capital		-	-	-	-	(17,605)
Other Departmental Grants Expenditure		-	-	-	-	96
<b>Total Net Expenditure funded by DSD</b>	<b>31</b>					<b>230,986</b>
Other		-	-	-	-	20,887
<b>Total Net Expenditure per the Statement of Comprehensive Net Expenditure</b>						<b>251,873</b>

An additional £96k expenditure has been disclosed above relating to other grant funding projects which are funded separately by the Department for Social Development from grant-in-aid.

## Note 4

### Staff numbers and related costs

	2015				Restated
	Permanent		Board	Total	2014
	Staff	Others	Members	Total	Total
	£'000	£'000	£'000	£'000	£'000
<b>a) Staff costs comprise</b>					
Wages and Salaries	69,345	1,152	112	70,609	71,394
Social Security Costs	4,717	71	7	4,795	5,049
Seconded-in Staff	-	245	-	245	123
Agency Costs	-	10,908	-	10,908	6,866
<b>Total Staff costs excl Pension Costs</b>	<b>74,062</b>	<b>12,376</b>	<b>119</b>	<b>86,557</b>	<b>83,432</b>
Other Pension Costs				16,759	14,815
				<b>103,316</b>	<b>98,247</b>

The costs of the following staff seconded to other public sector bodies and other organisations have been netted off the Total Salaries Costs.

	2015	2014
	£'000	£'000
Wages and Salaries	287	436
Social Security Costs	20	35
Other Pension Costs	57	86
	<b>364</b>	<b>557</b>

Others above include costs of staff seconded from other Public Sector Bodies and amount to £245k. In addition, staff employed by recruitment agencies amounted to £10,908k.

### b) Average number of persons employed

The average number of whole-time equivalent persons employed during the year is shown in the table below.

	2015				Restated
	Permanent		Board	Total	2014
	Staff	Others	Members	Total	Total
Executive	4	-	10	14	16
Landlord Services	1,635	47	-	1,682	-
Regional Services	374	4	-	378	-
Finance (includes Housing benefit Staff)	487	33	-	520	-
Corporate Services	281	2	-	283	-
Other Staff (2013/14)	-	-	-	-	2,969
Seconded -in Staff	-	2	-	2	2
Agency Staff	-	501	-	501	394
	<b>2,781</b>	<b>589</b>	<b>10</b>	<b>3,380</b>	<b>3,381</b>

From 1 January 2014, a re-organisation within 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 for the Year ended 31 March 2014. Numbers have been amalgamated into the category 'Other Staff' for the 2013/14 year. Agency Staff numbers have been calculated from an average of six months for the 2014/15 financial year and four months for the 2013/14 financial year as this is considered to provide a reliable number of agency staff employed for the 2014/15 and 2013/14 financial years.



## Notes 5

### Other Expenditures

	Note	2015 £'000	2015 £'000	Restated 2014 £'000
Direct Employees Costs			887	428
Transport Related Costs			2,673	2,344
Premises Related Costs			8,019	7,955
Supplies, Services, Write - Offs & Other Costs			17,623	18,294
a) External Audit - Auditor's Remuneration		165	190	153
- Other Services		25		-
Bank Charges			268	275
b) Dwelling Related Costs			144,923	124,320
Public Sector Expenditure			1,115	1,845
Rates Relief Expenditure			2,555	2,652
Lone Pensioner Allowance (LPA)			151	153
c) Private Sector Expenditure			13,152	12,532
d) Private Sector Grants			34,015	33,605
Rates paid on Housing Stock			36,141	35,643
Supporting People			71,967	66,941
Public Liability Charges			662	2,224
e) Social Housing Development Programme			96,089	80,191
f) Co-ownership			50,000	-
g) Impairment	12(a) & 12 (b)		1,990	9,965
Restructuring Costs	6		7,403	486
			489,823	400,006
<b>Less:</b>				
Recharges - salaries & overheads of Housing Executive staff providing professional services in the delivery of its core business.			(16,658)	(18,713)
			473,165	381,293

## Note 5

### Other Expenditures (Continued)

- a) Other services provided by External Audit included £16.7k in respect of the National Fraud Initiative and £8.6k in respect of the review of an internal apportionment exercise used to allocate Supervision and Management Charges between Landlord Services and Regional Services.
- b) The major element of Dwelling Related Costs is for the maintenance of the Housing Executive's housing stock including grounds and general maintenance costs.
- c) Private Sector Expenditure is analysed as follows:

	£'000
Special Purchase of Evacuated Dwellings (SPED)	3,087
Allowance for loss in Fair Value on SPED	(634)
Homelessness	8,567
Asylum Seekers	2,060
Other	72
	<b>13,152</b>

SPED costs include £918k which relate to loss on sale of SPED stock sold during the 2014/15 year.

- d) This includes Group Repairs of £127k, Grants of £13,711k, Warm Homes Grants of £18,833k and Affordable Warmth set-up costs of £1,344k. Affordable Warmth is the scheme that is replacing Warm Homes.
- e) Social Housing Development Programme includes payments to Housing Associations for the following:

	£'000
New Build	61,236
Advance Land Purchase Grant	14,494
Voluntary Purchase Grant	515
Small Adaptations Grant	2,125
"Bamford" New Build	7,303
"Bamford" Advance Land Purchase	1,296
Together Building a United Community	9,120
Recoupment of SHDP grant	(1,337)
Grant recouped & paid to DSD	1,337
	<b>96,089</b>

- f) The NI Co-ownership scheme was introduced as a pilot in the year ended 31 March 2015 but a decision has already been made that responsibility for this will revert to DSD in 2015/16, so this is not regarded as a Machinery of Government change, and therefore no prior period adjustment has been made.
- g) Impairment relates to the write down of Assets. (See Note 12(a) & 12(b)).
- h) The total EU Income included in Note 10 is £3,043k for 2014/15. The expenditure corresponding to £76k of this income is included within Public Sector Expenditure, and £2,967k is included within Private Sector Grants.

## Note 6

### Early Departure Costs<sup>a</sup>

	Nos.	2015 £'000	Nos.	2014 £'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;	123	1,787	26	176
b) Restructuring compensation paid and accrued by the Housing Executive for the early retirement of staff;	194	5,616	5	310
		7,403		486

#### 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;	528	1,005	533	1,006
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During the year ending 31 March 2015 the Housing Executive introduced a new voluntary early severance scheme (VES), which would facilitate the voluntary release of staff from the NIHE. Costs of staff leaving under this scheme are shown in note 6(d).

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 2014-15			
<£10,000	-	19	19
£10,000 - £25,000	-	47	47
£25,000 - £50,000	-	83	83
£50,000 - £100,000	-	42	42
£100,000 - £150,000	-	2	2
Total Number of Exit Packages			
2014-15	-	193	193
2013-14	-	29	29
Total Cost £'000			
2014-15	-	7,403	7,403
2013-14	-	985	985

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

	2015		2014	
	Number	£'000	Restated Number	Restated £'000
Claims Waived (Amounts Written Off):				
Rent & Rates	2,986	1,530	3,372	1,418
Commercial Property	16	26	-	0
Recoverable Charges - Damages	94	31	106	37
Recoverable Charges - Legal	773	216	494	165
Hostels	111	39	194	65
Housing Benefits Overpayments (Note 8)	4,608	1,455	4,846	1,341
	<b>8,588</b>	<b>3,297</b>	<b>9,012</b>	<b>3,026</b>
Special Payments over £250,000	-	-	1	2,076
			1	1,376
Ex Gratia Payments	5	3	16	29
Extra Statutory Payments	13	115	11,157	9,857
Public Liability Claim	255	1,729	192	1,478
Contractual Claims	3	409	-	-
Debtors ledger	16	1	14	6
Other Write Offs and Cash losses - numerous	305	(100)	18	1
	<b>9,185</b>	<b>5,454</b>	<b>20,411</b>	<b>17,849</b>

Losses and Special Payments are included in Note 5 with the exception of Housing Benefit overpayments which are accounted for in Housing Benefit and Extra Statutory Payments accounted for in Private Sector Grants in the Statement of Comprehensive Net Expenditure.

The 2013/14 figures have been restated due to the disclosure of public liability claims and contractual claims. This is in compliance with Managing Public Money (NI). Further extra statutory payments for 2013/14 have been restated to include warm homes grants where payments exceeded £6,500 and all Boiler Replacement Grants. The current limit the Housing Executive is approved to authorise for warm homes grants is up to £6,500 (2013/14: £4,500).

## 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 accounted for in the DSD's books.

Housing Benefit payments in the year are as follows:

	2015 £'000	Restated 2014 £'000
Housing Benefit - Public & Private	671,036	656,784
Housing Benefit - Overpayment recoveries	(15,240)	(15,021)
<b>Net Funding from DSD</b>	<b>655,796</b>	<b>641,763</b>
Transfer of Housing Benefit overpayment movement to overpayment debtor account	(996)	(2,109)
Increase/(Decrease) in HB Overpayment Provision	433	319
<b>Total Housing Benefit Costs / Income</b>	<b>655,233</b>	<b>639,973</b>

## Note 9

### Financing Charges

	2015 £'000	2014 £'000
Loan Interest Charges	39,586	45,460
Finance Charges on Service Concession Arrangements	43	43
	<b>39,629</b>	<b>45,503</b>

## 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.

	2015 £'000	2014 £'000
<b>Rental Income</b>		
Dwellings & Garages	289,886	280,335
Redevelopment	63	63
Commercial Properties	2,069	2,062
Lands	6	6
Travellers, Hostels and Requisitioned Properties	684	660
Miscellaneous	266	301
DLO Depots	-	119
	<b>292,974</b>	<b>283,546</b>
<b>Less: Abatements</b>		
Dwellings & Garages	(964)	(1,004)
Commercial Properties	(43)	(16)
	<b>(1,007)</b>	<b>(1,020)</b>
<b>Less: Voids</b>		
Dwellings & Garages	(3,621)	(4,191)
Redevelopment	32	(35)
Commercial Properties	(227)	(187)
Hostels	(179)	(205)
Traveller Sites	(11)	(10)
	<b>(4,006)</b>	<b>(4,628)</b>
<b>Total Rental Income (C/Fwd)</b>	<b>287,961</b>	<b>277,898</b>

**Note 10****Income (continued)**

	Note	2015 £'000	2014 £'000
<b>Total Rental Income (B/Fwd)</b>		287,961	277,898
<b>EU Income</b>		3,043	3,301
<b>Other Operating Income</b>			
Income from Housing Associations		469	944
Revenue grants		171	313
Capital Grant		90	64
Rates Income from Housing Stock	28	36,086	35,532
Income from Land & Property Services:			
Rates Collection		3,989	4,053
Rates Relief Income	28	2,555	2,652
Lone Pensioner Allowance	28	151	153
Income from Other Bodies		-	11
Legal Expenses Recovered		290	513
Other Recoverable Charges		138	132
Ground Rents Receivable		79	83
Professional Indemnity Insurance		-	77
HMO Multiple Occupancy - Registration Fees		547	471
Group Repairs Income		32	76
SPED Income		2,154	1,490
Income from Hostels		1,754	1,811
Income for Asylum Seekers		2,718	2,425
Income from sold flats		1,071	340
Income from Service Enhancement Fund		171	133
Income recoverable on maintenance contracts		19	308
Miscellaneous Income		27	8
		52,511	51,589
<b>Total Income</b>		<b>343,515</b>	<b>332,788</b>



**Note 11****Taxation****a) Taxation charge in the year****Analysis of charge in the year (estimate)****Current tax:**

	2015 £'000	2014 £'000
UK Corporation tax on taxable income for the current year	10,148	16,160
Adjustments to the tax charge in respect of previous periods	(10,513)	(1,908)
Interest due on overdue tax	10	-
	<b>(355)</b>	<b>14,252</b>

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 2014/15 Annual Accounts based on tradable activities. Tradable activities, which are subject to Corporation Tax include Rental Income, Disposal of Capital Assets and Interest Receivable.

There is an adjustment of £10.5m over provision in respect of previous periods for Corporation Tax due to the offset of losses incurred on transfer of assets to Housing Associations from 2009/10.

**b) Factors affecting the tax charge**

	2015 £'000	2014 £'000
Interest Receivable - current year	425	616
Rental Income	47,897	64,917
Chargeable Gains	-	4,728
	<b>48,322</b>	<b>70,261</b>
Net Expenditure before taxation multiplied by the effective rate of Corporation tax in the UK for the current year of approx. 21% (2014: 23%)	10,148	16,160
Adjustments to the tax charge in respect of previous periods	(10,513)	(1,908)
Interest Penalties	10	-
<b>Current tax charge</b>	<b>(355)</b>	<b>14,252</b>

A corporation tax charge of (£355k) has been recognised in the accounts (see note 11a above for calculation). There is also an outstanding liability at the year end of £9.4m (see note 18). 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 2015 and for previous financial years.

**Note 12 (a)****Property, Plant & Equipment**

Operational	Housing Stock £'000	Land £'000
Cost or Valuation		
<b>At 31 March 2014</b>	<b>2,025,056</b>	<b>30,851</b>
Additions	5,046	118
Reclassification Uplift	-	1,083
Disposals	(10,208)	(2,552)
Demolitions	(180)	-
Write off Adaptations to Leased Offices	-	-
Transfer from Housing Stock	-	-
Transfer to Housing Stock	761	-
Transfer from Non-Operational Assets	-	486
Transfer to Non-Operational Assets	(55)	-
Transfer to Non Current Assets Held for Sale	(2,960)	(227)
Transfer from Non Current Assets Held for Sale	453	140
Impairment	-	-
Write down in valuation	-	(105)
Revaluation Adjustments	30,544	2,279
<b>At 31 March 2015</b>	<b>2,048,457</b>	<b>32,073</b>
<b>Depreciation</b>		
<b>At 31 March 2014</b>	<b>-</b>	<b>-</b>
Charged in year	(28,633)	-
Written back on Revaluation	28,633	-
Backlog Depreciation	-	-
Disposals	-	-
Depreciation on transfer to Housing Stock	-	-
Depreciation on demolitions	-	-
Depreciation on transfer to Non Operational Assets	-	-
Impairment	-	-
<b>At 31 March 2015</b>	<b>-</b>	<b>-</b>
Carrying amount at 31 March 2014	2,025,056	30,851
Carrying amount at 31 March 2015	2,048,457	32,073
Asset financing: Owned	2,048,457	32,073
Finance Leased	-	-
On-balance sheet Service Concession contracts	-	-
<b>Carrying amount at 31 March 2015</b>	<b>2,048,457</b>	<b>32,073</b>

Commercial Property £'000	Office Premises £'000	Hostels £'000	Travellers Sites £'000	Other Assets £'000	Total £'000
10,826	24,408	15,834	2,882	22,596	2,132,453
88	342	-	501	2,402	8,497
-	-	-	-	-	1,083
-	-	-	-	(120)	(12,880)
-	-	-	-	-	(180)
-	(272)	-	-	-	(272)
-	-	-	-	-	-
-	-	(761)	-	-	-
-	-	-	-	-	486
(30)	(19)	-	(25)	-	(129)
-	-	-	-	-	(3,187)
-	-	-	-	-	593
(69)	-	-	-	-	(69)
-	-	-	-	-	(105)
5,700	8,309	(363)	(428)	67	46,108
16,515	32,768	14,710	2,930	24,945	2,172,398
(1,002)	(2,098)	(1,543)	(237)	(18,848)	(23,728)
(232)	(514)	(347)	(65)	(1,702)	(31,493)
1,227	2,609	1,890	302	-	34,661
-	-	-	-	(31)	(31)
-	-	-	-	120	120
-	-	-	-	-	-
-	-	-	-	-	-
-	3	-	-	-	3
7	-	-	-	-	7
-	-	-	-	(20,461)	(20,461)
9,824	22,310	14,291	2,645	3,748	2,108,725
16,515	32,768	14,710	2,930	4,484	2,151,937
16,515	32,768	14,710	2,930	1,043	2,148,496
-	-	-	-	-	-
-	-	-	-	3,441	3,441
16,515	32,768	14,710	2,930	4,484	2,151,937

**Note 12 (a)****Property, Plant & Equipment**

Operational	Housing Stock £'000	Land £'000
Cost or Valuation		
<b>At 31 March 2013</b>	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)	78
Transfer to Non Current Assets Held for Sale	(5,267)	(180)
Transfer from Non Current Assets Held for Sale	-	2,056
Impairment	-	-
Write down in valuation	-	(400)
Revaluation Adjustments	(1,265,312)	(9,333)
<b>At 31 March 2014</b>	2,025,056	30,851
<b>Depreciation</b>		
<b>At 31 March 2013</b>	-	-
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	-	-
<b>At 31 March 2014</b>	-	-
<b>Carrying amount at 31 March 2013</b>	3,308,504	33,101
<b>Carrying amount at 31 March 2014</b>	2,025,056	30,851
Asset financing: Owned	2,025,056	30,851
Finance Leased	-	-
On-balance sheet Service Concession contracts	-	-
<b>Carrying amount at 31 March 2014</b>	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
-	-	-	-	-	5,526
(84)	-	-	-	(1,997)	(22,174)
-	-	-	-	-	(63)
-	(206)	-	-	-	(206)
-	-	245	-	-	-
-	-	(429)	-	-	(24)
(5)	-	-	-	-	(2,155)
-	-	-	-	-	(5,447)
-	-	-	-	-	2,056
(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) 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 2015, 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. The next full valuation is due to be carried out at 31 March 2019.

At 31 March 2015, the housing stock was subject to an annual 'desk-top' revaluation by Land & Property Services to reflect changes in stock numbers and market values. The valuation process was 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.

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.

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 2015 on the basis of open market value by McKibbin 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 £1.1m on the basis that the sites may have development potential. 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 2015 by professional valuers of Land and Property Services. Offices and Commercial Properties were revalued at 31 March 2015 at open market value based on Existing Use. Hostels and Travellers' Sites were revalued at 31 March 2015 using Depreciated Replacement Cost as they are considered specialised assets.

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 £449k 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	At 31 March
	2015	2014
	£'000	£'000
Motor Vehicles	692	234
Plant and Machinery	83	55
Estate Management Equipment	219	181
Office Furniture	8	11
Office Equipment	-	8
Hostels Furniture & Fittings	-	-
Computer Hardware	3,482	3,259
	<b>4,484</b>	<b>3,748</b>

Depreciation, Amortisation, Write Offs and Write downs charged to the Statement of Comprehensive Net Expenditure consisted of the following:

	At 31 March	At 31 March
	2015	2014
	£'000	£'000
Depreciation - less Backlog Depreciation	31,524	31,501
Amortisation - IT Software	600	1,193
Revaluation Adjustments - Other Assets	(104)	(18)
Revaluation Adjustments - Land	105	370
Writedown in Assets Held for Sale	58	234
Losses on Sale of Surplus Land	293	326
(Profit)/Loss on Sale of Housing Stock	(2,419)	4,620
(Profit)/Loss on Sale of Other Assets	(13)	223
Losses on Demolished Property	180	63
Write off Adaptations to Leased Offices	272	206
Loss on Disposal - Housing Association	3,645	2,295
	<b>34,141</b>	<b>41,013</b>



**Note 12 (b)****Property, Plant & Equipment (continued)****Non Operational Assets**

	Redevelopment Land £'000	Commercial Properties £'000	Offices £'000	Travellers Sites £'000	Total £'000
At 1 April 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)
<b>At 31 March 2014</b>	<b>1,025</b>	<b>12</b>	<b>199</b>	<b>-</b>	<b>1,236</b>
Expenditure in year	1,975	-	-	-	1,975
Transfer of Property (to)/ from Operational Assets	(431)	30	16	25	(360)
Disposals	-	(5)	-	-	(5)
Revaluation Adjustment	-	(22)	75	7	60
Impairment	(1,929)	-	-	-	(1,929)
<b>At 31 March 2015</b>	<b>640</b>	<b>15</b>	<b>290</b>	<b>32</b>	<b>977</b>

Non Operational Assets comprises Redevelopment Land. The main reason for the £1.9 million write down in the value of Redevelopment Land is that the land acquisition and development costs greatly exceed their brownfield site value.

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 Loss on Disposal to Housing Association.

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 grant paid to Housing Associations.

Non operational assets also comprise Commercial Properties, Offices and Travellers Sites 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 2014	14,065	14,065
Additions	685	685
Reclassification Uplift	-	-
Disposals	-	-
Revaluation Adjustments	40	40
At 31 March 2015	14,790	14,790
Amortisation at 31 March 2014	(12,077)	(12,077)
Charged in year	(579)	(579)
Backlog Amortisation	(21)	(21)
Disposals	-	-
At 31 March 2015	(12,677)	(12,677)
Carrying amount at 31 March 2014	1,989	1,989
Carrying amount at 31 March 2015	2,113	2,113
Asset Financing: Owned	121	121
On-balance sheet Service Concession contracts	1,992	1,992
Carrying amount at 31 March 2015	2,113	2,113
Cost or valuation at 1 April 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 1 April 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

### Note 13

#### Assets classified as held for Sale

	Land £'000	Housing Stock £'000	Total £'000
At 1 April 2014	769	4,085	4,854
Transfer from Operational Assets	227	2,960	3,187
Transfer to Operational Assets	(140)	(453)	(593)
Disposals	(71)	(3,632)	(3,703)
Revaluation Decrease	(55)	-	(55)
<b>At 31 March 2015</b>	<b>730</b>	<b>2,960</b>	<b>3,690</b>

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.

£0.7m 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 £55k, 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.

£3.0m of Housing stock which has been reclassified as held for sale refers to sale proceeds received during the period April to June 2015.

### Note 14

#### Inventories

	2015 £'000	2014 £'000
Consumable Stores	726	645
Work in Progress - Housing Associations	804	412
SPED (Net of the Allowances at Note 16)	2,541	3,773
<b>Total</b>	<b>4,071</b>	<b>4,830</b>

## Note 15

### Trade and Other Receivables

	2015 £'000	2014 £'000
<b>Amounts falling due within one year:</b>		
Trade Receivables (Net of the Allowances at Note 16)	25,093	34,048
Other receivables	586	8,869
VAT	6,874	2,443
Prepayments and accrued income	24,248	7,078
	<b>56,801</b>	<b>52,438</b>
<b>Amounts falling due after more than one year:</b>		
Trade Receivables (Net of the Allowances at Note 16)	14,653	14,473
Prepayments and accrued income	1,500	4,468
	<b>16,153</b>	<b>18,941</b>
<b>Total</b>	<b>72,954</b>	<b>71,379</b>

### 15.1 Intra- Government Balances

	Amounts falling due within one year:		Amounts falling due after more than one year:	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Balances with central government bodies	19,169	22,224	-	-
Balances with local authorities	6	4	-	-
Subtotal: intra-government balances	<b>19,175</b>	<b>22,228</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	37,626	30,210	16,153	18,941
<b>Total receivables at 31 March</b>	<b>56,801</b>	<b>52,438</b>	<b>16,153</b>	<b>18,941</b>

## 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
<b>Opening Balance</b>						
At 1 April 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
Movement in allowance in year	(435)	-	403	(81)	(633)	(746)
Movement in long term debt discount	(10)	-	30	1	-	21
At 31 March 2015	8,160	-	16,286	877	847	26,170

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

	2015 £'000	2014 £'000
Balance at 1 April 2014	155,327	172,691
Net Change in Cash & Cash Equivalent Balances	(53,387)	(17,364)
Balance at 31 March 2015	101,940	155,327

The following balances at 31 March 2015 were held at:

	2015 £'000	2014 £'000
Commercial Banks and Cash in Hand	101,940	7
Short Term Investments	-	155,320
Balance at 31 March 2015	101,940	155,327

## Note 18

### Trade and Other Payables

	2015 £'000	2014 £'000
<b>Amounts falling due within one year:</b>		
Bank Overdraft	-	(8,524)
Trade Payables	(3,578)	(3,568)
Taxation and social security	(1,471)	(1,501)
Corporation tax payable	(9,395)	(6,000)
Commitment under Service Concession arrangement	(91)	(483)
Other Payables	(15,711)	(11,230)
Accruals and deferred income	(193,191)	(163,734)
Loan Repayments	(56,991)	(63,060)
<b>Total</b>	<b>(280,428)</b>	<b>(258,100)</b>
<b>Amounts falling due after more than one year:</b>		
Commitment under Service Concession arrangement	-	(321)
Other Payables	(11,347)	(10,883)
Accruals and deferred income	(2,088)	(4,468)
	<b>(13,435)</b>	<b>(15,672)</b>
<b>Total</b>	<b>(293,863)</b>	<b>(273,772)</b>

### 18.1 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Balances with central government bodies	(81,496)	(85,099)	(12,847)	(15,351)
Balances with local authorities	(2,262)	(2,151)	-	-
Subtotal: intra-government balances	<b>(83,758)</b>	<b>(87,250)</b>	<b>(12,847)</b>	<b>(15,351)</b>
Balances with bodies external to government	(196,670)	(170,850)	(588)	(321)
<b>Total payables at 31 March</b>	<b>(280,428)</b>	<b>(258,100)</b>	<b>(13,435)</b>	<b>(15,672)</b>

**Note 19****Commitments under Service Concession Arrangement**

	2015 £'000	2014 £'000
Not later than one year	(2,440 )	(3,645 )
Later than one year and not later than five years	-	(1,351 )
Later than five years	-	-
	<b>(2,440)</b>	<b>(4,996)</b>

**Note 20****Loans Outstanding**

	2015 £'000	2014 £'000
Loans from the Government Loans Fund & Former Local Authorities maturing:		
Between 1 and 2 years	(51,684)	(56,991)
Between 2 and 5 years	(116,181)	(135,396)
Between 5 and 10 years	(88,378)	(109,292)
After 10 years	(96,724)	(108,284)
<b>Total</b>	<b>(352,967)</b>	<b>(409,963)</b>

- All Government Loans are repayable by Annuity and Local Authority Loans are repayable using an average Loans Pool rate.
- Interest rates on the Government Loans are those current at time of borrowing.
- The Government 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:

	2015 £'000	2014 £'000
Obligations under operating leases comprise:		
<b>Property</b>		
Not later than one year	1,629	1,764
Later than one year and not later than five years	3,407	4,635
Later than five years	965	1,365
	<b>6,001</b>	<b>7,764</b>

## Note 22

### Financial Instruments

The Government FReM 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	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Financial Assets at fair value through profit or loss	-	-	-	-
Held to Maturity Investments	-	-	-	-
Loans and Receivables	14,653	14,473	134,486	200,687
Available for sale financial assets	-	-	-	-
<b>Total Investments</b>	<b>14,653</b>	<b>14,473</b>	<b>134,486</b>	<b>200,687</b>
Financial Liabilities at fair value through profit or loss	-	-	-	-
Financial Liabilities measured at amortised cost	366,403	425,635	280,428	258,100
<b>Total Borrowings</b>	<b>366,403</b>	<b>425,635</b>	<b>280,428</b>	<b>258,100</b>

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 2015 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	-	39,629
Losses on derecognition	-	-
Impairment Loss	-	-
<b>Interest payable and similar charges</b>	<b>-</b>	<b>39,629</b>
Interest Income	-	-
Gains on derecognition	-	-
<b>Interest and Investment Income</b>	<b>-</b>	<b>-</b>

#### 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	-	-	-	-
<b>Interest payable and similar charges</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Interest Income	-	-	425	-
Gains on derecognition	-	-	-	-
Reversal of impairment loss	-	-	92	-
<b>Interest and other income and gains</b>	<b>-</b>	<b>-</b>	<b>517</b>	<b>-</b>

## 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 FReM, 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.

	2015 Carrying Amount £'000	Fair Value £'000	2014 Carrying Amount £'000	Fair Value £'000
<b>The fair values calculated are as follows:</b>				
<b>Financial Liabilities</b>				
Consolidated Loans Fund	397,510	587,414	458,427	675,675
Non Consolidated				
Loans Fund	12,449	18,396	14,597	21,514
<b>Total Debt</b>	<b>409,959</b>	<b>605,810</b>	<b>473,024</b>	<b>697,189</b>
<b>Loans and receivables</b>				
Long term Debtors	17,233	16,153	20,000	18,941
<b>Total Investments</b>	<b>17,233</b>	<b>16,153</b>	<b>20,000</b>	<b>18,941</b>

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.

## **Note 22**

### **Financial Instruments (continued)**

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.

#### **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 2015 for the Government Loans Funds is £552m (2014: £637m), and the estimated fair value of Local Authority Loans is £15m (2014: £18m).

**Note 23****Provision for Liabilities and Charges**

2014/15	Redevelopment Area Purchases £'000	Home Loss & Disturbance Payments £'000	Contractual Claims £'000
<b>Opening Balance - at 31 March 2014</b>	(6,172)	(571)	(1,066)
Provided in the year	(1,100)	(111)	(37)
Provisions not required written back	1,073	11	195
Provisions utilised in the year	5,696	291	352
<b>At 31 March 2015</b>	<b>(503)</b>	<b>(380)</b>	<b>(556)</b>
<b>Amount due for settlement:</b>			
Within 12 months	(468)	(380)	(506)
After 12 months	(35)	-	(50)
<b>At 31 March 2015</b>	<b>(503)</b>	<b>(380)</b>	<b>(556)</b>
<b>Opening Balance - at 31 March 2013</b>	(1,073)	-	(2,590)
Provided in the year	(5,876)	(571)	(276)
Provisions not required written back	-	-	1,800
Provisions utilised in the year	777	-	-
<b>At 31 March 2014</b>	<b>(6,172)</b>	<b>(571)</b>	<b>(1,066)</b>
<b>Amount due for settlement:</b>			
Within 12 months	(3,868)	(438)	(760)
After 12 months	(2,304)	(133)	(306)
<b>At 31 March 2014</b>	<b>(6,172)</b>	<b>(571)</b>	<b>(1,066)</b>

Public Liability Claims £'000	Managing Asbestos £'000	Supporting People £'000	Corporation Tax £'000	Total £'000
(2,533)	(4,394)	(250)	(5,500)	(20,486)
(939)	(1,912)	(322)	-	(4,421)
-	-	165	5,500	6,944
1,641	2,449	257	-	10,686
(1,831)	(3,857)	(150)	-	(7,277)
(813)	(3,857)	(150)	-	(6,174)
(1,018)	-	-	-	(1,103)
(1,831)	(3,857)	(150)	-	(7,277)
(2,105)	(5,473)	-	-	(11,241)
(2,116)	(1,465)	(250)	(5,500)	(16,054)
-	-	-	-	1,800
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)

## **Note 23**

### **Provision for Liabilities and Charges (continued)**

- (a) An amount of £309k 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 £194k 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 £380k 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 £556k has been provided for in respect of 5 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 £9.0m (2013/14 - £8.8m).  
£5.1m has been accounted for as an accrual and is expected to be paid out during 2015/16. Within this amount 35,300 dwellings previously surveyed now require full resurvey to meet current Health and Safety Executive regulations.  
A provision of £1.1m has been accounted for in respect of properties which were due to be resurveyed by 31 March 2015 as required under Health & Safety Regulations. The remaining provision covers estimated costs for managing asbestos where it is found.
- (f) The Supporting People provision is required in respect of estimated hardship payments to service providers for the 2014/15 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 benefits on a "final salary" basis at a normal retirement age of 65. Prior to 1 April 09 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 rates for 2014/15 are between 5.5% and 7.5% of pensionable pay and for 2015/16 between 5.5% and 10.5% of pensionable pay.

The total contributions paid by the Housing Executive in respect of employer's and employees' contributions in this financial year were £17m (2014:£16.3m).

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.

## Note 24

### Pensions (continued)

b) The following actuarial assumptions were accepted on the recommendation of the actuary:

Actuarial Assumptions used at:	31 March 2015	31 March 2014
Rate of Inflation (RPI)	2.90%	3.30%
Rate of Inflation (CPI)	1.90%	2.50%
Rate of Increase in Salaries	3.40%	4.00%
Rate of Increase in Pensions	1.90%	2.50%
Discount Rate	3.30%	4.40%

#### Breakdown of Life Expectancies

Life expectancy for mortality tables used to determine benefit obligations at:	31 March 2015	31 March 2014
Male member aged 65 (current life expectancy)	22.1	22.0
Female member aged 65 (current life expectancy)	24.7	24.6
Male member aged 45 (life expectancy at age 65)	24.3	24.2
Female member aged 45 (life expectancy at age 65)	27.0	26.9

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	902,241	941,718	909,873	937,021	924,774
Assets	793,684	793,684	793,684	793,684	793,684
Total Scheme shortfall	108,557	148,034	116,189	143,337	131,090
Funding Level	88%	84%	87%	85%	86%
Increase in Liabilities	-	39,477	7,632	34,780	22,533



## 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 2015 £'000	Assets at 31 March 2014 £'000
Equities	596,638	531,091
Bonds	95,927	85,388
Property	62,769	55,873
Cash	38,350	34,137
	<b>793,684</b>	<b>706,489</b>

The above asset values as at 31 March 2015 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 2015 £'000	31 March 2014 £'000
Fair Value of Employer Assets	793,684	706,489
Present value of Funded Liabilities	<u>(888,752)</u>	<u>(773,538)</u>
Net Underfunding in Funded Plans	(95,068)	(67,049)
Present value of Unfunded Liabilities	(13,489)	(13,439)
Unrecognised Actuarial (Gain)/Loss	-	-
Unrecognised Transition (Asset)/Liability	-	-
<b>Net Liability</b>	<b>(108,557)</b>	<b>(80,488)</b>
Amounts in the Statement of Financial Position		
Liabilities	(108,557)	(80,488)
Assets	-	-
<b>Net Asset/(Liability)</b>	<b>(108,557)</b>	<b>(80,488)</b>
<b>Funding Level</b>	<b>88%</b>	

**Note 24****Pensions (continued)**

## d) Notes to the Statement of Comprehensive Net Expenditure

Amount Charged to Employee Costs	Year End 31 March 2015		Year End 31 March 2014	
	£'000	% of Payroll	£'000	% of Payroll
Current Service Cost	(13,822)	(21.4%)	(13,677)	(22.3%)
Administration Expenses	(193)	(0.3%)	(184)	(0.3%)
Insurance premiums for risk benefits	(1,289)	(2.0%)	(1,229)	(2.0%)
Past Service Cost	-	-	-	-
Curtailment and Settlements	(1,848)	(2.9%)	-	-
Decrease in Irrecoverable Surplus	-	-	-	-
<b>Total Operating Charge (A)</b>	<b>(17,152)</b>	<b>(26.6%)</b>	<b>(15,090)</b>	<b>(24.6%)</b>

Amount (Debited)/Credited to Other Financing costs	Year End 31 March 2015		Year End 31 March 2014	
	£'000	% of Payroll	£'000	% of Payroll
Interest Income on Scheme Assets	30,888	47.9%	29,841	48.5%
Interest on Pension Scheme Liabilities	(34,475)	(53.5%)	(34,810)	(56.6%)
<b>Net Return (B)</b>	<b>(3,587)</b>	<b>(5.6%)</b>	<b>(4,969)</b>	<b>(8.1%)</b>

<b>Net Revenue Account Cost (A) - (B)</b>	<b>(20,739 )</b>	<b>(32.2%)</b>	<b>(20,059 )</b>	<b>(32.7%)</b>
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## Notes to the Statement of Changes in Taxpayers Equity

	31 Mar 2015	31 Mar 2014
	£'000	£'000
Actuarial Gains/(Losses) on Plan Assets	64,286	(30,237)
Actuarial Gains/(Losses) on Obligation	(85,819)	73,267
<b>Actuarial Gain/(Loss) Recognised in Statement of Changes in Taxpayers Equity</b>	<b>(21,533)</b>	<b>43,030</b>

## 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 2015 £'000	Year End 31 March 2014 £'000
Opening Defined Benefit Obligation	(786,977)	(832,203)
Current Service Cost	(13,822)	(13,677)
Past Service Cost	-	-
Interest Expense	(34,475)	(34,810)
Members Contributions	(4,128)	(4,044)
Unfunded Benefits Paid by Employer	1,005	1,006
Benefit Payments from Plan	23,823	23,484
Plan Curtailment	(1,848)	-
<i>Actuarial movements:</i>		
Effect of change in demographic assumptions	-	(13,564)
Effect of change in financial assumptions	(85,819)	25,388
Effect of Rebasing adjustments	-	61,443
<b>Closing Defined Benefit Obligation</b>	<b>(902,241)</b>	<b>(786,977)</b>

The attributable movement in the scheme assets during the period was as follows:

Reconciliation of Fair Value of Employer Assets	Year End 31 March 2015 £'000	Year End 31 March 2014 £'000
Opening Fair Value of Employer Assets	706,489	715,113
Employer Contributions	13,198	12,625
Members Contributions	4,128	4,044
Interest Income	30,888	29,841
Contributions in respect of Unfunded Benefits	1,005	1,006
Unfunded Benefits Paid	(1,005)	(1,006)
Rebalancing due to valuation	-	-
Benefits Paid from Plan	(23,823)	(23,484)
Settlement Payments	(193)	(184)
Taxes paid from plan assets	(1,289)	(1,229)
Other Significant events	-	-
<i>Actuarial movements:</i>		
Return on Plan Assets	64,286	26,207
Effect of Rebasing adjustments	-	(56,444)
<b>Closing Fair Value of Employer Assets</b>	<b>793,684</b>	<b>706,489</b>
<b>Net Pension Liability</b>	<b>(108,557)</b>	<b>(80,488)</b>

## 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 £902m (2014: £787m) and results in a net overall deficit balance of £109m (2014: £80m) 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. Employers contribution rates were 20% for 2014/15 (2013/14 20%).
- 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					
	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Fair Value of Employer Assets	793,684	706,489	715,113	612,856	608,519	526,757
Present Value of Defined Benefit Liability	(902,241)	(786,977)	(832,203)	(695,285)	(684,561)	(809,596)
(Deficit)/Surplus	(108,557)	(80,488)	(117,090)	(82,429)	(76,042)	(282,839)
Experience Losses/(Gain) on Assets	64,286	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	64,286	26,207	66,660	(37,205)	20,947	132,116
Actuarial (Losses)/Gains on Obligation	(85,819)	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	(21,533)	43,030	(41,685)	(13,097)	183,972	(124,688)

**Note 25****Notes to the Statement of Cash Flows**

	Restated	
	2015	2014
	£'000	£'000
<b>a) Reconciliation of Net Expenditure before interest to Operating Cash Flows</b>		
Net Expenditure before Interest	(267,107)	(187,765)
Taxation paid	(1,750)	(3,013)
Depreciation of Property, Plant & Equipment	31,524	31,501
Amortisation of Software	600	1,193
Impairment	1,990	9,965
Income from Government Grants - Non Current Assets	(90)	(64)
Decrease in Inventories	760	178
Increase in Receivables	(1,851)	(26,711)
Increase in Payables and Provisions	24,048	7,994
Loss on Disposals, Write Offs & Revaluation Movements	2,019	9,098
<b>Net Cash Outflow from Operating Activities</b>	<b>(209,857)</b>	<b>(157,624)</b>

## Note 25

### Notes to the Statement of Cash Flows

	Restated	
	2015	2014
	£'000	£'000
<b>b) Cashflow from Investing Activities</b>		
<b>Payments to Acquire Non-Current Assets</b>		
Land and Buildings	(5,940)	(9,422)
Other Operational Assets	(724)	(102)
IT Hardware and Software	(2,362)	(2,609)
Non Operational Assets	(4,332)	(3,073)
<b>Total Expenditure</b>	<b>(13,358)</b>	<b>(15,206)</b>
<b>Income from Sale of Non-Current Assets and Grants</b>		
House Sales (Inc. Land & Buildings)	15,220	15,559
Plant & Equipment	13	-
Government Grants	89	64
<b>Total Income and Grants</b>	<b>15,322</b>	<b>15,623</b>
<b>Repayment of Loans</b>		
Repayment of Loan Debt	(63,065)	(68,160)
<b>Financing Charges</b>		
Loan Interest charges	(39,630)	(45,477)
Other Financing Charges	(43)	(43)
<b>Total Financing Charges</b>	<b>(39,673)</b>	<b>(45,520)</b>
<b>Interest Receivable</b>	<b>425</b>	<b>616</b>
<b>Other Investing Activities</b>		
Other Loan repayments	-	1
<b>Total Other Investing Activities</b>	<b>-</b>	<b>1</b>
<b>Net Cash (Outflow) from Investing Activities</b>	<b>(100,349)</b>	<b>(112,646)</b>

**Note 25****Notes to the Statement of Cash Flows (continued)**

	Restated	
	2015	2014
	£'000	£'000
c) Cashflow from Financing Activities		
Grant from Sponsoring Department	265,342	246,937
	<b>265,342</b>	<b>246,937</b>

## d) Analysis of Change in Cash and Cash Equivalents

	At 1 April 2014	Cash Flows	Other Changes	At 31 March 2015
	£'000	£'000	£'000	£'000
Cash at Bank & in Hand	155,326	(53,387)	-	101,939
Overdrafts	(8,523)	8,523	-	-
<b>Total</b>	<b>146,803</b>	<b>(44,864)</b>	<b>-</b>	<b>101,939</b>

	At 1 April 2013	Cash Flows	Other Changes	At 31 March 2014
	£'000	£'000	£'000	£'000
Cash at Bank & in Hand	172,690	(17,364)	-	155,326
Overdrafts	(2,554)	(5,969)	-	(8,523)
<b>Total</b>	<b>170,136</b>	<b>(23,333)</b>	<b>-</b>	<b>146,803</b>

## e) Reconciliation of Net Cash Flow to Movement in Cash &amp; Cash Equivalents

	2015	2014
	£'000	£'000
Net Increase in Cash & Cash Equivalents in Period	(44,864)	(23,333)
Cash & Cash Equivalents at 1 April 2014	146,803	170,136
<b>Cash &amp; Cash Equivalents at 31 March 2015</b>	<b>101,939</b>	<b>146,803</b>

## **Note 26**

### **Contingent Liabilities and Assets**

#### *Liabilities*

At 31 March 2015 public liability claims notified and not processed gave rise to a total estimated potential liability of £7.9m (2014: £9.3m) in respect of 812 claims (2014: 890). Of this balance, £1.8m (2014: £2.5m) has been accounted for as a provision, based on past payments history, and £1.2m (2014: £1.6m) has been accrued as at 31 March 2015. The remaining £4.9m (2014: £5.2m) has not been accounted for and represents a contingent liability to NIHE as it is not considered likely that a payment is probable.

At 31 March 2015 a provision of £0.3m (2014: £5.8m) has been accounted for in respect of redevelopment land vested and owned by the Housing Executive. A further estimated £1.5m (2014: £2.1m) has not been accounted for in respect of properties where no claims have yet been made by previous owners. A provision of £194k (2014: £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. A further £425k (2014: £455k) has not been accounted for where claims have not been received but payment may still be due.

At 31 March 2015 a provision of £380k (2014: £571k) has been accounted for in respect of Home Loss and disturbance compensation claims expected from those displaced as a result of properties vested by the Housing Executive. A further estimated £66k (2014: £nil) has not been accounted for in respect of properties where claims have not been received after a number of years and payment is no longer deemed probable but could still be claimed.

At 31 March 2015 a provision of £556k (2014: £1.1m) has been accounted for in respect of contractual claims issued against the Housing Executive. A further estimated £3.5m has not been accounted for in respect of additional exposure to contractual claims issued against the Housing Executive. An additional two claims have been brought against the Housing Executive which cannot be quantified and for which further details cannot be disclosed for commercially sensitive reasons.

The Housing Executive launched a Voluntary Exit Scheme (VES) on 16 December 2014. The closing date for applications was 9 January 2015. Three tranches of departures have been envisaged based on the applications received. The first tranche of departures has been completed, with the costs having been accounted for in the year ended 31 March 2015. However, after receiving DSD approval on 8th April 2015 to proceed with Tranche 2, a further tranche of departures may take place before the end of the year to 31 March 2016, with a final tranche in the subsequent year. However, no decisions have been taken or commitments made in respect of these two future tranches. Therefore, at the balance sheet date, there is a possible obligation on the Housing Executive in relation to potential future departures from the VES, but it is not currently possible to quantify what this potential liability may be.



## **Note 27**

### **Commitments**

The Housing Executive has to plan its Capital and Revenue in advance of work proceeding. At 31 March 2015 the Housing Executive has entered into contracts which will incur expenditure of £72.3m (2013/14: £53.4m) in future years. Of this £72.3m (2013/14: £53.4m), capital commitments represent £40.9m (2013/14: £27.7m) and revenue commitments represent £31.4m (2013/14: £25.7m). Capital commitments include private sector grant approvals up to 31 March 2015 of £8.7m (2013/14: £7.8m) which 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 also made payments to the Strategic Investment Board in respect of staff costs for the Acting Chief Executive for the 2014/15 year. Details can be found in the Remuneration Report.

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 2014/15 to LPS amounted to £36.1m. An allowance of £3.99m is received from LPS which resulted in Rates collected during 2014/15 of £40.1m. 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 £2.6m and £151k 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:

Opening Balance 1 April 2014	Income	Expenditure	Closing Balance 31 March 2015
£'000	£'000	£'000	£'000
19	11	(5)	25

## 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 2014 to 31 December 2014. This report highlighted an estimated amount of £22.3m overpaid (customer fraud £17.1m, customer error £2.4m and official error £2.8m) and £4.6m underpaid (customer error £0.2m and official error £4.4m) through fraud and error in Housing Benefit for tenants. This represents approximately 4.1% 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 2014.

## 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 2014/15 and 2013/14 matched to the total funding provided. Non-Departmental Grant Income of £322k has been excluded.

### Landlord Services

An Accounting directive from HM Treasury, to reclassify the Housing Executive between its Landlord Services (Quasi Public Body) and Regional Services (N.D.P.B), became operational from 1 April 2014. Previously the Housing Executive was classified as a Public Corporation. As a result there were separate budgetary control and reporting requirements for the Landlord Services and the Regional Services during the 2014/15 financial year, with the Board monitoring performance for each of these services individually. Consequently, Note 31 has been restated to split the reported figures between Regional Services and Landlord Services.

The tables below exclude both non cash items eg. Depreciation. Corporation tax has been included.

	2015 £'000	2015 £'000	2014 £'000
<b>Funded by DSD:</b>			
Deficit Grant		15,590	51,144
less alloc misc expend (Regional)		-	(45,934)
Grant to support:		<b>15,590</b>	<b>5,210</b>
Capital Improvements			
ADP extensions	4,817		6,925
Decent Homes	16,129		2,839
Land & Property	1,000	20,729	-
Other Capital Progs	3,300		1,750
	<b>25,246</b>		<b>11,514</b>
<b>less capital receipts</b>	<b>(15,500)</b>	<b>9,746</b>	<b>(15,000)</b>
Corporation Tax drawdown		7,013	-
Other Departmental Grants		94	96
		<b>32,443</b>	<b>1,820</b>

	2015 Outturn £'000	2015 Outturn £'000	2014 Outturn £'000
<b>Net Expenditure:</b>			
Deficit Grant - Programme		21,095	11,510
Corporation Tax		5,105	8,700
Expenditure on Grants to support:			
Capital Improvements			
ADP extensions	3,989		4,859
Decent Homes	1,000		2,158
Land & Property	624		1,549
Other Capital Progs	3,056		3,459
	<b>8,669</b>		<b>12,025</b>
<b>less capital receipts</b>	<b>(14,945)</b>	<b>(6,276)</b>	<b>(15,778)</b>
Other Departmental Grants Expenditure		94	96
Working Capital		12,425	(14,733)
		<b>32,443</b>	<b>1,820</b>

**Note 31**  
**Key Financial Target (continued)**

Regional Services

The tables below include both non cash items eg. Depreciation and Impairment, as well as Annually Managed Expenditure (AME) expenditure eg Provision - release & take-up, together with Corporation Tax.

	2015 £'000	2015 £'000	2014 £'000
<b>Funded by DSD:</b>			
Supervision & Management	57,800		32,758
Other Strategic Expenditure	13,130		15,286
Other Strategic Income	(4,938)		(2,110 )
Supporting People Grant	71,781		69,584
Utilisation of Provisions - Revenue	700		-
Depreciation / Impairment	3,300		-
AME Funding	6,935		-
<b>Total Revenue Funding</b>		148,708	115,518
SHDP/ Co-Ownership	147,451		75,433
Land & Property	500		2,000
Utilisation of Provisions - Capital	6,900		-
Private Sector Grants/Energy Efficiency	28,980		34,465
Other Capital Programmes	1,345		1,750
<b>Total Capital Funding</b>		185,176	113,648
		<b>333,884</b>	<b>229,166</b>

	2015 Outturn £'000	2015 Outturn £'000	2014 Outturn £'000
<b>Net Expenditure:</b>			
Supervision & Management	54,553		50,575
Other Strategic Expenditure (net of Income)	7,947		(8,534)
Supporting People Grant	71,810		66,941
Utilisation of Provisions	548		-
Depreciation/Impairment	1,994		-
AME adjustments	(2,473)		-
<b>Total Revenue Expenditure</b>		134,379	108,982
SHDP/ Co-Ownership	146,089		80,191
Land & Property	2,013		9,587
Utilisation of Provisions - Capital	5,471		-
Private Sector Grants/Energy Efficiency	29,575		33,342
Other Capital Programmes	575		(63)
<b>Total Capital Expenditure</b>		183,723	123,057
Underspend from budget		15,782	(2,873 )
		<b>333,884</b>	<b>229,166</b>

**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 2nd July 2015 by the Chairman and Acting Chief Executive of the Housing Executive.

**Annex: Statement of Comprehensive Net Expenditure Unaudited**

- split by service for the year ended 31 March 2015

	Landlord 2015 £'000	Regional 2015 £'000
<b>Expenditure</b>		
Staff Costs	71,229	32,087
Other Expenditures	190,310	282,855
Total Housing Benefit Costs	-	655,233
Depreciation, Amortisation, Write Offs & Write Down	34,073	68
Commissioned Services Charge	2,846	13,035
Capital Grant Charge	-	1,070
Capital Grant in Kind	55	4,132
<b>Total Expenditure</b>	<b>298,513</b>	<b>988,480</b>
<b>Income</b>		
Rental Income	287,928	32
EU Income	76	2,968
Other Income	43,885	8,626
Total Housing Benefit Income	-	655,233
Capital Grant Income	1,556	3,701
Commissioned Services Income	13,035	2,846
<b>Total Income</b>	<b>346,480</b>	<b>673,406</b>
<b>Net Expenditure before Interest</b>	<b>47,967</b>	<b>(315,074)</b>
Interest Receivable	238	187
Financing Charges	(39,613)	(16)
Pension Financing Charges	(2,470)	(1,117)
<b>Net Expenditure before taxation</b>	<b>6,122</b>	<b>(316,020)</b>
Tax on ordinary activities	394	(39)
<b>Net Expenditure after taxation</b>	<b>6,516</b>	<b>(316,059)</b>

Total 2015 £'000	Landlord 2014 £'000	Regional 2014 £'000	Total 2014 £'000
103,316	66,584	31,663	98,247
473,165	165,770	215,523	381,293
655,233	-	639,973	639,973
34,141	40,938	75	41,013
15,881	2,311	12,397	14,708
1,070	-	1,255	1,255
4,187	-	2,294	2,294
<b>1,286,993</b>	<b>275,603</b>	<b>903,180</b>	<b>1,178,783</b>
287,960	277,871	27	277,898
3,044	261	3,040	3,301
52,511	43,744	7,845	51,589
655,233	-	639,973	639,973
5,257	1,255	2,294	3,549
15,881	12,397	2,311	14,708
<b>1,019,886</b>	<b>335,528</b>	<b>655,490</b>	<b>991,018</b>
<b>(267,107)</b>	<b>59,925</b>	<b>(247,690)</b>	<b>(187,765)</b>
425	392	224	616
(39,629)	(45,503)	-	(45,503)
(3,587)	(3,421)	(1,548)	(4,969)
<b>(309,898)</b>	<b>11,393</b>	<b>(249,014)</b>	<b>(237,621)</b>
355	(14,201)	(51)	(14,252)
<b>(309,543)</b>	<b>(2,808)</b>	<b>(249,065)</b>	<b>(251,873)</b>

## Statement of Financial Position split by service Unaudited

- as at 31 March 2015

	Landlord Services 2015 £'000	Regional Services 2015 £'000
<b>Non-current assets</b>		
Property, Plant & Equipment - Operational	2,149,007	2,930
Property, Plant & Equipment - Non Operational	305	672
Intangible Assets	2,113	-
<b>Total non-current assets</b>	<b>2,151,425</b>	<b>3,602</b>
<b>Current Assets</b>		
Assets Classified as Held for Sale	3,690	-
Inventories	1,530	2,541
Trade and other receivables	28,653	44,301
Cash and cash equivalents	39,915	62,025
Intercompany balance	28,420	16,834
<b>Total current assets</b>	<b>102,208</b>	<b>125,701</b>
<b>Total assets</b>	<b>2,253,633</b>	<b>129,303</b>
<b>Current Liabilities</b>		
Trade and other payables	(124,006)	(156,422)
Provisions	(5,369)	(805)
Intercompany balance	(16,834)	(28,420)
<b>Total current liabilities</b>	<b>(146,209)</b>	<b>(185,647)</b>
<b>Net Current Liabilities</b>	<b>(44,001)</b>	<b>(59,946)</b>
<b>Non-current assets less net current liabilities</b>	<b>2,107,424</b>	<b>(56,344)</b>
<b>Non-current liabilities</b>		
Trade & other payables	-	(13,435)
Loans Outstanding	(352,967)	-
Provisions	(1,053)	(50)
Pension Liability	(74,741)	(33,816)
<b>Total Non-current liabilities</b>	<b>(428,761)</b>	<b>(47,301)</b>
<b>Assets less Liabilities</b>	<b>1,678,663</b>	<b>(103,645)</b>
<b>Taxpayers' Equity</b>		
Statement of Comprehensive Net Expenditure Reserve	1,104,204	(103,645)
Revaluation Reserve	574,459	-
	<b>1,678,663</b>	<b>(103,645)</b>



Total 2015 £'000	Landlord Services 2014 £'000	Regional Services 2014 £'000	Total 2014 £'000
2,151,937	2,106,080	2,645	2,108,725
977	211	1,025	1,236
2,113	1,989	-	1,989
<b>2,155,027</b>	<b>2,108,280</b>	<b>3,670</b>	<b>2,111,950</b>
3,690	4,854	-	4,854
4,071	1,057	3,773	4,830
72,954	16,483	54,896	71,379
101,940	31,634	123,693	155,327
45,254	8,897	-	8,897
<b>227,909</b>	<b>62,925</b>	<b>182,362</b>	<b>245,287</b>
<b>2,382,936</b>	<b>2,171,205</b>	<b>186,032</b>	<b>2,357,237</b>
(280,428)	(119,002)	(139,098)	(258,100)
(6,174)	(10,240)	(4,204)	(14,444)
(45,254)	-	(8,897)	(8,897)
<b>(331,856)</b>	<b>(129,242)</b>	<b>(152,199)</b>	<b>(281,441)</b>
<b>(103,947)</b>	<b>(66,317)</b>	<b>30,163</b>	<b>(36,154)</b>
<b>2,051,080</b>	<b>2,041,963</b>	<b>33,833</b>	<b>2,075,796</b>
(13,435)	(321)	(15,351)	(15,672)
(352,967)	(409,963)	-	(409,963)
(1,103)	(3,605)	(2,437)	(6,042)
(108,557)	(55,416)	(25,072)	(80,488)
<b>(476,062)</b>	<b>(469,305)</b>	<b>(42,860)</b>	<b>(512,165)</b>
<b>1,575,018</b>	<b>1,572,658</b>	<b>(9,027)</b>	<b>1,563,631</b>
1,000,559	1,069,511	(9,145)	1,060,366
574,459	503,147	118	503,265
<b>1,575,018</b>	<b>1,572,658</b>	<b>(9,027)</b>	<b>1,563,631</b>

# REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

## Introduction

1. The Northern Ireland Housing Executive (the Housing Executive) is comprised of a Public Corporation and an NDPB<sup>1</sup> and is sponsored by the Department for Social Development (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 88,500 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 for the purposes intended by the Northern Ireland Assembly (the Assembly) and the financial transactions conform to the authorities which govern them.

## Explanation for Qualified Audit Opinions

3. This report reviews the results of my 2014-15 audit of the Housing Executive and sets out the reasons why I consider I do not have enough evidence to provide an unqualified regularity audit opinion.

## Response and Planned maintenance expenditure (Part 1)

4. The Housing Executive spent a total of £145 million on maintenance during 2014-15; £46 million on response maintenance expenditure; and £99 million on planned maintenance expenditure. Considerable problems have been identified in the past in relation to the Housing Executive's controls over work done by contractors on its response and planned maintenance programme and I have qualified my regularity audit opinion in this area for a number of years. The Housing Executive has provided me with evidence of continuous improvement in the operation of controls over

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*1. From 1 April 2014, following a review by the Office for National Statistics, the financial accounting classification of the Housing Executive changed. The Housing Executive now comprises 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. The main impact of the accounting reclassification is that the NDPB will, for accounting purposes, be more closely integrated with the sponsor department and budgetary management arrangements are now aligned to those already in place for the Department.*

general response maintenance this year and therefore I have removed my qualification in this area. However the qualification on heating response maintenance expenditure (£3.6 million) remains as I continue to have some concerns. In the area of planned maintenance expenditure I have not been provided with sufficient evidence over the controls operating in this area and therefore I have again qualified my regularity audit opinion.

#### **Fraud and error in housing benefit expenditure (Part 2)**

5. The Housing Executive spent £671 million on housing benefit in 2014-15. Significant levels of estimated fraud and error in housing benefit expenditure continue, £26.7 million for 2014-15. I have therefore qualified my audit opinion on regularity due to the material level of this fraud and error. The Housing Executive's accounts have received a similar qualified audit opinion in previous years.

#### **Update on previous corporation tax qualification**

6. Last year I qualified my financial audit opinion as I did not have sufficient evidence to conclude on the completeness and accuracy of the tax liabilities disclosed in the accounts. Since then the Housing Executive has paid liabilities determined by HMRC and are receiving expert advice. Consequently this year I am content that I have the necessary evidence and have not qualified my opinion.

## Part 1: Response and Planned Maintenance Expenditure

Qualified opinion due to weaknesses in the controls over expenditure on heating response maintenance and planned maintenance

### Response Maintenance

#### Key Points:

- Evidence of improvements in inspection results this year
- Previous qualified audit opinion on general response maintenance removed
- Qualified audit opinion remains on heating response maintenance due to insufficient evidence

1.1 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 2014-15 the Housing Executive spent £46 million in this area compared to £41 million in 2013-14.

#### General response maintenance inspection results

- 1.2 Due to the technical nature of maintenance work, I rely on the Housing Executive's internal controls to ensure that work done by their contractors is properly inspected by maintenance staff and payments are not made until work has been satisfactorily completed. One of the key controls in ensuring that proper inspections are taking place is the Audit and Assurance Department (AAD)<sup>2</sup> which provides independent assurance to the Housing Executive management and also the Accounting Officer on the effectiveness of the key controls in operation over maintenance functions. To do this it statistically selects samples of maintenance contracts inspected and re-performs the checks that have already been carried out in each office.
- 1.3 Since 2013-14 the AAD report the results of their inspections on an area basis<sup>3</sup> although the local offices are also assigned an individual rating. Scores are recorded against specific criteria and classified as unacceptable, limited, satisfactory or substantial.
- 1.4 The results of the work of the AAD in 2014-15 and earlier years are summarised in Figure 1. I note this year that the AAD continues to report an improved performance in the delivery and management of these contracts at both an area and office level. To date 28 local offices (out of 32) have been visited within 10 of the areas.<sup>4</sup> Two of these offices, Waterside and North Belfast 6 were classified as having limited and unacceptable results respectively which compares to eight local offices per earlier inspection results. AAD policy is to provide a support programme to help address areas of weakness once identified.

2. In June 2014 the Audit and Assurance Department was formed following the merger of the Housing Executive's Corporate Assurance Unit and its Internal Audit Unit.

3. 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.

4. At the time of my audit the remaining area reports were not yet at draft stage.

**Figure 1: Results of the AAD response maintenance inspections**

Classification	2014-15	2010-14 <sup>5</sup>	2014-15	2010-14 <sup>5</sup>
	By Area		By local office	
Substantial	9	4	23	8
Satisfactory	1	3	3	12
Limited	-	3	1	2
Unacceptable	-		1	6
<b>Total</b>	<b>10</b>	<b>10</b>	<b>28</b>	<b>28</b>

Source: Housing Executive

### Approach used for response maintenance inspections and reporting

- 1.5 I have reviewed a sample of the work done by the AAD and I am satisfied that the work I examined was properly carried out in line with their procedures and methodology. Last year I was concerned that the results of a due diligence exercise into the planned maintenance scheme inspections (discussed further in paragraph 1.17) may have implications for the work completed in the area of response maintenance. The Head of the AAD has since concluded this exercise and informed my staff that there is no impact on the approach taken for response maintenance inspections or reporting.
- 1.6 The AAD inspections continue to demonstrate an improving performance and there have been no changes to the current approach used in these inspections. I welcome the considerable progress made by the Housing Executive in addressing the weaknesses in control that have affected the area of general response maintenance over the past few years.

### Heating response maintenance inspection results

- 1.7 The Housing Executive spent £3.6 million this year responding to heating maintenance issues and servicing both appliances and installations. In October 2010 the Department recommended that the Housing Executive should also gain assurance over inspections of both planned and response maintenance heating contracts. The AAD now have the necessary technical expertise to perform these inspections and since 2013-14 have incorporated them into their annual programme of work. The AAD inspections focus on the work done by the area to ensure that the contractor's work meets standards and payments to the contractor are appropriate.

5. AAD has provided these comparative results by applying the new methodology to previous inspection results. These inspections were carried out during 2010-11, 2011-12, 2012-13 and 2013-14.

- 1.8 At the time of this report eight of the 12 areas have been issued with reports with seven of them receiving a satisfactory classification and one, South Down area, receiving an overall limited classification. As this is the first full year of these heating inspections there are no previous reports to provide comparisons. Due to the way in which these contracts have been awarded individual offices have not been assigned separate classifications unless there is more than one contractor working in an area.<sup>6</sup>
- 1.9 It is encouraging that the AAD now has the necessary technical resources to complete its programme of inspections, for which, results have largely been favourable. However over the past six months a number of whistleblowers have come forward with allegations in respect of the management of both response and planned heating maintenance contracts. Until these allegations have been fully investigated I continue to have concerns over the controls operating in heating maintenance. I am also concerned about the delay in investigating these issues and asked the Housing Executive to comment on its progress. It told me that there were six separate whistleblowing referrals made with regard to heating maintenance issues, including a complaint from a contractor. It accepts that progress in completing the investigations has been slower than expected. Given the complexity and overlapping nature of the allegations when taken together the Housing Executive has decided to examine the cases in a holistic manner through a multi-disciplinary group chaired by the Director of Finance. The group will examine quality and pricing issues and will be supported by the use of data analytic technology to verify technical performance trends. Going forward, this technology will be rolled out to response maintenance to allow them to apply a more targeted approach to maintenance issues.

#### **Conclusion on response maintenance expenditure**

- 1.10 I am content that there has been considerable progress in the Housing Executive's management of general response maintenance contracts and have therefore decided to remove my audit qualification in this area this year. While I note that heating maintenance schemes are now subject to a full programme of inspections that have largely resulted in satisfactory assurance, I am unable to remove my qualification on this aspect of response maintenance expenditure until all whistleblowing allegations have been thoroughly investigated by the Housing Executive. Therefore, I have qualified my regularity audit opinion on £3.6 million of heating response maintenance expenditure.

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*6. This is the case in South Down, with one contractor's work receiving a satisfactory classification and the other a limited classification. Overall the result of this inspection was classified as limited.*

## Planned Maintenance

### Key Points:

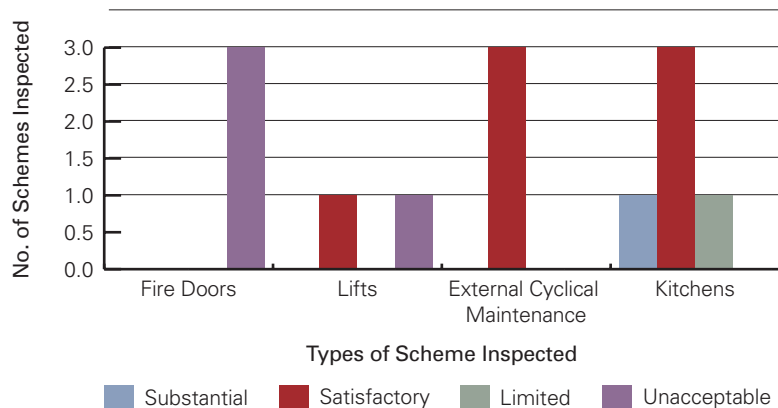
- Thirteen schemes inspected this year and four have been classified as unacceptable
- Six planned heating schemes have been inspected and five have been classified as satisfactory
- New planned maintenance contract schemes have not yet been inspected by the AAD
- Qualified audit opinion remains due to insufficient evidence

1.11 Planned maintenance expenditure relates to larger schemes of maintenance scheduled to maintain the housing stock over time and includes work such as painting (included within external cyclical maintenance), boiler replacement, kitchen replacement and double glazing. During 2014-15 the Housing Executive spent £99 million on such schemes compared to £86 million in 2013-14.

1.12 As is the case for response maintenance expenditure the AAD also inspects the Housing Executive's management of its planned maintenance contracts by inspecting the final completed scheme on site to ensure it is in line with policy, meets the necessary standards and is in line with what should have been delivered. The results of these inspections for 2014-15 are set out in Figure 2.

**Figure 2: Results of planned maintenance scheme inspections 2014-15**

### AAD Inspections of Planned Maintenance Schemes in 2014-15



Source: Housing Executive

### Planned maintenance schemes inspection results

- 1.13 Figure 2 shows that there were 13 inspections this year covering four different types of schemes. Five of these schemes received limited or unacceptable classifications, three of which were for fire doors. These results are particularly concerning, given the health and safety implications and I urge the Housing Executive to address these issues promptly. The Housing Executive told me that an action plan has already been put in place to deal with the issues identified through its inspection arrangements and it is working closely with its contractors to ensure a prompt resolution of any matters raised.
- 1.14 Figure 3 compares these results to last year's results although it is recognised that comparisons are not as meaningful for these types of inspections as different schemes are selected every year. Last year 14 per cent of schemes were classified as limited/unacceptable (kitchens and window replacement schemes) compared to approximately 39 per cent this year. It should be noted that the number of scheme inspections has decreased from 21 last year to 13 this year.

**Figure 3: Comparison of 2014-15 and 2013-14 planned maintenance scheme inspection results**

Inspection classification	2014-15		2013-14	
	No	%	No	%
Substantial	1	7.5	16	76
Satisfactory	7	54	2	10
Limited	1	7.5	1	4
Unacceptable	4	31	2	10
<b>Total</b>	<b>13</b>		<b>21</b>	

Source: Housing Executive

### Need for a Quantity Surveyor to provide financial assurance

- 1.15 The AAD needs Quantity Surveyor (QS) input to ascertain whether maintenance officers carrying out inspections are ensuring that contractors are only being paid for work that has been properly completed. However due to staff turnover during the year input to inspections has been limited. Without full QS input to its inspections the AADs' reports cannot, in my opinion, provide a complete picture. I understand that this is due to recruitment difficulties and, as noted in my report last year, I consider that the Housing Executive must address this gap as a matter of urgency. The Housing Executive has informed me that a Quantity Surveyor was engaged through its agency partner in early May 2015.



### Concerns regarding the approach used for planned maintenance scheme inspections and reporting

- 1.16 As with the AAD'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. Last year I reported that following concerns raised by a whistleblower the Housing Executive had set up a team to review schemes in South Region. I asked for an update on this investigation and the Housing Executive told me that following an initial discussion with the whistleblower, a team of experienced investigators was assigned to examine the concerns raised by this person and quickly established that there was initial evidence to support some of these concerns. This led to a more extensive investigation supported by technically qualified staff not previously associated with the planned maintenance work being examined. During the course of the investigation several other whistleblowers came forward with similar concerns. Furthermore, the Housing Executive informed me that the scope of the investigation was thorough and extensive, confirming there had been unacceptable management of some of the schemes and failure to apply the required controls and procedures. As a result of the investigation, an agency member of staff was not retained and a permanent employee was dismissed. The latter case is now the subject of an Industrial Tribunal hearing. A number of other officers are still subject to disciplinary investigation.
- 1.17 This investigation led to the Accounting Officer initiating a due diligence exercise to look at the appropriateness of the methodology and reporting of planned maintenance scheme inspection results during 2013-14 as the South Region had previously received a satisfactory classification. This work has now concluded and identified significant weaknesses in the methodology and reporting of these results. For example the methodology allowed for schemes with a failure rate of up to 25 per cent to be given a substantial classification. As this approach was also adopted in the 2014-15 scheme inspections the Head of the AAD has reviewed the classifications assigned to each scheme and in light of these weaknesses revised them where necessary. This has resulted in six of the schemes inspection results being revised downwards from substantial to satisfactory classifications. The Head of the AAD is in the process of devising a new methodology for 2015-16 onwards. Given the fact that the previous approach had also been subject to considerable review and 'road-tested', this new methodology must be robustly tested before it is introduced. The Housing Executive told me that, once approved, the methodology will then be reviewed by an external maintenance specialist to ensure it is robust and reflects best practice. The external specialist will also have involvement in accessing the results of the 'road-testing' experience, for completeness of assurance.

### **New planned maintenance contracts**

- 1.18 Following the expiry of the old planned maintenance scheme contracts, various issues including the resolution of potential overpayments which I reported last year led to the new contracts not starting until August 2014.<sup>7</sup>
- 1.19 The Head of the AAD has advised my staff that inspections of the new planned maintenance schemes have not taken place as they do not inspect schemes until they are nearing completion and the new approach for 2015-16 has not yet been finalised. I understand that in these new consultant-led contracts the contractor's work is fully checked by the consultant. The Housing Executive told me that management checks on the work of the consultants have been in place since the commencement of the contracts. These checks are applied to each scheme on a sample basis of 10 per cent as dwellings are handed over. The Housing Executive re-examines the quality and cost of the work which the consultants have approved. Key Performance Indicators are in place to provide robust management of the consultants. To date, the performance of some consultants has not been consistent and the Housing Executive informs me it has taken positive action to ensure performance is both reliable and effective. This includes agreed improvement plans and, if required, escalation.

### **Planned heating maintenance inspection results**

- 1.20 The Housing Executive spent £39 million (39 per cent of total planned maintenance expenditure) during 2014-15 on planned heating maintenance. This year six heating installations have been inspected with five schemes receiving a satisfactory classification and one an unacceptable classification. In the latter case, this classification arose due to a number of issues including construction works and finishing not being a satisfactory standard, reuse of existing material by the contractor and the oil tank base not being removed in line with a tenant's request but included on the contractor's invoice. I note that this inspection report was still in draft, a year since it was issued. This delay has arisen due to a further review being completed by the AAD staff, independent of those involved in the initial review, following challenge by management in the area. I have previously reported on the level of challenge by the Housing Executive management to the former Corporate Assurance Unit findings and am concerned to see this happening again. The Housing Executive told me that it accepts there was a considerable delay in completing this report which has now been issued as final.
- 1.21 As in the case for planned maintenance schemes there has been very limited QS input to these inspections. The Housing Executive has told me that heating contract services are provided on a specific composite cost basis whereby each service is allocated an agreed upfront cost which limits the potential for final cost variations. Therefore there is less of a risk of overpayment or cost variations occurring as compared to the

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*7. The only exception to this is double glazing which was separated from the main contracts, tendered separately and awarded in November 2013.*

more complex non-heating planned maintenance schemes. Due to the weaknesses identified in the methodology used the Head of AAD has reviewed the assigned classifications and revised two of them to satisfactory from substantial. As noted earlier (paragraph 1.9) a number of whistleblowers have come forward in this area and allegations have not yet been fully investigated.

#### **Conclusion on planned maintenance expenditure**

- 1.22 The AAD has provided independent assurance over a number of planned maintenance schemes that relate to the old contracts. While Housing Executive management has advised me that it has completed inspections of a percentage of the consultants' work, to date no independent assurance is available for the work done by the consultants or contractors on the new contracts. This is exacerbated by the fact that the AAD inspections continue to have limited QS input which means that the financial aspects of the schemes cannot be fully examined. This reduces the extent to which I can rely on their work.
- 1.23 The results of planned heating maintenance schemes are mainly positive however the fact remains that a number of whistleblowing investigations are yet to be resolved.
- 1.24 Until the Housing Executive has a full programme of inspections in place that is fully embedded, covers all planned maintenance scheme contracts and is appropriately staffed it is likely that this qualification will remain. In the current year 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. I have therefore qualified my regularity audit opinion again on planned maintenance expenditure of £99 million this year.

#### **Update on contractor overpayments in planned maintenance schemes**

- 1.25 In my report on the accounts last year I provided considerable detail on the events leading to the estimated contractor overpayments of £18 million and the final agreed settlement. Further investigation of the whistleblower allegations (paragraph 1.16) has highlighted that some scheme expenditure in the South Region, which had been excluded from negotiations, was not measured properly. This has resulted in further protracted contractor negotiations which are now nearing resolution. I asked the Housing Executive if it was content that all remaining schemes will be subject to full re-measurement. It told me that a dedicated team of Quantity Surveyors was established to manage the closure of outstanding legacy planned maintenance schemes in this area and this work is nearing completion. The relevant schemes have now been re-inspected and re-measured to agree and ensure the accuracy and completeness of any payments due to the contractor. The Housing Executive is currently seeking to reach a satisfactory closure of these schemes and is working closely with the contractor and their appointed legal and technical experts.

## **Developments in the Housing Executive Direct Labour Organisation**

### **Background**

- 1.26 Response maintenance work is normally carried out by external contractors with the Housing Executive retaining a small share, delivered by its own Direct Labour Organisation (DLO). The DLO services include building and grounds maintenance, adaptations for the disabled, electrical inspections, plumbing, change of tenancy repairs and security of empty properties.
- 1.27 In June 2013 two response maintenance contractors went into administration. To ensure continuity of service to tenants the Housing Executive allocated some of their contracts to the DLO which has resulted in its major expansion. Turnover has increased from £7.7 million in 2012-13 to nearly £23 million in 2014-15 and staffing levels have increased from 185 to around 480.
- 1.28 A business case, approved by the Housing Executive Board in October 2013, was considered by the Department in December 2014. The Housing Executive was asked to continue to keep the Department informed of any material issues associated with the delivery of services by the DLO via the accountability meetings.
- 1.29 In April 2014 the DLO Performance and Development Committee was established as a sub-committee of the Board to provide assurance on the effectiveness and efficiency of management, performance, governance and compliance of the DLO.

### **Issues facing the Housing Executive following DLO expansion**

- 1.30 Under the 2006 Transfer of Undertakings Protection of Employment (TUPE) Regulations when all or part of a business is bought or sold, the terms and conditions of the employees transfer to the new employer. Consequently when the two contractors went into administration 215<sup>8</sup> employees were transferred to the Housing Executive. The Housing Executive has informed me that checks have been carried out to ensure that it fully met its TUPE obligations and that only staff working on its contracts were transferred.
- 1.31 Under these Regulations and the Fair Deal policy<sup>9</sup> the transferred employees are entitled to the same pension rights as other Housing Executive employees. With the increase in salary and pensions expenditure due to these staff transfers, the Housing Executive has had to deal with significant unanticipated costs in a climate of severe budgetary pressures which is concerning.

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*8. A further eleven employees were TUPE'd in from another contractor in February 2014.  
9. Non-statutory guidance which operates alongside TUPE.*

- 1.32 The Housing Executive has informed me that it has now sought legal advice which indicates that the Housing (NI) Order 1981 could allow it to set up a separate pension scheme for certain groups who may in future, under legislation, become Housing Executive employees. The Housing Executive Board and Department approval for such an arrangement is to be sought. I intend to monitor this situation closely.
- 1.33 The major expansion of the DLO has led to the need for further capital investment in property and motor vehicles. The Housing Executive has purchased a depot in Portadown, signed a three year lease for a large depot in Belfast and closed some smaller depots. When the contracts were transferred to the DLO in June 2013 a short term solution was put in place to contract hire 125 vans, at an annual cost of £850,000 per year, amounting to approximately £2.5 million over three years. The actual cost of purchasing these vehicles outright has been estimated to be approximately £1.0 million.<sup>10</sup> While the Housing Executive Board has recently approved the award of the contract for supply, given average lead times for delivery and fitting out, the vehicles are unlikely to be in service until October 2015. There seem to be clear value for money implications arising from the delay in procuring these vehicles.

#### **Future plans for the DLO**

- 1.34 I note that the DLO is monitored in the same way as other external contractors and AAD's inspections this year found its work to be of a good standard. I asked the Housing Executive about its future strategy for the DLO, how it intends to ensure that this service provides value for money and is commercially competitive. I was told that the Housing Executive is currently in the process of recruiting a new Head of DLO who will be charged with bringing a more commercial approach to the work of the unit. Moreover, the approved work programme for the DLO is very much focused on improving the efficiency of the operation, particularly the introduction of modern technology to facilitate dynamic work scheduling, automatic routing of vehicles and real-time upload of visit outcomes to central management systems. In June 2015, the DLO received Board approval to purchase new vehicles to replace a more costly hire arrangement which had been implemented when the service was transferred in-house and the Housing Executive are of the view this will contribute to real cost reductions. Alongside these actions, there are currently ongoing negotiations with trade union side to harmonise terms and conditions of transferred staff to develop a more sustainable employee cost base.

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*10. Details taken from the September 2014 AAD (Internal Audit) report on DLO.*

## Part 2: Housing Benefit

### Qualified opinion due to estimated levels of fraud and error in housing benefit expenditure

#### Key Points:

- Level of estimated fraud and error continues to rise
- Significant increase in levels of customer fraud from £11.7 million to £17.1 million
- Qualified audit opinion due to material level of estimated fraud and error in housing benefit remains

#### Background and methodology

- 2.1 Housing benefit is a means-tested benefit to help people on low income pay rent. The Housing Executive administers it on behalf of the Department who fund customer payments and the majority of administrative costs. Eligibility depends on several factors including: income and capital; household size; ages and circumstances and rent levels. In 2014 -15, the Housing Executive spent £671 million (2013-14: £657 million) on housing benefit.
- 2.2 The Department's Standards Assurance Unit (SAU) review a sample of ongoing housing benefit claims for evidence of fraud or error regularly throughout the year. The results of this are used to estimate the level of fraud and error for the year and, as they are based on a sample, are subject to statistical uncertainties. My staff examined the work undertaken by the SAU and I am content that the results produced by them are a reliable estimate of the total fraud and error in the housing benefit system.
- 2.3 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 have not been made in line with the governing legislation and are therefore irregular. I consider all overpayments and underpayments made as a result of official error to be irregular.
- 2.4 Consequently for a number of years I have qualified my regularity opinion in respect of the estimated level of fraud and error in housing benefit expenditure which I consider material.

## Results of SAU testing in 2014

### *Types of fraud and error*

- 2.5 The SAU examines housing benefit claims for the following types of fraud and error:
- Customer fraud arising where customers deliberately seek to mislead the Housing Executive, for example, by under declaring assets or falsely stating their own or their partner's earnings.
  - Customer error relating to situations where customers have made mistakes in claiming benefit which are not judged to have arisen from fraudulent intent, for example, many customers incorrectly believe that reporting changes once to a public body will lead to all government bodies updating their records for that individual.
  - Official error arising when housing benefit is paid incorrectly due to inaction, delay or a mistake by the Housing Executive, for example, incorrectly applying a customer's income.
- 2.6 Note 30 to the financial statements (entitled 'Fraud and Error') details the estimated levels of fraud and error based on the SAU's work in 2014.<sup>11</sup> This shows that the total amount of estimated irregular payments in 2014 was £26.7 million comprising:
- overpayments due to customer fraud and error and official error of £22.3 million (3.4 per cent of housing benefit payments); and
  - underpayments due to official error of £4.4 million (0.7 per cent of housing benefit payments expenditure).

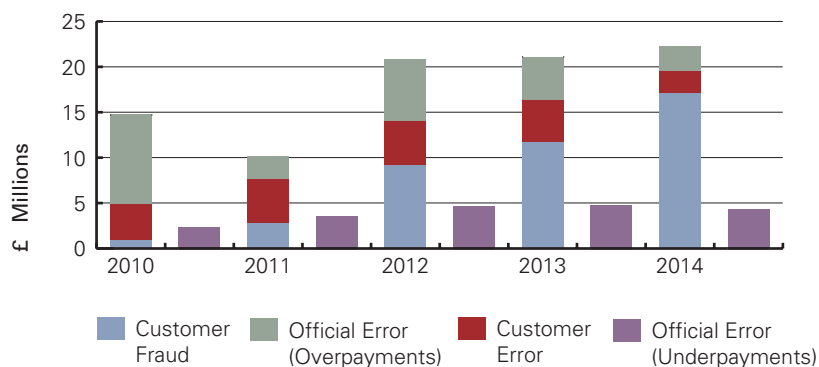
A detailed breakdown of these figures over the past five years is shown in Figure 4 on the next page.

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*11. SAU report the results of their testing on a calendar year basis to facilitate the timetable for the production of the financial statements. The amount of housing benefit expenditure paid in the 2014 calendar year was £650 million whereas the amount paid out in the financial year 2014-15 is £671 million as disclosed in Note 8 to the accounts.*

Figure 4: Breakdown of estimated level of fraud and error by type over the last five years

Estimated Level of Housing Benefit Under and Over Payments from 2010 - 2014



	2010	2011	2012	2013	2014
<b>Total Housing Benefit Expenditure</b>	£568.3m	£558.5m	£612m	£659m	£650m
Overpayments due to:					
Customer Fraud	0.9	2.8	9.2	11.7	17.1
Customer Error	4	4.8	4.8	4.6	2.4
Official Error	9.8	2.6	6.8	4.8	2.8
<b>Total overpayments</b>	<b>14.7</b>	<b>10.2</b>	<b>20.8</b>	<b>21.1</b>	<b>22.3</b>
% of overpayments	2.6%	1.8%	3.4%	3.2%	3.4%

<b>Total underpayments due to official error</b>	<b>2.4</b>	<b>3.6</b>	<b>4.7</b>	<b>4.8</b>	<b>4.4</b>
% of underpayments	0.4%	0.6%	0.8%	0.7%	0.7%

Source: SAU reports



- 2.7 Figure 4 shows that the estimated level of overpayments is continuing to rise and at £22.3 million is now 3.4 per cent of total benefit expenditure. This is 52 per cent higher than it was five years ago and this appears to be largely due to increasing levels of customer fraud which comprise more than 77 per cent of total overpayments in 2014. The SAU found evidence that in the majority of these cases fraud arose due to earnings and income being incorrectly declared or it originated in the social security benefit which 'passported' entitlement to the housing benefit. I note that the estimated level of customer error has decreased by 48 per cent to £2.8 million since last year. In more than half of these cases errors were due to incorrect declarations of earnings and income.
- 2.8 As official errors arise from mistakes by the Housing Executive these errors are within its control and it is best placed to reduce them. The estimated level of overpayments due to official error continues to drop considerably and at £2.8 million this year is close to the lowest it has been over the past five years. I also note that the level of estimated underpayments due to official error has decreased marginally since last year to £4.4 million and is 0.7 per cent of expenditure.
- 2.9 During the year the Accounting Officer asked the Social Security Agency (the Agency) to conduct a Peer Review of the Housing Executive's fraud and error strategy to highlight any areas of weakness and recommend any scope for improvement. While this strategy focuses solely on customer fraud and error the review team also looked at the Housing Executive's approach to official error given its impact on fraud and error figures. The review team identified scope for:
- improvement in terms of implementing a single joined-up approach to targeting, detecting, investigating and removing customer fraud and error from across the social security and housing benefit customer base;
  - a more focused and intensive governance regime to set expectations and oversee delivery and results; and
  - a much greater emphasis on targeting and removing staff error with associated governance arrangements akin to that used for social security benefit payments.
- 2.10 The report concluded that the two options for addressing its conclusion and findings would be to work to address the weaknesses highlighted within the existing Housing Executive framework or integrating, through co-location and joint working, the delivery of Housing Executive fraud and error services within the wider Agency fraud and error infrastructure.
- 2.11 I note that the Accounting Officer has provided comprehensive detail on the wide range of measures being undertaken to prevent and detect fraud and error in housing benefit expenditure in the Annual Governance Statement. Furthermore, he has also referred to the Peer Review and commented that an outline plan has been agreed and will be built on during the coming year.

### Qualification of regularity opinion due to estimated level of fraud and error in housing benefit payments

2.12 I recognise that the Housing Executive continues to dedicate considerable efforts and resources to address housing benefit fraud and error. I note that the level of estimated customer fraud has risen considerably this year and at £17.1 million is now at its highest level. The estimated levels of fraud and error in housing benefit expenditure remain material at £26.7 million. I consider this to be irregular as this expenditure has not been applied in accordance with the purposes intended by the Northern Ireland Assembly and therefore I have again qualified my regularity audit opinion for 2014-15 in this area.

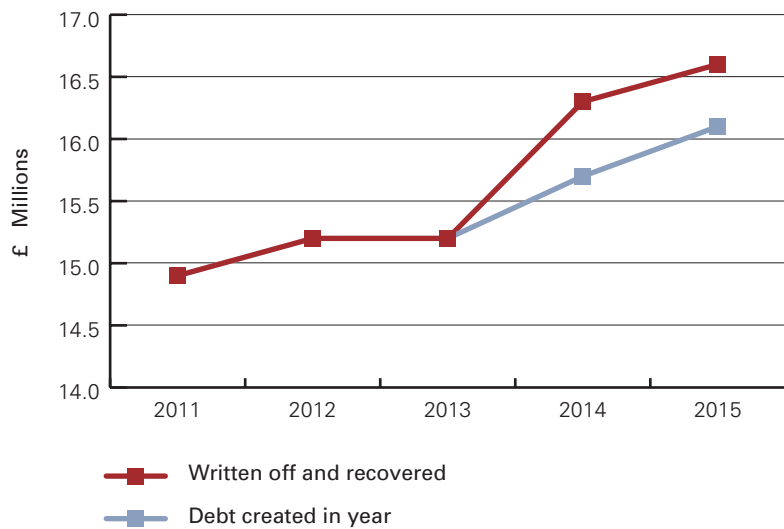
### Other issues relating to Housing Benefit

#### Benefit overpayments to be recovered

2.13 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 £49.4 million to £50.9 million. Figure 5 compares the recovery of benefit overpayments by the Housing Executive over the last five financial years to the new benefit debt created.

Figure 5: Trends in the recovery of Housing Benefit Overpayments

#### Housing Benefit Debt



Source: Housing Executive

2.14 Figure 5 shows that for the first three years the Housing Executive write-off and recovery of debt was in line with new benefit overpayment debt created. Since 2013 more debt has been written off and recovered than created. When I asked the Housing Executive to comment on the reasons for this improvement it told me that management introduced localised recovery targets to provide a clearer focus on recovery action. In addition, management reviewed the different recovery methods being applied and the effectiveness and impact of each method was critically assessed. This allowed prioritisation of resources for those methods which produced better results. The Housing Executive plans to build on the improvement achieved by creating a specialist team dedicated solely to recovery of overpayment debt later this year.

### **Social Housing Tenancy fraud**

2.15 Housing tenancy fraud is the use of social housing by someone who is not entitled to it or does not need it. Frauds include subletting for profit, providing false information in a housing application and abandoning the property with no one living there. Tenancy fraud deprives those on housing waiting lists and the homeless of a permanent social home and creates significant additional cost for the taxpayer in providing temporary accommodation and in building additional new social homes.

2.16 In September 2013 I published a report<sup>12</sup> on this area and following a Public Accounts Committee hearing in May 2014, the Committee published a report<sup>13</sup> in October 2014. The Committee's report highlighted that:

- Northern Ireland's social housing providers had been slow to react to the increased recognition of tenancy fraud in Great Britain and that the Housing Executive and Housing Association activity was reactive and largely confined to dealing with abandoned properties;
- The Committee was concerned at the significant increase in the cost of providing temporary accommodation for homeless families, with costs more than doubling from £5.2 million in 2008 to £10.9 million in 2013;
- Collaboration between a range of bodies would be the most effective means of tackling tenancy fraud. A key element of this would be the establishment of formal protocols between social housing providers and utility companies. This data opens up a valuable source of evidence in the investigation of suspected tenancy fraud; and
- The Northern Ireland Tenancy Fraud Forum has been tasked with reviewing the legislative position and the feasibility of establishing a single tenancy fraud investigatory team for social housing providers in Northern Ireland.

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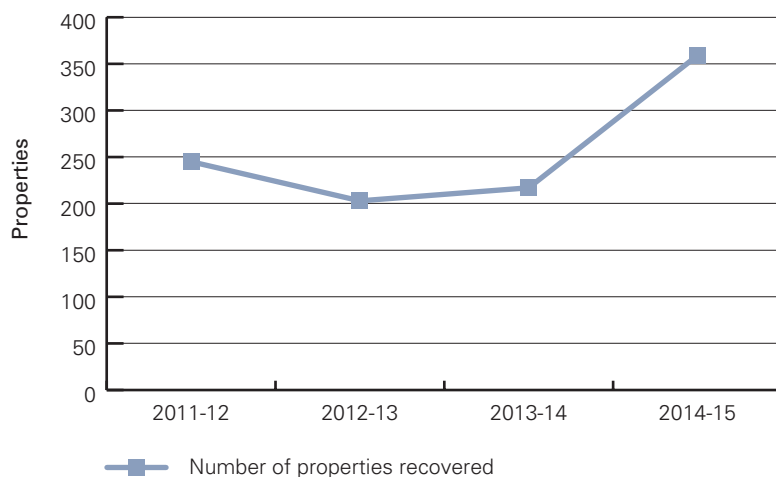
12. *Tackling Social Housing Tenancy Fraud in Northern Ireland, 24 September 2013, Report by the Comptroller and Auditor General.*

13. *Report on Tackling Social Housing Tenancy Fraud in Northern Ireland, 24 September 2014, Public Accounts Committee.*

- 2.17 In response to the findings and recommendations in my report, the Housing Executive reviewed its Tenancy Fraud Strategy and established a Tenancy Misuse/Fraud Strategy Action Plan, approved by the Board in October 2013. This strategy sets out new measures to address tenancy fraud including unannounced visits, new data sharing arrangements with utility providers, roll out of general publicity, and liaison with housing community networks to raise awareness and an enhanced training programme for housing management staff.
- 2.18 The enhanced counter fraud measures have led to an increase in the number of Housing Executive properties being recovered, with numbers increasing from 217 in 2013-14 to 359<sup>14</sup> in 2014-15. Figure 6 shows the trend in recovery over the last four years. I also note that the Housing Executive had its first successful conviction for tenancy fraud in December 2014. The tenant received a three month suspended jail sentence after subletting his Housing Executive property while at the same time receiving housing benefit allowance for the same address. This prosecution sends out a clear message to anyone perpetrating or considering tenancy fraud. I note that the Accounting Officer has referred to further action being taken in the Governance Statement. I anticipate that this action will lead to an increase in the number of properties recovered.

**Figure 6: Trend in recovery of properties by the Housing Executive**

**Trend in Recovery of Properties**



Source: Housing Executive

14. April 2014 - February 2015

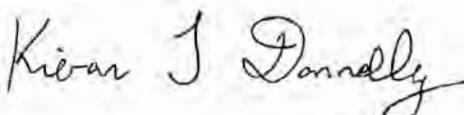
## National Fraud Initiative

- 2.19 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.
- 2.20 The Housing Executive has taken part in three NFI exercises which have involved comparing sets of data such as payroll and occupational pension records with its housing benefit records. Work on the 2014-15 NFI exercise is currently underway and I note that this exercise has identified around 23,000 matches, of which just over 89 per cent related to housing benefit. These are currently being processed by the Housing Executive.
- 2.21 I also note the voluntary participation of two of the larger Housing Associations this year, OakleeTrinity and Helm. I hope to see others participating in the next NFI exercise.

### Part 3: Overall Conclusion

3.1 I have qualified my regularity opinion on the Housing Executive's 2014-15 accounts for the following reasons:

- On planned maintenance expenditure because sufficient evidence has not been provided in respect of the controls operated by the Housing Executive over work done by contractors on its planned maintenance programme;
- On the heating element of response maintenance expenditure because, while there has been considerable progress in the management of response maintenance contracts, I have not been provided with sufficient evidence in this particular area; and
- On material levels of estimated fraud and error in housing benefit expenditure.



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Executive

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