

46th **ANNUAL REPORT**

1 April 2016 - 31 March 2017

**Housing
Executive**



Northern Ireland Housing Executive
Annual Report & Accounts

For the year ended 31 March 2017

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PERFORMANCE REPORT



Interim Chair
Professor Peter Roberts

CHAIR'S FOREWORD

I am delighted to present the forty-sixth annual report of the Housing Executive. The report highlights our achievements over the past year, many of which have been delivered through positive partnerships with others. In these challenging and often unpredictable times, our staff continue to deliver excellent results for our tenants and other customers; frequently gaining recognition as experts in the field of social housing and winning many well-deserved awards.

The horrific fire at Grenfell Tower and all those families affected by this tragic event continue to be in our thoughts. The fire has brought into sharp focus the importance of health and safety across many aspects of design, improvement works and fire safety advice. This is something that the Housing Executive has always treated as a priority and I am pleased that we acted quickly not only to inspect our properties but to reassure tenants and their representatives that we have a robust approach to fire safety, particularly in our tower blocks. We also set up an independent reference group to review our fire safety measures and any immediate lessons from Grenfell. The focus of the group is to reassure the residents living in our tower blocks of our ongoing commitment to their health and safety requirements. We will of course take on board any lessons coming out of the official Grenfell inquiry.

It has been another successful year in terms of performance, with almost all of our targets met or exceeded, despite reduced funding. Our revised procurement arrangements have allowed new response maintenance contracts to be put in place, with services available over extended hours (evenings and Saturday mornings) to our customers. As well as maintaining our stock of some 86,000 homes, we invested £107.3 million in over 23,300 homes last year through our programme of planned maintenance works.

Working in partnership with housing associations through the Social Housing Development Programme, we facilitated 1,604 new build social home starts across Northern Ireland; our target was 1,600 starts. Some 1,387 new homes were completed, exceeding the anticipated 1,200 units. Figures indicate that housing need has risen marginally during the last year and the new build programme will be managed carefully in order to enable as many new homes to be built as possible.

Eliminating homelessness is an ambitious target, but we aim to achieve it. Our new Homelessness Strategy sets out proposals for the development of a comprehensive approach to homelessness, emphasising the need to focus on prevention while ensuring effective housing support arrangements are in place for those who need help at a critical time of their lives. Through our Supporting People Programme last year we provided funding to over 850 housing support schemes, which provided assistance to over 19,000 vulnerable people across Northern Ireland.

Research remains a key element of our portfolio and it helps to shape our work as the statutory housing authority for Northern Ireland. The preliminary findings from the 2016 House Condition Survey were produced earlier this year; this is the first comprehensive study on dwelling stock and unfitnes since 2011. The

full report is due to be published early 2018.

Welfare Reform is now impacting many social households and we have worked closely with colleagues in the Department to introduce a number of changes. This includes work on the Benefit Cap, which affects approximately 2,000 tenants in both the social and private rented sectors. We have also worked on the Social Sector Size Criteria ('Bedroom Tax'), which affects approximately 33,000 social sector tenants (almost 26,000 of whom are our tenants). The Northern Ireland Executive put in place mitigation arrangements to protect those most vulnerable, and we are working hard to ensure all customers have the necessary advice and assistance to help manage their finances.

Within our business the transformation programme has changed fundamentally how we engage with our customers. We have developed new ways of working in order to remove complexity from accessing our services, and these reforms have delivered real benefits for customers. These new ways of working are about supporting our staff, where possible, to deliver effective options and decisions that allow customers to make informed choices and obtain the housing services they need. We are building on the good work achieved so far in order to complete the transformation programme within our Housing Services division.

The current uncertain political climate has created difficulties for us, particularly with regard to longer term planning and funding issues. This time last year my predecessor anticipated that the longer term future of the Housing Executive would be more clearly defined by now. Unfortunately, this did not happen, and the resulting lack of clarity means we are unable to determine and implement sustainable funding arrangements to allow us to deliver our much needed stock investment programme. Over the more immediate term, an annual plan was developed in place of a four year plan to manage our business.

Promoting the wellbeing of the people and communities of Northern Ireland is central to our mission. We want to do all we can to help people to achieve their potential. Our innovative Social Housing Enterprise Scheme is contributing greatly to this objective. Since its launch in September 2015, we have invested in a wide range of projects in our communities. This initiative has created or supported 61 jobs directly through social enterprise activities, and has stimulated other economic multiplier effects. In March 2017 we held our first Social Enterprise conference, bringing together many of the social enterprises to learn from each other and to celebrate their success. The collective inspiration and energy at the conference were amazing, and highlighted

the many positive outcomes achievable by working with, and alongside, local communities. Initiatives such as social enterprise and the Building Successful Communities Programme underline our ethos of working with, and for, local communities. We want to do more on this front, and through collaboration with local councils and other partner agencies it is our intention to ensure that these initiatives act as a catalyst to foster further collaborative working.

Looking at the priorities for the coming year, we must continue to be mindful of the political and economic environment, and be sensitive to the needs of the communities in Northern Ireland and the key role that the Housing Executive plays in wider society. I would like to take this opportunity to thank the Minister for Communities, Paul Givan, and the officials in the Department for Communities for their support over the year. I would also like to thank the Northern Ireland Housing Council, other political and community representatives, local councils, the voluntary sector and the housing associations for their commitment and many contributions to our success. My fellow Board members and the staff of the Housing Executive should also be praised for their unstinting support and efforts during the year.

It is my firm belief that extending our collaborative approach to finding solutions for our customers and stakeholders is a key initiative that we should fully embrace. We must build on the close working relationships we have with our sponsor Department, wider government, local councils, housing associations and other partners to encourage collaboration and deliver stronger, more resilient communities.

I am confident that if we continue to use our expertise and put our customers at the centre of what we do, we will continue to achieve our ambitions and, more importantly, the ambitions of the communities we serve.



Professor Peter Roberts
Interim Chair



Chief Executive
Clark Bailie

OVERVIEW

The Northern Ireland Housing Executive was established by the Housing Executive Act (Northern Ireland) 1971. For accounting purposes, it is a Non-Departmental Public Body (NDPB), sponsored by the Department for Communities.

From 1 April 2014, following a review by the Office for National Statistics, the budgetary classification of the Housing Executive changed from solely being a Public Corporation. It now operates under two regimes. Landlord Services (Housing Services and Asset Management Divisions) and functions are now classified as a quasi-Public Corporation (which is similar to the previous designation for the entire organisation), while Regional Services and functions are categorised as a NDPB.

Our sponsoring body, the Department for Social Development (DSD), was renamed the Department for Communities (DfC) following the amalgamation of the former DSD with the Department of Culture, Arts and Leisure and some of the functions of other departments. This change was effective from 9 May 2016. It is referred to as 'the Department' throughout this report.

Our Vision and Core Values

The vision of the Housing Executive is:

“Everyone is able to live in an affordable and decent home, appropriate to their needs, in a safe and attractive place”

In aspiring to our vision, we are guided by our core values of making a difference through fairness, passion and expertise.

MAKING A DIFFERENCE:

We strive to make people's lives better;

We put our customers first and deliver right, first time;

We build strong partnerships and share great ideas.

FAIRNESS:

We treat our customers, staff and partners fairly;

We respect diversity;

We work in an open and transparent way.

PASSION:

We are professional in all that we do;

We strive for excellence;

We look for new, creative, better ways to do things.

EXPERTISE:

We believe in our people;

We are constantly learning and developing;

We provide strong, confident housing leadership.

Our Objectives

The following sections summarise the Housing Executive's performance for the year 2016/17 against each of the objectives and indicators included in our Business Plan for the year. Where comparative figures are available, these are also shown.

Our objectives and supporting strategies aim to achieve the following:

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

Business Objectives

Our business objectives are influenced and shaped by a number of factors including housing activity set out in the Programme for Government, the Department's Facing the Future: The Housing Strategy for Northern Ireland 2012-2017, trends in the housing market and the level of housing need. They are also informed by our annual Northern Ireland Housing Market: Review and Perspectives publication, which provides the context for the Housing Executive's Corporate and Business Plans and its intervention in the market.

The Housing Executive's draft Corporate Plan, covering a four year period, will not be finalised until after the publication of the new Programme for Government. In this Annual Report we present our performance against the agreed one year business plan for 2016/17 which is based on three overarching themes: people, property, place.

The three overarching themes are shown below, each with its own purpose statement.

PEOPLE



PURPOSE:

To provide housing solutions, services and support to the people of Northern Ireland.

PROPERTY



PURPOSE:

To ensure everyone has access to a quality home which is safe, affordable, warm and appropriate to their needs.

PLACE



PURPOSE:

To work with others to develop, maintain and sustain attractive, connected, healthy and economically active places.

To better focus on their business outcomes, Landlord Services (which comprises our Housing and Asset Management Divisions) and Regional Services have developed their own mission statements.

HOUSING SERVICES

“To provide our customers with good quality services/support when they need it, shaped around them.”

REGIONAL SERVICES

“To ensure the provision of all forms of housing in sustainable neighbourhoods across Northern Ireland.”

Supporting the business

- Finance and Corporate Services Divisions provide a wide range of technical and professional support.

The Housing Executive was established to provide homes and services for all the people of Northern Ireland, and we are determined to meet our responsibilities to the best of our ability. As the regional housing authority, and one of the largest social landlords in the United Kingdom, we have a wide range of strategic functions which address broader housing issues across all tenures.

I am pleased to report that 2016-17 has been another very successful year in terms of our overall performance, providing quality services across our many different functions. You can read later in this report how we have met our Programme for Government targets, delivered on most of the Minister's priorities and exceeded many of our own targets. As Chief Executive, I am very proud, and appreciative, of the tremendous professionalism and dedication shown by my colleagues throughout the year.

Our achievements were made during a period of significant ongoing budgetary pressures in the public

sector. We remain fully committed to providing high quality customer services; however, with those pressures on resources, we must look at different and better ways to deliver those services.

During the year we have been working closely with the Department and housing associations to anticipate and respond to the welfare reform changes which have been implemented during the year. The measures were all implemented effectively, and we will continue to monitor the impact of the changes on our tenants.

In 2014 we initiated our Journey to Excellence Programme, an organisation-wide transformation programme, aimed at delivering excellence across all our services. We are beginning to see the positive impact this programme is having through external assessments and customer feedback. We have fundamentally redesigned our frontline housing service and are now advancing our plans to implement a fully customer focused service for all our housing customers and tenants.

This is required now more than ever. The number of people seeking assistance means we need to sustain and extend levels of supply, not only in the social sector, but also in utilising wider options in the private rented and private home ownership sectors. We recognise the importance of delivering improved services, working closely with key partners to support, where possible, existing tenants to stay in their homes, and identifying real options for those who need alternative arrangements.

We are also currently extending our transformation programme to other key frontline services, such as grants, building on the knowledge and experience we have gained to date, so that we can engage with our customers in a better and more meaningful way.

As our Interim Chair has already noted, we have been responding to understandable concerns about the safety of our tower blocks, especially about the use of cladding systems, after the tragic events in Grenfell Tower in June. The Housing Executive responded immediately to inspect all tower blocks, offer advice and assurance to residents and worked closely with both the Northern Ireland Fire and Rescue Service, and those local authorities responsible for building control and contractors. We have been reassured by our initial work that the fire safety measures we have in place, and the safety of the cladding we are using, are satisfactory, but we are not complacent and we will continue to examine carefully everything we are doing and any lessons from the Grenfell fire in order to ensure our tenants' safety.

This year saw a change in our senior management team, and we said goodbye to Gerry Flynn, Director of Landlord Services. Gerry had an outstanding 36 year career with the Housing Executive, especially his work as Director from 2012, which was a testament to his knowledge, professionalism and dedication. Colm McQuillan has been appointed as Director of Housing Services from April 2017. Colm brings with him 33 years' experience and expertise in all areas of housing policies and systems, Supporting People, Housing Benefit, legislation, homelessness strategies and change management programmes.

Our Commitment

You will see from this year's annual report the scope, scale and impact of our work across Northern Ireland. The Housing Executive has a lot to be proud of and I would like to pay tribute to my colleagues for their contribution to the organisation's performance and achievements over the year. Thank you for your efforts and dedication.

Throughout the year we have worked with many organisations in the public, voluntary and community sectors to deliver housing and housing services, in order to improve people's lives, provide decent homes and build sustainable communities. I would also like to take this opportunity to thank them for their contributions. We will continue to work collaboratively and with ambition to ensure we are meeting the needs of all the citizens of Northern Ireland.



Clark Bailie

Chief Executive

29 November 2017

Scale of our Business

REGIONAL SERVICES

37,611

Applicants were on the housing waiting list at 31 March 2017 (37,586 at 31 March 2016)

23,694

Of these were classified as being in housing stress (22,645 at 31 March 2016)

11,889

Housing applicants were deemed to be homeless after investigation

4,740

Approvals were issued to private households to assist with insulation and heating measures through the Affordable Warmth Scheme

1,604

New homes were started through the Housing Executive's Social Housing Development Programme Group

19,060

Housing support places were provided to assist the most vulnerable citizens in our local community

1,070

Disabled Facilities Grants were approved to the value of approximately £11.3 million

668

Mandatory Repair Grants were approved

HOUSING SERVICES

86,069

Homes managed by the Housing Executive

367,412

Repairs were carried out at a cost of £41.9m, which equates to approximately four repairs per dwelling.

£511

The average amount we spent on each dwelling for repairs

£107.3m

programme of maintenance schemes delivered, such as improvement works to over 23,000 dwellings, investment and cladding works to three tower blocks, environmental improvement schemes and almost 5,300 major/minor adaptations

7,970

Social homes were allocated last year

£336m

We collected 99.45% of rent and rates charges on our homes and unattached garages, however, when late payments are included this increases to 99.87%

500

Over 500 community groups worked in partnership with us through the Housing Community Network

0.31%

Lettable voids continue to remain low, with only 0.31% of our stock vacant

£671m

paid out in Housing Benefit payments

61,263

new claims for HB assessed and 510,831 changes made to existing claims

£860,000

awarded through our Social Housing Enterprise Strategy, with 99 social enterprise initiatives supported, and 25 new social enterprises created

61

jobs created or supported by Social Housing Enterprise initiatives



Performance Analysis

LANDLORD SERVICES

Landlord Services focus on the delivery of services to our 86,000 tenants and includes the management and maintenance of our housing stock, tenancy issues including rent collection, management of rent arrears, allocations, managing voids and building stronger communities.

Landlord Services covers the work of both Housing Services and Asset Management divisions.

Delivery of our programmes and services was funded through rental income, government grants and the sale of assets including land and house sales (known as capital receipts). Rental income was the largest single element at £300.2 million, with a further £41m being attributed to the collection of rates.

Budgetary Management

Landlord Services spent a total of £353.85m in 2016/17, comprising:

Landlord Services Expenditure 2016/17	£m
Dwelling Related Costs made up of:	
Housing Stock Improvements	25.69
Planned and Reactive Maintenance	123.53
Capital IT, Accommodation and Vehicles	2.06
Salaries and Administration	70.21
Loan Charges	80.58
Corporation Tax	5.79
Other expenditure (including Rates £37.2m)	45.99
Total Expenditure	£353.85

*we collected **99.45%** of our rent and rates*

PEOPLE

To provide housing solutions, services and support to the people of Northern Ireland

Income Collection

It is essential that we collect all the rental income due to us as this provides the financial resources required to deliver services to our tenants, including repairs and improvements to their homes.

During 2016/17 we collected 99.45% of rent and rates due, however, when late payments are included this increases to 99.87%. Total rent and rates arrears increased by £0.05m to £12.14m, with 73% of our tenants showing a clear rent account. Current tenant arrears increased by £0.22m to £9.92m and former tenant arrears reduced by £0.17m to £2.22m. It should be noted the current arrears figure at 31 March 2017 includes technical arrears totalling £0.81m (Technical arrears are payments due to the Housing Executive which were not credited to accounts before year end). Consequently, the total value of "actionable" arrears at the end of the year was £9.11m which represents a reduction of £0.59m over the year.

Staff continued to provide assistance to those tenants experiencing difficulty in paying their rent by implementing a range of intervention activities, with particular emphasis on early and ongoing personal contact. We also continued to refer our most serious arrears cases, primarily tenants with multiple debts, for specialist advice and assistance.

Rental Income Maximisation Strategy

The Rental Income Maximisation Strategy and Action Plan for 2016-19 replaced our previous Arrears Strategy. The overall aim of the strategy is to ensure we have suitable and robust arrangements in place to maximise rental income and minimise arrears.

Implementation of the strategy and action plan commenced in June 2016 and will continue to be developed over the next two years, bringing together and building on all rental income maximisation

initiatives and activities currently in place or planned, including our Financial Inclusion Strategy. It also takes into account the significant challenges to income collection created by Welfare Reform changes. The key themes and associated activities within the strategy will be delivered via a dedicated steering group, which will periodically update the Board.

Financial Inclusion

Financial inclusion is the ability to access the right financial help, support and services when needed to help people to manage their money better. As a responsible landlord, the Housing Executive aims to identify and help overcome the barriers to financial inclusion which social housing tenants may face. Our updated Financial Inclusion Strategy received Board approval in February 2016. This strategy builds on the foundation of the previous Financial Inclusion Strategy, under which a variety of new services and initiatives were established to address the barriers to financial inclusion. The updated strategy sets out our approach and planned action to further support the financial inclusion of our tenants into the future.

During 2016/17 we continued to implement the initiatives and activities within our action plan that will enable more of our customers to have improved access to a range of services which will help them improve their own financial situation and develop financial resilience. We will be implementing a "Supporting Tenants Initiative" during 2017/18, providing tenants with the opportunity to provide us with their feedback about the various products and services available via our Financial Inclusion Strategy.

Sustaining Tenancies

The main elements of the Customer Support and Tenancy Sustainment Strategy 2016-19 have now been mainstreamed, and are being rolled in as part of our transformation programme.

This new model seeks to enable our customers to be in a better position to solve their housing issues and sustain their tenancy, or their current accommodation. The approach is premised on our

7,970 Housing Executive and housing association homes allocated

2,100 tenants now registered with the HomeSwapper scheme

staff gaining a thorough understanding of each customer's needs and working with them to deliver appropriate housing solutions accompanied, where necessary, by suitable support.

Our strategy will be delivered through the roll out of this approach across our network of offices, underpinned by an extensive programme of functional training for front line staff in which the ethos of customer support and tenancy sustainment is central.

Housing Allocations, Choice Based Lettings

The Housing Executive and housing associations allocated 7,970 homes in 2016/17. During the year we continued to operate a pilot 'Choice Based Lettings approach' for properties in designated low demand areas. The proposals to facilitate Choice Based Lettings (CBL) are included in the Department-led Fundamental Review of Allocations. Homes which are currently available for rent within these locations are advertised online, and applicants can then register an interest in the specific home advertised. This approach enables people on the waiting list to search for their own home, rather than wait for the Housing Executive to make them an offer.

It also speeds up the lettings process, thereby improving relet times for our customers, and voids management and building stronger communities. Customers select the areas in which they wish to be rehoused, thereby creating more sustainable tenancies in difficult to let areas. The outcomes of this pilot have helped inform the wider application of a CBL approach and have been referred for further consideration as part of the Department-led Fundamental Review of Allocations. We continue to operate CBL in the pilot areas until such times that the fundamental review concludes.

HomeSwapper

2016/17 was the fourth year of providing a free online mutual exchange service for our tenants. This service allows all social sector tenants in Northern Ireland to register interest and obtain information on

potential exchanges of properties with other social tenants.

There are over 2,100 tenants registered for this service in Northern Ireland, and the service provides tenants with more choice in regards to the location and type of property they would like to move to.

This service is particularly useful for tenants who:

- Need a smaller or larger home;
- Are interested in moving to a new area;
- Want to find a more suitable home; or
- Want to avoid a lengthy wait for a transfer

Housing Selection Scheme, Fundamental Review of Allocations

During the year we continued to assist the Department in collating information to facilitate the development of proposals for changes to the allocations policy in Northern Ireland. It is intended that any changes will be subject to formal public consultation, the timing of which will be decided upon by the Department for Communities. We will continue to assist the Department in developing a way forward.

Welfare Reform

During the year we worked closely with the Department to identify and assess the impact of the proposals for welfare reform on our customers, and to make preparations for the implementation of the proposed changes.

The first major change for our customers was the introduction of the Benefit Cap which is an upper limit on the amount of income from benefits a household can receive. Households receiving Housing Benefit whose income is in excess of these amounts will have their benefit reduced to meet these limits. It impacts approximately 2,000 claimants, 460 of whom are our tenants.

The second major change was the enactment of legislation for Social Sector Size Criteria (SSSC) in Northern Ireland on 20 February 2017. It affects

*we contacted **33,000** social housing tenants about welfare reform and welfare supplementary payment*

Housing Executive and housing association tenants receiving Housing Benefit and aged between 16 and the qualifying age for State Pension credit.

During January 2017 we wrote to all households potentially affected by this new legislation. This gave them the opportunity to contact us to advise of changes to their circumstances which could have implications under the SSSC. We then contacted approximately 33,000 households confirmed as being affected by the new arrangements, with details of the impacts and mitigation. Of this some 27,000 households are our tenants. As new tenants are offered a home they are being advised of the potential implications after financial help ends on 31 March 2020.

The Evason Report on how welfare reform should be mitigated by the Northern Ireland Executive recommended full mitigation of the Social Sector Size Criteria (SSSC) / Bedroom Tax, and mitigation of Benefits Cap and other benefits, for an initial period of 4 years. It was confirmed by the Northern Ireland Executive that financial support would be in place until 31 March 2020, with a review by the Department in 2018/19. It is known as Welfare Supplementary Payment.

The Housing Executive informed all tenants potentially affected by SSSC that a Welfare Supplementary (mitigation) Payment may be paid. The Department has responsibility for administering this scheme and contacts those affected with details of any mitigation to which they are entitled. We have worked closely with Departmental colleagues to help develop the processes necessary to ensure it runs smoothly. There is an element of conditionality, introduced by the Department, for Welfare Supplementary Payment which would see a loss of mitigation. Should a tenant, already impacted by SSSC, choose to move but as a result does not reduce the level of under-occupancy they will lose the mitigation payment.

Tenancy Fraud

We continue to implement our annual Tenancy Fraud Action Plan in recognition that every house fraudulently occupied denies a genuine applicant a home. The plan sets out a range of measures aimed at preventing, detecting and tackling tenancy fraud. It also incorporates a number of recommendations made by the Northern Ireland Audit Office and the Northern Ireland Assembly's Public Accounts Committee.

Staff also work closely with our Counter Fraud and Security Unit to resolve complex fraud cases. Measures introduced throughout the year included:

- the undertaking of a tenancy fraud audit which identified a baseline tenancy fraud level of between 0.77% and 1.15% determined, and resulted in the recovery of four properties;
- participation in the National Fraud Initiative;
- liaising with the Department regarding specific tenancy fraud legislation;
- the continuation of tenancy fraud training for staff;
- the review of our general tenancy fraud policies and guidance.

Of a total of 1,367 cases of suspected tenancy fraud we have been able to recover 352 properties throughout the year, of which 304 were attributed to tenancy fraud. These properties were made available to customers on the waiting list. 294 cases opened throughout the year remain under investigation as at 1 April 2017.

304 homes recovered during the year were attributed to tenancy fraud

we investigated **1,367** suspected cases of tenancy fraud

Benchmarking

Housing Services carry out a yearly benchmarking exercise of its costs and performance across a range of core housing activities, to ensure service levels are consistently high and consider how we can improve and maintain performance. The main aim is to ensure that we are providing the best possible service to customers, and highlight any areas for improvement. The results are compared against a range of other United Kingdom (UK) social housing organisations.

This exercise compared the Housing Executive to similar large stock-holding social housing landlords (with a minimum stock size of 20,000 units) from across the UK, and covered six main areas of activity:

- rent arrears and collection;
- repairs;
- void works and lettings;
- tenancy management;
- resident involvement;
- estate services.

Results over the past three years are again encouraging and demonstrate high performance with positive trends. Rent collection rates have consistently been high, with arrears levels reducing. Vacant property levels and associated rent loss have reduced consistently over the period. Re-let times and tenancy turnover have also showed continuous improvement.

Performance comparisons across our activities for the year, using 30 different measures, showed that Housing Executive performance was above average in 24 of the measures, at 80% (1st Quartile performance for 19 of the measures and 2nd quartile performance for five).

A number of follow up actions have been identified for the incoming year to maintain/improve performance and cost efficiency.

GEMS Graduate Trainees

We embarked on the Graduate Employment Mentoring Programme (GEM), a 12 month learning programme for graduates run by the housing group Central Partnership, which is supported by Incommunities (an English housing association) and includes a Chartered Institute of Housing qualification.

We started with two graduates who both grew up on Housing Executive estates in Belfast. Joining the organisation in October 2016 through the GEM Programme, the trainees are working in our Welfare Reform Department and our Cohesion Team. They have now developed a passion for housing and are pursuing social housing as a career.

PEOPLE

To provide housing solutions, services and support to the people of Northern Ireland

Key Performance Indicators

Performance 2015/16	Performance 2016/17
<p>Managing Rental Income LL KPI 1.1 Collect 99.6% of rent due</p> <p>The target was achieved with 99.68% of rent collected. When including payments from former tenants, this figure rises to 99.81%, which compares favourably against the Housemark first quartile figure of 99.7% for all organisations and for those with over 20,000 stock.</p>	<p>Managing Rental Income LL KPI 1.1 Collect 99.6% of rent due</p> <p>Current year-end income collected was 99.87%</p>
<p>LL KPI 1.2 Reduce current arrears by £300k</p> <p>Current arrears reduced to £9,700k (a reduction of £152k), which was £148k outside target. The Easter holiday period coincided with the end of the financial year when systems also close down. In the main, the shortfall was recouped during week one of the new financial year.</p>	<p>LL KPI 1.2 Maintain March 2016 current arrears level</p> <p>The target of £9,700k has been met with arrears reduced to £9,110k.</p>
<p>Managing our Stock LL KPI 1.3.1 Reduce re-let times from an average of 25 days to 23 days.</p> <p>Not a KPI in 2015/16</p>	<p>Managing our Stock LL KPI 1.3.1 Reduce re-let times from an average of 25 days to an average of 23 days.</p> <p>The average re-let time is 18 days and the target has been met.</p>
<p>LL KPI 1.4 Tenancy Fraud: Implement our Tenancy Fraud Action Plan. Establish a baseline for future monitoring</p> <p>During the year a sample of Housing Executive tenants were visited to inform a baseline. The remaining targets in the Action Plan are complete with the exception of revisions to Abandonment/ Non-Occupation procedures. These are being incorporated into the wider Landlord Services review of Housing Executive General Housing Guidance Manual to support 'Build Yes' roll-in.</p>	<p>LL KPI 1.4 Continue to implement the Tenancy Fraud Strategy</p> <p>During 2016/17, as part of our strategy, we investigated 1,367 cases of suspected tenancy fraud brought to our attention by members of the public, staff, other offices or other organisations and, following investigation, 352 properties were recovered during the year. In addition, we also undertook our annual tenancy fraud audit involving visits to a sample of 520 properties, which saw the recovery of an additional four properties. This is in line with the identified baseline. Revisions to the guidance have been completed to support 'Build Yes' roll-in.</p>

Performance 2015/16	Performance 2016/17
<p>Supporting our Tenants LL KPI 1.6 Review our Welfare Reform Action Plan and implement as necessary</p> <p>We met regularly with the Department to plan for the implementation of Welfare Reform. The Northern Ireland Welfare Reform Bill received Royal Assent on 25.11.15 and an independent panel was set up to look at implementation. However, details had not been finalised by the end of the financial year to allow this work to proceed. We will continue with this work during 2016 to determine what actions may be required.</p>	<p>Supporting our Tenants LL KPI 1.6 Update and implement the Welfare Reform Action Plan</p> <p>Refer also to SS KPI 5.6; an inter-departmental group is now taking this forward.</p>
<p>Listening to our Customers LL KPI 2.9 Customer Service Target – Maintain Tenants' satisfaction with overall service at 88% or above.</p> <p>Not a KPI in 2015/16</p>	<p>Listening to our Customers LL KPI 2.9 Customer Service Target – Maintain Tenants' satisfaction with overall service at 88% or above.</p> <p>This is measured on a calendar year (January – December 2016). Performance has improved to 87% from 82% in 2015/16. Performance has continued to improve 88% was recorded for the 2016/17 year end.</p>

*carried out adaptations to over **500**
of our homes to assist tenants*

*the percentage of our stock which is occupied rose to **99.5%***

PROPERTY

To ensure everyone has access to a quality home which is safe, affordable, warm and appropriate to their needs.

Asset Management Strategy and Investment Plan

The aim of our Asset Management Strategy is to establish a portfolio of housing stock that matches social housing needs, provides a quality of housing that meets residents' requirements and aspirations, and both supports and is supported by a robust business plan. It was prepared using the projections of investment needs and asset modelling that were carried out by Savills as part of its Department for Communities/Housing Executive Joint Asset Commission in 2014/15, and was approved by the Minister in early 2016. The Strategy involves a number of elements, including the use of an asset performance-based approach in strategically directing our future stock investment activity, the adoption of a new investment standard - the Commonly Adopted Standard - to be achieved for our housing stock, and the development of both a strategy for our tower blocks and a new 10 Year Investment Plan.

A draft new 10 Year Investment Plan has been prepared but its completion has been frustrated by the lack of clarity over the level of future funding available for investment in the stock. Delivery of the Commonly Adopted Standard for our stock was predicated on the necessary funding being made available through continuing rent increases and an improvement in the future financial position of the Housing Executive via the out-workings of the Social Housing Reform Programme. However, a second successive year of a rent freeze, continued uncertainty over capital funding allocations and the absence of an investment solution delivered by the Social Housing Reform Programme have combined to produce challenges in stock investment that calls into question our ability to deliver our Asset Management Strategy. It will therefore be necessary in the coming year to discuss and confirm with the Department the financial basis upon which we should prepare our future investment plans.

Therefore, going into 2017/18 our physical programme will continue to be structured around completing the Interim Investment Priorities improvement programme and delivering external maintenance and new kitchens, bathrooms and windows variously across 22,000 properties.

A review of our tower blocks was presented to the Board in November 2016 and, based on significant concerns over the blocks' long term financial sustainability, the Board asked for an action plan to be developed by August 2017 on if, how and when the blocks could be decommissioned. A draft action plan was prepared in May for consultation, but was put on hold following the Grenfell Tower fire pending consideration of the potential implications of the incident for our blocks. An Independent Reference Group was established to assess and advise on fire safety matters in our tower blocks and it is envisaged that it will report in late 2017 with its findings and recommendations. The draft action plan for the tower blocks will then be reviewed in light of this report.

A draft new 10 Year Investment Plan has been prepared but its completion has been frustrated by the lack of clarity over the level of future funding available for investment in the stock.

Stock Transfer

Following the issue of a transfer brief and the submission of bids by housing associations, Choice Housing was appointed as the prospective new landlord for Grange Estate in Ballyclare. However, following an extensive consultation exercise with residents, the transfer proposal was not accepted by the tenants in August 2017, and will therefore not proceed.

Following a similar bidding process and due diligence activities, Triangle Housing Association was confirmed in August 2017 as the preferred bidder for Ballee Estate in Ballymena. Tenant consultation on the transfer proposal for this estate will commence in October. Subject to tenant support for the proposals and approval from the Housing Executive's Board and the Department for Communities, the

98.82% of our emergency repairs were carried out in 24 hours

10,091 external improvements, **3,627** new heating systems, major improvements to **4,297** homes

intention is that Ballee estate would be transferred in late 2017/18, with investment programmes by the new housing association landlord beginning shortly thereafter.

The transfer proposal for Doury Road, Ballymena has been suspended while further work is undertaken by the Department on developing its proposals for the estate under its Building Successful Communities initiative.

Implementation of the remainder of the Programme will be considered with the Department for Communities.

Response Maintenance

For the first six months of the year our response maintenance service continued to be delivered to our housing stock of over 86,000 properties through the contractual arrangements in place since 2012, with 23 contracts, five of which were managed by our own Direct Labour Organisation (DLO).

In June 2016, new contracts were awarded with mobilisation taking place during August, and all new contracts commenced by September 2016. There are nine contract lots with three managed by our DLO, and the other six managed by four external contractors. During 2016/17 there were more than 367,000 repair requests undertaken at a total cost of £41.9m.

The service provision in the new contracts provides for improvements to our service provided to tenants, including extended working hours from 8.00 am to 8.00 pm each week day and from 8.00 am to 2.00 pm on Saturdays. Emergency provision remains 24 hours a day, every day of the year. The contractors, as part of the new contract, must make a triage phone call to the tenant within 15 minutes of receiving an emergency order, and arrive on site within two hours.

An extensive training programme was undertaken with more than 600 staff trained in advance of the mobilisation period of the new contracts. Since then refresher training has been carried out at local office level to assist staff and contractors in getting accustomed to the improved service provisions.

These contracts require significant investment by the external contractors in social enterprise. Workshops and meetings are ongoing to establish how these will be delivered.

We continue to monitor contractor performance through the Key Performance Indicators (KPIs) developed for this contract, with a focus on customer satisfaction.

Investment Programme

In 2016/17 we carried out a significant investment programme, completing External Cyclical Maintenance works for 10,091 dwellings, new heating installations for 3,627 dwellings and revenue replacements for 4,297 dwellings. We completed the schemes to deliver full double glazing to 1,133 homes.

During the year we continued to deliver the Interim Investment Programme (IIP) which we developed and agreed with the Department in early 2015. 52 schemes in the programme were completed, with a further 67 currently on site. With a current end of year spend of £21.1m, investment was primarily in internal upgrading, roofs and external works, and health and safety upgrades (part of IIP is included in the planned maintenance programme spend). Throughout 2017/18 we will start further schemes addressing these priorities and commence other schemes involving thermal efficiency works, environmental improvements and major refurbishments.

Adaptations to Homes

In 2016/17 we continued to provide considerable assistance to allow many of our tenants to maintain their independence and live more comfortably in their own homes. We carried out 95 major adaptations including 57 extensions; we also carried out additional enhancements including 250 lifts, 15 changes of heating and three internal rearrangements. We also installed 1,157 showers and carried out 3,788 other minor adaptations.

*Our Direct Labour Organisation provide a repairs service to **29,000** homes*

Direct Labour Organisation

The in-house Direct Labour Organisation (DLO) continues to deliver a response maintenance service to almost 29,000 homes in North and West Belfast, as well as Craigavon and Coleraine.

The current DLO business consists of 432 staff (including agency staff), with running costs of £19.6m per annum. Alongside the response maintenance service, staff are also engaged in the delivery of a grounds maintenance service, the motor vehicle workshop and electrical health and safety inspections.

The DLO delivers the response repairs services from depots located in each of the current three contract areas: in Belfast, from a leased depot in Stockman's Way, in Portadown from Annagh Hill and in Coleraine, from a depot at Hillmans Way.

Performance and service delivery are measured against both organisational and contract KPIs that are equivalent to external suppliers, and reported monthly to the Performance Review Group and quarterly to the DLO Performance and Development Committee which consists of three Housing Executive Board members and two independent members.

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

Procurement and Compliance

During the year considerable work was undertaken on a number of strands that will contribute to improving the delivery of our asset management activities. These included:

- the procurement of a new Asset Management database with compliance management functionality has been completed and an Implementation Strategy is underway. This will replace a number of existing systems and databases, and help us better plan and manage the delivery for tenants of our asset management activities;
- a Compliance Unit has been established and all existing Asset Management policies and procedures have been reviewed and comprehensively redrafted;
- reporting mechanisms have been reviewed and a new system of reporting on statutory compliance has been established which will better inform senior management, the Board and the Department on organisational performance;
- we have reviewed our procurement methodology and are applying Savills' recommendations to the procurement of our new contracts.

PROPERTY

To ensure everyone has access to a quality home which is safe, affordable, warm and appropriate to their needs.

Key Performance Indicators

Performance 2015/16	Performance 2016/17
<p>Asset Management LL KPI 2.2 Deliver our Interim Investment Programme covering 2015/16 and 2016/17</p> <p>At the end of March, work to the value of £17.6m was approved, representing 62.8% of the two year Investment Programme with 43 schemes underway and a further 11 approved.</p>	<p>Asset Management LL KPI 2.2 Complete the commitments in the Interim Investment Plan covering 2016/17</p> <p>All IIP projects had commenced at the year- end. 52 projects have completed over the term of the plan to March 2017, with the remaining to be completed by the extended date of 31 December 2017.</p>
<p>LL KPI 2.4 Deliver the Small Scale Stock Transfer Programme</p> <p>Progress was made on shortlisting housing associations for involvement in the programme, developing the revised transfer process and model documentation, and preparing the outline business cases for the estates.</p>	<p>LL KPI 2.4 Deliver the Small Scale Stock Transfer Programme</p> <p>A new target for 2016/17 was agreed by the Department on 9 August 2016. Measure 1(LL KPI 2.4.1) is to secure Board approval by March 2017 for the transfer of 559 properties in two estates to housing associations. This target was not achieved due to a number of issues that affected the development and consultation timescales for the proposals, but these have now been resolved and a position paper was submitted to August Board. Measure 2 (LL KPI 2.4.2) is to have briefs for the remaining estates in Tranches 1 and 2 issued to housing associations by the end of March 2017. This has met the agreed target criteria.</p>
<p>LLKPI 2.2.6 Complete the procurement of the new maintenance contracts - to project plan dates.</p> <p>Not a KPI in 2015/16</p>	<p>LLKPI 2.2.6 Complete the procurement of the new maintenance contracts - to project plan dates.</p> <p>The procurement completed to project timescales. All contracts have gone live in September and October 2016.</p>
<p>LL KPI 2.3 Develop a new five year Stock Investment Programme</p> <p>Work has progressed this year on producing a Stock Investment Plan, however, uncertainty over funding means that the finalisation of a plan will be delayed until later in 2016/17.</p>	<p>LL KPI 2.3 Develop a new 10 year Stock Investment Programme – to project plan dates</p> <p>A draft plan has been prepared using a number of potential funding scenarios. However, due to the continuing significant uncertainties regarding funding allocations it is not possible to finalise the plan at this stage.</p>

Performance 2015/16	Performance 2016/17																
<p>Planned maintenance of our stock LL KPI 2.5</p> <p>To complete planned External Cyclical Maintenance work on 11,600 dwellings, complete 4,100 kitchen replacements, complete 4,600 heating installations and complete 5,900 double glazing starts</p> <table> <tr> <td>External Cyclical Maintenance</td> <td>8,149</td> </tr> <tr> <td>Kitchen replacements</td> <td>4,184</td> </tr> <tr> <td>Heating installations</td> <td>4,645</td> </tr> <tr> <td>Double glazing</td> <td>5,611</td> </tr> </table>	External Cyclical Maintenance	8,149	Kitchen replacements	4,184	Heating installations	4,645	Double glazing	5,611	<p>Planned maintenance of our stock LL KPI 2.5</p> <p>To complete planned External Cyclical Maintenance work on 10,000 dwellings, complete 4,280 revenue replacements, complete 3,620 heating installations and complete 2,410 double glazing starts</p> <table> <tr> <td>External Cyclical Maintenance</td> <td>10,091</td> </tr> <tr> <td>Revenue replacements</td> <td>4,297</td> </tr> <tr> <td>Heating installations</td> <td>3,627</td> </tr> <tr> <td>Double glazing</td> <td>1,133</td> </tr> </table>	External Cyclical Maintenance	10,091	Revenue replacements	4,297	Heating installations	3,627	Double glazing	1,133
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<p>Response Maintenance to our stock LL KPI 2.6</p> <p>Emergency within 24 hours; Urgent within 4 days; Routine within 4 weeks; Change of tenancy within 25 days</p> <table> <tr> <td>Emergency</td> <td>99.44%</td> </tr> <tr> <td>Urgent</td> <td>97.55%</td> </tr> <tr> <td>Routine</td> <td>97.06%</td> </tr> <tr> <td>COTs</td> <td>98.05%</td> </tr> </table>	Emergency	99.44%	Urgent	97.55%	Routine	97.06%	COTs	98.05%	<p>Response Maintenance to our stock LL KPI 2.6</p> <p>Carry out 90% of requests within the following parameters: Emergency within 24 hours; Urgent within 4 days; Routine within 4 weeks; Change of tenancy within 25 working days</p> <table> <tr> <td>Emergency</td> <td>98.82%</td> </tr> <tr> <td>Urgent</td> <td>98.07%</td> </tr> <tr> <td>Routine</td> <td>97.50%</td> </tr> <tr> <td>COTs</td> <td>98.63%</td> </tr> </table>	Emergency	98.82%	Urgent	98.07%	Routine	97.50%	COTs	98.63%
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Urgent	97.55%																
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<p>Compliance LL KPI 2.7</p> <p>Ensure all occupied homes have a valid annual gas safety certificate</p> <p>99.8% had a valid gas safety certificate and the remainder (83 properties, 54 of which have internal meters) are going through our no access procedure.</p>	<p>Compliance LL KPI 2.7</p> <p>Ensure all occupied homes have a valid annual gas safety certificate</p> <p>99.9% of occupied homes had a valid gas certificate and 35 properties (11 of which have internal meters) did not have a valid gas safety certificate. These properties are going through our no access procedure to ensure there is a valid gas safety certificate.</p>																
<p>LL KPI 2.7.1</p> <p>Monitor Compliance Action Plan</p> <p>Not a KPI in 2015/16</p>	<p>LL KPI 2.7.1</p> <p>Monitor Compliance Action Plan</p> <p>The Compliance Action Plan has been developed and policies received Board approval in September 2016. Procedures are being implemented in line with awarding of contracts following new procurements and continue to be reviewed during the implementation of the new Asset Management system.</p>																
<p>LL KPI 1.3 Managing our Stock</p> <p>Ensure 99% of lettable stock is occupied (not void). Lettable stock at the end of March 2016 was 86,632</p> <p>The percentage of void stock at the year end of 0.54% (476 properties), meeting the target.</p>	<p>LL KPI 1.3 Managing our Stock</p> <p>Ensure 99% of lettable stock is occupied (not void). Lettable stock at the end of March 2017 was 86,069</p> <p>There were only 418 lettable voids at the end of March 2017 against a stock of 86,069. The target was met with 99.5% of stock occupied.</p>																

*we supported **156** estates through our Community Cohesion strategy*

PLACE

To work with others to develop, maintain and sustain attractive, connected, healthy and economically active places.

Community Involvement

Our Community Involvement Strategy provides us with the framework to give our tenants, residents and leaseholders a real say in making their neighbourhoods better places to live. It also provides our communities with the platform and voice to challenge and lobby us. As a result an enabled, engaged and empowered community sector continues to grow.

Scrutiny Forums

The Scrutiny Forum framework has been established across all areas and our staff and community participants have received training to allow them to scrutinise our business. They are a key lynchpin in the delivery of our business planning process for the future. They have the responsibility for holding us to account in the delivery of housing services and work closely with the local offices to improve the delivery of customer services.

Interagency

Our local offices continue to work with resident and inter-agency working groups to improve the cohesion, community safety, social enterprise, health and environmental wellbeing in the estates in which our tenants live, thus instilling a sense of pride in their area. In partnership with Supporting Communities (SC), we continue to support and work with over 500 community groups across Northern Ireland.

Central Housing Forum

The Central Housing Forum (CHF) is made up of representatives from all our areas across Northern Ireland with further representation from our hard to reach groups or easy to ignore groups including the disability sector, the rural sector and the youth sector. All major policies and strategies across the business are consulted on with the CHF. They continue to challenge and lobby us and meet twice a year with our Board.

Community Grants

Each Area Manager has a budget (£15k per annum) to award to community groups throughout the year to support and encourage community activity, including health and wellbeing projects, community safety, young people's projects and projects affecting the environment. Last year 90 groups were supported through this funding, which helps client groups who do not normally engage with statutory agencies respond to specific, locally identified needs.

Community Cohesion

The Government's 'Together Building a United Community' (TBUC) Strategy, published in May 2013, reflects our commitment to improving community relations and continuing the journey towards a more united and shared society.

The Strategy represents a key building block in the implementation of the Programme for Government 2011-2015 (extended to 2016). The Strategy outlines how Government, community and individuals will work together to build a united community and achieve change against the following key priorities:

- our people and young people;
- our shared community;
- our safe community;
- our cultural expression.

Along with the Department, housing associations, and community and voluntary partners, we are currently working collaboratively to bring forward

worked with housing associations and department on
10 shared new build schemes

*we processed **2,766** reports of anti-social behaviour*

10 shared new build schemes through the TBUC Strategy to assist with delivering the key priorities of shared and safe communities (Programme for Government target).

In Northern Ireland, a large majority of tenants in social housing continue to live separately in areas which are predominantly one community or the other. In order to help address this, we refreshed our Community Cohesion Strategy in 2015 to build on what we have already achieved to date. It demonstrates a top level commitment to good relations which will be communicated throughout and beyond the organisation and will have real impacts within our communities.

We will deliver our strategy under 5 key themes:

- Shared housing;
- Flags/emoles/sectional symbols;
- Race relations;
- Communities in Transition;
- Interfaces.

Over the past four years, we have supported 156 estates and communities to become more accessible to all and to be welcoming to everyone of different religion, political beliefs or ethnicity. We have delivered 39 reimagining projects, 136 estate based cohesion projects, 29 race relations projects and implemented our better bonfire programme across 43 estates.

Community Safety

With our Community Safety Strategy "Safer Together" 2014-2017 we have set our strategic direction and action plan across three main thematic areas: building community confidence, ensuring local solutions and working together.

We continue to respond to all reports of anti-social behaviour in a speedy and effective manner, through a range of housing management services which are delivered through our network of local offices. Over the past 12 months we have received and processed 2,766 reports of alleged anti-social behaviour (ASB). Reports of ASB are addressed using an incremental

and proportionate approach and most of these reports have been resolved through the use of warning letters and follow up visits by local staff.

We have established a number of partnerships with a wide range of statutory, voluntary and community sector agencies to ensure that our responses not only stop the ASB from recurring, but also put in place measures to address many of the underlying issues which lead to such behaviour. However, where such interventions fail or are deemed inappropriate we will not hesitate to use our legal powers to end unacceptable behaviour. For example, during the year three properties were repossessed on the grounds of ASB following court action and a further nine properties are back in our possession following the service of possession orders. Repossession continues to be a last resort, after we have exhausted all other interventions as a means of resolving problems of ASB.

In addition to addressing ASB head on, we also use mediation and restorative practices. The Mediation Service Provider has worked on 45 neighbour disputes involving more than 100 individuals.

Our community based restorative partners, Northern Ireland Alternatives and Community Restorative Justice Ireland also provided mediation and community support in over 239 cases of neighbour disputes. This work was funded by the Housing Executive and the PSNI.

We work closely with the Department of Justice and continue to partner with other agencies, including councils and Policing and Community Safety Partnerships (PCSPs) of which we are a statutory member. We support a range of initiatives to address ASB and fear of crime in our estates. Examples of these initiatives are community safety warden schemes, a scheme to address hate crime, home security schemes, good morning services, detached youth work programmes, diversionary activities, physical works to communal areas and inter-generational workshops.

Our Hate Harassment Toolkit aims to help those who are experiencing or know someone who is experiencing harassment, persecution and/or intimidation, all of which can be described as

37 new jobs created and **24.5** jobs sustained through our Social Housing Enterprise Strategy

hate harassment. The toolkit provides practical information and advice to staff and other practitioners throughout Northern Ireland to enable them to provide a comprehensive service to victims and witnesses of hate crime.

Social Housing Enterprise Strategy

Our Social Housing Enterprise Strategy (2015-2018) has reached mid-point of its three year programme, with its 11 principle objectives met or on target. It continues to develop across a number of strategic and operational strands which have supported its implementation over the year.

The Strategy's focus is supporting local communities in creating vibrant and self-sustaining social enterprises that impact positively on the residents' quality of life. Critical to that focus is the ability to recognise the social value being achieved within individual communities through our social investments and resulting social outcomes.

The following social outcomes were identified of particular value to communities; each registering positive social and economic impacts on the quality of life experienced by residents:

- Social Capital;
- Social Economy;
- Natural Capital;
- Health and Well-being;
- Service development and delivery.

These now feature in each supported initiative, and their measurement will increasingly be applied in monitoring and reporting arrangements associated with the Strategy's implementation. Key performance measures for each outcome have also been identified, and will be contextualised to each initiative.

It is also recognised that these outcomes contribute to other social and public policy areas, leading to synergies with the Division's other social investment strands: the Community Involvement, Community Safety and Community Cohesion Strategies, and Assets Management, as well as wider development

potential in, for example, the Financial Inclusion and Digital Inclusion Strategies.

Social Housing Enterprises

Recognising that social enterprises operate within Housing Executive neighbourhoods, a baseline survey was carried out in the summer of 2016 to establish their number and location. 133 social enterprises were identified, 123 of which had direct contact with the communities concerned.

This information is used to measure the Strategy's contribution to social economy growth within our communities, as well as for planning and reference by local managers.

Social Housing Enterprise Investment Scheme

The Investment Scheme released its second tranche of funding in 2016/17. A further 118 applications were received against which 56 awards were made. These awards brought the total investment in the Scheme's first 18 months to £860,000, with 99 social enterprise initiatives supported.

The resulting outcomes meant that 25 new social enterprises were created, along with 37 new jobs created and 24.5 existing jobs supported. In addition, 108 individuals gained employment-relevant qualifications, including OCN Level 2 in Social Enterprise.

To celebrate these initiatives, the "#startitupni" Conference was held in March 2017, along with a "Market Place" in which various organisations displayed their products and services. It proved very successful, with more than 200 delegates attending, and provided a promotional platform for the Scheme's next launch on 25 April 2017.

Assets Use and Management

The deployment of non-financial assets in support of social enterprise development remains integral to the Strategy's delivery: such assets are acknowledged to be of significant value to communities.

300 of our properties are let to community groups

More than 300 residential, commercial and garage properties, which would otherwise lie vacant, are let to community organisations. These lettings continue to be added to and provide invaluable investment opportunities within our stock.

In developing asset management and disposal arrangements, a joint operational procedure has been drafted by Housing Services and Regional Services Divisions to inform how such disposal arrangements should operate including responding to Community Assets Transfer requests.

and other key stakeholders, including community, voluntary, statutory, private organisations and academia, to achieve the strategy's full potential. Our engagement with stakeholders has had considerable success, and we continue to seek opportunities to increase employability and business development outcomes within our communities.

Social Clauses

The use of social clauses within our public service contracts to support social enterprise development is a strategically important initiative. The current response maintenance contracts (six) and, in particular, their social clauses will see further social enterprise development within our stock by April 2018, each delivering social outcomes benefitting our communities. Similarly, corresponding clauses are within the three new heating contracts, the tenders for which have recently closed.

Also, by using social clauses in this way, there is a platform for future "Buying Social" policy considerations by the organisation. Business acumen, community skills, and the employability of those who may, historically, have found entry into the employment market difficult, are all features in the development of social enterprises. The resulting skills and capacity building within communities will enable them, ultimately, to compete for service contracts within the public sector.

Our efforts were recognised when we won the "Buying Social - Market Builder" award at the 2016 Social Enterprise NI Annual Awards.

Stakeholder Engagement

Another key strategic objective is building recognition of our efforts to grow the social economy/ social enterprise sector within our housing stock. Complementary to that aim is creating opportunities to work collaboratively with the sector

PLACE

To work with others to develop, maintain and sustain attractive, connected, healthy and economically active places.

Key Performance Indicators

Performance 2015/16	Performance 2016/17
<p>LL KPI 3.1 Community Safety Implement our new Community Safety Strategy</p> <p>A revised Strategy and Action Plan were approved and are being implemented. The Housing Executive is a member of the reconstituted Policing and Community Safety Partnership (PCSP). An update will be submitted to April 2016 Board detailing the success of the Strategy Implementation and Community Safety Action Plan, which is based around three areas of work – Building Community Confidence, Ensuring Local Solutions & Working Together. Customer feedback indicates that tenant confidence in staff dealing with anti-social behaviour is at a very high level.</p>	<p>LL KPI 3.1 Community Safety Implement the Community Safety Strategy 2015-17</p> <p>The Strategy Implementation and Community Safety Action Plan is based around three areas of work:</p> <ul style="list-style-type: none"> • Building Community Confidence; • Ensuring Local Solutions; and • Working Together. <p>The yearly update was submitted to the April 2016 Board detailing the success of the strategy. Customer feedback indicates that tenant confidence in staff dealing with anti-social behaviour continues to be at a high level.</p>
<p>LL KPI 3.2 Community Cohesion Initiate BRIC2 to support a further 72 communities</p> <p>Good Relations Plans are complete. Over 75 staff from Belfast Region and South Region have been successfully trained on racism. This will be an ongoing process until April 2018. Consultants have been procured to establish a rolling training programme for all staff. The new Community Strategy was launched on 19 February 2016 in Girdwood Shared Space. We have made good progress in a number of strands within the strategy such as commencing the reimagining of the first Housing Executive peace wall; Delivered phase one of the BRIC 2 Programme with 26 groups signed up, and 26 Good Relations Plans developed.</p>	<p>LL KPI 3.2 Community Cohesion Implement the Community Cohesion Strategy 2015-20</p> <p>Phase 1 of the BRIC2 Programme has been implemented and Good Relations Officers continue to work across the 26 areas. Good Relations Officers are signing up the groups to the terms of reference and supporting them to develop bespoke good relations plans.</p>

Performance 2015/16	Performance 2016/17
<p>LL KPI 3.3 Community Involvement Implement the 13 actions contained in the Community Involvement Strategy 2014-17</p> <p>Good progress has been made during the year. A very successful Community Conference was held on 22 October 2015. The Central Housing Forum met with our Board and this will be a regular twice yearly occurrence. The Social Enterprise Strategy was launched and the Mystery Shopping Peer Review Group met on 25 January 2016. We are also working on digital inclusion and paperless meetings.</p>	<p>LL KPI 3.3 Community Involvement Implement the Community Involvement Strategy 2014-17</p> <p>A significant amount of work has been completed during the final year of the strategy and work is underway in the development of a new strategy for 2017-23.</p> <p>All Service Level Agreements are in place. The Central Housing Forum (CHF) received electronic devices and training during the year to prepare for a Digital Inclusion project.</p> <p>A number of forums met during the year, including regular scrutiny panel meetings at which recommendations are proposed regarding policy. This has increased options for tenants to become involved in a way that suits them. A Tenants register has been established; and Northern Ireland Youth Forum (NIYF) participates on the Central Housing Forum.</p>
<p>LLKPI 3.4 Implement the Social Enterprise Strategy 2015-2018</p> <p>Not a KPI in 2015/16</p>	<p>LLKPI 3.4 Implement the Social Enterprise Strategy 2015-18</p> <p>The Housing Executive's Social Housing Enterprise Strategy was launched in September 2015 and continues to be implemented. Details of the scheme numbers can be found on page 30 of this document.</p>



Performance Analysis

REGIONAL SERVICES

The Regional Services Division's mission is 'to ensure the provision of all forms of housing in sustainable neighbourhoods across Northern Ireland.' It is focused on informing, through market intelligence, housing needs requirements and influencing and shaping the strategic direction of housing and associated housing-led regeneration within Northern Ireland. It carries out strategic housing needs analysis and assessment to help policy makers in the public, private and voluntary sector reach informed decisions in the context of key trends and developments in the housing market. It leads on the new Social Housing Development Programme (SHDP) and the Together Building United Communities (TBUC) initiative. It supports the most vulnerable in society through the Homelessness Strategy and Supporting People programmes. It tackles fuel poverty and provides private sector improvement grants.

Budgetary Management

Regional Services spent a total of £285.3m in 2016/17, comprising:

Regional Services Expenditure 2016/17	£m
Capital	
Land and Property	0.4
Social Housing Development Programme (including TBUC)	105.2
Private Sector Grants	13.0
Energy Efficiency	23.9
SPED Purchases	1.4
Other expenditure	0.5
Total Capital expenditure	144.4
Revenue	
Supporting People	77.8
Salaries and Administration	47.8
Homelessness	11.5
Research	0.9
Payments to Councils (Affordable Warmth)	1.2
Other expenditure	1.7
Total Revenue expenditure	140.9
Total Regional Services Expenditure	285.3

Delivery of our programmes and services was funded entirely through grant aid from the Department. Other income of £5.9m was received, the largest element of this for the cost of housing services for Asylum Seekers (£4.25m).

37,611 on the waiting list
23,694 in housing need
11,889 deemed homeless

Housing Investment

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

During 2016/17, in partnership with housing associations, 1,604 new social housing starts were delivered (against a target of 1,600). A total of 1,387 new social homes were recorded as completions during this period, exceeding our anticipated figure of 1,200 units.

Additionally, we continue to address a number of important issues impacting on the lives of many citizens across Northern Ireland:

- fuel poverty: we carried out more than 9,500 interventions to homes, improving their fuel efficiency;
- dwelling unfit: 203 grants approved to address unacceptable conditions in privately owned properties;
- independent living: there are a number of activities in this broad objective including helping those most vulnerable in society, assessing an individual's need for housing, as well as providing Supporting People and homelessness services.

We will support contemporary urban and rural regeneration, create the environment to explore new delivery models and provide a strategic overview of the opportunities available for neighbourhood and other regeneration initiatives.

PEOPLE

To provide housing solutions, services and support to the people of Northern Ireland

Social Housing Need

At 31 March 2017, 37,611 households were on the waiting list for social housing (37,586 at 31 March 2016), of whom 23,694 (22,645 at 31 March 2016) are considered to be in housing stress (applicants awarded with 30 or more points as per the

Housing Selection Scheme). Of those in housing stress, 16,356 are Homeless Full Duty Applicants - households that meet the statutory definition of homelessness (15,075 at 31 March 2016).

Social housing need is assessed annually, which helps direct the delivery of social and affordable housing in the locations required as part of the Social Housing Development Programme. We produce Housing Investment Plans which are reported upon annually to each local council, continuing to set out the schemes and programmes to be delivered in each council area in response to the identified housing needs.

Supporting People

During 2016/17 we distributed approximately £77.8m on over 850 housing support schemes with the capacity to support over 19,000 vulnerable people. This funding allocation included the development of both new and existing support services for a range of vulnerable client groups.

We continue to take a project management approach to implement both the strategic and business improvement priorities, arising from the Department's review of Supporting People. Having reached the midpoint of the implementation of the Supporting People review at the end of 2016/17, we have taken stock with the Department on progress against the recommendations within the plan. We have been found to be broadly on schedule to complete recommendations assigned to us by the end of March 2018, with key pieces of work such as the development of a strategic needs assessment framework progressing well.

Furthermore, the strategic direction towards floating support has focussed mapping exercises for this provision to identify gaps, and we will continue to review existing models of provision to establish opportunities to further utilise the floating support model.

An Outcomes framework has been piloted and will be further developed during 2017/18 in order to ensure benefits to service users are captured effectively.

£77.8m distributed through
850 Supporting People schemes

£37m spent on tackling homelessness

Although the Supporting People budget has been protected in recent years, the recurrent budget was not increased and has pressures. These pressures must be managed within the financial allocation indicated by the Department. Therefore, a 5% reduction will be applied to accommodation services in the 2017/18 financial year. No reduction has been applied to floating support.

Homelessness

In 2016/17 the number of households presenting as homeless fell from 18,628 to 18,573, representing a marginal decrease overall. Those accepted as having Full Duty Applicant status showed a 6.1% increase from 11,202 to 11,889 over the year. Single people, at 51%, remain the highest overall presenter household category grouping.

The top three reasons for homeless presentations continue to be sharing breakdown/family dispute, accommodation not reasonable, and loss of rented accommodation. Overall, 59% of presenters are in these categories.

Over the course of the past year we have provided total funding of approximately £37m for homeless services across Northern Ireland, with figures listed below:

- £4.319m on temporary accommodation, including DIME (Dispersed Intensively Managed Emergency);
- £1.504m for storage of personal belongings;
- £2.299m on outside agencies in the voluntary sector;
- £28.755m on Supporting People funding of homelessness services.

During 2016/17 an independent evaluation of the Homelessness Strategy 2012-17 was carried out by the University of York and its findings were generally positive. The evaluation examined progress on the 38 strategy actions and found that 31 actions had been completed and six were partially completed or ongoing. The one action not completed was a fundamental review of temporary accommodation, which was postponed until the redesign of our front

line services is completed. It has been brought forward for inclusion in the new strategy.

We published a new Homelessness Strategy in April 2017 following wide consultation, which provides strategic direction on how we will address homelessness from April 2017 to March 2022. The Strategy was developed in partnership with a wide range of statutory and voluntary agencies who sit on the Central Homelessness Forum which acted as a consultative body in the development of the new Homelessness Strategy. The Homelessness Strategy 2017-22 has a vision of 'Ending Homelessness Together' and reflects the key role that other statutory and voluntary partners have to play, particularly in preventing homelessness.

The Homelessness Strategy 2017-22 continues the focus of previous strategies on homelessness prevention and aims to ensure we avoid people reaching a point of crisis. While the Strategy contains actions that are focused on housing issues, it is supported by an inter-departmental action plan that will address non-housing services, such as health and education, which have the potential to impact on those who are homeless or most at risk of homelessness.

The new strategy sets out our vision of 'Ending Homelessness Together' and identifies a number of aims and objectives to achieve this. The Strategy aims to ensure a cross-departmental and inter agency approach to ending homeless. The objectives within the Strategy are:

- To prioritise homelessness prevention;
- To secure sustainable accommodation and appropriate support solutions for homeless households;
- To further understand and address the complexities of chronic homelessness;
- To measure and monitor existing and emerging need to inform the ongoing development of appropriate services.

The final objective within the Strategy is to ensure the right mechanisms are in place to oversee and deliver the Strategy. In 2017/18 we will continue to meet our legislative duty by implementing the

£20m spent on adaptations to homes **1,070** grants for Disability Facilities Grants

actions contained within the Homelessness Strategy 2017-22. In doing so, we will continue to monitor progress through a variety of implementation groups including the Homelessness Strategy Steering Group, Central Homelessness Forum, Local Area Groups and a Service User Group. An annual progress report will be produced and published.

Adaptations to Homes

We have supported adaptations across all sectors of the housing market, including the provision of grants to the private sector, which enables people with disabilities to live comfortably in their own homes. During the year, we spent over £20m on completed adaptations.

Stock tenure	Expenditure (£m)
Housing Executive homes	8.0
Private sector homes	9.5
Housing association homes	2.9
Total	20.4

As part of our transformation programme, we are currently reviewing the processes for Disabled Facilities Grants (DFG). This review will ensure that grants applicants receive all the help and support they need to get the works carried out to their homes in the shortest possible time. The end result will be much shorter end-to-end processing times for DFGs. The review will be completed and the revised process implemented across all grants offices during 2018/19.

Inter-Departmental Review of Adaptation Services

The Final Report and Action Plan 2016 has been completed and approved by both Department for Communities and Department of Health Ministers. Due to its cross cutting nature the report also requires Executive agreement. As a result of the current political situation, this is currently outstanding.

Accessible Housing Register (AHR)

Our interim Accessible Housing Register (AHR) arrangements went live in November 2015 and focused primarily on properties adapted via extension and vertical lift. Our Asset Management Team is currently drawing up plans to survey stock via the House Condition Survey, which will include AHR data capture.

It is anticipated that the housing associations' interim AHR will "go-live" in April 2018.

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Key Performance Indicators

Performance 2015/16	Performance 2016/17
<p>Supporting People and Homeless services RS KPI 4.1 Continue to provide 20,000 Housing Support Places</p> <p>The number of available places supported was 20,223. The split of housing support places is as follows: accommodation based 14,525 and floating support 5,698.</p>	<p>Supporting People and Homeless services RS KPI 4.1 Assist at least 18,500 vulnerable individuals to live independently</p> <p>There are 19,060 housing support places, providing support to 14,026 accommodation based and 5,034 floating support schemes.</p>
<p>RS KPI 4.2 Deliver the Homelessness Strategy as reprioritised in July 2014</p> <p>Good progress has been made during the year. A number of items are being progressed through the 'Build Yes' transformation work which aims to provide customer focused services.</p> <ul style="list-style-type: none"> • Housing Options - Landlord Services are progressing roll in. Recruitment of staff, development of policy and redesign of IT systems is ongoing with a view to full roll-in of 3 pilot offices by November 2016 and roll-in in the remainder of Area offices by June 2017. • Common Assessment Framework - Scoping exercise completed and core components identified by Regional Services. • Central Access Point - Scoping exercise completed and core components identified by Regional Services. • Housing First - Work is around 95% complete. Working paper 1 - review of Housing First and similar services in the USA, Western Europe and the UK was produced in November 2015. A completed report with analysis is on target to be produced during 2016/17. 	<p>RS KPI 4.2 Deliver the existing Homelessness Strategy as reprioritised in July 2014</p> <p>The Homelessness Strategy 2012-17 was subject to an independent evaluation by the University of York which was completed in January 2017. The evaluation concluded that the Housing Executive had completed 31 of the 38 actions within the Strategy with progress on a further four actions ongoing. Two actions were listed as partially complete while the only action found as incomplete has been brought forward as an action in the Homelessness Strategy 2017-22.</p> <p>The Strategy was reprioritised with five key objectives in 2014 and the evaluation noted that 'There was clear evidence of progress in relation to all five of these objectives and further work towards achieving these goals was ongoing.'</p> <p>A copy of the evaluation can be found at http://www.nihe.gov.uk/homelessness_strategy_evaluation.pdf.</p> <p>A new Homelessness Strategy 2017-22 received Board approval in March 2017 and actions to implement this Strategy are currently being progressed.</p>
<p>RS KPI 4.3 Reduce the number of homeless presenters</p> <p>Homeless presenters decreased, representing a 5.8% (992) reduction against the target (19,620).</p>	<p>RS KPI 4.3 Reduce the number of homeless presenters from the end of March 2016 outturn figure (18,628)</p> <p>Homeless presenters (18,573) decreased by 0.3% (55) from the March 2016 outturn figure.</p>

Performance 2015/16	Performance 2016/17
<p>RS KPI 4.4 Reduce the average length of time in temporary accommodation</p> <p>The target was to reduce below an average of 36 weeks and the actual was an average of 37.7 weeks. Information on temporary accommodation usage and length of stay is produced to the Landlord Services Performance Review Group, in order that a pro-active approach is being taken to visit clients and to move them out of temporary accommodation into permanent housing, where possible.</p>	<p>RS KPI 4.4 Reduce the average length of time in temporary accommodation from the end of March 2016 outturn figure</p> <p>The aim of the 2012-2017 Homeless Strategy is to reduce the length of stay in temporary accommodation to 40 weeks. The challenging target of 37.7 weeks was set for 2016/17, based on the March 2016 outturn figure.</p> <p>The year-end target has not been met with the March 2017 figure 40.7 weeks. It should be noted that performance has not improved, and analysis would suggest that this could continue based on a number of factors for example, lower turnover of stock, less availability in the private sector.</p>
<p>RS KPI 4.5 Implement those parts of the SP review implementation plan which fall to the Housing Executive</p> <p>Not a KPI in 2015/16</p>	<p>RS KPI 4.5 Implement those parts of the Supporting People review implementation plan which fall to the Housing Executive</p> <p>There are eight parts of the two year Supporting People Implementation Plan that fall to the Housing Executive. In year one of the Action Plan five actions are now complete; two actions have been re-baselined to Q1 2017/18 by agreement and the final action, which is a joint working arrangement and therefore out of our control, has slipped past the year end. DfC is currently undertaking a mid-point review of milestones relating to the implementation of the DfC review of Supporting People.</p>
<p>RS KPI 4.6 Draft and publish (by April 2017) a new Homelessness Strategy 2017-20 (as per statutory requirement)</p> <p>Not a KPI in 2015/16</p>	<p>RS KPI 4.6 Draft and publish (by April 2017) a new Homelessness Strategy 2017-20 (as per statutory requirement)</p> <p>The draft Homelessness Strategy is complete and was submitted to the Board on 29 March 2017. The new strategy was published in April 2017.</p>

Performance 2015/16	Performance 2016/17
<p>RS KPI 4.7 Set baselines and proposed future targets for measuring the effectiveness of the Homelessness Strategy and Housing Options Services</p> <p>Not a KPI in 2015/16</p>	<p>RS KPI 4.7 Set baselines and proposed future targets for measuring the effectiveness of the Homelessness Strategy and Housing Options Services</p> <p>These matters are being agreed in line with the roll in of 'Build Yes' and will only be finally completed and fully feasible (e.g. in respect of reporting) as revised processes are introduced across the local office network over the next financial year.</p>
<p>Grants for the Private Sector RS KPI 3.2 Approve 900 Disabled Facilities Grants.</p> <p>During the year a total of 996 approvals were made.</p>	<p>Grants for the Private Sector RS KPI 3.2 Approve 900 Disabled Facilities Grants.</p> <p>There were 1,070 Disabled Facilities Grants approved, exceeding the target.</p>

1,604 new social homes started, **1,387** homes completed
£106m invested in new build programme
112 new homes in rural areas

PROPERTY

To ensure everyone has access to a quality home which is safe, affordable, warm and appropriate to their needs.

New Social and Affordable Housing

During 2016/17, in partnership with housing associations, we exceeded the target of 1,600 new social housing starts, with an investment of £106m enabling work to be started on a total of 1,604 units. This was supplemented by £74.6m private finance secured by our partner housing associations.

The high quality new homes currently under construction will help to meet a range of applicants' needs for social housing, including those with general housing requirements (families and individuals) and people requiring specialist housing (such as clients with mental health issues, older people in need of care or housing support, vulnerable young people, etc.). We also recorded 1,387 new homes as completions in 2016/17, exceeding our anticipated figure of 1,200 units.

Some of the key schemes from the 2016/17 new build programme were:

- Triangle Housing will provide facilities to support homeless clients at Trostan Avenue in Ballymena; a new purpose built homeless hostel, managed by the Simon Community provides 20 bed spaces. The new facility replaces the existing service at Mill House in the town which was in a poor condition and no longer able to offer appropriate accommodation to meets the needs of this client group;
- The two largest new build schemes which started were Apex Housing's scheme which will deliver 78 new homes at the former Immaculate Conception College site in Derry/Londonderry, and Choice Housing's scheme which will provide 74 new homes at the site of the former St Mary's Primary School on the Larne Road in Ballymena;
- Clanmil Housing secured two contracts through the competitive design & build procurement route, which will provide 48 new homes in

Harryville, Ballymena and 19 new homes in Carrickfergus;

- Clanmil will also provide a mixed tenure new build scheme at the site of the former Lisnasharragh School site in East Belfast;

Each year, we support the social new build programme by transferring land in our ownership to housing associations to facilitate new developments. In 2016/17, we transferred sites to support the construction of 170 new homes, over 10% of the overall units delivered. This included:

- Apex Housing is continuing to support regeneration in North Belfast with a further phase of 57 units in the Upper New Lodge area;
- Choice is providing eight new homes at Nixon's Corner, a rural settlement close to Derry/Londonderry;
- Helm is supporting regeneration in Newtownabbey through the replacement of maisonettes at Old Irish Highway with 18 new homes.

We are also supporting the Northern Ireland Executive's Together Building United Communities (TBUC) Programme by facilitating ten shared community schemes. Five of these schemes are now completed and tenanted, and the remaining five are due to complete at various stages over the next two years.

We also monitor the delivery of homes in rural locations to ensure that housing need is being met in some of Northern Ireland's smaller/more isolated settlements. 112 of the new social homes started in 2016/17 are in rural locations, and we continue to encourage housing associations to deliver in line with our assessment that around 10% of the programme should be delivered in rural areas. Housing associations were particularly successful this year, securing existing satisfactory and off-the-shelf properties in rural parts of North Antrim, South Down and Foyle.

Identifying and acquiring suitable sites for development remains a challenge in some areas of acute social housing need. We continue to support housing associations in this role through

**2% of dwellings
are unfit**

NI vacancy rates have decreased to 27,000

the utilisation of our lands and other public sector surplus lands for development. Our Land Asset Site Identification (LASI) Programme and our new Commissioning Prospectus further supports this activity.

Housing Research

Our Research Department continues to play an important role in guiding the intervention of the Housing Executive and the Department for Communities in Northern Ireland's housing market. The 1981 Housing Order (Article 6) places a statutory duty on the Housing Executive to "regularly examine housing conditions and need" and also stipulates that it "may, with the consent of the Department, conduct or promote research into any matter relating to any of its functions". In fulfilling this role, we commission and carry out a wide range of research projects to meet the needs of both internal and external clients. In 2016/17 the planned Research Programme comprised a total of 14 projects as well as a range of in-house research led projects, several of which were carried forward, already under way, from the previous year.

One of the key objectives for the year was to carry out fieldwork and produce preliminary findings on the 2016 Northern Ireland House Condition Survey (HCS), the first since 2011. Fieldwork was completed in autumn 2016 and the preliminary report, which includes findings in relation to dwelling stock as a whole and unfitness, was published in March 2017. Work is ongoing to produce the main report which is due for publication in early 2018, and will include findings in relation to fuel poverty, disrepair, Decent Homes, Standard Assessment Procedure, the Housing Health and Safety Rating System and household profiles. The HCS is the foundation for housing policy and strategy for the next five years.

During 2016 the UK Statistics Authority assessed the HCS for compliance with the Code of Practice for Official Statistics. Following the assessment the HCS was awarded National Statistics status, which means that it meets the highest standards of trustworthiness, quality and public value and is a formal recognition of the quality of research

produced by the Housing Executive.

A brief summary of the findings from the HCS are as follows:

- According to the preliminary figures, 2% of dwellings here are unfit for occupation, the lowest level since surveys began over 40 years ago;
- In comparison to 2006, overall vacancy rates across all tenures have decreased from 40,300 to fewer than 27,000 in 2016;
- Rates of vacancy in social housing sits at approximately 1% of housing stock, compared with 3.4% of vacant owner occupied houses (over 16,000 properties) and almost 7% of the vacant properties in the private rented sector (over 9,300 properties).

This year also saw the completion of two major research projects relating to the Supporting People and Homelessness Programme. The first of these, Evaluation of the Efficiency and Effectiveness of the Housing First Support Service Piloted by DePaul in Belfast, examined the relative costs and outcomes of the Housing First approach. The second, Northern Ireland Homelessness Strategy: an evaluation, focused on the first four and a half years of the implementation of the five-year Homelessness Strategy for Northern Ireland, 2012-2017 and has helped inform the development of the draft Homelessness Strategy for the period 2017-2022. Our Research Unit has also supported the Department for Communities on policy-related research, including a study on the Impact of Potential Changes to Rent Policy in the Social Sector, the results of which are due to be published this year.

The annual Continuous Tenant Omnibus Survey (CTOS) continues to provide a wealth of tenants' views on how well we are delivering key services. The 2016 survey once again indicated generally high levels of satisfaction with services, but also a number of issues and areas where improvement is required. CTOS data was used to inform another key project completed during the year, on The Business Benefits of the Housing Executive's Community Involvement Activity. The researchers

2,158 grants were approved for the private sector

found that investment in community involvement has benefitted the Housing Executive's business in four key ways, namely by helping the organisation to: identify needs; improve services; reduce costs; and develop communities. They concluded that there is a strong business as well as social case for community involvement, and that the Housing Executive should be supported in developing this very important area of work.

We also supported the Department on policy-related research, namely the Tenant Involvement in Governance Project. This provided a systematic review of current approaches to tenant involvement in the governance of social housing in Northern Ireland and an evidence review of the wider range of governance models in operation in GB and Europe, as well as identifying approaches that could be adapted to help enhance tenant involvement opportunities in the local context.

The findings of these projects on the social housing sector will inform our future approaches to community and tenant involvement.

The Insight Housing Market Intelligence Exchanges continue to be a success, providing the opportunity to engage with key stakeholders and decision makers, sense check recent findings emerging from research studies undertaken or commissioned by the Housing Executive, and ensure that the Research Unit is meeting the needs of the sector. Two further meetings were held this year with "Insight Briefings" circulated to a wide audience after each of the events. The first focused on affordability and affordable housing, while the second looked at how geographic information systems and data mapping can be used to inform housing policy development.

Grants

Repair grants are available to landlords, agents and owner occupiers towards the costs of repairing homes. We also assist independent living through financial support for Disabled Facilities Grants, and we will continue to market the grants scheme in 2017/18 to help those with a disability to continue to live in their home.

Funding for discretionary grants, (renovation, replacement and home repair assistance grants) for improvement and repair is limited, and these grants are available only where exceptional circumstances are deemed to exist.

As part of the Department's review of support for repair and improvement in the private sector, we are committed to working with the Department towards creating a new and more flexible approach to improving stock in the private sector.

Grants Approved during 2016/17

Type of Grant	No. Approved	Value (£m)
Disabled Facilities Grants	1,070	11.3
Repair Grants	668	0.9
Discretionary Grants	420	3.6
Total	2,158	15.8

1,354 HMO properties inspected

5,069 homes improved under the Affordable Warmth Scheme

Houses in Multiple Occupation (HMO)

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

During the year we registered 235 HMOs against a target of 120 and carried out 1,354 inspections of HMOs, exceeding the target of 1,000. This brings the total of registered HMOs to 5,840.

Our comprehensive strategy for HMOs, published in April 2009, included a list of recommendations for changes to legislation which would help with enforcement of the registration scheme and improve the management of HMOs. Following the completion by the Department of a fundamental review of HMO provisions, the Northern Ireland Legislative Assembly passed the Houses in Multiple Occupation Act (Northern Ireland) 2016.

The new legislation introduces considerable new and enhanced powers, including the introduction of mandatory HMO Licensing and facilitates the transfer of the HMO function to district councils. A tentative date of 1 April 2019 has been set for implementation of the licensing scheme and the transfer of power to councils.

Energy Efficiency

As Home Energy Conservation Authority (HECA) for Northern Ireland, we are required to identify, promote and monitor measures which deliver significant progress of energy efficiency across all residential housing tenures. The following highlights were delivered during 2016/17:

- Developed an award winning model to establish 27 Oil Buying Clubs across Northern Ireland. This contract is being successfully delivered via a local social enterprise, Bryson Energy;
- Successfully completed the largest residential privately financed scheme for the installation of solar photovoltaic (PV) panels into 1,009 Housing Executive dwellings by July 2016;
- The management of the Department's Affordable

Warmth Scheme which enabled the installation of 9,963 energy efficiency measures in 5,069 homes with funding of £21.6m. This included heating replacements, window replacements, loft insulation measures, cavity wall insulation measures, solid wall insulation measures and draught proofing measures;

- The Boiler Replacement Scheme, also managed by us, funded 3,184 new boiler installations at a cost of over £2.1m;
- In partnership again with Bryson Energy, our outreach to influence young people on the benefits of energy efficiency was delivered into 160 primary schools to 8,090 pupils;
- We continue to fund Bryson Energy to provide Northern Ireland's only local, impartial energy advice line offering an array of services including energy efficiency, switch and save of energy suppliers, energy grant opportunities and benefits check. Last year over 7,000 calls were successfully dealt with, including over 3,400 referrals to grants and/or benefits.

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To ensure everyone has access to a quality home which is safe, affordable, warm and appropriate to their needs.

Key Performance Indicators

Performance 2015/16	Performance 2016/17
<p>New Homes RS KPI 2.1 (PfG 28) Administer grant aid to housing associations to start 1,500 new social homes</p> <p>1,568 new social homes were started, exceeding the target.</p>	<p>New Homes RS KPI 2.1 (PfG 28) Administer grant aid to housing associations to start 1,600 new social homes</p> <p>1,604 new social homes were started, exceeding the target.</p>
<p>RS KPI 2.2 Administer grant aid to housing associations to complete 1,200 new social homes</p> <p>1,209 new social homes were completed.</p>	<p>RS KPI 2.2 Administer grant aid to housing associations to complete 1,200 new social homes</p> <p>1,387 new social homes were completed, exceeding the target.</p>
<p>RS KPI 2.3 Start 200 one bed units (included in the total of 1,500 starts).</p> <p>153 one bed units were commenced. This is a total of 391 units over two years.</p>	<p>RS KPI 2.3 Start 200 one bed units (included in the total of 1,600 starts).</p> <p>260 one bed units were started in 2016/17 as part of the overall new build programme to increase the choice for applicants for smaller units of accommodation. This is a total of 651 one bed units over the 3 year programme period.</p>
<p>RS KPI 2.4 (Advance Land Purchase) Increase land secured for future SHDP delivery from 20% to 22% of next year's SHDP target = 440 units.</p> <p>Not a KPI in 2015/16.</p>	<p>RS KPI 2.4 (Advance Land Purchase) Increase land secured for future SHDP delivery from 20% to 22% of next year's SHDP target = 440 units.</p> <p>The year-end target of 440 units has been achieved. There were 373 units (4 schemes) assessed through the Advance Land Purchase route and a further 344 units (9 schemes) assessed through the full Project Approval route (Acquisition Tranche claims being assessed).</p>

Performance 2015/16	Performance 2016/17
<p>Market Intelligence RS KPI 1.1 Deliver the annual client-led Research Programme</p>	<p>Market Intelligence RS KPI 1.1 Deliver the existing annual client-led Research Programme</p>
<p>There are 20 research projects: 15 are underway with 13 completed to milestone dates, two have slipped outside the financial year. A further two projects have been slipped into 2016/17 by agreement (the Department's Neighbourhood Renewal - Derry and Shared Communities). One project is no longer required and the remaining two projects have slipped into 2016/17, subject to budget.</p>	<p>Progress was reported at the quarterly Research Committees throughout 2016/17. At year end: 9 projects were complete; 3 projects were not due to complete within the financial year but were on target; and one project had slipped. The slipped project is now expected to have the draft report in place by the third quarter of 2017/18.</p>
<p>RS KPI 1.2 Lead 2 Housing Market Intelligence Exchange Forums (HMIE)</p>	<p>RS KPI 1.2 Lead 2 Housing Market Intelligence Exchange Forums (HMIE)</p>
<p>Two forums were held and briefings were published on our website and emailed to 'Insight' invitees. www.nihe.gov.uk/index/corporate/housing_research/housing-market-intelligence-exchange.htm</p>	<p>Two forums were held during the year on 20 October 2016 and 14 March 2017. The Insight briefings were published on the Housing Executive's website and links emailed to delegates and those invited to the event. http://www.nihe.gov.uk/index/corporate/housing_research/housing-market-intelligence-exchange.htm The first HMIE forum of 2017/18 is scheduled to take place late 2017.</p>
<p>RS KPI 1.3 Develop 11 Housing Investment Plans and present them to councils</p>	<p>RS KPI 1.3 Develop 11 updated Housing Investment Plans and present them to councils</p>
<p>All 11 Housing Investment Plans (HIP) have been presented to councils, with the final presentation made to Lisburn & Castlereagh City Council on 18 January 2016. The 2016 update paper was approved in March 2016.</p>	<p>All 11 Housing Investments Plans were presented to Councils by November 2016.</p>
<p>RS KPI 1.4 Commence the House Condition Survey</p>	<p>RS KPI 1.4 Commence the House Condition Survey</p>
<p>Not a KPI in 2015/16.</p>	<p>The preliminary report was published on 30 March 2017, meeting the year-end target.</p>

Performance 2015/16	Performance 2016/17
<p>Grants for the Private Sector RS KPI 3.1 Approve 700 applications for Repair Grants</p> <p>During the year a total of 736 applications were approved, again exceeding the target.</p>	<p>Grants for the Private Sector RS KPI 3.1 Approve 700 applications for Repair Grants</p> <p>668 approvals were granted. The target of 700 Repair Grant approvals was not met however, it should be noted that this is demand led.</p>
<p>RS KPI 3.3 Register 320 new Houses in Multiple Occupation</p> <p>During the year 370 registrations were made, exceeding the target.</p>	<p>RS KPI 3.3 Register 120 new Houses in Multiple Occupation</p> <p>There were 235 new Houses in Multiple Occupation registered, exceeding the target.</p>
<p>RS KPI 3.4 Inspect 1,800 Houses in Multiple Occupation living standards</p> <p>There were 1,897 inspections carried out.</p>	<p>RS KPI 3.4 Inspect 1,000 Houses in Multiple Occupation living standards</p> <p>The living standards in 1,354 Houses in Multiple Occupation were inspected, exceeding the target.</p>
<p>RS KPI 3.5 Implement the Affordable Warmth Scheme to 3,000 homes with 4,500 measures installed</p> <p>There were 3,057 homes helped with 5,074 intervention measures. <i>Please note that affordable warmth, boiler replacement and energy efficiency measures contribute to the Programme for Government target of 9,000 homes. Through a combination of these measures 13,532 homes were helped during 2015/16.</i></p>	<p>Energy efficiency RS KPI 3.5 Affordable Warmth Scheme (completions): Approximately 3,800 homes helped (with 5,700 intervention measures)</p> <p>5,069 homes were improved through the Affordable Warmth Scheme, exceeding the target. These were made up of 9,963 intervention measures. <i>Please note that affordable warmth, boiler replacement and energy efficiency measures contribute to the Programme for Government target of 9,000 homes. Through a combination of these measures 9,579 homes were helped during 2016/17.</i></p>
<p>RS KPI 3.6 Approve 2,500 boiler replacements</p> <p>There were 5,245 approvals made.</p>	<p>RS KPI 3.6 Complete 4,000 boiler replacements</p> <p>3,184 boiler replacements were completed in 2016/17. The target was not met.</p>
<p>RS KPI 3.7 Produce the annual Home Energy Conservation Authority (HECA) Progress Report</p> <p>The annual HECA Progress Report was published and delivered to the Department at the end of November 2015.</p>	<p>RS KPI 3.7 Produce the annual Home Energy Conservation Authority (HECA) Progress Report</p> <p>The annual HECA Progress Report was issued to the Department on 17/11/16.</p>
<p>RSKPI 3.8 Transfer of HMOs to councils during 2017/18</p> <p>Not a KPI in 2015/16</p>	<p>RSKPI 3.8 Transfer of HMOs to councils during 2017/18</p> <p>This action has been moved to 2017/18 business year.</p>

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Place Shaping

In 2016 we rolled out our place shaping approach which is aligned to supporting delivery of Council led Community Planning. This provides a local land and planning expertise for local authorities.

The core of place shaping is to deliver an outcome that is about building sustainable neighbourhoods within balanced communities, and the prerequisite of sustainable neighbourhoods is having a deep understanding not only of what and who is there now, but also of the history of the place, and likely trends and changes in the future. This knowledge is based on data and intelligence. Understanding and using this information enables change to both happen and be managed.

The beneficiaries of making the place work should be the people of the area – primarily those who live there, but also those who work, invest, learn and take their enjoyment there.

Drawing on housing market intelligence and local housing needs assessments, the Housing Executive's Place Shaping Teams are ideally placed to work with and inform councils and other stakeholders on all aspects of the housing sector, ranging from social housing needs through to the private market.

The Place Shaping teams have the necessary skills and expertise to properly inform and deliver balanced communities in conjunction with our Community Planning partners. They are responsible for site identification and the evaluation of development potential, hotspot studies, urban renewal programmes and play a lead role in Housing Executive land transfers to housing associations. They also work with housing associations to secure new build proposals for inclusion on the Social Housing Development Programme.

Urban Regeneration

The Housing Executive's Land Asset Management Strategy identified two flagship 'mixed use/mixed tenure' schemes: Hope Street and Posnett Street in Belfast. During the last year we have progressed both sites as public-sector managed developments. Clanmil Housing Association was appointed as the developing partner for social and affordable homes at Posnett Street. Hope Street site commenced the potential feasibility for an anchor office accommodation development. Both sites will have significant impact for the regeneration of Belfast city.

A community led production of a future masterplan was completed for Galliagh Estate, Derry~Londonderry. This will provide additional social housing opportunities within an area of high housing need.

Urban Renewal Areas (URA)

The current urban renewal programme focused in Belfast continued to transform neighbourhoods throughout the city in the past year.

The final phase of development in the Village area of South Belfast has been released to the private sector under a conditional leasehold sale. Hagan Homes Ltd, who acquired this development site, has recently submitted a Planning Application to develop the site for 76 new family homes for sale.

Radius Housing commenced on-site in March 2017 on the third and final phase of 20 new social homes in the Lawnbrook area of the Shankill. Two of these new homes have been designed to meet the needs of families with complex needs. The remaining land in Lawnbrook has been sold to Hagan Homes Ltd to provide affordable private sector housing, which will complement the social provision and complete the renewal of the area.

In North Belfast, the final phase of development (9 units) in the Fortwilliam URA was completed in May 2017 by Choice Housing. Work is ongoing on the first phase of 31 new social homes by Apex Housing in the Upper New Lodge Redevelopment Area, the new homes are expected to complete in autumn 2017. Apex has also confirmed that work

402 homes purchased under right to buy scheme

disposed of surplus land to the value of **£1.65m**

will continue on a further phase of 58 new social homes in the Upper New Lodge area, which will complete in 2018/19. A final phase of 10 new social homes by Clanmil Housing in the Gainsborough area are nearing completion. The remaining lands in the Gainsborough/Mountcollyer are currently being advertised for sale through a development brief to provide affordable private sector housing.

House and Land Sales

We continued to implement the House Sales Scheme, which provides an opportunity for tenants to own their home. During the year we sold 402 homes under the scheme compared to 387 the previous year, realising capital receipts of £16m. In line with overall market conditions, the average valuation of sold houses increased slightly on the previous year, from £53.4k to £58.7k. However, with the benefit of discount entitlement, 'right to buy' sales remain one of the most affordable routes into home ownership currently available to our tenants.

Under the Scheme for the Purchase of Evacuated Dwellings (SPED) we acquired eight dwellings at a cost of £1.38m and disposed of seven dwellings, realising £0.46m. We also disposed of surplus land realising £1.65m, including the sale of development land to the value of £1.09m.

Small Pockets of Deprivation

The Small Pockets of Deprivation Programme (SPOD) is part of the Department's Neighbourhood Renewal Strategy for Northern Ireland and has been managed by the Housing Executive on behalf of the Department since it commenced in April 2006. The SPOD Programme was introduced to direct regeneration funding to a number of areas which, although targeted for action, were too small to be constituted as full-scale Neighbourhood Renewal Areas (NRAs).

In 2016/17 £402,000 was paid to 14 SPOD delivery organisations across Northern Ireland. Projects funded included programmes for men and women's groups, youth clubs, environmental groups, senior citizen groups, contributions to community office

running costs, one-off community events including health fairs, community fun days, Christmas events, education and training courses, after schools clubs, signposting services and drop in centres.

Building Successful Communities (BSC)

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

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

Six pilot areas were selected based on their level of deprivation. The BSC areas selected within Belfast are Lower Shankill/Brown Square, Lenadoon and Glencolin, Lower Falls, Lower Oldpark and Hillview, Tigers Bay and, in Ballymena, the Doury Road area. The Department established six forums which include government departments and community representatives.

Each forum developed an action plan and masterplan for the areas which were brought forward by consultants. The priorities for the action plan are in the process of being delivered, which involves the delivery of 'catalyst projects'. During 2016/17 the construction of six new social homes commenced on vacant land at Hallidays Road, Tigers Bay. A planning application has also been submitted to build a further 20 new social homes on vacant land at Hogarth Street, Tigers Bay.

In the Lower Oldpark and Hillview area eight new social homes, including a wheelchair suitable bungalow, were completed and occupied during the last year.

Feasibility work on the long term viability of Corrib Avenue flats and environmental improvements to Carrigart flats in Lenadoon and Glencolin, West Belfast, has commenced.

5 homes approved *under the Heritage in Housing Scheme*

In Lower Shankill and Brown Square feasibility work to deliver social and affordable homes at North Boundary Street and Hopewell Crescent has commenced. Derelict land which had been used as a bonfire site at Hopewell Crescent has been landscaped to provide a community garden.

The focus in the Lower Falls BSC has been on environmental improvements. Plans to externally improve the Maureen Sheehan Centre include upgrading the car parking, and plans to develop derelict land for new social homes have been progressing. In addition, vacant land at Divis Street has been released as a 'community asset transfer' to allow the development of a community radio station, Radio Failte.

In Doury Road, Ballymena BSC we have commenced the buyback of two dwellings to facilitate selective demolition. Also, a latent housing need assessment has been completed and conceptual layout plans for a new social housing development progressed.

Empty Homes

The Empty Homes Strategy and Action Plan was launched by the Department in September 2013 and aimed to bring empty homes back into use, address and reduce the negative impact of blight, property deterioration, anti-social behaviour and vandalism.

In January 2016, the Department commenced a review of the Empty Homes Strategy, and our activity since then has been focussed on maintaining the Empty Homes database. Out of the 1,297 properties reported as empty homes at 31 March 2017, 376 of these cases have been closed after investigation found that the properties were either occupied, for sale, for letting or under renovation. 406 properties reported are considered to be abandoned or blocked up, leaving 515 properties still considered as empty homes.

Arrangements have now been agreed between the Housing Executive and the Department for Communities to transfer responsibility for the management and administration of the Empty Homes database to the Department.

Heritage in Housing

The Townscape Heritage Initiative (THI) is the Heritage Lottery Fund's grant programme for the repair and regeneration of the historic environment in towns and cities. It provides grants to help communities regenerate conservation areas that display particular social and economic need.

THI is providing an opportunity for us to address empty homes within such designated areas, through its 'Heritage in Housing' Scheme which is a three year investment programme introduced in April 2015 aimed at assisting in bringing long-term empty properties back into use and encouraging the creation of private rented living units through.

We have now completed our second year of investment in the 'Heritage in Housing' Scheme, which in 2016/17 resulted in the completion of a further two properties, delivering three units of affordable town centre accommodation for private letting. We also commenced work in an additional five properties which, when completed, will deliver six more units of accommodation, at an overall cost of almost £105k. The programme for 2017/18 has now also been developed.

The 'Heritage in Housing' Scheme was recognised at the Housing Council Awards in March 2017 with the award of the Jack Bailie Trophy to our Rural and Regeneration Unit.

Rural Homes and People

In November 2016, the Minister for Communities launched the Housing Executive's Rural Strategy and Action Plan 2016-2020 'Sustainable Rural Communities.' The Strategy embraces the wider reforms of social housing, local government and the emergence of community planning. Perhaps most importantly, it recognises that the introduction of the Rural Needs Act in 2016 provides the legislative basis for the delivery of our specific rural approach and an opportunity to reinforce our commitment to identify and address the needs of our rural communities.

Through the Action Plan we have set out to ensure that rural areas (those with a population below 5,000)

47% of Affordable Warmth, 27% of boiler replacements and 42% of private sector grants took place in rural areas

receive an equitable share of all our services, based on analysis of need and monitoring of our activities.

In 2016/17, in terms of increasing the supply of rural social housing stock, 84 new units were delivered. Four new build social schemes commenced and an additional 40 units were purchased by housing associations in rural villages and small settlements, helping to house those in need and sustain rural communities. However, the rural new build target of 166 units (10% of overall programme) was not achieved this year. The new build target is becoming increasingly challenging due to difficulties acquiring land and the financial viability of schemes.

In 2017/18 we will focus our efforts on engaging with housing associations and with rural communities to identify housing opportunities which will address rural need.

In an effort to address fuel poverty and improve the energy efficiency of our properties, approximately 47% of Affordable Warmth installations, 27% of boiler replacements and 42% of private sector improvement grants were approved in rural areas.

Our third annual Rural Community Awards competition was launched in spring 2016. The competition rewards community groups who have involved their neighbours in taking pride and ownership of their village and have taken steps to improve the environment and/or services and facilities for community members. The competition continues to generate huge interest with a total of 25 applications received this year. The winners - Broughshane, Clady, Park and Strathfoyle - were presented with their awards at the launch of the Rural Strategy, and had an opportunity to showcase their wide range of projects including initiatives which support sustainable living and services which are accessible to the most vulnerable community members.

Environmental Policy

This past year has been marked by the transition of our Environmental Management System to ISO 14001:2015 for our operations at the Housing Centre, Belfast. We grasped the opportunity to accelerate the transition to the new standard, giving further consideration to resource-efficiency, supplier engagement, value chain analysis, monitoring and measurement, analysis and evaluation of compliance on an operational scale.

Our environmental policy has been the key driver for continuing and improving our environmental performance and our organisation's contribution to sustainable development. In accordance with our environmental policy, we will continue to support initiatives which develop local and sustainable communities together with continued participation and involvement with stakeholder groups, volunteer groups, non-governmental and third sector organisations such as the Royal Society for the Protection of Birds (RSPB).

A 5-year Urban Biodiversity Action Plan which we formulated in 2015 with the RSPB has been tailored to meet specific biodiversity objectives and targets across our land holdings, executed through our Grounds Maintenance teams. Actions are being implemented from the plan and will continue to be executed up until 2020.

Reporting our environmental performance has helped the organisation to engage our stakeholders more effectively, demonstrated through our participation in the 2016 NI Environmental Benchmarking Survey. This year we achieved Silver in the General Services category.

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Key Performance Indicators

Performance 2015/16	Performance 2016/17
<p>Enabling sustainable neighbourhoods RS KPI 5.1 Develop two large scale regeneration development opportunities</p> <p>Work progressed during the year on three sites but there was slippage in some milestone dates. An outline development plan for Galliagh is likely to slip while community consultation continues. Further work is being carried out to bring a proposal for Hope Street to our Board in 2016/17.</p>	<p>Enabling sustainable neighbourhoods RS KPI 5.1 Develop two large scale regeneration development opportunities</p> <p>Significant work has been carried out in relation to developing these opportunities. Galliagh – work is progressing on planning for this site. Hope Street – A Working Group is established and outline planning permission will be sought. Posnett Street – A Working Group is established with a housing association to progress development for the transfer of land. Clanmil Housing Association has been appointed to bring forward a mixed tenure residential development scheme.</p>
<p>RS KPI 5.2 Develop a Programme to acquire development lands for social and affordable housing</p> <p>A draft business case for this work has been prepared and the programme bid will form part of the Social Housing Delivery Strategy due in May 2016.</p>	<p>RS KPI 5.2 Obtain Departmental approval of the business case, and implementation of acquisition of lands for social and affordable housing</p> <p>The Housing Executive submitted the initial Land Acquisition Business Case to the Department, and is progressing this project.</p>
<p>RS KPI 5.3 Support the Department on the implementation of key projects arising from action plans for the six Building Successful Communities (BSC) pilots</p> <p>Not a KPI in 2015/16.</p>	<p>RS KPI 5.3 Support the Department on the implementation of key projects arising from action plans for the six Building Successful Communities (BSC) pilots</p> <p>We support the Department to bring forward actions relating to the Housing Executive responsibility within the six BSC areas.</p>

Performance 2015/16	Performance 2016/17
<p>RS KPI 5.4 Housing and Heritage (LOTS)</p> <p>There are six completed residential units against the target of five. At 15 April 2016 payments totalling £104,875 were made to eight properties (totalling 10 residential units) for 2015/16. Three properties (totalling four residential units) were not completed at year end and are due to complete in 2016/17.</p>	<p>RS KPI 5.4 Implement the Heritage in Housing Scheme</p> <p>The Heritage in Housing Scheme is a three year programme to bring 15 empty properties in conservation areas back in use for private rental. At the end of year two of the programme a further two properties were brought back into use for private letting. Year three of the programme was approved on 18/07/17.</p>
<p>RS KPI 5.5 TBUC: Complete and allocate three new shared neighbourhoods by March 2017</p> <p>Not a KPI in 2015/16.</p>	<p>RS KPI 5.5 TBUC: Complete and allocate three new shared neighbourhoods by March 2017</p> <p>Four new shared neighbourhoods have been completed and allocated:</p> <ul style="list-style-type: none"> • Ravenhill Avenue, Belfast • Felden, Newtownabbey • Burn Road, Cookstown • Crossgar Road, Saintfield
<p>RS KPI 5.6 TBUC: Progress the remaining six new shared neighbourhoods by March 2017</p> <p>Not a KPI in 2015/16.</p>	<p>RS KPI 5.6 TBUC: Progress the remaining six new shared neighbourhoods by March 2017</p> <p>Crossgar Road is completed and allocated. Schemes in the remaining five neighbourhoods are onsite:</p> <ul style="list-style-type: none"> • Banbridge • Dundrum • Ballymena • Ballynahinch • South Belfast



Performance Analysis

SUPPORT SERVICES

Support Services include the Finance, Audit and Assurance, Corporate Services and Chief Executive's Office divisions. These provide the necessary support services to underpin Regional and Housing Services.

Finance, Audit and Assurance Division provides corporate accounting, financial support, Internal Audit, Corporate Assurance, counter fraud and security, and Housing Benefit services.

Corporate Services include Human Resources, IT, Legal Services and Facilities Management.

The Chief Executive's office includes our DLO staff, as well as Communications and Secretariat.

Budgetary Management

Support Services (excluding DLO) have a total directly managed budget of £34.96m funded through a mixture of government grant and rental income. The funding allocation to support these functions is allocated on the following basis: salaries and payroll expenses £14.27m, overheads and operational running costs £20.69m. These costs are apportioned across the various Housing and Regional Services divisions.

Support Services spent a total of £38.5m funded through a mixture of government grant and rental income. Spend consisted of: salaries and payroll expenses £14.4m, overheads and operational running costs £22.5m, capital IT and accommodation costs £1.6m. These costs are apportioned to Landlord Services (£25.4m - 7.2% of total Landlord spend) and Regional Services (£13.1m - 4.6% of total Regional spend) divisions.

Journey to Excellence

In June 2014 the Board approved the Excellence Strategic Statements 2014-17 for Business, Customer, People and Technology. We are now in the third year of our major 'Journey to Excellence' transformation programme which seeks to deliver a more customer focused and efficient approach to service delivery, with improved performance.

Business Strategy

At the end of 2016/17 we had completed all of the elements within the three year Business Strategy, with the exception of the Accommodation Strategy. This was closed due to a change in the scope of the project. A new Corporate Accommodation efficiency project has been initiated and will be taken forward in the next financial year. As part of our Business Strategy we focused on value for money to ensure that we built a resilient organisation with the capabilities to manage change. We set out our requirements in relation to better financial management, business analysis, investment requirements, and business monitoring arrangements. In addition, we developed a procurement strategy to achieve effective procurement of works, supplies and services. We introduced an approach to help us understand what mattered to our customers; to understand the type and frequency of enquiries. This work informed the 'Build Yes' work that is on-going in the organisation.

Customer Excellence Strategy

Our Customer Excellence Strategy is well progressed. The development of a Customer Relationship Management System has now been moved into our new Digital Inclusion Project, which aims to provide our customers with increased services online and to assist our tenants to become digitally connected where they wish to do this. Although Housing Services has been awarded Customer Service Excellence for a number of years, the 2016 assessment, in which we achieved 17 Compliance Plus elements, is our highest yet.

A major part of the Customer Strategy was to gather customer intelligence so that we were able to build our services around our customers' needs. A key component for the delivery of the Housing Executive's vision for both customer and business excellence was the introduction of the 'Build Yes' programme which is in operation across both Regional and Housing Services.

People Strategy

This element focuses on the development and engagement of our staff. In June 2016 we launched our new performance management framework 'Driving Success'. The framework and its supporting system have been used for this year's staff appraisal and personal development plans. In September 2016, working in partnership with the University of Ulster, we introduced a Post Graduate Housing course. In December 2016 we established a Skills Enhancement system to promote staff development opportunities and our Employee Engagement Strategy was also completed. We also have put in place our Mentoring Scheme. Our Time and Attendance system is currently being upgraded and will complete during the 2017/18 financial year.

Technology Strategy

Technology is a key enabler for the delivery of our excellence strategy. Significant progress has been made on key projects related to the key themes of the Technology Strategy. The IT Team continues to work closely with Build Yes Redesign Teams to develop the interim Customer Management System and ensure its suitability and readiness for the roll-in of the 'Build Yes' programme across Housing Services division.

The majority of items under the three year technology strategy have been completed. However, our telephony refresh, which is underway, will continue during 2017/18; the mobile solution for our Direct Labour Organisation (DLO) phase one has been tested and rolled out while phase two is on-going. As part of facilitating the response maintenance project, interfacing our housing management system to allow contractors to input information was completed just outside the financial year.

Tackling Fraud

The Counter Fraud and Security Unit (CFSU) investigates all allegations of fraud or related offences within the Housing Executive, with the exception of Housing Benefit claimant fraud and

error. Since April 2017 this responsibility has moved from the Housing Executive to the Department. In the last year the Unit has also assumed responsibility for the management of all whistleblowing allegations within the organisation. In addition to investigative work, the Unit manages the quarterly reporting of the fraud and money laundering risk register, engages in the preparation of both e-learning and training packages for staff, manages all law enforcement court orders and information requests and provides expert advice and assistance to other investigative units within the organisation.

In the last financial year CFSU investigated three large-scale allegations. Two involved different aspects of grounds maintenance and there was one case of housing benefit landlord fraud. Both grounds maintenance investigations are ongoing, however, in both cases there has been no evidence of fraud uncovered during the investigation. In each case there have been issues identified with internal contract management processes. CFSU also provided assistance in a number of Human Resources related investigations, assisted with two issues relating to repair and renovation grants and a concern relating to a fraudulently cashed cheque raised by the finance department.

In September the Counter Fraud and Security Unit expanded by two members of staff to incorporate what was previously known as the Repairs Inspection Unit. This unit has now been renamed the Technical Investigation Unit, and their role is to carry out any maintenance-related investigation under the control of the Counter Fraud and Security Advisor.

All members of the Counter Fraud and Security Unit, including the Tenancy Fraud Unit, recently successfully completed a professionally accredited advanced investigation course.

The Tenancy Fraud Unit is a sub-unit of the Counter Fraud and Security Unit under the control of the Counter Fraud and Security Advisor. The Tenancy Fraud Unit began operating on 1 August 2014 following a Northern Ireland Audit Office report titled 'Tackling Social Housing Tenancy Fraud in Northern Ireland'. The recovery of social housing for re-allocation within the community, and the prosecution

*our Housing Benefit team dealt with **161,809** HB customers*

***304** properties were recovered by our Tenancy Fraud Unit*

of those who criminally abuse the system for their own benefit is a priority for the Housing Executive. During the last financial year we investigated 1,367 suspected cases of tenancy fraud. This resulted in a total of 304 properties being recovered for re-allocation. The Tenancy Fraud Unit investigated 220 of the total cases, resulting in 50 properties being recovered for re-allocation.

62 cases were as a result of whistle-blowing within the community, 141 emanated from housing management procedures, one was referred from Social Security Agency, one from the PSNI and 15 from Housing Benefit staff.

Of these 220 cases, 126 cases were in respect of non-occupation. All cases that had an associated Housing Benefit fraud have been passed to the Housing Benefit Review Team and the SSA Single Investigation Service (SSA is now part of the Department for Communities, as from 9 May 2016). 28 cases contained allegations of false succession or assignment claims, 12 alleged the provision of false information within a housing application or within supporting documentation and four contained allegations of false joint tenancy requests. 50 cases alleged sub-letting or unauthorised occupancy. 50 of the 220 cases resulted in the recovery of a dwelling. Using the UK standard value assigned to a recovered dwelling of £18,000 (National Fraud Authority 2013) this gives a 'recovered property benefit' of £900,000.

There were no prosecutions under the Fraud Act 2006 during the last year. Obtaining evidence to a sufficient standard to satisfy the criminal burden of proof is extremely difficult in cases such as non-occupation of a Housing Executive dwelling.

CFSU also took part in a range of other activities throughout the year, such as:

- Development of tenancy fraud awareness training;
- Oversight of the National Fraud Initiative (NFI) with regard to tenancy and right to buy datasets;
- Undertaking of investigation of a proportion of NFI matches relating to tenancy;
- Liaison with NIAO in order to broaden the datasets available for data-matching;

- Engagement with the transformation process in assisting with the development of new housing application and right to buy application forms, ensuring they were fit for purpose from a counter fraud and anti money laundering perspective;
- Development of data sharing protocols with a number of external agencies with a view to finalising these in 2017/18.

There are ongoing negotiations with the Department regarding the possibility of introducing legislation that would provide the Housing Executive with increased powers to tackle tenancy fraud through the courts.

Housing Benefit Administration

At the end of March 2017 there were 161,809 tenants claiming Housing Benefit (HB) broken down as follows:

Housing Executive tenants	65,228
Housing association tenants	29,416
Hostel claims	1,429
Private rented sector tenants	65,736

Over the course of the year we paid out £671.2m in HB, assessing 61,263 (4,092 found not to be eligible) new claims for HB and dealing with 510,831 changes to existing claims in the process. New claims were processed on average within 16 days of receipt of the claim with 48.5% of these being processed in under 10 days, while changes were made on average in 3.7 days of our being notified of the change.

Additional financial assistance was also delivered to 15,600 private sector claimants through the Discretionary Housing Payment Scheme, with awards totalling £3.3m being made over the course of the year. Distribution under Housing Benefit and Discretionary Housing Payment scheme for the financial year totalled £674.5m, compared with £683.4m for the 2015/16.

Further help with rates charges was also provided through the Rate Relief and Lone Pensioner Allowance Schemes. During 2016/17 a total of £3.5m was awarded in Rates Relief whose caseload

49,000 rent transactions were carried out on our website

1.6m visits to our website

stood at 21,146 at the end of March 2017, while a further £0.69m was awarded in Lone Pensioner Allowance which had a caseload of 5,374 at the end of March 2017.

We have also maintained our focus on the prevention and detection of fraud and error in the HB system. During 2016/17 sanctions were taken against more than 308 claimants for benefit fraud and we recovered over £13.7m of overpaid HB.

Complaints

We are committed to providing a high quality customer service and have a formal complaints scheme for any customer unhappy with the service they have received. Details of our complaints procedure are on our website and complaints may be made by telephone, by email, in writing and online.

During the year we dealt with 187 formal complaints. 120 complaints were investigated by the Regional Manager under the first stage of our complaints process, and 67 were dealt with at second stage by our Chief Executive, carrying out detailed investigations and addressing any issues raised. A further 10 cases were preliminarily investigated by the Commissioner for Complaints. Performance on complaints is reported to our Business Committee and annually to the Board, and we examine each of these cases to deliver service improvement.

Customer Service

We are constantly looking at ways to improve our digital services, and this year we introduced a dedicated Digital Engagement Team to find ways to make it easier for tenants and stakeholders to access our services when they want to, not just during standard office hours. We want to help people to get all the benefits of being online and will continue to look at innovative ways to offer users more convenience and flexibility by going digital first.

Our website currently offers a number of transactions on-line, such as the facility to pay rent, report fraud, make a complaint or give feedback on our services. For example, over 49,000 transactions

were made using our online facilities to pay rent, totalling over £6.3 million. The number of customers accessing our website through smartphones and tablets continues to grow, with more than 60% of the 1.6m visits to the website being made to the mobile version.

Our range of advice and guidance online during last year meant that:

- 57,000 people accessed our improved online payment page;
- 68,000 people looked for advice regarding Housing Benefit;
- 74,000 sought advice on private renting;
- 50,000 got guidance on the Boiler Replacement Allowance;
- 27,000 got information on the Affordable Warmth Scheme.

Our social media channels continue to grow in popularity, with our audience increasing to more than 4,300 Facebook and 4,380 Twitter followers.

Human Resources

Sickness Absence

Total absence for the year was 5.65%, a slight increase from the previous year's total of 5.42%. Long term sickness absence accounted for 48% and short term 52% of all absences. The HR Attendance Management Team continues to provide support in the management of attendance by advising on absence triggers, and supporting managers through the organisation's attendance management and review process.

In order to address increasing absence levels the Human Resources Attendance Management Team will continue to deliver sickness absence awareness training for newly recruited Team Leaders and Line Managers, covering relevant procedures, roles and responsibilities.

IT systems have been upgraded, with a view to providing managers with prompt information regarding absence triggers, actions required, etc.

Resourcing

Considerable progress was made this year with the implementation of the revised staffing structures across the organisation. This included 162 recruitment exercises. Several of these exercises attracted large numbers of applicants, most notable being the Housing Services Patch Manager, and Housing Advisor posts, which attracted over 600 applications.

In the Direct Labour Organisation (DLO) there was a pressing need to stabilise the structure and reduce the reliance on temporary agency workers, particularly in front line operational roles. Therefore, a series of recruitment exercises were carried out leading to permanent appointments across the full range of the DLO trades roles.

Implementing our Staff Succession Strategy we recruited a range of Trainees and Apprentices.

To assist with the progress to the new structures and new ways of working, the Voluntary Early Severance (VES) Scheme facilitated the voluntary release of staff from the organisation. We have reduced our permanent headcount from 2,635 in 2016 to 2,535 in 2017, and it is anticipated that this will reduce further during 2017/18 as staff are released under Tranche 3 of the VES Scheme.

Learning and Development

We recognise the wealth of talent we have across our organisation. In 2016/17 we continued to support the development and delivery of innovative learning initiatives which are aimed at identifying, leveraging and supporting this talent, and to equip the organisation to meet current and future needs.

In total 9,699 individual training interventions were delivered covering corporate, functional and generic training. This represents a 22% increase on 2015/16. This high level of activity reflects the importance of learning and development in ensuring that best-in-class housing services are delivered by a highly skilled, motivated and engaged workforce.

We continued to focus on the development of effective leadership and management capability

through the delivery of the Leadership, Trust and Confidence, Leader as Coach and People Management Programmes.

A key aspect of our Learning and Development Programme for 2016/17 was the delivery of the corporate elements of the Transformation Roll In Induction Plan for newly appointed staff. This included aspects of leadership, performance management, customer engagement and personal resilience.

We continued to administer the Professional Mentoring Scheme, undertaking a formal review to capture key learning benefits and identify possible improvements ahead of launching Phase 2 of the Programme mid-2017. Feedback indicates that the Programme is supporting the development of our talent across the organisation.

The Learning and Development function also undertook significant development to ensure we are equipped to deliver a high quality, comprehensive service and add value to our business. The Team successfully achieved ILM Level 5 Certificates in Coaching as well as Leadership and Management.

The Human Resources Team were also recognised as winners in the 2017 CIPD NI Awards in the categories of Talent Management Programme of the Year and HR Team of the Year.

Risk Management

The Housing Executive embarked on a review of risk management in the latter half of 2016, a comprehensive review which sought to enhance and improve our Risk Management Framework.

The review included a new Risk Management Strategy and updates to the Policy and Process documents to reflect best practice. These updates were approved by the Board in March 2017 and are now accessible to all staff. The review is now in the communication phase, with the roll out of a risk management e-learning module to all staff to raise awareness ongoing.

Throughout the year the Risk and Governance Team continued to identify, monitor and review risks, and

there were a number of actions closed out for key corporate risks. Our full report on Risk Management is detailed in the Governance Statement in the Directors' Report of our Annual Accounts.

Key Corporate Risks

The key corporate risks identified and monitored through the Corporate Risk Register in 2016/17 are as follows:

1	Political Support Failure to build effective political and key stakeholder relationships leading to lack of support/ confidence/ political distrust and reputational damage.
2	Social Housing Reform Programme (SHRP) Inability to achieve buy-in from Board, staff, and tenants to achieve delivery of the SHRP leading to confusion, reputational damage and service disruption.
3	Management of Allocated Funding Failure to utilise and manage allocated funding effectively.
4	Procurement The Housing Executive does not have effective procurement.
5	Contract Management Failure to effectively manage Housing Executive contracts leading to: <ul style="list-style-type: none"> • poor value for money • poor quality work • overpayments
6	Welfare Reform Failure to effectively manage impact of Welfare Reform leading to: <ul style="list-style-type: none"> • reputational damage • reduction in quality of service • tenant distress • financial loss
7A	Health & Safety (Corporate) Failure to protect the health and safety of tenants, employees and others and ensure compliance with health and safety regulations leads to death or serious injury.
7B	Health & Safety (Landlord) Failure to protect the health and safety of tenants, employees and others and ensure compliance with health and safety regulations leads to death or serious injury.

8	Housing Benefit Failure to deliver a Housing Benefit service.
9	Budget Reduction Impact of reduced funding on service and reputation.
10	Social Housing Development Programme (SHDP) Failure to adequately meet assessed housing needs and deliver the Social Housing Development Programme in line with budget.

Assurance Reporting

The Department's Management Board requires assurance that its arm's length bodies are operating effectively, have business planning processes in place, are achieving desired outcomes while stringently monitoring budgets, and are meeting their strategic objectives through effective risk management in a manner that is in accordance with all statutory requirements.

To ensure this, the Housing Executive has in place an assurance process whereby quarterly assurance statements are signed off by Assistant Directors and Directors for their areas of responsibility. These are underpinned by the Housing Executive's risk management process and are used to support the Chief Executive's quarterly Stewardship Statement, which is submitted to the Department to provide the required assurance. The quarterly statements are considered in the production of the Annual Governance Statement for the year end.

Efficiencies

The identification and realisation of efficiencies has been a continuing task for managers across all divisions throughout 2016/17. This activity is critical to ensuring that best value is obtained for funders, be they tenants or the Department, in this year and in future years. The Finance Division have been working alongside colleagues in other divisions to ensure that efficiencies are both programmed and sustainable for the years ahead.

SUPPORT SERVICES

Key Performance Indicators

Performance 2015/16			Performance 2016/17		
Housing Benefit SS KPI 5.1 Process new Housing Benefit claims within 25 days			Housing Benefit SS KPI 5.1 Process new Housing Benefit claims within 22 days		
	Target	Actual		Target	Actual
Overall end of year average – measured in days	25	16.8	Overall end of year average – measured in days	22	16.0
SS KPI 5.2 Process changes of circumstances claims within an average of 8 days			SS KPI 5.2 Process changes of circumstances claims within an average of 7 days		
	Target	Actual		Target	Actual
Overall end of year average – measured in days	8	4.9	Overall end of year average – measured in days	7	3.7
SS KPI 5.3 Ensure an accuracy rate of 97% for Housing Benefit assessments			SS KPI 5.3 Ensure an accuracy rate of 97% for Housing Benefit assessments		
The accuracy rate at the year-end was 99%, exceeding the target.			The accuracy rate at the year-end was 98.9%, exceeding the target.		
SS KPI 5.4 Recover at least £14m of overpayments			SS KPI 5.4 Recover at least £14m of overpayments		
£14,647k was recovered during the year, exceeding the target.			The target was not met with £13,717,834 being recovered during the year.		
SS KPI 5.5 Reduce the level of fraud and error to 3.35% of Housing benefit expenditure			SS KPI 5.5 Maintain the level of fraud and error to 3.35% of Housing benefit expenditure		
This is measured at the end of the calendar year and at the end of December 2015 the result showed a reduction to 3.5% which narrowly missed the target of 3.35%.			This is measured on a calendar year (January – December 2016). Findings show an increase to 5.2% fraud and error. At the 2016/17 year end the level of fraud & error was at 5.7% (this covers the period 01/04/16 to 31/03/17).		

Performance 2015/16	Performance 2016/17
<p>SS KPI 5.6 Housing Benefit – Welfare Reform Work with the Department and agree a transition plan for Universal Credit. Introduce the social size criteria.</p> <p>We met regularly with the Department to work on a transition plan for Universal Credit.</p> <p>In relation to the social size criteria, the Northern Ireland Welfare Reform Bill received Royal Assent on 25.11.15 and an independent panel was set up to look at implementation however, details had not been finalised by the end of March 2016. We will continue to meet with the Department for regular updates.</p>	<p>SS KPI 5.6 Housing Benefit – Welfare Reform Work with the Department and agree a transition plan for Universal Credit. Introduce the social size criteria.</p> <p>1. Develop and agree a transition plan for Universal Credit (UC) An inter-divisional working group has been set up. A business case was submitted to the Universal Credit Project Board to formalise a Project Board within the Housing Executive, with membership across a number of departments and divisions has been approved and a Project Team is now in place. A series of workshops have been attended by staff from the Housing Executive, the Department and LPS in respect of arrangements for stopping HB as claims move over to Universal Credit (UC). Go Live was 27.09.17 for the first office (Limavady Jobs and Benefits office) with a timetable for rollout in Northern Ireland through 2017 and 2018.</p> <p>2. Introduce the social sector size criteria The Social Sector Size Criteria (SSSC) was implemented from 20 February 2017 and arrangements are in place with the Department to make mitigation payments to those claimants affected.</p>
<p>SS KPI 5.7 Maximum percentage of new claims registered more than 50 days (Target 2%)</p> <p>Not a KPI in 2015/16</p>	<p>SS KPI 5.7 Maximum percentage of new claims registered more than 50 days (Target 2%)</p> <p>0.5% of new claims were registered outside the 50 days.</p>
<p>SS KPI 5.8 97% of new claims decided within 14 days of having all information</p> <p>Not a KPI in 2015/16</p>	<p>SS KPI 5.8 97% of new claims decided within 14 days of having all information</p> <p>98.6% were decided within 14 days.</p>
<p>Financial Management SS KPI 1.1L Ensure that Landlord financial resources are managed effectively</p> <p>At the end of the financial year, Landlord Services projected an underspend of £0.98m capital and £11.62m revenue mainly due to reduced maintenance expenditure and deferred Voluntary Early Severance (VES) releases. Additional funding was received in year for VES and maintenance, facilitating the transfer of rental income to the reserve. The combined net transfer to the reserve will be £26.9m. As a result, there will be sufficient funding available to fund the capital Interim Investment Programme (IIP) due to complete in 2017. Expenditure is forecast to be within tolerances of 5% on maintenance and 2% on other expenditure at year end.</p> <p><i>Both Capital and Revenue are reported together here, however, in 2016/17 these were reported separately.</i></p>	<p>Financial Management SS KPI 1.1L Ensure that Landlord financial resources are managed effectively</p> <p>Capital: Financial resources are closely managed throughout the year with any unspent monies transferred to reserves for re-programming. An easement of £11.4m was reported, of which £9.04m was due to slippage on Housing Stock Improvements. An additional £2.198m budget was allocated for stock improvements at January Monitoring. The IIP Target of £21m to end of March was met. The total capital budget includes an amount of approximately £7m transferred from reserves.</p> <p>Revenue: Financial resources are closely managed throughout the year with any unspent monies transferred to reserves for reprogramming. The easement of £23m was largely in relation to planned maintenance and was offset by a pressure in relation to Corporation Tax of £5.8m.</p>

Performance 2015/16	Performance 2016/17
<p>SS KPI 1.1R Ensure that Regional financial resources are managed effectively</p> <p>At the end of the financial year there was a £1,172k underspend (excluding AME/ Non-Cash expenditure). The underspend, including AME/ Non-Cash expenditure, was £4,163k.</p> <p><i>Both Capital and Revenue are reported together here, however, in 2016/17 these were reported separately.</i></p>	<p>SS KPI 1.1R Ensure that Regional financial resources are managed effectively</p> <p>Capital: There is now a minor easement of £0.155m reported. A pressure of £1.8m has emerged against Affordable Warmth and £0.15m against Private Sector Grants. This was offset in part by the easement of £0.9m against Boiler Replacement. The remainder of this pressure was offset against an easement of £0.8m which was reported against SHDP. There was an easement of £0.62m forecast against SPED purchases, with a further easement of £0.09m against capital accommodation costs. This was offset by a pressure of £0.35m against SPED Sales. This leaves the year-end position within a reasonable tolerance level.</p> <p>Revenue: The pressure of £1.57m was due to the Department permitted pressure of £2m against Supporting People being offset against small easements. Financial resources are closely managed throughout the year and excluding the £2m permitted overspend against Supporting People, leaves the year-end position within a reasonable tolerance level.</p>
<p>SS KPI 1.2 Work with each Division to improve financial reporting arrangements</p> <p>New cost centres implemented & revised reports produced for budget holders. Further development will form part of the Finance Development Plan.</p> <p><i>See note above</i></p>	<p>SS KPI 1.2 Work with each Division to improve financial reporting arrangements</p> <p>A significant amount of work has been carried out with each Division on financial reporting. This has improved the finance reporting arrangements, particularly through the new business partnering approach. A revised 'accounts structure' will now be introduced on a phased basis during the course of the 2017/18 financial year with a revised target end-date of 31 March 2018.</p>
<p>SSKPI 1.3 Efficiency Planning - to develop a Savings Delivery Plan for 2017/18-2019/20 to deliver savings in each year in both Regional and Landlord cost bases</p> <p>Not a KPI in 2015/16</p>	<p>SSKPI 1.3 Efficiency Planning - to develop a Savings Delivery Plan for 2017/18-2019/20 to deliver savings in each year in both Regional and Landlord cost bases</p> <p>A final version was submitted to Chief Executive's Business Committee on 10 January 2017, with an update to the Department in February 2017 and the Housing Executive Board in April 2017. The Fresh Ideas Scheme has been rebranded as 'Innovate' and was launched on 20 January 2017.</p>



Clark Bailie

Chief Executive

29 November 2017

Key Performance Validation Certificate

Under Managing Public Money Northern Ireland (MPMNI) rules, the Chief Executive has prime responsibility for the achievement of performance targets agreed with the Department for Communities, and that suitable systems are in place to provide reliable information on performance against those targets.

Our Internal Audit Department is responsible for assessing the adequacy and effectiveness of controls within these systems and validating actual performance.

Opinion

Based on the sample validation testing carried out, our Internal Audit Department is content to conclude that the 2016/17 KPIs have been calculated on a reasonable basis with appropriate supporting evidence.



Lee Campbell

Assistant Director, Internal Audit



ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

OVERVIEW

The Accountability Report has three sections:

1) Corporate Governance Report:

The purpose of the Corporate Governance report is to explain the composition and organisation of the Housing Executive's governance structures and how they support the achievement of its objectives.

The Corporate Governance report includes the Directors' Report, the statement of Northern Ireland Housing Executive's and Chief Executive's responsibilities and the Governance statement.

2) Remuneration and Staff Report:

The purpose of the Remuneration and Staff Report is to set out the Housing Executive's remuneration policy for directors. Further it also includes the remuneration due to the director, pension information and details of any benefits in kind if applicable. A staff report is also included which provides detail of staff numbers and costs, staff composition, sickness absence data, off-payroll engagements in accordance with Treasury guidance and staff policies adopted during the year by the Housing Executive.

3) Assembly Accountability and Audit Report:

The Assembly Accountability and Audit Report brings together the key accountability documents within the annual report and accounts. These key documents include the certificate and report of the Comptroller and Auditor General, Losses and Special Payments and details of any remote contingent liabilities.

DIRECTORS' REPORT:

This part of the Annual Report sets out the Accounts of the Northern Ireland Housing Executive for the financial year ended 31 March 2017.

Statutory basis

The Northern Ireland Housing Executive (the Housing Executive) is a Non-Departmental Public Body (NDPB) for accounting purposes, which was originally established by the Housing Executive Act (Northern Ireland) 1971 (since repealed and superseded by the Housing (Northern Ireland) Order 1981). Under the terms of the 1971 Act, the Housing Executive took over the housing responsibilities of some 65 separate authorities and became Northern Ireland's single comprehensive regional housing authority. The Housing Executive's main functions, duties and powers are primarily contained in a series of housing orders spanning from 1981 to 2006, amended and supplemented by the Housing Amendment Acts of 2010, 2011 and 2016.

Primary responsibilities

As a comprehensive regional housing authority, under existing legislation the Housing Executive's responsibilities consist of a range of duties, powers and functions which include the following:

- to regularly examine housing conditions and housing requirements;
- to draw up wide ranging programmes to meet these needs;
- to effect the closure, demolition and clearance of unfit houses;
- to effect the improvement of the condition of the housing stock;
- to encourage the provision of new houses;
- to establish housing information and advisory services;
- to consult with district councils and the Northern Ireland Housing Council in respect of drawing up draft programmes meeting housing need;
- to manage its own housing stock in Northern Ireland;
- the preparation and drafting of the statutory Housing Selection Scheme and any modifications for departmental approval;

- to support, or aid in the support of, charitable or benevolent associations or institutions connected with the provision of housing accommodation, or with objects ancillary to such provision;
- to provide grant payments to improve private sector homes;
- to provide disabled facility grants for the adaptation of private sector homes to enable disabled residents to continue to live in their homes;
- to formulate and implement a Homelessness Strategy;
- to carry out homelessness assessments and in certain circumstances to secure housing for the homeless;
- to provide caravan sites for the Irish Traveller Community as appears appropriate;
- to prepare and comply with a registration scheme for Houses in Multiple Occupation (HMOs);
- the giving of assistance by way of grant or loan to a voluntary organisation concerned with homelessness, or with matters relating to homelessness.

The Housing Executive has additional functions under other legislation which include that of the Home Energy Conservation Authority for Northern Ireland and the administrator for the Supporting People programme and Housing Benefit. We are also responsible for management of the Social Housing Development Programme and the administration of the Affordable Warmth Scheme. In addition, the Housing Executive also provides services in connection with the provision of support for asylum seekers, refugees and their dependents under powers conferred on it by various immigration related legislation.

Board Members

The Housing Executive is subject to the Department for Communities' right to issue a direction in connection with the exercise of any of its functions. On 9th May 2016, the Department for Communities was formed following the amalgamation of the Department for Social Development, Department of Culture, Arts and Leisure and some of the functions of other departments. It is referred to as "the Department" throughout this report.

Following Ministerial approval, all Board Members are appointed by the Permanent Secretary of the Department. Four members are appointed from the Northern Ireland Housing Council membership and

the remainder are independent appointments.

The Housing Executive Board has responsibility for setting strategic direction and leadership, as well as providing oversight, support and challenge to the Housing Executive Senior Management team who are responsible for the general policy, management and operation of the Housing Executive.

Board Members for the period 1 April 2016 - 31 March 2017

Chairman Donald Hoodless BA, DPA, OBE
(until 31 December 2016)

Vice Chairman Professor Peter Roberts BA, MA, DLitt, MRTPI, FIED, AcSS, FRSA, OBE
(until 31 December 2016)

Interim Chairman Professor Peter Roberts, BA, MA, DLitt, MRTPI, FIED, AcSS, FRSA, OBE
(from 01 January 2017)

Interim Vice Chairman Greg Lomax (from 01 February 2017). Greg Lomax was originally appointed to the Board on 15 April 2013 for a 5 year term. His term is due to end on 14 April 2018.

Phillip Brett (Appointed 01 June 2015 to 31 March 2019)

Catherine Elattar (Appointed 01 June 2015 to 31 March 2019)

Bill Keery (Appointed 01 June 2015 to 31 March 2019)

Hazel Legge (Appointed 01 June 2015 for a period to 31 March 2019). Hazel Legge resigned from the Board on 11 May 2017 but was reinstated on 6th October 2017.

Kenneth Millar BA (Re-appointed 01 June 2015 to 31 May 2020)

Jim McCall (Appointed 01 June 2015 to 31 May 2020)

Derek Wilson (Appointed 01 June 2015 to 31 May 2020)

Donald Hoodless resigned from his post as Chairman on 31 December 2016. The Vice Chair, Professor Peter Roberts, was appointed Interim Chair of the Housing Executive Board from 01 January 2017 and expressions of interest were requested from Board Members for the Interim Vice Chair position. Mr. Greg Lomax was appointed Interim Vice Chair in February 2017.

At 31 March 2017, the gender breakdown of the Board and Chief Executive was:

Female: 2

Male: 8

Register of interests

In accordance with the Code of Practice for Board Members of the Northern Ireland Housing Executive, a Register of Interests is maintained to record Members' declarations of any personal or business interests which may conflict with their responsibilities as Board Members. Members of the public have access to the Register, upon prior written notice.

Financial accounts

The accounts are presented in accordance with the Accounts Direction given by the Department with the approval of the Department of Finance, in accordance with article 21(2) of the Housing (Northern Ireland) Order 1981.

Results for the year

The Housing Executive operates separate budgetary control and reporting requirements for Landlord Services and Regional Services. This results from Landlord Services being categorised as a Quasi Public Body and Regional Services being categorised as a Non Departmental Public Body (NDPB).

Landlord Services is mainly funded by rental income from tenants, supplemented by grant funding from the Department and a small amount of miscellaneous income. Landlord Services are able to utilise unspent rental income to fund expenditure in future years.

Regional Services is almost entirely funded by Government Grant from the Department and, includes both:

- DEL Capital and Resource funding;
- Annually Managed Expenditure funding.

Details regarding budgetary performance for the year in respect of Landlord Services and Regional Services are included in the Performance Report.

For the Year Ending 31 March 2017, the Housing Executive continues to prepare its annual report and accounts in accordance with International Financial Reporting Standards.

The Statement of Comprehensive Net Expenditure within the annual accounts shows Net Expenditure

for the year of £261.4 million (2016: £248.9 million).

During the year, a revaluation of the Housing Executive's land and housing stock and other property assets portfolio was undertaken by independent external valuers. More detail is provided in Note 10 and in the section below titled "Property, Plant & Equipment".

The Housing Executive continues to undertake a programme of restructuring which incurs early departure costs as a result of reducing the number of posts required within the organisation. In-year costs of £7.2m (2016:£7.4m) have been included in the Statement of Comprehensive Net Expenditure, in accordance with "International Accounting Standard 1", Presentation of Financial Statements. More details regarding the restructuring can be found in the Staff Report within the Accountability Report.

The annual pension report, which is provided by the appointed independent actuary, continues to show a deficit in the pension fund. The deficit has increased from £58.2 million in 2015/16 to £157.8 million in 2016/17. The actuary explained that the increase in the deficit is mainly due to a change in the assumptions, particularly the decrease in the discount rate. The increase in the deficit due to the change in assumptions is partly offset by a higher than expected return on assets. Note 22 provides further pension disclosures.

Property, plant & equipment

For year ending 31 March 2017 annual accounts, the Housing Executive's land and housing stock have been revalued by an independent external valuer as at 31 March 2017. The Land was valued by McKibben Commercial Property Consultants and the Housing Stock was valued by Land and Property Services, an executive agency within the Department of Finance for Northern Ireland. The remainder of the Housing Executive's property was revalued using appropriate indices supplied by Land & Property Services. The 'Other Assets' category was revalued using appropriate March 2017 indices.

Housing Stock continues to be valued at 'Existing Use Value for Social Housing' based on the guidance issued by the Department of Communities & Local Government: 'Stock Valuation for Resource Accounting – Guidance for Valuers 2016'. Valuations were made in accordance with the Royal Institution of Chartered Surveyors' Red Book.

Existing Use Value for Social Housing is obtained by adjusting the market value for each property archetype by a factor (adjustment factor) which reflects the valuation for the properties if they were to be sold with sitting tenants enjoying tenant's

rights. The Adjustment Factor measures the difference between private open market rented property and socially rented property at a regional level and has been calculated in accordance with the guidance.

A revaluation of the Housing Executive's property portfolio as at 31 March 2017 resulted in an increase in value of £97.8million which has been transferred to the Revaluation Reserve Account. Of this amount, £91.2million represented an increase in the housing stock valuation, which is reflective of a general improvement in property prices in Northern Ireland.

Land, Commercial Properties and Offices are valued at open market value for existing use. Hostels and Travellers' sites are considered to be specialised assets and are valued at Depreciated Replacement Cost.

There was a £3.8m increase in the value of land as a result of the revaluation exercise undertaken by McKibben Commercial Property Consultants. During the current financial year, land which was previously identified as 'Amenity' has been reclassified as 'Undeveloped Land' with a value of £2.3m (see Note 10(a) Land – Reclassification uplift) and is accounted for as a revaluation movement. Land classified as Amenity Land has no value and is reflected within the social housing values.

The realised revaluation surplus on the disposal of houses and land of £13.5 million has been transferred to the Revenue Reserve Account from the Revaluation Reserve Account. An additional £1.4m has been transferred from the Revaluation Reserve to the Revenue Reserve in respect of previous years' revaluation gains for IT Hardware and IT software. These gains are now to be recognised in the Revenue Reserve in accordance with correct accounting treatment. During the financial year, the Housing Executive sold 399 dwellings. In addition, 1 house was transferred to a Housing Association.

Charitable donations

The Housing Executive made no charitable donations during the year.

Research and development

Housing research and intelligence plays an important role in informing the work of the Housing Executive and the Department, helping them to meet their key objectives.

A number of key research projects were completed during 2016/17, including the fieldwork on the 2016 Northern Ireland House Condition Survey (HCS). The 2016 HCS was the first since 2011 and,

following completion of the fieldwork in autumn 2016, the preliminary report on the dwelling stock and unfitness was published in March 2017. Work is ongoing to produce the main report, which is due for publication in early 2018 and will include findings in relation to fuel poverty, disrepair, Decent Homes, Standard Assessment Procedure (SAP), the Housing Health and Safety Rating System (HHSRS) and household profiles.

This year also saw the completion of two important research projects relating to the Supporting People and Homelessness Programmes. The first of these, 'Evaluation of the Efficiency and Effectiveness of the Housing First Support Service' Piloted by Depaul in Belfast, examined the relative costs and outcomes of the Housing First approach, while the second, 'Northern Ireland Homelessness Strategy: an evaluation', focused on the first four and a half years of the implementation of the five-year Homelessness Strategy for Northern Ireland, 2012-2017. The findings of both reports have been used to inform the development of the draft Homelessness Strategy for the period 2017-2022.

The annual Continuous Tenant Omnibus Survey (CTOS) continues to provide a wealth of customer views on how well we are delivering key services. The 2016 survey once again indicated generally high levels of satisfaction with services, but also a number of issues and areas where improvement is required. CTOS data was used to inform another key project completed during the year, on The Business Benefits of the Housing Executive's Community Involvement Activity. The findings of this and another significant project on Tenant Involvement in Governance in the Social Housing Sector, will inform the Housing Executive's future approaches to community and tenant involvement.

Our Research Unit has also supported the Department for Communities on policy-related research, including a study on the Impact of Potential Changes to Rent Policy in the Social Sector. In addition, as part of the ongoing commitment to engage with customers and stakeholders, the Housing Executive held another two Housing Market Intelligence Exchanges in October 2016 and March 2017. These Insight exchange events will continue to take place twice-yearly, providing an opportunity to share research findings and discuss key issues across the housing sector.

Open Government

The Housing Executive complies with the Freedom of Information Act 2000.

Payment to creditors

The Housing Executive is committed to the prompt payment of bills for goods and services. We aim to pay valid invoices within 10 working days in line with the Government Prompt Payment Target and within 30 days at the latest in line with our standard terms and conditions, unless otherwise stated in the contract. In 2016 -17, a total of 423,443 (2015/2016: 429,847) payments were processed with 414,471 (97.88%) (2015/2016: 422,355 (98.26%)) being paid within 30 days of the invoice date. In relation to the 10 day payment target which relates to goods and services invoices only, a total of 379,049 (89.52%) (2015/2016:389,630 (90.64%)) were paid within 10 days of the invoice date.

Pensions

The Housing Executive participates in the NILGOSC pension scheme for the majority of its employees. This is a defined benefit pension scheme. The assets are accumulated in the scheme, which is multi-employer, and are held separately from the assets of the Housing Executive. The Housing Executive Accounting Policy 1(o) provides additional information on pensions.

Financial instruments

IFRS 7, "Financial Instruments: Disclosures", requires the Housing Executive to disclose the significance of financial instruments for the Housing Executive's financial position and performance, the nature and extent of risks arising from financial instruments and how those risks are managed. The Housing Executive is not exposed to the same financial risks as that faced by commercial businesses as it is in receipt of subvention from the Department, however full disclosure is given in Note 20.

EU Referendum

On 23 June 2016, the UK held a Referendum to determine whether the country would remain in or leave the EU. The Housing Executive is currently assessing the implications of the majority leave result on the organisation, but do not consider that it will result in any material impact on its future activities.

Going Concern

The Northern Ireland Assembly was dissolved as from 26 January 2017 for an election which took place on 2 March, on which date Ministers also ceased to hold office. The Northern Ireland Executive was not formed following the election within the period specified in the legislation. This meant that a Budget Act was not in place for the start of 2017-18 and so emergency powers were provided by the Permanent Secretary of the Department of Finance to issue cash to departments and Non-Departmental Public Bodies from the NI Consolidated Fund. However, the Northern Ireland Budget Act 2017 was passed through the Houses of Parliament and received Royal Assent on 16 November 2017. As a result, the financing of the Housing Executive's liabilities will be met by future grants from the Department and the application of future income. There is no reason to believe that future approvals will not be forthcoming. It has therefore been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Disclosure of relevant audit information

So far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware. The Accounting Officer has taken all the necessary steps to ensure that both he and the auditors are aware of all relevant audit information.

Auditor

The Comptroller and Auditor General (C&AG) was appointed as the Statutory Auditor of the Housing Executive from 1 April 2003 following the Audit and Accountability (Northern Ireland) Order 2003. The C&AG is the Head of the Northern Ireland Audit Office and he and his staff are wholly independent of the Northern Ireland Housing Executive. He reports his findings to the Northern Ireland Assembly.

During the year ended 31 March 2017, the Northern Ireland Audit Office carried out additional non-audit services for the Housing Executive. These related to costs associated with the Housing Executive participating in the National Fraud Initiative. The cost of this exercise is disclosed in Note 6 to the financial statements.

Committee of the Board – Audit & Risk Assurance Committee

The Audit & Risk Assurance Committee is a committee of the Board. It is an advisory body which supports the Accounting Officer and the Board by offering objective advice on the risk, control and governance processes which have been established in the Housing Executive.

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

STATEMENT OF NORTHERN IRELAND HOUSING EXECUTIVE'S AND CHIEF EXECUTIVE'S RESPONSIBILITIES:

Under Article 21(2) of the Housing (Northern Ireland) Order 1981, the Department has directed the Northern Ireland Housing Executive to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Northern Ireland Housing Executive and of its income and expenditure, movement in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Department, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departure in the financial statements; and
- prepare the financial statements on a going concern basis.

The Accounting Officer of the Department has designated the Chief Executive of the Northern Ireland Housing Executive as Accounting Officer for the Housing Executive. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Housing Executive's assets, are set out in the Accounting Officers' Memorandum issued by the Department of Finance and Personnel (renamed the Department of Finance in May 2016) and published in *Managing Public Money Northern Ireland*.

GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 MARCH 2017:

The Chief Executive, as the Northern Ireland Housing Executive (NIHE) Accounting Officer (AO), is required to have in place adequate and effective arrangements for the management of risk and to produce an Annual Governance Statement. This Annual Governance Statement has been approved by the Housing Executive Board and forms part of the Annual Report and Accounts.

Normally the Governance Statement refers to an annual accounting period, in this case 1 April 2016 to 31 March 2017. However, due to the delayed certification of the 2016/17 Annual Report and Accounts, this year's Governance Statement has been revised to include note of any additional significant matters which occurred during the period 1 April 2017 and to the date the financial statements were authorised for issue.

This Annual Governance Statement has been produced in line with guidance issued by the then Department of Finance and Personnel (now Department of Finance DoF) in Dear Accounting Officer letter DAO 10/12 and Annex 3.1 of Managing Public Money Northern Ireland (MPMNI). It comprises the following sections:

1. Scope of responsibility;
2. The NIHE Governance Framework;
3. Overview of significant reports (3a External Reports & 3b Internal Reports);
4. Declaration of significant governance issues; and
5. Conclusion.

With effect from 9 May 2016, our Sponsoring Department, the Department for Social Development was renamed the Department for Communities (DfC). It is referred to as 'the Department' throughout this statement.

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Housing Executive policies, aims and objectives, whilst safeguarding the public funds and the Housing Executive's assets, for which I am personally responsible, in accordance with the responsibilities assigned in MPMNI.

The Management Statement and Financial Memorandum (The Statement) issued to the Housing Executive by the Department sets out the policy and resource framework within which the Housing Executive operates. It sets out the role and aims of the Housing Executive, its duties and powers, the responsibilities of the Chairman, Board and Chief Executive, and the relationship with the Minister and Sponsoring Department.

The Statement, MPMNI and relevant Accounting Officer letters set out the controls to be exercised over the different areas of activity, either by the Department directly, or by the Housing Executive, through its Board under delegated authority.

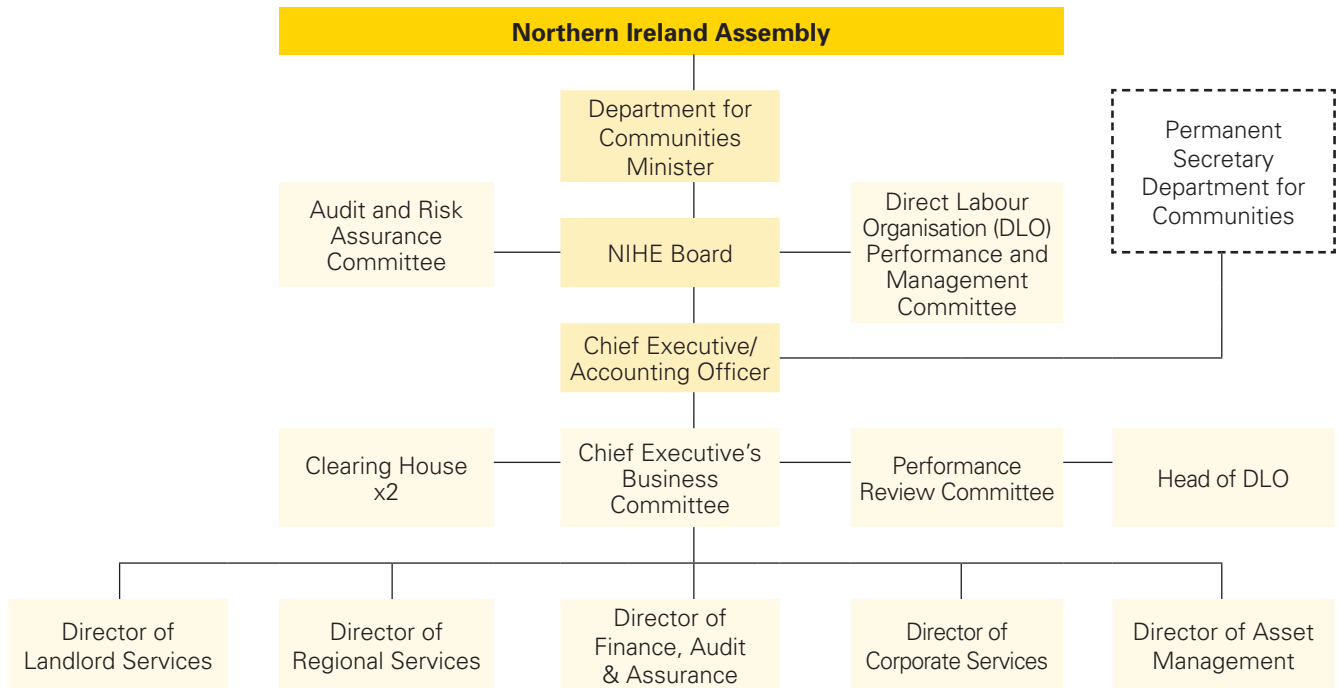
2. The Housing Executive Governance Framework

The Housing Executive operates a Governance Framework that brings together legislative requirements, governance principles and management processes. It comprises the systems and processes, cultures and values by which decisions are made and the functions undertaken to deliver the highest standards of housing services in accordance with the organisation's duties and responsibilities.

The Housing Executive has a Governance Framework, which includes the system of internal controls, standing orders and the assurance process which is regularly reviewed. The review of effectiveness is informed by the work of the divisional managers within the Housing Executive who contribute to the development and maintenance of the Governance environment. The Housing Executive maintained a system of Internal Control for the year ended 31 March 2017 in accordance with Department of Finance (DoF) guidance.

The Housing Executive's Head of Internal Audit's Annual Audit Opinion for the 2016/17 financial year provides a formal opinion on the governance, risk management and control arrangements in place within the Housing Executive.

The Governance structure diagram detailed below shows the relationship between the Housing Executive and its sponsoring Department; and between the Board, its Committees, the Chief Executive and the Senior Management Team.



* The Housing Executive's Board approved a new reporting framework for the Audit and Assurance Department in April 2016, which moved the reporting line into the new Director of Finance, Audit and Assurance from the Chief Executive.

The Board

The Housing Executive is governed by a 10 member Board. The role of the Board is to provide effective strategic leadership, direction, challenge, support and guidance to the organisation. The Board supports the delivery of the Programme for Government targets (PfG), Ministerial Priorities, the Department's Housing Strategies, Government Reforms and promotion of the core values of the organisation.

In April 2013 the 'Corporate Governance in Central Government Departments: Code of Good Practice NI 2013' was published. Annex A of the Code sets out a model Board operating framework to document a Board's roles and responsibilities. The Housing Executive Board implemented its own Board Operating Framework, based on the Code of Good Practice, which is reviewed at least every 2 years and was most recently approved at the November

2015 Board meeting, with minor changes, to reflect the current structures and operating environment.

The Board continued to give primacy respectively to Landlord and Regional Divisional issues on an alternating bi-monthly basis. This decision was taken following internal restructuring of the organisation in January 2014.

Donald Hoodless resigned from his post as Chairman on 31 December 2016. The Vice Chair, Professor Peter Roberts was appointed Interim Chair of the Housing Executive Board from 1 January 2017 and expressions of interest were requested from Board Members for the Interim Vice Chair position. Mr Greg Lomax was appointed interim Vice Chair in February 2017.

The recruitment process for Chair and Vice Chair of the Housing Executive Board was conducted by the Department in May 2017. The appointment will be made following Ministerial approval.

Board Member, Councillor Hazel Legge, resigned her position on 11 May 2017 to run as a candidate in United Kingdom General Election held on the 8th June 2017. Following an unsuccessful candidacy, Councillor Legge was reinstated to the Board by the

Permanent Secretary (in the absence of a Minister) on the 6th October 2017.

During 2016/17 the Housing Executive Board met on a monthly basis (usually the last Wednesday of each month). A special meeting of the Board occurred on 11 May 2016. No meetings were held in July or December. Board Attendance is outlined below:

Member Name	27/04/16	11/05/16	25/05/16	29/06/16	31/08/16	28/09/16	26/10/16	30/11/16	25/01/17	22/02/17	29/03/17	Comments
Donald Hoodless	✓	✓	✓	✓	✓	✓	✓	✓	n/a	n/a	n/a	Chair of NIHE Board – retired 31 December 2016
Prof Peter Roberts	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	Vice Chair of NIHE Board – Interim Chair from 1 January 2017
Greg Lomax	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Chair of DLO Committee Interim Vice-Chair from February 2017
Phillip Brett	✓	-	✓	✓	✓	✓	✓	✓	-	✓	✓	
Catherine Elattar	✓	-	✓	✓	-	-	✓	-	✓	✓	✓	
Bill Keery	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Hazel Legge	✓	-	✓	-	✓	✓	✓	✓	✓	✓	✓	
Jim McCall	✓	-	✓	-	✓	-	✓	-	✓	✓	✓	
Ken Millar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Derek Wilson	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

The Audit and Risk Assurance Committee (ARAC)

The Audit and Risk Assurance Committee (ARAC) is an advisory and scrutiny body with no executive powers. The Audit and Risk Assurance Committee supports the Accounting Officer and Board by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report. The ARAC operates in accordance with the Audit Risk and Assurance Committee Handbook NI as specified in DAO 05/14.

The Committee, which comprises three Board members and two Independent members, meets on a quarterly basis. An update is provided by the Chair of the ARAC to the following Housing Executive Board meeting. An annual report is produced by the Chair of ARAC which outlines the effectiveness of the Committee and the scope of work undertaken during the year. This report is also presented to the Housing Executive Board.

The meeting dates and attendance of each member of the ARAC from April 2016 to March 2017 is as follows:

Member Name	06/04/16	22/06/16	20/09/16	06/12/16	14/03/16	Comments
Prof Peter Roberts	✓	✓	✓	✓	n/a	Chair of ARAC until 31/01/2017
Greg Lomax	n/a	n/a	n/a	n/a	✓	Appointed Interim Chair of ARAC 01/02/2017
Ken Millar	✓	✓	✓	✓	✓	Board Member
Derek Wilson	✓	✓	✓	✓	✓	Board Member
JP Irvine	✓	✓	✓	✓	-	Independent Member
Deane Morrice	✓	✓	✓	✓	✓	Independent Member
Jim McCall	n/a	n/a	n/a	n/a	✓	Board Member

Following his appointment as Interim Chairman from 1st January 2017, Professor Peter Roberts stepped down from his post as ARAC Chair. Consequently, Greg Lomax was appointed as Chair of ARAC with Ken Millar moving from ARAC to serve as Interim Chair of the DLO Performance and Development Committee, (See below). Jim McCall was appointed to fill the resulting Board Member representative vacancy on ARAC on an interim basis.

Direct Labour Organisation (DLO) Performance and Development Committee

The DLO Performance and Development Committee is an advisory and scrutiny body with no executive powers and is responsible for providing assurance to the Board on the effectiveness and efficiency of management, performance, governance, and compliance control in respect of the DLO. The Committee, which comprises three Board members and two Independent members, meets with the Housing Executive Chief Executive, relevant Directors and DLO management six weeks prior to each Landlord Services Board Meeting.

Emerging risks will be identified and brought to the Board and the ARAC as appropriate. The Chair of DLO Performance and Development Committee will provide an update to the Housing Executive Board after each meeting.

The date and attendance of each member of the DLO Performance and Development Committee from April 2016 to March 2017 is as follows:

Member Name	10/05/16	27/06/16	09/08/16	11/10/16	16/01/17	04/04/17	Comments
Greg Lomax	✓	✓	✓	✓	✓	✓	Chair of DLO (appointed Chair of ARAC 01/02/17) Attended April meeting as observer
Ken Millar	n/a	n/a	n/a	n/a	n/a	✓	Board Member appointed Interim Chair of DLO (01/02/17)
Catherine Elattar	-	-	-	-	-	✓	Board Member
Bill Keery	✓	✓	✓	✓	✓	✓	Board Member
Billy Graham	✓	✓	✓	✓	✓	✓	Independent Member
Bob Millar	✓	✓	✓	✓	✓	✓	Independent Member

Standing Orders & Board Scheme of Delegations

The Housing Executive Standing Orders are the key governance document for the organisation and are in place to ensure transparent and effective decision making throughout the Housing Executive.

Standing Orders are used to regulate the proceedings and business of the Housing Executive and its Committees. In line with good governance, the Housing Executive reviews the Standing Orders and Board Scheme of Delegations on an annual basis. The 2016/17 annual review was completed on 31 August 2016.

This review included changes to the powers reserved to the Board, residual matters to be decided by the Chief Executive's Business Committee and powers delegated to specific posts. The Standing Orders and Board Scheme of Delegations will be kept under review.

Assessment of Compliance with the 2013 Corporate Governance Code of Good Practice NI

Departments, Agencies, Non-Departmental Public Bodies and other arm's length bodies are required to compile their Governance Statements for the 2016/2017 reporting period in line with the 2013 Code principles (where these are relevant). The Housing Executive, as an arm's length body of the Department, is compliant with all relevant aspects of the 2013 code.

Performance of the Housing Executive Board 2016/2017

The Board routinely undertake an Effectiveness Evaluation; the last external assessment was undertaken in 2014. With the change to Board Membership in June 2015, it was decided by the Board to postpone the Effectiveness Evaluation until October 2016. However with the appointment of a new secretariat manager it was decided to conduct an internal self-assessment process which was completed in March/April 2017.

The results were considered informally by Board members in April and were subsequently submitted for Board approval in May 2017. Overall results indicate responses within both the 'excellent' and 'very good' categories. Any areas identified for review/improvement will be addressed via the comprehensive Board Forward Work Plan in the next 12-24 months. A separate action plan to address identified actions from the Board self-assessment will also be implemented following the appointment of the new Chair and Vice Chair.

The Chairman conducted an annual appraisal of Board members' performance and contribution in May/June 2017 with the results submitted to the department. As a consequence, a number of training sessions and workshops, to enhance Board Members knowledge and skills, will be arranged. In addition, the Committees of Board also conduct annual appraisals.

As part of the Board's Annual Programme, visits are organised during the year to see projects being undertaken by the Housing Executive at a local level.

Training needs will be assessed as part of the continuing measurement of Board effectiveness.

Quality of information used by the Board

During his tenure as Chair, Donald Hoodless continued a programme of restructuring Board business to ensure the Board's time is focused on strategic matters and reflects the internal organisational structures, roles and responsibilities.

The Senior Management Team in conjunction with Board also reviews the Work Plan and further work will be conducted going forward to ensure that the future needs of the Board are met.

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

As Chief Executive, I am confident that Board Papers are of a satisfactory quality to facilitate the Board in conducting their duties.

Declaration of Interests & Conflicts of Interest

A process for Declaration of Interests by both Board Members and Officers is well established within the Housing Executive and is a standing agenda item at the start of every meeting of the Board, its sub-Committees and Senior Management Committees.

Under the Code of Conduct all Officers of the Housing Executive are required to maintain their Staff Declaration Register on an on-going basis and to confirm annually that all conflicts have been declared. This process is coordinated by Human Resources and Line Managers are required to sign off any declared interests. It should be noted that there was a Limited Internal Audit Report into Conflicts of Interest and Staff Declaration process and all recommendations are currently being addressed.

All stated Board member conflicts of interest were dealt with in compliance with the established processes and have been recorded in the Board minutes.

An electronic Register of Interests has been established which captures all outside interests, including conflicts of interest. This database is reviewed and updated as declarations are made.

National Fraud Initiative (NFI)

The Comptroller & Auditor General (C&AG) for Northern Ireland has been given statutory powers to conduct data matching exercises for the purposes of assisting in the prevention and detection of fraud.

The Housing Executive is fully engaged with this process which analyses data submitted by the wide range of public sector bodies participating in the National Fraud Initiative. Housing Executive submit a range of data sets which are matched against the data sets uploaded from, for example, all UK local authorities, some housing associations, student loans company, payroll, taxi licencing and deaths records. Data matches from the 2016/2017 NFI exercise were received in February 2017. The majority of housing tenancy matches have been allocated and are being investigated. This has resulted in a large ongoing data cleansing exercise to correct any mis-keyed data held within the housing tenancy data sets. Housing Benefit matches this year are being progressed using a focused strategy following an analysis of previous years' results. Three pilot data matching exercises are also ongoing within this year's NFI exercise.

Fraud risk is continually assessed within each business area of the organisation and reported quarterly to the Audit and Risk Assurance Committee. The Counter Fraud Strategy and Response Plan have been updated within the last year and the Counter Fraud Security Unit (CFSU) propose to target training at those areas where there is a perceived higher risk of fraud.

Housing Benefit Fraud & Error - Peer Review

The recommendations from the Housing Benefit Peer Review with the Department have now been fully implemented and since July 2016 all allegations of Housing Benefit Fraud are sifted jointly by a Housing Executive Fraud Liaison Officer and the Department's Single Investigation Service (SIS). The Housing Executive no longer carry out any preliminary investigations into any Housing Benefit fraud allegations. These new arrangements have enabled the Housing Executive to rationalise the staffing of Housing Benefit Review in all Housing Benefit offices.

Risk Management Overview

The Housing Executive is committed to the management of risk in order to achieve its corporate goals and objectives. During the latter half of 2016, the responsibility for risk management moved to the Director of Finance, Audit and Assurance. The Director requested that a fundamental review of the Risk Management policy and procedures be undertaken to enhance our current risk management framework.

A risk management strategy was developed which aimed to outline the strategic approach to risk management. Furthermore the risk policy and processes were enhanced to ensure best practice is adopted, with both public and private sector examples being considered.

The Housing Executive also developed a risk appetite statement, included below, which will assist us in being open and transparent in our approach to managing risk and risk exposure.

Furthermore, the Housing Executive has reviewed and updated our Corporate Governance Manual, which acts as a single point of reference for staff and includes detail on Committee Terms of Reference and significant legislation.

The Board have been briefed at least quarterly on the progress made as part of the risk management review and will provide final sign off on all new and enhanced documentation at the March 2017 Board.

Managing Risk within NIHE

The Board with overall responsibility for ensuring risk management within the Housing Executive is effective has delegated the oversight of risk management activities to the Audit and Risk Assurance Committee.

As Accounting Officer, along with my senior management team, I have responsibility for identifying and managing strategic risks in conjunction with Board and ARAC. I also have oversight and scrutiny of the operational effectiveness of the risk and assurance frameworks.

Within the Housing Executive, there is a dedicated risk management function, which is supported by divisional risk champions in maintaining the risk registers, identifying new/emerging risks, and managing identified risks.

However, the Housing Executive believes that risk management is the responsibility of all staff. An e-learning package has been introduced which will raise staff awareness and support them on their management of risk on a daily basis.

The Housing Executive has adopted a 5 stage approach to identifying and managing risk. This approach is in line with NIAO best practice.

The Housing Executive continuously horizon scans for new and emerging risks and in 2017/18 have introduced a new and enhanced Corporate Risk Register. The register contains 9 themes identified within the risk appetite statement and their associated risks together with proposed action plans, with target dates, in line with the agreed appetite for each theme.

Risk Appetite

A workshop was held with the Audit and Risk Assurance Committee members, available Board members and senior management in January 2017 to understand attitudes to risk appetite and risk management in general. The appetite aims to define the organisations attitude to risk in pursuit of its corporate objectives.

The risk appetite statement was developed in conjunction with the ARAC, Board, Senior

Management and I, as Chief Executive. The statement was presented to the ARAC on 14 March 2017 and subsequently to Board on 29 March 2017 for approval.

The Housing Executive has defined its overall risk appetite as cautious, which recognises the environment in which the Housing Executive operates and is cognisant of its role as an Arm's Length Body and the obligations that come with spending public money.

The cautious appetite reflects our preference for safe delivery options that have a low degree of residual risk with a strong control framework in place when dealing with the public and being accountable for public funding. However there will be areas where the Housing Executive may be more or less risk adverse depending on the business need and the potential risk associated with the activity. Furthermore, our business approach will always seek to be progressive and innovative.

The Housing Executive has identified 9 key risk themes and for each has identified an individual risk appetite:

Risk Theme	Appetite	Comments
Financial Management	Avoid	NIHE has no appetite for risk. Changes in the external environment must be identified and managed.
Welfare Reform	Cautious	NIHE are cautious in our appetite to risk in this issue as it is led by the government. The implications of Welfare Reform could lead to financial risks which may impact on the delivery of NIHE objectives.
Fraud and Error	Avoid / Minimalist	NIHE favour prevention over cure, but not at any cost. Judgemental caution will always be exercised in this area. NIHE recognise that on occasion human/customer error cannot be avoided.
Housing Supply & Homelessness	Cautious	NIHE are cautious as it has limited powers in relation to housing supply and is dependent on Housing Associations New Build programmes.
Organisational Change	Open	NIHE has an open appetite and support innovation and empowerment. We place our staff at the heart of everything we do and will endeavour to support staff in meeting the changing environment in which we operate.
Technology	Seek	NIHE recognise the ever changing world of technology and, to continue to be a leader in housing services, actively seek to take risks in its digital transformation programme - subject to cost benefit analysis, project oversight and protecting service delivery.
Health & Safety	Avoid	NIHE has no appetite for risk in this area. The Health and Safety of our staff, tenants and contractors is of paramount importance.
Programme	Open	NIHE has an open risk appetite in the delivery of its contract management services which include Strategy, Delivery and programme. However we recognise the potential impact of decisions beyond our control ie: rent increases.
Corporate Governance	Minimalist	NIHE place significant importance on corporate governance, including information security, data protection and freedom of information, legislative and regulatory requirements.

Definitions of Risk Appetite	
Avoid	Avoidance of risk is a key organisational objective; not willing to take any risk.
Minimalist	Preference for ultra-safe delivery options; with little to no appetite for risk.
Cautious	Preference for safe delivery options; with limited appetite for risk.
Open	Willing to consider all potential delivery options; with an acceptance of potential risk.
Seek	Eager to be innovative; choose options with higher rewards despite the greater inherent risk.

The Housing Executive will take risks that have been carefully considered and where controls have been implemented to reduce the likelihood of a risk materialising or the impact if one did materialise. This means that we will put in place processes and systems that will ensure we achieve our planned outcomes.

Where officers act in a calculated, measured way and in-line with the agreed risk appetite, the Housing Executive will provide full support for the decisions made and outcomes delivered by officers. The Housing Executive wants to foster an innovative and dynamic workplace and recognise that on occasion risk taking may lead to failure or set-backs, despite careful planning and robust management.

This appetite has been endorsed by the Board, Audit and Risk Assurance Committee and Senior Management Team and will be reviewed on an annual basis or as required.

The Corporate Risk Register

The Corporate Risk Register, as at 31 March 2017, included 11 risk themes with 4 identified as 'red risks' (a red risk is a risk the Housing Executive deem to have a major or significant impact and is likely or very likely to materialise). All risks are evaluated on the basis of the likelihood and impact of the risk materialising.

Risk	Progress
Contract Management	New Response Maintenance Contracts were awarded and commenced from September 2016. On the Planned Maintenance side, a project team has been established for future provision of planned schemes from May 2018, which will consider lessons learned from current delivery structure. Due to these major changes Contract management was identified as being a red risk
Welfare Reform	The introduction of Welfare Reform may result in significant loss of revenue, increased rent collection costs and pressure on resources through greater demand for housing services. NIHE continues to closely monitor developments in Welfare Reform in conjunction with the Department and to put in place agreed mitigation plans.
Health & Safety (Landlord)	<p>As Chief Executive, I have ultimate responsibility for Health and Safety within the organisation, supported by the Directors and Senior Managers. Responsibility for Health and Safety sits with senior and line management.</p> <p>The Risk is articulated as: 'Failure to protect the Health and Safety of tenants, employees and others and ensure compliance with Health and Safety regulations leads to death or serious injury'.</p> <p>A fatality occurred at an NIHE property during 2016/17 which is currently being investigated by the Health and Safety Executive.</p>
Budget Reduction	<p>The impact of reduced funding on service and reputation is identified as a red risk in obtaining our objectives</p> <p>The budget position continues to be closely monitored throughout 2016/2017 to identify potential pressures and implement corrective actions with a savings plan in place.</p>

A potentially significant strategic risk for the Housing Executive going forward is the lack of rent increase. As identified later, under section 4, there has been a freeze on Housing Executive rents for the last two years representing a significant loss of potential funding which would have been used to improve our stock.

Assurance Reporting

The Department's Management Board requires assurance that all Arm's Length Bodies are operating effectively, have business planning processes in place, are achieving desired outcomes while stringently monitoring budgets and are meeting their strategic objectives through effective risk management in a manner that is in accordance with all statutory requirements.

To ensure this, the Housing Executive have in place an assurance process whereby quarterly assurance statements are signed off by Assistant Directors and Directors for their areas of responsibility. These are underpinned by the Housing Executive Risk Management process and are used to produce the Organisation's Quarterly Stewardship Statement which is signed off the Chief Executive and Chairman before being submitted to the Department to provide the required assurance.

Departmental - Accountability Meetings

Since the Governance Review in 2010, the Department have held a number of forums to ensure there is sufficient oversight of the Housing Executive.

In 2015/2016 the Department and the Housing Executive agreed a new engagement framework for future meetings, this framework continued in 2016/17. The framework included agreed monthly performance meetings, quarterly accountability meetings, standing reporting documents and agenda items.

In the absence of a Minister, the Housing Executive Chairman and Chief Executive have held bi-annual meetings with the Department's Permanent Secretary.

Business Case Management System

During 2016/17 the Business Case Management System was enhanced as a central register and reporting tool to capture additional details regarding the status of business cases and provide enhanced reporting functionality.

Further training has been provided to staff and a suite of templates developed to assist with the appraisal of expenditures below £1 million. This suite consists of five general expenditures templates covering a range of expenditures up to this threshold, consistent with the Northern Ireland Guide to Expenditure Appraisal and Evaluation. Templates are also available for maintenance and small land disposal schemes.

Finance Business Partners have been formally added to the business case challenge and sign-off process for above-delegations proposals.

An internal Housing Executive test drilling exercise of cases below delegation has been carried out on a sample of business cases identified from the Business Case Management System. Any lessons learned from this exercise are being disseminated across teams to assist with the improvement of future business cases. Discussions have taken place with the Department economist to align future test drill exercises with the requirement for the Department to report to the Department of Finance on test drilling results across its remit.

3. Overview of Significant Reports/Issues

3a. External Reports

Public Accounts Committee

As reported in the 2015/16 Annual Governance Statement the Northern Ireland Audit Office (NIAO) published a report into Land Disposals in January 2016.

The NIAO report made four recommendations which the Housing Executive and the Department accepted. The recommendations outlined in the report have now been considered and implemented.

A process is now in place, led by the Director of Finance, Audit and Assurance, through the Audit and Assurance Department, to fully capture and disseminate all public sector wide audit recommendations to all departments within the Housing Executive. This process is kept under constant monitoring to ensure all Assistant Directors and their respective Departments are kept abreast of best practice in governance and accountability and key lessons learned.

The NIAO have recently published their report into Homelessness.

Departmental Inspections

In 2016/17 a programme of inspections by the Department was agreed with the Housing Executive Board.

To date five inspections have been completed in the following areas:

- Direct Labour Organisation - Fleet and Operation Management;
- Direct Labour Organisation - Stocks and Supplies;
- Direct Labour Organisation - Health and Safety;
- Response Maintenance; and
- Inspection of Technical Inspection Unit.

The Department has issued satisfactory outcomes for all the above inspections.

In 2017/18 a new programme of inspections was agreed with the Housing Executive Board and to date 1 final inspection has been completed in the following area:

- NIHE Internal Audit Report Issuing Process

This report concluded: '... the Team is content that the arrangements put in place by management to help ensure the independence of the Internal Audit function are appropriate and that the controls relating to the issue of reports are adequate and operating effectively and provide sufficient assurance on the reliability and robustness of the process'.

In addition to the above, in October 2017 the Department for Communities Head of Internal Audit issued a final report in the following area:

- External Quality Assessment of NIHE Internal Audit and Assurance (EQA)

This report made 11 recommendations and with an overall conclusion of 'Generally Conforms' with Public Sector Internal Audit Standards (PSIAS).

3b. Internal Reports

Head of Internal Audit Opinion

At the beginning of 2016/17 Audit year the Audit and Assurance Division (AAD) comprised 3 Units, namely Internal Audit, Assurance and Improvement unit, and Technical Inspection unit. During 2016/17 Internal Audit and Assurance and Improvement division were merged to reduce duplication. Throughout the 2016/17 year AAD delivered an ARAC approved programme of work to enable the Head of Internal Audit to provide an annual opinion on the overall adequacy and effectiveness of the NIHE's framework of risk management, control and governance.

The Head of Internal Audit on the basis of work carried out, provided an overall **Satisfactory Assurance opinion** regarding the adequacy and effectiveness of the NIHE's internal control environment in 2016/17. A number of reviews identified areas with significant internal control issues including contract management, compliance and health and safety and led to limited or unacceptable assurance opinions. However, overall there is an adequate and effective system of governance, risk management and control. While there is some residual risk identified this should not significantly impact on the achievement of objectives.

As Chief Executive and Accounting Officer I take assurance from the Head of Internal Audit's opinion and also that management have implemented, or are taking, actions to implement the recommendations made by AAD to address any control weaknesses identified.

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

Where internal control weaknesses have been identified in the reviews these have been reported to senior management and the ARAC, together with prioritised recommendations to strengthen controls and implement further improvement.

Internal Audit Reports

During the 12 months to 31 March 2017, the Internal Audit Unit within AAD delivered 44 internal audit assignments (9 of which related to Housing Benefit) and 1 consultancy assignments. 10 reports (excluding 1 Housing Benefit Limited opinion report) were issued with an overall Limited Assurance opinion and 1 report was unacceptable. No reports have been carried forward into 2017/18.

The internal audit assignments issued with an overall Limited audit opinion were:

- Information governance (Data Protection);
- Gas Certificates review (Health and Safety);
- Conflicts of Interest and Staff Declaration process (Governance);
- Workforce planning (Governance);
- CoPE Compliance – Procurement;
- CoPE Compliance – Contract Management;
- Health and Safety – Fire Safety.

- Consultant Led Planned Maintenance – Follow up;
- Low Rise Double Glazing – Follow up; and
- Asbestos – Follow up.

The internal audit assignment issued with an overall unacceptable audit opinion was:

- Legionella

When Internal Audit reports receive an overall Limited or Unacceptable opinion AAD carry out a follow-up review within 12 months to ensure recommended actions were taken and to get adequate assurance on the implementation of the recommendations as agreed by management. 4 follow up audits were carried out during 2016/17, 3 of these received limited assurance as a result of recommendations not being implemented as advised. As advised under Monitoring of Recommendations, as noted overleaf, a new process has been implemented to ensure that recommendations are not closed without validation by the Head of Internal Audit.

The 2017/18 Internal Audit and Assurance Programme to deliver 52 assignments was approved at the March 2017 ARAC. To date 1 report have been issued and reported to ARAC with an overall limited opinion as follows:

- External Legal Services.

Technical Inspection Unit (TIU) Reports

During the 12 months to 31 March 2017, the Technical Inspection Unit within AAD reported on 9 Response Maintenance (RM) Inspections, 16 Planned Maintenance (PM) Inspections and 1 technical inspection overview paper. 6 of these received an overall Limited Assurance opinion and 1 received an overall Unacceptable Assurance opinion.

The TIU reports which issued with an overall Limited opinion were 1 in the area of RM and 5 in the area of PM as detailed below:

- Grounds Maintenance – contractor South 1 (RM);
- Major Adaptations: North Region (PM);
- Major Adaptations: Belfast Region (PM);
- Major Adaptations: South Region (PM);
- Revenue Replacement ECM: South Region (PM); and
- Energy Performance Certificates (EPC) follow – up, All Regions (PM).

The TIU report which issued with an overall Unacceptable opinion was in the area of Planned Maintenance (PM) as follows:

- Vertical (through floor) Lift Contract, All Regions (PM) – Follow-up.

3 TIU reports were carried forward for reporting during 2017/18 and have been considered at ARAC. These are detailed below:

- All Trade 4 – Mid and East Antrim Area;
- All Trade 5 – Mid Ulster Area; and
- All Trade 6 – West Belfast Area.

These 3 reports were issued with an overall 'Limited Audit Opinion'.

Following approval at ARAC TIU were moved out of the Internal Audit unit to operate as the second line of defence within the Asset Management Division. The 2017/18 TIU inspection Programme was approved at the March 2017 ARAC. In addition to the 3 carried forward reports above TIU has to date finalised 2 inspections.

Following a review of the methodology used for Technical Inspection reviews a two tier methodology and associated documents were approved by the ARAC and NIHE Board in June 2016. This methodology has been used for all TIU inspections post June 2016. Recommendations made by Audit are currently being progressed.

Recommendations made by TIU are monitored on a monthly basis, with sufficient evidence being requested and reviewed, prior to recording and reporting a recommendation as Complete.

Head of Internal Audit Opinion (Housing Benefit)

During the 12 months to 31 March 2017, AAD carried out 9 audit assignments on Housing Benefit. 8 reports were issued with a satisfactory opinion and 1 was issued with a Limited opinion as follows:

- Belfast City Council / Digital Services Belfast Housing Benefit System

The Head of AAD on the basis of the work carried out provided an overall **Satisfactory Assurance opinion** on the system of internal control over the NIHE Housing Benefit in 2016/17. In forming the overall opinion, the Head of Internal Audit has taken account of the NIHE's risk management, control and governance arrangements.

Two Housing Benefit reports have been finalised from the 2017/18 approved audit plan. These were both issued with overall satisfactory assurance and were considered at ARAC.

Where internal control weaknesses have been identified these have been reported to senior management and to the ARAC, together with the recommendations for improvement.

Monitoring of Recommendations

AAD monitors the implementation of internal and external recommendations through the Recommendations Monitor process. Progress on implementing recommendations is reported on a monthly basis to the Performance Review Committee and quarterly to the ARAC.

There were 51 recommendations carried forward into 2016/17. During 2016/17 293 recommendations were added from new reports and 280 recommendations were completed with the remaining 64, 12 of which related to External recommendations made by NIAO, being carried forward into 2017/18.

The Department of Finance (DoF) issued a Dear Accounting Officer (DAO (DoF) 07/16) letter in July 2016 setting out a revised system of Internal Audit opinions to be used by Heads of Internal Audit together with a revised definition for each recommendation priority to be adopted by Arm's length bodies from the 2017/18 Financial year onwards. NIHE AAD adopted DAO (DoF) 07/16 following approval at September 2017 ARAC meeting. On an ongoing basis AAD will review all pre-September 2016 recommendation to assess the impact of the revised system on the priority applied at the time of Audit.

Going forward the Head of Internal Audit will on a monthly basis validate the reported status of all recommendations. No recommendations reported as complete will be removed from the monitor unless the HIA has signed off the status based on evidence provided. This status will be reported to ARAC on a quarterly basis. In addition recommendations made on external reports will require the external body to validate the reported status on a monthly basis.

In quarter 4 2016/17 AAD carried out a validation audit on recommendations where management had reported they had been implemented. The audit received a satisfactory assurance classification as 81% of the sample tested were accurately reported as complete, 19% were confirmed by AAD as partially implemented.

Management continue to progress all audit recommendations made to address any identified control weaknesses or improvements.

Update on Internal Investigations including potential Fraud Investigations reported in 2015/16 Annual Governance Statement

As reported in the 2015/16 Annual Governance Statement six new cases of suspected fraud were referred to the Counter Fraud and Security Unit (CFSU):

- One case, involving a private tenant fraudulent Housing Benefit claim, was dismissed at Belfast Magistrates Court due to the non-attendance of the tenant.
- A sub consultant contractor referral case resulted in a civil engineer's professional body finding them guilty of breaching their code of conduct and a substantial fine was imposed.
- One case against a contractor for incorrect invoicing resulted in training for all contract management staff, and implementation of a rigorous contract framework.
- One case regarding landlord fraud was submitted to the Public Prosecution Service by the PSNI and this resulted in one individual being found guilty of fraud by false representation.
- One case involving submission of fraudulent bank mandates payment forms was forwarded to the PSNI for investigation however this has resulted in an onward referral to Action Fraud and no suspects identified.
- One case regarding grant aid to which the applicant was allegedly not entitled was closed by the Housing Executive following an investigation.

Internal Investigations 2016/17 (including Potential Fraud)

During the 2016/17 year three new cases were referred to the CFSU:

- One case involving a conspiracy to defraud Housing Benefit was prosecuted under the Social Security Administration (NI) Act 1992 and full compensation repayment of £738.28 was made to the Housing Executive;
- One case, relating to a member of Housing Executive staff, referred to the alleged fraudulent use of a personal staff purchasing card. Following investigation the matter was found not to be fraudulent; and
- One case concerns a maintenance contractor allegedly engaging in systematic overcharging for works not carried out.

Tenancy Fraud Investigations

From 1st April 2016 – 31st March 2017, 220 tenancy fraud cases have been referred to the CFSU. Of these referrals there have been 50 dwellings recovered with a further 6 termination of tenancy forms received. Of the 50 dwellings recovered, 4 right to buy applications have been stopped due to non-occupation of the dwellings concerned. Six housing applications were withdrawn following investigation where it was determined that false information had been provided by the applicant.

There have been 304 properties recovered from 1st April 2016 – 31st March 2017, including those from general housing management activities. 43 of these recoveries are from cases that were carried over from 2015/2016 and, in keeping with our agreed arrangements with the Department, are included in the 2016/17 totals.

The Investigation Strategy Group (ISG)

During the 2016/17 year 17 new whistle-blowing cases have been referred to the Counter Fraud and Security Advisor (CFSA). Ten cases have been closed and removed from the whistle-blowing register, none of which was substantiated. One case was substantiated and transferred to the fraud investigations register. One case was removed and referred to the appropriate regulator (the Department) for investigation. Of the five cases referred, three have been closed with no further action taken and two remain live. At the conclusion of the financial year 2016/17 five whistleblowing cases remained open and under investigation. Of these, two have been closed with the allegations found to not have been substantiated. A further two were closed having been substantiated, one of these is now an ongoing HR disciplinary matter, and the other has a large scale project ongoing to align grounds maintenance land assets within two IT systems. One case remains open however will be referred to the external body to which the concerns apply in order for them to address the staffing issues uncovered during the investigation.

NIHE has also agreed a whistleblowing protocol with the Department in relation to Supporting People Schemes. This is being utilised in two ongoing investigations.

Departmental Investigations

In July 2015, the then Department for Social Development received an anonymous letter raising concerns about a range of matters within the Housing Executive. Some of these matters had been subject to Northern Ireland Assembly Questions and included:

- Staffing Issues;
- Voluntary Early Severance;
- The Transformation Programme costs; and
- Use of Gardening Leave.

The Department asked its Head of Internal Audit to investigate these concerns and in August 2016 the Housing Executive received the report which made a number of recommendations aimed at improving existing practices and procedures. These recommendations were accepted by the Housing Executive, although there was a delay in reporting these issues to ARAC and the Board.

Like many public sector organisations, the Housing Executive receives letters and emails, sometimes anonymously, from colleagues and third parties wishing to raise their concerns about a range of matters. It is essential that proper process and protection exists for anyone who raises concerns at work. As Accounting Officer, I am committed to good governance and an open, fair working environment for all. I want to foster a supportive workplace for all staff and where allegations are received that they are addressed as soon as possible.

How the organisation deals with these issues, which by their nature can, of course be sensitive, is very important. The Department's Internal Audit report referred to above has highlighted some specific issues which now need further consideration to ensure effective governance arrangements are in place for those particular areas. This further consideration will, if appropriate, include seeking external independent advice and opinion.

These issues are addressed in more detail by the Comptroller and Auditor General in his report on pages 162 to 178 of the financial statements.

Ministerial instructions

There were no Ministerial instructions in the financial year 2016/2017.

Protective security breaches

There were no significant protective security breaches in the financial year 2016/17.

4. Declaration of Significant Governance Issues for 2016/2017

I can confirm that the significant governance issues raised in the Governance Statement for the year 2016/17 were highlighted in the appropriate risk registers, risk owners were allocated and actions put in place to address them.

Progress in terms of managing these issues was monitored by the Performance Review Committee and through the risk reporting process, including appropriate reporting to the ARAC and the Board. It is important to note that many of these continue to be issues for the Housing Executive and therefore management actions are still continuing.

As part of this year's Governance Statement and taking account of the views of internal and external assurance providers, I wish to declare the following as areas at risk of a potential significant governance issues – I would also acknowledge that as the accounts were not signed off in June there have been no significant governance issues to report in the interim period:

Contract Management (Planned Maintenance)

The current suite of Planned Maintenance Contracts have been live since June 2014 and have been delivering projects on site since August 2014. The delivery of these contracts is managed by the multi-discipline professional consultants, appointed in April 2013, who we continue to hold accountable for performance.

In order to provide effective management and governance, both the planned schemes and the multi-discipline professional consultants' contracts are monitored through the measurement of Key Performance Indicators and incorporate clearly defined escalation procedures for cases of poor performance and contractual non-compliance. The key performance measures in place are primarily targeted against quality, cost accuracy and timely delivery. Performance meetings take place on a monthly basis. There is active management of the maintenance contracts by the consultants and of the consultants' contracts by Housing Executive staff.

As the Contract periods come up for renewal, and with a Project Team continue to work on documentation for future delivery of Planned schemes, during the interim period the Housing

Executive have explored different means of delivery within the existing contractual framework, with Belfast Region moving to pilot a design and build model, allowing the currently appointed Contractors to take on much of the survey, tenant consultation and to take the lead in preparing the design layouts for some elements of work. Formal documentation is currently being finalised. South Region will use a combination of approaches, depending on need for various work streams, both Consultant led and the Contractor Led design and build model. North Region intend to proceed as before as the existing arrangements continue to prove effective. This will be kept under review. As part of this ongoing work to improve delivery of projects, the Scheme Delivery process has been reviewed, incorporating organisational changes, and this is now being implemented as the Interim Scheme Delivery Process, with the Project Team developing a version to align with the documentation being prepared for tender.

Similar contracts are in place for other planned works, such as heating and grounds maintenance. These contracts are managed directly by Housing Executive staff. These contracts contain similar key performance indicators and escalation procedures measuring quality, cost accuracy and timely delivery providing the necessary governance. New heating contracts with improved service delivery have now been awarded and are commencing during October and November 2017.

Following the court decision on the injunction on the award of Low Rise Double Glazing 2016 contract, contractors are now in place and progressing. However, the delay caused by the court procedure has left little room to deal with any bedding in issues in the management of the new contracts and there is a concern that the annual target of 3800 may be challenging.

Contract Management (Response Maintenance)

New Response Contracts were awarded in June 2016 and the change to new Contractors was made during August and September 2016. The new Contracts have brought an improved service delivery with a Customer focussed service at its core.

Following confirmation of a Green result for the Gateway review of the tender procedure, the next Gateway for this contract will be Gateway 5 which is expected to commence in the next few months.

The Key Performance Indicators were reviewed against UK wide benchmarking and contain provision for year on year improvement.

Monthly assessments of the KPIs continue to

be managed at monthly review meetings. The contractors are assessed on the quality and quantity of their completed works, their ability to rectify defects in a timely manner, and their adherence to time scales for completed works and for making appointments.

As the significant challenge of embedding the change inherent in the new contracts bed in, the service delivery continues to be monitored. Regular Strategic Core Group Meetings have allowed the organisation to take a pro-active approach in partnership with the Contractors to improving day to day management of the contract as it is tested in use.

The Departmental Inspection of the documentation and procedures found the system in place to be satisfactory.

Centre of Procurement Excellence (CoPE Status)

The Housing Executive is a CoPE, with the Director of Asset Management as the Head of CoPE. This is an important means of procuring contracts.

A rolling CoPE Compliance Audit programme is in place to provide ongoing assurances regarding CoPE status. During the 2016/17 financial year 3 audits were carried out under this programme, 2 of these audits received limited assurance on the basis of Compliance with PGNs and business case requirements. All recommendations made have been accepted and a corrective action plan is in place with all recommendations expected to be implemented by December 2017.

The Housing Executive is next due to be CoPE assessed on the 28th February 2018.

Impact of Rent Freeze on Planned Maintenance

The Asset Management Strategy that was approved by the Minister in February 2016 - and in particular the achievement (and maintenance) of the Commonly Adopted Standard for our stock - was predicated on Housing Executive's funding position being significantly improved. However, both the decision to freeze our rents for the second successive year and the continuing uncertainty over future capital funding are challenging the basis upon which our new 10 Year Investment Plan was being prepared. There is, therefore, an imperative to reassess our future plans and priorities for stock investment and internal work is underway to do so. The Housing Executive has already expressed these concerns to the Department (further information on rental income is included below).

Rental Income

The Minister for Communities took the decision to freeze Housing Executive rents for a second consecutive year in 2016/17. This represents a significant loss of potential funding which would have been used to improve our stock.

By holding rents at current levels there is a loss of around £12 million additional rental income each year. The immediate impact of the rent freeze on our programme in the next three years will therefore be significant.

There is a compounding effect which means that over time the cumulative loss to the rental baseline quickly reaches a very significant amount. For example, the rent freezes in 2016/17 and 2017/18 mean that over just this two year period, Housing Executive will miss out on a total of around £36 million. This will have a significant impact on the Housing Executive's ability to invest in and modernise its stock.

Health and Safety

In late 2016 Asset Management assumed responsibility for delivering the Corporate Health & Safety Unit functions and a new Health & Safety Manager was appointed.

Asset Management is currently in the process of restructuring to provide additional resources to better support the other Directorates and services in managing their Health & Safety risks and embedding a positive and proactive Health & Safety culture to ensure compliance with statutory requirements as a minimum, promote best practice and to reduce Health and Safety risks.

With the appointment of a dedicated Compliance Unit, there is now a single central coordinated response to dealing with Health and Safety matters. Where an Internal Audit finds a Limited or Unacceptable assurance the compliance unit manage the recommendations and seek to proactively address the findings.

Detail on progress to address Internal Audit Reports is included below:

- Legionella – Unacceptable Opinion: There were twenty-two recommendations all of which were accepted and a Corrective Action Plan implemented. Nineteen recommendations are complete and three are underway.
- Health and Safety – Fire Safety – Limited Opinion: Eight recommendations were made all of which were accepted and a Corrective Action Plan is in place.

- **Asbestos – Limited Opinion:** There were twenty-three recommendations all of which were accepted. All priority 1 recommendations have been implemented and a Corrective Action Plan is in place to implement these and those in the Asbestos – follow-up within the agreed timeframe.
- **Gas Certificates – Limited Opinion:** Ten recommendations were made all of which were accepted and implemented.

Other significant actions completed during 2016/17 include the appointment of a Corporate Health & Safety Manager, the issuing of a new Chief Executive Health & Safety Policy Statement (Statement of Intent) and the provision of significant additional resources.

There is currently an ongoing Health and Safety Executive investigation into a fatality at a Housing Executive property. The Housing Executive awaits the outcome of this review and will respond in due course.

In the immediate aftermath of the Grenfell Tower tragedy, the Housing Executive established a multi-agency Tower Block Independent Reference Group which includes representatives from the Northern Ireland Fire and Rescue Services (NIF&RS), Building Control (BC), Department for Communities (DfC), Department of Finance (DoF), and Northern Ireland Federation of Housing Associations (NIFHA).

The principal aim of the Reference Group is to review the Housing Executive's cladding systems used on four tower blocks and identify any potential fire risks associated with these in light of the Grenfell tragedy. It is also reviewing the Fire Risk Assessments of the blocks generally to ensure all the issues identified, documented and actioned as a priority in line with our statutory and landlord obligations.

Following unprecedented rain fall in the North West area, in August 2017, our local teams were at the forefront of the multi-agency approach, providing emergency accommodation for households affected by the flooding and issuing emergency repairs to our contractor. Approximately 30 of our houses had been damaged during the inclement weather incident.

Emergency arrangements have been reviewed and contents re-examined to sure information is current and up to date should an event occur in the future.

Welfare Reform – Impact on Housing Benefit

The Social Sector Size Criteria (sometimes called the Bedroom Tax) was fully implemented on 20th February 2017 affecting 32,951 Housing Benefit claimants living in the social sector of which 25,824

are Housing Executive tenants and 7,127 are Housing Associations tenants.

Housing benefit awards have been reduced by £406k per week - £304k for Housing Executive and £102k for Housing Associations. Phase 2 of the Benefit Cap was completed on 31st January 2017 with the total benefit cap reduced to £20k per annum, affecting 1,990 Housing Benefit claimants of which 460 are Housing Executive tenants. The Department is administering a Welfare Supplementary Payment scheme from 20 February 2017 to 31 March 2020 to award mitigation payments for those claimants affected by the changes.

Universal Credit was introduced in Limavady on 27th September 2017 for new working age claimants (Excluding those in Supported accommodation or claimants with 3 or more children). This is due to be rolled out to all areas by July 2018. Managed migration of legacy HB caseload in receipt of HB will commence in July 2019 and is to be completed by March 2022.

Housing Benefit Fraud and Error

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

During 2016/17 the level of cumulative overpayments increased from £37.1m to £38.5m, an increase of over £1.4m. HB expenditure for 2016/17 is recorded as £674.5m (which includes Discretionary Housing Benefit payments of £3.3m) and a total of £13.7m was recovered during the same period. A large part of the increase in overpayments stems from successful detection activity undertaken under the auspices of the NIHE's HB Fraud and Error Strategy. During 2016/2017 approximately £4.24m was raised in overpayments arising from this counter-fraud activity.

RTI	£1.24m
HBMS/Data Match	£0.25m
NIHE Compliance	£0.32m
SIS compliance	£2.43m
Total	£4.24m

With the successful impact of early intervention on changes of circumstances as a result of the use of Automated Transfer to Local Authority Systems (ATLAS) and Real Time Information (RTI) the levels of overpayments raised in year 2016/17 fell from £18.7m in 2015/16 to £16.5m in 2016/2017.

The Department's Standards Assurance Unit undertakes an annual exercise to estimate the level of fraud and error (including official error). For the calendar year 2016, this showed that the overall combined estimate of fraud and error increased from 3.6% of annual benefit expenditure to 5.2% against a target of 3.35%. Within this total, the level of official error increased from 1.0% to 1.3% of annual benefit expenditure. Customer error increased from 0.4%, to 0.9% customer fraud increased from 2.1% to 3.0% although a significant proportion of this estimate related to passported HB claims where the fraud related to a claim for a different social security benefit but also affected the HB award. It is expected that the new wider use of RTI (WuRTI) system mentioned later in this report will reduce the numbers of non passported cases included in these figures.

The report includes 7 cases that have been deemed as customer fraud by the Departments Single Investigation Services (SIS) Committee totalling £566.31 (43.5% of the total weekly incorrect benefit amount of £1,302.02), from which the overall figure of £20m of estimated fraud is extrapolated. It should be noted that the investigations on these cases have not been completed. This represents 43.5% of the total fraud and error. Our experience from previous years would indicate that there is a high possibility that these will not turn out to be customer fraud when the investigations are complete. We have received confirmation that 3 of the 7 cases have now been closed by the SIS with no evidence of fraud found. We will monitor the outcome of the remaining 4 that are under investigation.

In addition the Standards Assurance Unit (SAU) has more expansive information available to them on HB claimants particularly details of earnings and occupational pensions via HMRC. In view of this levels of detection have increased this year.

There were also a high proportion of cases recorded as customer fraud/error where the claimant does not report an increase in their earnings. Many of the HB claimants who are working are on low income with significant fluctuations on their earnings depending on the number of hours they work. SAU assess the earnings on the week that they carry out their review and it is unlikely that this will match with the earned income used on the original assessment. Customer error with earned income accounts for 24 of the 42 claims reported i.e. 57% in respect of Customer fraud. With earned income, this accounts for 15 of the 33 claims reported i.e. 45%

WuRTI was made available to the NIHE from 18th September 2017 for new claims. It is proposed that alerts identifying significant changes in a claimants earned income or occupational pension will be

made available after April 2018. It is expected that once WuRTI becomes fully operational to the NIHE, levels of error in respect of earned income and occupational pensions should reduce.

Official error has increased from 1.0% in 2015 to 1.3% in 2016 with 27% of the total error related to incorrect assessment of earned income. There has been a high turnover in staff within HB Units during the year due to the ongoing vacancy control imposed in line with the transition plans for transfer of working age claims to UC to commence in September 2017. HB units are employing higher numbers of agency staff which currently account for approximately 26% of the workforce within HB. Additional training/guidance is being provided in respect of assessment of earned income claims for staff and compliance checks have been increased in respect of this area of work in an attempt to redress this issue.

The Housing Executive remains committed to minimising error and maximizing detection of fraud and the Housing Executive HB Fraud and Error Strategy and the HB Overpayments Strategy are reviewed annually.

Responsibility for Fraud and Error in respect of HB transferred to the Single Investigation Service within DfC from April 2017. NIHE and DfC are working closely to develop effective processes to ensure that appropriate actions are taken in respect of information received by NIHE identifying potential fraud and error.

A wide range of measures to prevent and detect fraud are in place and are kept under regular review. An interim target to reduce fraud and error at 3.35% of HB expenditure by March 2018 has been agreed by the Housing Executive and the Department. Performance against this target is tracked on a quarterly basis.

Warnings regarding fraud and the need to provide accurate and complete information are included on every application form for Housing Benefit and all communications issued to claimants emphasise the need to promptly report any changes in circumstances. In addition, each year, Housing News, which is issued to all our tenants, contains a section on fraud awareness and reporting. We take seriously any information on suspected fraud provided by concerned tenants or members of the public.

To supplement the communications to claimants, we make extensive use of data matching techniques, using computer software to search and compare records to identify possible errors and fraudulent claims. Customer Compliance activity comprising of the Real Time Information (RTI) programme,

detailed below, and customer visits and interviews, raised £1.56m in Housing Benefit overpayments during 2016/2017, the same amount as raised in the previous year.

The Real Time Information (RTI) programme identifies cases of undeclared earnings and occupational pensions using data supplied by HMRC. During the period April 2016 to March 2017 we reviewed 6537 cases and identified 938 instances of undeclared income, raising overpayments of £1.24m.

For those claimants with an earned income or occupational pension, a new initiative, the Wider Use of RTI (WuRTI), to be introduced later this year, will allow HB assessors to access live information on earnings and occupational pensions supplied to HMRC each payment cycle by employers and pension providers. This will ensure that every new and existing Housing Benefit claim can be checked for undeclared earnings or occupational pension. In addition it is planned that the service will provide alerts that will be sent to the Housing Executive when earnings fluctuate. As a result the potential for any fraud and error in the category identified by SAU as currently responsible for the highest amount of customer fraud, unreported earnings/change in earnings, will be minimised.

Housing Benefit Matching Service (HBMS)

During the period April 2016 to March 2017 we reviewed 1216 cases sent to us by the Housing Benefit Matching Service. These are cases where a discrepancy has been identified by HBMS between the data held on our HB systems and other benefits systems. Matches are also made between our data and other data sets HBMS have access to e.g. interest paid on banks accounts. 122 cases of claimant error were found and overpayments totalling £0.25m were recorded.

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

When we detect suspected or actual fraud, we take action. Under our service level agreement with the Department, potential fraud cases are referred to the Single Investigation Service (SIS) for investigation and possible prosecution. We provide training for our colleagues in the Single Investigation Service on the conditions of entitlement to Housing Benefit and work closely with them to ensure that investigators have a high level of knowledge. In 2016/2017 we referred 660 cases of suspected fraud to SIS. During

this period SIS have prosecuted 120 claimants for HB fraud and imposed 188 Administrative Penalties resulting in overpayments of £2.44m being recorded. The Department publicise those cases where a criminal conviction has resulted following an investigation of benefit fraud.

Welfare Reform

During 2016/17 many of the planned Welfare Reforms have been introduced including:

- Freezing Local Housing Allowance Rent levels;
- Phases 1 & 2 of Benefit Cap;
- Introduction of Personal Independence Payment (PIP);
- Changes to the backdating of HB entitlement;
- Removal of Family Premium from the Housing Benefit calculation;
- Discretionary Housing Payment changes;
- Changes to Temporary Absence rules;
- Changes to Employment Support Allowance;
- Introduction of Social Sector Size Criteria (SSSC), also known as Bedroom Tax, (which began on 20th February 2017); and
- Removal of Tax Credit & HB support for 3rd or subsequent child.

Prior to these changes being introduced the Housing Executive actively communicated with customers and staff to ensure they were aware of the impacts and mitigation available. Significant work was undertaken by the Housing Executive in readiness for the introduction of SSSC which included 6 separate data cleansing operations in the months before introduction. The Housing Executive also wrote out to all of the potentially impacted customers before the introduction of SSSC to confirm the details held on the HB system and alert customers to certain criteria that may entitle them to be awarded an additional bedroom. These 34,500 SSSC early notifications created a response of nearly 30% from customers that was administered and managed by staff in the HB Units.

The Housing Executive were also vital to the mitigation of SSSC by suggesting how the information should be transferred from the HB system to the Welfare Supplementary Payment team in the Department and in the design of the weekly interface now in operation. Housing Executive staff also worked with Finance staff from the Department and agreed payment methods and reconciliation processes to ensure the smooth operation of receiving mitigation payments into rent accounts and

causing as little disruption to the collection of rents as possible.

Conditionality was introduced by the Department regarding those tenants already impacted by SSSC transferring to other Social Sector properties. While it is currently too early to assess the impact of this policy the Housing Executive plans to monitor the transfer activity over the forthcoming months.

Phases 1 & 2 of Benefit Cap started on the 31st May 2016 & 7th November 2016 respectively. From 7th November 2016 Benefit Cap limit, under phase 2, is £20k with 1812 HB claims impacted by this restriction. Benefit Cap mitigation is in place however, this mitigation scheme is dynamic and there are customers already not receiving full mitigation of the reduction in Housing Benefit.

The Housing Executive continues working with the Department for Communities to make preparations for the implementation of Universal Credit which will have a significant impact on customers and the Housing Executive, particularly HB staff over the next 5 years.

In addition, the Housing Executive has begun to examine the potential impact of Social Sector rents being capped at Local Housing Allowance levels.

Finance Improvement Project

The Finance Department has been engaged with the Department to address issues relating to the consistency of monthly monitoring reports following the introduction of new reporting requirements resulting from the 'Reclassification' of the Housing Executive. An Accounting Officer directive from HM Treasury became operational from the first of April 2014. For budgetary purposes, this classified Landlord Services as a Quasi-Public Body and Regional Services as a Non Departmental Public Body (NDPB). As a result there are now separate budgetary controls and reporting requirements for each body.

In order to drive sustainable longer term improvements, a Finance Improvement Project was initiated to critically review finance processes, procedures, outputs and staff skills/structures.

A significant amount of work was undertaken during 2016/17 to consult with key internal/external stakeholders, review and update key business processes and reporting practices, as well as introduce new structures to ensure the Finance function is best placed to deliver a proactive and value-added service across the organisation.

As initial project objectives were fully addressed, the project terms of reference, findings,

recommendations and actions taken was formally presented to the Audit and Risk Assurance Committee in December 2016. The improvements identified by the project are now being progressed as business as usual by the newly structured management team.

Social Housing Reform Programme (SHRP)

In March 2016 the Department for Communities and the Housing Executive published the findings of the Housing Executive Stock Condition Survey provided by Savills. This survey, alongside other commissions, has not only informed the Housing Executive's Investment Plan, it is also the evidence-base for the Social Housing Reform Program's (SHRP) consideration of future delivery structures. On the basis of this evidence, two business cases containing options for structural reform of landlord and non-landlord functions of Housing Executive have since been completed. The next stage of the SHRP is currently awaiting political consideration.

Resourcing

Continuing progress with the Housing Executive's Transformation Programme has resulted in the development of new structural models to improve service delivery to tenants and customers while providing value for money. This has been a major period of change and the potential risk to service continuity and quality have been recognised by Senior Management and are being actively managed.

Through the adoption of Systems Thinking methodology the Housing Services Division has developed a new model for the delivery of front line housing services. The new front line structure which includes Team Leader, Patch Manager, Housing Advisor and Front-end Housing Advisor was established. The Housing Executive has internally advertised these positions and is in the process of making appointments. It is intended that staff will take up these new positions over the next year in line with the roll in of the new ways of working.

Since the appointment of a new Asset Management Director in the 2015/2016 financial year the Asset Management Division has been working on the development of new structures to deliver the Housing Executive maintenance programme and also to reflect ongoing structural re-organisation of a number of functions within the Housing Executive. The new Asset Management structure will ensure clear roles and responsibilities are created across the organisation for delivery of the property management function and which will be fit for purpose in delivering a first class asset management service for the future.

The Housing Executive is utilising a Voluntary Early Severance (VES) Scheme to support the transition to new structures. To date this scheme has received Departmental approval to four tranches of release. All staff to be released under Tranche 1 and Tranche 2 of the scheme have now left the Organisation. All Staff due for release under Tranche 3 of the scheme have been approved with final release dates up to 31 March 2018 being agreed. Each business area is determining where further releases can be made under Tranche 4 of the Scheme with the requisite approvals to be in place by 31 March 2018.

In light of the significant budgetary pressures facing the Housing Executive, continuing action has been taken to manage the staffing complement within all divisions. Staff numbers, including agency, are regularly reviewed by senior management and a new approval process for all new posts is in place. This ensures there is adequate internal control of staff numbers and associated budgets.

The current rate of reductions within the Housing Executive is being managed through redesign of work and continually reviewing how the organisation provides its services. Whilst the Housing Executive has been able to manage reductions without negatively affecting the service we offer to our tenants, there is a risk that further reductions in the budget could have a negative impact on service delivery. Budgets are being monitored on a regular basis in order to manage the risk of this occurring.

5. Conclusion

The Annual Governance Statement identifies a range of significant governance issues that the organisation is facing during a period of significant change. I can confirm that actions are in place to manage these issues and that the Housing Executive management are committed to ensuring that these are appropriately addressed without undue delay. Progress in relation to these will be reported to the ARAC and the Board throughout 2017/18.

REMUNERATION AND STAFF REPORT

REMUNERATION REPORT

Remuneration policy

The remuneration of senior staff employed by the Housing Executive is determined by results of the national negotiations by the Joint Negotiating Committee for Chief Officers (for Directors) and Joint Negotiating Committee for Chief Executives (for the Chief Executive). Appointments to the Board are the responsibility of the Minister and are conducted in accordance with the Code of Practice of the Commissioner for Public Appointments.

Service contracts

Senior appointments are made in line with the organisation's Appointments and Promotions Procedure which requires appointments to be made on merit and on the basis of fair and open competition. Appointments are open-ended until officers reach retirement. Twelve weeks' notice is required in relation to termination of contract. Separate procedures are in place for short term or temporary arrangements.

Chairman and Directors' Emoluments – Audited Information

Included in the forthcoming tables are pay and pension details for all members of the Senior Management Team who were employed as staff for the Housing Executive during the Year Ended 31 March 2017. Pension benefits disclosed represents the value of pension benefits accrued during the year and is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Chairman and Directors' Emoluments – Audited Information

Name and Title	Date of Contract	2017 Salary	2017 Bonus Payments
		£'000	£'000
D. Hoodless Chairman (until 31 Dec 2016)		25 - 30	-
C. Bailie Chief Executive (from 1 Sept 2015) Acting Chief Executive (from 22 Jun 2015 – 31 Aug 2015) Director of Finance (from 1 Apr 2014 – 21 Jun 2015)	1 Sept 2015	115-120	-
G Flynn Director of Landlord Services	1 April 2012	85 - 90	-
S. McCauley Director of Regional Services	1 April 2012	80 - 85	-
T. McCartney Director of Corporate Services	1 Jan 2014	85 - 90	-
P. Isherwood Director of Asset Management	1 June 2015	75 - 80	-
C. McFarland Director of Finance (from 1 July 2016)	1 July 2016	65 – 70 ***80–85	-
H. Carty **** Acting Director of Finance (from 22 June 2015 to 30 June 2016)	1 April 2013	15 – 20 ***65-70	-

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

** Pension Benefits disclosed for each director represents the value of pension benefits accrued during the year and is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation and any increase/decrease due to a transfer of pension rights.

*** Full year equivalent salary.

**** H. Carty acted into the Director of Finance post from 22 June 2015 to 30 June 2016. Her substantive post with the Housing Executive is Assistant Director of Finance – Support Services.

Mags Lightbody, who was employed on a fixed term contract with the Strategic Investment Board to perform the duties of the Director of Transformation role as set out by the Social Housing Reform team, was also a member of the Senior Management Team during 2015/16, occupying the position of Acting Chief Executive until her resignation from that post on 21 June 2015. Payments to the Strategic Investment Board for Mags Lightbody's Pay, Pension and Benefits in Kind for the period from 1 April 2015 until 21 June 2015 were as follows:

Name and Title	2017 Salary Payments	2017 Bonus Payments
	£'000	£'000
Mags Lightbody Acting Chief Executive (1 April 2014 - 21 June 2015)	-	-

Benefits in Kind refer to £Nil (2016: £1,600) of Life Assurance payments as well as £Nil (2016: £3,100) of Travel and Accommodation costs.

2017 Benefits In Kind*	2017 Pension Benefits**	2017 Total	2016 Salary	2016 Bonus Payments	2016 Benefits In Kind*	2016 Pension Benefits**	2016 Total
£	£'000	£'000	£'000	£'000	£	£'000	£'000
14,700 (to nearest £100)	-	40 - 45	40 - 45	-	20,000 (to nearest £100)	-	60-65
-	107	220-225	110-115	-	-	307	415-420
-	135	220-225	85 - 90	-	-	116	205-210
-	19	100-105	75 - 80	-	-	65	140-145
-	26	110-115	85 - 90	-	-	27	115-120
-	509	585-590	60 - 65 ***70 -75	-	-	20	80-85
-	405	470-475	-	-	-	-	-
-	10	25 - 30	50-55 ***65-70	-	-	48	100-105

2017 Benefits In Kind	2017 Pension Payments	2017 Total	2016 Salary Payments	2016 Bonus Payments	2016 Benefits In Kind	2016 Pension Payments	2016 Total
£	£'000	£'000	£'000	£'000	£	£'000	£'000
-	-	-	30 - 35	-	4,700 (to nearest £100)	0-5	35-40

Fair Pay Disclosures – Audited Information

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in its organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the Housing Executive in the financial year 2016/17 was £115k - £120k (2015/16: £105k - £110k). This was 5.06 times (2015/16: 4.69) the median remuneration of the workforce, which was £23,398 (2015/16: £22,937). The remuneration for the lowest paid staff member was £6k.

No employee received remuneration in excess of the highest paid director in 2016-17 or 2015-16. Remuneration ranged from £5,556 to £118,483 (2015-16, £6,165 to £106,609). Total remuneration

includes salary, non-consolidated performance-related pay, Benefits in Kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The change in the pay multiple ratio between 2015-16 and 2016-17 is due to a change in the pay band of the highest paid director.

	2017	2016
Band of highest paid Director's total remuneration	£115K-£120K	£105K-£110K
Median Total Remuneration	£23,398	£22,937
Ratio	5.06	4.69

Directors' Pensions – Audited Information

Name and Title	Total Accrued Pension at Pension Age as at 31 Mar 2017 & Related Lump Sum	Real Incr. (Decr) In Pension & Related Lump Sum At Pension Age	CETV at 31 Mar 2016 (or date of joining)	CETV at 31 Mar 2017	Real Incr. (Decr) in CETV after adj.
	£'000	£'000	£'000	£'000	£'000
C. Bailie Director of Finance (from 1 Apr 2014 – 21 Jun 2015) Acting Chief Executive (from 22 Jun 2015 – 31 Aug 2015) Chief Executive (from 1 Sept 2015)	50 – 55 Plus 115 – 120 Lump Sum	5 – 7.5 Plus 5 – 7.5 Lump Sum	779	893	94
G. Flynn Director of Landlord Services	40 – 45 Plus 90 – 95 Lump Sum	5 – 7.5 Less 0 – 2.5 Lump Sum	810	860	34
S. McCauley Director of Regional Services	20 – 25 Plus 30 – 35 Lump Sum	0 – 2.5 Less 0 – 2.5 Lump Sum	269	291	13
T. McCartney Director of Corporate Services	5 – 10 Plus 0 – 5 Lump Sum	0 – 2.5 Plus 0 – 2.5 Lump Sum	36	54	9
P. Isherwood Director of Asset Management	25 – 30 Plus 40 – 45 Lump Sum	22.5 – 25 Plus 42.5 – 45 Lump Sum	9 *	306	291
H. Carty ** Acting Director of Finance (from 22 June 2015 to 30 June 2016)	10 – 15 Plus 15 – 20 Lump Sum	0 – 2.5 Plus 0 – 2.5 Lump Sum	182	191	6
C. McFarland Director of Finance (from 1 July 2016)	35 – 40 Plus 75 – 80 Lump Sum	17.5 – 20 Plus 47.5 – 50 Lump Sum	280	623	335

* Restated from 2015/16 Annual Report and Accounts as per revised figures obtained from Northern Ireland Local Government Pension Scheme (£11k previously reported figure).

** H. Carty acted into the Director of Finance post from 22 June 2015 to 30 June 2016. Her substantive post with the Housing Executive is Assistant Director of Finance – Support Services.

Northern Ireland Housing Executive Pension Arrangements

The Housing Executive participates in the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) pension scheme for the majority of its employees. The Chairman is not a member of the NILGOSC Scheme. The scheme was established by the Government in April 1950 to operate a pension scheme for the local councils and other similar bodies in Northern Ireland. The pension scheme is known as the Local Government Pension Scheme Northern Ireland (the Scheme) and is a defined benefit pension scheme. NILGOSC is the corporate body responsible for the administration of the Scheme and is a non-departmental public body, sponsored by the Department for Environment (part of Department for Communities in May 2016). There were changes to the scheme in year. The new 2015 Scheme is fundamentally different from the previous final salary based schemes. It is a defined benefit career average revalued earnings (CARE) scheme, meaning that future pension benefits will be calculated on career average earnings rather than final salary.

Up until 31 March 2015, the Pension scheme provided benefits for each year of service on a 'Final Salary' basis with a significant change to the scheme in 2009.

Prior to 1 April 2009, benefits accrued at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3/80ths of pensionable salary for each year of service, prior to 1 April 2009, is payable on retirement. Post April 2009, as part of a general review of public sector pension schemes, the Government introduced changes to the pension scheme. Benefits from this date accrue at the rate of 1/60th of pensionable salary for each year of service. The lump sum payment was removed. Also instead of employees paying a standard contribution rate of 6%, which was applicable up to 1 April 2009 (5% for non-administrative employees prior to 1 January 2003, and 6% thereafter of their pensionable pay), different contribution rates were applied for different pay bands. The new rates were between 5.5% and 7.5% of pensionable pay. The Scheme's professionally qualified actuaries recommend the rates of employer's contribution to be paid.

From the 1 April 2015, a new change to the scheme was introduced. The scheme now operates using a defined benefit career average revalued earnings (CARE) scheme, which results in future pension benefits calculated on career average earnings rather than final salary. The 2015 change also results in contribution rates being calculated on actual pay received rather than full time equivalent pay which

was the case in the 2009 Scheme. Contribution rates now range from 5.5% to 10.5%.

Employees may have accrued benefits under all of the above schemes variants depending on when they joined the scheme.

From April 2011, pensions payable are increased annually in line with changes in the Consumer Price Index (CPI). Prior to April 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). The Scheme's professionally qualified actuaries recommend the rates of employer's contribution to be paid.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NILGOSC arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with "The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations" and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The actuarial factors that are used in the CETV calculation were changed during 2010, due to changes in demographic assumptions and the move from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI) as the measure used to uprate Housing Executive pensions.

Board Members' Emoluments – Audited Information

Name and Title	Date of contract	Length of Contract (yrs)	2017 Salary £'000	2017 Benefits in Kind £ (to nearest £100)	2016 Salary £'000	2016 Benefits in Kind £ (to nearest £100)
Professor P. Roberts, * Interim Chairman (from 1 Jan 2017) Vice-Chairman (Until 31 Dec 2016)	5 Nov 2012	5	20-25	8,800	15-20	10,500
G. Lomax, Interim Vice-Chairman (from 1 Feb 2017)	15 Apr 2013	5	5-10	6,700	5-10	6,400
A. Coffey	1 June 2010	Until 31 May 2015	-	-	0-5	-
E. Dunbar	1 June 2010	Until 31 May 2015	-	-	0-5	-
K. Millar	1 June 2015	5	5-10	-	5-10	-
P. Brett	1 June 2015	5	5-10	-	5-10 ** 5 - 10	-
W. Keery	1 June 2015	5	5-10	-	5-10 ** 5 - 10	-
H. Legge	1 June 2015	5	5-10	-	5-10 ** 5 - 10	-
J. McCall	1 June 2015	5	5-10	-	5-10 ** 5 - 10	-
D. Wilson	1 June 2015	5	5-10	-	5-10 ** 5 - 10	-
C. Elattar	1 June 2015	5	5-10	-	5-10 ** 5 - 10	-

* Emoluments for Professor P. Roberts disclosed above reflect his position as Chairman and Vice-Chairman for the Housing Executive.

** Full year equivalent salary

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

STAFF REPORT

The following sections in the Staff Report are subject to audit:

Staff Numbers and Costs - Audited Information

	2017			2016	
	Permanent Staff £'000	Others £'000	Board Members £'000	Total £'000	Total £'000
(a) Staff costs comprise					
Wages and Salaries	65,969	505	100	66,574	68,382
Social Security Costs	6,160	41	4	6,205	4,745
Seconded-in Staff	-	170	-	170	231
Agency Costs	-	10,867	-	10,867	11,534
Total Staff costs excluding Pension Costs	72,129	11,583	104	83,816	84,892
Other Pension Costs				12,949	15,234
				96,765	100,126

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

	2017 £'000	2016 £'000
Wages and Salaries	164	292
Social Security Costs	18	23
Other Pension Costs	34	60
	216	375

Other above include costs of staff seconded from other Public Sector Bodies and amount to £170k (2015/16 £231k). In addition, staff employed by recruitment agencies amounted to £10,867k (2015/16 £11,534k).

(b) Average number of persons employed

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

	2017			2016	
	Permanent Staff Number	Others Number	Board Members Number	Total Number	Total Number
Executive	6	-	9	15	16
Landlord Services	1,546	32	-	1,578	1,589
Regional Services	296	2	-	298	347
Finance (includes Housing Benefit Staff)	454	7	-	461	483
Corporate Services	234	1	-	235	276
Seconded-in Staff	-	4	-	4	3
Agency Staff	-	543	-	543	551
	2,536	589	9	3,134	3,265

During the 2016/17 financial year Corporate Procurement staff moved from Corporate Services Directorate to the Asset Management Directorate (included within Landlord Services). Furthermore during the 2016/17 financial year Internal Audit and Corporate Assurance staff have moved from the Corporate Services Directorate to the Finance Directorate. It has been assumed that Corporate Procurement has been part of the Asset Management Directorate and Internal Audit and Corporate Assurance have been part of the Finance Directorate for the entire 2016/17 year.

Prior year comparatives have not been restated to reflect the reallocations of staff above to different directorates.

Agency Staff numbers have been calculated based on an average of 12 months for the 2016/17 financial year. For the 2015/16 financial year, agency staff numbers were calculated based on an average of 6 months spread throughout the year as this is considered to provide a reliable number of agency staff employed for 2015/16.

(c) Employee Gender

At 31 March 2017 there were 2,553 staff employed within the Housing Executive (including Board Members). Below is a gender breakdown by Directorate:

	Male Number	Female Number	Total Number
Executive	4	2	6
Landlord Services	966	622	1,588
Regional Services	156	136	292
Finance (includes Housing Benefit Staff)	157	290	447
Corporate Services	105	106	211
Board Members	7	2	9
	<u>1,395</u>	<u>1,158</u>	<u>2,553</u>

Early Departure Costs - Audited Information

		2017		2016	
		Nos.	£'000	Nos.	£'000
The cost of early departure decisions taken this year and in previous years are shown in the table below:					
(a)	Actuarial compensation paid by the Housing Executive for the early payment of pension benefits provided by NILGOSC to officers who retired early;	167	2,010	140	1,939
(b)	Restructuring compensation paid and accrued by the Housing Executive for the early retirement of staff;	143	5,208	188	5,493
			7,218		7,432
Pension Liability					
(c)	Annual cost of added years pension granted by the Housing Executive to officers retiring early which is paid by NILGOSC on the Housing Executive's behalf;	497	965	516	982

During the year ending 31 March 2017, the Housing Executive continued to implement the rollout of the voluntary early severance scheme (VES), introduced in 2014/15, which would facilitate the voluntary release of staff from the Housing Executive. Costs of staff leaving under this scheme are shown below.

All costs are shown on the face of the Statement of Comprehensive Net Expenditure Account in accordance with IAS 1, 'Presentation of Financial Statements.'

Payments in respect of added years granted to individual employees who retired early in previous years are paid annually to NILGOSC and will continue to be paid until those employees cease to be recipients from the scheme. These costs are accounted for in accordance with IAS 19 and are charged to the Net Pension Liability in the Statement of Financial Position.

Reporting of Compensation and Exit Packages for all Staff 2016-17 - Audited Information

Exit Package Cost Band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
< £10,000	-	8	8
£10,000 - £25,000	-	40	40
£25,000 - £50,000	-	64	64
£50,000 - £100,000	-	59	59
£100,000 - £150,000	-	2	2
Total Number of Exit Packages			
2016-17	-	173	173
2015-16	-	194	194
Total Cost £'000			
2016-17	-	7,218	7,218
2015-16	-	7,432	7,432

Compensation payments for early departure costs have been paid in accordance with discretions allowed under the provisions of the Local Government (Early Termination of Employment) (Discretionary Compensation) Regulations (NI) as approved by the Housing Executive's Board on 30th April 2008 and amended in September 2011 and August 2012. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Employee involvement

The Housing Executive is extremely aware of the importance of all its staff in delivering life changing services to the public. Staff engagement is therefore a central component of the organisation's success. Among other benefits, having an engaged workforce means staff who are more enthusiastic and passionate about their sense of purpose in work, and providing a better service for our customers.

This is why we have developed a Staff Engagement Strategy, and an action plan, to help bring extra focus to the work that we are doing to improve levels of engagement across a range of areas including communications, health and wellbeing and training. Work will be ongoing across the year in the departments that help to deliver these particular pieces of work, but all staff and stakeholders have a role in owning and implementing the aims of the strategy.

The Housing Executive holds Investors in People Silver and 4-Star EFQM accreditations, in recognition of our approach to the management and development of our people.

Our approach is underpinned through our People Excellence Strategy. This is a wide-ranging strategy, focusing on every element of how we support and enable our people to deliver best in class service for our tenants and customers.

As an organisation, we also realise that the health and wellbeing of our staff is vital to the achievement of our goals and ambitions. Healthy, stress-free and motivated employees contribute to continued high levels of performance. We have a strong focus on facilitating work-life balance and ensuring the health and wellbeing of our staff through a range of initiatives including Fitech health assessments, smoking cessation clinics, health awareness promotion, corporate gym memberships, a cycle to work scheme, healthy eating initiatives, flexible working patterns, childcare vouchers and a staff welfare service.

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

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

The Housing Executive Annual Conference is a key opportunity for two way communication involving all of our people. It allows our Board and senior

management team to keep staff up to date on what is happening across the organisation and it also provides staff with an opportunity to share their views. Other channels include team briefings, office visits by the Chairman and senior management team, the Board Bulletin, staff performance setting and a staff magazine. Our People Excellence and Learning and Development Strategies illustrate our commitment to the development of staff. We invest in staff through a broad range of internal and external training programmes and qualifications, supporting them in both their day-to-day work and in the development of new skills.

We have established in-house leadership development programmes including professional mentoring and coaching schemes. Our web-based training programmes and supported online courses meet the needs of individual learning styles and our Succession Plans are individually tailored to identify the specific training needs of every staff member.

Sickness Absence

Total absence for the year was 5.65%. Long term sickness absence accounted for 48% and short term for 52% of all absences.

In order to address increasing absence levels, the Human Resources (HR) Attendance Management Team will continue to deliver sickness absence awareness training for newly recruited Team Leaders and Line Managers, covering relevant procedures, roles and responsibilities.

IT systems have been upgraded, with a view to providing managers with prompt information regarding absence triggers, actions required, etc.

A Health and Wellbeing page has been created on Gateway, and is due to be launched early in the financial year. This will provide employees with information on the organisation's health promotion activities and sources of further help and advice. Employees now have access to confidential advice and counselling services from Carecall on a 24 hours a day, 7 days a week basis. The organisation is also considering the introduction of initiatives to address mental ill-health in the workplace.

These initiatives are in addition to our current Health and Wellbeing programme. We continue to provide flu vaccinations, health awareness promotion, smoking cessation groups as well as health assessments and reviews.

Staffing Policies:

a) Employees with a disability

It is the Housing Executive's policy to ensure that equality of opportunity is provided to all employees and those seeking employment and to provide opportunities and make all reasonable adjustments to support the employment, training and development and retention of those with a disability.

3.8% of our staff consider themselves to have a disability under the DDA definition.

b) Equality of opportunity (employment)

The Housing Executive is an Equal Opportunities Employer and has a range of policies and procedures in place to ensure fair representation and participation in the workforce, irrespective of religious belief, political opinion, race or ethnic origin, gender, marital status, disability, age, sexual orientation or those with or without dependents. An Affirmative Action policy is in place to provide a mechanism to address any under-representation arising in these groups.

The impact of all employment policies on the composition of the workforce is monitored on an ongoing basis.

c) Equality of opportunity (general)

The Housing Executive is committed to effective compliance with its obligations under Section 75 of the Northern Ireland Act 1998 and aims to ensure that, in practice, issues of equality of opportunity are given due prominence in all appropriate spheres of Housing Executive activity.

Off-Payroll Engagements

Off-payroll engagements to be disclosed, refer to agency staff engaged to the Housing Executive, at a cost (including on-costs) of over £58,200. The Northern Ireland Housing Executive had the following 'off-payroll' engagements at a cost of over £58,200 per annum in place as at 31 March 2017:

	Number
Opening number of Off-Payroll engagements as at 1 April 2016	2
New Engagements in payroll for 16/17	0
Engagement incorrectly disclosed in off-payroll engagements	(1)*
Engagements ceased during 16/17	(1)
Closing number of Off-Payroll engagements as at 31 March 2017	0

*This relates to a seconded-in staff member who should not be accounted for within off-payroll disclosures.

Health & Safety

The Housing Executive is committed to adhering to all existing legislation on health and safety at work to ensure that staff and customers enjoy the benefits of a safe environment.

Expenditure on Consultancy

The Housing Executive spent £127k on consultancy projects during the year.

ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT

ASSEMBLY ACCOUNTABILITY REPORT

Statement of Losses and Special Payments - Audited Information

	2017		2016	
	Number	£'000	Number	£'000
Claims Waived (Amounts Written Off):				
Rent & Rates	2,355	1,020	2,504	1,154
Commercial Property	2	-	2	2
Recoverable Charges - Damages	231	98	98	43
Recoverable Charges - Legal	245	90	619	201
Hostels	85	29	59	14
Travellers	19	82	-	-
Leaseholder	40	29	10	15
Group Heating	1	3	-	(3)
Service Charge	5	1	-	-
Housing Benefits Overpayments	4,039	1,370	4,554	1,521
	7,022	2,722	7,846	2,947
Special Payments over £250,000	2	578	1	325
Ex Gratia Payments	7	17	6	3
Extra Statutory Payments	-	-	1	1
Public Liability Claims	244	1,582	276	1,852
Contractual Claims	1	15	1	150
Other Write Offs and Cash losses - numerous	87	354	78	210
	7,363	5,268	8,209	5,488

Special payments include an extra-contractual payment of £250k in compensation for the loss of a former playground facility at Tudor Place, Belfast and £328k compensation for the removal of a 'Right of Way' at Clonard Redevelopment Area, Belfast.

Losses and Special Payments are included in Note 6 of the Financial Statements with the exception of Housing Benefit overpayments which are accounted for in Housing Benefit Expenditure.

Remote Contingent Liabilities - Audited Information

The Housing Executive has no liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability. Contingent liabilities are disclosed in Note 24 of the financial statements.



Clark Baillie

Chief Executive

Date: 29 November 2017

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of the Northern Ireland Housing Executive for the year ended 31 March 2017 under the Housing (Northern Ireland) Order 1981. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Assembly Accountability and Audit Report that is described in those reports as being audited.

Respective responsibilities of the Northern Ireland Housing Executive, Chief Executive and auditor

As explained more fully in the Statement of Northern Ireland Housing Executive and Chief Executive's Responsibilities, the Northern Ireland Housing Executive and the Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Housing (Northern Ireland) Order 1981. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Northern Ireland Housing Executive's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Northern Ireland Housing Executive; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the

audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinion on regularity arising from erroneous housing benefit awards and payment of fraudulent claims

The total amount paid by the Northern Ireland Housing Executive in housing benefit is £674.5 million. The level of estimated fraud and error as reported in Note 28 to the accounts resulted in overpayments of £28.7 million and underpayments due to official error of £3.4 million. The housing benefit overpayments are irregular as the expenditure has not been applied in accordance with the purposes intended by the Northern Ireland Assembly and also because fraudulent transactions are by definition irregular since they are without proper authority. In addition both over and underpayments arising because of official error are irregular because the Northern Ireland Housing Executive is required to calculate benefits in accordance with the regulations which specifies the entitlement criteria for housing benefit and the method used to calculate the amount of benefit to be paid.

I have therefore qualified my opinion on the regularity of housing benefit expenditure because of the level of overpayments attributable to customer fraud and error which have not been applied to the purposes intended by the Northern Ireland Assembly and because of the level of overpayments and underpayments due to official error in such benefit expenditure which are not in conformity with the relevant authorities.

Basis for qualified opinion on regularity arising from weaknesses in control of expenditure on planned maintenance

Significant weaknesses in control have continued in respect of £95.2 million planned maintenance expenditure incurred by the Northern Ireland Housing Executive. I was unable to obtain sufficient evidence

that the Northern Ireland Housing Executive's control of planned maintenance expenditure was adequate. Because of this lack of evidence I was unable to form an opinion on whether planned maintenance expenditure of £95.2 million had been applied for the purposes intended by the Northern Ireland Assembly.

Qualified opinion on regularity

In my opinion, except for the issues relating to £32.1 million of housing benefit payments attributable to estimated levels of fraud and error, and, except for planned maintenance expenditure of £95.2 million, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Northern Ireland Housing Executive's affairs as at 31 March 2017 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Housing (Northern Ireland) Order 1981 and Department for Communities directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Assembly Accountability disclosures to be audited have been properly prepared in accordance with Department for Communities directions made under the Housing (Northern Ireland) Order 1981.
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In respect only of the issues relating to planned maintenance expenditure I have not received all of the information and explanations that I require for my audit.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Remuneration and Staff Report and the Assembly Accountability and Audit Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance's guidance.

My detailed observations are included in my Report on pages 162 to 178 of the financial statements.



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

29 November 2017

Northern Ireland Housing Executive**Statement of Comprehensive Net Expenditure for the year ended 31 March 2017**

		2017	2016
	Note	£'000	£'000
Income			
Rental Income	4	299,766	301,465
EU Income	4	-	(13)
Other Income	4	51,382	52,837
Total Housing Benefit Income	7	660,351	665,080
Total Income		<u>1,011,499</u>	<u>1,019,369</u>
Expenditure			
Staff Costs	5	96,765	100,126
Other Expenditures	6	441,164	426,394
Total Housing Benefit Costs	7	660,351	665,080
Depreciation, Amortisation, Write Offs & Write Down	10(a)	31,944	33,600
Total Expenditure		<u>1,230,224</u>	<u>1,225,200</u>
Net Expenditure before Interest		(218,725)	(205,831)
Interest Receivable	9(b)	349	295
Financing Charges	8	(28,895)	(33,946)
Pension Financing Charges	22(d)	(2,101)	(3,622)
Net Expenditure before taxation		<u>(249,372)</u>	<u>(243,104)</u>
Tax on ordinary activities	9	(12,043)	(5,777)
Net Expenditure after taxation		<u>(261,415)</u>	<u>(248,881)</u>
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net operating costs:			
Net gain on revaluation of Property, Plant & Equipment		97,777	93,902
Net (loss)/gain on revaluation of Pension Actuarial Gains & Losses	22(e)	(98,091)	55,480
Other Comprehensive Net Expenditure		<u>(314)</u>	<u>149,382</u>
Total Comprehensive Net Expenditure for the year ended 31 March 2017		<u>(261,729)</u>	<u>(99,499)</u>

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

The notes on pages 115 to 159 form part of the accounts.

Northern Ireland Housing Executive
Statement of Financial Position as at 31 March 2017

		2017	2016
	Note	£'000	£'000
Non-current assets			
Property, Plant & Equipment - Operational	10(a)	2,271,009	2,207,928
Property, Plant & Equipment - Non Operational	10(b)	287	392
Intangible Assets	10(c)	2,215	2,297
Total non-current assets		2,273,511	2,210,617
Current Assets			
Assets Classified as Held for Sale	11	4,436	4,004
Inventories	12	2,305	1,543
Trade and other receivables	13 & 14	63,706	69,032
Cash and cash equivalents	15	113,808	95,178
Total current assets		184,255	169,757
Total assets		2,457,766	2,380,374
Current Liabilities			
Trade and other payables	16	(245,904)	(263,138)
Provisions	21	(2,057)	(4,920)
Total current liabilities		(247,961)	(268,058)
Net Current Liabilities		(63,706)	(98,301)
Non-current assets less net current liabilities		2,209,805	2,112,316
Non-current liabilities			
Trade and other payables	16	(12,072)	(11,578)
Loans Outstanding	18	(255,182)	(301,283)
Provisions	21	(520)	(1,055)
Pension Liability	22(d)	(157,821)	(58,165)
Total Non-current liabilities		(425,595)	(372,081)
Assets less Liabilities		1,784,210	1,740,235
Taxpayers' Equity			
Statement of Comprehensive Net Expenditure Reserve		1,044,147	1,083,104
Revaluation Reserve		740,063	657,131
		1,784,210	1,740,235

The financial statements on pages 111 to 159 were approved by the Board Members of the Northern Ireland Housing Executive and signed on their behalf by:



Professor Peter Roberts
Interim Chair

Date: 29 November 2017

The notes on pages 115 to 159 form part of the accounts.



Mr Clark Bailie
Chief Executive

Northern Ireland Housing Executive**Statement of Cash Flows for the year ended 31 March 2017**

		2017	2016
	Note	£'000	£'000
Net Cash Outflow from Operating Activities			
	23(a)	(200,146)	(197,404)
Cashflow from Investing Activities	23(b)	(76,651)	(88,294)
Cashflow from Financing Activities	23(c)	305,704	258,490
		<u>28,907</u>	<u>(27,208)</u>
Increase/(Decrease) in Cash & Cash Equivalents in the period			
		<u>74,731</u>	<u>101,939</u>
Cash and Cash Equivalents at beginning of period			
		<u>103,638</u>	<u>74,731</u>
Cash and Cash Equivalents at end of period			

The notes on pages 115 to 159 form part of the accounts.

Northern Ireland Housing Executive

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2017

Note	SOCNE Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 31 March 2015	1,000,559	574,459	1,575,018
Changes in reserves 2015/16			
Comprehensive Net Expenditure for year	(193,401)	93,902	(99,499)
Grant from Sponsoring Department	264,716	-	264,716
Transfers between reserves	11,230	(11,230)	-
Balance at 31 March 2016	1,083,104	657,131	1,740,235
Changes in reserves 2016/17			
Comprehensive Net Expenditure for year	(359,506)	97,777	(261,729)
Grant from Sponsoring Department	305,704	-	305,704
Transfers between reserves	14,845	(14,845)	-
Balance at 31 March 2017	1,044,147	740,063	1,784,210

The notes on pages 115 to 159 form part of the accounts.

NOTES TO THE ACCOUNTS

Note 1

ACCOUNTING POLICIES

Introduction

These financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by the Department of Finance (previously named as the Department of Finance and Personnel until 9 May 2016). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Housing Executive for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by the Housing Executive are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The accounting policies which have a material impact on the accounts are as follows:

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

The policies which have a material impact on the accounts are as follows:

a) Accounting Conventions

- The revenue and capital accounts are maintained on an accruals basis. This means that expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received.
- Income is matched with associated costs and expenses in so far as their relationship can be established or justifiably assumed.
- Income has only been disclosed in the accounts where there is reasonable certainty, and proper allowances have been made for all foreseeable losses and liabilities.
- Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, the reason and effect have been separately disclosed.
- The accounts have been prepared on a going concern basis.
- Where estimating techniques are required to

enable the accounting practices adopted to be applied, then the techniques which have been used are, in the Housing Executive's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change and, if practicable, the effect on the results for the current year is separately disclosed. Note 2 provides detail of material changes to estimating techniques for the current reporting year. There were none to report for 2016/17.

- The Housing Executive has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. The Housing Executive considers that these are unlikely to have a significant impact on the accounts in the period of initial application.

b) Rents

Rental Income shown in the Statement of Comprehensive Net Expenditure is the gross rent collectable less rents collectable on voids (vacated dwellings) and abatements for housing stock and commercial properties. All arrears and advances are reported in the receivables and payables due within one year and after one year.

Rates Income Received, which is shown in Other Income within the Statement of Comprehensive Net Expenditure, refers to Rates collectable on Housing Stock and garages.

c) Insurance

It is the Housing Executive's policy to self insure and expense immediately against Public Liability Claims below £250k for any one incident (limit of indemnity £20m), damage to Housing Stock (with the exception of multi storey flats and hostels) and Professional Indemnity Insurance.

d) Housing Benefit

Means tested Housing Benefit is administered by the Housing Executive on behalf of the Department. All claimant payments and the majority of the administrative costs are funded by the Department.

Funding recovered from the Department is not treated as a grant but is included as income in the Statement of Comprehensive Net Expenditure.

Housing Benefit overpayments are accounted for in the Housing Executive's books as a debtor due from the overpaid claimant and a creditor due to the Department when the debt has been recovered. The Department's books will include as a debtor the amount of Housing Benefit recoverable by the Housing Executive.

e) Service Concession Arrangement (strategic partnership with an IT Service provider)

In March 2005, the Housing Executive entered into a contract with an IT Service provider for the development, implementation and support of current and future Information and Communications Technology (ICT) systems and services up to September 2015. The contract was extended for a further three years and will now cease in September 2018. Under the terms of the contract, the provider is contractually obliged to provide IT services to the Housing Executive. The IT Service to be delivered by the provider is specified by NIHE through service element components at the outset of the contract.

IFRIC (International Financial Reporting Interpretations Committee) 12, "Service Concession Arrangements", covers the accounting treatment of Public Private Partnership (PPP) arrangements, Private Finance Initiative (PFI) contracts or other similar contracts that meet the definition of service concession arrangements. The Housing Executive contract with the IT provider, although not a PFI contract, is within the scope of IFRIC 12 as the Housing Executive controls the ICT services that the IT provider must provide. Furthermore, the Housing Executive has the right to the residual interest at the end of the contract when ownership of all assets pertinent to the contract will revert to the Housing Executive.

In accordance with IFRIC 12, the Housing Executive recognises hardware and software as a non-current asset when it meets the recognition criteria for other non-current assets of that generic type. Hardware costs, recognised under IAS 16 as non-current assets, are accounted for as Property, Plant & Equipment within Note 10(a). Software costs, recognised under International Accounting Standard (IAS) 38 as non-current assets, are accounted for as Intangible Assets within note 10(c). An asset is only recognised as a non-current asset when the asset comes into use by the Housing Executive. Any payments in advance of the asset coming into use are treated as prepayments.

The Housing Executive measures non-current assets initially at cost. This represents the costs incurred by the provider in bringing the asset into use for each service element. Following initial recognition, non-current assets acquired under this contract are re-valued each year by reference to appropriate Treasury approved indices. The accounting is in accordance with other non-current assets of that generic type as outlined below for hardware in 'Property, Plant & Equipment' and software in 'Intangible Assets'.

After a service element is brought into use, the Housing Executive starts to make unitary charge payments to the provider. The unitary charge payment incorporates payments for the service element of the contract, a finance charge and payments for the capital element of the contract. Payments for the capital element of the contract are offset against the liability recognised for the capital value of assets brought into use. The service element and the finance charge are expensed annually to the Statement of Comprehensive Net Expenditure.

f) Intangible Assets

IAS 38, "Intangible Assets", covers accounting for the recognition, measurement and amortisation of Intangible assets, in particular Computer Software.

Computer software is defined as an Intangible Asset under IAS 38. It is measured on initial recognition at cost. Following initial recognition, computer software is re-valued each year by reference to appropriate Treasury approved indices. Computer software is carried at valuation less any accumulated amortisation and any accumulated impairment losses.

Computer software is amortised over its useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for computer software with a finite useful life is reviewed at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method of amortisation as appropriate. Any adjustments are treated as changes in accounting estimates. The amortisation expense on computer software is recognised in the Statement of Comprehensive Net Expenditure within Depreciation, Write Offs and Write Down.

Gains or losses arising from de-recognition of computer software are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Comprehensive Net Expenditure Accounts when the asset is de-recognised.

Amortisation

It is policy to provide a full year's amortisation in the year of purchase. Computer Software is amortised on a straight line basis with no residual value. The principal terms used are:

Computer Software purchased outside of the IT service concession arrangement contract	5 years
Computer Software purchased within the IT service concession arrangement contract	4-10 years

g) Property, Plant & Equipment

IAS 16, "Property, Plant & Equipment", covers accounting for the recognition, measurement, valuation and depreciation of non-current assets. IAS 16 allows for revaluation of such assets and states that it will be sufficient to perform a full valuation by a qualified external valuer at least every five years, an interim valuation in year three, and an interim valuation in other years where there has been a material change in value. In interpreting IAS 16 for the public sector, the FReM permits a full valuation of assets every five years with annual indexation in the intervening years and no interim professional valuation. The Housing Executive has adopted this latter approach for all non-current assets other than Housing Stock and Land, which will continue to be revalued annually.

OPERATIONAL ASSETS

Housing Stock

Operational housing stock is revalued each year on the basis of open market value for existing use (Existing Use Value for Social Housing), in accordance with guidance issued by the Department of Communities & Local Government in England titled 'Stock valuation for resource accounting 2016: guidance for valuers'.

To determine the open market value, the "Beacon approach" to valuation is adopted for valuing the housing stock. Under the Beacon approach, the Housing Executive's total housing stock is split into property archetypes, through uniting characteristics material to the valuation. The value of a property archetype is determined by valuing a sample dwelling, representative of the property archetype, and using this value as the average value for the group. Internal inspections of each sample dwelling will be carried out every five years, in line with FReM. A full valuation was carried out by Land &

Property Services at 31 March 2014, where valuers carried out an internal inspection of each sample dwelling. The next full valuation is due to be carried out at 31 March 2019.

At 31 March 2017, the housing stock was subject to an annual 'desk-top' revaluation by Land & Property Services to reflect changes in stock numbers and market values. The valuation process was again based on the beacon approach adopted in year one of the five year valuation cycle with the revised open market value being adjusted by the adjustment factor applied in year one. This follows the guidance issued by the Department of Communities & Local Government.

To obtain Existing Use Value for Social Housing, the market value for each property archetype is adjusted by a factor which reflects the valuation for the properties if they were to be sold with sitting tenants enjoying tenant's rights. This method of valuation is carried out using guidance issued by the Department of Communities & Local Government in England titled 'Stock Valuation for Resource Accounting 2016 : Guidance for Valuers'. The Adjustment Factor measures the difference between private open market rented and socially rented property at a regional level. During 2013/14, the University of Ulster calculated adjustment factors reflecting the private/public sector yield relationship.

Voids which will be lettable are valued in line with normal stock valuations. Non-lettable voids are valued at Open Market Value, in line with the guidance issued by the Department of Communities & Local Government.

Land

Land is revalued each year on the basis of open market value. Additions to the land bank have been valued by external qualified valuers. Amenity land is recorded at Nil value as its value is considered to be reflected within the social house values. Where there is a reclassification of such land to development use, a revised valuation will be undertaken. Departmental approval provides for the transfer of land to Housing Associations (HA) at Nil value. Such a transfer is recorded in the Housing Executive accounts as a Loss on Disposal-Housing Association (see note 10(a)). The Housing Executive on behalf of the Department recoups the market value of these by deducting from the grant paid to Housing Associations.

Other Property

Commercial Properties, Hostels, Offices and Stores, and Travellers' Sites are valued in accordance with the FReM. They are revalued and relifed every five years by external professional valuers and in the intervening years appropriate indices are applied. Commercial Properties, Offices and Stores are valued on the basis of fair value for existing use. Hostels and Travellers' sites are valued at depreciated replacement cost.

Other assets

Short life assets, which includes Motor Vehicles, Plant and Machinery, Estate Management Equipment and Computer Equipment, are revalued each year by reference to appropriate Treasury approved indices.

De minimis rule

Non housing and housing stock related expenditure valued at £2,000 or less is charged to the Statement of Comprehensive Net Expenditure, except for expenditure incurred in the initial capital costs of a new asset e.g. fitting out of a new hostel. Items of computer network and ancillary equipment are excluded from the de minimis rule. Expenditure on housing stock in excess of the de minimis rule which does not add financial value to the stock will be treated as revenue.

NON OPERATIONAL ASSETS

Redevelopment Expenditure

Redevelopment (Urban Regeneration) Expenditure is classified as non operational assets. Expenditure is incurred in the purchase of properties zoned for redevelopment, demolition of properties and in site clearance. Expenditure is accrued for land that has been vested and where a claim has been made, with legal title confirmed. A provision is made for claims submitted and where legal title has yet to be confirmed.

Impairment results from the costs associated with land acquisition and development costs exceeding their brownfield site value.

Other property

Other properties noted as surplus to requirements are also classified as non-operational assets and valued at fair value.

h) Depreciation

It is the Housing Executive's policy to provide a full year's depreciation in the year of purchase. Assets are depreciated on a straight line basis with no residual value. The principal rates used are:

Land	Not depreciated
Housing Stock (Building element)	50 year life
Other Buildings – Built or Purchased (Building element)	As directed by valuer
Office Premises Adaptations – Leased	Over Lease Period
Plant and Machinery	7 year life
Estate Management Equipment	7 year life
Motor Vehicles	7 year life
Office Furniture	7 year life
Specialised Equipment	5 year life
Furniture and Fittings – Hostels	7 year life
Computer Network and Ancillary Equipment	5 Year life

i) Assets held for Sale

Assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and expected to be completed within one year from classification and the asset is available for sale in its present condition. Housing Stock classified as held for sale is based on actual post year end house sales in April and estimated post year end house sales for May and June.

j) Inventories

The valuation of inventory held by the Housing Executive's Direct Labour Organisation is stated at the lower of cost and net realisable value.

Houses purchased under the Special Purchase of Evacuated Dwellings (SPED) Scheme are considered to be current assets as it is anticipated that such houses will be sold within 12 months of purchase. SPED inventory is valued at the lower of cost and net realisable value.

k) Cash & Cash Equivalents

Cash and Cash equivalents comprise cash on hand and deposits and other short-term liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

i) Financial Instruments

Financial Assets

Financial Assets are classified into four types:

- Financial Assets at fair value through profit or loss – assets that an entity determines are held for trading and for derivatives with a positive value;
- Held to Maturity Investments – assets that have fixed payments and a fixed maturity;
- Loans and Receivables – assets that have fixed payments but are not quoted in an active market;
- Available for Sale Financial Assets – assets that have a quoted market price and / or do not have fixed or determinable payments.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Statement of Comprehensive Net Expenditure for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This results in the amount presented in the Statement of Financial Position as the outstanding principal receivable and interest credited to the Statement of Comprehensive Net Expenditure Account as the amount receivable in the loan agreement.

Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Statement of Comprehensive Net Expenditure for Interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The majority of the external borrowing that the Housing Executive has is with the Consolidated Loans Fund. In accordance with the Government FReM, Loans, Public Dividend Capital and other interests in public bodies outside the departmental boundary should be reported at historical cost less impairment. Therefore, the Government and local authority loans are stated at historical cost in the accounts.

As required by IFRS 7, the fair value of the financial instruments, i.e. the loans inherited from former local authorities and loan advances received from the Department is disclosed in Note 20.

m) Government Grants

Capital and Revenue Grants & Grant In Aid from the Department

A Non Departmental Public Body (NDPB) must treat general grants and grant in aid received for revenue and capital purposes as financing because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of the NDPBs.

Any general revenue and capital grants received from the Housing Executive's sponsoring body, the Department, to assist the Housing Executive in carrying out its statutory function, must be accounted for through the Revenue Reserve Account on the Statement of Financial Position.

The Housing Executive receives general grants from the Department to support its operational activities and to enable it to administer the functions of Supporting People, Private Sector Grants, Affordable Warmth, Boiler Replacement Scheme and Social Housing Development Programme.

Capital and Revenue grants

Capital and Revenue grants received for specific operational assets and revenue purposes are accounted for in line with IAS 20.

Capital Grants receivable for specific operational assets are recognised in the Statement of Comprehensive Net Expenditure immediately unless there are conditions stipulated by the Grant Paying body on their use which, if not met, would mean the grant is repayable. In such cases, the income will be deferred and released when the obligations are met. Where the capital grant has no conditions attached to it, the income is recognised immediately.

Grants receivable for revenue purposes are also recognised in the Statement of Comprehensive Net Expenditure so as to match them with the expenditure towards which they are intended to contribute.

Grants Payable

The Housing Executive pays grants in accordance with the terms and conditions inherent within the respective funding agreement, letter of offer or grant approval scheme. Grants payable are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs. Grants related to activity occurring over a specific time period, usually a financial year, are recorded as expenditure for that period. Any unspent grant paid to a housing association under the Social Housing Development Programme is recouped by the Housing Executive who in turn pay it to the Department. This is accounted for as a reduction in Social Housing Development Programme in Note 6.

n) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The leases the Housing Executive currently holds are all regarded as operating leases and the rentals are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the lease term.

Housing Executive as a lessee

Finance leases

Finance leases, which transfer to the Housing Executive substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the Statement of Comprehensive Net Expenditure.

Operating leases

Operating lease payments are recognised as an expense in the Statement of Comprehensive Net Expenditure on a straight line basis over the lease term.

o) Pensions

The Housing Executive participates in the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) pension scheme for the majority of its employees. The Scheme's professionally qualified actuaries recommend the rates of contribution to be paid. The Housing Executive has accounted for its pension costs arising from the NILGOSC scheme, and for all unfunded discretionary benefits which it has granted, as defined benefit schemes.

NILGOSC pension scheme

For the NILGOSC defined benefit scheme, the Housing Executive has recognised its share of the pension fund assets and liabilities in its Statement of Financial Position as a pension liability, as well as recognising the full cost of providing for future retirement benefits in the Statement of Comprehensive Net Expenditure.

Measurement of Scheme Assets

The pension fund asset is accounted for at fair value.

Measurement of Scheme Liabilities

Pension liabilities are measured on an actuarial basis using the projected unit method. The scheme liabilities at the valuation date relate to:

- i) the benefits for pensioners and deferred pensioners and their dependants, allowing where appropriate for future increases;

and

- ii) the accrued benefits for members in service on the valuation date.

Recognition of Net Pensions Liability

The Housing Executive has recognised a liability in its Statement of Financial Position for the shortfall in value of its share of pensions fund assets and liabilities at the Statement of Financial Position date. This shortfall is recoverable wholly from increases in future contributions made by the Housing Executive to the pension fund.

The movement in the pension liability is analysed across the following components:

- Current Service Cost - represents the increase in the present value of the scheme liabilities expected to arise from employee service in the current period. The current service cost is included in Employee Costs within the Statement of Comprehensive Net Expenditure.
- Interest on Service Cost – this is accounted for in Employee Costs and the Net Interest Cost within the Statement of Comprehensive Net Expenditure.
- Administration Expenses – an allowance for administration expenses and insurance premiums is included in the pension expense as part of the current service cost within the Statement of Comprehensive Net Expenditure.
- Past Service Cost - represents the increase in liabilities arising from decisions made during the year which affect years of service earned in earlier years, such as the award of early retirement with added years of service. The past service cost is included in Employee Costs within the Statement of Comprehensive Net Expenditure.
- Net Interest Cost – reflects the change during the period in the net defined benefit liability/(asset). The Net Interest Cost is included in financing costs within the Statement of Comprehensive Net Expenditure.
- Actuarial Gains and Losses – arise from differences because events have not coincided with the actuarial assumptions made for the last valuation or changes in the actuarial assumptions

and due to experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred). Actuarial Gains and Losses are reflected in the Statement of Changes in Taxpayers' Equity.

- Gains and losses on settlements and curtailments – settlements are actions that relieve the employer of the primary responsibility for a pension obligation. A curtailment reduces the expected years of future service or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Gains and losses on settlements and curtailments are included in employee costs within the Statement of Comprehensive Net Expenditure.

Added Years Discretionary Benefits

The Housing Executive recognises the actuarial liability from added years granted in respect of past employees who have retired early. Given projected life spans, this liability will be payable over a number of years. The Housing Executive makes a provision each year based on the projected liability. Payments in respect of individual employees who have retired early are paid annually to NILGOSC and will continue to be paid until these employees cease to be recipients of the scheme.

p) Taxation (including Value Added Tax)

Corporation Tax

As the Housing Executive does not have Crown exemption, it is liable to corporation tax on certain sources of income (in this case, interest receivable, chargeable gains on sale of Housing Stock and net rental income in the landlord activities) earned in any year. A tax charge is recognised and shown on the face of the Statement of Comprehensive Expenditure. More details can be found in Note 9.

Value Added Tax

All revenues, expenses and assets are shown net of Value Added Tax (VAT) unless it is irrecoverable. The net amount of VAT recoverable from, or payable to, HMRC is included as part of receivables or payables in the Statement of Financial Position.

q) Provisions

Provisions are recognised when either a legal or constructive obligation, as a result of a past event, exists at the Statement of Financial Position date and where the amount of the obligation can be reasonably estimated.

Provisions not required and written back during the year are disclosed separately in Note 21 with the exception of the provisions for Public Liability Claims, for which this information is not available. The amount disclosed as provided in the year in respect

of these items includes the impact of any provisions not required from the prior year-end, since the amount of this impact cannot be readily ascertained in order to be disclosed separately.

r) Contingent Liabilities

A contingent liability is disclosed in Note 24 if an obligation cannot be accurately estimated or if an outflow of economic benefit to settle the obligation is more than remote.

Remote contingent liabilities, as required under Managing Public Money Northern Ireland if applicable, are disclosed in the Assembly Accountability Report.

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

Payments in respect of settled claims are included in the Statement of Comprehensive Net Expenditure in the year in which they are made and a note of the possible liability is included in the supporting notes to the accounts.

s) Related Party Transactions

Details of transactions and outstanding balances at the year-end between the Housing Executive and related parties are disclosed in Note 26 in accordance with IAS 24.

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

A related party is a person or entity that is related to the Housing Executive. The following are classed as related parties for the Housing Executive:

- (a) A Director or Board Member (or a close member of that person's family);
- (b) An entity if any of the following conditions applies:
 - (i) The entity and the Housing Executive are members of the same group i.e. other Government body;
 - (ii) The entity is controlled or jointly controlled by a person identified in (a).

t) Estimation Techniques

The Housing Executive makes estimates and assumptions concerning the future, which by definition, will seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) Provisions

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Please see note 21 for further details of the carrying amounts.

ii) Pension Liability

An asset or liability in respect of the NILGOSC scheme is recognized on the Statement of Financial Position in accordance with the accounting policy o). The present value of a defined benefit obligation is dependent upon a number of factors that are determined on an actuarial basis. The Housing Executive determines the appropriate discount rate to be used at the end of each year. Please see note 22 for further details of the carrying amounts.

iii) Assessing the need for and measurement of impairment losses

Impairment losses on receivables, particularly Housing Benefit receivable and Tenant Arrears, is dependent upon NIHE deriving the best estimate of probable losses inherent in the portfolio. Such estimate requires consideration of historical loss experience, adjusted for current conditions, and judgments about the probable effects of relevant observable data. Please see note 14 for further details of the impairment losses.

iv) Useful lives of Property, Plant and Equipment and Intangible assets

The estimation technique employed in determining the useful lives of Intangible assets and Property, Plant and Equipment is enclosed in accounting policy f) and g) respectively. Please see note 10 for further details of the carrying amounts.

v) Valuation of Housing Stock

The estimation technique employed in selection of the beacon property and calculation of the adjustment factor is carried out using guidance issued by the Department of Communities & Local Government in Great Britain titled 'Stock Valuation for Resource Accounting 2010 : Guidance for Valuers'. More information is enclosed in accounting policy g). Please see note 10 for further details of the carrying amount.

vi) Accruals and Prepayments for Social Housing Development Programme

Grants are paid by the Housing Executive to Housing Associations to fund social housing development schemes. A model has been developed to allow the Housing Executive to recognise the cost of these grants in line with the average pattern in which the Housing Associations incur the expenditure being

covered by the funding. The objective is that the Housing Executive recognises the grant costs only to the extent that the development being funded has been completed. At the year-end, a prepayment or accrual is recognised for every scheme where the grant funding paid to the Housing Association either exceeds or falls short of the development costs incurred. However, the model used to estimate the development costs incurred at year-end is based on average expenditure patterns from historical experience and applies judgments to provide a reasonable approximation of expenditure across all the schemes.

u) Apportionment Methodology – used for annex

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

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

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

v) Commissioned Services

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

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

- Homelessness and Waiting List Management
- Housing Benefit
- Travellers
- Corporate Procurement
- Together Building United Communities programme

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

- House / Land Sales
- Research
- Adaptations
- Equality
- Land & Housing Analytics

Note 2

Changes in Accounting Policy / Estimate

There were no material changes in accounting policies or accounting estimates which require separate disclosure in the accounts.

Note 3(a)

Analysis of Net Expenditure by Segment

IFRS 8, 'Operating Segments', requires disclosure of financial information about an organisation's reportable segments, based on the format and structure of internal reporting arrangements as evaluated regularly by the 'Chief Operating Decision Maker.' IFRS 8 defines an operating segment as a component of an entity that engages in business activities from which it may earn revenues and incur expenses and whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The 'Chief Operating Decision Maker' for the Housing Executive is deemed to be the Board as it has the authority and responsibility for directing the major activities of the Housing Executive at a corporate level during the year. In particular, the Housing Executive Board approves the annual budget and scrutinises financial performance against this on an ongoing basis.

The Housing Executive's objectives and programmes reflect its role as the regional strategic housing authority for Northern Ireland. It is fully committed to working with others to ensure everyone has access to a decent affordable home in a safe and healthy community. The Housing Executive aim to achieve this through the following objectives:

- Delivering the Decent Homes Standard;
- Promoting independent living;
- Urban and rural regeneration;
- Promoting affordable housing;
- Building a stronger community;

- Better public services.

The Board of the Housing Executive determines a comprehensive set of objectives and targets to ensure it meets its responsibilities across this wide range of programmes and services. This Board approved framework is then used to allocate resources, monitor performance (both financial and non-financial) and thereby control the activities of the organisation at corporate level.

A directive to reclassify the Housing Executive between Landlord Services (Quasi Public Body) and Regional Services (N.D.P.B), became operational from 1 April 2014. Prior to 1 April 2014, the Housing Executive was classified as a Public Corporation. As a result, from this date, there are separate budgetary control and reporting requirements for Landlord Services and Regional Services, with the Board monitoring performance for each of these services individually. Regional Services also meet additional budgetary requirements for both 'DEL non-cash' and 'AME (Annually Managed Expenditure - non voted)' budgets.

Operating segments are therefore readily identified for both Landlord Services and Regional Services using the performance and resource framework already established by the Board and provide compliance with the reporting requirements of International Financial Reporting Standard (IFRS) 8.

The following operating segments have been identified for the Housing Executive:

Landlord Services

- Loan Charges - this relates to the principal and interest loan repayments in connection with loans raised by the Housing Executive or transferred to the Housing Executive upon its creation.
- Dwelling Related Costs - this relates to capital improvements (primarily Disability Adaptation extensions and Decent Homes improvements such as replacement kitchens), revenue maintenance & upkeep of the Housing Executive's housing units and associated grounds maintenance costs.
- Miscellaneous Expenditure - the majority of costs reported in this category relates to payment of rates for housing stock. Other expenditure areas included are public liability claims, write-offs and special payments, expenditure incurred for the upkeep of hostels and contributions to outside agencies.
- Employee and Administration Expenses - this includes salary costs, travel & subsistence, Office expenses and IT programme costs for Landlord Services.

- Commissioned Services Net Income - this represents charging for services performed by Landlord Services on behalf of Regional Services and vice versa (see accounting policy note (v) for more detail).
- Corporation Tax - relates to Corporation Tax charged on tradable activities.
- Rental & Miscellaneous Income - includes all Rental Income on the Housing Executive's homes, commercial property, hostels and land.
- Capital Receipts - relates to proceeds received from sale of housing stock and land.
- Other - the 'other' category is comprised of capital expenditure on IT and Office Accommodation and expenditure relating to the purchase of land and vested housing stock. For income it relates mainly to rates income collected.
- Rental & Miscellaneous Income - includes Rental Income on Travellers sites and Income received from the sale of Special Purchase of Evacuated Dwellings (SPED) properties.
- Other - the 'other' category is the purchase of Special Purchase Evacuated Dwellings (SPED) properties, capital improvements within traveller's sites and AME expenditure lines which are demand led e.g. pension revaluations.

Information on Capital and Revenue spend is provided to the Board monthly. No information is provided in respect of assets and liabilities regularly to the Board for Landlord Services and Regional Services. This information is therefore not disclosed in Note 3 separately.

Regional Services

- Supporting People - Regional Services manages this Government Scheme which is aimed at providing housing based assistance to allow eligible individuals to obtain the benefits of independent living.
- Employee and Administration Expenses - this includes salary costs, travel & subsistence, Office expenses and IT programme costs for Landlord Services.
- Commissioned Services Net Income - this represents charging for services performed by Landlord Services on behalf of Regional Services and vice versa (see accounting policy note (v) for more detail).
- Private Sector Grants & Energy Efficiency - this scheme provides means tested grants to private home owners to fund repairs, improvements and adaptations and thereby improve the overall stock of housing within the region.
- Misc Public & Private Programme - the expenditure covers payments in respect of managing the Homeless service and asylum seekers.
- Social Housing Development Programme - sometimes described as the 'New Build' programme, this is mainly concerned with the grant support provided to Housing Associations for building of social housing.

Notes to the Accounts

Note

3(a) Analysis of Net Expenditure by Segment (continued)

The following table summarises the outturn spend for each of the operating segments for Landlord Services and Regional Services.

Segment	2017			2016		
	Capital £'000	Revenue £'000	Net Expenditure £'000	Capital £'000 Restated	Revenue £'000 Restated	Net Expenditure £'000 Restated
LANDLORD SERVICES						
Total Net expenditure reported for Operating Segments:						
Loan Charges	-	80,579	80,579	-	90,895	90,895
Dwelling Related Costs	25,685	123,531	149,216	12,516	138,991	151,507
Miscellaneous Expenditure	-	45,846	45,846	-	44,675	44,675
Employee and Admin Expenses	-	79,352	79,352	-	75,296	75,296
Commissioned Services Net Income	-	(9,140)	(9,140)	-	(10,027)	(10,027)
Corporation Tax	-	5,791	5,791	-	12,000	12,000
Other	2,208	-	2,208	3,002	-	3,002
	<u>27,893</u>	<u>325,959</u>	<u>353,852</u>	<u>15,518</u>	<u>351,830</u>	<u>367,348</u>
Less Rental & Miscellaneous income	-	(343,881)	(343,881)	-	(346,602)	(346,602)
Less Capital Receipts	(17,689)	-	(17,689)	(14,304)	-	(14,304)
Total Expenditure	10,204	(17,922)	(7,718)	1,214	5,228	6,442
REGIONAL SERVICES						
Total Net expenditure reported for Operating Segments:						
Supporting People	-	77,807	77,807	-	73,019	73,019
Employee and Admin Expenses	-	38,782	38,782	-	42,738	42,738
Commissioned Serv Net Expenditure	-	9,140	9,140	-	10,027	10,027
Private Sector Grants, & Energy Efficiency	36,906	-	36,906	27,130	-	27,130
Misc Public / Private Programme	-	15,340	15,340	-	14,453	14,453
Social Housing Development Programme	105,207	-	105,207	98,541	-	98,541
Other	2,267	(131)	2,136	1,952	3,894	5,846
	<u>144,380</u>	<u>140,938</u>	<u>285,318</u>	<u>127,623</u>	<u>144,131</u>	<u>271,754</u>
Less Rental & Miscellaneous income	(455)	(5,445)	(5,900)	(1,773)	(4,674)	(6,447)
Total Expenditure	143,925	135,493	279,418	125,850	139,457	265,307

Included in reportable segments above are:

- 1) 'Other' segment within Regional Services (Revenue) - £364k relating to impairment of non-operational property as disclosed in Note 10 (b).
- 2) 'Loan Charges' segment within Landlord Services (Revenue) - £29.4m relating to interest payable on loans outstanding from the Government Loans Fund and Former Local Authorities.

Notes to the Accounts**Note****3(a) Analysis of Net Expenditure by Segment (continued)****Reconciliation to Statutory Accounts**

	2017 £'000	2016 £'000 Restated
The table overleaf reflects information provided monthly to the Board on outturn against budget. A reconciliation is provided below to reconcile the outturn to the Financial Statements.		
Total Net expenditure reported for Operating Segments:		
Landlord Services	(7,718)	6,442
Regional Services	279,418	265,307
	271,700	271,749
Adjustments in the Budgeted Outturn and not in the Statement of Comprehensive Net Expenditure:		
Travellers Sites Additions	(71)	-
Redevelopment Land Additions	(364)	(1,011)
Transfer of Redevelopment Land to Operational Land	-	640
Operational Assets Additions	(14,842)	(10,567)
Receipts (net of expenses) for Sale of Land & Property	17,715	14,304
Loans Principal Repayments	(51,684)	(56,991)
	(49,246)	(53,625)
Adjustments in the Statement of Comprehensive Net Expenditure and not through Budgeted Outturn for Landlord Services:		
Depreciation, Amortisation, Write Offs & Write Down	31,851	33,518
Provisions for Liabilities and Charges movement	(204)	(413)
Corporation Tax Movement	6,239	(6,239)
IAS 19 Pension Adjustment	1,098	3,503
Other adjustments	(23)	388
	38,961	30,757
Total net expenditure per the Statement of Comprehensive Net Expenditure	261,415	248,881

The presentation of the operating segments note has been revised for 2016/17. As a result, 2015/16 comparators have been restated in line with the revised presentation.

Notes to the Accounts**Note****4 Income**

The Housing Executive's core business activity is the provision of a public sector housing service and the rental income from this service is a principal source of income.

	2017 £'000	2016 £'000
Rental Income		
Dwellings & Garages	301,190	303,211
Redevelopment	10	30
Commercial Properties	2,209	2,226
Lands	58	33
Travellers, Hostels and Requisitioned Properties	654	667
Miscellaneous	270	273
	<hr/> 304,391	<hr/> 306,440
Less: Abatements		
Dwellings & Garages	(961)	(992)
Commercial Properties	(157)	(143)
	<hr/> (1,118)	<hr/> (1,135)
Less: Voids		
Dwellings & Garages	(3,183)	(3,492)
Redevelopment	(38)	(1)
Commercial Properties	(101)	(161)
Hostels	(161)	(177)
Traveller Sites	(24)	(9)
	<hr/> (3,507)	<hr/> (3,840)
Total Rental Income (C/Fwd)	<hr/> 299,766	<hr/> 301,465

Notes to the Accounts**Note****4 Income (continued)**

	Note	2017 £'000	2016 £'000
Total Rental Income (B/Fwd)		299,766	301,465
EU Income		-	(13)
Other Operating Income			
Income from Housing Associations		13	1,080
Revenue grants		265	119
Capital Grant		1	-
Rates Income from Housing Stock	26	36,956	36,832
Income from Land & Property Services:			
Rates Collection		4,127	3,968
Rates Relief Income	26	2,812	2,777
Lone Pensioner Allowance	26	170	178
Legal Expenses Recovered		259	267
Other Recoverable Charges		102	179
Ground Rents Receivable		72	77
HMO Multiple Occupancy - Registration Fees		531	426
Group Repairs Income		11	13
SPED Income		458	1,793
Income from Hostels		1,486	1,588
Income for Asylum Seekers		3,405	2,917
Income from sold flats		408	428
Income from Service Enhancement Fund		142	147
Income recoverable on maintenance contracts		2	27
Miscellaneous Income		162	21
		51,382	52,837
Total Income (excluding Housing Benefit Income)		351,148	354,289

Notes to the Accounts**Note****5 Staff costs**

	2017			2016	
	Permanent Staff £'000	Others £'000	Board Members £'000	Total £'000	Total £'000
Staff costs comprise					
Wages and Salaries	65,969	505	100	66,574	68,382
Social Security Costs	6,160	41	4	6,205	4,745
Seconded-in Staff	-	170	-	170	231
Agency Costs	-	10,867	-	10,867	11,534
Total Staff costs excluding Pension Costs	72,129	11,583	104	83,816	84,892
Other Pension Costs				12,949	15,234
				96,765	100,126

The costs of the staff seconded to other public sector bodies and other organisations have been netted off the total Salaries Costs and are noted below.

	2017 £'000	2016 £'000
Wages and Salaries	164	292
Social Security Costs	18	23
Other Pension Costs	34	60
	216	375

Other Pension Costs above include costs of staff seconded from other Public Sector Bodies and amount to £170k. In addition, staff employed by recruitment agencies amounted to £10,867k.

Further details on the staff costs can be found in the Staff Report within the Remuneration and Staff Report.

Notes to the Accounts

Note

6 Other Expenditure

	Note	2017 £'000	2016 £'000
Direct Employees Costs		756	731
Transport Related Costs		2,625	2,770
Premises Related Costs	(a)	8,295	8,140
Supplies, Services, Write - Offs & Other Costs		21,022	19,379
External Audit			
Auditor's Remuneration		165	165
Other Services	(b)	13	-
Bank Charges		297	278
Dwelling Related Costs	(c)	137,099	144,630
Public Sector Expenditure		1,717	1,559
Rates Relief Expenditure		2,812	2,777
Lone Pensioner Allowance (LPA)		170	178
Private Sector Expenditure	(d)	13,887	14,014
Private Sector Grants	(e)	38,196	28,928
Rates paid on Housing Stock		37,221	36,891
Supporting People		77,807	72,868
Public Liability Charges		1,089	1,372
Social Housing Development Programme	(f)	105,207	98,541
Impairment	(g)	401	1,011
Restructuring Costs		7,218	7,432
		<hr/>	<hr/>
		455,997	441,664
Less:			
Recharges - salaries & overheads of Housing Executive staff providing professional services in the delivery of its core business.	(h)	(14,833)	(15,270)
		<hr/>	<hr/>
		<u>441,164</u>	<u>426,394</u>

Notes to the Accounts

Note

6 Other Expenditure (Continued)

- (a) Premises related costs includes £1,833k leased charges for the rental of properties occupied by the Housing Executive during 2016/17.
- (b) Other Services provided by External Audit included £13.3k in respect of the National Fraud Initiative.
- (c) The major element of Dwelling Related Costs is the maintenance of the Housing Executive's housing stock including grounds and general maintenance costs. For 2016/17, £95.2m was spent on a planned maintenance programme and £41.9m was spent on response maintenance.

- (d) Private Sector Expenditure is analysed as follows:

	£'000
Special Purchase of Evacuated Dwellings (SPED)	549
Allowance for loss in Fair Value on SPED	44
Homelessness	9,202
Asylum Seekers	2,678
Other	1,414
	<u>13,887</u>

SPED costs include £81k which relate to loss on sale of SPED stock sold during the 2016/17 year.

- (e) This includes Affordable Warmth Grants of £21,811k, Disabled Facilities Grants of £9,493K, Boiler Replacement Grants of £2,103k, Other Grants of £3,577K and Group Repairs of £31k . There are also administration costs included in this category for the running of these schemes which have not been separately disclosed.

- (f) Social Housing Development Programme includes payments to Housing Associations for the following:

	£'000
New Build	87,305
Advance Land Purchase Grant	12,000
Voluntary Purchase Grant	775
Small Adaptations Grant	2,927
Together: Building a United Community	2,200
Recoupment of SHDP grant	2,601
Grant recouped & paid to Department	(2,601)
	<u>105,207</u>

- (g) Impairment relates to the write down of Assets (See Note 10(a) & 10(b)).

- (h) Recharges include salaries and overhead costs for the following functions:

	£'000
Direct Labour Organisation	13,714
Rates Relief & Lone Pensioner Allowance	884
Other Programme Cost delivery	235
	<u>14,833</u>

- (i) EU income for 2016/17 is Nil. The total EU Income included for 2015/16 in Note 4 is (£13k). The negative income results from excess accrued income accounted for in 2014/15. There was no expenditure incurred, corresponding to this negative income, during 2015/16.

Notes to the Accounts

Note

7 Housing Benefit Expenditure

Under the Social Security Administration (NI) Act 1992, the Housing Executive has responsibility for administering Housing Benefit on behalf of the Department. The accounts of the Housing Executive include overpayments of Housing Benefit, shown as a debtor due from the overpaid claimant, and a creditor due to the Department upon recovery by the Housing Executive. Such overpayments are also accounted for in the Department's accounts.

Housing Benefit payments in the year are as follows:

	2017 £'000	2016 £'000
Housing Benefit - Public & Private	674,517	680,290
Housing Benefit - Overpayment recoveries	(13,669)	(14,579)
Net Funding from the Department	<u>660,848</u>	<u>665,711</u>
Transfer of Housing Benefit overpayment movement to overpayment debtor account	(1,456)	(2,564)
Increase in HB Overpayment Provision	959	1,933
Total Housing Benefit Costs / Income	<u><u>660,351</u></u>	<u><u>665,080</u></u>

8 Financing Charges

	2017 £'000	2016 £'000
Loan Interest Charges	28,895	33,903
Finance Charges on Service Concession Arrangements	-	43
	<u><u>28,895</u></u>	<u><u>33,946</u></u>

Notes to the Accounts

Note	2017 £'000	2016 £'000
9 Taxation		
(a) Taxation charge in the year		
Analysis of charge in the year (estimate)		
Current tax:		
UK Corporation tax on taxable income for the current year	11,854	11,303
Adjustments to the tax charge in respect of previous periods	189	(5,546)
Interest & penalties	-	20
	<u>12,043</u>	<u>5,777</u>

Tradable activities, which are subject to Corporation Tax, include Rental Income, Disposal of Capital Assets and Interest Receivable.

(b) Factors affecting the tax charge

	2017 £'000	2016 £'000
Interest Receivable - current year	349	295
Chargeable Net Rental Income	58,821	56,222
Chargeable Gains	-	-
	<u>59,170</u>	<u>56,517</u>

Net Expenditure before taxation multiplied by the effective rate of Corporation Tax in the UK for the current year of approx. 20% (2016: 20%)

	11,854	11,303
Adjustments to the tax charge in respect of previous periods	189	(5,546)
Interest & penalties	-	20
Current tax charge	<u>12,043</u>	<u>5,777</u>

A Corporation Tax charge of £12.04 million has been recognised in the accounts (see note 9a above for calculation). There is also an outstanding liability at the year end of £2.7 million (see note 16). The Housing Executive does not have Crown exemption status in relation to Corporation Tax.

(c) Deferred tax

No provision for deferred tax has been made as at 31 March 2017 and for previous financial years.

Notes to the Accounts**Note****10 (a) Property, Plant & Equipment****Operational****Cost or Valuation****At 31 March 2016**

	Housing Stock £'000	Land £'000
	2,100,407	36,865
Additions	12,533	5
Reclassification Uplift		2,283
Disposals	(7,712)	(3,096)
Demolitions	(21)	
Write off Adapt to Leased Offices		
Transfer from Housing Stock	(214)	178
Transfer to Housing Stock	256	
Transfer from Non-Operational Assets		
Transfer to Non-Operational Assets		
Transfer to Land from Commercial Property		10
Transfer to Non Current Assets		
Held for Sale	(4,055)	(405)
Transfer from Non Current Assets		
Held for Sale		64
Impairment	(38)	-
Write down in valuation		(256)
Revaluation Adjustments	61,002	3,783
At 31 March 2017	2,162,158	39,431

Depreciation**At 31 March 2016**

	-	-
Charged in year	(30,241)	
Written back on Revaluation	30,241	
Backlog Depreciation		
Disposals		
Depreciation on transfer to Housing Stock		
Depreciation on transfer to Non Operational Assets		
At 31 March 2017	-	-

Carrying amount at 31 March 2016

2,100,407	36,865
-----------	--------

Carrying amount at 31 March 2017

2,162,158	39,431
-----------	--------

Asset financing:

Owned	2,162,158	39,431
Finance Leased	-	-
On-balance sheet Service		
Concession contracts	-	-
Carrying amount at 31 March 2017	2,162,158	39,431

Commercial Property £'000	Office Premises £'000	Hostels £'000	Travellers Sites £'000	Other Assets £'000	Total £'000
16,536	32,641	15,145	3,215	27,301	2,232,110
13	58			2,071	14,680
					2,283
				(169)	(10,977)
	(137)				(21)
36					(137)
		(261)			-
			146		(5)
	(80)				146
					(80)
					10
					(4,460)
					64
					(38)
					(256)
(6)		338	184	449	65,750
16,579	32,482	15,222	3,545	29,652	2,299,069
(455)	(834)	(417)	(86)	(22,390)	(24,182)
(454)	(833)	(422)	(91)	(2,002)	(34,043)
					30,241
		(10)	(2)	(231)	(243)
				161	161
		5			5
	1				1
(909)	(1,666)	(844)	(179)	(24,462)	(28,060)
16,081	31,807	14,728	3,129	4,911	2,207,928
15,670	30,816	14,378	3,366	5,190	2,271,009
15,670	30,816	14,378	3,366	2,651	2,268,470
-	-	-	-	-	-
-	-	-	-	2,539	2,539
15,670	30,816	14,378	3,366	5,190	2,271,009

Notes to the Accounts

Note

10(a)

Property, Plant & Equipment (continued)

Operational (Continued)

Cost or Valuation

At 31 March 2015

	Housing Stock £'000	Land £'000
	2,048,457	32,073
Additions	7,083	45
Reclassification Uplift		3,327
Disposals	(7,977)	(2,903)
Demolitions	(517)	
Write off Adapt to Leased Offices		
Transfer from Housing Stock	(75)	75
Transfer to Housing Stock	690	
Transfer from Non-Operational Assets		640
Transfer to Non-Operational Assets		
Transfer to Non Current Assets		
Held for Sale	(3,482)	(451)
Transfer from Non Current Assets		
Held for Sale	455	130
Impairment		
Write down in valuation	(9)	(20)
Revaluation Adjustments	55,782	3,949
At 31 March 2016	2,100,407	36,865

Depreciation

At 31 March 2015

	-	-
Charged in year	(29,376)	-
Written back on Revaluation	29,376	
Backlog Depreciation		
Disposals		
Depreciation on transfer		
to Non Operational Assets		
Impairment		
At 31 March 2016	-	-

Carrying amount at 31 March 2015

	2,048,457	32,073
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Carrying amount at 31 March 2016

	2,100,407	36,865
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Asset financing:

Owned	2,100,407	36,865
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Finance Leased	-	-
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On-balance sheet Service

Concession contracts	-	-
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Carrying amount at 31 March 2016	2,100,407	36,865
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Commercial Property £'000	Office Premises £'000	Hostels £'000	Travellers Sites £'000	Other Assets £'000	Total £'000
16,515	32,768	14,710	2,930	24,945	2,172,398
14	1			2,287	9,430
					3,327
				(40)	(10,920)
	(128)				(517)
					(128)
					-
		(690)			-
			32		672
			(87)		(87)
					(3,933)
					585
					-
					(29)
7		1,125	340	109	61,312
16,536	32,641	15,145	3,215	27,301	2,232,110
-	-	-	-	(20,461)	(20,461)
(455)	(834)	(417)	(86)	(1,906)	(33,074)
					29,376
				(52)	(52)
				29	29
					-
					-
(455)	(834)	(417)	(86)	(22,390)	(24,182)
16,515	32,768	14,710	2,930	4,484	2,151,937
16,081	31,807	14,728	3,129	4,911	2,207,928
16,081	31,807	14,728	3,129	1,857	2,204,874
-	-	-	-	-	-
-	-	-	-	3,054	3,054
16,081	31,807	14,728	3,129	4,911	2,207,928

Notes to the Accounts

Note

10 (a) Property, Plant & Equipment (continued)

Valuation Methodology

Land and Other Buildings

Land and Other Buildings includes Land, Commercial Properties, Offices, Hostels and Travellers' Sites.

Land was revalued at 31 March 2017 on the basis of open market value by McKibbin Commercial Property Consultants. The valuation is in accordance with the Royal Institution of Chartered Surveyors appraisal and valuation manual. This land is revalued every year through physical inspection.

During the current financial year, a number of sites which were previously identified as amenity have been reclassified as Undeveloped Land and revalued at £2.3m on the basis that the sites may have development potential. Land classified as amenity land has no value and is reflected within the social house values.

Offices, Commercial Properties, Travellers' Sites and Hostels were revalued and relifed at 31 March 2015 by professional valuers of Land and Property Services. Offices and Commercial Properties were revalued at 31 March 2015 at open market value based on Existing Use. Hostels and Travellers' Sites were revalued at 31 March 2015 using Depreciated Replacement Cost as they are considered specialised assets. Indices provided by Land and Property Services have been used to revalue these properties at 31 March 2017.

The building element of all of the above properties has been depreciated over the remaining useful life as directed by the valuer. Included within the Net Book Value of Offices is £218k for adaptations relating to Offices rented on short leases. Adaptations are written off over the life of the leases.

The FReM permits a full external valuation of assets once every five years with the use of appropriate indices in intervening years. Land & Property Services provide appropriate indices in the intervening financial years in order to revalue Offices, Commercial Properties, Travellers' Sites and Hostels.

Notes to the Accounts**Note****10 (a) Property, Plant & Equipment (continued)****Other Assets**

Other Assets includes Motor Vehicles, Plant and Machinery, Estate Management Equipment, Furniture, Equipment & Fittings and Computer Equipment which have been revalued by reference to appropriate Treasury approved indices.

Asset Net Book Value (NBV)

	At 31 March 2017 £'000	At 31 March 2016 £'000
Motor Vehicles	1,793	1,566
Plant and Machinery	130	115
Estate Management Equipment	304	171
Office Furniture	246	5
Office Equipment	-	-
Hostels Furniture & Fittings	-	-
Computer Hardware	2,717	3,054
	<u>5,190</u>	<u>4,911</u>

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

	At 31 March 2017 £'000	At 31 March 2016 £'000
Depreciation adj for Backlog Depreciation	34,288	33,126
Amortisation - IT Software	897	758
Revaluation Adjustments - Other Assets	(740)	(180)
Revaluation Adjustments - Land	255	20
Writedown in Assets Held for Sale	62	139
Losses on Sale of Surplus Land	285	339
(Profit)/Loss on Sale of Housing Stock	(4,697)	(3,877)
(Profit)/Loss on Sale of Other Assets	(17)	(4)
Losses on Demolished Property	21	517
Write off Adaptations to Leased Offices	137	128
Loss on Disposal - Housing Association	1,453	2,634
	<u>31,944</u>	<u>33,600</u>

Notes to the Accounts**Note****10(b) Property, Plant & Equipment (continued)****Non Operational Assets**

	Redevelopment Land	Commercial Properties	Offices	Travellers Sites	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2015	640	15	290	32	977
Expenditure in year	1,011	-	-	-	1,011
Transfer of Property (to)/ from Operational Assets	(640)	-	-	55	(585)
Disposals	-	-	-	-	-
Revaluation Adjustment	-	-	-	-	-
Impairment	(1,011)	-	-	-	(1,011)
At 31 March 2016	-	15	290	87	392
Expenditure in year	364	-	-	71	435
Transfer of Property (to)/ from Operational Assets	-	(10)	79	(146)	(77)
Transfer to Assets Held for Sale	-	-	(20)	-	(20)
Disposals	-	-	-	-	-
Revaluation Adjustment	-	-	(48)	-	(48)
Revaluation - SOCNE	-	-	(31)	-	(31)
Impairment	(364)	-	-	-	(364)
At 31 March 2017	-	5	270	12	287

Non Operational Assets comprises Redevelopment Land, Commercial Properties, Offices and Travellers Sites.

The £364k write down in the value of Redevelopment Land results from land acquisition and development costs for land previously vested, which has previously been transferred to operational land for ongoing transfer to Housing Association. All residual Redevelopment Land sites were converted to brownfield sites and transferred to operational land prior to 2016/17. These sites are then usually transferred to Housing Associations at nil value. This transfer is accounted for as a Loss on Disposal to Housing Associations and is included in Deprecation, Amortisation, Write-offs and Write-downs in note 10(a). The Housing Executive, on behalf of the Department, recoups the market value of these sites by deducting this value off the Social Housing Development Grant paid to Housing Associations. Commercial Properties, included within Non-Operational Assets, reflect buildings which are due to be demolished. Offices and Travellers Sites reflect buildings and land sites which are currently not in use by the Housing Executive.

Notes to the Accounts**Note**

10 (c) Intangible Assets	IT Software	Total
Cost or valuation	£'000	£'000
At 31 March 2016	15,732	15,732
Additions	493	493
Reclassification Uplift	-	-
Disposals	-	-
Revaluation Adjustments	322	322
At 31 March 2017	<u>16,547</u>	<u>16,547</u>
Amortisation		
At 31 March 2016	(13,435)	(13,435)
Charged in year	(712)	(712)
Backlog Amortisation	(185)	(185)
Disposals	-	-
At 31 March 2017	<u>(14,332)</u>	<u>(14,332)</u>
Carrying amount at 31 March 2016	<u>2,297</u>	<u>2,297</u>
Carrying amount at 31 March 2017	<u>2,215</u>	<u>2,215</u>
Asset Financing:		
Owned	260	260
On-balance sheet Service Concession contracts	1,955	1,955
Carrying amount at 31 March 2017	<u>2,215</u>	<u>2,215</u>
Cost or valuation		
At 1 April 2015	14,790	14,790
Additions	866	866
Reclassification Uplift	-	-
Disposals	-	-
Revaluation Adjustments	76	76
At 31 March 2016	<u>15,732</u>	<u>15,732</u>
Amortisation		
At 1 April 2015	(12,677)	(12,677)
Charged in year	(715)	(715)
Backlog Amortisation	(43)	(43)
Disposals	-	-
At 31 March 2016	<u>(13,435)</u>	<u>(13,435)</u>
Carrying amount at 31 March 2015	<u>2,113</u>	<u>2,113</u>
Carrying amount at 31 March 2016	<u>2,297</u>	<u>2,297</u>
Asset Financing:		
Owned	43	43
On-balance sheet Service Concession contracts	2,254	2,254
Carrying amount at 31 March 2016	<u>2,297</u>	<u>2,297</u>

Notes to the Accounts

Note

11 Assets classified as held for sale

	Land £'000	Housing Stock £'000	Office Premises £'000	Total £'000
At 1 April 2016	522	3,482	-	4,004
Transfer from Operational Assets	405	4,055	-	4,460
Transfer to Operational Assets	(64)	-	-	(64)
Transfer from Non-operational Assets	-	-	20	20
Disposals	(274)	(3,652)	-	(3,926)
Revaluation Decrease	(58)	-	-	(58)
At 31 March 2017	531	3,885	20	4,436

IFRS 5 details that non-current assets classified as held for sale must be disclosed separately from other assets in the Statement of Financial Position.

£0.5m of land classified as held for sale relates to surplus land which is available for immediate sale and where an active programme to locate a buyer is initiated. Due to the continued uncertainty in market conditions it is unclear whether the sale will occur within 12 months, however, the delay in the sale is due to circumstances which are beyond the Housing Executive's control. The revaluation decrease of £58k, representing a fall in value of certain land sites classified as Land Held for Sale, is accounted for in the Statement of Comprehensive Net Expenditure.

£3.9m of Housing Stock which has been reclassified as held for sale is based on sales proceeds in April and estimated sales in May and June 2017.

12 Inventories

	2017 £'000	2016 £'000
Consumable Stores	606	635
SPED (Net of the Allowances at Note 14)	1,699	908
Total	2,305	1,543

13 Trade and Other Receivables

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Trade Receivables (Net of the Allowances at Note 14)	19,042	28,132
Other receivables	314	664
VAT	6,580	3,089
Prepayments and accrued income	22,369	22,386
	48,305	54,271
Amounts falling due after more than one year:		
Trade Receivables (Net of the Allowances at Note 14)	15,401	14,761
	15,401	14,761
Total	63,706	69,032

Notes to the Accounts**Note****14 Allowances for Trade receivables and Losses**

	Tenants Debt £'000	Housing Benefit Over-payments £'000	Other Debts £'000	Special Purchase Evacuated Dwellings £'000	Total £'000
Opening Balance At 1 April 2015	8,160	16,286	877	847	26,170
Movement in allowance in year	(510)	1,238	765	(610)	883
Movement in long term debt discount	72	695	2	-	769
At 31 March 2016	7,722	18,219	1,644	237	27,822
Movement in allowance in year	(250)	854	(629)	44	19
Movement in long term debt discount	10	106	(4)	-	112
At 31 March 2017	7,482	19,179	1,011	281	27,953

IAS 39 Financial Instruments: Recognition and Measurement requires long term debtors to be measured at amortised cost. This involves a review of debtors for impairment, forecasting the cash flows expected from the recoverable debts and discounting the cashflows to present day value using a discount rate of 3.7%.

15 Cash & Cash Equivalents

	2017 £'000	2016 £'000
Balance at 1 April	95,178	101,940
Net Change in Cash & Cash Equivalent Balances	18,630	(6,762)
Balance at 31 March	113,808	95,178

The following balances at 31 March were held at:

	2017 £'000	2016 £'000
Commercial Banks and Cash in Hand	8	8
Short Term Investments	113,800	95,170
Balance at 31 March	113,808	95,178

16 Trade and Other Payables

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Bank Overdraft	(10,170)	(20,447)
Trade Payables	(3,173)	(3,277)
Taxation and social security	(1,537)	(1,375)
Corporation tax payable	(2,715)	(3,172)
Other Payables	(9,623)	(9,806)
Accruals and deferred income	(172,585)	(173,376)
Loan Repayments	(46,101)	(51,685)
	(245,904)	(263,138)
Amounts falling due after more than one year:		
Other Payables	(12,072)	(11,578)
	(12,072)	(11,578)
Total	(257,976)	(274,716)

Notes to the Accounts**Note****17 Commitments under Service Concession Arrangement**

	2017 £'000	2016 £'000
Not later than one year	(5,141)	(5,521)
Later than one year and not later than five years	(2,305)	(6,862)
Later than five years	-	-
	<u>(7,446)</u>	<u>(12,383)</u>

18 Loans Outstanding

	2017 £'000	2016 £'000
Loans from the Government Loans Fund & Former Local Authorities maturing:		
Later than one year and not later than five years	(118,445)	(143,136)
Later than five years	(136,737)	(158,147)
Total	<u>(255,182)</u>	<u>(301,283)</u>

- (a) All Government Loans are repayable by annuity and Local Authority Loans are repayable using an average Loans Pool rate.
- (b) Interest rates on the Government Loans are those current at time of borrowing.
- (c) The Government Loans are repayable to the Department of Finance (previously referred to as the Department of Finance and Personnel prior to 9 May 2016).

19 Commitments under leases**Operating Leases**

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	2017 £'000	2016 £'000
Obligations under operating leases comprise:		
Property		
Not later than one year	1,082	1,571
Later than one year and not later than five years	1,439	2,215
Later than five years	345	615
	<u>2,866</u>	<u>4,401</u>

Notes to the Accounts

Note

20 Financial Instruments

The Government FReM requires financial statements to comply with the accounting standards on Financial Instruments, namely IAS 32, IAS 39 and IFRS 7. The objective of these standards is to establish principles for presenting, recognising, measuring and disclosing Financial Instruments.

A Financial Instrument is "any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity". Financial Assets include, amongst others, cash, trade receivables and loans to other entities. Financial liabilities include, amongst others, trade payables, loans from other entities and accruals. Equity instruments include, amongst others, types of preference shares, and are unlikely to occur within the Housing Executive's financial statements.

(a) Significance of Financial Instruments for Financial Position and Performance

The borrowings and investments disclosed in the Statement of Financial Position are made up of the following categories of financial instruments:

	Long Term		Short Term	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Financial Assets at fair value through profit or loss	-	-	-	-
Held to Maturity Investments	-	-	-	-
Loans and Receivables	15,401	14,761	139,744	127,063
Available for sale financial assets	-	-	-	-
Total Investments	15,401	14,761	139,744	127,063
Financial Liabilities at fair value through profit or loss	-	-	-	-
Financial Liabilities measured at amortised cost	267,254	312,860	245,904	263,138
Total Borrowings	267,254	312,860	245,904	263,138

The table above includes long term debtors, trade payables and receivables and cash balances held for working capital purposes.

(b) Financial Instruments Gains and Losses

The gains and losses recognised in the Statement of Comprehensive Net Expenditure for Year end 31 March 2017 in relation to financial instruments are made up as follows:

Financial Liabilities	Liabilities measured at fair value through profit or loss £'000	Liabilities measured at amortised cost £'000
Interest Expense	-	28,895
Losses on derecognition	-	-
Impairment Loss	-	-
Interest payable and similar charges	-	28,895
Interest Income	-	-
Gains on derecognition	-	-
Interest and Investment Income	-	-

Notes to the Accounts

Note

20 Financial Instruments (continued) Financial Assets

	Financial assets held at fair value through profit or loss £'000	Held to maturity assets £'000	Loans and receivables £'000	Available for sale assets £'000
Interest Expense	-	-	-	-
Losses on derecognition	-	-	-	-
Impairment Loss	-	-	88	-
Interest payable and similar charges	-	-	88	-
Interest Income	-	-	349	-
Gains on derecognition	-	-	-	-
Reversal of impairment loss	-	-	-	-
Interest and other income and gains	-	-	349	-

(c) Fair Value of Assets and Liabilities Carried at Amortised Cost

IFRS 7 states that financial liabilities and financial assets represented by loans and receivables are carried on the Statement of Financial Position at amortised cost. The Housing Executive prepares its accounts in accordance with the Government FReM, which states that Loans, Public Dividend Capital and other interests in public bodies outside the departmental boundary should be reported at historical cost less impairment, therefore, the Government loans and Local Authority loans are stated at historical cost in these accounts. The majority of Housing Executive loans are repayable by fixed rate annuities. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

Assumptions:

- 1) For loans from the Consolidated Loans Fund and other loans payable, the real discount rate of 3.7%, as set by HM Treasury, has been applied to provide fair value;
- 2) No early repayment or impairment is recognised; and
- 3) Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the principal outstanding or the billed amount.

The fair values calculated are as follows:

	2017		2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities				
Consolidated Loans Fund	293,492	438,761	342,780	510,360
Non Consolidated Loans Fund	7,791	11,647	10,187	15,168
Total Debt	301,283	450,408	352,967	525,528
Loans and receivables				
Long term Debtors	17,363	15,401	16,610	14,761
Total Investments	17,363	15,401	16,610	14,761

Long term trade debtors are stated at amortised cost using the effective interest rate of 3.7%. An assessment is made on the future collectability of the debtors based on historic trends which is profiled over future years. The cash flows are discounted using the effective interest rate of 3.7%. This is a method used to calculate the carrying value and the fair value.

Notes to the Accounts

Note

20 Financial Instruments (continued)

The fair values for trade payables and receivables and cash balances are not included in the table above as the fair value is taken to be the invoiced or billed amount.

Nature and Extent of Risks arising from Financial Instruments

IFRS 7, "Financial Instruments: Disclosures", requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Due to the largely non trading nature of its activities and the way in which the entity is financed, the Housing Executive is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. As a result, the sensitivity analysis on market risk, as required by IFRS 7, has not been undertaken due to the majority of the Housing Executive loans carrying fixed rates of interest.

Details of financial risks which the Housing Executive's activities expose it to are noted below:

Credit Risk

Credit risk arises from deposits with banks, as well as credit exposure to the Housing Executive's customers, specifically tenant arrears and Housing Benefit overpayment debt. There is no historical experience of default in relation to deposits with banks used by the Housing Executive, therefore, there is no estimated exposure to risk of default. Deposits are placed only with banks holding robust credit ratings. The allowance for trade receivables reflects the Housing Executive's assessment of the risk of non-payment by trade debtors and, as such, there is no additional estimated exposure to default and inability to collect.

Liquidity Risk

The Housing Executive's net revenue and net capital funding requirements are financed by a deficit grant and a capital grant respectively from the Department. Due to current market conditions the Housing Executive has experienced a decline in capital receipts from the sale of houses and land. This is managed through a reduction in the Housing Executive's capital programme. There is no risk that the Housing Executive is unable to meet its commitments to repay loan balances in accordance with the repayment timetable as the loans are fully funded by the Department. The maturity analysis of financial liabilities is included in Note 18.

Market Risk

Interest-Rate Risk

Approximately 97% of the Housing Executive's financial liabilities carry fixed rates of interest and the Housing Executive is not therefore exposed to significant interest rate risk with respect to loans. The continued low bank interest rates have maintained the low level of interest receivable on short term cash investments held with banks. Due to the continued reduced capital receipts from sale of houses and land, less funds are made available for investment which limits the effect of the interest rate risk.

Foreign Currency Risk

The Housing Executive has no exposure to foreign currency risk.

Fair Value

The fair value of loans outstanding after one year at 31 March 2017 for the Government Loans Funds is £418m (2016: £478m), and the estimated fair value of Local Authority Loans is £8.3m (2016: £12m).

Notes to the Accounts

Note

21 Provision for Liabilities and Charges

2016/17

	Redevelopment Area Purchases £'000	Home Loss & Disturbance Payments £'000
Opening Balance - At 31 March 2016	(451)	(200)
Provided in the year	(17)	(26)
Provisions not required written back	123	75
Provisions utilised in the year	100	151
At 31 March 2017	(245)	-
Amount due for settlement:		
Within 12 months	(245)	-
After 12 months	-	-
At 31 March 2017	(245)	-

2015/16

	Redevelopment Area Purchases £'000	Home Loss & Disturbance Payments £'000
Opening Balance - At 31 March 2015	(503)	(380)
Provided in the year	(274)	(16)
Provisions not required written back	90	137
Provisions utilised in the year	236	59
At 31 March 2016	(451)	(200)
Amount due for settlement:		
Within 12 months	(451)	(200)
After 12 months	-	-
At 31 March 2016	(451)	(200)

- (a) An amount of £134k has been provided for in respect of amounts due to compensate previous owners in areas vested for redevelopment (Urban Renewal Areas). Further, a provision of £111k has been accounted for in respect of houses vested by the Housing Executive and which are to be refurbished or demolished, but which fall outside of approved redevelopment areas.
- (b) No provision is required in respect of Home Loss and Disturbance compensation claims expected from those displaced as a result of properties vested in (a) above.
- (c) An amount of £282k has been provided for in respect of 5 contractual claims issued against the Housing Executive.
- (d) Public Liability Claims see Note 24 (Contingent Liabilities).

Contractual Claims £'000	Public Liability Claims £'000	Managing Asbestos £'000	Onerous Contracts £'000	Total £'000
(115)	(1,457)	(3,752)	-	(5,975)
(182)	(1,062)	-	(62)	(1,349)
-	-	2,520	-	2,718
15	1,482	281	-	2,029
(282)	(1,037)	(951)	(62)	(2,577)
(232)	(567)	(951)	(62)	(2,057)
(50)	(470)	-	-	(520)
(282)	(1,037)	(951)	(62)	(2,577)

Contractual Claims £'000	Public Liability Claims £'000	Managing Asbestos £'000	Supporting People £'000	Total £'000
(556)	(1,831)	(3,857)	(150)	(7,277)
(15)	(1,249)	(2,677)	(100)	(4,331)
306	-	-	-	533
150	1,623	2,782	250	5,100
(115)	(1,457)	(3,752)	-	(5,975)
(65)	(452)	(3,752)	-	(4,920)
(50)	(1,005)	-	-	(1,055)
(115)	(1,457)	(3,752)	-	(5,975)

- (e) The Housing Executive has undertaken to survey a sample of its housing stock, based on an archetypal beacon approach, to identify the presence of asbestos and the risk it presents. To manage asbestos, a full resurvey will be performed on the required properties to ensure current Health and Safety Executive regulations will be met. A provision of £951k has been accounted for in respect of properties to cover estimated costs for managing asbestos where it is found.
- (f) No Supporting People provision is required in respect of hardship payments to service providers for the 2016/17 year.
- (g) A provision has been recognised against an onerous leasing contract where it is anticipated that the original lease period will be terminated prematurely.

Notes to the Accounts

Note

22 (a) Pensions

The Housing Executive participates in the Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) pension scheme for the majority of its employees. The Chairman is not a member of the NILGOSC Scheme. The scheme was established by the Government in April 1950 to operate a pension scheme for the local councils and other similar bodies in Northern Ireland. The pension scheme is known as the Local Government Pension Scheme Northern Ireland (the Scheme) and is a defined benefit pension scheme. NILGOSC is the corporate body responsible for the administration of the Scheme and is a non-departmental public body, sponsored by the Department for Environment (part of Department for Communities in May 2016). There were changes to the scheme in year. The new 2015 Scheme is fundamentally different from the previous final salary based schemes. It is a defined benefit career average revalued earnings (CARE) scheme, meaning that future pension benefits will be calculated on career average earnings rather than final salary.

Up until 31 March 2015, the Pension scheme provided benefits for each year of service on a 'Final Salary' basis with a significant change to the scheme in 2009. Prior to 1 April 2009, benefits accrued at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3/80ths of pensionable salary for each year of service, prior to 1 April 2009, is payable on retirement. Post April 2009, as part of a general review of public sector pension schemes, the Government introduced changes to the pension scheme. Benefits from this date accrue at the rate of 1/60th of pensionable salary for each year of service. The lump sum payment was removed. Also instead of employees paying a standard contribution rate of 6%, which was applicable up to 1 April 2009 (5% for non-administrative employees prior to 1 January 2003, and 6% thereafter of their pensionable pay), different contribution rates were applied for different pay bands. The new rates were between 5.5% and 7.5% of pensionable pay. The Scheme's professionally qualified actuaries recommend the rates of employer's contribution to be paid.

From the 1 April 2015, a new change to the scheme was introduced. The scheme now operates using a defined benefit career average revalued earnings (CARE) scheme, which results in future pension benefits calculated on career average earnings rather than final salary. The 2015 change also results in contribution rates being calculated on actual pay received rather than full time equivalent pay which

was the case in the 2009 Scheme. Contribution rates now range from 5.5% to 10.5%.

Employees may have accrued benefits under all of the above schemes variants depending on when they joined the scheme.

From April 2011, pensions payable are increased annually in line with changes in the Consumer Price Index (CPI). Prior to April 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). The Scheme's professionally qualified actuaries recommend the rates of employer's contribution to be paid.

The results from the formal actuarial valuation for the year ended 31 March 2016 were released during the 2016/17 financial year and used in this Annual Report. The next formal valuation will be due as at 31 March 2019. In calculating the Housing Executive's assets and liabilities the appointed actuaries have rolled forward the values calculated at the latest valuation (March 2016). Further, the appointed actuaries had to make a number of assumptions about events and circumstances in the future meaning that the results of actuarial calculations are subject to uncertainties within a range of possible values.

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

Actuarial Assumptions used at:	31 March 2017	31 March 2016
Rate of Inflation (RPI)	3.10%	2.90%
Rate of Inflation (CPI)	2.10%	1.90%
Rate of Increase in Salaries	3.60%	3.40%
Rate of Increase in Pensions	2.10%	1.90%
Discount Rate	2.60%	3.60%

Breakdown of Life Expectancies

Life expectancy for mortality tables used to determine benefit obligations at:	31 March 2017	31 March 2016
Male member aged 65 (current life expectancy)	23.3	22.2
Female member aged 65 (current life expectancy)	25.9	24.8
Male member aged 45 (life expectancy at age 65)	25.5	24.4
Female member aged 45 (life expectancy at age 65)	28.2	27.1

Notes to the Accounts

Note

22 (b) Pensions (continued)

Future mortality is the single most significant demographic assumption. Recent studies have disclosed a faster increase in the rate of mortality improvement than had previously been expected.

The basic table used is Standard SAPS S2P tables (Year of Birth) with CMA 2014 core projections, and long-term improvement rates per year of 1.5% for both males and females. This means the mortality rates assumed for members of a particular age differ from those for members who will reach that age in future.

These assumptions should result in an appropriate allowance for future longevity, and are similar to assumptions used for many schemes in the UK. The same assumptions were used for the formal NILGOSC valuation as at 31 March 2016. The assumptions will continue to be monitored in the light of general trends in mortality experience.

Sensitivity Analysis

IAS 19 valuation results depend critically on the principal assumptions used in the calculations. The discount rate used to value the liabilities is prescribed under IAS 19 and the results are particularly sensitive to the discount rate. A reduction in the net discount rate will increase the liabilities as a higher value is placed on benefits in the future. Regarding mortality assumptions, if longevity improves at a faster rate than allowed for in the assumptions then, a higher value would be placed on the employer's liabilities. Further increases in pensionable pay, inflation and hence pension, more than allowed for in the assumptions will increase the value of the liabilities.

Below we have detailed the sensitivity of the benefit obligation to various key assumptions.

	Current Assumptions £'000	Discount Rate -0.25% pa	Salary Increase +0.25%pa	Inflation +0.25%pa	Life Expectancy +1 year
Liabilities	1,043,389	1,089,190	1,049,821	1,082,685	1,073,075
Assets	885,568	885,568	885,568	885,568	885,568
Total Scheme shortfall	157,821	203,622	164,253	197,117	187,507
Funding Level	85%	81%	84%	82%	83%
Increase in Liabilities	-	45,801	6,432	39,296	29,686

Notes to the Accounts

Note

22 Pensions (continued)

- (c) The fair value of the assets held by the pension scheme attributable to the Housing Executive are analysed as follows:

Asset Class	Assets at 31 March 2017	Assets at 31 March 2016
	£'000	£'000
Equities	597,758	616,945
Bonds	110,696	99,192
Property	132,836	64,905
Cash	44,278	39,655
	885,568	820,697

The above asset values as at 31 March 2017 are at bid value as required under IAS 19. The bid value of assets is the value which can be realised immediately upon a sale.

Statement of Financial Position

Year Ended

	31-Mar-17	31-Mar-16
	£'000	£'000
Fair Value of Employer Assets	885,568	820,697
Present value of Funded Liabilities	(1,029,638)	(866,499)
Net Underfunding in Funded Plans	(144,070)	(45,802)
Present value of Unfunded Liabilities	(13,751)	(12,363)
Unrecognised Actuarial (Gain) / Loss	-	-
Unrecognised Transition (Asset) / Liability	-	-
Net Liability	(157,821)	(58,165)
Amounts in the Statement of Financial Position		
Liabilities	(157,821)	(58,165)
Assets	-	-
Net Asset / (Liability)	(157,821)	(58,165)

Funding Level

85%

Notes to the Accounts**Note****22 Pensions (continued)****(d) Notes to the Statement of Comprehensive Net Expenditure**

	Year End 31 March 2017		Year End 31 March 2016	
	£'000	% of Payroll	£'000	% of Payroll
Amount Charged to Employee Costs				
Current Service Cost	(11,406)	(18.1%)	(15,852)	(24.5%)
Administration Expenses	(252)	(0.4%)	(194)	(0.3%)
Insurance premiums for risk benefits	(1,258)	(2.0%)	(1,294)	(2.0%)
Past Service Cost	-		-	-
Curtailment and Settlements **	(2,220)	(3.5%)	(1,793)	(2.8%)
Decrease in Irrecoverable Surplus	-		-	
Total Operating Charge (A)	(15,136)	(24.0%)	(19,133)	(29.6%)
Amount (Debited)/Credited to Other Financing costs				
Interest Income on Scheme Assets	29,355	46.7%	26,102	40.3%
Interest on Pension Scheme Liabilities	(31,456)	(50.0%)	(29,724)	(45.9%)
Net Return (B)	(2,101)	(3.3%)	(3,622)	(5.6%)
Net Revenue Account Cost (A) - (B)	(17,237)	(27.3%)	(22,755)	(35.2%)

** Included within curtailment and settlements cost is the actuarial cost for employees who have been approved to leave early as part of the early departures scheme.

Notes to the Statement of Changes in Taxpayers Equity

	31 Mar 2017	31 Mar 2016
	£'000	£'000
Actuarial Gains on Plan Assets	45,138	5,374
Actuarial (Losses) / Gains on Obligation	(143,229)	50,106
Actuarial (Loss) / Gain Recognised in Statement of Changes in Taxpayers Equity	(98,091)	55,480

Notes to the Accounts

Note

22 Pensions (continued)

(d) The attributable movement in the scheme liabilities during the period was as follows:

Reconciliation of Defined Benefit Obligation	Year End 31 March 2017 £'000	Year End 31 March 2016 £'000
Opening Defined Benefit Obligation	(878,862)	(902,241)
Current Service Cost	(11,406)	(15,852)
Interest Expense	(31,456)	(29,724)
Members Contributions	(4,047)	(4,167)
Unfunded Benefits Paid by Employer	965	982
Benefit Payments from Plan	26,866	23,827
Plan Curtailment	(2,220)	(1,793)
<i>Actuarial movements:</i>		
Effect of changes in demographic assumptions	(20,672)	-
Effect of change in financial assumptions	(173,506)	50,106
Effect of experience adjustments	50,949	-
Closing Defined Benefit Obligation	(1,043,389)	(878,862)

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

Reconciliation of Fair Value of Employer Assets	Year End 31 March 2017 £'000	Year End 31 March 2016 £'000
Opening Fair Value of Employer Assets	820,697	793,684
Employer Contributions	14,707	16,685
Members Contributions	4,047	4,167
Interest Income	29,355	26,102
Contributions in respect of Unfunded Benefits	965	982
Unfunded Benefits Paid	(965)	(982)
Benefits Paid from Plan	(26,866)	(23,827)
Settlement Payments	(252)	(194)
Taxes paid from plan assets	(1,258)	(1,294)
<i>Actuarial movements:</i>		
Return on Plan Assets	101,546	5,374
Rebasing to 2016 valuation asset data	(56,408)	-
Closing Fair Value of Employer Assets	885,568	820,697
Net Pension Liability	(157,821)	(58,165)

The liabilities show the underlying commitment that the Housing Executive has in the long term to pay retirement benefits. The total pension liability is £1,043m (2016: £879m) and results in a net overall deficit balance of £158m (2016: £58m) which is recorded on the Statement of Financial Position. The deficit on the NILGOSC scheme will be funded over a period of many years through employer contributions over the remaining working life of employees as assessed by the scheme actuary. Employer contribution rates were 20% for 2016/17 (2015/16 20%).

Notes to the Accounts**Note****22 Pensions (continued)**

- (e) Actuarial gains and losses represent the extent to which actual outcomes have differed from the assumptions which were used in calculating IAS 19 figures.

For assets, the gain or loss is normally the difference between the actual and expected return on assets, and, for liabilities, the gain/loss normally arises from the change in financial assumptions. These actuarial gains or losses are shown in the table below as Experience Gains and Losses. Actuarial gains and losses are recognised as movements in reserves with no impact on the Statement of Comprehensive Net Expenditure.

Amounts for the current and previous accounting periods	Year End 31 March 2017 £'000	Year End 31 March 2016 £'000	Year End 31 March 2015 £'000	Year End 31 March 2014 £'000	Year End 31 March 2013 £'000	Year End 31 March 2012 £'000
Fair Value of Employer Assets	885,568	820,697	793,684	706,489	715,113	612,856
Present Value of Defined Benefit Liability	(1,043,389)	(878,862)	(902,241)	(786,977)	(832,203)	(695,285)
(Deficit)/Surplus	(157,821)	(58,165)	(108,557)	(80,488)	(117,090)	(82,429)
Experience Gains/ (Losses) on Assets	101,546	5,374	64,286	26,207	66,637	(37,215)
Experience (losses)/ Gains on Liabilities	50,949	-	-	-	-	-
Actuarial Gains/(Losses) on Employer Assets	101,546	5,374	64,286	26,207	66,660	(37,205)
Actuarial (Losses)/Gains on Obligation	(143,229)	50,106	(85,819)	11,824	(108,345)	24,108
Rebalancing due to Valuation	(56,408)	-	-	4,999	-	-
Actuarial (Losses)/Gains recognised in Statement of changes in Taxpayers' Equity	(98,091)	55,480	(21,533)	43,030	(41,685)	(13,097)

Notes to the Accounts**Note****23 Notes to the Statement of Cash Flows****23(a) Reconciliation of Net Expenditure before interest to Operating Cash Flows**

	2017 £'000	2016 £'000
Net Expenditure before Interest	(218,725)	(205,831)
Taxation paid	(12,500)	(12,000)
Depreciation of Property, Plant & Equipment	34,288	33,126
Amortisation of Software	897	758
Impairment	401	1,011
Income from Government Grants - Non Current Assets	-	-
(Increase)/Decrease in Inventories	(762)	2,529
Decrease in Receivables	5,385	3,949
Decrease in Payables and Provisions	(5,890)	(20,663)
(Profit)/Loss on Disposals, Write Offs & Revaluation Movements	(3,240)	(283)
Net Cash Outflow from Operating Activities	<u>(200,146)</u>	<u>(197,404)</u>

23(b) Cashflow from Investing Activities

	2017 £'000	2016 £'000
Payments to Acquire Non-Current Assets		
Land and Buildings	(10,749)	(6,907)
Other Operational Assets	(852)	(1,248)
IT Hardware and Software	(1,432)	(1,906)
Non Operational Assets	(1,046)	(2,221)
Total Expenditure	<u>(14,079)</u>	<u>(12,282)</u>
Income from Sale of Non-Current Assets and Grants		
House Sales (Inc. Land & Buildings)	17,658	14,679
Plant & Equipment	26	15
Government Grants	-	-
Total Income and Grants	<u>17,684</u>	<u>14,694</u>
Repayment of Loans		
Repayment of Loan Debt	<u>(51,684)</u>	<u>(56,991)</u>
Financing Charges		
Loan Interest charges	(28,935)	(33,941)
Other Financing Charges	-	(43)
Total Financing Charges	<u>(28,935)</u>	<u>(33,984)</u>
Interest Receivable	<u>363</u>	<u>269</u>
Net Cash Outflow from Investing Activities	<u>(76,651)</u>	<u>(88,294)</u>

Notes to the Accounts**Note****23 Notes to the Statement of Cash Flows****(c) Cashflow from Financing Activities**

Grant from Sponsoring Department

2017	2016
£'000	£'000
305,704	258,490
<u>305,704</u>	<u>258,490</u>

(d) Analysis of Change in Cash and Cash Equivalents

Cash at Bank and in Hand

Overdrafts

Total

At 1 April 2016 £'000	Cash Flows £'000	Other Changes £'000	At 31 March 2017 £'000
95,178	18,630	-	113,808
(20,447)	10,277	-	(10,170)
<u>74,731</u>	<u>28,907</u>	<u>-</u>	<u>103,638</u>

Cash at Bank and in Hand

Overdrafts

Total

At 1 April 2015 £'000	Cash Flows £'000	Other Changes £'000	At 31 March 2016 £'000
101,939	(6,761)	-	95,178
-	(20,447)	-	(20,447)
<u>101,939</u>	<u>(27,208)</u>	<u>-</u>	<u>74,731</u>

(e) Reconciliation of Net Cash Flow to Movement in Cash & Cash Equivalents

Net increase/(decrease) in Cash & Cash Equivalents in Period

Cash & Cash Equivalents at 1 April 2016

Cash & Cash Equivalents at 31 March 2017

2017	2016
£'000	£'000
28,907	(27,208)
74,731	101,939
<u>103,638</u>	<u>74,731</u>

Notes to the Accounts

Note

24 Contingent Liabilities and Assets

Liabilities

At 31 March 2017 public liability claims notified and not processed gave rise to a total estimated potential liability of £7.1m (2016: £10.7m) in respect of 484 claims (2016: 552). Of this balance, £1.0m (2016: £1.5m) has been accounted for as a provision, based on past payments history, and £1.0m (2016: £1.1m) has been accrued as at 31 March 2017. The remaining £5.1m (2016: £8.1m) has not been accounted for and represents a contingent liability to NIHE as it is not considered likely that a payment is probable.

At 31 March 2017 a provision of £0.13m (2016: £0.2m) has been accounted for in respect of redevelopment land vested and owned by the Housing Executive. A further estimated £0.9m (2016: £0.9m) has not been accounted for in respect of properties where no claims have yet been made by previous owners. A provision of £111k (2016: £249k) has been accounted for in respect of houses vested by the Housing Executive and which are to be refurbished or demolished, but which fall outside of approved redevelopment areas. A further £400k (2016: £385k) has not been accounted for where claims have not been received but payment may still be due.

At 31 March 2017 a provision of £282k (2016: £115k) has been accounted for in respect of contractual claims issued against the Housing Executive. A further estimated £1.2m (£1.3m) has not been accounted for in respect of additional exposure to contractual claims issued against the Housing Executive. Four additional claims have been brought against the Housing Executive which cannot be disclosed for commercially sensitive reasons.

The Housing Executive launched a Voluntary Exit Scheme (VES) on 16 December 2014. The closing date for applications was 9 January 2015. Three tranches of departures have been envisaged based on the applications received. The first and second tranches of departures have been completed, with the costs accounted for in the 2014/15 and 2015/16 years. The third tranche has been accounted for in 2016/17, although some staff have not left yet. The Housing Executive has also sought approval for a fourth tranche from the Department but this has not yet been approved.

Therefore, at the Statement of Financial Position date, there is a possible obligation on the Housing Executive in relation to potential future departures from the VES, but it is not currently possible to quantify what this potential liability may be.

25 Commitments

The Housing Executive has to plan its Capital and Revenue in advance of work proceeding. At 31 March 2017 the Housing Executive has entered into contracts which will incur expenditure of £128.6m (2015/16: £78.4m) in future years. Of this, capital commitments represent £111.1m (2015/16: £57.5m) and revenue commitments represent £17.5m (2015/16: £20.9m). Capital commitments include private sector grant approvals up to 31 March 2017 of £11.7m (2015/16: £13.3m) which have been committed by the Housing Executive, but not yet paid.

26 Related Party Transactions

The Housing Executive is a Non Departmental Public Body (for accounting purposes) sponsored by the Department, who are regarded as a related party. The Statement of Changes in Taxpayers' Equity details the funding received from the Department. During the year, the Housing Executive has had various material transactions with the Department with respect to Housing Benefit. Note 7 provides a breakdown of that expenditure.

Further certain Social Housing Development Programme grants were also recouped from Housing Associations during the year and repaid to the Department, as disclosed in Note 6. Additionally, the Housing Executive paid rent and service charges to the Department in respect of an office building, and also reimbursed the Department for the salary costs of three members of staff who were seconded to the Housing Executive during the year.

In addition, the Housing Executive has had a number of transactions with other Government Departments and Agencies, the most material of which related to repayment of loans to the Department of Finance (previously referred to as the Department of Finance and Personnel prior to 9 May 2016) (see Note 18).

The Housing Executive collects rates for its own properties, which are payable to Land & Property Services (LPS), for which it receives an allowance. Rates paid during 2016/17 to LPS amounted to £37m. An allowance of £4m is received from LPS which resulted in Rates collected during 2016/17 of £41m.

Notes 6 and 4 show the expenditure incurred and income received in respect of Rates collected.

LPS also funded the Housing Executive for its part in administering the Rates Relief and Lone Pensioner Allowance systems for which the Housing Executive received £2.8m and £170k respectively

None of the Board Members, members of the key management staff or other related parties has undertaken any material transactions with the Housing Executive during the year.

27 Third Party Assets

The Housing Executive administers a number of schemes which are separately funded and not reflected in these accounts. The schemes relate to the Home Energy Conservation Act and Energy Efficiency Schemes.

The aggregate cash transactions through the separate bank accounts in the year were as follows:

Opening Balance 1 April 2016 £'000	Income £'000	Expenditure £'000	Closing Balance 31 March 2017 £'000
12	-	-	12

28 Fraud and Error

The Housing Executive administers Housing Benefit on behalf of the Department. Estimates of the levels of fraud and error in Housing Benefit for tenants are reported by the Disability, Incapacity & Benefit Security Directorate Standards Assurance Unit of the former Social Security Agency through Benefit Reviews, which measure Official Error, Customer Fraud and Customer Error.

The former Social Security Agency issued a report titled 'Fraud and Error for Housing Benefit' for the calendar year 1 January 2016 to 31 December 2016. This report highlighted an estimated amount of £32.2m overpaid (customer fraud £20.04m, customer error £3.33m and official error £8.85m) and £2.5m underpaid through fraud and error in Housing Benefit for tenants. This represents approximately 5.2% of the related expenditure for the calendar year. Official Error, Customer Error and Customer Fraud estimates for Housing Benefit for tenants are based on the results of Benefit Reviews in 2016.

29 Events after the Reporting Date

There have been no significant events since the year end which would affect these accounts.

30 Authorisation Date

The financial statements were authorised for issue on 29 November 2017 by the Chairman and Chief Executive of the Housing Executive.

Northern Ireland Housing Executive

Annex: Statement of Comprehensive Net Expenditure - split by service for the year ended 31 March 2017 - Unaudited

	Landlord 2017 £'000	Regional 2017 £'000	Total 2017 £'000	Landlord 2016 £'000	Regional 2016 £'000	Total 2016 £'000
Income						
Rental Income	299,737	29	299,766	301,432	33	301,465
EU Income	-	-	-	(5)	(8)	(13)
Other Income	43,598	7,784	51,382	44,340	8,497	52,837
Total Housing Benefit Income	-	660,351	660,351	-	665,080	665,080
Capital Grant Income	386	1,453	1,839	1,213	2,634	3,847
Commissioned Services Income	12,117	2,977	15,094	13,291	3,263	16,554
Total Income	355,838	672,594	1,028,432	360,271	679,499	1,039,770
Expenditure						
Staff Costs	69,867	26,898	96,765	68,978	31,148	100,126
Other Expenditures	191,483	249,681	441,164	196,490	229,904	426,394
Total Housing Benefit Costs	-	660,351	660,351	-	665,080	665,080
Depreciation, Amortisation, Write Offs & Write Down	31,851	93	31,944	33,517	83	33,600
Commissioned Services Charge	2,977	12,117	15,094	3,263	13,291	16,554
Capital Grant Charge	-	386	386	-	573	573
Capital Grant in Kind	-	1,453	1,453	-	3,274	3,274
Total Expenditure	296,178	950,979	1,247,157	302,248	943,353	1,245,601
Net Expenditure before Interest	59,660	(278,385)	(218,725)	58,023	(263,854)	(205,831)
Interest Receivable	285	64	349	217	78	295
Financing Charges	(28,895)	-	(28,895)	(33,930)	(16)	(33,946)
Pension Financing Charges	(1,476)	(625)	(2,101)	(2,494)	(1,128)	(3,622)
Net Expenditure before taxation	29,574	(278,946)	(249,372)	21,816	(264,920)	(243,104)
Tax on ordinary activities	(12,030)	(13)	(12,043)	(5,761)	(16)	(5,777)
Net Expenditure after taxation	17,544	(278,959)	(261,415)	16,055	(264,936)	(248,881)

Northern Ireland Housing Executive

Statement of Financial Position split by service - Unaudited as at 31 March 2017

	Landlord Services 2017 £'000	Regional Services 2017 £'000	Total 2017 £'000	Landlord Services 2016 £'000	Regional Services 2016 £'000	Total 2016 £'000
Non-current assets						
Property, Plant & Equipment - Operational	2,267,642	3,367	2,271,009	2,204,798	3,130	2,207,928
Property, Plant & Equipment - Non Operational	275	12	287	305	87	392
Intangible Assets	2,215	-	2,215	2,297	-	2,297
Total non-current assets	2,270,132	3,379	2,273,511	2,207,400	3,217	2,210,617
Current Assets						
Assets Classified as Held for Sale	4,436	-	4,436	4,004	-	4,004
Inventories	606	1,699	2,305	635	908	1,543
Trade and other receivables	23,689	40,017	63,706	31,442	37,590	69,032
Cash and cash equivalents	113,808	-	113,808	95,178	-	95,178
Intercompany balance	9,546	7,538	17,084	24,362	13,337	37,699
Total current assets	152,085	49,254	201,339	155,621	51,835	207,456
Total assets	2,422,217	52,633	2,474,850	2,363,021	55,052	2,418,073
Current Liabilities						
Trade and other payables	(122,025)	(123,879)	(245,904)	(143,746)	(119,392)	(263,138)
Provisions	(1,919)	(138)	(2,057)	(4,518)	(402)	(4,920)
Intercompany balance	(7,538)	(9,546)	(17,084)	(13,337)	(24,362)	(37,699)
Total current liabilities	(131,482)	(133,563)	(265,045)	(161,601)	(144,156)	(305,757)
Net Current Liabilities	20,603	(84,309)	(63,706)	(5,980)	(92,321)	(98,301)
Non-current assets less net current liabilities	2,290,735	(80,930)	2,209,805	2,201,420	(89,104)	2,112,316
Non-current liabilities						
Trade & other payables	-	(12,072)	(12,072)	-	(11,578)	(11,578)
Loans Outstanding	(255,182)	-	(255,182)	(301,283)	-	(301,283)
Provisions	(503)	(17)	(520)	(1,026)	(29)	(1,055)
Pension Liability	(110,930)	(46,891)	(157,821)	(40,046)	(18,119)	(58,165)
Total Non-current liabilities	(366,615)	(58,980)	(425,595)	(342,355)	(29,726)	(372,081)
Assets less Liabilities	1,924,120	(139,910)	1,784,210	1,859,065	(118,830)	1,740,235
Taxpayers' Equity						
Statement of Comprehensive Net Expenditure Reserve	1,184,579	(140,432)	1,044,147	1,202,272	(119,168)	1,083,104
Revaluation Reserve	739,541	522	740,063	656,793	338	657,131
Total Taxpayers' Equity	1,924,120	(139,910)	1,784,210	1,859,065	(118,830)	1,740,235

Report of the Comptroller and Auditor General to the Northern Ireland Assembly

Introduction

1. The Northern Ireland Housing Executive (the Housing Executive) is comprised of a Quasi-Public Corporation and a Non Departmental Public Body (NDPB)¹ and is sponsored by the Department for Communities (the Department). The Housing Executive is the regional housing authority for Northern Ireland with a wide range of housing responsibilities including acting as landlord for housing stock of approximately 86,000 dwellings.
2. I am required to report my opinion as to whether the financial statements give a true and fair view. I am also required to report my opinion on regularity, that is, whether in all material respects the expenditure and income have been applied for the purposes intended by the Northern Ireland Assembly (the Assembly) and the financial transactions conform to the authorities which govern them.

¹ From 1 April 2014, following a review by the Office for National Statistics, the accounting classification of the Housing Executive changed. The Housing Executive now comprises two accounting regimes. Landlord Services and functions have been re-classified as a Quasi-Public Corporation (which is similar to the previous designation for the entire organisation) while Regional Services and functions are now categorised as an NDPB. The main impact of the accounting reclassification is that the NDPB will, for accounting purposes, be more closely integrated with the sponsor department and budgetary management arrangements are now aligned to those already in place for the Department.

Explanation for Qualified Audit Opinions

3. This report reviews the results of my 2016-17 audit of the Housing Executive and sets out the reasons why I consider I do not have enough evidence to provide an unqualified regularity audit opinion.

Planned maintenance expenditure (Part 1)

4. The Housing Executive spent a total of £95.2 million on planned maintenance during 2016-17. Considerable problems have been identified in the past in relation to the Housing Executive's controls over work done by contractors on its planned maintenance programme and I have qualified my regularity audit opinion in this area for a number of years.
5. I have not been provided with sufficient evidence over the controls operating with respect to planned maintenance expenditure for 2016-17. Therefore I have again qualified my regularity audit opinion. Further detail is set out in Part 1 of this Report.

Housing benefit expenditure (Part 2)

6. The Housing Executive spent £674.5 million on housing benefit in 2016-17. The fraud and error within this expenditure has been estimated to be £32.1 million. As these levels are significant I have qualified my audit opinion on regularity. The Housing Executive's accounts have received similar qualified audit opinions in previous years. Further detail is set out in Part 2 of this Report.

Other matters (Part 3)

7. In July 2015, I asked the Department to investigate anonymous allegations referred to me by an MLA. The Department's Internal Audit Unit completed an investigation into this matter in August 2016 but my staff were not provided with a copy of the report until February 2017. Furthermore, the findings were not reported to the Housing Executive's Audit and Risk Assurance Committee (ARAC) until my staff brought the oversight to the attention of the Housing Executive. Further detail is set out in Part 3 of this Report.

Part 1: Planned maintenance expenditure

Qualified opinion due to insufficient evidence of controls operating over planned maintenance expenditure

Key Points:

- Seven of the 13 general planned maintenance schemes inspected this year were classified as limited or unacceptable.
- All six planned heating maintenance schemes inspected this year were classified as substantial or satisfactory.
- My audit opinion continues to be qualified due to lack of sufficient evidence on controls operating over planned maintenance.

Background

- 1.1 Planned maintenance expenditure refers to the money spent annually by the Housing Executive to maintain its housing stock, and includes general maintenance such as works to the exterior of a dwelling (external cyclical maintenance), kitchen replacement, double glazing, disabled adaptations and heating upgrades. During 2016-17, the Housing Executive spent £95.2 million on such schemes compared to £100.1 million in 2015-16. A breakdown is provided in **Figure 1**.

- 1.2 During the audit my staff examined the Housing Executive's internal controls to ensure that:

- work done by contractors is properly inspected by maintenance staff;
- accurate assessments of sums payable to contractors are established; and
- payments are not made until work has been satisfactorily completed.

One of the key controls in ensuring that proper inspections are taking place is the work that the Audit and Assurance Department's (AAD)² Technical Inspection Unit (TIU) undertakes. The AAD is independent of management and provides assurance to both Housing Executive management and the Accounting Officer. Every year the TIU selects planned maintenance schemes that are seventy-five per cent or more complete. The TIU then selects a random sample of 10 per cent of the dwellings in each scheme for inspection and all aspects of the scheme delivery process are reviewed. Due to the technical nature of maintenance work I rely on the inspections completed by the TIU.

² In June 2014 the AAD was formed following the merger of the Housing Executive's Corporate Assurance Unit and its Internal Audit Unit.

Figure 1: Planned maintenance expenditure for 2016-17 and 2015-16

Planned Maintenance Expenditure	2016-17		2015-16	
	£'m	%	£'m	%
Heating	27.1	29	29.1	29
External Cyclical Maintenance	18.5	19	15.0	15
Kitchen replacement	16.6	17	17.1	17
Grounds Maintenance	8.7	9	8.2	8
Bathroom/Kitchen/Rewiring schemes	7.5	8	0.9	1
Disabled Adaptations	3.6	4	3.0	3
Double Glazing	2.2	2	10.7	11
Fire Doors	2.5	3	3.8	4
Others	8.5	9	12.3	12
Total	95.2		100.1	

Source: Housing Executive

- 1.3 The Head of the AAD classifies the results of these inspections as providing substantial, satisfactory, limited or unacceptable assurance based on the evidence gathered, the level of risk to which the Housing Executive is exposed and previous inspection findings. Reports classified as substantial or satisfactory provide assurance that there is either a robust or adequate system of governance, risk management and control. Reports classified as limited or unacceptable highlight an inadequate or failed system of governance, risk management and control.
- 1.4 In June 2015, the AAD concluded that the methodology for planned maintenance inspections was flawed. In my 2015-16 report I noted that the flawed methodology for planned maintenance technical inspections was still in use. In July 2016, the AAD introduced a revised technical inspection methodology which aimed to provide more comprehensive and reliable assurances on the Housing Executive's maintenance activities. I understand that the Department's Inspection Team³ has reviewed this and is satisfied with it.
- 1.5 I recognise that the TIU will need to periodically review the effectiveness of this new approach, however, given the lengthy and rigorous quality assurance process to date I would not expect there to be significant changes. Keeping the methodology consistent should assist Housing Executive management in assessing trends in performance year on year.

General planned maintenance inspection results

- 1.6 The results of the 2016-17 inspections are set out in **Figure 2**. There were 13 inspections this year covering a number of different types of schemes of which seven received limited or unacceptable classifications. I have reviewed a sample of the work completed by the TIU and I am satisfied that the work examined was properly carried out in line with their procedures and methodology. All three of the disabled adaptations inspections utilised the previous methodology, with the new approach in use for the other ten inspections. Reasons for these poor classifications include poor consultant performance, inadequate documentation and records management, and previous priority one recommendations not being implemented. To address this final point the Annual Governance Statement notes that the Head of the AAD intends to validate the reported status of all future recommendations.

³ This Team carries out a programme of inspections which provides the Departmental Accounting Officer with assurance on the activities of the Housing Executive.

Figure 2: Results for the AAD general planned maintenance scheme inspections in 2016-17

Type of scheme Classification	External Cyclical Maintenance	Kitchens	Disabled Adaptations	Grounds Maintenance	Others	Total
Substantial	0	0	0	0	0	0
Satisfactory	2	2	0	2	0	6
Limited	1	0	3	1	1	6
Unacceptable	0	0	0	0	1	1
Total	3	2	3	3	2	13

Source: Housing Executive

- 1.7 **Figure 3** shows that the percentage of schemes classified as limited or unacceptable has increased to 54 per cent in 2016-17 from 29 per cent in 2015-16.

Figure 3: Comparison of the AAD's general planned maintenance scheme inspection results for 2015-16 and 2016-17

Inspection classification	2016-17		2015-16	
	No	%	No	%
Substantial	0		2	12
Satisfactory	6	46	10	59
Limited	6	46	2	12
Unacceptable	1	8	3	17
Total	13		17	

Source: Housing Executive

- 1.8 Although inspection results can be compared at a high level year on year, the TIU selects different types of maintenance schemes for inspection each year so results on individual inspections are not directly comparable. Furthermore fewer schemes were inspected this year and the revised inspection methodology was used for ten of the thirteen schemes examined.
- 1.9 The Housing Executive spent £3.6 million on schemes for disabled adaptations in 2016-17 (£3 million in 2015-16). Technical inspections, covering all three Housing Executive regions, received a limited classification this year. Findings include on-site works not matching approved plans, poor project documentation/ records management, and over or under payments identified by inspectors. I asked why so many issues arose in respect of these schemes and the Housing Executive told me that the staff responsible for managing the contracts, on behalf of the Regions, had a poor understanding of the new contracts which were very different from the previous contract. Furthermore, they encountered difficulties in maintaining on-site delivery of the schemes, as the existing Framework contracts were coming to an end. Consequently the Housing Executive's management decided to transfer responsibility for these contracts to Regions by 31 March 2016 and external consultants were engaged to manage each scheme using the new consultant framework. The technical inspections referred to above, were in relation to schemes managed under the pre April 2016 structures.

Issues identified in consultant-led planned maintenance schemes⁴

- 1.10 In April 2013, the Housing Executive established a new framework of external consultants to manage the delivery of the work of contractors. The duration of the framework was initially two years and was extended until the contracts expired in April 2017. In December 2015, the AAD identified non-compliance and variations in practice, across the three Regions during an internal audit. Two of the AAD's key recommendations were, the need for a fundamental review of the planned schemes' delivery process to ensure adequate controls over regional management of the consultants and consultants' management of contractors, and the need to plan for the end of the contract in April 2017.
- 1.11 A follow up audit completed this year found that:
- the action plan (developed by Housing Executive management in response to the earlier findings) did not address the control weaknesses that had previously been identified in the scheme delivery process and contract;
 - Key Performance Indicators scored by the consultant may be inaccurate resulting in unreliable management information. In addition, it is possible that significant low performance damages were not applied to poor performing contractors; and
 - arrangements for 2017-18 were not yet finalised leading to a different approach being established for each Region. (See paragraph 1.24).
- 1.12 I asked why the issues raised by the AAD had not been addressed and the Housing Executive told me that at the time of the previous audit the consultants' contract was nearing the end of an extension period and it had to decide whether to exercise the final 12 month option to extend. Housing Executive management considered that the risks of extending the contracts would be less than the risks associated with terminating them, as for example, resource shortages and service disruption would be avoided. For 2017-18, the Housing Executive told me that professional services are either being brought in-house or delivered by the existing planned

⁴ These planned maintenance contracts transferred responsibility for managing the majority of maintenance contracts to external consultants who in turn are accountable to the Housing Executive. Previously the Housing Executive directly managed these contracts.

maintenance contractors in areas where issues were experienced with current consultants. Furthermore, a series of changes in process and contract management were agreed and implemented through the final extension period. It told me that lessons learned have been shared with the Procurement Project Team, who will be required to produce a new scheme delivery process for the upcoming procurement of planned maintenance services with a proposed start date of April 2018.

- 1.13 The TIU inspected five⁵ consultant led planned schemes in 2016-17. Four were classified as satisfactory and one classified as limited. The latter was an external cyclical maintenance scheme where the poor performance of the consultant resulted in significant additional works to the value of around £100,000.

Progress on whistleblowing investigations

- 1.14 In my 2014-15 Report I provided an update on the Housing Executive's investigation into whistleblowing allegations raised in the South Region. As part of that investigation concerns were identified over the standard of workmanship on double glazing schemes in the South Region and reported to the Housing Executive's Audit and Risk Assurance Committee (ARAC) and the Chief Executive's Business Committee (CXBC). Housing Executive management undertook to report back to the CXBC as soon as a quality assurance check had been completed. A series of inspections and reports were undertaken by Housing Executive staff between February 2015 and June 2016. I asked the Housing Executive to provide an update on the outcome of these inspections. It told me that the investigation of a sample of double glazing schemes revealed inconsistencies in the quality of work and less than full compliance with the required specification for installation. Since then the Housing Executive has implemented new contracts and contract management arrangements, incorporating lessons learned, with responsibility now falling under the newly formed Asset Management Division.
- 1.15 The Housing Executive is also investigating two whistleblowing allegations in respect of grounds maintenance contracts. I asked the Housing Executive for an update on progress to date. It told me that the first allegation, reported in May 2015, was investigated during 2015 and 2016 and the preliminary conclusion

indicated that there was no fraud. However, there were issues within the contract management procedures operated by staff at various levels. An interim report was issued in January 2017 which highlighted these emerging issues.

- 1.16 Further whistleblowing allegations into grounds maintenance were received in April 2016 and, due to limited resources, the Housing Executive did not start investigating these until January 2017. Again this investigation has not found any evidence of fraud or significant overpayment to the contractor involved. Preliminary findings have indicated that work is required to align the two separate IT systems for recording grounds maintenance for Housing Executive land. As some of the concerns investigated within the April 2016 series of allegations have affected the findings of the first investigation there has been a delay in issuing a report of the findings and recommendations.

Planned heating maintenance inspection results

- 1.17 The Housing Executive spent £27.1 million (29 per cent of total planned maintenance expenditure) during 2016-17 on planned heating maintenance. This year three heating installation schemes and three servicing schemes have been inspected by the TIU's qualified heating engineers with five schemes receiving a satisfactory classification and one a substantial classification. Two of these six inspections were based on the old methodology. These classifications represent an improvement on last year results and this is encouraging.

Conclusion on both general and heating planned maintenance expenditure

- 1.18 This year 54 per cent of the general planned maintenance schemes inspected by the TIU have had limited or unacceptable classifications. This increase is disappointing but, as noted in paragraph 1.6, three of the thirteen schemes inspected this year relate to disabled adaptation schemes. These schemes are low value and there have been particular issues with their contract management. (See **Figure 1**).
- 1.19 I note that while the AAD recommendations in respect of the 2015 audit of consultant-led contracts were not implemented, the Housing

⁵ This refers to the external cyclical maintenance and kitchen schemes inspected as part of the 2016-17 programme.

Executive's management has advised that alternative actions were taken to address the risks.

- 1.20 I have commented previously about delays by the Housing Executive in investigating whistleblowing allegations. I understand that the Housing Executive, like other public sector bodies, has to operate within constrained resources. Serious allegations, such as those noted at paragraph 1.15, should be investigated at the earliest opportunity to ensure that further potential losses do not arise, and to send out the message that consideration of such matters is a key priority for the Housing Executive.
- 1.21 I welcome the Housing Executive's assurance that lessons learned from previous investigations into double glazing schemes have been incorporated into new contracts. I do find it concerning that results of the previous quality assurance checks over double glazing schemes were not reported back to the CXBC nor were the ARAC kept informed of progress in these investigations.
- 1.22 While I am content that there has been considerable progress in the Housing Executive's management of planned maintenance heating contracts these improvements need to have further time to bed in before I will consider removing my audit qualification in this area.
- 1.23 At this stage, I do not consider that I have sufficient evidence of controls operating over the management of both general and heating planned maintenance contracts.

Matter for future consideration

- 1.24 The Housing Executive has put interim arrangements in place for the delivery of the planned maintenance programme in 2017-18 (see paragraph 1.11). This was necessary as the consultants' contract expired in April 2017 but the contractors' contract continues until April 2018. In the interim period I note that different arrangements for consultancy work have been adopted by each Region. I intend to follow up on the effectiveness of the differing approaches in my 2017-18 audit.

Qualification of regularity opinion due to insufficient evidence of controls operating over planned maintenance expenditure

- 1.25 Accordingly, in 2016-17 I was unable to obtain sufficient evidence that the Housing Executive's control of this planned maintenance expenditure was adequate to ensure payments were applied for the purposes intended by the Assembly. I have therefore qualified my regularity audit opinion on planned maintenance expenditure of £95.2 million.

Part 2: Housing benefit expenditure

Qualified opinion due to estimated levels of fraud and error in housing benefit expenditure

Key Points:

- 2016-17 had a higher estimated level of housing benefit overpayments due to customer fraud than any of the previous four years.
- Overpayments due to official error are 69 per cent higher than last year.
- My audit opinion continues to be qualified due to the material level of estimated fraud and error in housing benefit expenditure.

Background

- 2.1 Housing benefit is a means-tested benefit to help people on low income pay rent. The Housing Executive administers this benefit on behalf of the Department which funds customer payments and the majority of administrative costs. Eligibility depends on several factors including: income and capital; household size; age; circumstances and rent levels. In 2016-17 the Housing Executive spent £674.5 million (2015-16: £680.3 million) on housing benefit.
- 2.2 In 2013 the Westminster government introduced a wide range of changes to the social security (benefits) system known as 'Welfare Reform'. Legislation to enable this in Northern Ireland was introduced in November 2015. Two of the five main elements of Welfare Reform that impact on the Housing Executive have been implemented during 2016-17:
- the Benefit Cap, which has affected 1,990 housing benefit claimants; and
 - the Social Sector Size Criteria (the 'Bedroom Tax') which has affected nearly 33,000

housing benefit claimants living in the social sector leading to awards being reduced by £406,000 per week on average.

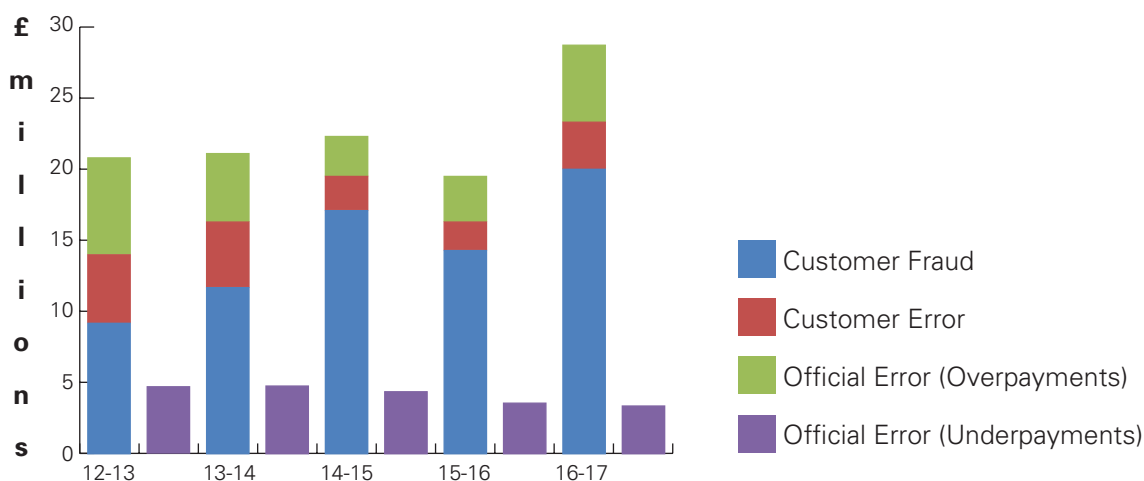
- 2.3 The Department is administering a Welfare Supplementary Payment scheme until 31 March 2020 to award mitigation payments for those claimants affected by the changes.

Arrangements for monitoring and reporting of fraud and error

- 2.4 The Department's Standards Assurance Unit (SAU) regularly monitors and provides estimates of the level of fraud and error within ongoing housing benefit claims. Fraud and error arises in different ways:
- **Customer fraud**, which arises when customers deliberately seek to mislead the Housing Executive;
 - **Customer error**, which arises when customers make inadvertent mistakes with no fraudulent intent; and
 - **Official error**, which arises when housing benefit, is paid incorrectly due to inaction, delay or a mistake by the Housing Executive.
- 2.5 SAU reviews are based on a sample of benefit claims and are therefore subject to statistical sampling uncertainties. My staff examine the work undertaken by the SAU and I am content that the results produced by them are a reliable estimate of the total fraud and error in the housing benefit system.
- 2.6 The criteria that are used to determine the entitlement to housing benefit, and the method to be used to calculate the amount due to be paid, is set out in legislation. Where fraud or error has resulted in an over or underpayment of benefit to an individual, who is either not entitled to housing benefit, or is paid at a rate which differs from that specified in the legislation, the payments have not been made in line with the governing legislation. Overpayments of housing benefit as a result of customer fraud, customer error or official error, and underpayments as a result of official error, are considered to be irregular. Underpayments due to customer error are not considered irregular as customers can decide not to claim benefits.

Results of the SAU's testing in 2016-17

- 2.7 The SAU reports the results of its testing on a calendar year basis to facilitate the timetable for the production of the financial statements. The amount of housing benefit expenditure paid in the 2016 calendar year was £665 million whereas the amount paid out in the financial year 2016-17 is £674.5 million as disclosed in Note 7 to the accounts.
- 2.8 Note 28 to the accounts (entitled 'Fraud and Error') details the estimated levels of fraud and error, based on the SAU's work, in 2016. This shows that the total amount of estimated irregular payments in 2016-17 was £32.1 million comprising:
- overpayments due to customer fraud or error and official error of £28.7 million (4.3 per cent of housing benefit payments); and
 - underpayments due to official error of £3.4 million (0.5 per cent of housing benefit payments expenditure).

Figure 4: Breakdown of estimated levels of fraud and error by type, 2012-13 to 2016-17**Estimated level of housing benefit under and over payments reported from 2012-13 - 2016-17**

£'m	2012-13	2013-14	2014-15	2015-16	2016-17
Total Housing Benefit Expenditure	612	659	650	666	665
Overpayments due to:					
Customer Fraud	9.2	11.7	17.1	14.3	20.0
Customer Error	4.8	4.6	2.4	2.0	3.3
Official Error	6.8	4.8	2.8	3.2	5.4
Total overpayments	20.8	21.1	22.3	19.5	28.7
% of overpayments	3.4%	3.2%	3.4%	2.9%	4.3%
Total underpayments due to Official error	4.7	4.8	4.4	3.6	3.4
% of underpayments	0.8%	0.7%	0.7%	0.5%	0.5%

Source: The Department

2.9 **Figure 4** shows that the total estimated level of overpayments has increased from £19.5 million to £28.7 million (28 per cent) this year and is higher than any of the previous four years. The largest element of this is customer fraud which has increased by £5.7 million. The SAU examined 552 cases (2015: 545 cases) during the year and identified customer fraud or error in 75⁶ (2015: 50) of them. In more than 60 per cent of these cases the customer

had incorrectly declared earnings and income. I am disappointed by the significant rise in estimated overpayments due to customer fraud and error this year. I asked the Housing Executive why this had occurred. It told me that it was also disappointed that the reported estimates for fraud and error have increased but note that these are still significantly lower than those reported in Great Britain (GB) as detailed in **Figure 5**. The Housing Executive was unable to analyse the specific reasons for the increase in estimated figures this year as the issue of customer fraud does not lie wholly within its control.

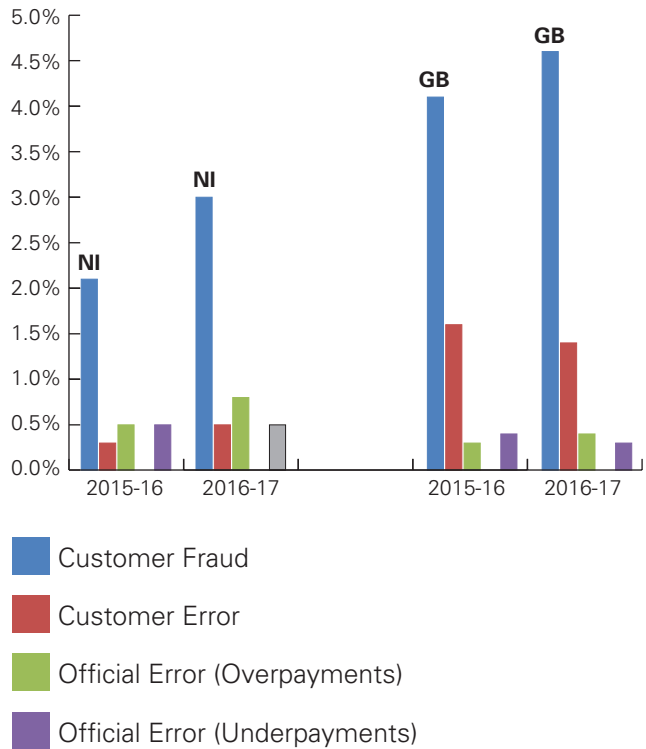
⁶ Twenty-two (2015:14) of these cases are "passported" housing benefit claims. Passported benefits are benefits which some claimants are entitled to because of their entitlement to other benefits. In these cases the fraud relates to a claim for a different social security benefit but still affects the housing benefit award.

2.10 The SAU examined a further 588 cases (2015: 588) during the year and identified official errors in 118 cases (2015: 90). Overpayments as a result of official error have increased by nearly 69 per cent from £3.2 million in 2015-16 to £5.4 million in 2016-17. As official errors arise from mistakes by the Housing Executive these errors are within its control and it is best placed to reduce them. The Housing Executive has attributed this increase to staffing issues and the Accounting Officer has provided comprehensive detail on the various measures being taken to address fraud and error in his Annual Governance Statement.

Comparison with other GB jurisdictions

2.11 While welfare powers have been devolved to the Assembly they have not been devolved to the Scottish or Welsh governments. Accordingly, the Department of Work and Pensions (DWP) reports estimated fraud and error figures for GB as a whole and statistics for the individual jurisdictions are not available. **Figure 5** compares estimated fraud and error rates for over and underpayment of housing benefit in Northern Ireland with those in GB. It shows that benefit overpayment rates were higher in both areas in 2016-17 than in 2015-16. As is the case in Northern Ireland the main cause of customer fraud and error in GB is the failure to declare earnings and employment.

Figure 5: Comparison of the rate of estimated levels of fraud and error between Northern Ireland and GB for 2015-16 and 2016-17



	Northern Ireland		GB ⁷	
	2016-17	2015-16	2016-17	2015-16
Total Housing Benefit Expenditure	£665m	£666m	£23.5bn	£24.2bn
Overpayments due to:	%	%	%	%
Customer Fraud	3	2.1	4.6	4.1
Customer Error	0.5	0.3	1.4	1.6
Official Error	0.8	0.5	0.4	0.3
% of overpayments	4.3	2.9	6.4	6
Official Error				
% of underpayments	0.5	0.5	0.3	0.4

Source: The Department and DWP

⁷ DWP, *Fraud and Error in the Benefit System – 2016-17 Preliminary Estimates*, May 2017.

2.12 The DWP has reported that for 2016-17 the estimated customer fraud overpayment rate of 4.6 per cent for GB is the highest recorded rate, while the customer error overpayment rate of 1.4 per cent is the lowest recorded rate. The DWP has attributed this to the change in the way it has categorised overpayments which has had a particularly marked impact on housing benefit. I asked the Housing Executive whether this change had been applied in Northern Ireland and had a similar impact. The Housing Executive told me that it was not aware of the change in methodology adopted by the DWP and could not say what impact that this change would have had to outcomes of the SAU findings for Northern Ireland.

Qualification of regularity opinion due to estimated level of fraud and error in housing benefit payments

- 2.13 In reaching the decision to qualify my audit opinion, I recognise that there is an inherent risk of fraud and error in the administration of a complex benefit system which makes it difficult for the Housing Executive to reduce the estimated rate of fraud and error further from its current level.
- 2.14 Nevertheless, the estimated levels of fraud and error in housing benefit expenditure remain material at £32.1 million, and I consider this to be irregular as this expenditure has not been applied in accordance with the purposes intended by the Northern Ireland Assembly. Therefore, I have again qualified my regularity audit opinion for 2016-17 in this area.

Part 3: Other matters: Review of Whistleblowing Allegations

Background

- 3.1 In July 2015 my staff forwarded a letter we had received from a MLA to the former Department for Social Development (now the Department for Communities) enclosing a number of anonymous whistleblowing allegations regarding the Housing Executive and its former Acting Chief Executive (Mags Lightbody). The Department asked its Internal Audit unit to undertake a review of those allegations. The purpose of the review was to establish the facts and associated supporting information in respect of the specific questions and allegations made in the anonymous letter.
- 3.2 Internal Audit completed its review in August 2016 and issued a Report to the Housing Executive and the Department for Communities. This Report is referred to in the Accounting Officer's Annual Governance Statement. The Report concluded on the extent to which each allegation was supported by evidence, made 24 recommendations arising from Internal Audit's findings, and included an action plan to address each recommendation. The Housing Executive has advised that all recommendations have been implemented.
- 3.3 I consider the findings of Internal Audit on allegations surrounding the appointment and resignation of senior members of staff significant: namely;
- the Housing Executive's compliance with policies and procedures in respect of the appointment and use of an Asset Consultant;
 - the circumstances and authorisation of "gardening leave"/ suspension of an identifiable (but unnamed) member of staff; and
 - the Housing Executive Board's compliance with HR policies and procedures in respect of the Acting Chief Executive.
- 3.4 Internal Audit findings in respect of each of these allegations have been included in this Report. In addition my Report extends to issues with the Housing Executive's response to the Internal Audit review and its handling of the completed Internal Audit Report.
- 3.5 Internal Audit did not find evidence to substantiate allegations made in respect of the establishment of the Housing Executive's Transformation Programme, the management

and approval processes for hotels & subsistence, the management of the budgetary control process or the selection of staff for the Voluntary Exit Scheme (VES). Some recommendations arose from the allegations made in respect of hotels & subsistence, budgetary control and VES but I will monitor their progress as part of my future audit work.

Housing Executive compliance with policies and procedures in respect of the appointment and use of an Asset Consultant⁸

- 3.6 In July 2013, a recruitment exercise to appoint a Director of Asset Management did not secure a suitable candidate and the responsibilities from this vacant post passed to another Director. As an interim measure, it was decided to support that Director with an agency employee under a staff substitution arrangement for the vacant post. The agency employee was appointed in July 2014 for an initial six month period. Mags Lightbody told me that based on advice from the Housing Executive's HR team she believed this process was in line with the Housing Executive's HR policies and procedures.
- 3.7 While the Director vacancy was subsequently filled in June 2015 the agency employee was retained until December 2015 (a total employment period of 17 months). Internal Audit found there were no evidence of the rationale for, or the formal approval, of the extension to the agency employee's initial six month contract, particularly the extension following the filling of the Director vacancy in June 2015. The Housing Executive told me that the engagement was kept under review until it was considered that the support was no longer required.
- 3.8 The Department of Finance's guidance on the "Use of Professional Services including Consultants" sets out conditions attaching to staff substitution including the use of agency staff. As these include providing additional resource until a new member of staff is recruited, the Housing Executive viewed the period July 2014 to June 2015 as staff substitution. However after the filling of the Director vacancy in June 2015 the agency employee was not a staff substitute and the Housing Executive should have considered

if this was now an external consultancy appointment. Such a consultancy appointment would have required Departmental approval which was never sought. Internal Audit noted issues in relation to the rationale supporting the appointment of an Asset Consultant as staff substitution and not an external consultant. The Housing Executive told me it considers the role of the Asset Consultant and the reporting line for the post clearly demonstrate that this engagement was not a consultancy appointment.

- 3.9 Internal Audit noted the following additional issues with the documentation to support the agency employee's appointment:

- The successful candidate had visited the Housing Executive, before it had approached a recruitment agency for a suitable candidate, and had submitted an email to its Acting Chief Executive (Mags Lightbody which included "let me know if you need a CV or such like?") and a proposed daily rate.
- The successful candidate had previously worked with Mags Lightbody.
- No interviews took place with the three candidates who applied and it appeared to Internal Audit that Mags Lightbody was the sole decision maker in the appointment of the successful candidate and that the decision had been taken before the recruitment agency had been approached.

The Housing Executive told me the process for engaging agency workers is not the same as that for the appointment of directly recruited employees. A formal panel interview is not required as it is considered this could obfuscate the distinction between directly employed staff and agency workers who then claim entitlement to employment status with the Housing Executive. The selection of an agency worker is therefore normally made by the line manager alone, in this particular case the former Acting Chief Executive, and that this reflected normal practice across the Housing Executive. It added that under its Staff Code of Conduct, the Housing Executive places a responsibility on all staff to remove themselves from selection decisions where a personal or family relationship is deemed to exist and, to underline this, its recruitment documentation explicitly refers to these requirements.

- No evidence was held by the Housing Executive to confirm that the assessment of the agreed daily rate was in line with the

⁸ The Housing Executive told me the appointment was for an Asset Management Advisor. We have used the terminology referred to in the Internal Audit Report – an Asset Consultant.

requirements of the role and as such there is a lack of evidence to demonstrate value for money. The cost to the Housing Executive of the agency employee was £133,000. The Housing Executive told me that given the nature and volume of work that the Asset Consultant was to deliver it does not deem the rate of pay as excessive. However it does accept that limits are important in ensuring that value for money can be demonstrated. The Housing Executive has informed me that a formal value for money test will be applied should a similar engagement be required in the future with relevant documentation retained as supporting evidence.

- 3.10 I asked the Housing Executive why there were so many gaps in the documentation held by its HR function to support appointing the agency employee to such a key post. The Housing Executive told me that reported gaps in the initial appointment process should not detract from the considerable contribution made to the management team. However, it fully accepts that a complete documentation trail should be available for all appointments and clearly there was a lack of compliance in this case which can only be explained by the relevant individuals not following proper procedures. This will not be accepted in future.
- 3.11 Internal Audit concluded that this was a potential conflict of interest for Mags Lightbody in the appointment of the successful candidate and that deficiencies in the appointment process increased the risk of reputational damage to the Housing Executive. The latter told me that in accordance with its Staff Code of Conduct officers involved in making staff appointments must at all times act in accordance with the Housing Executive's Appointments and Promotions Procedure and must act with strict impartiality.
- 3.12 Ms Lightbody told me that she was aware of a few individuals in the housing sector that had the experience to deliver what was needed at the Housing Executive, one of which was the agency employee. She added that this employee did not approach her nor was he seeking work but agreed to meet her as a professional courtesy to provide insight on what was needed. Furthermore the Chair, as well as the full Executive Team at the Housing Executive were fully aware of her meeting and her past working knowledge of this individual. Mags Lightbody said, "I can confirm that my relationship with the agency employee was purely as a former colleague and someone I knew to have a proven track record in the area

of expertise we sought. I did not work directly or closely with him in our previous work environment, nor did I have any personal or relevant family relationship".

- 3.13 I note that as at 31 March 2017 the Housing Executive employed 2,536 full time staff including 521 agency staff who had been in post for the periods listed below:

Less than 2 years	309
Between 2 & 4 years	162
Between 4 & 6 years	48
Between 6 & 8 years	1
Greater than 8	1
TOTAL	521

- 3.14 I appreciate there are occasions where it is appropriate that agency employees are engaged on a temporary basis to cover a number of roles. As each period of employment extends, I consider the value for money balance tilts away from an agency employee solution. I asked the Housing Executive why agency staff had been employed for long periods of time and if this approach to staffing issues was consistent with best practice. It told me that the use of agency workers has provided it with flexibility to maintain key services to its customers and tenants through protracted periods of instability arising from long term budgetary pressures and significant public sector reform programmes including Universal Credit / Welfare Reform. Some of these programmes have been, or are, protracted thereby requiring longer than desirable periods of appointment of agency staff.

The circumstances and authorisation of “gardening leave”/ suspension of an identifiable (but unnamed) member of staff

- 3.15 Following the merger of two positions in June 2014 a Housing Executive employee was considered surplus and the employee accepted a redundancy package from 31 March 2015. The redundancy and secondment arrangement, to cover the intervening period, was approved by the CXBC following the submission of a paper noting the employee had volunteered for redundancy. The Housing Executive advised Internal Audit that the employee had not been suspended or placed on gardening leave during this period.
- 3.16 Internal Audit found that the employee’s file contained a number of letters addressed to the employee setting out the redundancy and secondment arrangements. However the letters were unsigned and in some cases marked as draft. Housing Executive staff told Internal Audit the employee had confirmed contentment with the arrangements at meetings. There was no note of these meetings on the file, nor any other written confirmation on file of the employee volunteering for redundancy.
- 3.17 The Housing Executive advised Internal Audit that the employee was offered two alternative positions within it but these were declined. There was no evidence to support the offer or refusal of these positions. The employee told us that they had been offered one position in March 2014 but a week later this offer had been withdrawn by the Housing Executive. The employee added that they had not declined the position.
- 3.18 The paper provided to CXBC stated that the secondment arrangement, agreed with the employee, was to provide advice and guidance to bodies associated with a housing body (independent of the Housing Executive) for the period 1 August 2014 to 31 March 2015. In the preceding 6 week period the Housing Executive approved “administrative leave” for the employee to work at home to enable research of the role and for administrative arrangements to be agreed. An email attaching to a draft letter to the employee notes that “gardening leave” has not been used as it “tends to be viewed as quite as a loaded term”.
- 3.19 The housing body requested that the secondment arrangement be changed to a placement arrangement with the employee not working directly to them. Instead the housing body would facilitate introductions to associated bodies.
- 3.20 Despite the change from a secondment to a placement arrangement the Housing Executive monitoring role remained unchanged and Internal Audit noted the following issues:
- None of the parties signed the placement agreement and there was no evidence of it issuing to them.
 - It is not clear when the placement commenced. A letter from the Housing Executive employee (2 September 2014) indicates it had not commenced and they expressed concern as to its viability. The Housing Executive advised the employee to contact the housing body and an update meeting would be held in October 2014. There was no evidence on file that this meeting took place.
- 3.21 Although progress meetings were to be bi-monthly these only took place in response to issues raised by the employee or the housing body. No record of these meetings were retained. The Housing Executive employee was to maintain a record of hours worked. There was no evidence of this record on file or a request to the Housing Executive employee to submit the record. Internal Audit noted a lack of evidence as to the work intended or completed. The employee told us that they contacted the Housing Executive with concerns regarding the placement but received no response.
- 3.22 The Housing Executive employee’s redundancy date was delayed from 31 March 2015 to 31 July 2015. There was, however, no evidence that the placement arrangement had been extended. I asked the Housing Executive why it sought to arrange a secondment for the Housing Executive employee prior to their redundancy rather go straight to redundancy. The Housing Executive told me the employee’s post had been declared surplus. Alternative positions within the Housing Executive were offered to the employee but rejected because the employee did not consider them to be suitable. The employee volunteered for redundancy but stated that they did not wish to leave until 2015 due to personal circumstances. Given the employee’s area of expertise, it was agreed that in advance of the redundancy taking effect from an agreed date, the employee would be placed with the housing body.

- 3.23 Internal Audit concluded that the lack of evidence to support the Housing Executive's request for redundancy limits both the audit trail and the transparency of the discussions held. Internal Audit also noted the ambiguity in relation to the purpose of administration leave with references to gardening leave in draft letters but as signed finalised letters were not on the Housing Executive files it is unclear if gardening or administrative leave was awarded.
- 3.24 As in the case of the agency appointment noted above, this is another example of significant gaps in the records held by the Housing Executive's HR function. I asked the Housing Executive why the documentation in support of its action with regards the secondment, placement and redundancy of the member of staff was so clearly deficient. The Housing Executive told me it accepts that:
- the documentation for this case was not as complete as it should have been but can confirm that the identifiable (but unnamed) member of staff did volunteer for redundancy; and
 - its responsibility for overall monitoring of the placement was not discharged as intended and valuable lessons have been learned as a consequence.
- 3.25 In response to my 2014-15 audit, the Housing Executive accepted that it did not recoup the cost of the employee from the housing body and that this should have occurred. That cost was £81,000.
- Housing Executive compliance with its HR policies and procedures in respect of the Acting Chief Executive (Mags Lightbody)**
- 3.26 In January 2013 Minister McCausland launched the Social Housing Reform Programme (SHRP). To align with this work the Department told me that the Housing Executive decided to appoint a Director of Transformation and used the Strategic Investment Board (SIB) to fill the position. We note that the former Chairman, Donald Hoodless attributes both of these decisions to the Department. Amongst other services SIB place staff with specialist experience, knowledge and skills into senior roles in the public sector. Staff are employed by SIB and then seconded to public sector bodies with a recharge for employment costs. SIB undertook a recruitment process and subsequently recommended Mags Lightbody who took up post in November 2013 (for a fixed period term of four years).
- 3.27 The previous Chief Executive had tendered his resignation in June 2013 and left the Housing Executive on 31 March 2014. The Housing Executive agreed to appoint an Acting Chief Executive on a short term basis (6-9 months). Mr Hoodless provided Internal Audit with applications received from eligible Housing Executive Directors but noted there was no written documentation which had been retained in relation to the rationale of the eligibility criteria used and the decision taken by the Selection Panel⁹. Mags Lightbody was appointed Acting Chief Executive from 1 April 2014 and continued her duties as Director of Transformation with no additional salary until her resignation in June 2015.
- 3.28 Internal Audit noted that the absence of documented evidence to support the appointment of Mags Lightbody as Acting Chief Executive was not in line with best practice. This limited the openness and transparency of the process, particularly given the unique circumstances where a seconded member of staff (in post for three months) was deemed eligible for such a senior and strategic position. Mr Hoodless told us that in his view the process of recruitment was open and transparent and that after the Housing Executive recommended the appointment of Mags Lightbody to the Department her appointment was approved. Internal Audit concluded that Mags Lightbody's eligibility, as a seconded member of staff, to apply for the position of Acting Chief Executive was at odds with best practice in the public sector with seconded staff unable to apply for internal boards/promotion competitions as they are not employees of the organisation. Mr Hoodless told us that it was the Department who spoke to SIB to ask if it had any objections to the secondee applying for the post. The Department told me that it does not hold any records that substantiate this claim.
- 3.29 The Housing Executive did not provide any feedback on Mags Lightbody's role as Director of Transformation during her time with it as required by SIB. An agreement for SIB and the Housing Executive to meet twice a year to review the appointment did not happen. Internal Audit expected the Housing Executive to have undertaken some form of assessment or feedback on the value for money of the arrangement.

⁹ The Selection Panel comprised the Chairman, Vice-Chairman and two Housing Executive board members.

- 3.30 Mr Hoodless told me the Housing Executive had not been informed of this agreement. Furthermore that as the Director of Transformation post had been set up by the Department he believed it was incumbent on the Department to evaluate the value for money of this arrangement. The Strategic Investment Board told us that it had agreed with the Housing Executive and the Department that once Mags Lightbody assumed the role of Chief Executive at the Housing Executive she would no longer be accountable to SIB. SIB also informed us that Mags Lightbody had fulfilled the role of Transformation Director for less than six months (her probation period) before becoming Chief Executive so no feedback would have been expected before then.
- 3.31 The Department has reiterated that it did not set up the post of Director of Transformation. The Department notes that the appointment of Mags Lightbody was governed by an Operational Partnering Agreement between SIB and the Housing Executive which was signed by both Chief Executives. Paragraph 7 of this Agreement sets out the undertaking by the Housing Executive to meet with SIB every six months.
- 3.32 Internal Audit met with the Housing Executive Chairman and Vice-Chairman to document the circumstances that gave rise to Mags Lightbody's resignation. Internal Audit were advised that Mags Lightbody's resignation was voluntary and that she was not asked to leave as alleged by the anonymous whistleblower. The then Chairman explained to Internal Audit that he met Mags Lightbody prior to her resignation to advise that the Housing Executive wanted to fill the Chief Executive role on a permanent basis and she opted to resign her position at this point. No record exists of this meeting or of the Housing Executive Board's decision to appoint a permanent Chief Executive and terminate the Director of Transformation position.
- 3.33 The Housing Executive informed SIB that Mags Lightbody would cease to be Acting Chief Executive from 19 June 2015 but would be retained until 31 July 2015 to complete a report. This end date was extended to 21 September 2015 but the reason for the extension is unclear. The Housing Executive met Mags Lightbody's employment costs over this period.
- 3.34 The then Housing Executive Vice- Chairman informed Internal Audit that the Housing Executive Board decided the Director of Transformation position was no longer needed but there was no documentation to support this decision. Internal Audit expected the Housing Executive Board to formally document its rationale for not filling the Director of Transformation post as well as the mitigating actions to manage the Transformation Programme.
- 3.35 The Housing Executive received an Assembly Question in June 2015 asking "whether any (i) formal complaints or (ii) informal complaints about the behaviour in the workplace of the retiring Acting Chief Executive of the Housing Executive (Mags Lightbody) had been received".
- The Housing Executive responded: "we have not received any formal or informal complaints in relation to this."
- 3.36 Internal Audit noted that the Housing Executive's HR had advised that as informal complaints are resolved locally HR would not hold details of any such complaints. On this basis, Internal Audit were unable to confirm if there were informal complaints made in relation to Mags Lightbody's behaviour and were unclear on what basis the Housing Executive formed its response to the Assembly Question. In response to Internal Audit the then Chairman and then Vice-Chairman (the nominated contacts, in accordance with Housing Executive procedures, in relation to complaints by Senior Managers regarding the Chief Executive) indicated they had received no complaints in relation to Mags Lightbody.
- 3.37 In its report on the Governance of Land and Property in NIHE (February 2016), the Public Accounts Committee noted an inaccurate response by the Housing Executive to an Assembly Question. The Committee observed:
- "Assembly Questions are a key accountability mechanism in the democratic system of Government and Assembly Members have a legitimate expectation that responses are open, honest and accurate".
- 3.38 I am disappointed that Internal Audit uncovered a further example where the Housing Executive has been unable to meet Assembly Members' expectations of the standard that should apply when responding to an Assembly Question. The Housing Executive told me that the response to the Assembly Question

was open, honest and accurate and that it fully accepts and complies with the need to ensure that information provided to the Assembly is correct, complete and reliable at all times. The Housing Executive points out that, the then Chairman and the then Vice Chairman told Internal Audit that they had received no complaints in relation to Mags Lightbody and that this was also the basis on which the response was provided to the Assembly Question. It is NIAO's view that the Housing Executive's Assembly Question response should have been that it had received no formal complaints but, consistent with the Housing Executive policies, it did not retain details of informal complaints.

The Housing Executive response to the Internal Audit Review

- 3.39 Internal Audit noted that the then Housing Executive Chairman had stated in a meeting that he was not prepared to discuss conversations held with the Housing Executive member of staff (Mags Lightbody). This matter was not pursued. On the basis of this Internal Audit were unable to conclude on the specific whistleblowing allegation being investigated, that is, if complaints were raised in relation to Mags Lightbody and if they were handled appropriately. Mr Hoodless told us that he would have been happy to answer specific questions to the best of his ability but no specific questions were set down or asked. The Department has advised that a specific question to confirm if any grievances/complaints were received in relation to Mags Lightbody, was asked but Mr Hoodless refused to answer it.
- 3.40 It is concerning that the work of Internal Audit was constrained in this way. All activities within an Arm's Length Body, such as the Housing Executive, must be subject to scrutiny by its parent Department. The Department told me that it agrees that any Arm's Length Body must be fully co-operative with any investigation by its parent Department into any matter of concern. The then Chairman informed the Department of his intention to resign on 5 October 2016.
- 3.41 The Internal Audit Report (completed in August 2016) included a recommendation that progress on implementing recommendations should be reported to the Housing Executive's Audit and Risk Assurance Committee (ARAC). The Committee was not updated at either of its meetings on 20 September 2016 or 6 December 2016. It was only in February 2017 (when following up progress with the Department on the initial whistleblowing allegations) that the completion of the Internal Audit review was drawn to the attention of my staff. Following a query by my staff with the Housing Executive, as to the failure to bring the Internal Audit report to the attention of the Housing Executive's ARAC, this oversight was noted at the Committee's 14 March 2017 meeting. A commitment was also given to provide a progress report to the next meeting. Members present at the March meeting were unaware of the allegations that had been made in the Report. The progress report was tabled at the ARAC meeting of 26 June 2017.
- 3.42 I am concerned that without NIAO intervention, the contents of the Internal Audit Report and the Housing Executive's commitment to implement recommendations from the Report, would have been withheld from the Housing Executive's ARAC. There is no evidence this course of action was discussed with the Department. I asked the Housing Executive why it had not brought the Internal Audit Report to its ARAC until this action was queried by my staff. The Housing Executive told me that there was no untoward reason for the delay in reporting progress in implementing the recommendations made in the Internal Audit report to the ARAC and, once the unfortunate oversight had been realised, the omission was rectified.
- 3.43 Furthermore the Report itself had been presented to the then Chair of the ARAC by Internal Audit, in keeping with the arrangements established by the then Chairman. The contents and findings of the Report were known at this very senior level. The Housing Executive acknowledges that there was an obvious failure in that the Report was not shared with other members of the ARAC in a timely manner although, again, this was simply due to administrative oversight. The Housing Executive also told me it regrets these oversights and remains committed to good, effective governance, including the scrutiny provided by a fully and timeously informed ARAC.

Conclusions

- 3.44 Whistleblowers have an important role to play in bringing information to light but their contribution is dependent upon the actions of those who examine and assess the information which is provided. I commend the Department for the comprehensive response to whistleblowing allegations brought to my staff from a MLA. This includes the decision to use the Departmental Internal Audit unit which ensured allegations that went to the most senior levels in the Housing Executive were reviewed with transparent independence.
- 3.45 The Departmental Internal Audit unit correctly identified that the recommendations from their work should be reported to the Housing Executive ARAC. While the Housing Executive have responded to the recommendations I am concerned that, by failing to bring this matter to the Housing Executive ARAC, the Committee received no assurances on this process until the matter was raised by my staff. As a matter of principle any request, from whatever source, that an issue should be raised with the Housing Executive ARAC must be complied with. It is for the Committee alone to decide its agenda and priorities. There can be no question that the whistleblowing allegations and the review by the Department's Internal Audit unit should have been brought promptly to the Housing Executive ARAC.
- 3.46 A consistent theme in the review of the allegations was the poor quality of HR records, including missing information to support the appointment and resignation of senior staff members. Good practices in respect of record keeping are fundamental to the public sector and should always be viewed as an integral part of decision making. Only through appropriate records can public sector bodies demonstrate both the rationale for and the appropriateness of their actions. The extent to which the Housing Executive's HR record keeping fell short of good practice is a matter of concern. The Housing Executive told me some of these gaps in HR record keeping resulted from decisions being taken without the direct involvement of the HR Department. These issues are being addressed and a review of the HR function, to be undertaken by the Housing Executive's Internal Audit unit, will provide an overall assessment and make recommendations for further improvement to ensure compliance, at all levels within the Housing Executive.

- 3.47 I recognise the significance and value of the Housing Executive's Transformation Programme and I intend to review its impact in future audits.

For the Housing Executive, as for any public sector organisation, it is important that a focus on change management should not divert attention from the need to ensure that key decisions are properly documented. In this case the standard of record keeping fell far short of the standards required.



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