



Northern Ireland
Assembly

Committee for Social Development

OFFICIAL REPORT (Hansard)

October Monitoring Round: Ministerial
Briefing

26 September 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Mr Jim Allister
Ms Paula Bradley
Mr Gregory Campbell
Mr Trevor Clarke
Mr Michael Copeland
Mr Fra McCann
Mr Sammy Wilson

Witnesses:

Mr McCausland	Minister for Social Development
Mr Stephen McMurray	Department for Social Development
Mr Jim Wilkinson	Department for Social Development
Dr John McPeake	Northern Ireland Housing Executive

The Chairperson: I formally welcome the Minister and his colleagues John, Jim and Stephen. You are here to brief members on the October monitoring round. There has been a fair amount of discussion on some of these matters, particularly the questions of underspends. It would be remiss of me not to rehearse for the Committee that there has been deep, deep concern with the fact that this is the third quarter in a row in which we have had a substantial underspend. We have told officials here in the past number of months that these reports are becoming increasingly irritating and unacceptable. I have to put that on the record. The Committee has made its views very clear for the past several months, and here we have a situation in which we are being advised of more of the same. I want to put on the record the very strong concerns that the Committee has expressed on that. We would like to have some very serious discussion about it today. It is entirely over to you, Minister.

Mr McCausland (The Minister for Social Development): Thank you, Chairman and members, for the opportunity to discuss the issues concerning the Housing Executive budget. From your opening comments, I recognise the importance that you attach to the budget, and that is a view that I share. That is why I wanted to come along personally to brief the Committee on the issue. As you said, I am joined by Dr John McPeake, the chief executive of the Housing Executive, and Jim Wilkinson from the housing division in the Department.

It is deeply regrettable that, within the overall figure, the Housing Executive has identified an easement of £35 million. The majority of that easement, £24.5 million, relates to Housing Executive

maintenance budgets and, in particular, delays in issuing new contracts for planned maintenance and double glazing. I want to focus on those issues today.

Let me put it in context. The Housing Executive still intends to spend over £100 million in property maintenance work; £65 million in planned schemes and a further £35 million in response maintenance. I take the opportunity at this point to correct something that was put out in the media last night on BBC's 'Evening Extra' and 'Newslime'. It was stated, and I quote:

"This could potentially cause problems in the near future for tenants who are relying on maintenance men to fix boilers."

That is the exact quote. That is absolute nonsense. It illustrates the lack of understanding, because we are talking generally here about planned maintenance. We have had issues around response maintenance. Boilers are actually the heating contract, which is a separate contract. So, that statement, which was made last night, is totally wrong. It is important to put that right so that tenants are not concerned, unnecessarily. They were misled by what was said last night, so I want to put the record straight. There will be a full service for tenants to repair heating problems, to fix boilers and to deal with burst pipes and other necessary repairs.

Let me be clear: the issues that are impacting on the letting of contracts now are a result of legacy issues from failings in contract management going back a number of years. The Northern Ireland Audit Office and the Public Accounts Committee have made it clear that getting to the bottom of these contract management failings and making sure that they do not happen in the future must be a priority for the Department and the Northern Ireland Housing Executive. It gives me no pleasure that these issues are still impacting on service delivery. However, I have made it clear that if we want to move on, if we want to restore confidence in the Housing Executive, and if we want to ensure a quality service to tenants and protect the public purse, these matters must be dealt with.

The chair of the Housing Executive, Donald Hoodless, is at one with me on that and has shown a determination and a focus to tackle the issues and to ensure that they are brought to a satisfactory conclusion. He has, however, left me in no doubt, and, indeed, has been quite clear about this since he took up the appointment, that this is a complex issue and one for which there is no quick or easy fix. It requires analysing what has happened and following through on any issues such as overpayments, putting in place new arrangements to ensure that those circumstances cannot happen again, and changing culture and attitudes within the Housing Executive and contractors. I am, however, assured that the chair, who has a wealth of expertise and experience in the area of social housing, has both a plan and the drive and determination to see the matter through. The current budget position in the Housing Executive is clearly unacceptable, and I want it to be addressed as soon as possible but all within the parameters of good governance and achieving value for money.

I will turn to the detail of the housing budget position. Against the easement of £35 million, the Department intends to make a number of bids that amount to £29 million, and I will share the details of those with you. First, the Housing Executive has identified a number of former Housing Executive properties that were sold to tenants under the right-to-buy scheme and are now being offered for sale on the open market. Given the high demand for social housing that we all recognise, re-purchasing suitable former properties in appropriate areas is seen as an attractive option that will deliver good value for money and assist in developing and maintaining the sustainability of communities in Housing Executive estates. This is an opportune time to implement those proposals because of the availability of suitable properties at reasonable prices and the need to address high levels of demand for social housing as well as making a significant contribution to community development and sustainability. A bid for £10 million to facilitate the purchase of up to 160 properties is proposed for 2013-14 only. If successful, it will ensure that some of the easement identified is applied for the benefit of social housing. However, the details of that proposed scheme still have to be worked out, and the Housing Executive will have to submit a final business case for approval by my Department and the Department of Finance and Personnel (DFP). I believe that the new initiative offers a real opportunity to quickly address some of our housing need.

The co-ownership scheme remains the Department's main measure for supporting potential first-time buyers and those returning to the market who are experiencing affordability problems and wish to purchase their own home but cannot afford to do so outright. For 2013-14, the Department has provided the Northern Ireland co-ownership housing association with funding of £35 million, and, along with private finance, it will provide 900 affordable homes. By the end of August 2013, the co-ownership scheme had received over 980 applications and is on course to exceed its target. A bid for additional funding of £10 million would, if met, fund approximately 200 additional properties.

There is £8.65 million for the affordable loans scheme. As part of an earlier capital funding exercise, an affordable home loans scheme pilot under the Get Britain Building initiative and an empty home loans scheme were identified as suitable for funding. The formal bids of £5 million and £3.65 million respectively will be included in the October monitoring round proposals. These three bids amount to £29 million and will provide much-needed support for the housing sector. I would be grateful for the Committee's support for these bids and initiatives.

I will go back to the £35 million housing easement, and Dr McPeake will provide more detail after I have finished. A sum of £24.5 million has arisen from Housing Executive maintenance budgets, particularly from slippage in procurement decisions on the main planned maintenance programmes and the award of contracts, including those for double glazing. Clearly, I did not want that to happen, and I want the issues that gave rise to its occurrence to be addressed as soon as possible. They are complex issues and ones that I have raised with the Housing Executive on a number of occasions. Indeed, the Committee will be aware of critical comments made by the Northern Ireland Audit Office and the Public Accounts Committee about contract management. The new chairman of the Housing Executive has made tackling those matters a priority, and he has my full support in that.

I will turn to planned maintenance contracts. In light of the potential £18 million overpayments to contractors identified by the Housing Executive under the previous planned maintenance contracts, which date back to 2008 — so, we are dealing with the legacy of contracts that were set in place in 2008 — the Housing Executive board decided to defer the appointment of planned maintenance contractors to a new framework. Clearly, that was a difficult decision for the board and one where they had to take a view on the balance between services to tenants and ensuring value for money and addressing concerns about public funds. Those are operational decisions for the Housing Executive, and I know that the chair and the board have been working diligently to progress those matters. I have impressed on the chair the importance of getting the issues resolved and ensuring that new contracts are in place as soon as possible, but I understand that there is a process to go through, and the chair and the board must be satisfied that any potential overpayment issues have been dealt with.

I know that the chair and the board of the Housing Executive have commissioned an independent report into these matters. I am also aware that the Housing Executive has engaged with the contractors to agree a way forward and resolve the matter satisfactorily. I have stressed the need for this to progress as a priority. These delays impact not only on budgets but on services to tenants, and there is a duty on the Housing Executive and the contractors involved to put all their efforts into getting the matter resolved.

I have been receiving regular updates from the board on progress, and I understand that a way forward has been developed, which the Housing Executive is confident, with the collaboration of contractors, will allow not only the issues of potential overpayments to be addressed but the letting of the new planned maintenance contracts as soon as possible. I know that Dr McPeake will want to provide more detail on that.

There has also been an issue with window replacement contracts and the contractor who served an injunction on the Housing Executive over the award of double-glazing contracts. That injunction brought the process to a halt. I can, however, advise the Committee that, in August, the Housing Executive board approved the appointment of contractors to the double-glazing framework. That has enabled legal action to be initiated in relation to lifting the injunction of the court, and although no response has yet been received from the court, I am advised that the Housing Executive is hopeful that the injunction should be lifted in the very near future, allowing work on the new contract to start in January/February 2014. Once again, Dr McPeake will provide the Committee with more detail on that.

It is worth stressing that it is not the case that no planned maintenance or double-glazing work has been happening. Indeed, I have been advised that the current contractors have been provided with some £34.2 million of work in this financial year, which is ongoing. Again, Dr McPeake can provide further detail to the Committee on that. I want to add that, when I came into the Department, I was told that the double-glazing programme would not be complete until 2021. I said that that was unsatisfactory, and we set a target of 2015. We will meet that target.

It is regrettable that the delays in the procurement and award of contracts have resulted in the significant easements identified. It is most unfortunate that that impacts on Housing Executive tenants and their homes, but they are complex matters that the chair has grasped and has been determined to deal with. In the meantime, we are working closely with the Housing Executive to identify areas where spend against budget can be maximised, for example, in respect of heating schemes and external insulation.

In conclusion, I stress again my disappointment that we find ourselves in the situation where the Housing Executive is giving up money for the maintenance of Housing Executive properties. I assure you that my officials and I are working tirelessly with the Housing Executive to resolve the situation and ensure that the impact on tenants is kept to a minimum. I will now pass over to Dr McPeake, who will provide some more specific detail on the contractual procurement issues.

Dr John McPeake (Northern Ireland Housing Executive): Thank you, Minister. Good morning, Chairman and members. I appreciate the opportunity to be here today. The Minister has indicated that I will provide further briefing on four specific issues, so I will go through each of those in turn.

The first is the £35 million easement. In broad terms, £24.5 million of that arises from problems with maintenance and, in particular, delays in the appointment of the new frameworks. Specifically, £14 million is connected with traditional planned maintenance schemes, such as external cyclical maintenance and kitchen replacement; £2.5 million relates to double glazing; and £4 million relates to other aspects of planned work. Lastly, £4 million relates to day-to-day response maintenance. When you look at those four categories, you see that the first three make up £20.5 million, and they are directly attributable to slippages in the appointment of the new planned maintenance and double-glazing frameworks. The issue with response maintenance mainly comes from the fact that two of our larger maintenance contractors went into administration earlier in the year. We have had reduced expenditure during the period of transition to the new contractors.

The remaining £10.5 million of the £35 million easement relates to four other areas of the Housing Executive's work. The first area is the delay in the introduction of the welfare reform proposals that relate to the underoccupation deductions, often referred to as the bedroom tax. The Housing Executive, with the support of the Department, prudently made £5 million available, set aside against an anticipated increase in rent arrears. The fact that those proposals have not been implemented on the original schedule means that that money is not required at this time.

The second area is that the Housing Executive, with the Department's support, had intended to introduce a pilot social enterprise scheme that was designed to foster the development and growth of community-owned businesses and other social enterprises on Housing Executive estates. A total of £2.5 million had been set aside for that in this year. Although progress has been made, we have not reached the point where there are schemes on the ground that can spend money, and we now expect that that work will, in fact, be subsumed within the housing-led regeneration initiative.

The third area is a little odd in that it is where other areas of our activity have generated additional miscellaneous income. That income of about £1 million has mainly come from increased rents that we have collected through our garages and commercial properties. We do not have a use for those additional funds.

Lastly, an easement of £2 million has arisen from slippages in a number of supported-living schemes that are being developed by housing associations. Those schemes have started later than anticipated. That is the detail on the £35 million.

The second issue that the Minister asked me to comment on in more detail relates to the slippage in the appointment of the planned maintenance framework. As the Minister indicated, that slippage stems, initially, from the identification by the Housing Executive of potential overpayments to contractors in the period 2008-2013. The Housing Executive board has a desire to address the issue as quickly as possible. I want to make it clear at the outset that the Housing Executive's chairman and the board are fully aware of the issue and are fully committed to a speedy resolution of the issues around the appointment of the planned maintenance framework. The board recognises that we have a duty of care to tenants to get that work done to their properties. It is conscious of the importance of maintenance to the construction industry in the Northern Ireland economy as a whole, but, as the Minister said, it is also well aware of the importance of ensuring that the money is properly applied and spent.

Since the estimate of overpayments was produced, it has been the board's desire to come to a common understanding with the contractors over the quantum of any overpayments and secure an agreement from the contractors to repay any such overpayments. The approach that we have taken has two elements: first, both parties will agree to work collaboratively and diligently to quantify any moneys owed — there is a recognition that there may be moneys owed on both sides — and, secondly, both parties will agree to repay any underpayments or overpayments found to have occurred. That is the basic approach that we have followed.

In order to make that happen, both parties have appointed nominated experts to conduct the assessments. The appointed experts are inspecting a sample of properties to assess the work done against the work originally specified. Any evidence from contractors in the form of compensation events and variations will be considered. From that assessment, we will work to determine any underpayments or overpayments on the sample schemes. We will then need to agree how to apply those findings to the overall scale of the work conducted in the life of the contract.

I have to say that very good progress has been made over the summer months. We have an agreement with the firms that they will repay any overpayments found to have been made under the contract, and we, in turn, have agreed to pay any underpayments that may be due to contractors. The remaining issue is to reach an agreement over the resultant quantum. That is the position that we have reached at the moment.

Through the process that I have outlined, we have had very positive engagement from the contractors, and I want to put that on record. However, we believe that there are still gaps in our knowledge that we need to fill in order to complete the work on providing a final estimate of the quantum. If that is achieved — we think that it can be achieved during October — it will be possible for the board of the Housing Executive to proceed to make the appointments to the framework, as all of the necessary tender assessment exercises have been done and the board fully accepts the firms that are to be appointed. There is no issue about that; the only issue has been about the delay. The Alcatel period and mini competition phases would follow the board's approval of the allocation of spaces on the framework, but we think that it would be possible to see the work on planned maintenance starting in February, assuming that the board is in the position to approve the framework in October. That would allow work to be done on close to 2,000 properties towards the back end of the year, although that depends on getting the framework appointed.

The third area that the Minister asked me to comment on was the double-glazing framework and the injunction. The Committee is aware that we have completed the tender assessment for the double-glazing framework and one of the tenders was disqualified because of concerns over pricing. As a result of that disqualification, the firm in question sought an injunction that prevented us moving further forward with the award. In the intervening period, the Housing Executive has completed its full assessment, has identified the firms that it intends to appoint to its framework and is ready to go — it has approved the appointment of those to the framework, subject to the injunction. The contractor in question has, we understand, agreed to the lifting of the injunction. A notice of motion has been listed for Friday 27 September, which is tomorrow, and we are hopeful that this will be granted. If it is granted tomorrow, that will allow the Housing Executive, on Monday of next week, to issue letters of intent to the four firms that will have secured slots on the framework. We aim then to enter the Alcatel period, which is 15 days. Assuming there are no further challenges, that will end on 15 October, which would allow us to run the mini competitions. To cut a long story short, we believe that it would be possible to bring the outcome of that to the October board meeting, which would mean that double-glazing work could go on site as early as January. We think that there is the potential to do work to 3,000 properties in the last quarter of the year, spending about £4 million on double glazing.

The final area that the Minister asked me to comment on was the work that is ongoing. That is important by way of context. Initially, it was intended that the new planned maintenance framework would be in place in the early summer; the tenders having been returned on 7 May. In order to provide programme continuity, a large number of schemes were allocated to contractors at the back end of the last contract, and that has meant that there has been a significant financial commitment carried forward to the current year. From those commitments, we expect, in this current year, to spend £10.6 million on external cyclical maintenance; £10.3 million on double glazing; £600,000 on special revenue schemes, which are essentially kitchen schemes that require a bit of extra work; £10.5 million on kitchen replacements; and £2.2 million on other aspects of planned work. That is a total of £34.2 million arising from schemes that we allocated to contractors at the back end of last year. If we manage to deliver the procurements as I indicated earlier, we have the potential to spend an additional £5 million from the new frameworks this year, which would bring our total planned spend, excluding heating, to about £40 million this year.

We will be spending £28 million on the heating work, and we expect to spend another £40 million or close to that on day-to-day maintenance activity and £4 million on disabled adaptations. If you take the planned maintenance work, excluding the day-to-day response maintenance and including the heating side, we will be spending around £70 million this year. The comparable spend last year for that work was £71.4 million. So, it is broadly comparable in terms of spend; it is different in terms of starts, because of the nature of when schemes start.

I hope that I have been able to provide sufficient additional detail. I understand that there may be questions. Thank you for your attention.

The Chairperson: I thank the Minister and John for their comments so far. A number of members have indicated that they would like to speak, but I will make a couple of remarks on behalf of the Committee before I invite other members to speak. To quote your term, John, "to cut a long story short", from where I am sitting, confidence in the Housing Executive, which the Minister mentioned, is at a considerably low ebb. We welcome the fact that money will be freed up, contracts will be awarded and work will be given to make sure that people's homes are up to the appropriate and proper standards; in other words, that the service to the tenants is proper. It is also important that that work is done in such a way that public expenditure is protected, so there is probity with regard to that expenditure.

All this comes after a convulsive few months. I do not want to go into great detail about maintenance contracts; it is a complex issue. I am glad to hear from the Minister and you that some of that is on the way to being resolved, but let us not forget that that was announced months ago in a blaze of publicity and companies were named.

I think that the Minister is aware that we have been dealing with workers from companies that went belly up. They argued that that was, at least in part, due to the contract management structures. However, they refused to go into other companies under TUPE conditions because companies were named publicly as being somehow at fault or in difficult circumstances with regard to that £18 million.

There has been a state of convulsion. From where I am sitting, dealing with cases as a constituency representative daily, the Housing Executive appears to be operating a revolving-door or empty-desk strategy. We even heard through the media in recent days that you, John, are departing soon in the midst of all those big and important matters that are still in mid air, which is another change at senior level in the Housing Executive.

We have talked throughout the past year of tens of millions of pounds being routinely underspent and of allegations of misspent public moneys. We live in a small community here. I understand, and I hope that it is the case, that no money was misspent or misused. However, the issue was made known in a very public way, with members and companies named in the Chamber and publicly beyond that.

We were given an assurance by Donald Hoodless that he would report to the Committee having reviewed all the contract maintenance compliance issues. I look forward to that happening at the earliest opportunity because the Committee was concerned about that. I feel, and I think that a lot of other members feel, that we have a serious situation where, month after month, quarter after quarter and monitoring round after monitoring round, we have tens of millions of pounds — not small amounts of money — underspent. Then they are being rejigged and reassigned. Some of that has not been reassigned on the basis of need and some of it begs other questions about moneys being spent and whether we are addressing need. My reading of some of the figures that I was given is that we are not, and we have to do that. We said that all along. I am dealing with constituents who are unable, as we speak, to get repairs done because contracts have not been awarded or are in abeyance. I think that the situation is chaotic and unhelpful, so I do not have a high degree of confidence in how this housing matter is being handled.

We have been getting reports from the Department, month after month, telling us that it is holding meetings with the Housing Executive and housing associations about speeding up the social housing build programme, but we still have a problem with slippage on that front as well.

I do not like negative issues coming through the Committee, because we have to show the good work that is being done. So I welcome easements that are resolutions to problems and will allow programmes to continue, but some of this has come at a high cost. This cannot be the way to manage major public expenditure, where tens of millions of pounds, yet again in this quarter, have to be reassigned or bid for because it is not even guaranteed that you will get that money into those programmes. I would like some response to that.

As I said, we were given an assurance by the chair that we would get a report, hopefully by the end of September, about maintenance contracts. You are giving us an indication that that issue is on the way to being resolved. However, a lot of this has created a serious public headache and, for me, a dent in public confidence. Before I open the meeting to members, you may want to respond to that.

Mr McCausland: I will make a couple of points before passing over to John. You mentioned the chairman meeting the Committee. I met the chairman the other day. We meet regularly and have introduced, in addition to the regular accountability meetings, a much more regular system for meeting the chair and vice-chair, because we are not only trying to resolve those legacy issues but are looking at a period of change in the housing sector. He will be keen to come to the Committee in due course about that very soon.

As members will be aware, they are very complex issues and, as I said earlier, they date back to 2008 when the contracts were set. Issues are emerging now with the monitoring and so on of the operation of maintenance contracts, and we are aware that those need to be dealt with. In a sense, that comes together with other changes that we are looking at in housing. So it is a period of real change. However, it would be totally wrong to allow those problems to continue. They need to be dealt with, and difficulties emerge once you start to deal with them. Once you dig into it, problems emerge and complexities arise, but we need to dig into those to get them resolved. I would have been castigated by the Committee and other MLAs, and rightly so, if we had simply allowed all this to continue unchanged and unchallenged. It would have been much better for me if, when I had come into the Department, all those matters had been dealt with, identified and resolved, but they were not. The legacy was left, and we are working our way through it. As an MLA, I share the Chair's concern. Like all MLAs, people come into my office when, for example, a contractor goes out of business, particularly in response maintenance, and a backlog of work then builds up. That leads to difficulties for tenants and staff, and it is not a good situation. However, the fact that a number of companies have gone into liquidation and administration is an outworking of a legacy problem that we are now resolving.

The Chairperson: The current problem is not a legacy issue; it happened on this watch.

Mr McCausland: Sorry, Chair, I was touching on the response maintenance issue. With the planned maintenance issue, we are attempting to and are, I think, well on our way to recovering moneys that were overpaid. That overpayment stretches back to before my time. That was identified when I came into the Department, but it was happening before I ever came to the Department. The important thing is that we identified the problem, flagged it up and said, "Go in and tackle it", and that has been happening. However, the roots of that problem stretch back to an earlier period.

The Chairperson: I want to bring other members in and do not want to labour the point. The controversy about the £18 million began in recent months in a very significant blaze of publicity. I appear to be hearing from you, John, in particular, and I have heard on the grapevine as well, that all that is being resolved. That would have been the way to do it in the first instance, and I hope that it is resolved and, as I said earlier, in a way that proves that there was not any misuse of public money. However, it has been a very turbulent time in recent weeks and months, and this Committee will return to that matter, because we got an assurance from Donald Hoodless that he will come to the Committee and give us a full breakdown of the conclusion of that review, which seems to be going in a more constructive way than it perhaps was months ago. However, unless you want to respond to that point now, we will return to that issue.

Dr McPeake: I will make a brief comment, Chair, with your permission. It is fair to say that, when the original estimate was produced, we were very clear that it did not take account of any evidence that contractors would have, and we expected, from the outset, that the estimate, as it was refined, would fall. That appears to be the case. We had a —

The Chairperson: Sorry, John, I have to stop you because that was not the case. We were told that there had been a direct extrapolation from those figures that would show a significant increase. I do not want to start to parry on words. We will leave that issue for the moment, and I will bring other members in.

Mr Wilson: Having not been a member of the Committee, I am not too sure of the format. I want to ask questions about three areas, but I do not know whether you want me to ask them all together or deal with them separately.

The first question is about the overall budget. In almost every monitoring round, you give back not a few million pounds but tens of millions of pounds. Huge amounts of capital are being given back, but there is not one bid from a housing association. We seem to have housing associations, under the jurisdiction of the Department, that will not spend money, and the Housing Executive cannot spend

money. Is it the case, Minister, that there has been over-provision for your budget, given the capacity of the organisations that you have responsibility for?

The second question is about the bid for £10 million for the purchase of former Housing Executive homes. I am just a bit worried that it is almost October and the details of this are still to be worked out. Even after you have identified a property and started to make the purchase, the process can be quite long. If the Housing Executive has not even worked out the details of the scheme, what chance is there that the £10 million will be spent within the current year?

The third question is about the maintenance contracts. The Chairman made it quite clear that the problem was identified and was to be resolved and that the contractors were to be in place before the summer. We are now told that you are hopeful that, if you can work out who is responsible for overpayments on either side, the contracts might be awarded. John, despite what you said, based on your own figures, 40% of the budget this year will not be spent. You are giving back 40% of that budget, and there still is no indication that you are going to resolve this.

I noted what you said. I hope that we are not going to gloss over the amount of overpayment to try to resolve this easily. Let us say that the amount is £18 million. What is the capacity of some of those businesses to pay that money back without being forced into administration? Is the Housing Executive going to conveniently reduce the figure so that that kind of problem does not arise?

Mr McCausland: I will let John deal with those, and then I will come in at the end.

Mr Jim Wilkinson (Department for Social Development): On the housing association budget, there is not a capital surrender on this occasion.

Mr Wilson: There is no capital bid either.

Mr Wilkinson: No there is not.

Mr Wilson: Given the housing shortage and the complaints made all the time about the fact that there is not sufficient social housing, one would have thought that housing associations would be making bids for the money available, but they are not.

Mr Wilkinson: We have certainly spoken to the housing associations on a number of occasions to make sure that all targets have been delivered in years 1 and 2 and are on schedule for this year, and to ensure that they maximise any opportunity for additional funding and additional bids. This year, they have been able to maximise the budget by looking at advanced land purchases. They have not identified any additional bids this year, but we have put that to them. We are very aware that we need to build up the capital profile.

The housing associations have put in bids for the affordable loan scheme, so they are active in making bids in other areas. We always say to them, "If there are bids to be made, put them in." It is fair to say that there is quite a considerable lead-in time for new construction, and they work to a three-year programme. If we can achieve bids, we will certainly put them in, but we will not put them in if we do not think the money can be spent.

Dr McPeake: I will comment on the other two areas. On the proposals to buy back properties, we have identified almost 600 former Housing Executive properties on the market at the moment, many of which are vacant and are available for purchase. We intend to buy between 150 and 160. We will obviously target our initial acquisition activity bearing in mind the ease of acquisition. Overall, it will be criteria-driven. I cannot say to you with absolute certainty what the out-turn will be, but we are confident that, if we get this scheme approved, we will be able to buy significant numbers of properties. The business case has been developed. There has been a lot of back and forth with the Department in order to make it as strong and as clear as possible, and we are hopeful, as I said, that sufficient work has been done there to allow that to be approved in the near future and let us get on.

We have all the other mechanisms in place. Our solicitor panels are geared up to do the conveyancing and we have got Land and Property Services on board on the valuation side of things. We have got the arrangements established for the inspection of the properties themselves. You are quite right: there will doubtless be some properties that have homeowners in them who will want to move to other properties on the market. They will be in a buyer chain and we cannot be certain about

how long that will take, but we feel that the target is deliverable. We will keep it under very careful review.

Mr Wilson: What details are still to be worked out?

Dr McPeake: It is just the final arrangements around the criteria that we are going to specify in the business case. We are fairly confident that we have got that locked down now.

Mr Wilson: So has the business case not yet been made?

Dr McPeake: The business case is in draft form. It has been to the Department, we have had comments back from the economists and we are just dealing with the final queries from them before it is formally submitted. We are at that final stage.

On the maintenance contracts, I want to give the assurance that we have approached this in an objective way. We are not in any way going to try to gild the lily or understate the situation. We have accepted that we owe contractors money for a number of schemes. This framework contract lasted for five years, and it is clear that, in the early part of it, the potential overpayments were greater. In the more recent period, there are quite a number of examples of where we owe contractors money. We just want to be clear that there is sufficient evidence to provide a robust estimate. Our emphasis here is on making it a robust, defensible estimate.

Mr F McCann: Chair, between you and Sammy, you have probably asked most of the questions that were going to be asked.

There was one point on the buying back of houses, although there are probably a number of things. First is the location of the houses that are being bought back to deal with objective need and housing need in some areas. It would be far better if we were able to say that there are 600 additional houses being built, because that not only provides much-needed housing but throws a lifeline to the construction industry, which is under pressure, and the people who service that.

I will take it a stage further. You mentioned assurances, John, and we have heard time and time again, right from the outset, that there is light at the end of the tunnel and we were getting to the bottom of it. It just seems to have got worse. I find it difficult to accept assurances that we have been given. I know that we are talking about £35 million, but I think that, over the past three monitoring rounds, there has been a total of £52 million underspent. That would provide a huge number of properties for people. I know that the finger has been pointed at the Housing Executive, and rightly so, but surely, Minister, this has happened on your watch. Do you accept some responsibility for this continued mess?

Mr McCausland: The problem, as you rightly say and as has been pointed out by John, is that this is something that goes back a number of years; I am clear on that. The issue was greater in the earlier period, and we are in a better place with contracts now. These are legacy issues. When there is a problem, it leaves a legacy that takes time to sort out. The point from my perspective is that, as soon as I came into the Department, we identified the issue. Once we had identified the issue, we set about tackling it. That may be happening slower than you or I would want. It may be more complex than you or I would want, which is the case, but the fact is that the problem was identified. The problem had never been mentioned before, yet it was there. It was buried. Just because a problem is buried and people are not aware of it does not mean that you ignore it. It is there and it needs to be dealt with, and that is what we did. I am quite happy and confident that we took the right approach. It would have been wrong to allow the situation to continue to prevail. We need to have fit-for-purpose contracts, and the management of those contracts also needs to be fit for purpose.

Speaking to the chair the other day, issues were raised from a different perspective, ie a GB perspective, about looking at how we handle contracts in the Housing Executive in Northern Ireland. That has not been done in the right way, and we need to look at that. So, work is ongoing on that, but the problem now is out there and we are tackling it; that is the important thing. You asked what was done under my watch. That is what was done.

Mr F McCann: Do you accept some of the responsibility, because under your watch —

Mr McCausland: I am accepting —

Mr F McCann: — there could have been a more proactive move to ensure that this was brought to a head.

Mr McCausland: I am accepting responsibility for this: for tackling the problem having identified the problem. Back in 2008, the problem should never have been allowed to happen.

Mr F McCann: Chair, I have a follow-up question. In the past number of monitoring rounds, the chosen way seems to have been to direct huge amounts of money towards co-ownership. While I have no opposition to co-ownership, it is seen, in many ways, as a way to get round the question of tackling need in housing because it is spread over a bigger geographical area. There are 40,000 people on the waiting list, many thousands of them in housing stress. Hostels for the homeless are packed to capacity. There are overcrowded houses in many of our districts, and I have not touched on the houses that are falling into serious deterioration for many homeowners. Do you not believe that, rather than just focusing on one aspect of housing, there should be a better way to deal with surpluses of money that have come through from an underspend?

Mr McCausland: Jim has touched on newbuilds and housing associations. I would like to see us in a better place with the housing associations; that they be more ambitious, creative and innovative in what they do. Sadly, that is not the case. We have about 30 housing associations — the number decreases with a number of amalgamations, but take that as the rough figure — but the vast bulk of the build is done by six or seven of them. The rest do not build at all. Of those that do build, the bulk of that is done by an even smaller number. That is the situation with housing associations in Northern Ireland. I challenged them about that at meetings with the Northern Ireland Federation of Housing Associations. I brought in some of the main housing associations to speak to them directly and challenge them to step up to the mark and be more ambitious in what they come forward with. As you rightly say, there is a need. It is spread right across the Province and is a need that has to be addressed. I think that there are lessons that we could learn from how housing associations in GB operate, and I will touch on that again in the near future. They are much more innovative, imaginative and ambitious in their targets and the schemes that they bring forward. So, there is a lot of work to be done with that sector in Northern Ireland. In tackling housing issues in Northern Ireland and trying to get to a really good situation, work needs to be done in the Housing Executive, and that is ongoing. Work also needs to be done to challenge the housing associations.

Mr F McCann: The point I am making, and have raised with you in the past, is that a huge section of people who are homeowners saw the grants abolished a number of years ago. Their houses are, in many cases, falling into total disrepair. Could some of that money not be set aside to allow them to tap into it? What we are doing is storing up serious problems and trouble for the future. There is £35 million. Could you not have decided to look at that aspect of it and put that pot of money aside to open up a system whereby people could apply? Many of them will never be able to afford to do up their houses. Could that not have been done?

Mr McCausland: There are two things there. We have a number of pieces of work coming forward — one, in particular, to do with energy efficiency in social housing — that will require substantial amounts of money going forward. I think that the member is probably aware of that work on single-skin properties. At the moment, many thousands of social properties need work done to bring them up to standard. That is, I am glad to say, now being tackled. Like many of the issues, it was there for years and never tackled. It was just ignored. Now, we are dealing with it. However, you are right about the issue for homeowners; it is one that I regularly get correspondence about and hear about from people in my constituency. John can comment on this, but I think that there is an issue around the practicality of money becoming available because of an underspend in the short term, of getting a scheme put together and getting the whole thing worked up and delivered. That would be impossible within the time frame, between now and the end of April. John or Jim can maybe comment on that.

Mr Wilkinson: It is also relevant that grant schemes come from capital money, but this is revenue money that has become available. Also, there is the issue about getting schemes developed. However, members will be aware from their briefing on the housing strategy that there has been a lot of focus on what we can do to improve social housing delivery. This year alone, we are implementing recommendations from the performance and efficiency delivery unit report, which has seen a lot of focus on pre-land purchase this year to make it easier to get schemes going ahead next year. We hope that that will pay dividends in the next year. That is what is happening on the social side. On the Housing Executive side, our big target is about improving standards. We have the double-glazing scheme and the planned maintenance scheme.

We will bring forward proposals regarding the private sector this year. Some are about minimum standards in the private rented sector and standards in general. Also, there was a consultation on how we support homeowners to improve their homes. We have two big schemes this year, mostly on energy efficiency. One is the boiler replacement scheme, which has had a massive take-up in the private sector. Longer term, we are looking at how we can have a sustainable approach that allows private owners to maintain their properties to a suitable standard.

Mr F McCann: I have to come back on part of this.

The Chairperson: I will bring you back in a second. I remind members that quite a number of members need to speak.

Mr F McCann: It is a point on the boiler replacement scheme. As is the case with many homeowners, many people do not have the money to enter into the boiler replacement scheme. They cannot afford it.

Mr Wilkinson: There is always a challenge, and we try to balance that with the warm homes —

Mr F McCann: It is always the people who —

The Chairperson: OK. I will bring Jim in in a moment, but this point has come up a couple of times. At some point, we need to have someone address the fact that, for the past three quarters of the past year, with all the easements and all the underspend, not one single penny has been reassigned to build one single new social house. Not one penny, to my knowledge. Sammy raised the point about housing associations. Senior officials in the Department have been coming here and telling us that they are sitting month on month with the housing associations, some of which have outlined what they believe to be problems, whether those are associated with land procurement, single tender contracts, financial issues and all the rest of it. However, we need to know why, with this going on for a year with all of these millions of pounds being underspent, not a single additional house has been built. That cannot be right, because we are not meeting the need. All those other elements supporting affordable housing are all good and very important, but, again, there is a huge need out there that is not being met. So, someone will have to address that.

Mr Allister: I want to return to the issue that the Minister so memorably put up in lights about the £18 million. There is an ongoing process of exploring that to see who owes who what. Is that the report that has been done by Moore MacDonald?

Dr McPeake: Moore MacDonald has part of that process, Mr Allister. When I made my comments earlier in the meeting, I indicated the process that we are going through, and one of the components of that was that both sides — the contractors and us — appoint their nominated experts. Those experts will work collaboratively. Moore MacDonald are the experts that we have appointed, and the contractors have their experts. They will work together on the sample cases to flesh the detail out.

Mr Allister: Has any report on that yet gone to the board of the Housing Executive? If it has not, when will it?

Dr McPeake: We are not complete on that yet. We gave an update to the board yesterday. We have certainly made significant progress. A lot more sampling work has been done. When we look at that work, we will find that we have schemes examined early in the period and schemes examined late in the period. We need to do a bit more work on schemes —

Mr Allister: Where does that report to the board currently stand on the veracity of the £18 million?

Dr McPeake: We have not come to a revised quantum, but that is the key thing that remains outstanding.

Mr Allister: You have come to a revised quantum on some, have you not?

Dr McPeake: On the sample. The issue is about looking at the —

Mr Allister: Have you come to a revised quantum on the Belfast sample?

Dr McPeake: We have figures now from those schemes that have been examined from early and late in the period.

Mr Allister: Have you come to a revised quantum on the Belfast sample?

Dr McPeake: No, because we have not completed the work. As I said, we have figures now from —

Mr Allister: What is that document, Dr McPeake?

Dr McPeake: We have figures from the —

Mr Allister: What is that document?

Dr McPeake: I am not sure. It seems to be the findings on the most recent cases examined through the expert panels.

Mr Allister: In Belfast.

Dr McPeake: In Belfast.

Mr Allister: What does that show?

Dr McPeake: It shows that, on the more recent schemes, we owe the contractors money.

Mr Allister: You owe the contractors money.

Dr McPeake: The point I was making —

Mr Allister: Does it indicate that you will owe the contractor in my constituency of North Antrim £1.2 million?

Dr McPeake: We believe that we have not completed the full samples that are necessary. However, we have evidence that we owe that particular contractor.

Mr Allister: In fact, is it the case that you are showing, at this moment, underpayments to all four contractors?

Dr McPeake: On the sample cases, but I come back to the point that we have not completed that sample. We said at the very start —

Mr Allister: As we stand now —

Dr McPeake: Yes, but it is not complete.

Mr Allister: So when the Minister comes here today and talks about recovery of the £18 million, you are sitting with the knowledge that, as things stand today, there is nothing to recover and underpayment owed to contractors.

Dr McPeake: I do not accept that. This is still a work in progress. As I made —

Mr Allister: As things stand today —

Dr McPeake: I made the observation earlier that we have sample cases from the early part of the scheme, from which it is clear that there were significant problems, and from the more recent part, from which it is clear that we owe the contractors money.

Mr Allister: This is a signed-off document.

Dr McPeake: Yes, for those particular samples. To complete that exercise and give a true picture across the full five years of the contract, we need to do some additional work.

Mr Allister: My question is this: as things stand today, are the indications of underpayment, not overpayment?

Dr McPeake: On the more recent cases, but that is still not the full picture.

Mr Allister: Yes.

Minister, remembering the enthusiasm with which you came to the Assembly to announce the £18 million overpayment and, in case nobody got it, the dramatic attempt to repeat it, if it turns out that that is the full picture and it is nothing like £18 million, will you apologise to those contractors?

Mr McCausland: The key phrase there was "as things stand today".

Mr Allister: You were not going to tell us about —

Mr McCausland: Sorry, Mr Chairman, if I could go ahead without interruption.

As things stand today, the process of work is not complete. I am sure that the member would share with me the view that it is unwise to prejudge the outcome, as he is doing.

Mr Allister: That is why I said "if".

Mr McCausland: Absolutely — if. There are "ifs" with lots of things. As things stand today, the process is incomplete. It would be premature for him or anyone else to predict what the final outcome of the report will be.

Mr Allister: If it turns out that there is not £18 million —

Mr McCausland: If —

Mr Allister: — will you apologise to those contractors?

Mr McCausland: I do not want to deal with hypothetical situations, and I do not intend to.

Mr Allister: Would you consider your position?

Mr McCausland: Mr Chairman, I think that the interest should really be —

The Chairperson: I referred to the issue, too, when it arose in a blaze of glory and publicity. It raised very important issues of serious concern to the Committee. I appreciate that Jim and others have only just joined the Committee. That is why I made it very clear that, rather than assurances from the chair of the executive, he would come to the Committee and explain all this having conducted and completed the review by September. I look forward to the outcome of that full review. Jim raises an important point, but I do not know that we will get a full answer today. As I said, all this has come at a high price, and it came out during a turbulent set of public circumstances some months ago, so, rightly, it taxes members' minds. However, let us try to deal with it: ask a question, get an answer and move on.

Mr McCausland: The matter is not yet complete, and, therefore, as things stand today, I do not know what the outcome will be, and neither does anyone else.

Mr Allister: To be continued.

The Chairperson: Sorry, Minister. The official was drawing my attention to an upcoming meeting, and I did not hear your last remark.

Mr McCausland: As things stand today, I cannot predict what the outcome will be, and neither can Jim Allister.

Mr Allister: You cannot predict whether you will apologise if it turns out that you are wrong.

Mr McCausland: I prefer to wait until I see what happens. I simply repeat, again, that I was given an estimated figure of £18 million by the chair of the Housing Executive. That was the figure that I reported. I felt that it was right to report that, and indeed it was. It was, at the time, caveated with the word "estimate". That was made absolutely clear. We were dealing with a sample and extrapolation, and that point was made at the time. As you said, Chair, the chair of the Housing Executive made the initial statement and will come to the Committee in due course.

The Chairperson: I draw attention to the fact that the chair, who is not here just at the moment, very robustly defended the methodology of the work that was done. I am not sure which company did it, but I think that a company called Campbell Tickell was somehow involved. I do not know the precise details, but the chair expressed his absolute confidence that the figures were accurate and arrived at in the appropriate way. We are very keen to hear full responses on the review.

Mr Campbell: I think that it was John who outlined some of the easement issues. There was a reference to the delay in welfare reform implementation. You elaborated a bit on that, but I would like a little more detail. We read in your submission that delays in welfare reform implementation have resulted in a forecast impairment on rental income of £5 million not being required. What does that mean in practice?

Dr McPeake: The Committee will be very well aware that the underoccupation deduction essentially means that, if a working-age tenant underoccupies his or her property by one bedroom, or by two or more bedrooms, there will be a reduction in any housing benefit that might be due. From our analysis, we found that we have — as a round number — 26,000 working-age tenants living in underoccupied properties, most of whom have one room unoccupied, but some have two or more. If we were to apply the criteria that apply in England — this is only an estimate because, of course, the Northern Ireland Assembly has to make its determination — we anticipate that the ability of tenants to pay would be significantly reduced, and, as a result, we would have a growth in arrears and reduced rental income. So this provision was made to compensate for anticipated problems in our ability to collect all the rent that would be due to us after the introduction of these welfare reform proposals.

Mr Campbell: Your predicted amount was £5 million.

Dr McPeake: Our estimate, based on a worst-case scenario, was £13 million. So, if nobody paid, there might be a £13 million reduction in rental income. We did not believe that that was the likely outcome, and, after a bit of analysis, settled on a figure of £5 million based on the timings that existed at that stage.

We have, of course, been keeping a careful eye on what has been happening in Great Britain, where a very large number of social landlords are experiencing exactly that issue. So I do not think that our concerns about this were misplaced, but it is a very difficult thing to judge. When you ask a tenant what they propose to do, almost to a person, they say, "We want to stay where we are. We do not want to move. We will do everything that we possibly can to make up the difference". However, as we have said many times before, in reality, social housing tenants in Northern Ireland are not wealthy people, so we expect that there will be a number of issues.

Mr Campbell: It is just that there is a significant distinction between the £13 million originally anticipated and the current £5 million estimate.

Dr McPeake: I will clarify that: the £13 million was our estimate in a worst-case scenario in which not one of the 26,000 tenants was able to pay. Of course, our evidence is that that will be not the case. The experience in Britain is that some tenants can pay.

Mr Campbell: In the absence of anybody having to pay or having to go into arrears because the Assembly has not come to a decision on the outcome —

Dr McPeake: We do not need the money.

Mr Campbell: Right, but you originally envisioned that, in a worst-case scenario, the amount would be £13 million.

Dr McPeake: Yes.

Mr Campbell: You now think that, in the absence of that measure having been introduced, it will be £5 million.

Dr McPeake: No. Sorry, maybe I am not being very clear. Our analysis of the worst-case scenario is that the introduction of the rules could have an annual impact of £13 million, but that assumes that not a single affected tenant would be able to pay. However, our analysis suggests that that will not be the case because some tenants will be able to pay, move or do certain other things. So our estimate is that the most likely outcome is an impairment on rental of about £5 million.

Mr Campbell: Why, at the outset, did you think that the worst-case scenario would be a £13 million impairment but now think that it will, in fact, be two thirds less than that?

Dr McPeake: It is simply a modelling exercise. We ask what would be the impact if nobody paid; what would be the impact if a third paid; and what would be the impact if two thirds paid. Looking at the detail, we made sample interventions with tenants, whereby we interviewed them and talked to them about their circumstances. On the basis of that, we came to a judgement that the most likely impact would be £5 million. The experience in Britain bears that out. There has been a significant increase in rent arrears among a large number of social landlords. However, it is a judgement, Mr Campbell; we cannot say for certain. The key point about the easement is that, because those proposals have not yet been introduced, the money that we had prudently set aside, with the support of the Northern Ireland Assembly and the Department, is not required this year.

Mr Brady: Thank you for the presentation. It seems that you are having problems with the estimates, whether that is with maintenance contracts or welfare reform, but that is maybe a different issue.

Mr Allister covered the question about contractors. Minister, you talked about housing associations not stepping up to the mark. However, I have talked to housing associations, and they said that their inherent problems, including procurement and the availability of public land, were within the system. Has anything been done in planning, in particular, to address those issues with other Departments, such as the Department of the Environment (DOE)?

Mr Wilkinson: Certainly. As was said, although we have been spending the social housing development budget, more or less, and delivering all the targets, we have not been bidding for more when opportunities have arisen over the years, despite the identified need. Part of that was trying to take stock and find out what delays new programmes or the planning process. We have looked critically at all elements with the Housing Executive, which administers the agreement with housing associations, and we have come up with an action plan that will, I hope, address, three areas. That has included working closely with planning departments to give them as much warning as we can of where social schemes will be. The Minister has written to indicate where there might be blockages in any particular area. It has also involved introducing pre-application discussions with planners so that housing associations can get on the ball more quickly. However, a big area has focused on trying, with the development programme, to produce a pre-schedule of land purchased before the construction starts, to try to speed it up. Over the past two years, we have delivered the target numbers, but, you are quite right that there has not been a bid for more funds in monitoring rounds because housing associations have not been indicating that they have the capacity to deal with more. We hope that the reforms that have been brought in and the action plan that is being developed will put us in a much better position to meet our targets, deliver on time and have capacity to bid for more when those opportunities come about.

Mr Brady: I have been on the Committee since 2007. Every Minister who has been in charge of the Department has said that social housing is a priority, yet we have a situation today in which you have this underspend or easement, and not one social house has been built with that money. The issue really does need to be addressed — urgently. As Mr Copeland pointed out to me, there are 40,000 applications on the housing list, but many more people are involved when you include families, etc. It is time something was done, because we have been talking about this for a long time.

Mr Wilkinson: We certainly recognise the need to speed up the process and identify opportunities for bidding, and we will look at that.

Mr Copeland: I echo those sentiments. The general public know that there is a lack of social housing and that the construction industry is, basically, sitting at home. Yet they hear that we have many millions of pounds that we, apparently, cannot spend — that is a side issue.

I will direct my questions to you, Minister, but I do not mind if you then direct them to either of your colleagues. What is the essential difference between this proposal to purchase existing properties and return them to social usage and the existing satisfactory property scheme that has been around for many years? What assurances have we that the spending of this money will address housing in social need? In many cases, the requirement was to purchase houses in vacant possession to stop those who lived in them coming back on to the housing list. So by purchasing the property, you might ease their financial burdens, but you do not do anything about addressing the overall demand on housing need.

Mr McCausland: I will pass that over to Jim because he has been more involved with the work.

Mr Wilkinson: The business plan is at an advanced stage. This differs from the existing satisfactory purchase scheme — John will want to comment on it — in that it is, effectively, a similar scheme but for the Housing Executive. For a number of years, the Housing Executive has been identifying one or two homes in its estates where there is high housing need, and our approach has been to ask whether a housing association could buy them. That did not make much sense in the context of property management. It is hard to have a home in an estate and do all the maintenance for it, so there was very little take-up. However, this year, with the identification of the potential underspend, we want to look at opportunities to apply that to social housing. So this scheme has the same brief for tenants as an existing satisfactory purchase: it must be in an area of housing need, it must be available for vacant possession, and it must require less than a certain percentage of works to bring it up to satisfactory terms. However, the Housing Executive is doing the purchasing because it makes sense, for housing management purposes, to have those houses in Housing Executive estates.

Mr Copeland: Will the budget also include money for change of tenancies (COTs) maintenance? I understand that there have been major difficulties in completing some COTs. Houses have been purchased without a budget to put them in order and make them rentable.

Dr McPeake: One element of the scheme is that we will be able to spend up to £10,000 to bring a property up to standard. We expect that, in the vast majority of cases, it will be less than £5,000, but housing associations are committed to spend up to £10,000 on a property that they acquire through their satisfactory acquisition scheme. We will do something similar. We will avoid properties that need significant work. Change of tenancies, as a general rule, apply to the existing social housing stock, but we have to be careful that we do not buy a property that will give us significant problems down the line. That is why these opportunities will be carefully examined.

Mr Copeland: There are a number of specific properties in specific areas, not only in east Belfast but in other parts of Belfast. People purchased homes that were subject to flooding, and work was done to remove the future likelihood of flooding, but the people have lost faith in them and cannot sell them. They are largely ex-Housing Executive properties. Could some consideration be given to easing the concerns of those citizens through the scheme?

Dr McPeake: Our criteria are based primarily on housing need. There must be housing need in the location. There are two components to the need. First, what does the waiting list say about housing stress, and, secondly, what is the re-let activity? You can have a fairly modest amount of housing stress on the waiting list, but if nobody ever moves, there is no chance of getting housed. So the combination of re-let activity plus housing stress is how we will target it.

Mr Copeland: Lastly, you said several times during your presentation that the Minister asked you to comment on a number of sequential issues. When did he ask you to do that?

Dr McPeake: It was during his presentation to the Committee. We met last night. When we went through the issues, the Minister indicated that he would like me to offer more detailed comment on certain areas.

The Chairperson: John, you responded to Jim Allister earlier on the criteria for the buy-back scheme. We need to see the criteria. You elaborated somewhat, and that is fine. However, there are a couple of other fundamental questions. At present, because of a recent court case, the Housing Executive and housing associations cannot use the transfer list, but that may change.

Dr McPeake: That is resolved.

The Chairperson: That is helpful.

Are we in danger of ignoring another problem with mortgage companies, banks and no debt write-off? Might that be an easy route to take to solve some problems? I accept that many people are in very serious difficulties because they have lost their job and cannot pay their mortgage. I am sympathetic to supporting some people in that circumstance, but we still have to address need and whether or not mortgage companies will simply be bought out of their problem by public expenditure. We have to strike a balance between meeting the housing need and writing off somebody's mortgage.

Dr McPeake: Our focus is on housing need. That has been the approach. If you are asking for more detail, we can share that.

The Chairperson: It is important that we get the detail of that because it is a very important issue.

Mr Clarke: John, in response to Sammy's questions, you said that you have identified the properties. What is the average value of the properties that you are buying back?

Dr McPeake: I do not know off the top of my head, but we are expecting to buy 150 or 160 houses and spend £10 million. That gives you an idea.

Mr Wilkinson: I think that the average is between about £70,000 to £90,000.

Mr Clarke: If £70,000 is the average price and you spend, on average, £5,000 to £10,000 on each, it takes you up to the £80,000 to £90,000 bracket. I am not saying that there was anything wrong with the scheme — when I was a child, my parents benefited from the opportunity to buy their property — but when people still want to buy those properties, you will be selling them for less than you are buying them back for. Given that some builders are in difficulties and that some developments have relatively new houses with modern technology, would it not be better value for money to buy some newer houses as opposed to investing in old ones?

Dr McPeake: Let me explain the origin of the scheme. On our estates, a number of properties, which are in private ownership, are for sale in areas of housing need. We have management arrangements in place for those. It is a way of bringing them back. The particular issue that you mention is one in which newbuild providers, who may originally have developed a scheme for speculative purchase — that is, selling to a homeowner — have not been able to do so because of problems in the wider economy. Quite a large number of properties in that circumstance have been bought by housing associations as off-the-shelf purchases, and that is continuing. The volume has fallen somewhat because we have been more fortunate here in Northern Ireland than colleagues across the water, where that is a much bigger problem. Together, the Housing Executive and housing associations have managed to acquire from newbuild providers a number of suitable properties initially intended for sale to the private market. This particular scheme focuses on former Housing Executive properties in our estates. These are houses that are causing particular difficulties or have been on the market for a very long time, so people are stuck and unable to move.

Mr Clarke: I do not see that that is necessarily the case. If houses have been on the market for a reasonable time and are going to auction or whatever, that touches on the repossession aspect. Surely, you do not want to be in the position of buying back properties that speculators will purchase and get good value because the homeowners have already taken their loss from the banks. Speculators will buy them at whatever price. However, if the Housing Executive buys those houses at £66,000-plus and spends money on them — bearing in mind that some will be 40-plus years old and do not have the same technology to prevent heat loss as new properties — surely, if you are going to spend £10 million, it would make more sense for you to look at buying new properties?

Mr Wilkinson: It is not a question of either/or. The buy-back scheme is specific to areas of social need in existing social housing estates, where existing satisfactory purchases, broadly in the same

definition, are available. The new development programme provides newbuilds to meet need. Much of that programme has been directed at acquiring new houses in developments and bringing them to bear on social need. Where additional money and sites exist, that is the sort of opportunity and situation in which we would look to bid. So there is a route for that.

We should also bear in mind that housing demand in general includes demand for private homes and home ownership. There is housing demand and social housing need. There is need across the piece, which is why interventions in each have a consequence: for example, many of those sorts of developments have come back on screen because co-ownership provided individuals with the opportunity to purchase, so some of those co-owners have moved on. I do not think it is a case of either/or; there is a balance between all the interventions.

The Chairperson: At the moment, it seems that they are all "either"; there is very little of the "or". That is the point that everyone around this table has talked about. We have not had an increase, in any shape or form, in newbuilds. With welfare reform, whatever way it is dressed up, pressure is coming down the line. We all know about the need for mixed tenure, and we must meet that need. You will be on target to meet what was described in the Programme for Government commitment, which is the provision of social and affordable homes, but this is more about homes being affordable than social.

What we need from you, as a matter of urgency, is a programme of work on how we surmount the obstacles that people — you, housing associations and others — have identified to getting the social housing build programme up and running. Then, we can build and deliver more new social homes. That is what we need to hear. All of this is supporting activity, and the easements and redirection of money are fine — no one is against the principle of any of it — but we are not meeting the need on the social housing list. That is the key point for this Committee to address. We have raised it with you, and we have heard all about the obstacles. We now need to hear that the obstacles are being removed. In fairness, we do not need more discussion of them.

We need to wrap up this session. I appreciate that we have been here for quite a while. Have you a question, Fra?

Mr F McCann: It is just two —

The Chairperson: Is it one question or two?

Mr F McCann: I will roll the two into one.

The Chairperson: I will cut you slack for one question.

Mr F McCann: This is on the back of what Trevor has said. We are under no illusions because we know that there are many difficulties in dealing with this. However, even the social housing programme was fairly well camouflaged. It is not always what it seems to be. Half of the houses may be bought off the shelf from private developers to make up the numbers.

As you know, the construction industry has a huge problem with suppliers. I always thought that it would be far better if we looked at building from the ground up so that we provided employment. That would ensure that money was going into the economy.

Look at the other jurisdictions and the question of developers' contributions. Ten years ago, reports stated that that was an ideal way to bring social housing into the equation. In other jurisdictions, thousands of houses have been gained through that. We do not seem to have moved on in dealing with that problem.

Mr McCausland: I will pick up on one point. I am sure that others will come in on it as well. In a sense, this follows on from Trevor's comment. Say, for example, that we can build 160 houses. There is need across the Province, though it is uneven. This will give you an idea of the scale of the problem: 160 houses means only about nine houses per constituency. So, although it involves significant money and is useful, it is not a huge intervention. I am sure that each of us, representing constituencies across the Province, can think of housing estates that we visit regularly and in which there are houses for sale. Where there is demand, it would be a good thing to do, but it is a relatively small intervention.

I receive regular reports of housing associations buying off the shelf. That puts money back into the sector, which enables the building of more houses. So there is not an immediate effect, but there is an indirect, knock-on effect. More money goes to the associations to be spent on building new houses. So it is a worthwhile initiative. Housing associations should not rely on it as the primary way of getting properties, but it does help to meet a need.

One of the odd things about it all is that, at the start of the year, a social housing development programme is produced. At the end of the year, perhaps only 30% or 40% of what was on the programme will have been built because certain schemes have fallen out or been delayed, other schemes will have come in or the associations buy off the shelf. It is a rather odd situation. The final result that emerges from the housing associations does not necessarily fit that well with the original programme.

Mr F McCann: Some of it seems to be a paper exercise or a stake in the ground to guarantee the money coming through.

The Chairperson: No other members have indicated that they want to speak, so I thank the Minister, John and Jim for being here today. There are fundamental issues that we need to return to as a matter of urgency. Do members agree that we should seek a briefing as a matter of urgency from the chair of the Housing Executive on the planned maintenance contracts?

Members indicated assent.