



Northern Ireland
Assembly

Committee for Social Development

OFFICIAL REPORT (Hansard)

Social Housing Reform Programme:
DSD Briefing

27 February 2014

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 Stewart Dickson
Mrs Dolores Kelly
Mr Fra McCann

Witnesses:

Mr Andrew Hamilton	Department for Social Development
Ms Madeline Nelson	Department for Social Development
Mr Jim Wilkinson	Department for Social Development

The Chairperson: I formally welcome Andrew Hamilton, Jim Wilkinson and Madeline Nelson. We very much appreciate the work that has already gone into this. It is a complex issue that has required and will require considerable consideration, analysis, evidence gathering, consultations and so on. I thank you for making sure that work is being done on it. On the other side of that coin, you are presenting substantive work to us this morning. As I think you will understand, it will take some time for people to absorb that work. We are keen to take your presentation. Members will then raise or tease out any issues of concern or make their own observations. If you are happy, we are content to take your presentation now.

Mr Andrew Hamilton (Department for Social Development): Thank you for the opportunity to share the results of our research and engagement on the various issues associated with the social housing reform programme. We presented a lot of information to you in preparation for this session. I should say at the outset, as you have just done, that we do not expect you to have absorbed all the detail. I see this very much as being an initial engagement with you. Subject to your views, we will be keen to come back and meet you regularly over the next few months so that we can explore the various components of the programme in more detail.

This morning is essentially an update on our findings from our research and engagement, in line with our mandate, and the setting out of the further work that we feel is necessary before detailed proposals can be put forward. As you can see, there are different aspects of the programme, and I intend to provide a strategic overview of where we are on each of them. We will then be very happy to take questions.

I should start with why we are doing this. To be upfront, we are doing this to see to what extent we can change the system so that it better meets the future needs of tenants and better maintains the existing stock. It has very much a tenant focus. We will face a number of challenges in the future, not least a financial one. There is also a challenge at operational level to maintain the existing stock. As we will see, there is a significant issue bubbling up in the future that we need to begin addressing now.

I will start with the regional housing function. The Housing Executive, as structured at the moment, is essentially two businesses. On the one hand, it is a landlord that manages and lets 88,000 properties across Northern Ireland. In that respect, it is probably one of the largest landlords in the UK. Indeed, for many stakeholders, this is what defines the Housing Executive, and the landlord function is seen very much as being the primary focus of the Housing Executive. However, the Housing Executive is responsible for a number of other functions, all of which are very important and lie well beyond the remit of a landlord. Examples are: the assessment of need; the administration of the housing selection scheme and common waiting list; the commissioning of the social housing development programme; the Supporting People scheme; and other initiatives that are designed to support privately-owned properties such as the warm homes scheme and the boiler replacement programmes.

The two roles are quite distinct. To some extent, the sheer scale of the landlord function drowns out the regional function, the activities of which may not be pursued as optimally as they could be. This issue is not unique to Northern Ireland. It has been addressed elsewhere. Over the past 10 years or so, there has been a trend where, irrespective of who is the landlord, there has been a separation of the landlord and regional housing authority functions. That is common with other trends in the public sector where the commissioning and planning function is separated from the delivery function. In health, for example, it is delivered by trusts.

Our key stakeholders, the Housing Executive and the Federation of Housing Associations, have recognised the potential benefits of separating the functions. As a next stage, we want to explore the merits of establishing a regional body to, in effect, assume the regional function. The potential here is to look at whether a new regional housing body could have a much wider impact in leading housing regeneration regionally and make the housing market work much more effectively to meet the needs of the population.

With regard to the detailed work, we want to assess the extent to which we can do this within the existing structures — the soft split. That is, administratively, already being pursued by the Housing Executive. The Office for National Statistics (ONS) classification of the Housing Executive asked us to treat the landlord function separately from the regional function. However, we want to see whether we can do anything more in the existing structures.

The second aspect of the detailed work, which is potentially much more ambitious, is to assess the implications of establishing a separate, self-standing regional housing authority as a non-departmental public body (NDPB). That, in turn, would mean a hard split from the landlord function, with the latter being established as a separate public corporation to manage the public housing stock. There is where we have gotten to with that.

There are some benchmarks and examples that we can consider. We have the Homes and Communities Agency in England, which has a role that is akin to what I am talking about. Even at a more local level, local authorities in Britain have really taken that local regional role on board. Where they have retained public housing, they have put that into an arm's-length management body. So, that separation is in the ether, and we want to explore it in more detail.

Turning to landlord function; although we feel that there is support from stakeholders for the separation of the landlord and regional functions, the status or structures that might deliver the landlord function is perhaps the most contentious issue under consideration. The jury is very much out on the degree to which it should remain in the public sector or whether there should be significant transfer to the non-government sector. The facts are that the provision of social housing in Northern Ireland is currently delivered through a mixed economy, with 30% of social housing being administered and managed by the housing-association non-government sector. That share is increasing as housing associations are now the sole delivery agents of new social housing. Over time, the trend has been an increasing proportion of social housing in Northern Ireland being delivered by housing associations.

However, it is not only about building new homes. Landlords have a responsibility for maintaining the existing stock. Our research has demonstrated that, as public capital available in recent years has been devoted to newbuild, there has been an increasing build-up of a significant capital investment

requirement in the existing public housing stock. We carried out a desktop update of a 2009 conditions survey, which, if you recall, indicated that there was a requirement of something like £5.1 billion over the next 30 years. The level of investment that we feel is now needed is somewhere between £6.1 billion and £6.6 billion. Those are initial estimates. They will require much more detailed analysis. However, the income that is likely to be available to the Housing Executive, in its current form, will not be sufficient to address that. Again, our estimate, which is heavily qualified at the moment, is that there could be a gap of as much as £750 million. I would not say that it is a burning platform, but perhaps it is beginning to be a smouldering one. That is one of the reasons why we need to look at that in some detail.

We know that a large-scale stock transfer to the non-government sector, with its ability to borrow and finance the necessary investment, would mean that that investment would not be charged to the public accounts. It would complement the public funding that is available. That could address this issue. However, at present, our assessment is that there is probably — if you forgive me — neither political consensus nor importantly consensus among tenants and stakeholders to support a total stock transfer. Indeed, there is a strong element of support for the retention of public housing. We know when we look at Great Britain that some local authority areas have transferred all their stock to the housing association movement. However, none of the jurisdictions has 100% of its public or social housing in the public sector.

So, what we really want to do now is carry out detailed analysis of what can be achieved through, and what would be the implications of, a public corporation retaining ownership of the existing stock with newbuild continuing to be delivered with housing associations. That is essentially a public housing model with some incremental change at the margins. Secondly, we want to look at the implications of a significant stock transfer to the non-government sector — we might want to do more than one option here — either through the creation of one or more new housing associations or similar bodies or to existing associations. That would allow the issues and concerns to be tested and explored.

A partial, albeit significant, transfer would continue the mixed-economy approach to social housing. Paradoxically, it may actually help to support the retention of a significant proportion of social housing in public ownership if that is the will of the Assembly. One thing that we would say up front is that if we were to proceed with stock transfers of that scale, it would, as elsewhere, be subject to detailed consultation and ultimately a tenant vote.

That is where we are on the landlord function. A new system such as that would require some change, we think, to how rents are controlled, how the system is regulated and how engagement with tenants and local representatives is taken forward. I will go on now to address those issues unless the Committee wants to pause.

The Chairperson: I think that we are happy enough for you to continue with the presentation, Andrew. Then, we will come back to issues because a lot of them are obviously interlinked in some way or another.

Mr A Hamilton: On the issue of rent; first and foremost, rent must remain affordable to tenants. Whatever happens, we will ensure that that is the case. However, we also have to be aware that rents need to be sufficient in order to maintain the properties in the longer term and be in a position to pass on quality stock to the next generation. It has to be sustainable for landlords and their funders as well.

In Northern Ireland, rent control arrangements apply only to the public sector; they apply only to the rents charged by the Northern Ireland Housing Executive. Our research has shown that arrangements elsewhere, although still allowing landlords to set individual rents, are much more comprehensive and impact across the social housing sector. Again, our research shows — and we have put some figures in the papers which we are happy to go through with you — that this seems to have led to much smaller differences in rents between the public and non-public sectors in GB and, indeed, there has been much more convergence over time. When we look at Northern Ireland rents, we need to qualify that because it includes the cost of services. Northern Ireland housing association rents tend to be at the upper end of the scale, whereas in the public sector, the Housing Executive rents are the lowest. Potentially, neither of those issues are sustainable in the longer term. On the one hand, we need to ensure that rents are affordable or people will be squeezed out, and, on the other hand, we need to ensure that rents are sufficient to maintain the stock. We now want to take forward detailed work to develop and consult on a rent policy for all social housing, which will provide for rents that are affordable and sustainable and for a system that is simple and transparent and which supports investment. That will involve consultation and development of policies.

Regulation and inspection is a key component of any social housing system. Not only does it protect tenants and safeguard the taxpayers' interest but it provides assurances to landlords and their funders about the quality of their provision and the governance of their organisations. So, the issue associated with regulation and inspection has not been so much about why it is being done and whether it should be done. I think that all stakeholders acknowledge its importance, but the issues are really about how it should be done and who should do it. Currently, the role is carried out by the Department. We adopt a very comprehensive approach, and, indeed, we believe that that approach has been necessary. However, some argue that there is too much emphasis on process and compliance and that a more risk-based approach would be appropriate.

These are matters that have been formally considered elsewhere, and I am conscious that we have not carried out a comprehensive review of our regulation and inspection process and that this has been done in other jurisdictions. There are issues about who should do it. Should it be done by the Department? It must be independent of the providers, but some argue that it could also be made more independent of government. This is where these issues are all interdependent. If we were to go down the road of establishing a self-standing regional housing authority, should the regulation and inspection function sit with that organisation rather than with the Department? We intend to take forward some detailed considerations of the regulation and inspection process. First, we want to introduce consultation proposals on the regulatory approach, including the powers of the regulator. We also want to consider in more detail whether there is scope for transferring the function to the regional housing authority or whether it should, in fact, remain in the Department.

The other key issues are about engagement. The existing engagement on housing matters are at three specific levels. We have a local level, where local councillors represent their constituents with landlords. We have district council level, where, for example, there is the Belfast City Council housing forum and the district planning consultation with all 26 councils by the Housing Executive. At regional level, we have the Northern Ireland Housing Council. If anything, the changes with the reform of local government, including the transfer of responsibility for community planning and the planning function to local government, increase the need to have better engagement with local government. We know, and have had discussions with the Federation of Housing Associations, about the need for it to improve its engagement with local government. We want to take forward detailed consideration of the systems for local government engagement. That would include a review of the housing association guide and the requirements on housing associations to engage with local representatives and councils; a review of the potential models for council engagement on housing matters with a focus on the Housing Executive's regional roles; and a review of the regional engagement arrangements taking account of the reform of local government and the interface with community planning.

That is where we are with local government. Until new details are agreed or legislated for, the Northern Ireland Housing Council should continue to exercise its current statutory role taking account of the new council structures.

The other very important part of engagement is that with tenants. Our research reveals that the focus on tenant engagement and on empowering tenants is very strong in the rest of the United Kingdom. Departments are leading policy development in England, Scotland and Wales, and we are conscious that, at this moment, we do not have a tenant strategy for Northern Ireland. Although there are strong examples of tenant-focused services and engagement mechanisms similar to that evidence in other parts of the United Kingdom in the Housing Executive and in housing associations, it would be fair to say that there is a lack of consistency across the sector. Stakeholder feedback demonstrates willingness from tenants and tenant groups to expand and improve on the current processes. We would like to begin work on developing a new tenant participation strategy to review the regulatory framework and the housing association guide so that social landlords would also develop tenant strategies that will be subject to regulation and inspection processes and explore, at regional level, how tenant services can be supported potentially through the Housing Community Network and Supporting Communities Northern Ireland mechanisms across all social housing landlords.

In a nutshell, that is what we are suggesting. The one issue that I have not mentioned is the impact of all of this on the Department. Clearly, we would have to look at the roles of the Department. If we set up a regional housing authority, there may well be some transfer of responsibility from the Department to the authority. However, at the same time, the Department, through the Minister, will retain responsibility for strategy and policy and setting strategic direction for social housing as a whole.

I hope that that was helpful. However, I emphasise the fact that we know that this is complex and that there is a lot of detail. With the best will in the world, we cannot explore it in one session. We are very

happy to come back and have single-focus issues or whatever way you would like to play this. The Minister asked me to say that he is very happy to come back and talk through the issues with you.

The Chairperson: Thank you, Andrew, for that. Well done for putting together such a substantive presentation in a nutshell, as you described it. You would need a big nut for that.

I have a couple of queries before I bring in members. Your briefing paper, under the headings "Analysis" and "Next Steps", reads almost as though the next steps are being predicated on the basis that we agree that there will be a split and that there will be separate functions and so on. I am not sure whether that leaves us open. From my point of view, and I think that others might raise the same issue, there needs to be wider analysis regarding possible other alternatives. In paragraph 44, you refer to the fact that the Housing Executive might be separated from its current form within the same legislation. I want to re-emphasise this, because the issue was raised on a number of occasions: we need to make sure that we are not closing down options by default when we move on to the next steps.

Mr A Hamilton: Can I just respond to that, Chair? I am very sensitive to this. We have tried to keep this open and demonstrate that everything is open and nothing will be closed down until the end of the process.

The Chairperson: You referred to the soft split and the hard split. I share some concerns around the soft split and what it actually means. It may not be for you to give a specific answer on that, because it is really probably down to the Housing Executive or maybe the Department, I am not sure, but certainly, there has been no mandate to split anything. There is a concern, whether it is a soft split or a hard split, that you may end up in the same place again by default, or in a place where people did not agree. In other words, when you come to tease this all out in the way that you are saying, which is on quite a comprehensive basis, do you end up with a fait accompli with the operation of a soft split, whatever that might be? Can you elaborate on that?

Mr Jim Wilkinson (Department for Social Development): The paper states that the Housing Executive currently delivers an awful lot of regional housing functions and also carries out an awful lot of landlord functions. Traditionally, the Housing Executive, in its business plan, says that it is going to build x number of new homes, to deliver x number of warm homes schemes, and to do y amount of planned maintenance work and x amount of response maintenance work for its tenants, and so it may change the tenancies. What that really means is that the Housing Executive is saying that it is easier for it to concentrate and set targets for what it wants to do as a regional body, and then to set targets for what it is going to do as a landlord, and to report and focus on those individually. Rather than getting everything, the board will look at both. That is really what a soft split is. There is no change of functions or responsibility; it is about how you organise and look at your work. It is like a reorganisation; it is about how you look at your work, rather than determining any new structures, any new responsibilities, any new governance arrangements or any new reporting. The hard split that is referred to would be asking whether, in legislation, you create two NDPBs; one with a governing body that is responsible only for this, and another with a governing body that is responsible for being a landlord.

Mr F McCann: First, thanks for the presentation. As Alex said, there is quite a lot of information contained in it, and we only got most of the papers over the past couple of days, so it has been difficult to concentrate and take in all the stuff. Although, I have to say that, in the main document, there is quite a lot that has been out there in the ether already.

I take it from what you say that no decisions have been made about the future structures of housing. I take it that it is also fair to say that the Executive had advised the Minister that he should go and look at options for the future of housing. However, what I read here is really only one option, and that is the break-up of the Housing Executive between regional and landlord, with the strong possibility that it be divided into one or more housing associations. When you were looking at this, did you look at the Housing Executive as it stands? Obviously, there are some difficulties in restructuring within to deliver both regional and landlord functions.

Mr A Hamilton: That would be one of the options.

Mr F McCann: I do not see any of that in there at all.

Mr Wilkinson: That is what paragraph 44 is about. It asks about what you can do within existing legislative and organisational arrangements —

Mr F McCann: That is my point. You have gone on at length in the paper to describe all the other things, but you get one part about looking within. Obviously, this all started with PricewaterhouseCoopers a number of years ago. I think that it was Alex Attwood who brought in PricewaterhouseCoopers to do the report. Even it said in its documents that there were a number of options that people could look at. One concern that I have, and I know that you are talking about soft and hard options, is what is HANI?

Mr Wilkinson: Sorry, who?

Mr F McCann: It is in the Housing Executive document. It seems to be a new organisation that the Housing Executive has set up or is about to set up to deliver regional services.

Mr Wilkinson: That was the Housing Executive's submission.

Mr F McCann: Even with a soft break, my understanding is also that it is at a fairly advanced stage internally of making the break between regional and landlord services. As an elected politician, I did not agree to that, and my understanding is that the Executive have not agreed to it. How can an organisation such as the Housing Executive, which is an arm's-length body, go ahead and implement this, quoting the Minister and the Department on the direction that it should be going in on the break-up of the Housing Executive?

Mr Wilkinson: Anything that the Housing Executive is doing at the moment — I understand that the chief executive of the Housing Executive said recently that he was going to write to the Committee and wants to come to give you some information about its reform programme. Everything it does is within its statutory remit. There still is the Housing Executive. How it organises its delivery while still being responsible for both is within the legislation, so there is no change to the legislation, statutory responsibilities or governance arrangements.

Mr F McCann: Are you saying that it can go ahead and do all this and the Executive have no say in the direction it is going?

Mr Wilkinson: No. What I am saying is that the Housing Executive board is responsible for the delivery of the Housing Executive functions and organises its delivery options. Maybe the issue is getting confused between this paper, which is about future structures, and current delivery proposals. The Housing Executive is keen to talk to the Committee about its programme, and I think that would be useful.

Mr F McCann: I understand what you are saying, and it goes back to the soft option or the hard option. As we speak, whether it is the Housing Executive internally dealing with the thing, we are being offered a fait accompli by the Housing Executive that it is at an advanced stage of breaking into the regional and landlord functions. That was to be part of the process that Andrew described.

We are being asked to decide the future of housing structures, which has a number of options. One may be for the Housing Executive to remain as it is, restructured internally to deal with the regional and landlord functions. However, that has been taken away from us by the work within the Housing Executive. That is what you call the soft option; the move from a regional organisation into a landlord organisation.

Mr Wilkinson: I do not necessarily agree with that analysis.

Mr F McCann: But it is true.

Mr Wilkinson: The Housing Executive is currently the Housing Executive with its responsibilities, and it is organising itself to deliver those responsibilities.

Mr F McCann: That is the point that I am making. Is it outside the control of the Executive?

Mr A Hamilton: The Housing Executive would be happy to explore this with you in far more detail. Our history here, even recent history since I came into DSD, is that the landlord function has not been operating optimally, if I may put it that way. So, the Housing Executive is looking at arrangements to have a much better focus on that, and its conclusion is that it can do that better by making someone ultimately responsible in the organisation for the delivery of the landlord function, with no responsibility for other regional activities. That is what it is trying to do.

Fra, to reassure you in all of this: the option of a publicly managed social housing system, as we have at the moment, is running. What I want to explore is whether that can be viable. Can that option deliver good-quality and sufficient homes for the population? If it can, we will say it. I have no ideological commitment to a privatised approach or anything. The analysis will speak for itself. I suspect that, at the end of the day when we do our work, more than one model will work. This is not an either/or. We have not done the work. We want to do the work and show you the impact. Then you can take a view, because we recognise that, ultimately, responsibility for the decision rests with yourselves and Ministers.

Mr F McCann: We were given a paper this morning that lists in detail the possibility of what can happen with the future structure of housing. When I asked this question even three months ago it was thrown back to the Housing Executive. We are near enough dealing with a fait accompli. Certain people within the Housing Executive will have directed the Housing Executive in such a way that all this will be a fait accompli, and it will be difficult to pull it back.

One of the things that has not been decided is a Housing Executive mark Lithe report sings the praises of the Housing Executive up to high doh; everything from the regional structure, the way its district offices are laid out and the professionalism of its staff to its delivery within the community. I said to myself, "That is brilliant", but then it goes on to say that it needs to change. If it is so good at delivering those services, why would you want to change it? What you deal with is the problems that exist within it, rather than dealing with it. I have to say that, under the leadership of Donald Hoodless, it has been taken off in a different direction. The Housing Executive is being purposely dismantled as we speak.

The Chairperson: You are getting a response from the departmental officials. In a way, there are two issues, but they are very clearly linked to that and more understanding of that, because there are the next steps, the suggestions and the proposals, and we are assured that they are open-ended options. The evidence will produce whatever it produces, and consideration will be based on all of that.

The concern that you are raising, Fra — it is something that I share, and others have also identified it — is that we need to talk to the Housing Executive in particular around the evolution of what might be described as, what Jim said was, a soft split. I suppose that, for us, the concern is about the implications of the evolution of that and people are concerned that it is a fait accompli. The issue has been raised, and we will be returning to that.

Mr Wilkinson: There is no legislative change to the status of the Housing Executive. It is a single body with single responsibilities.

The Chairperson: I appreciate that, but you have heard the concerns being raised.

Mr Clarke: This is probably a good time to come in. This is a personal view, and Fra has said, that the Housing Executive must have written the report itself. I thank Andrew and the team for the work that has gone into this. However, one of the things that strikes me — I am relatively new to this, but I was always reasonably good at maths — is that, if you take the fact that you are in £6.1 billion of debt in trying to get to the situation where your housing stock is good and fit for purpose for tenants, it says to me that previous Ministers and the Department have taken their eye off the ball in that it never was tenant-focused. In a quick mathematical calculation, and I did not have enough buttons on my calculator, even at £50,000 for each property, if you sold everything today, you would only bring in £4.4 billion. What has been happening with the Housing Executive in the past? It must have written the report itself, because it has been running about headless, and the leadership in the past has been headless as well. Maybe Andrew can explain how an organisation such as the Housing Executive got to the situation where it could leave its stock in such dire straits that it costs £6.1 billion to bring it up to a good standard?

Mr A Hamilton: If I —

Mrs D Kelly: *[Interruption.]*

The Chairperson: Members, please, let us deal with this professionally.

Mr Clarke: I was talking more about the ones who want to give us the money to build houses. I was talking more about your colleagues, actually.

Mrs D Kelly: I know who you are talking about, Trevor. You like to muddy the waters all the time.

Mr Clarke: You would not muddy the waters, no.

The Chairperson: Folks, please, let us, one at a time, express concerns and views, whatever they are, and then let the officials have the opportunity to respond.

Mr A Hamilton: I will give you a bird's-eye view response to that. The £6.1 billion represents expenditure projection of ongoing maintenance and need for significant structural maintenance to deliver a fairly minimum standard. It goes up to £6.6 billion if we want to increase the standard to a more acceptable level. When we do the sums of what is available generally through the public purse over the 30 years, we come out with the gap of around £750 million.

One of the issues that has emerged is the impact, in the past five or six years, of the downturn in the market. Prior to that, the Housing Executive would have been selling to tenants who would have been volunteering to purchase their houses under the right-to-buy scheme. That was generating around £100 million a year, which was being reinvested in the stock. Keep me right on the figures, but since then, that has virtually dried up. The public purse, through rent and so on, has offset that a bit, but there is still a significantly lower level of investment being made now. The capital that was available to the Department, which reflected the priority that was given to dealing with waiting lists, was devoted virtually entirely to newbuilds.

I think back on my experience in the health service. It was wrong, but, when times were hard, you tended to not put enough into dealing with backlog maintenance. Stuff would be left for another year, and investment would be made opportunistically. The value of this exercise is that we know that that is not sustainable. We need to make this significant capital investment. Ultimately, the decision before us will be the degree to which that falls on the public purse, which has an opportunity cost for other public services, or the extent to which more private finance is levered into the system. That is ultimately the issue.

Ms Madeline Nelson (Department for Social Development): As Andrew said, the £6.1 billion is the amount of investment that is needed in the stock. If you project that over 30 years, you get the gap, because the Housing Executive is constrained by the income that it gets. That income is made up from the amount that it collects in rents but also the amount of subsidy that it gets.

Andrew's last point was around the capital. Look at the capital investment that has gone into the stock over the last 10 years. In 2004-05, it was £103 million. By 2012-13, it had reduced to £8 million. There are obviously issues at the moment around ability to spend because of contractual issues. However, capital investment has gone down significantly over the last 10 years. That has helped to build up some of the backlog in maintenance in the £6.1 billion, as Andrew talked about. Over the last five years, there has been maintenance, both planned and responsive, that the Housing Executive has not done. We are starting today with a backlog of maintenance that has built up. If you carry on doing that, that backlog will just carry on building up and building up.

Mr Clarke: The capital money was coming from sales. So, in a sense, this is still selling the family silver to fund something else that is actually getting worse. You said that there are 88,000 properties. If you look at the staffing levels in the Housing Executive today versus when it had its highest level of stock, I presume that you will find that there is not much difference. So, we have the same number of people managing fewer homes.

Mr A Hamilton: We have not looked at that. However, we have looked at the management costs of the landlord function, and, if anything, those are a bit lower.

Mr Clarke: You have to look at all the costs. The total Housing Executive function is relevant to the 88,000 homes regardless of what different parts of the organisation staff are involved in. At the end of

the day, I suggest that, if it were a private organisation, there would not be nearly as many people employed in it given the number of homes that it is trying to maintain.

Ms Nelson: That is partly why you need to do even the soft split in budgeting. You need to know what the regional function and service costs are and what the landlord costs are.

Mr Clarke: I would support some form of split to try to make it a more profitable organisation and, more importantly, to improve tenants' experience and put more of a focus on tenants. I cannot remember the words that you used, Andrew, but I do not think that you said that this would bring homes up to a particularly good standard.

Mr A Hamilton: There are definitions here.

Ms Nelson: That is a bit of an issue at the moment. In the next phase, we need to look at the standard. Back in 2009, the £5.1 billion that everybody talks about was for what was called a minimum standard. It was the minimum decent homes standard, whereby, if one element fails, you replace it or part of it. It is quite a basic standard. The Housing Executive has been repairing and improving the properties to a certain standard, but there is no real clarity on what that standard should be. You are right that some work needs to be done around what you want in the standard going forward, what tenants' aspirations are, and what the Housing Executive's aspirations are to maintain the properties at a good quality.

Mr A Hamilton: That is not only for the Housing Executive. That is an issue for you as well.

Mr Wilkinson: One of the things that comes across from the analysis that was carried out is that it is about requirements and aspirations. Both of those need to be added together. The analysis showed a financial requirement that fluctuates depending on the aspiration for the standard of home. It showed also that, in the delivery of a future landlord, whether that is one single entity, two public corporations or another entity, we have to show how those aspirations and requirements can be met and what the implications of doing that are. That is really what the analysis concludes. The analysis is saying, "This is the challenge." We are where we are. There are a variety of issues that have led to that challenge. It is also fair to say that it is not unique. The challenge that we face in the maintenance of public sector homes is not unique to this jurisdiction. It is a very real challenge. The paper draws out that the Republic of Ireland also now has to deal with similar challenges in public housing.

Ms Nelson: It is about looking at it long term. Rather than annual budgeting and seeing what we can spend each year, it is about looking at it over a longer period.

Mr Clarke: Whether it is unique or not, we are in a fairly dire situation. The Committee has lost focus on it because of the work that it has been doing on other things in the last wee while. I believe that there should be a review of how the Housing Executive has got into the state with maintenance that it is in. I think that the Committee should support a review being done to find out how we got to the position of needing £6.1 billion to bring the houses up to a minimal standard as opposed to even a good standard.

Mr F McCann: May I come back on that, Chair?

The Chairperson: You do not need to come back on it.

Mr F McCann: I do.

The Chairperson: You do not need to come back on it because it is somebody's opinion.

Mr F McCann: A number of years ago, Savills criticised the Housing Executive for overmaintaining its houses. Changes were made then that lowered the standards. The Housing Executive was doing the decent homes plus standard, and it was lowered. That has had an effect.

The Housing Executive lifts £240 million a year in rent. If you take that over 30 years, that is over £7 billion coming in.

Mr Wilkinson: It is the gap. To draw the point out, the £6.1 billion is the £6.8 billion investment minus

Mr F McCann: That is not mentioned anywhere, Jim.

Mr Wilkinson: Andrew is right that £734 million is the gap.

The Chairperson: Fair enough. Everybody is getting an opportunity to have their say and ask questions. You will be given all the time in world to come back on it.

Mrs D Kelly: Thank you for the presentation. Given the huge investment of public money, even through the housing associations, there are some questions that go around my head in relation to the housing stock and its ownership. If you ultimately go down the route of most, if not all, of the housing being delivered through housing associations and a housing association subsequently fails, how is the money retrieved for the public purse and what warranties are there for the public?

Mr Wilkinson: For all social housing properties that receive housing association grant, the grant is maintained as a charge against those properties. We will always work with housing associations to make sure that they remain viable. For example, the Department's approval is required for any mortgages taken out against those properties. If a property is sold, the housing association grant is returned to the Department and reused, similar to any other capital receipt.

If a housing association ultimately failed, which has not happened here or anywhere in the UK, the regulatory provisions allow for the Department to take that stock and assign it to another association. So, it is fairly well regulated and protected.

Mrs D Kelly: There are good clawback clauses.

Mr Wilkinson: Absolutely.

Mr A Hamilton: I do not want you to think that we are not disclosing, but there have been problems with some major housing associations in Britain.

Mrs D Kelly: Like £10 million.

Ms Nelson: There was a problem quite recently with one, namely Cosmopolitan Housing. That was partly to do with some student loans and student accommodation that it took on. However, because housing associations are regulated and have to submit viability returns and business plans annually to the regulator — in that case, it was the Homes and Communities Agency — it was picked up quite early. Before it got into any real difficulty, there was a merger with another association; another association came in to take it on. Generally, it is the role of a board, as well as funders, to make sure to get in there before there are real difficulties.

Mr Wilkinson: Housing association houses are also sold to tenants. If a home is sold, the capital receipt — the grant element — is recycled back into the system for newbuilds.

Mrs D Kelly: Do you get an uplift with inflationary value, or is it just the cash at the time?

Mr Wilkinson: It is the grant recycled into newbuild.

Mr A Hamilton: If you do not mind me saying so, Dolores, that is an interesting point. That example shows how important it is to realise that all those issues are interlinked. The regulator was involved in that, and there was a function for the regional health authority and a regional housing authority. That is why it is quite complex when it comes to making sure that organisations have the right powers available to them to intervene when necessary.

Mrs D Kelly: Chair, it will come as no surprise that I share your scepticism on the drive behind some of the proposals and the failure, over the past two years in particular, to spend the money either on planned maintenance or newbuild. That has an implication for the figures that have been presented to the Committee today.

Mr Clarke: What a spin. Wonderful, Dolores — well done.

Mrs D Kelly: Have you got a problem, Trevor, or are you the problem?

The Chairperson: Let us move on. Sorry, folks; let us stick to the businesses in front of us. Dolores, are you finished?

Mrs D Kelly: Chair —

Mr Clarke: Margaret's off in the smoke.

The Chairperson: Trevor — everybody, please — let us try to get through the business. We have a very substantive presentation in front of us. People are trying to absorb the documentation. Everybody will have an opportunity to ask a question, get an answer and ask another question if they so desire. That is our job. Members should try to keep things professional.

Mrs D Kelly: I have one final point, Chair, about the model looking at local authorities. We all know, for example, that local authorities can own vast amounts of land that could be suitable for social housing. When thinking through the proposals, did you look at an alternative? Even if we do not go down the route of delegating authority for social housing to councils, a local authority could enter into partnership with the Housing Executive and become a provider of social housing. Is that an option that you might consider?

Mr Wilkinson: Sorry, do you mean local authority social housing providers?

Mrs D Kelly: Yes, but not as the authority.

Mr A Hamilton: To be absolutely clear: we have not looked at local government in Northern Ireland being a housing authority.

Mrs D Kelly: So what are your proposals?

Mr Wilkinson: That was considered as part of the review of public administration.

Mrs D Kelly: Your document refers to local authorities. Will you clarify that?

Mr A Hamilton: Having said that it would not be a landlord, I think that it is important that there are proper engagement arrangements in place with local government. If a tenant has a problem, he or she will phone the landlord, which will be the Housing Executive or a housing association. If people do not get satisfaction, they will normally go to their local representative. You will all have had lots of experience of tenants bringing issues to you. At that level, we need proper arrangements, and we need landlords, whoever they are in the future, to be responsive to that. Generally, councils and councillors are interested in forward plans, and so on. We want much better engagement, particularly with the housing association movement and local government. We know that the arrangements that are in place with the Housing Executive are very good. People tell us that. However, there is probably a need to improve arrangements with the housing association movement. In any case, given the changes with local government reforms, when local government will have planning responsibility, there will automatically be a reason for better engagement because, if that engagement is not in place, planning approvals may be more difficult to achieve. There is also the community planning function, Dolores.

Mrs D Kelly: Andrew, if a local authority is a large landowner, and there is huge demand for social housing but the auditor might demand that the land should be sold at market value, would you think of having discussions with the local government auditor to allow flexibility when there is high demand for social housing, so that the local authority could sell or transfer the land at a less-than-market-value rate to meet the needs of its citizens?

Mr Wilkinson: There are two issues. You will be aware that we already have arrangements in place whereby all surplus public land is circulated to public bodies, and even though housing associations are not public bodies, they are alerted to that. If the land is available and is in an area of high demand, housing associations will seek to conclude that sale with local government. Obviously, all

parts of the public sector — I am sure that you will have had briefings on the availability of land — have to achieve appropriate public value for that land. There is a challenge about availability of land or the sale of land at suboptimal value. I am not sure that DSD can deal with that. However, on a wider front on land availability and leaving that specific issue aside, you will see that, in a potential role for a regional body, we are saying that, if one of the blocks to building new homes is land availability, could a regional body have a key role in land assembly, preparing the work and making more release? However, with regard to the issue of less and best value, I am not sure that this is —

Mrs D Kelly: It depends on how you define best value.

Mr A Hamilton: A housing association grant offers a subsidy to the value —

Mrs D Kelly: Yes, but it still might not be enough, potentially, in areas of high demand.

The Chairperson: Obviously, that is something to be considered. However, there are two separate issues between local authorities having a responsibility to provide housing as opposed to engagement on housing. I think that you made it very clear. I refer members to paragraph 132 onwards of the paper, which deals with local government engagement, and the functions are laid out in the reform of local government as well as the transfer of functions. The delineation is quite clear, and you reinforced it. Thank you for that.

Mr Copeland: Thank you, Andrew, Jim and Madeline. Andrew, during your presentation, you said that receipts from the sale of public housing were reinvested in the current stock —

The Chairperson: I am sorry, Michael, but we cannot hear you. I need to be able to know when to check you.

Mr Copeland: That is a first — not being able to hear me.

You said that the proceeds from the sale of public housing were reinvested. That is not my understanding of what happens. I would like further clarification on that.

Essentially, money is a very important factor in all this. As I understand it, the Housing Executive, as you quite rightly said, is a landlord for 88,000 properties, and it employs between 3,000 and 3,500 people, which gives a computation of employees per unit of between 20 and 30, which seems quite high. Given that it is a landlord body and a policy — for want of a better word — body, I would have thought that one of the very first pieces of arithmetic you would need to do is to work out how much of the Housing Executive's costs are apportioned towards the landlord function. The £750 million shortfall over 30 years, which is a large amount of money, may be somewhat different if it turns out that the landlord function is subsidising the non-landlord function.

At the same time, I feel that there is a requirement to examine the benefits that flow from it all being under one umbrella. I have always found that Housing Executive staff — no matter what office I deal with — all use the same systems and operational procedures, and, in my experience, they are all pretty good at what they do. Is there a natural progression or an interchange under the Housing Executive umbrella of staff from the landlord function who are grounded in recognising apportionment and meeting the need and the more strategic functions? Would there be a danger that that natural progression from the grass roots — for a want of a better word — through the hierarchy to the more strategic aims is worth looking at and considering? How could that be ensured in anything other than the soft split that could be done within the executive framework?

I assume that most housing associations restrict their activities to the provision of new social housing and the allocation and maintenance of those properties. I am curious to know how much difference there is in the landlord function only between the number of properties within the remit of the Housing Executive, which we know is about 88,000 — the question is how many of the 3,000-odd employees are employed in the landlord function — and a coefficient figure that gives an indication, on a like-for-like basis, of the efficiency of the delivery of service.

Mr A Hamilton: I will pick up some of those issues and colleagues will have to help me.

Mr Copeland: There is also the issue of where the land bank lies. I also want to know whether the establishment charge and associated debt with public houses when they were sold remained with the

Housing Executive or whether the proceeds from sales covered the value. If it did not, the Housing Executive was hamstrung to begin with because it was attracting a proportion of debt on the basis of maybe 130,000, 140,000 or 150,000 houses, whereas it was now spread over 90,000, so per capita debt per unit must increase.

Mr A Hamilton: I will let Madeline and Jim deal with the recycling of capital. The split of the cost is occurring at present. That is a work in progress because the way in which the Housing Executive has been classified by the Office for National Statistics means that we have to separate into accounting terms the cost of the non-landlord function. The landlord function will then be accounted for as a quasi-public corporation. That detailed split is ongoing.

Mr Copeland: With regard to the £750 million deficit at the end, I assume that the landlord and non-landlord functions overheads remain within the same pool.

Ms Nelson: The £758 million is the landlord function only. That is on the basis, as Andrew said, of the accounting split that has been done so far.

Mr Copeland: So they have the figures.

Ms Nelson: Yes, but that is partly why we need to do more work on it because there has been a split between landlord and regional, including an apportionment of the non-direct staff costs —

Mr Copeland: Establishment charges?

Ms Nelson: Yes, so we need to look at that in a lot more detail.

Mr Wilkinson: I will add to the complexity. In one organisation, there are non-landlord functions and activities, landlord functions and activities and corporate services activities that cover both. With the Housing Executive's income streams, there are delivery requirements, be they regional or maintenance. Those are the costs and outgoings. Rent is coming in, but there is also grant funding from the Department. The grant funding is primarily to deliver the regional functions, for which no income is generated because they are strategy functions.

Mr Copeland: Does the grant income equal the cost of service delivery?

Mr Wilkinson: For the regional functions, yes.

Mr Copeland: Totally?

Mr Wilkinson: Yes, and it also goes some way to subsidising some of the landlord functions.

Ms Nelson: The £758 million is definitely just the landlord deficit.

Mr A Hamilton: Roughly speaking, I think that there are 3,300 employees in the Housing Executive: two thirds are engaged in the landlord function, and one third is engaged in non-landlord regional activities.

Mr Copeland: Does the landlord function benefit from a split in that the rental income and housing benefit income are spread over fewer employees, so the cost per employee must be less?

Mr A Hamilton: No, because regional activities get grant funding, it is already in that —

Ms Nelson: Even with the split by rental income, if you look at management costs — that cannot always be done by cost per house or unit for the landlord function — they are around £1,600 per year per unit. That is the cost of maintaining and managing the properties, so there are staff costs as well as indirect staff costs. When that is compared with other similar organisations, it is, on the face of it, quite low. The average for, say, 170 local authorities in England of quite substantial size, as well as some of the smaller ones, is about £2,000 or £2,100 per property.

Mr Copeland: How does that compare with housing associations here?

Mr Wilkinson: We have the figures for the housing associations. They have about 3,000 staff, but it is not like for like, because they also deliver a lot of supported living services and count their total staff numbers. There is a bit more work to be done to segregate pure housing staff from the housing association staff working in supported living.

Mr Copeland: What about the income from the sale of properties?

Ms Nelson: As far as I understand it, the Housing Executive, based on previous years and next year, anticipates the number of sales. In the Housing Executive budget line, there is a budget for landlords to recycle those receipts. In the projections so far, we assume that that carries on but tails off eventually so that, over 30 years, you run out of people who are able to buy. On average, at present, we have assumed about 350 properties a year.

Mr A Hamilton: I will check, Michael. My understanding is that this resource was recycled, and we were able to invest it.

Mr Wilkinson: I think that it is part of both. My understanding is that a certain capital budget was assumed in the Housing Executive to be funded from house sales. If it was not met, you got less, but if it was exceeded, it came in.

Ms Nelson: It then comes back into the Department.

Mr Wilkinson: My understanding is that it was a bit of both. If, say, the Housing Executive assumed a capital budget of £80 million but sold £100 million, £20 million would come in.

Mr Allister: At this stage, I want to be clear about the genesis of the reform package. In so far as I understand how government works, proposals for change can come from a number of sources. They can come from the Department itself working up an issue, because it is aware of problems and makes suggestions that the Minister bring forward some proposals; or proposals can come from the Minister, of his own volition, because it is an issue on which he is particularly focused, and he may say to the Department, "I want to do such and such". Which of those lies at the source of this proposal, or is it another source?

Mr Wilkinson: The proposal for the reform of the Housing Executive stretches back across a number of Administrations and reports. In the paper, we detail that a number of reports were generated from the housing sector.

Mr Allister: I understand that, but what now has been the catalyst to bring it to the table?

Mr Wilkinson: The most recent iteration commenced with the previous Executive, when the Minister commissioned a review of the Housing Executive that was undertaken by PwC. That report was presented to the current Minister, so it spanned mandates. The current Minister commissioned further work — it was called a "mature conversation" — and it went out to test the PwC recommendations with stakeholders. That report came back, I think, in January 2012. The Minister considered the recommendations and then put it to the Executive that we take forward further exploration and reform of the Housing Executive.

Mr Allister: Just remind us of this: what is the longevity of this process?

Mr Wilkinson: I am not sure that even I know how long it is, because my commencement was in May 2011, and it had started before that. My recollection is that the original PwC report, which this flows from, was commissioned in November 2010 and delivered in July 2011, with a further iteration in January 2012 that led to an announcement to explore the reforms further. It has been quite a long process to look at how the structures might be improved.

Mr Allister: How long do you think that it will be until the end of the process?

Mr Wilkinson: I could say that, since it is being delivered with political consensus, it will be when consensus and decisions are reached by the Assembly.

Mr A Hamilton: I will offer a personal insight into that. If you were asking me whether this process could lead to a 100% transfer of public housing within two to three years, I would say that Northern Ireland is not ready. That is my position. We would hope, with your blessing, once we are into more detail on the various components, to be able to move ahead in a number of areas such as rent policy, regulation and inspection and exploring the structure of the Housing Executive and, perhaps, some transfer, if that is deemed appropriate. That could be taken forward over two to three years, but we are on a journey.

Mr Allister: It is a pretty long journey. Do all those matters require Executive approval?

Mr A Hamilton: Yes, largely. Any significant change in policy would require Executive approval.

Mr Wilkinson: Madeline has quite a bit of experience of large-scale stock transfers, when those have happened, and the reform of local housing structures, including housing management organisations, which are public corporations, across the UK. Those changes are not made quickly.

Ms Nelson: I could use the Manchester example because I used to work for Manchester City Council. That started in 2002, and it was a mixed solution; some stock was retained in the public sector, and some was transferred. That took 10 or 12 years.

Mr Allister: That was without the delaying and blocking hurdles that we have in our governmental system.

Mr A Hamilton: I am sure that these issues are equally as contentious in GB.

Ms Nelson: I would not say that the political decision-making was particularly easy. It takes time because if you are going to make big changes, you are required to consult tenants, which takes time, especially if you are going to do it in such a way that people understand the issues.

Mr Allister: So, from now, it will take at least 10 to 12 years.

Ms Nelson: It depends on the solution. That example was a mixed solution.

Mr Allister: It would involve the transfer of public housing.

Ms Nelson: It involved a significant number of difficult transfers that were of negative value. There was also the creation of a new public sector organisation landlord function. It depends on the complexity of the solution.

Mr Allister: In the Manchester case, did the eventual output in cost savings match up to expectations?

Ms Nelson: I would not be able to give you the exact figures, but the benefits, financial and other, far outweighed the costs of delivering.

Mr Allister: In financial terms, did the Manchester experience deliver the savings that were promised?

Ms Nelson: It delivered the promises and the investment.

Mr Allister: Including the financial savings?

Ms Nelson: If financial savings were factored into individual transfers or new organisations, those savings were delivered as well.

Mr Wilkinson: The issue for us is investment. Although we do not have the investment for individual cases, there are some figures in the papers. The one that I remember is in Wales, which has had private investment of £2.7 billion in addition to money from the public purse. Do you remember what the figure was for GB, Madeline?

Ms Nelson: I think that it was £21 billion.

Mr A Hamilton: The figures are in the papers. In Northern Ireland, if memory serves me right, housing associations have brought £180 million to the table. That is new money that is additional to the money from the public purse. Perhaps we have not made enough of that. If there is agreement here and there is a significant transfer, followed by finance invested in the housing sector, that is also an economic contribution to local communities. We also have the housing plus agenda, whereby the housing associations that have been involved in those stock transfers have been working very closely with local communities, establishing social enterprises and offering opportunities for skills training, because a lot of them do their own maintenance and things like that. We have not painted any of that into this, but we know that it is there, and, in the final analysis, it is something that we will want to —

Mr Allister: Finally, it is interesting to have a case study, as it were, in the Manchester experience. Has the extent of private interest in investment been what was anticipated?

Ms Nelson: Yes; every transaction got funded.

Mr A Hamilton: So, there would have been a plan.

Ms Nelson: I am just thinking of an example. There would have been a business plan setting out the funding requirement to deliver long-term investment in the homes or maybe in redevelopment, which would have involved demolition and newbuilds, for some kind of big regeneration scheme. The new association or new landlord would have borrowed from the banks and got the required borrowing. As Andrew mentioned, part of that £21 million is new borrowing that has been brought in to deliver the investment.

Mr Wilkinson: There are a number of case studies, but there is also quite extensive research available from the Joseph Rowntree Foundation.

Mr A Hamilton: I suggest, Chairman, if you agree to it, that we draw up a couple of the case studies and share them with the Committee. I think that that is a good idea, because it will crystallise what is possible.

Mr Wilkinson: I think that it is probably difficult to understand what a large-scale transfer involves. In the case of GB, if a transfer were to be agreed, it would involve a council saying, "This is what we must have from this". It would also involve the body saying, "We will do all that. We will deliver all that for tenants. We will do it in x amount of time and provide y amount of funding". Unless that is provided, it does not happen. Unless the tenants —

Ms Nelson: That is wrapped into a formal agreement as well.

Mr A Hamilton: On the back of that, if the Committee is interested in visiting some of those areas to talk to local councillors, landlords and tenants, we would be happy to facilitate that.

Mr Wilkinson: For the Committee's purposes, if there is interest, we would do that. We would also show you another option, namely a council that is created like an arm's-length management organisation (ALMO), which is a public corporation that has a separate landlord function.

Mr Allister: Are there also examples of, say, ventures that have failed because of the property crash and all that flowed from it?

Mr Wilkinson: I have not come across one.

Ms Nelson: I do not know of any.

Mr A Hamilton: The one that we mentioned was the Cosmopolitan.

Ms Nelson: That was in Chester.

Mr Wilkinson: That was a big housing association; it was not a transfer. As I said, there are lots of reports available on this. It has been around for a long time.

The Chairperson: We can come back to that, as you suggest, Andrew.

Mr Campbell: It is a very interesting analysis and presentation.

I want to put a couple of questions to you on the rental position. Andrew, a couple of times, you talked about the affordability of rents being crucial, which I agree with and, hopefully, most people agree with. I see in the documents that the sustainability of rents and affordable rents are again mentioned.

I think that it would have been known and understood by most of us that there is a differential between housing associations and the Housing Executive. However, until your document was published, I do not think that many people would have known the scale of that differential. As I say, I was aware of it, as most people were, but I was not aware of not just the scale of the differential but the stark contrast in the differential between us and England, Scotland and Wales. Yet, you say in your document that the next step is:

"to take forward detailed work to develop and consult on a rent policy for Social Housing."

I notice that in England:

"Rent convergence was to be achieved by applying a differential to the increases Local Authorities and Housing Associations could apply".

I assume that similar things must have been done in Scotland and Wales, given that you can see the broadly similar rental increases.

That brings me to my question. It may have been the case in the past, although I am not suggesting that it was, that rental increases may have been judged on the basis that 80% of people were not going to notice any difference anyway because of the housing benefit but that 20% would. So, if 80% of tenants in our social housing sector are on housing benefit, how would you bring about convergence when the contrast is so stark between Housing Executive rents and housing associations not just in Northern Ireland but throughout the rest of the UK and when we have 20% of people to whom the convergence is so miniscule, yet for the 80% the difference would be marginal, taking welfare reform out of the equation? That assumes that the convergence was downwards for that 20% rather than upwards for the others.

Mr A Hamilton: You are right; that is the conundrum. If this were all funded by housing benefit, you could move very quickly. However, rents must be affordable, and they must be affordable to that 20%. So, if a rent policy emerges, I suspect that it will be related to inflation in some way. If that is the decision, convergence would be achieved only over time and by not raising the rents but just slowly bringing them together. We have seen that England has taken 15 years. I should qualify that, at figure 2, the gap of £54.73 and £86.11 is probably overstating, because it picks up the point that Jim made, which is that, as we have looked at this, we have realised that that £86 includes the cost of services. I suspect that the figures will be significantly different, but I also suspect that they will still suggest that Northern Ireland is in the top quartile.

Mr Wilkinson: There is an important factor that we have not put in there. Both the housing associations and the Housing Executive do continuous tenant surveys and ask questions such as whether the tenants think that their property is value for money. I think that it is probably fair to say that we have some work to do around those levels. It is, in part, driven by service charges and the fact that they tend to be newer properties.

The satisfaction levels and whether tenants are getting value for money are broadly comparable between the two sectors. If you read both the detailed paper and this paper, you will find that, although everyone has tried to do something, a lot of people have found that doing things on rent is very difficult. The most successful model has been the English model on convergence over a 15-year period, and it was controlled by allowing some people to increase slightly more quickly than others.

Ms Nelson: It set a target, and that target was driven by local earnings, as well as bedroom and house size.

Mr Wilkinson: It was also driven by the fact that a lot of those organisations, particularly those that were in the housing association sector, had entered into long-term funding arrangements and needed to have some certainty about their ability to meet those funding needs.

Mr Campbell: You mentioned that their satisfaction levels were quite high. Was there any distinction between satisfaction levels of the 80% whose rent was paid by housing benefit and the 20% whose rent was not?

Mr Wilkinson: I am not able to answer that, but we will certainly look into those satisfaction figures to see whether it is someone who is paying the rent versus someone who is having some form of intervention to assist with the payment.

Mr Campbell: We could look at what we have at the moment and at a situation where housing associations may continue to be the driver for newbuild. I read somewhere that, within 10 years, we could be up to around 50,000 or 60,000 housing association properties, as opposed to the 36,000 at the moment. That is presumably because the Housing Executive will gradually decline, as there may be no newbuild and there may be some lead-off with people purchasing. So, given all that, and, obviously, depending on the overall review outcome, within 10 or 15 years, you may get roughly a 50:50 split.

Mr Wilkinson: You might; yes.

Mr Campbell: If there were not a change in the housing benefit entitlement and a drastic change in the rent convergence, what would that do to the future mix of housing?

Mr Wilkinson: All these things get complicated. The increase in the number of housing association properties assumes newbuilds. The cheapest way to build a new home is to fund only 50% of it and to let the other half be borrowed. If we and Housing Executive indicate that, to meet housing need and unmet backlog, we should build 2,000 homes per annum and you aspire to do that over 10 years, that increases the figure by 20,000.

The outworkings of the £758 million gap make certain assumptions about what the rent level will be in the Housing Executive. So, it has made an assumption that it would be inflation plus 1%, which it has been for the past two or three years. However, it may then be only inflation, which it had been for a number of years before that. When we come to look at the gap, at how much we have to invest and how much we have, we will find that we will have to look at several scenarios. That is quite right. We will have to look at a scenario in which rent goes up by x and y in the public sector and see what that means and what it would mean if rent goes up by z. We have not worked out those scenarios. However, quite clearly, the impact of rent clearly impacts on the gaps.

Mr Campbell: The point that I was trying to drive at is that it is a relatively academic argument if 80% of the rent, whatever the rental level is, comes from the public purse anyway. It does not really matter to that 80%, but it does matter to the 20%.

Mr Wilkinson: It does matter to the 20%.

Mr Campbell: That is the point. I understand the issue about the gap in investment. However, it is a rather academic argument when such a high proportion of the rents that are paid come from the state anyway, which is the purse that has to subvent the shortfall.

Ms Nelson: It is a people subsidy rather than a property subsidy.

Mr A Hamilton: At this point in time, that is a free good to us. It is additional income. Now, you very quickly get into welfare reform issues and all that.

Mr Campbell: As we have discovered.

The Chairperson: Just not this morning.

Mr Brady: Thanks for the presentation. I was going to ask about rent convergence. Gregory has already dealt with it, but it is worth pointing out that quite a few of that 80% are people working on low income, as we live in a low-wage society. Not all those people are on benefit per se. They may be on working tax credits and that kind of thing. So, I think that that is worth pointing out.

I have a couple of questions. If you look at the proposals that you have given us today, you will see that they are all very much interlinked. So, it is difficult to see how you could go forward by just taking bits out of them and not taking them as whole.

You say that no decisions have been made. However, I regularly talk to people in the Housing Executive, certainly at local office level. I have always found them to be more than helpful and good at their job. I think that the problem arises as you go up the chain. If you talked to those people, you would find that they feel that it is a fait accompli. I think that that is something that you maybe need to address. It is OK telling us, but they are the people at the coalface, and they have a difficulty accepting that the Housing Executive will not go down the Swanee at some stage.

You talked about community development, employability and sustainability. I am interested in the role that tenants have to play, because you are not just building houses — you are building communities, and that is the way that it should be. You say in your briefing paper that:

"We need a social housing model that is underpinned by fairness and equality."

Obviously, we would all agree with that. You continue that we need a model that:

"ensures the provision of new social homes in line with need."

I think that you would agree that it has to be not just need but objective need. I think that that has been an ongoing difficulty.

As far as I am aware, there has been an ongoing reduction in the grants that are given to housing associations. Will that continue to be reduced?

You talked about value for money, Jim, and you do surveys on that. The Savills report of 2009 stated that we had some of the best social housing in Europe, but the problem is that it has not been maintained. It is interesting to go back to 2008 and 2009 when the Department had a policy of buying off the shelf but then had to spend between £5,000 and £8,000 to bring those houses up to the decent homes standard because they were not being built at that level — developers were not building them to that standard. Obviously, that area has to be looked at and addressed so that any future social housing reaches the decent homes standard. I think that the Savills report accepted that the Housing Executive was very good at doing that.

Those are just some of the questions that I have.

Mr Wilkinson: I will answer the last one first. The balancing act with housing association grants is to try to build as many houses as we can with the money that we have available. That necessarily means that we will review the grant levels more regularly to see whether we can cut the grant and deliver more homes but still make it viable.

We have agreed with the housing associations that, for the remainder of the comprehensive spending review (CSR) period, we are fixing levels at the current level. We review individually what the total client cost indicator is, but we have agreed to keep the levels. I think that it is at about 45% at the moment, but with abnormals it can be up to 50%.

You talked about off-the-shelf purchases in 2008 and 2009. At the height of the boom — perhaps that should be the other way round and I should have said at the height of the bust — it was good value to buy off-the-shelf properties. They were being built not to the decent homes standard but to the housing associations' guide for new homes standard, which was a lot higher. Some adjustments would have been made to lifetime homes, such as width of doors and that sort of thing. Increasingly, that has not been the case; the Building Control standard has been raised quite significantly to be very close to the thermal efficiency standard that you would require, so there are fewer amounts. In addition, currently, because the market is picking up, there is much more newbuild versus off-the-shelf properties, not as many of which are available.

The issue with the Savills report and the current issue is exactly as you said. There is good stock, but if you want to make sure that it stays good and to address pockets of poor stock, some of which is affected by thermal efficiency issues, there is a need for investment that is more than about response maintenance and kitchens and windows. It is much more about structural issues, which is what our work is showing.

Ms Nelson: I will just say something about the housing association grant. Some housing associations elsewhere, because they are allowed to do sales for development or low-cost home ownership, do that and then cross-subsidise the social rented sector. You do not do a lot of that here. Given that they are able to do that, they can reduce the housing association grant, which allows them to get more newbuild for the grant. So, those are some of the available options.

Mr Brady: Michael Copeland made a point about selling off houses and using the money to build. By my recollection, £45 million was taken in from the sale of houses in the late 1970s and early 1980s, but that did not go to building houses; it went straight back to the British Treasury. That seems to have been a feature going back many years. A scheme was sold as something that was going to be beneficial and improve and increase social housing here in the North, but it did not happen. When we talk about money being available and the cost, whereby you have a Department that is responsible for social housing handing back, to date, almost £70 million — some of that, I agree, is planned maintenance and all — we would find that we could build a fair number of social houses and supported housing with £70 million.

Mr A Hamilton: Like you, I hope and trust that the experience of the past year is an anomaly and does not happen again.

Mr Clarke: I am slightly confused by one of the tables in the pack. I can understand that you are doing a calculation on the uplift from 2001 to 2011, but I am just curious about the Northern Ireland figures. What does the £54 represent?

Mr Wilkinson: That is usually the average for a three-bedroom house.

Mr Clarke: A week?

Mr Wilkinson: A week, I think. Yes, it is.

Mr Clarke: So, is there a difference between what is paid for a three-bedroom house and what the Housing Executive is paid in housing benefit?

Mr Wilkinson: No. Unless you are on partial housing benefit, housing benefit will cover your social housing rent in full for either a housing association or a Housing Executive home.

Mr Clarke: If you look at the housing benefit calculator, you see that the cheapest three-bed in Northern Ireland is £88.16, so I am curious why you have the figure of £54. If the housing benefit branch does not pay the Housing Executive more than what the rent should be, why, in the current calculator, is it suggesting that the cheapest three-bed rate is £88.16?

Mr Wilkinson: I am not sure what the calculator is. I am not sure what rate you are quoting. I will have to look into that for you.

Mr Clarke: OK, we can come back to that. I struggle with this one as well — sorry, it is actually £88.15.

Ms Nelson: Is that the private sector?

Mr Wilkinson: I think that that is private sector. Housing benefit for the private rented sector is calculated by local housing allowance, therefore the maximum that you can get is what the local housing allowance rate is, so the maximum would be £88. The housing benefit for a social home is whatever the rent is.

Ms Nelson: It can, I think, be linked to the thirtieth percentile of the local housing allowance.

Mr Wilkinson: It could be two different things. That could be housing benefit for the private rented sector, and these are the rents that are being charged in the social sector. If you are on housing benefit, it covers your full rent, irrespective of what it is.

The Chairperson: Are you happy enough with that, Trevor? You raised the issue, and the officials will get back with maybe some report on it.

Mr F McCann: When housing associations are being looked at for housing benefit, they are calculated on the same level as the private rented sector. So, you have private housing benefit and social housing benefit in the sector, and people who are applying for it might be able to claim a going rate of £88 a week on housing benefit, and that is amalgamated over the month. They talk about 80% of people on housing benefit, but, if you have a dependant in the house who is working, that seriously skews the calculation. You could be getting 10p or 20p in housing benefit, so that needs to be taken into account. When you just give the figure of 80% of people on housing benefit, that is correct, but it may not be a level playing field; there may be people getting just 10p, 20p or £1 of that.

Mr Clarke: I appreciate that, but it is not a level playing field anyway. That is because you have about six rates of housing benefit in Northern Ireland, which you should not have, as Northern Ireland is a fairly small region and there is nowhere that it is impossible to travel to. Why you are paying £106 as opposed to £88 —

The Chairperson: That would require probably another discussion, because it is about the local housing allowance.

Mr Wilkinson: You are crossing private and social here.

Mr F McCann: The point that I was going to make is that we have spent a lot of time discussing two of the main providers of social rental accommodation — housing associations and the Housing Executive — but we have not touched on the biggest provider of social rental accommodation, which is the private rented sector. Some accommodation that is provided there not only does not meet the decent homes standard but is a downright disgrace, and we are paying £140 million or £150 million a year in housing benefit towards that.

The Chairperson: That is a fair point.

Mr Wilkinson: I know that there has been a briefing on the regulation of the private rented sector and proposals in that. We will also shortly be coming to the Committee on proposals for a minimum homes standard, which is in the housing strategy and will, hopefully, go some way to address some of those issues.

The Chairperson: There has been a fair wee bit of a discussion this morning and rightly so, because this is a very important issue. Could I ask members, without bouncing people, whether we can agree that we are keen to engage with the Department in a structured way on the progress of this? In fairness to the officials, you made it clear that there are a range of options. I hope that you have taken on board a lot of the issues that people have raised before and again today. Without going into any more detail, we are agreed that we want to have a good engagement with you on a structured basis. We can work that out between ourselves and put it into a schedule. Is that fair enough?

Members indicated assent.

The Chairperson: Thank you Andrew, Jim and Madeline for your presentation and efforts to respond to questions.

Mr F McCann: Chair, I made a point at the beginning that it seems that we are being presented with a fait accompli because of what is going on in the Housing Executive. Should that not cease?

The Chairperson: You put the point, and we will have Housing Executive officials here specifically and directly to answer that. So, the points have been made, Fra, and are on the record.