



Northern Ireland  
Assembly

Committee for Social Development

# OFFICIAL REPORT (Hansard)

Inquiry into Allegations arising from a BBC NI  
'Spotlight' Programme aired on 3 July 2013 of  
Impropriety or Irregularity relating to NIHE-managed  
Contracts and Consideration of any Resulting Actions:  
Northern Ireland Housing Executive

8 May 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)  
Ms Paula Bradley  
Mr Gregory Campbell  
Mr Stewart Dickson  
Mr Fra McCann

**Witnesses:**

Mr Gerry Flynn	Northern Ireland Housing Executive
Ms Mags Lightbody	Northern Ireland Housing Executive
Ms Siobhan McCauley	Northern Ireland Housing Executive

**The Chairperson:** I formally welcome Mags Lightbody, interim chief executive of the Housing Executive, to the Committee for the first time. Siobhan McCauley is director of regional services, and Gerry Flynn is director of housing and regeneration. I formally welcome the three of you here this morning. I suppose you sat in on the last session, so you have a flavour of where people are. At the end of the day, we have terms of reference that guide this phase of our inquiry, which is to satisfy ourselves of the adequacy of actions proposed by the Minister, DSD and the Housing Executive to address previous well-documented failings in relation to procurement and contract management. This is best summarised as ongoing work. However, the Committee inquiry has to satisfy itself whether the measures taken to address the previously identified failings were adequate and appropriate, and whether they are in hand, working and effective. We are being told by the Department that there has been significant progress but a lot of work is still to be done. Without further ado, I invite you to present your view on this to the Committee.

**Ms Mags Lightbody (Northern Ireland Housing Executive):** Thank you, Chairman, for the invite this morning to update you on the issues outlined. You will have received a briefing, and I will use that by way of presentation to you to go into a bit more detail on some of those issues. This is my first time along to the Social Development Committee, and I hope to be back next week to share in a bit more detail our Journey to Excellence work, which my colleague touched on. I joined the Housing Executive as director of transformation in November of last year, and, as of 1 April, I am acting chief executive. You may know my colleagues: Gerry Flynn, director of landlord services and previously director of housing and regeneration; and Siobhan McCauley, director of regional services and former director of design and property.

As the Committee will be aware, over recent years, the overarching priority of the Housing Executive's board and senior management team has been to implement a host of measures to address the well-documented failings and legacy issues that have prevailed since 2010 around contract management and procurement. You will know that, as my colleague outlined and as the memorandum from DSD goes into some detail on, an array of internal and external reviews have been carried out around governance and contract procurement, dating from 2013 through to last year. We also receive an annual report from the Comptroller and Auditor General and those charged with governance. I will touch on that in a bit of detail today. We have accepted the recommendations from each of those investigations, audits, reviews etc, and, as a senior team, we spent time working through our board and governance arrangements to develop improvement plans that really went into the detail of those and made sure that they were embedded in the organisation by way of learning. From our perspective, as was covered by the Social Development Committee before, running through those reports, we can summarise the failings around and about the culture of the organisation, our ability to manage the types of contracts that we were involved in, the structures and their suitability to deliver and manage appropriately and with skills and knowledge about governance and contracts.

Since taking up post on 1 April, I have been out and about with staff across our organisation, getting a handle on where our staff are to help to move the organisation forward. I have done that in the job that I was first recruited for and now in my job in leading the organisation. Over that short time, I have probably met about 2,500 of our 3,500 staff. I am really trying to get clear with our staff, who are the key resource of the organisation, where the Housing Executive needs to be. I think that, as members in the room will share, staff on the ground are still absolutely committed to doing the right thing for our tenants and what the Housing Executive has been known with pride for. I acknowledge solidly the serious issues that have affected the organisation, but I wanted to share with the Social Development Committee a real press from the masses to get back to delivering for you and for Northern Ireland.

As you heard from my colleague, we are not out of the woods yet, and there is still an awful lot to do to get the organisation back on top on every front. Good progress has been made, and we are seeing encouraging signs in how we are managing planned and response maintenance contracts. You will see some of the positive outcomes from the briefing that we provided and some of the updates from my DSD colleagues. As a senior management team and also the boards, we have confidence now that each contract has a number of clear controls in place. We are working through a process through our corporate assurance unit and our internal audit to make sure that we are checking that all those signs of improvement are real and meaningful and that we are learning the lessons from what we are seeing there. As I said, there is still lots to do, and I will conclude on that point, Chair.

The Committee will know from questions this morning that we are finalising a resolution to a dispute on the planned maintenance side, so, today, we have an agreed position with the contractors. We are now formalising to seek consent from DSD and then through to DFP to get full approvals to enact that agreement. I would like, before I leave today, to have some discussions with your Clerk about when, at the earliest juncture after we gain full approval, we could come to talk to SDC in some detail on that.

It will take some time for the organisation to get to the right place. The ambition — I will go into that in more detail next week — is to get back to excellence at the Housing Executive. That is excellence prepared for reforms, if that is the will of the Assembly at any point, or excellence just for the organisation as it sits today. We are working through a host of changes that I will share in more detail with you next week to really get the culture, the organisation and the structures fit for the business that we are charged with doing.

Members will be aware that, following the governance review back in 2010, we put in place some robust governance arrangements that bring together legislative requirements around our business, governance principles and processes that all public bodies are expected to have in place. In 2013, there was a review of our delivery on those issues. You will see from our note that the governance structures include standing orders, an annual review of the framework, the provision of assurance statements, and regular reports on performance to our board and through to our audit committee. Importantly, the board and our senior management now have a system of assurance across all our business. However, we are not resting on our laurels. That is live today, and it is actively reviewed as we progress.

Will and Jim covered the reporting arrangements between DSD and the Housing Executive. Naturally, through that period, they had to be intensified until everyone was satisfied that the organisation was moving to address, in a consistent and long-lasting fashion, how we do our business. At the request of our current board, reporting arrangements were overhauled. Again, that is going to be a continuous process for us. Performance around response, planned maintenance, heating and grounds

maintenance are now reported to the board every second month. Our audit and risk assurance committee also considered the detailed findings from the work of our internal audit and corporate assurance teams. As my colleague touched on, a representative of DSD attends those audit meetings. There is also representation from the Northern Ireland Audit Office.

Assurance arrangements have been strengthened in the corporate assurance unit. It now reports directly to the audit and risk committee. I meet the head of internal audit to provide a direct reporting route to me monthly on any key issues or concerns. DSD's governance review of 2010 put forward 75 recommendations that we should put in place to improve governance arrangements. That included critical recommendations and a host of best-practice recommendations. The senior management team at that time established an oversight board as an appointed full-time resource to oversee the working through of those recommendations. Some work will be ongoing to ensure that we regularly refresh our governance approach, the skills of board members etc.

It is fair to say that the implementation of those recommendations on all fronts has been incredibly useful to the organisation to get us to where we are today. However, there is still lots of work to do. In a follow-up review recently passed in November 2013, it was agreed that we had made progress, with two thirds of the 75 recommendations fully implemented. Our colleagues in DSD advised that four critical control recommendations were outstanding, but they saw the actions we have in place to close those out. Three of those recommendations are partially complete. They will be fully complete by the summer of 2014. One is no longer deemed relevant because we have moved beyond the initial recommendation. Twenty one good-practice recommendations were outstanding. The current position is that 10 have subsequently been implemented, 10 have been partially implemented, and one is outstanding. Some are connected to the sign-off of that contract negotiation. By the end of this year, they will all be closed off. I turn to the concerns noted by the Comptroller and Auditor General in his 2012-13 report. We work closely now with DSD and the Audit Office. They are directly represented at the audit committee to ensure that there is appropriate oversight. With regard to the recommendations in the 2012-13 report, at the last audit committee of the Housing Executive in March, three were complete, six were on target and we were progressing on four. Again, the main reason for those issues was overpayment. When we close that off — which, again, is a key concern for the Committee — that will allow us to move on with those issues.

Turning to contracts and contract management on response, as public representatives, you will know and will hear from your constituents that the maintenance service is critical to customers in the services that we deliver. It is one of our highest spending areas. You have heard some of the concerns about social housing reform. It is vital that we deliver investment to give customers the services that they deserve.

Although, by and large, we still receive very positive feedback about our service from tenants, we have fallen behind the expectations of both the public sector and our customers when it comes to how we have been managing those contracts. We have taken a number of actions to improve contract management. Each review has gone into one single improvement plan. The structure and management of our response maintenance contracts have been radically overhauled. The Committee asked specifically about the gateway review, which is concluded. We received the report just last week. I would like to share some of the findings of that with you today.

The delivery model for planned maintenance has also been reviewed. Design responsibility moved from contractor to consultant to give us an added layer of assurance. At local level, management arrangements have been strengthened. We have appointed new dedicated contract managers. The new contracts have updated key performance indicators and robust contract management arrangements that allow us to hold contractors to account properly where there are any issues coming from customers or assurance arrangements. That includes the application of low-performance damages. We can explore that in a wee bit more detail with you and how we have applied those to drive the right responses from our contractors.

We established a response maintenance intervention team to go directly into areas where performance is not as it should be. It was created in 2012 and deployed to offices with less than satisfactory results in our corporate assurance team inspections. Thankfully, we have not had to deploy the response maintenance intervention team this year. That is based on positive outcomes from our corporate assurance team. We are doing reviews through our internal audit resource just to check that those positive findings are real and to ensure that we are sharing any learning from them.

In addition, we have a new statistical inspection regime that has been instigated to let us find the real issues. As I will touch on through the discussion, we are looking to move to a place where our audit

and assurance give absolute assurance, but are proportionate, to ensure that both staff and contractors are able to get on with the job on the ground. We will go into that in a wee bit more detail.

In summary, the new regime provides a robust and structured contract management arrangement in the organisation. We now see clear lines of responsibility and accountability, both in the organisation and among our contractors; the support arrangements that come through that, and very clearly defined escalation arrangements to deal with any disputes or performance issues.

The Committee is very clearly aware of the concerns that were raised on contracts and contract management arrangements on planned maintenance. We are now reaching a finalised agreement on figures with contractors to close our negotiations on that contract management issue. We will now proceed to seek formal approvals. Again, the detail of that will be subject to formal sign-off. We hope to come back at some stage to present that to the Committee.

What we can say is we are drawing up an action plan to address all the issues that come out of the intense reviews of the failings in planned maintenance. Our action plans to move the service forward to delivering excellence were presented to the board and are updated on a monthly basis. That gives the board the certainty that all the learning is not lost sight of and is embedded in our processes. As with response maintenance, there will now be new contractual arrangements for future planned maintenance contracts, and I can tell the Committee — this has just happened — that we are now in a position to award those contracts. I will meet the contractors personally next week, along with Gerry, to establish how quickly we can mobilise those contracts and start getting investment in our communities at the very earliest opportunity.

The new contract arrangements have been constructed to help to design out the problems that we saw previously from what was clearly a misinterpretation of how the partnership concept should operate. There are now a larger number of contractors to reduce overdependence on just a few limited players. The use of independent consultants has been embedded in the new contracts, and they have been involved in designing schemes, agreeing costs, supervising and approving the work contract. That will give us enhanced controls through segregating duties. We have learned a lot of lessons from the past, especially on pricing and inspection. That will help us to transfer some of the risks associated with design, and we will have improved access to key technical resources, particularly quantity surveyors, to ensure that we have a firm handle on pricing.

I said that I want to share with the Committee, and you asked specifically about the gateway review on the new response maintenance contracts. We received that report last week. We have still to take that formally to our board and through the formal processes, but we have updated our board on the key themes through verbal feedback. The review report has presented us with eight recommendations, all of which have been accepted by our organisation, and we are now developing action plans to deal with those. The Housing Executive has taken the opportunity of the gateway 5 findings to review how the contracts are being managed, make sure that we get the benefit from all our arrangements and, critically, have the right relationships with our contractors, going forward, and within the organisation as well. I will come back to the specifics of gateway 5, if I may, Chair. For now, I will work through the statement that we provided you with.

The Committee will be aware of the big issue of the culture of the organisation. Some of the adverse findings of the DSD review of governance point to that specific issue and to the skills and knowledge of staff to manage response and maintenance contracts. I and the board have signalled very clearly since my time in post at the organisation that there is a need to promote a new culture of integrity, openness and honesty, which are things that have been in the Housing Executive core values and need to be strengthened. There is a need to complement a real focus on service delivery to move forward to "delivery, delivery, delivery", and to make sure that everything we do is the right response for our customers and delivers value for money but gets them the services that they need, when they need them, with appropriate application of governance and accountability.

Recently, we have seen a marked and planned increase in the visibility of our board and senior management team. Board members have been out and about meeting staff. As I mentioned, since taking up my post, I and the senior team have also undertaken those visits. By the end of May, I should have met all our 3,500 staff to give, from the top of the organisation, clear messages that we want to move the organisation back to delivering for Northern Ireland.

Governance arrangements have been reviewed. We have also been looking at the code of conduct and training, and we are now doing an annual review at board level of skills and successes to make sure that is kept refreshed.

In operational terms, to strengthen operational control and oversight, a new asset management section has been created and has responsibility for oversight of maintenance and works. Our experience is that the management of contracts is not just a one-off task; it has to be embedded as a day job. We have put in place new systems for contracts, but it is clear to me that, to get this right, the management of contracts and continuous learning has to be a feature of the day job. We must continually probe and challenge at all levels. As acting chief executive, that is where my head is. I need to be absolutely assured that we have all the right systems in place to take the organisation forward and, as accounting officer, to balance delivering value for money against making sure that investment and maintenance services are top class and are delivering for our customers.

Addressing the culture issues takes time. We have initiated a major transformation programme, which is badged the Journey to Excellence. Hopefully, we will spend time going into that in more detail with you next week. With all that, we have still built up consistency around governance and assurance over these very difficult years.

Chair, I hope that goes some way towards reassuring the Committee that intensive actions have been taken by the organisation to address the contract management failings and to move us back to delivering excellent services. If it is all right with you, I would like to read out a few points from the gateway 5 review, which was conducted independently for the organisation.

I will read from the headline findings and recommendations in the inspector's report. It states:

*"We found that a number of areas of the contract were working well. Improved performance from the contractors was apparent both in comparison to previous contract arrangements as well as a progressive improvement through the first 18 months or so of this current contract. We found evidence of positive tenant satisfaction."*

However, it goes on to tell us:

*"We found an assurance process in place but it appeared to reflect the needs of the organisation during a phase of extensive scrutiny. However, as the needs of the organisation and, in particular, this contract move forward this is a function that needs reviewing and adjusting proportionally to the needs of an established contract management arrangement in steady state. The overall assurance regime appears to be restricting the ability of the maintenance officers and contractors to act within the spirit of the contract."*

We take that as a positive signal for the Social Development Committee that the very rigorous assurance and control arrangements have been delivering. However, now is the time to make sure that our actions are proportionate. Some of the feedback said, "We see solid evidence that you have the arrangements strictly controlled", but their sense was that it is perhaps a bit too controlled.

I, as acting chief executive, cannot allow anything to slip. Rather, I need to move the organisation forward through the controls in the contracts and through the other arrangements that we have put in place on response and planning. Through our layering of corporate assurance, internal audit and external scrutiny, I need to ensure that we look in the right places and keep moving forward while not getting in the way of staff and contractors being able to deliver for us. We will work through and take on board all the recommendations in the report and move those into core improvement plans that keep us moving forward.

Given the scrutiny role of the Committee, you have an absolute assurance from me — you will this hear from our chair — that we will not let anything slip in that process.

**The Chairperson:** Mags, thank you for the volume of information that you have given and for the assurances that you have provided to the Committee during this inquiry. You appreciate — you finished on this point — that it is our statutory obligation to fully scrutinise all this. No Committee member wants, in any way or at any time, to micromanage the work that goes on. We will not be delving into that. However, it is essential that we do our scrutiny work.

I ruled earlier that we cannot delve into the detail of the £18 million issue. However, you mentioned that the negotiation has concluded, bar sign-off. Is that right? The reason I ask is that, although we are not getting into the detail of the issue, it will have a bearing on how members view all the assurances that they are being given. It is contemporaneous in a way. We are hearing and want to hear assurances, and we very much value that. However, by the same token, we have to measure

that by what we see on the ground and what we see happening. It will, no doubt, have a bearing on members' views on all of this. Is there a sense of when that might be signed off?

**Ms Lightbody:** I know that the Committee is concerned about closing out that position. The Housing Executive, the four contractors and their representatives have reached an agreed position but, before we formally approve that, we will need approval from DSD and DFP. That is why, at this stage, we cannot disclose any of the detail. It could be subject to change. However, the Housing Executive has a negotiated position with the contractors and we want to move on and seek formal approvals.

**The Chairperson:** OK. Your predecessor in, I think, May 2013, identified four generic issues of culture, contract management, the skills in the organisation and the structures in which all of that is dealt with. You have dealt with a number of those issues. Are you working off the same agenda, are you satisfied that that was appropriate or have you added to or subtracted from it? Are you happy enough with those generic issues?

**Ms Lightbody:** Those improvement plan recommendations hold true in all the internal and external reviews. We will work to see those through to their conclusion, and I am sure that we will add to them with the help of the Social Development Committee. As we proceed, the organisation needs to have live learning in everything that we do. The contractors also have a role to play, and they have to be able to share their views freely and make sure that we move on. There will be nothing in the scrutiny that has been applied that we will not see through to a conclusion. If anything, I would like the organisation to move beyond that to a higher level. The negotiated position does not affect any of the valuable learning and the way in which we need to run our business.

On the culture and the appropriateness of our structures, I will share the Journey to Excellence programme that I mentioned with you next week. Social housing reform discussions are ongoing. Perhaps, at some stage in the future, there may be structural change, but there is a serious day job to be done in the Housing Executive. Some years ago, we were known for excellence. We want to get back to that position and be ready for any structural change if it happens and if that is the will of the Assembly. We want to be back to a position of delivering for our customers right now. The sessions that we are holding with staff will make sure that they are absolutely clear about what we have to do. We are listening to staff about what is stopping them from delivering excellent services to our customers and making sure that we move the organisation forward in line with that. I am sure that we will see changes, but they will be improvements in the service.

**The Chairperson:** OK, Mags. Thank you.

**Mr Campbell:** That was a very comprehensive presentation. You talked about the implementation of the 75 recommendations, but you broke them down and I want to be crystal clear about what the outstanding work is. Two thirds of the recommendations — about 50 — have been fully implemented. What is the status of the outstanding 25? Progress has been made on some of them, some had been completed and some were in another category. What was the detail of that?

**Ms Lightbody:** On the critical recommendations, it was considered that we had moved beyond one of those. After working with the Department, we have considered that non-relevant because we have moved on and done something about it. One that has been partially completed was on the risk management arrangements, and we are now down to the level of agreeing templates that we will use for reporting before we close that off.

A big issue among the critical issues is succession planning for the organisation. That is will take us some time. We are making sure that, for maintenance and contracts, we have the right skills in place. We are also conducting a skills audit to look at who we have in the business and, if we were delivered mass programmes again, what skills we would need so that we are ready for the future. We also have a workforce profile in the organisation and have staff who, because of their age, will leave the organisation at some point. We presented a baseline of the organisation's staffing resources to the board. In June, we will make some proposals on how we can make sure that we do succession planning while retaining all the valuable skills and knowledge of staff and making sure that we have the right people in the right place. That will take us a bit of time to complete, and we will probably work through that over the years to keep refining our staff resources.

The last critical recommendation not complete was on learning lessons from our counter-fraud work. You will know that we have a specialist team looking at a range of counter-fraud activities. One of the recommendations still to be fully closed out is making sure that we have a clear process for lessons

learned from each investigation into the business. As an organisation, we are confident that we do that, but we do not have a documented systematic process, so we are going to put that in place. That will allow us to close out all the critical recommendations.

I will ask Gerry to come in on the best-practice recommendations.

**Mr Gerry Flynn (Northern Ireland Housing Executive):** A total of 21 of the best-practice recommendations were reported as outstanding. Ten of those are complete, 10 are partially complete in working practice, and one has not been completed because it is tied up in relation to the processing of a final account for a scheme.

**Mr Campbell:** Are you saying that half of the best-practice elements that were not complete still are not complete?

**Mr Flynn:** Ten are partially completed. We have worked our way through them, and it is about the extent to which we have delivered against the written recommendations. Some of those recommendations are in and around administrative arrangements; for example, the running of the audit committee and how we put together a corporate risk register. Work has been done, and we have committed to close out all those recommendations. Each of them has a timescale set against it, and all of those recommendations will be complete within this year.

**Ms Lightbody:** I can assure the Social Development Committee that it is not the case that we have not been working on them. It is about fully completing them. For example, one recommendation is on board member appraisals and reviewing board effectiveness. We are into the second year of doing that. That is something we will always do, so it probably will never be fully complete; it will be an annual process. We are working with the Department so that it is fully assured. We also have our internal audit team checking that we are absolutely solid on close-out and lifting issues into the next stage of improvement.

**Ms Siobhan McCauley (Northern Ireland Housing Executive):** On the issue of fraud, I would just add that we have a fraud strategy and a fraud risk register in place, and all staff have had fraud training.

**Mr Campbell:** Just so that we are clear, are you saying that, if you are back in front of the Committee in January 2015, which is after the end of this year, all of those issues will be completed in their entirety?

**Mr Flynn:** Yes.

**Mr Campbell:** OK, that is clear enough. You mentioned tenant satisfaction with the maintenance service. That has risen and sits at 81%. I take it that that is a current figure?

**Mr Flynn:** Yes.

**Mr Campbell:** How does that sit against comparable tenant satisfaction surveys in the rest of the UK?

**Mr Flynn:** Generally, across the piece, satisfaction across all our services for tenants is up there amongst the highest in the UK. If you drill down into aspects of tenant services to see where we need to do some work, you see that it is in and around maintenance. In the overall context, we deliver very good services, and people are happy with them, but, if you drill down into the issue of delivering the day-to-day maintenance service, you see that some work needs to be done. Some of that is a direct read-across to the issues that we have had in the past 12 months, particularly with the loss of access to contractors, or contractors going into administration, which creates backlogs of work. The natural response of tenants is, "We are not getting our repairs done." That is an indicator of why that has been down this year. We have work to do in improving those levels of customer service.

**Mr Campbell:** Yes, but your submission states:

*"The Continuous Tenant Omnibus Survey demonstrates that tenant satisfaction with all aspects of the maintenance service has risen in each of the past two years and now sits at 81%."*



I take that you mean that the 81% satisfaction rate is with the maintenance service.

**Mr Flynn:** It is, yes.

**Mr Campbell:** But you said that more work has to be done with the maintenance service.

**Mr Flynn:** As an organisation, we need to improve on that. If there is 81% satisfaction, it means that around 20% of tenants are not happy with the service.

**Mr Campbell:** Yes, but, if you looked at a tenant satisfaction survey of maintenance services in the rest of the UK, where would it sit, on average?

**Mr Flynn:** We would be on a par with the others. One thing that I will add to that is that we benchmark all our services every year, and we are due to report to our board in June on last year's performance. I am happy to share that work with you.

**Ms Lightbody:** Generally, tenant satisfaction with the whole of the landlord activities is very impressive. It is sitting at 93%. Coming from Glasgow Housing Association, I was quite envious when I arrived here. In respect of the journey to excellence, we are starting to dig underneath that, look at age profiles, and look at what customers want from us in the future. So, we are not resting on our laurels by any manner or means.

We are starting to understand what we need to do to get 100% from customers. Maintenance is the service that customers consume most. It is the thing that will be in their homes most. So, we will work with our contractors on customer excellence and will have a whole behaviour piece, delighting our customers when contractors come through the door. We have lots of work to do to get it to "best in class". We are doing well in our public sector space and with housing association comparators, but we want to do better again.

**Mr Campbell:** When I see that it has increased and is now comparable with other similar surveys, that brings me to the question: what were the satisfaction rates in those surveys three or four years ago, when it is now 81% and has risen?

**Mr Flynn:** I do not have that to hand, but I can get it for you.

**Mr Campbell:** The nub of this is that, presumably, it was significantly lower. Apart from the work that you are doing more widely, would that not have flagged up concerns about tenant dissatisfaction at maintenance service in the period between 2008 and 2010?

**Ms Lightbody:** It would have been, and should have been, a key indicator. If you look at how we are managing the service now, and some of the penalties that we apply, they are based on our internal measures of testing price quality, which is that the customer's voice is a key indicator in telling us how well the service is going. Contractors face penalties if they do not make sure that all those indicators are met. However, at the time, it should have been an indicator that something was wrong in the service.

**The Chairperson:** It is important to underscore that. Gregory raised the point and Fra raised it earlier. These things were flagged up quite vociferously by a number of people.

**Mr F McCann:** I will be brief as some of the questions have already been asked. Thanks for the presentation. It was very extensive, and it will probably take us a while to get our heads around a lot of the stuff contained in it. I wish you well with the job you are doing.

In respect of the 81%, and I am not questioning for one minute that the survey did not say that, I find it difficult to believe that during a period when there was serious upheaval in the organisation, regarding response maintenance and other aspects such as contracts, that it would be that high.

**Mr Flynn:** The continuous tenant omnibus survey (CTOS) is based on a rolling sample every quarter. It is what it is. How you get a degree of triangulation around that is through one of the key performance indicators (KPIs) on the response maintenance contract. A sample of tenants is contacted by our customer service unit when they have had a repair, and that KPI is measured against

the contractors. If they fail to deliver against it, they get measured down. Our performance is reasonable on that. So, there is a degree of triangulation, but you cannot be complacent about these things. I remember, as you will, as a public representative, that many years ago the Housing Executive was inundated with complaints about the quality of its maintenance service. That is not the case now. Our front offices do not get lots of complaints. Some of the issues during the year were when contractors went into administration and work did not get done, and, quite rightly, individuals complained, as did public representatives.

**Mr F McCann:** Is that because there was very little maintenance being carried out for a time? That needs to be taken into consideration.

**Ms McCauley:** It also has to be understood that in the past year there has still been contractual work going on in planned maintenance, and the overlay of around £40 million was expended. So, there has been significant work on the ground.

**Mr F McCann:** I understand that. I deal with it daily and quarterly in my constituency, where there were difficulties and problems.

To go back a bit: over the past number of years, one of the big problems, besides some of the major issues that there were, was that there was a serious dent in the morale of the people who work for the Housing Executive across the board. What is being done to try to address that?

**Ms Lightbody:** Kicking off with me and our board chair, we have been holding a lot of the sessions for staff. The organisation could not keep going as it was. With all the learning that has come out, and all the improvements, now is the time to get back to delivering. So, the sessions I have been having are half-day sessions, and I am committing the time, personally, to go out and meet all our staff, reflect on where we have been, and make sure that everyone is clear on why the organisation ended up where it was. However, the sessions are also to acknowledge the hard work that staff were still doing through all of that piece.

If I look at our organisation and its 3,500 staff and played back some of the tenants' satisfaction results overall — 93% satisfaction with the landlord — then our staff were still doing great things. So, the scrutiny of this Committee is absolutely rightly on these issues, but we still had masses of staff still out, on the deepest, darkest mornings, in houses with customers, helping them with life. So, I am acknowledging with our staff the great work that housing professionals do and looking forward to the challenges that our customers are facing in life.

Times are tough in Northern Ireland. Potentially, if welfare reform happens, they could get tougher. We are really trying to unite the masses in our workforce that we need to get back to doing the things that we were famed for, and those are the great things around our services and delivering investment, so moving away from handing back money and actually delivering. I have lots of work to do to get staff morale and their heads back in the right place. They signalled in their staff satisfaction surveys that we need leadership from the top of the organisation, and we will give them that. We also need to give them some guidance and space to be able to do their jobs. One of the stark indicators in our satisfaction survey was that half of our staff felt that they were not empowered and trusted to be able to do their job.

We are not shirking these serious issues of governance; and solid, good governance must be at the heart of our organisation. However, our staff have to be able to do what they are supposed to do and be held accountable. The responses from these surveys have been hugely impressive. Staff are hungry to get back to delivering for our political representatives and the people you represent. It is the right time for the organisation, and it is about what 2014 will bring. We need to embed this learning and get delivering on investment, response, good services and innovations. For a few years, we have probably had our eye on sorting out those issues correctly; now we need to move on and start performing.

**Ms McCauley:** Also, just to add that staff had asked questions regarding training, and at least six months in a row of comprehensive training has been provided in all the contracts. So, they are very skilled up, at this stage, to know, moving into the new contracts, how to deliver and operate them.

**Mr F McCann:** I have just a couple of other comments. I am glad you mentioned Glasgow Housing Association, because it has been held up as an example of where we should be. I am glad to see that we are advanced and are in front of it; I have always believed that to be the case, anyway, and what

that suited was other people's agendas. I agree that 2014-15 will tell a tale. We could step backwards and destroy what we have or we can move forward with a stronger platform for all aspects of housing.

However, I notice that you sit on the ministerial social housing reform group. We have been told in the past that there is no interference by that group on how the Housing Executive is moving forward. Obviously, the Minister has his agenda for where he would like to see housing, as does the Department. Among the concerns we have raised is that there seems to be an onward rush in the Housing Executive on the division between the landlord and strategic regional services in NI. Our concern has always been that we are being offered a *fait accompli*. We are told that it is a political decision. It seems to be removed from us because of the work being done on the Housing Executive at present.

**Ms Lightbody:** I sit on the social housing reform programme board at officer level, and I am there to represent the views of the Housing Executive. I learned many lessons in Glasgow, which went through a stock transfer process. I probably learned more lessons in how not to do big change than in how to do it. The last five years was spent getting my last employer to work with staff and customers to get that business back on top again.

My role in social housing reform is to make sure that the views of the Housing Executive, and the housing professionals in it, are clearly represented, and, as we work through the reform discussions, to make sure that any proposals and exploration of options delivers the maximum for Northern Ireland and its tenants. We do not sit at that table with any views on the future; that is for others to decide. I know, from this Committee's early discussions on social housing reform, that you want to test a whole host of options, from public sector retention to —

**The Chairperson:** I should say that we are having a presentation from you on the modernisation programme next week, which is distinct from the social housing reform programme, whatever may happen. We will deal with that more substantively next week.

**Ms Lightbody:** Absolutely. I can get into the details of that next week.

**Mr Dickson:** I apologise for not being here at the beginning of the meeting.

We know, and you have been telling us extensively, about the targets for the work: the 75 items that have to be dealt with, the programmes that are being worked through, the training that is being delivered, the staff empowerment that is being done and all those things. A massive effort is going into that. If all that effort is going into dealing with those issues, how can we be sure that you are actually doing the job that you are employed to do, which is to deliver quality housing, maintenance and public sector housing for Northern Ireland? From what you have just said, it appears that an awful lot of time and effort, rightly and unfortunately, is going into redressing the problems of the past and doing all of those things.

**Ms Lightbody:** All key contributors — our board, me and my senior team — agree that there is a critical role in scrutiny for the Social Development Committee and other participants, until everyone is convinced. Hopefully, these sessions give a sense of the years of effort put in to address those issues. When people are convinced that we are in a good base shape on that core business, that is the bit that will then let us move on. I want to embed these types of activities so that they are just a part of the day job. So, then we can move away from a host of imposed improvement plans. We need to start creating our own improvements through active learning.

There is lots to be done to the organisation regarding modernisation. We probably have some years of catch-up to do. We have big challenges and opportunities around succession plans. All of that will take time. Before coming to work in the Housing Executive, that was a lot of the work that I did with Glasgow Housing Association. It does not happen overnight, but I have shown, hopefully through the experience in my past job, that I know how to do it. We will take a lot of the lessons from work that has been done and, through learning from others, with our team, staff and key partners, move the organisation forward. I would not say that it is easy. We probably have not been to bed early for a while and will not be for a while yet, but we give the Committee our assurance that we are committed to turning the organisation back to where it should be.

**Mr Dickson:** I am also looking for an equal assurance — I appreciate that it is a very difficult ask — that, while you are doing all these things — you are clearly getting the boxes ticked and are delivering on that — you are not losing focus of where you have to be to deliver for tenants and future tenants.

**Ms McCauley:** What is helpful is that we have structured ourselves into two divisions internally: a regional division, which is a strategic overarching entity that looks at housing in Northern Ireland, and the landlord division that looks specifically at the repair work. It has a customer base with the tenants. That has given us renewed focus. With that, and with moving forward with the controls that Mags said are in place, and in addition to the requirements on compliance that the staff who are doing a very hard job at the moment are aware of, we are in a very strong position. The organisation is turning a corner.

**Mr Dickson:** You mentioned the whole issue of succession planning a number of times. To me as a former public sector worker, that implies preparing staff who are coming through the system so that they will be ready for future management roles in the organisation. That is a perfectly legitimate aim, but it is a very public sector-centric concept. Surely, in order to safeguard employment and enrich the organisation, you have to ensure that your staff have adequate training, not just to do the job that they are required to do but to ensure that they can be the future managers or deliverers? I hope that what we are not hearing is that this organisation wants to regenerate itself from within. It is a very open organisation, and anybody who may have been improved in order that they can take part in that succession should understand and realise that they will be competing with many other applicants from many other facets of life and employment.

**Ms Lightbody:** Absolutely. We need the best people to lead the organisation forward. Now that I am in post as acting chief executive, I am proud that we have a lot of brilliant people in the organisation, but the organisation now needs to regenerate itself. When I talk to staff, some of them tell me that they have been there for the first 40 years but that I need to prepare the organisation for the next 40 years. The sessions we are having are based around the idea of lifting ourselves out of the traditional public space. Some of the discussions with staff are about what they think a "best" company is. The ambition of the Housing Executive has to be that we will still be a public sector body but that we want to deliver and achieve way above the level that anyone else does, not just in our comparator groups, but in benchmarking with businesses as well.

We are starting to get a real look at skills. We are in a modern age, so there are probably different skills that we will need in going forward. A blended mix of people is coming in through the routes opportunities for graduates; opportunities for new blood. My experience is that that gives you a really rich blend of folk to take the organisation forward. We work with a host of key partners. Our level of investment means that we create lots of employment opportunities, so I think that the Housing Executive has a role to play to drive that best-in-business way beyond just 3,500 staff.

**Mr Dickson:** Finally, you referred to contracts, working with contractors and looking to get the best from them. In the report, you referred to low-performance damages, which to me is some fine or fault system for dealing with contractors. It sounds fine, and I hope that in one sense it does not happen very often because the contractors would be performing, but can you tell us whether you carry through on that? That is often the failure in audit and public sector reports. We hear fancy words and funny phrases such as "low-performance damages", but it just means that the contractor is not getting another contract, that you are going to fine them for the work that they have done, or that you will make them do the work again and again until they get it right.

**Mr Flynn:** One of the key changes in the current contracts on response maintenance was the introduction of low-performance damages. When they were first set up, we gave new contractors three months to bed in, so that they got a feel for being given their scores every month. It was an interesting learning experience for them to get to a position where they realised that when those need to be applied we apply them.

Suffice it to say that, generally speaking, the performance of our contractors is pretty good, so the scores on the doors every month are green. You can see the trends from when we first introduced them to the end of the year: it looked like a patchwork quilt, with some greens and a lot of ambers and reds in those first three months. The colour chart changes gradually throughout the year so the colour is now predominantly green. However, there are ambers and reds, and we raise those low-performance damages against contractors where appropriate. There have been a number of contractors whose performance has been escalated as a result of their non-performance; one contractor got to a final escalation stage and is now on a weekly monitoring plan. So, we do apply it and, if we understand rightly, the level by which we have raised low performance damages this year is somewhere in the region of £100,000.

**Mr Dickson:** I apologise for interrupting. You are talking about a weekly performance plan. If you were in the private sector, that contractor would not be working for you any longer.

**Mr Flynn:** Under the terms of the contract, we are duty bound to put contractors on final notice. The severity of this particular situation means that the contractor's performance is being monitored weekly over a short period. The outworking of that is if it is not delivered, the contract will be terminated and we will get another contractor in place.

**Mr Dickson:** How many contracts have been terminated?

**Mr Flynn:** We have not terminated any maintenance contracts in the current term. Two contractors went into administration by their own fault but we have not formally terminated any of the current response maintenance contracts.

**Mr Dickson:** How many are on weekly monitoring?

**Mr Flynn:** One.

**Mr Dickson:** OK.

**Ms Lightbody:** The message to staff in the organisation, to ensure that you get comfort on this, is that we need to be strong and decisive when things go wrong both with staff and contractors but that they should also learn from gateway 5 to work with our contractors to get the best from them. That is why I want to meet personally with all our response and new planned maintenance contractors. I want to set out our stall to create opportunities where we talk and listen to them regularly about what we can do better to help them and vice versa. They need to be clear on the consequences; if any issues surface, we will deal with them strongly and decisively.

**Mr Brady:** Thanks for the presentation. Fra mentioned staff morale and that you had met approximately two thirds of the staff. Part of the difficulty for staff, apart from the daily grind because it is a difficult job that the vast majority do very well, is the perceived uncertainty about their future. That is certainly the message I get, and I deal with local Housing Executive staff on a daily basis.

There are just a couple of other things. The CTOS shows that 81% of people have had either response or planned maintenance done, but many people have not been that lucky and are waiting for response or planned maintenance. It is not an unexpected answer in a way, and it is relative of course, but you are only dealing with the people who have had maintenance done.

As you are aware, the Housing Executive handed back a huge amount of money in the past year. Are you confident that the money allocated to the Housing Executive in future will be used for the purpose for which it was intended, whether that be planned maintenance or building social housing or supported housing or whatever?

I was not going to mention welfare reform, but you did. Glasgow is a good example of where the bedroom tax has not worked. Housing associations built three-bedroom houses and cannot let them because people are reluctant to move into them because of the bedroom tax. Therefore, they cannot service the loans that have to be repaid on those houses. I know it is not necessarily relevant to this matter, but you did mention it.

**The Chairperson:** It is not relevant but you are going to make the point.

**Mr Brady:** I only mentioned it because you mentioned it. I just wanted to make the comment.

**Ms Lightbody:** I will pick up on those issues, and next week I will, perhaps, cover how we are managing staff changes and uncertainty and making sure that we are keeping our staff involved in that. Gerry touched on the numbers in the survey and you made a valid point; we will only be able to rank up the programme when we get a mass test.

You asked about the spending of our budgets. At a time when this Committee is hearing about underinvestment in our houses, it is just not palatable for me, as acting chief executive, to be sitting at the end of the financial year and handing back investment moneys in our own stock. We are a bit behind the cosh with the contracts being late in being let, but that has now taken place and part of the

meeting with the contractors will involve how quickly we can mobilise while still making sure that we do not fall back to any of the old practices. That is on the board's agenda; it wants regular reports on our budget profiles to show how we are going to spend. That is at the top of my agenda and I need to work through with our contractors and the board to keep in mind that anything we do has to be delivered well, protecting the public purse, but also trying to get investment back to our tenants.

**Mr F McCann:** I know all the reasons why the new measures are being brought in. However, when it comes down to the working relationship between your people on the ground and contractors, is a degree of flexibility required to ensure that the whole thing does not come to a stop?

**Ms Lightbody:** Some of the gateway findings — and again we got that last week, so we were already working on some of the action plan — showed that their sense was that it was a bit too adversarial in that all of the control, scrutiny and audit checks are in place. We are probably not seeing the right relationship with staff and contractors.

As we get the balance right, I will have to look again at how we do audit and assurance but keep it proportionate. There is work to be done there and that is one of the bits they made clear recommendations on, including a contractors' forum, when they get to talk to us regularly. We were already on that in that we need good relationships that will work and assure this Committee, our board and me that money is being well spent. That is a bit we need to do some work on.

**The Chairperson:** Mags, thank you, Gerry and Siobhan, unless you have anything to add. If not, we can conclude this evidence session. Thank you for your presentation, responses to questions and the material you provided. This is ongoing work, and we need time to absorb both presentations this morning, so we may well call you back with further questions.

**Ms Lightbody:** Thank you, Chair and Committee.

**The Chairperson:** Good luck with the work you are involved in.