

Thank you for providing us with the opportunity to brief the Committee on the Strategic Review of options for future service delivery for the Northern Ireland Housing Executive.

Firstly, let me introduce ourselves.

I am Richard Parker. I lead the Housing practice in PwC in the UK. I am joined by Hugh Crossey who is the current Managing Partner for the Northern Ireland practice. And finally, Stephen Smyth. He is based in PwC's Belfast office, and led the strategic review on the ground.

I will provide a brief summary of the work we have undertaken to date and outline our key conclusions and recommendations. I will also brief the Committee on our proposed future engagement with the sector.

By way of background, in December 2010, PwC was commissioned to undertake a 'fundamental review' of the Northern Ireland Housing Executive in the discharge of its housing responsibilities for the next two decades and beyond. The Social Development Committee of the previous assembly was briefed and informed of progress during the review. The then Minister for Social Development, Alex Attwood, also briefed the Assembly in late March on emerging findings.

The primary purpose of the Strategic Review was to identify a sustainable delivery model to meet the future challenges facing the Housing Executive in its strategic, landlord and operational roles.

It is important to acknowledge the great work of the Housing Executive. Over the past 40 years, it has delivered significant social benefits throughout Northern Ireland with the quality of its housing stock having moved from one of the worst in Western Europe to what is now viewed as the best quality stock. It is rightly regarded internationally as a leading authority on 'best practice' on both housing management and community building. It has an unrivalled track record of cohesion and safety initiatives.

But it faces real challenges if it is going to secure the investment needed to safeguard the needs of tenants, be financially sustainable and derive optimum value from public sector assets.

A key focus of our work in this Strategic Review was the need for Housing Executive to be financially sustainable. Without this financial stability none of its other objectives are achievable. In 2009, the Savills Report stated that the Housing Executive needed £5.5 billion over the next 30 years in order to achieve Decent Homes Plus standard. There is general consensus that providing this scale of funding from the public purse would be a challenge in today's tough financial environment with competing priorities. And, as members of the Committee will know, borrowing on the public sector balance sheet is not an option. Without an alternative funding approach, meeting the costs of the necessary maintenance programme is simply not possible.

To meet this challenge, any future organisation needs to have access to funding, the ability to carry reserves protected from government intervention, and greater certainty over its future rental income.

This led to the conclusion that the landlord function should be split from the other functions of the Housing Executive and placed into a body outwith the public sector. This new body would be self-funding and able borrow against its assets and rental streams. There are a number of possible ways this landlord function can be established, and it is our suggestion that this done through a Social Enterprise organisation. This Social Enterprise would be a 'not-for-profit' mutual owned by tenants. There will be an opportunity for you as politicians to shape its investment priorities and social objectives. In purely financial terms, this is not the most beneficial option we considered but it clearly emerged as the one which provided the best balance between the interests of tenants, staff and taxpayers.

If the landlord function of the present Housing Executive is to be delivered through a new Social Enterprise outwith the public sector, this has consequences for the regulatory framework, and for the remaining strategic and operational roles of the Housing Executive. As a result, we recommended the establishment of a new Strategic Housing Authority and a new Housing Regulator for Northern Ireland, both of which would have a remit across all tenure types, including private landlords, Housing Associations and the proposed new tenant-owned Social Enterprise.

So, to summarise, the key structural elements of our suggested future direction are threefold.

1. **A new Social Enterprise landlord for the Housing Executive existing stock**, which we propose should be set up as a mutual owned by tenants. It will have leasehold ownership of the present stock and will be responsible for the maintenance investment programme and all landlord housing services, including community cohesion and safety.
2. **A new Housing Regulator for Northern Ireland** with responsibility for independent inspection and governance across all tenure types and setting rent levels for social and affordable landlords.
3. **A new Strategic Housing Authority (or SHA) for Northern Ireland** which will have ultimate ownership of the existing Housing Executive's stock, and will be responsible delivering with the priority outcomes set by the Minister for housing in Northern Ireland, including the assessment of need and the commissioning and monitoring of programmes (including the Social Housing Development Programme)

Our suggested future direction of travel also includes a new level of joined-up service delivery to citizens with the establishment of a network of "Jobs, Housing and Benefits" offices, and, over time, the transfer of some front line housing related services to local government.

Our Strategic Review has identified a number of significant financial and social benefits.

- A reduced need for government financial support, whilst opening access to the £5.5 billion worth of potential funding needed to maintain 90,000 social homes.
- A benefit to the taxpayer in real cost terms of approximately £585m over a 30 year period.
- Tenant with well maintained homes and a real say in the governance and direction of the Social Enterprise organisation that manages their homes.
- Communities benefiting from any trading surpluses or 'dividend' generated by the Social Enterprise.
- Benefits across all tenure types with a Strategic Housing Authority focussed solely on delivering with the strategic priority outcomes set out by the Minister and the Assembly.

In terms of the future direction of travel for the Housing Executive, we have acknowledged throughout this process a number of key questions emerge on structures and approaches. There are no absolute 'right answers'. Debate is needed on these options, assumptions need to be validated and political decisions need to be made. We have made a number of suggestions and working assumptions in our Report. These set the parameters for further discussion and should be used as a basis for a 'mature conversation' across the sector.

We were encouraged and pleased with the commitment and dedication of all who we met throughout this process. Whilst transformation of this scale is not without its challenges, we believe there is a real motivation and momentum to make change happen and build a compelling and sustainable future for social housing in Northern Ireland with better outcomes for all.

There now needs to be further discussion on the future of housing in Northern Ireland, building on the existing strengths of the Housing Executive and using these initial recommendations as a starting point. This is not the end of the Housing Executive but rather an exciting new beginning which builds on its important legacy.

Moving forward, we have been asked by the Department for Social Development to embark on a series of discussions with key stakeholders. We will be holding a number of one-to-one meetings and open sessions with tenants, staff representatives, suppliers, housing associations, representatives from the construction industry and other key bodies to gather their views. We look forward to meeting with the Committee again as part of this process in order to update you on the outcomes from this process.

That completes our verbal submission, and I would like to thank you and members of the Committee for the opportunity to present to you. We are happy to take questions.