



45th ANNUAL REPORT

1 April 2015 -
31 March 2016

**Housing
Executive**



Northern Ireland Housing Executive
Annual Report and Accounts
For the year ended 31 March 2016

Laid before the Northern Ireland Assembly
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Of the Housing (Northern Ireland) Order 1981
By the Department for Communities
(formerly Department for Social Development)
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PERFORMANCE REPORT

Chairman's Foreword

I am very pleased to present the Housing Executive's annual report in the year of its 45th anniversary. This report gives numerous examples of how, in all areas of our work, the Housing Executive continues to excel.

We set examples of best practice for other housing organisations and public services in Northern Ireland through our work as a landlord and a regional housing body. We have done this against a challenging agenda of budget reductions across the public sector. The Housing Executive, especially on the regional side of our business, has had to make significant efficiencies whilst, at the same time, ensuring that high quality housing services and support are available for the citizens of Northern Ireland. It is also important at the outset to note that we continue to work in partnership across sectors and across government in order to deliver better housing and successful communities.

2015/16 has been another very successful year in terms of our performance and we have met the targets set by the Programme for Government and many of the housing priorities set by the Minister for Communities (formerly Department for Social Development). We contributed to helping to reduce fuel poverty by installing energy efficiency measures to over 18,500 homes. We also completed the Programme for Government target to install double-glazing in all our homes and delivered the first year of our Interim Investment Programme on much needed improvements to our tenant's homes.

During 2015/16, in partnership with housing associations, we exceeded the target of 1,500 new social housing starts, helping to meet the Programme for Government's target of 8,000 new social and affordable homes across the period 2012/13 to 2015/16. Despite this achievement, the Housing Executive is mindful that we need to continue with ambitious new build targets in order to provide housing for the high numbers of those in need across Northern Ireland. We are working with partners and the Department to progress the Building Successful Communities Programme. This is to develop a place shaping approach which will regenerate six estates across Northern Ireland.



Donald Hoodless, Chairman

The need to tackle rough sleeping in Belfast was brought into sharp focus this year with the tragic deaths of five people in the city centre. We have been working closely with the principal homeless organisations, Belfast City Council, other statutory agencies and executive departments to understand the nature of the problem and to continue to provide housing and support services to the most vulnerable people in the city.

The Housing Executive has been serving the people of Northern Ireland for 45 years, often in very difficult circumstances. Our work with communities is something of which we are extremely proud. We continue to work actively with around 500 community groups. A key development has been the establishment of a Scrutiny Panel framework which covers all of the Housing Executive's 13 areas. In each area a tenant panel provides valuable support, holding our local managers to account by scrutinising the delivery of our services. I was especially pleased to see the Housing Executive launch the Social Housing Enterprise Scheme this year. The objective of the scheme is to create socially and economically vibrant and self-sustaining social housing communities and provides social investment to local communities, existing social enterprises and individuals. To date, in response to 74 applications to the scheme, more than £360,000 has been invested in 33 local initiatives.

It is important to highlight the work that the Housing Executive is carrying out to improve good relations in our estate. This year we identified 10 shared neighbourhoods through the Together Building a United Community (TBUC) Scheme and delivered the Building Relationships in Communities Programme with 26 groups signed up and 26 Good Relations Plans developed. One of the highlights of the year was the removal, for the first time, of a Housing Executive peace wall on the Crumlin Road in Belfast. This was an incredibly brave step for the local residents of this area, and hopefully one which other communities will feel able to take in the future.

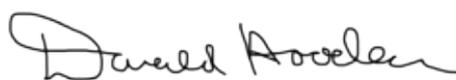
By the time next year's Annual Report is published, we hope to see more clarity about the future direction of the organisation. In March 2016, the Board welcomed Minister Morrow's statement on housing investment and social housing delivery in Northern Ireland. This followed on from the publication of the findings of the Asset Management Commission in March. The Stock Condition Survey found that £6.7 billion is required to modernise and maintain our housing over the next thirty years. In response, we have developed a new Asset Management Strategy for our housing stock and a complementary new Tower Block Strategy. The new standard mirrors the types of works commonly delivered by other modern social housing providers throughout the United Kingdom and aims to provide our tenants with homes that reflect modern expectations of space, safety, amenities and thermal comfort.

Current funding arrangements will not allow us to deliver fully what is required in the Stock Condition Survey. We need to borrow in order to invest, and there is now a pressing need to consider new and sustainable options for the provision of high quality homes and services in the future. We also must use this time to provide clarity for tenants, our staff and others in the housing sector. The Board welcomed the priority that the Minister gave this in his statement. Only with sustained and strategic investment across the entire housing sector can we tackle our current housing problems and add value to our local economy.

In 2014 we initiated our Journey to Excellence Programme, an organisation-wide change 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. In January 2016 the Housing Executive was recognised for excellence with a four star rating by the European Foundation for Quality Management (EFQM) Ireland Excellence Award. This level of recognition, the highest of any Northern Ireland public sector organisation this year, demonstrates that we are a high-performing organisation, delivering excellent performance results and that the progress made through the Transformation programme is now having a real and positive impact on our performance.

It is also pleasing that Landlord Services Division was re-accredited with the Customer Service Excellence Award in March 2016, demonstrating our commitment to continuous customer service improvement.

I would like to take this opportunity to thank Lord Morrow, Minister for Social Development, his predecessor Mervyn Storey, and the officials in the Department for Social Development (renamed the Department for Communities, or DfC, in May 2016) for their support over the year. I would also thank the Northern Ireland Housing Council, other political and community representatives, the voluntary sector, district councils and the housing associations for their commitment. Finally I would like to thank my fellow Board members and especially the staff of the Housing Executive for their support and work during the year.



Donald Hoodless
Chairman

Overview

The Northern Ireland Housing Executive was established by the Housing Executive Act (Northern Ireland) 1971.

From 1 April 2014, following a review by the Office for National Statistics, the accounting classification of the Housing Executive changed from being a Public Corporation. For budgetary purposes, the Housing Executive now operates under 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 a Non-Departmental Public Body (NDPB). The main impact of this is that the NDPB is, for accounting purposes, more closely integrated with our sponsor department and our budgetary management arrangements are aligned to those already in place for the Department.

Our governing body, the Department for Social Development (DSD), will be 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 is effective from 9 May 2016. It is referred to as 'the Department' throughout this report.

Our Vision and Core Values

Our vision is one in which housing plays its part in creating a peaceful, inclusive, prosperous and fair society.

We are committed to 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.

The Housing Executive has a proud history of providing homes, practical support and a wide range of housing related services to all the people of Northern Ireland since it was set up 45 years ago. Despite very challenging beginnings, the widespread support that we have gained from the communities that we serve is testament to the impact and significance of our work over this time.

During the last year an important event was the dismantling of a 'peace wall' in North Belfast, some 30 years after it was first erected. The decision to transform the area came about after years of hard work in relationship building and discussions within and between communities in North Belfast. Their efforts rightly deserve recognition and allowed the first step in a journey which has huge significance for communities across Northern Ireland. As ever, the Housing Executive is ready to play its part in whatever way we can.

This Report comes during my first year as Chief Executive and I am pleased to report that it has been an exceptional year in terms of our performance and also in delivering positive outcomes for our customers. We have met our Programme for Government targets, delivered on most of the Minister's priorities and exceeded many of our own targets.

Our achievements were made during a year in which budgetary pressures were felt across public services. Substantial savings had to be made within our budget during 2015/16 and this requirement will continue into the foreseeable future. We remain fully committed to providing high quality customer services, however, with reducing resources, we need to look at different and better ways to deliver those services.

It was timely that we had already embarked on our 'Journey to Excellence' Strategies which are designed to improve all aspects of our business, allowing us to deliver top quality services that meet the needs of all our customers. We believe this investment has put us in a better position to respond to the ongoing financial challenges. Our excellence strategies will allow us to do more with fewer resources as well as improve and extend the services we provide, with well trained and committed staff using leading edge technology.



Clark Bailie, Chief Executive

Our Core Values of Making a Difference, Fairness, Passion and Expertise sum up everything that represents the very best of the Housing Executive. As Chief Executive I have the very enjoyable privilege of visiting Housing Executive offices where I regularly see at first hand these values epitomised through the dedication and professionalism of my colleagues. I am constantly impressed by their contribution.

Journey to Excellence/Build Yes

As an organisation we are totally committed to transforming the way we provide our services and a key part of this is the empowerment of staff.

While we already had relatively high levels of customer satisfaction, we have set ourselves an ambitious target of continuing to improve customer satisfaction.

We have fundamentally redesigned our frontline housing service and are now advancing our plans to implement a customer focused service for all our housing customers and tenants. As a result, we are delivering much improved services, often in conjunction with our key partners, to support existing tenants to stay in their homes, allow customers to access housing across a range of tenures, and provide support and assistance to customers to allow them to become 'tenancy ready'.

We are currently extending the Transformation Programme to other key frontline services, building on the knowledge and experience we have gained to date.

In January 2016 the Housing Executive was 'Recognised for Excellence' with a 4 star rating by the European Foundation for Quality Management (EFQM) Ireland Excellence Award. This demonstrates that we are a high-performing organisation delivering good performance results and that the progress made through the Transformation programme is now having a real and positive impact on our performance.

In March 2016, on a visit to the Causeway area, the Social Development Committee highly commended the work of the Housing Executive and staff for their innovative approaches and dedication to customer service. This recognition was greatly appreciated.

Landlord Services Division was again re-accredited with the Customer Service Excellence Award. This is further recognition of the excellent work staff undertake for our customers and of our work in transformation.

Business Objectives

The Housing Executive is Northern Ireland's single comprehensive regional housing authority and one of the largest social landlords in the United Kingdom. We also have a wider strategic role which extends to addressing broader housing issues across all tenures in Northern Ireland.

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 Review contains a range of housing market data, analysis and commentary, and the nineteenth edition, which was launched in June 2015, is available on our website, www.nihe.gov.uk.

It highlighted a variety of issues, including:

- the relatively low level of economic growth in Northern Ireland;
- the continuing legacy of negative equity;
- demographic change;
- the much lower rate of construction of new private sector dwellings;
- an increasing number of transactions in the housing market and improved affordability in many areas;
- continuing demand for private rented accommodation;
- the need for ongoing investment in new social housing and investment in social housing (particularly Housing Executive) stock.

This Commentary details our performance against the corporate objectives, mission statement and core values as set out in our Corporate Plan and Business Plan for 2015/16-2017/18.

Our Objectives

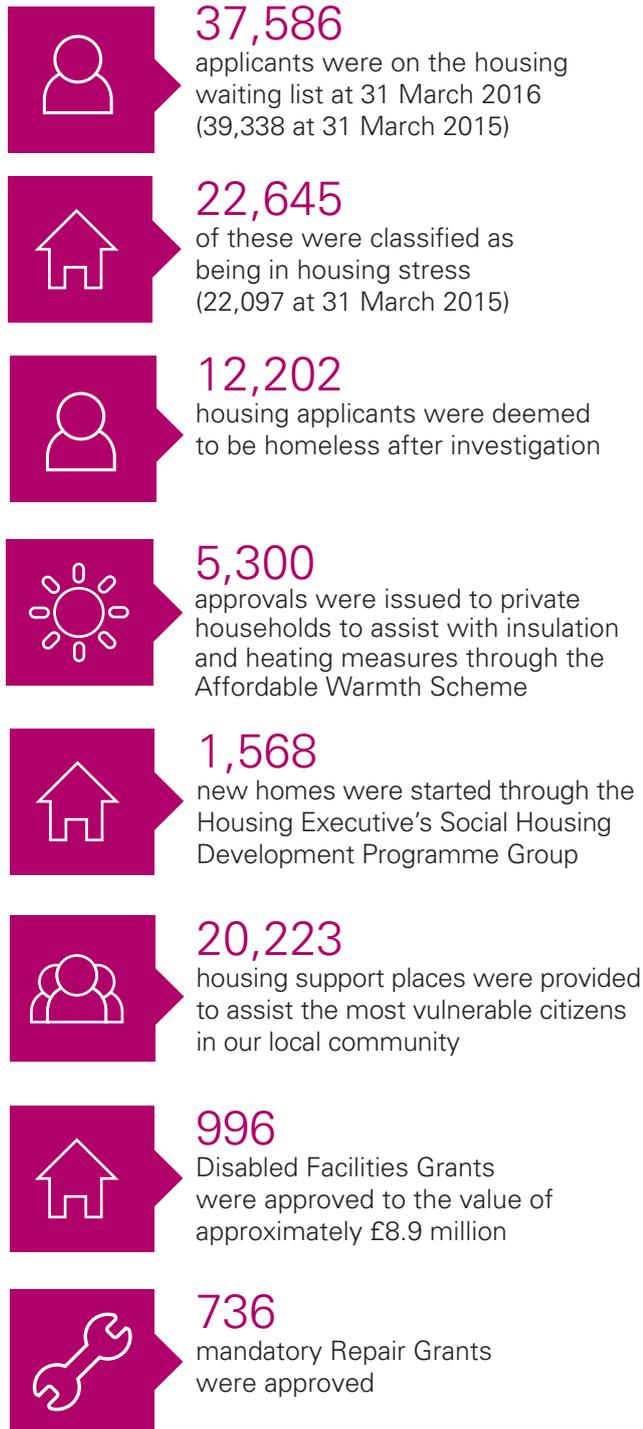
The following sections summarise the Housing Executive's performance for the year 2015/16 against each of the objectives and indicators included in our Business Plan for the year. Where comparative figures are available, these are also shown.

Our objectives and supporting strategies aim to achieve the following:

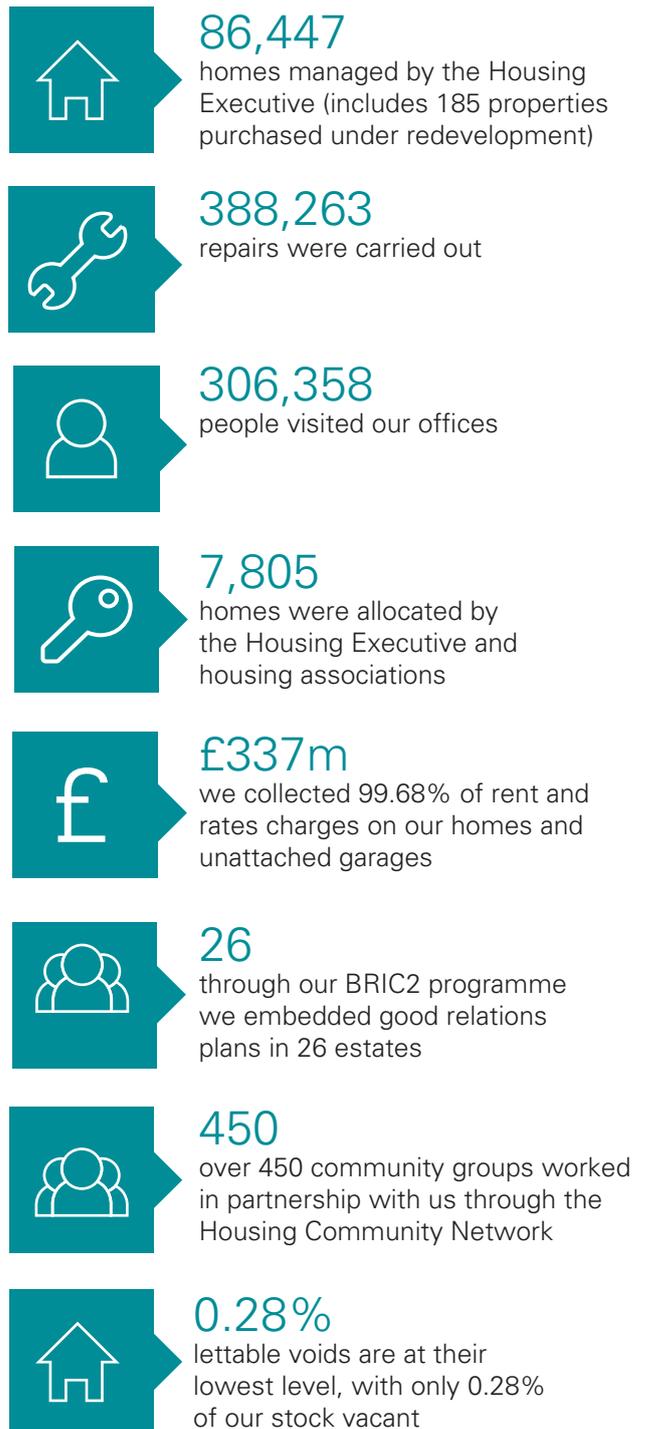
- Identification of housing requirements across Northern Ireland;
- Investing in homes and neighbourhoods;
- Improving people's homes;
- Transforming people's lives;
- Enabling sustainable neighbourhoods and regeneration;
- Delivering quality service;
- Delivering better homes;
- Fostering vibrant communities.

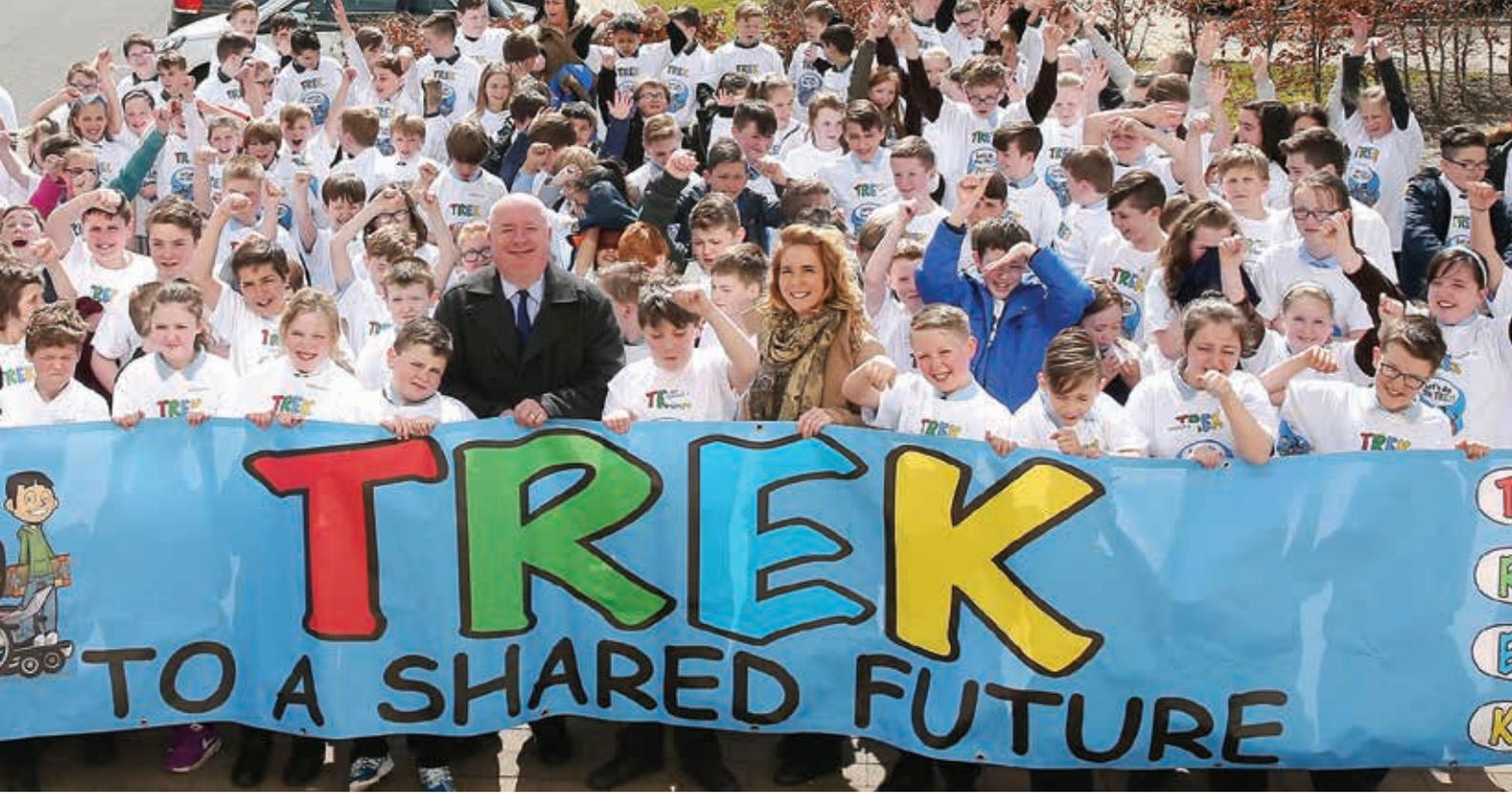
Scale of Our Business

Regional Services



Landlord Services







Regional Services



Performance Analysis

Regional Housing 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

In 2015/16 Regional Services had a total budget of £269.5m (including administrative support) funded almost entirely by grants made available by the Department helping vulnerable people across Northern Ireland. This included £10m on tackling homelessness, £73m administered through the Supporting People Programme and £101m allocated to Social and Affordable Housing. A further £25.2m was earmarked for tackling fuel poverty and private sector grants.

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 2015/16, in partnership with housing associations, we successfully delivered 1,568 new social housing starts (against a target of 1,500). A total of 1,209 new social homes were recorded as completions during this period.

Additionally, through our Regional Services Division, 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 13,500 interventions to homes, improving their fuel efficiency;
- dwelling unfitness: 136 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.

Our Homelessness Strategy 2012-17 places prevention at the forefront of how we engage with customers, along with reducing the length of time households and individuals experience homelessness, and removing the need to sleep rough. In 2015/16 we increased the number of temporary accommodation units to provide further support for those sleeping rough. In addition to these measures, we commissioned and published a research report on rough sleeping, entitled 'Belfast Street Needs Audit', which identified the extent of rough sleeping within Belfast and the reasons for this.

Regional Services 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.

Objective 1 Identification of housing requirements across Northern Ireland

Housing Research

Our Research Department continues to play an important role in guiding the intervention of the Housing Executive and the Department 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 "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 publish the Northern Ireland Housing Market: Review & Perspectives annually in order to provide contextual information for our Corporate Plan. It is also used as a source of information for the public, private and voluntary sectors, including housing associations. The most recent edition covering the period 2015-2018 was launched in June 2015.

Following the publication of one of our key strategic research reports in November 2014, 'Demographic Change and Future Housing Need in Northern Ireland,' further work was carried out during 2015/16, which took into account the latest household projections from the Northern Ireland Statistics and Research Agency (NISRA) and more recent housing market information. This data is used to underpin a revised estimate of the annual need for new social homes in Northern Ireland.

This year also saw the completion of two major research projects relating to the Supporting People Programme. The first of these, Bamford Review: The experience of learning disabled people settled from long stay hospitals in Northern Ireland, examined the experiences of people moving out of long-stay hospitals to live in the community. The second, Evaluation of Accommodation-Based Services funded by Supporting People, evaluated the quality of life and benefits of users of Supporting People services. The research provided a significant part of the evidence base which informed the Ministerial Policy Review of Supporting People.

A significant amount of preparatory work was undertaken for the 2016 House Condition Survey. This statutory survey is a key research study which will inform housing policy and strategy for the next five year period.

Our Research Department also supports the Department on a range of policy-related projects, including the development of a new housing quality standard and a review of allocations policy, as well as undertaking a major programme of fieldwork, analysis and reporting to support the Ministerial Building Successful Communities Programme.

The annual Continuous Tenant Omnibus Survey continues to provide a wealth of customer views on how well we are delivering key services. The 2015 survey once again indicated generally high levels of satisfaction with services, but also a number of issues and areas where improvement is required.

The Insight Housing Market Intelligence Exchanges that were started in 2014 have continued 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 the housing market, place making and place management, while the second looked at social sector housing need and the findings of ongoing research on rent levels in the private rented sector.

Social Housing Need

At 31 March 2016, 37,586 households were on the waiting list for social housing (39,338 at 31 March 2015), of whom 22,645 (22,097 at 31 March 2015) are considered to be in housing stress. Of those in housing stress, 15,075 are Homeless Full Duty Applicants (13,664 at 31 March 2015).

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. Historically, the Housing Executive reported its planned programmes and activity in the local District Housing Plans. In 2015/16 District Housing Plans were replaced with new Housing Investment Plans, in response to the Local Government Act (NI) 2014 where the councils manage Community Planning and we are a statutory partner. The Housing Investment Plans are reported upon annually to each local council and continue to set out the schemes and programmes to be delivered within each council area in response to the identified housing needs.

Equality

The Equality Unit is responsible for five main areas of work.

1. Implementing the Housing Executive's Equality Scheme

As part of implementing the Equality Scheme we conduct equality awareness training for all staff, including staff employed through agencies. During the year we conducted 19 courses for a total of 368 staff, covering areas such as understanding Section 75, disability awareness, attitudes, behaviour and respect and Human Rights. We also contribute to integrating equality in our work by ensuring all policies have been subject to equality analysis. In 2015/16 we conducted equality policy screenings on 18 policies. We also provide guidance on key areas of policy and last year we led the preparation of the Housing Executive's response to OFMDFM's Race Equality Strategy and the Department of Health's Adult Safeguarding Policy.

2. Equality Monitoring

Measuring equality of opportunity and monitoring equality performance are vital aspects of housing policy. We continue to develop our approach to monitoring as well as using this information to inform planning and strategy. This information is in demand from the community and voluntary sector, the Department and other statutory bodies and public representatives at local and Assembly level. Over the year we responded to 21 separate requests, often having to provide very detailed and complex data. The 9th Black and Minority Ethnic and Migrant Worker Mapping Update, which is an annual analysis of data relating to black and minority ethnic people, was published in July 2015.

3. Consultation

The value of effective consultation cannot be understated. The Equality Unit offers a bespoke service using a best practice toolkit to the organisation where it needs to consult generally on a policy. This approach was used to consult on the Community Cohesion Strategy 2015/20 and the Corporate & Business Plans 2015/16 - 2017/18.

4. Communication Support

With the rapid changes in society over the past number of years the Housing Executive has constantly reviewed and amended its communication services. Managed by the Equality Unit, this service provided language, sensory disability and communication support in 29 languages, including sign language. Three communication support awareness training sessions were held with Housing Executive staff and a presentation was given to Derry City & Strabane District Council's advice workers on the Housing Executive's Communication Support Service. This service provided telephone based interpretation support on 4,922 occasions, face to face interpretation on 102 occasions (including 17 sign language sessions) and translated 225 documents.

5. Safeguarding Children and Vulnerable People

The Equality Unit also manages the Child and Adult Safeguarding Policies for the organisation. This involves the development and maintenance of processes for the referral of concerns to Social Services and PSNI, and the training of staff in the operation of the policies. These policies are relatively new commencing in 2011 with Child Safeguarding training for staff. A total of 117 child safeguarding training sessions have been held to date, with over 2,100 staff attending.

The Housing Executive's commitment to safeguarding was further enhanced with a Safeguarding Vulnerable Adults Policy, approved by the Board in October 2012. A programme of training commenced in 2013, and a total of 130 training sessions have been held to date, with 2,440 staff attending.

Objective 1: Identification of housing requirements across Northern Ireland

Performance 2014/15	Performance 2015/16
<p>RSKPI 1 Market Intelligence Undertake annually, a client-led programme of Research and Development which includes an analysis of housing market trends, housing conditions, housing and housing-related needs and identifies gaps in provision.</p> <p>The research programme comprises 22 separate projects. During the year, 16 completed and three are progressing to timescales beyond this financial year. Three projects have slipped - Evaluation of Supporting People (SP) - Grants Customer Surveys, and the review of new build TCIs (Total Cost Indicators). Slippage is largely due to resource reasons and the complexity of the projects.</p>	<p>RS KPI 1.1 Deliver the 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>Not a KPI in 2014/15.</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>RSKPI 2 District Housing Plans By December 2014, publish District Housing Plans to consult and inform councils in order to help shape their local housing market, regeneration priorities and Housing Executive investment plans in their area.</p> <p>All 26 Plans were completed and consultation meetings held with councils, to agreed timescales.</p>	<p>RS KPI 1.3 Develop 11 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>

Objective 2 Investing in homes and neighbourhoods

New Social and Affordable Housing

During 2015/16, in partnership with housing associations, we exceeded the target of 1,500 new social housing starts, with an investment of £101m enabling work to be started on a total of 1,568 units. 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 1,209 new homes as completions in 2015/16, exceeding our anticipated figure of 1,200 units.

Some of the key schemes from the 2015/16 new build programme were:

- Clanmil Housing and Ark Housing will provide new facilities for frail elderly people at the former Grovetree and Ravara sites in West Belfast and Bangor respectively;
- Choice Housing started work on 106 new homes at the former Clifton School Site in Bangor;
- Fold Housing secured their third contract through the innovative Competitive Design & Build procurement route, which will breathe life into the former Peter Pan complex in Belfast, by providing 90 new social homes; and
- Housing associations successfully acquired a range of existing satisfactory and off-the-shelf properties, as well as properties for rehabilitation. These properties can deliver timely solutions for applicants in pressing housing need.

Objective 2: Investing in homes and neighbourhoods	
Performance 2014/15	Performance 2015/16
RSKPI 3, 4 & 5 - New Social Homes	RS KPI 2.1 (PfG 29) New Homes Administer grant aid to housing associations to start 1,500 new social homes.
2,013 new social homes were started, meeting the four year Programme for Government target for new social homes.	1,568 new social homes were started, exceeding the target.
Complete 1,200 new social homes.	RS KPI 2.2 Administer grant aid to housing associations to complete 1,200 new social homes.
1,658 new social homes were completed.	1,209 new social homes were completed.
Start 200 one bed units (part of the 2,000 new homes target) to meet the requirements of Welfare Reform.	RS KPI 2.3 Start 200 one bed units (included in the total of 1,500 starts).
238 new one bedroom social housing units were commenced.	153 one bed units were commenced. This is a total of 391 units over two years.

Each year, we support the social new build programme by transferring land in our ownership to housing associations to facilitate new developments. In 2015/16, we transferred sites to support the construction of 279 new homes, which represented almost a fifth of the overall units delivered. This included:

- Apex and Choice Housing supporting regeneration in North Belfast with schemes at Upper New Lodge (31 units) and Parkside/ Limestone Road (16 units);
- Fold Housing developing an additional 77 units at Rathgill (Bangor);
- Apex Housing developing 39 units across various sites within the Rathcoole estate; and
- Choice Housing will deliver 21 new units as part of the regeneration of Ballybeen Square, Dundonald and an additional 20 units at Nelson Drive, Derry.

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 already either completed and tenanted or under construction (having commenced in prior years), with a further four schemes having started on-site during March 2016. Two of the schemes that started in March will be delivered by Choice Housing - Market Road, Ballymena (36 units) and Antrim Road, Ballynahinch (24 units); and two more will be delivered by Clanmil Housing - Main Street, Dundrum (17 units) and Dromore Street, Banbridge (32 units).

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. Almost 150 of the new social homes started in 2015/16 are in rural locations, in line with our assessment that around 10% of the programme should be delivered in rural areas. Housing associations were particularly successful this year with securing existing satisfactory and off-the-shelf properties in rural areas such as Ahoghill, Cullybackey, Castlewellan and Rostrevor.

Objective 3 Improving people's homes

Grants

In the private sector, we assist independent living through financial support for Disabled Facilities Grants, and we will continue to market the scheme in 2016/17 to help those with a disability to continue to live in their home.

Repair grants are available to landlords, agents and private landlords towards the costs of repairing homes.

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 2015/2016

Type of Grant	No. Approved	Value (£m)
Disabled Facilities	996	8.9
Repair	736	1.0
Discretionary	303	2.5
Total	2,035	12.4

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 £20m on completed adaptations.

Stock tenure	Expenditure £m
Housing Executive homes	8.7
Private Sector homes	9.3
Housing Association homes	2.0
Total	20.0

Inter-Departmental Review of Adaptations

Public consultation of the Inter-Departmental Review of Adaptation Services final report and action plan commenced on 27 January 2016 and closed on 19 April 2016. The consultation responses will be compiled and presented to Departmental policy leaders to inform the detail of the Action Plan. Full implementation of the Action Plan will then proceed.

Design Standards Toolkit

The Housing Adaptations Design Communications Toolkit is the product of cross-sector collaborative working with disabled people, occupational therapists and housing designers/providers.

The Department, and the Department of Health, have endorsed the toolkit as best practice guidance for cross-sector housing adaptations design, benchmarking, inter-agency communications protocols and the provision of minor housing adaptations which do not require Health and Social Care Trust Occupational Therapy assessment.

The toolkit can be viewed online at:
http://www.nihe.gov.uk/adaptations_design_communications_toolkit.pdf.

Work is ongoing to expand the Design Standards Toolkit Occupational Therapy specification for new build housing scenarios.

Accessible Housing Register

We have been working closely with the Northern Ireland Federation of Housing Associations (NIFHA) over the year to develop an Accessible Housing Register (AHR) for adapted homes in the social sector.

The development of this AHR enables the organisation to meet its legislative requirements and promotes social inclusion and independent living choices.

The benefits of an AHR for customers include:

- disabled people will be given advice on where adapted/bespoke stock is located so that they can make more informed housing choices;
- better use of stock will ensure that adapted/bespoke stock is allocated to people who really need it;
- promote independent living enabling disabled people to live within their own communities if they choose to do so.

Review of Wheelchair Standard Housing

The Housing Executive has been working collaboratively with the Department, the Housing Advisory Unit, NIFHA and service user representatives to review wheelchair standard housing. The review has established a strategy which considers the planning, new design standards and management of wheelchair standard housing. A business case to support the introduction of new space standards and generic layouts for wheelchair housing was submitted to the Department in March 2016 for consideration. The proposals outlined in the Business Case received Ministerial approval on 18 April 2016. Work will now commence to ensure that the new requirements can be reflected in the Housing Association Guide, and implemented at the earliest opportunity.

Houses in Multiple Occupation (HMOs)

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 370 HMOs against a target of 320 and carried out 1,897 inspections of HMOs, exceeding the target of 1,800. This brings the total of HMOs registered to 5,476.

Our comprehensive strategy for HMOs, published in April 2009, included a list of recommendations for changes to legislation which would help with the enforcement of the Registration Scheme and improve the management of HMOs. The Department has completed a fundamental review of HMOs in Northern Ireland, with new legislation being passed on 15 March 2016 by the Northern Ireland Assembly and is now currently awaiting Royal Assent.

With the passing of this HMO legislation the local councils will have the responsibility to introduce a new mandatory HMO licensing scheme.

Energy Efficiency

As Home Energy Conservation Authority for Northern Ireland, the Housing Executive continued to make progress in improving the energy efficiency of the local housing stock. The Landlord Services Division deals with energy efficiency progress on Housing Executive stock. In addition, Regional Services delivered the following during 2015/16:

- the first privately financed scheme for the installation of solar photovoltaic (PV) panels in 1,000 Housing Executive dwellings saw 883 completions by the end of March 2016;
- the area based Affordable Warmth Scheme replaced Warm Homes in April 2015, delivering assistance to 3,064 homes with 5,083 measures. This included 1,982 heating replacements and 1,518 window replacements, as well as loft insulation measures, cavity wall insulation measures, solid wall insulation measures and draught proofing measures;
- 4,934 new boiler installations were completed under the Boiler Replacement Scheme;
- we published an Energy Good Practice Guide for refurbishment of properties in the residential sector;
- we have worked with Scottish Gas Networks and Mutual Energy on proposals to develop the gas network into counties Tyrone and Fermanagh;
- in partnership with Bryson Energy, we set up 27 Oil Buying Clubs to help tenants to budget better for home heating oil purchases through bulk buying, which enables smaller monthly deliveries at lower prices;
- our energy efficiency programme was delivered in 160 primary schools across Northern Ireland;
- we funded Bryson Energy to provide energy advice to 7,178 households throughout Northern Ireland.

Solar Photovoltaic (PV) Project

The Housing Executive contracted a local company to carry out the largest privately financed solar photovoltaic panel scheme in housing in Northern Ireland (1,000 Housing Executive dwellings). Under this privately financed scheme the company finances, installs and maintains the panels for 20 years. They receive a return on their investment via income from Renewable Obligation Certificates and the export tariff for any electricity that tenants do not use. Meanwhile tenants can use, for free, the electricity that the panels generate during daylight hours and the Housing Executive receives annual rental income for the use of the roofs.

This project:

- provides an investment of approximately £5m worth of technology in 1,000 homes at no cost to the Housing Executive or our tenants;
- revises the “rent a roof” model to meet landlords and tenants needs first, rather than the private investors;
- generates an income stream for the Housing Executive from the annual roof rental on each dwelling (£30k per year for 20 years);
- allows the Housing Executive to make a meaningful contribution to reducing emissions in Northern Ireland. The Energy Savings Trust (EST) estimates that each 4kWp system will save 1.7 tonnes of CO₂ per annum. The 1,000 Housing Executive installations are mainly 3.9kWp systems, generating recurrent savings of around 1500 tonnes of CO₂ per annum;
- allows the Housing Executive as a landlord to make a significant contribution to alleviating fuel poverty for eligible tenants;
- provides at least £400 worth of electricity per dwelling per annum, of which most tenants will use around 50% based on EST and industry figures;
- gives tenants a sense of having more control over their electricity use.

883 Installations were completed on the project by 1 April 2016, with the balance to be completed during 2016/17.

Objective 3: Improving People's Lives

Performance 2014/15

Performance 2015/16

RSKPI 7 Private Sector Grants
To approve 700 Repair Grants.

RS KPI 3.1
Approve 700 applications for Repair Grants.

During the year a total of 907 Repair Grants were approved, exceeding the target.

During the year a total of 736 applications were approved, again exceeding the target.

RSKPI 10 Private Sector Adaptations
Approve 1,300 Disabled Facilities Grants.

RS KPI 3.2
Approve 900 Disabled Facilities Grants.

1,205 approvals were made. This activity is demanded and we carried out intensive marketing to encourage uptake of the scheme.

During the year a total of 996 approvals were made.

RSKPI 8 Houses in Multiple Occupation
Register 650 Houses in Multiple Occupation.

RS KPI 3.3
Register 320 new Houses in Multiple Occupation.

During the year there were 685 registrations and the target was met.

During the year 370 registrations were made, exceeding the target.

Inspect 1,800 Houses in Multiple Occupation living standards.

RS KPI 3.4 Inspect 1,800 Houses in Multiple Occupation living standards.

Performance on inspections exceeded the target with 2,500 inspections completed.

There were 1,897 inspections carried out.

Implement the new Affordable Warmth Scheme to run concurrently with the Warm Homes Scheme for 9,000 privately owned properties and improve the SAP ratings by 15%.

RS KPI 3.5 Implement the Affordable Warmth Scheme to 3,000 homes with 4,500 measures installed.

There were 7,600 approvals during the year which was less than the target. The interruption in the Warm Homes Schemes and the delay in the approval to implement the Affordable Warmth Scheme created capacity issues during the year. An average annual energy efficiency gain of 22.37% was achieved.

There were 3,057 homes helped with 5,074 intervention measures. 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.

Approve 8,500 boiler replacements

RS KPI 3.6 Approve 2,500 boiler replacements

During the year a total of 9,251 boiler replacements were approved and the target was exceeded.

There were 5,245 approvals made.

RS KPI 3.7 Produce the annual Home Energy Conservation Authority (HECA) Progress Report

Not a KPI in 2014/15.

The annual HECA Progress Report was published and delivered to the Department at the end of November 2015.

Objective 4 Transforming people's lives

During the year we helped vulnerable people maintain their independence in their own home, met the needs of homeless people, provided an adaptations service for people with a disability and provided quality accommodation for Travellers.

Supporting People

During the year we distributed approximately £73m on over 850 housing support schemes with the capacity to support over 20,000 vulnerable people. This funding allocation included the development of both new and existing support services for a range of vulnerable client groups.

Supporting People (SP) worked closely with the Department during the review process and completed a Review of the Supporting People programme, with the final report published in November 2015. In March 2016 the SP team agreed with the Department a high-level action plan, setting out how the report's recommendations will be implemented. An Implementation Steering Group will monitor progress on delivering the associated action plan over the next three years.

In addition to this, a review was also carried out of SP business processes. The SP contract management processes were found to be generally fit for purpose, with some areas identified for further improvement.

The SP team will take a project management approach to implement both the strategic and business improvement priorities arising from the two reviews.

Homelessness

In 2015/16 there has been a decrease in the number of people presenting as homeless from 19,621 to 18,628, representing a 5% decrease overall. Those accepted as having Full Duty Applicant status showed a marginal increase from 11,016 to 11,202 over the year. Single people, at 52%, 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, 55% of presenters are in these categories.

Over the course of the past year we have provided funding for homeless services across the province with figures listed below:

- £4.645m on temporary accommodation, including DIME (Dispersed Intensively Managed Emergency) and Smartmove accommodation;
- £1.389m for storage of personal belongings;
- £2.224m on outside agencies in the voluntary sector;
- Our 2016/17 budget for the provision of homelessness services is £8.25m. Additionally, through the SP programme we also provide £27.3m towards homeless related support services. The total homelessness budget is therefore £35.55m.

Prevention of homelessness remains a key strategic objective of the 2012-2017 Homelessness Strategy and a mechanism for achieving this objective is the implementation of a Housing Options Approach across the organisation. This approach features early preventative intervention and explores all possible housing options including social renting, private renting, affordable housing and remaining in current accommodation. While currently being implemented in our Belfast, Causeway and South Down Area offices, it is anticipated this approach will be rolled-in across the organisation in 2016/17. This work is also informing the realignment of homeless support services across the sector in line with the overall strategy, with a focus on delivering quality housing and support when it's needed shaped around our customers.

In order to streamline services for homeless clients we are continuing to develop a Common Assessment Framework and a Central Access Point using learning from the redesign of our frontline services. A Common Assessment Framework is a one-time assessment using an appropriate tool for homelessness assessment and identifying client support needs. The Central Access Point is a web based facility for staff and customers with a searchable directory of all services, including details of available temporary accommodation across all client groups. We are currently testing internal computer systems for their suitability to deliver these models.

A Housing First Approach, managed by Depaul, which delivers intensive support to chronic homeless people in their own homes, continued to operate successfully in Belfast and Derry/Londonderry during the year.

A Belfast Street Needs Audit, which was delivered in partnership with the Welcome Centre, Depaul and Belfast City Centre Management, was published during the year. The purpose of this Street Needs Audit was to establish a clear and factual picture of Belfast's rough sleeping population. The report identified three groups engaged in street activity in the city: rough sleepers, those engaged in street drinking and those who were begging.

Over the course of the 12 week period of the Street Audit the average number of rough sleepers per night was six. An entrenched group of approximately 40 individuals with very complex needs were identified as rough sleepers, who were immediately case managed using an inter-agency approach. We will be using this audit to look at how housing and health services can be further improved, particularly for those with complex needs.

Tragically five homeless people with complex needs died this year, again highlighting the issue that addressing homelessness is much more than just providing accommodation. Ministers from several government departments have produced an inter-agency action plan to further improve services for the chronic homeless community, particularly the small group of entrenched individuals sleeping rough in Belfast. We will continue to work closely with all agencies to ensure that the relevant support, services and accommodation are available to vulnerable people in the city.

In 2016/17 we will continue to work towards meeting our legislative duty to produce a new homelessness strategy by April 2017. In doing so we will continue to engage with our stakeholders across the sector, particularly our Central Homelessness Forum which has agreed to act as a consultative forum on the new strategy.

Objective 4: Transforming People's Lives

Performance 2014/15

RSKPI 9

Continue to provide 17,000 housing support places through the Supporting People Programme, assisting over 23,000 of the most vulnerable citizens in our local community.

There were 17,618 housing support places provided during the year, an increase of 618 additional places.

Performance 2015/16

RS KPI 4.1

Continue to provide 20,000 Housing Support Places.

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.

Objective 4: Transforming People's Lives continued ...

Performance 2014/15

RSKPI 12
 Deliver the Homelessness Strategy Action Plan (2013/14 target - implement the Action Plan 2011-17 developed from the strategy).

We implemented the first year of the Homelessness Strategy which included the implementation of a Private Rented Access Scheme; scoped options for a Housing Options Approach and a Common Assessment Tool; piloted a Housing Led model and started a needs assessment to inform future service development across all client groups.

Performance 2015/16

RS KPI 4.2
 Deliver the Homelessness Strategy as reprioritised in July 2014.

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.

- 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.

RS KPI 4.3

Reduce the number of homeless presenters.

Not a KPI in 2014/15.

Homeless presenters decreased, representing a 5.8% reduction against the target.

RS KPI 4.4

Reduce the average length of time in temporary accommodation.

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.

Objective 5

Enabling sustainable neighbourhoods and regeneration

Urban Regeneration

The Housing Executive's Land Asset Management Strategy identified two flagship 'mixed use/mixed tenure' schemes: Hope Street and Posnett Street. During the last year the Housing Executive progressed a major engagement exercise with a wide range of community and statutory stakeholders concerning the future of these two significant sites. This involved an innovative consultation process which included a 'Community Fun Day' held on site, to attract the local community and get feedback on how the sites should be developed. This informed the preferred options for both outline masterplans.

A future masterplan approach has been agreed for the Galliagh Estate, Derry/Londonderry. This will include a survey of residents completed by the local community forum using a 'community-led' approach.

Urban Renewal Areas (URA)

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

A third and final phase of social homes was completed in the Village area of South Belfast. An area of public open space was also delivered here as a result of partnership with Fold Housing Association, Belfast City Council and the local community. The remaining land in the Village will be released under development brief for affordable private sector housing, which will complement the social provision and complete the renewal of the area. A third and final phase of 22 new social homes will commence shortly in the Lawnbrook area of the Shankill. Two of the new homes have been designed to meet the needs of families with complex needs.

In North Belfast the first phase of 31 new social homes went on site in the Upper New Lodge Redevelopment Area. In addition, the second and final phase of development started in the Fortwilliam URA following demolition of the existing older obsolete housing. This will deliver 9 new social homes.

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 387 homes under the scheme compared to 471 the previous year, realising capital receipts of £13.9m. Average house prices have increased slightly on the previous year in line with overall market conditions, however '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 2 dwellings at a cost of £0.23m and disposed of 13 dwellings, realising £1.79m. We also disposed of surplus land realising £0.82m, including the sale of development land to the value of £0.42m.

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).

The Strategy's aim is to close the gap between the quality of life for people in the most deprived neighbourhoods and the quality of life for the rest of society. Its goals are to ensure that people living in the most deprived neighbourhoods have access to the best possible services, to the opportunities which make for a better quality of life for themselves and their families, while improving the environment and image of our most deprived neighbourhoods so that they become attractive places to live and invest in.

In 2015/16, £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.

The SPOD Programme was intended to be transferred to local Councils under the Regeneration Bill in April 2016 but, due to the Bill not progressing, powers have remained with the Department. We

will continue to act on behalf of the Department to deliver the SPOD Programme during 2016/17 with a requirement of £402,000.

Building Successful Communities

The Building Successful Communities 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 have been selected based on their level of deprivation. The areas selected within Belfast are Lower Shankill/Brown Square, Lenadoon and Glen Colin, 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. £3m funding was available for 2015/16 and we were able to support and deliver environmental improvements to these areas. Further funding in 2016/17 will hopefully facilitate works such as land acquisition and development.

Each forum developed an action plan and masterplan for the areas which were brought forward by consultants. The priorities for the action plan will be agreed in 2016/17 and we will continue to assist in the successful delivery of the programme.

Empty Homes

The Empty Homes Strategy and Action Plan was launched by the Department in September 2013. It seeks to bring empty homes back into use, address and reduce the negative impact of blight, property deterioration, anti-social behaviour and vandalism. To assist in this strategy the Housing Executive established the Empty Homes Unit (EHU) in January 2014. Steady progress has been made in meeting targets outlined in the initial action plan which accompanied the Strategy, with 13 of the 16 tasks either achieved or ongoing. One of the major challenges to the work being carried out is the limited availability of reliable data about the location and ownership of empty homes.

In April 2014, the Housing Executive launched the Empty Homes website as a vehicle to assist the public in reporting empty homes. Out of the 1,259 properties reported as empty homes at 31 March, 370 of these cases have been closed after investigation found that the properties were either occupied, for sale, for letting or under renovation. 404 properties reported are considered to be abandoned or blocked up, leaving 485 properties still considered as empty homes.

In September 2015, a 'Match-Maker' Scheme was launched by the Housing Executive. The scheme is similar to initiatives used by local authorities in other parts of the United Kingdom, whereby it aims to match potential buyers with sellers of empty houses. At present, six owners have registered their empty houses on the matching service website.

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 the Housing Executive to address empty homes within such designated areas, through a contribution to this initiative. The aim of the Housing Executive's 'Heritage in Housing' scheme is to assist in bringing long-term empty properties back into use and encourage the creation of private rented living units through a three year investment programme.

During 2015/16 works were completed on six empty properties which had received a Housing Executive contribution under the Heritage in Housing Scheme.

Rural Homes and People

Our rural areas and communities are valuable assets contributing both economically and socially to Northern Ireland. Yet issues such as a smaller dispersed population, isolation and hidden disadvantage can make the identification of need and the delivery of services more difficult in rural areas.

Through the 2013-15 Action Plan (which was extended to March 2016), we focused on tailoring our services to reflect the distinctive circumstances of rural living. In delivering this Action Plan, we

set out to ensure that rural areas (those with a population below 5,000) receive an equitable share of all our services, based on analysis of need and monitoring of our activities.

In terms of increasing the supply of rural social housing stock, the annual target which was set for rural new build (9.8%) was exceeded in 2015/16. 15 new social schemes were delivered (accompanied by existing satisfactory and off-the-shelf purchases), providing some 148 social housing units across our rural villages and small settlements, helping to house those in need and to sustain rural communities.

In an effort to address fuel poverty and improve the energy efficiency of our properties, the Housing Executive launched a Solar Photovoltaic (PV) scheme in 2015 which was extended to 272 rural homes. In addition, approximately 48% of Affordable Warmth installations, 29% of boiler replacements and 45% of private sector improvement grants were approved in rural areas, helping to improve the fabric and thermal efficiency of rural homes.

In March 2015 we also commenced a full review of the Rural Homes and People Strategy in consultation with internal and external rural stakeholders. The review was timely, given that the context for the policy has changed considerably since the last review in 2007. The revised policy, 'Sustainable Rural Communities,' seeks to build on the achievements of the last eight years and 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 Bill in 2016 will provide the legislative basis for the delivery of our specific rural approach and an opportunity to reinforce our commitment to addressing the needs of rural communities.

Sustainable Development and Environmental Management

In the interest of best practice and against set objectives and targets, the Housing Executive continues to address sustainable development in all our strategic, internal and operational activities. We have embedded the principles of sustainable development against the priority areas of the 2010 Sustainable Development Strategy, 'Everyone's Involved,' and we have effectively integrated sustainable development thinking across all our business operations, housing and communities.

Our environmental policy has been the driver for continuing and improving the organisation's contribution to sustainable development. Progress is reported through a 6 monthly Sustainable Development Monitor and maintained through our Environmental Management System (EMS) which is certified to ISO 14001.

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). In September 2015 we worked with the RSPB to formulate a 5-year Urban Biodiversity Action Plan tailored to meet specific biodiversity objectives and targets. Actions are being implemented from the plan and will continue to be executed up until 2020. Additionally, through a collaborative working initiative managed by the RSPB - 'A Pledge for Nature' - there is a potential for all ten partner organisations to help nature in the urban environment by providing biodiversity enhancement in an integrated way across a large area of land to make a bigger difference for nature. The Housing Executive signed a 'A Pledge for Nature' with RSPB, committing us to work with the RSPB and nine other partner organisations to give nature a home in the urban environment, helping to protect and enhance urban biodiversity on our landholdings and any future projects. The other partner organisations are Graham Construction, McLaughlin & Harvey, QUB, Belfast Health and Social Care Trust, Greater Village Regeneration Trust (GVRT), Belfast Harbour, DON Architects, Quercus (part of QUB) and Translink.

In November 2015 we were awarded Gold Level in the Northern Ireland Environmental Benchmarking Survey, co-ordinated through ARENA Network. This survey benchmarks our environmental performance against organisations from a range of business sectors across Northern Ireland.

Through our environmental policy we will remain committed to our compliance obligations. We will ensure that all of our activities and decisions are compliant with our certified Environmental Management System in areas such as waste management, CO² emissions, protection of air, land and water, energy efficiency and the monitoring and reporting of utility usage. We will remain committed to enhancing and protecting biodiversity and ecosystems across all Housing Executive landholdings.

Objective 5: Enabling sustainable neighbourhoods and regeneration

Performance 2014/15

RSKPI 13

Develop a housing regeneration best practice principle and identify a potential mixed use, mixed tenure regeneration project.

During the year we established a housing led regeneration and best practice approach, which will be further explored through a pilot scheme. A site for a pilot scheme has been secured and a business case was submitted to the Department, who are now taking the lead role in the progression of this action.

Performance 2015/16

RS KPI 5.1

Develop two large scale regeneration development opportunities.

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.

RS KPI 5.2

Develop a Programme to acquire development lands for social and affordable housing

Not a KPI in 2014/15.

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.

RSKPI 16

Implement the Empty Homes Strategy (2013/14 KPI 6 - Empty Homes. Implement an Empty Homes Policy designed to bring properties back into use and remove blight from local communities).

Regional Services met its targets in respect of this Departmental strategy. However, the business case to bring back former Housing Executive properties was not approved by the Department. During the year we completed our communication plan, developed our policy and a programme for implementation. A Heritage in Housing Scheme was approved by our Board which aims to bring empty homes in Townscape Heritage Areas back into use. This started in April 2015.

RS KPI 5.3

Implement the Department's Empty Homes Strategy.

The KPI has been met. At March 2016 there were 1,259 empty homes reported. Following investigation we were able to close the following: 142 were occupied, 94 were sold, 20 current Housing Executive/housing association stock, 59 under renovation, 13 repossessed, 41 miscellaneous reasons, 1 SPED. 404 were deferred, bricked or boarded up. 485 are still considered empty, with 90 ongoing active cases. Action continues.

RS KPI 5.4

Housing and Heritage (LOTS)

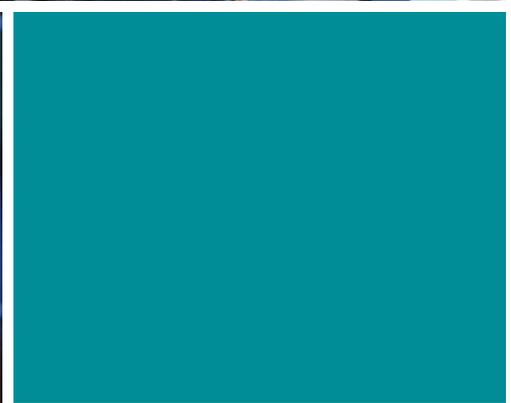
Not a KPI in 2014/15.

There are six completed residential units against the target of five. At 15 April 2016 payments totalling £98,675 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.

RS KPI 5.5

Develop a 2016-20 Rural Housing Strategy

The draft Rural Policy and Action Plan consultation finished on 21 March 2016 and the final documents will be submitted to the Board for approval in May 2016.





Landlord Services



Performance Analysis

Landlord Services

Landlord Services focuses on the delivery of services to our 86,500 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.

As part of our 'Journey to Excellence' we remain committed to service excellence for every customer, every time. We have commenced a major review of our front line services to ensure a "joined-up" one-stop approach for customers, whether they call on services from our Regional or Landlord Services divisions. We also worked in partnership with more than 600 community groups and community champions through the Housing Community Network (HCN).

In March 2016, Landlord Services Division was re-accredited with the Customer Service Excellence Award, which is a sought after UK standard within the field of Customer Service. The assessor's report commented with regard to the influence of the activities connected to the organisation's 'Journey to Excellence' as follows:

'Although the programme is still at an early stage, with pilots continuing, the impact in terms of improved performance is already significant. The role of the Scrutiny Panels is providing the confidence that any proposed changes will have been checked by the Panels.'

The assessor's report also commented that Landlord Services has the most interactive and thorough involvement with its customers through the HCNs of any organisation that the assessor has encountered.

Budgetary Management

Landlord Services spent a total of £330.46m in 2015/16, comprising:

Landlord Expenditure 2015/16	£m
Dwelling Related Costs made up of:	
Housing Stock Improvements	12.52
Planned and Reactive Maintenance	138.99
Capital IT, Accommodation and Vehicles	2.84
Salaries and Administration	65.27
Loan Charges	90.89
Corporation Tax	12.00
Other expenditure	7.95
Total Expenditure	330.46

Housing Investment

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 £302 million.

Objective 1 Delivering quality services

Income Collection

Our staff are committed to ensuring we maximise our rental income to provide the financial resources required to deliver services to our tenants, including repairs and improvements to their homes.

During 2015/16 we collected 99.68% of rent and rates due. Total rent and rates arrears reduced by £0.49m to £12.10m, with 75% of our tenants showing a clear rent account. Current tenant arrears reduced by £0.15m to £9.7m and former tenant arrears reduced by £0.34m to £2.4m.

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.

Financial Inclusion

Our Financial Inclusion Strategy received Board approval in February 2016. We will continue to implement the initiatives and activities within its Action Plan that will enable more of our customers to have improved access to a range of goods and services which will help them improve their own financial situation and develop financial resilience. Of particular significance is the "Rental Exchange" which will provide our customers with the opportunity to get access to affordable credit products. Up until the Rental Exchange was introduced our customers were unfairly disadvantaged, as rent payment and tenancy information were not included in credit scoring systems. Our participation in the Rental Exchange will help to address this. Ultimately, this should reduce the number of tenants forced to access expensive credit products via pay day loans and "loan sharks."

During the year we initiated our Rental Income Maximisation Strategy, which will support, facilitate and enable the achievement of our objective to become the best performing social landlord in the United Kingdom. The Strategy will be developed and implemented over the next three years,

bringing together and building on all rental income maximisation initiatives and activities currently in place or planned. This includes our Financial Inclusion Strategy and takes into account the potential impact of Welfare Reform. The key themes and associated activities within the Strategy will be delivered via a dedicated Steering Group over the next 3 years, which will periodically update the Board.

Sustaining Tenancies

Over the last year we have been working in our Build Yes redesign offices to mainstream tenancy sustainment, building on learning gained from our pilot project. Our pilot project highlighted the need for a less bureaucratic and more flexible approach to tenancy sustainment, with staff being empowered to resolve customer needs and seek to assist them to sustain their chosen housing option regardless of tenure. Whilst our initial intention was to roll-in the Sustaining Tenancies Strategy by September 2015, it was decided to revise this approach to take into account the outworkings of the Build Yes redesign. As a result, a revised Customer Support and Tenancy Sustainment Strategy was approved by our Board in February 2016. We are now in the process of developing local action plans to ensure delivery of the Strategy. This year we also commissioned Sheffield Hallam University and the Council for the Homeless NI to undertake an assessment of the need for furniture provision for new Housing Executive tenants. The findings of the research are currently being considered and will be incorporated in our local action plans.

Housing Allocations, Choice Based Lettings

The Housing Executive and housing associations allocated 7,805 homes in 2015/16. During the year we continued to operate a pilot 'Choice Based Lettings approach' targeted on properties in low demand areas. Housing Executive homes which are currently available for rent within designated 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. The outcomes of this pilot will

help inform the wider application of a 'Choice Based Lettings approach' and contribute to proposals being developed under the Department-led Fundamental Review of Allocations. Our 'Journey to Excellence' Transformation Programme continues to identify and deliver improved customer excellence in our allocation processes ensuring that they are customer focussed, streamlined and demonstrate value for money.

HomeSwapper

2015/16 was the third year of providing a free online exchange service for our tenants. The contract for the HomeSwapper Scheme, which is procured by the Housing Executive, allows all social sector tenants to register interest and obtain information on potential exchanges of properties with other tenants.

Housing Selection Scheme, Fundamental Review of Allocations

During the year we continued to assist the Department to collate information to facilitate the development of proposals for changes to the allocations policy in Northern Ireland. This will allow the Department to model the impact of any potential changes and to carry out an Equality Impact Assessment. We will assist the Department in the coming year to finalise the proposals, carry out a public consultation and develop a way forward.

Welfare Reform

During the year we continued to work 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. Following delays in the legislative process the Welfare Reform (Northern Ireland) Order was introduced on 26 November 2015. In January 2016 a working group chaired by Professor Eileen Evason published its report on how welfare reform should be mitigated by the Northern Ireland Executive. The group's recommendations include the full mitigation of the Social Sector Size Criteria or "bedroom tax", and mitigation of the household benefits cap and other benefits, for an initial period of four years. However, full details in relation to this are still to be confirmed.

We have been working closely with the Department on the introduction of a mitigation scheme and we will develop an implementation plan to advise and support tenants that are likely to be impacted by the proposed changes. Our Financial Inclusion Strategy aims to help our customers understand and react to welfare benefit reforms, maximise their money and increase access to the right financial help to assist them to maintain and sustain their tenancy.

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. Our Action Plan sets out a range of measures aimed at preventing, detecting and tackling tenancy fraud and 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 the Counter Fraud and Security Unit to resolve serious fraud cases. Measures introduced throughout the year included:

- the undertaking of a tenancy audit baseline exercise to determine the levels of tenancy fraud within our stock resulting in a baseline level of between 0.12% and 1.08%;
- the introduction of an in-house Tenancy Fraud Investigative Unit to assist in complex cases;
- liaising with the Department regarding specific tenancy fraud legislation and the establishment of data sharing protocols with utility providers;
- staff training, including the launch of an e-learning package.

Of a total of 2,182 cases of suspected tenancy fraud we have been able to recover 350 properties throughout the year, which were made available to customers on the waiting list. 238 cases opened throughout the year remain under investigation as at 1 April 2016.

Benchmarking

Landlord Services carry out a yearly benchmarking exercise of its costs and performance across a range of core housing activities, to ensure services are consistently high and consider how we can improve and maintain performance. The results are compared against a range of other United Kingdom (UK) social housing organisations.

This exercise compared the Housing Executive to similarly 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 encouraging, with rent collection rates increasing and arrears reducing. Customer satisfaction in relation to homes and repairs remains comparatively high. Vacant property levels and income lost as a result have reduced, together with relet times. Other customer satisfaction measures also show a consistent trend, with further improvements anticipated as part of the Housing Executive's "Journey to Excellence" process.

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, 80% (1st quartile performance for fifteen of the measures and 2nd quartile performance for nine).

Objective 1: Identification of housing requirements across Northern Ireland

Performance 2014/15	Performance 2015/16
<p>LLKPI 1 Management of rental income Collect 99.8% of rent due including Housing Benefit.</p> <p>At the year-end we had collected 99.71% of rent due which benchmarks favourably against the Housemark first quartile figure of 99.7% for all organisations and for those with over 20,000 stock.</p>	<p>LL KPI 1.1 Managing Rental Income 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>LLKPI 3 Reduce current arrears, as at April 2014 (£10,630k) by £100k</p> <p>Current arrears reduced to £9,853k which was a reduction of £777k, exceeding the target.</p>	<p>LL KPI 1.2 Managing Rental Income 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>LLKPI 6 Manage Stock Ensure voids are no greater than 1% of lettable stock. Lettable stock at the end of March 2015 was 87,117.</p> <p>The percentage of void stock at the year-end was 0.70% (612 properties), meeting the target.</p>	<p>LL KPI 1.3 Managing our Stock 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>

Objective 1: Identification of housing requirements across Northern Ireland continued ...

Performance 2014/15

LLKPI 7 Welfare Reform
Work with the Department to develop and implement a plan to advise and support tenants impacted by the changes to the welfare system.

There have been continued delays in the legislative process of the Northern Ireland Welfare Reform Bill. However, we have been tracking the process and working closely with the Department to develop a Mitigation Scheme for implementation of the Social Sector Size Criteria.

Performance 2015/16

LL KPI 1.6 Supporting our Tenants
Review our Welfare Reform Action Plan and implement as necessary.

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 November 2015 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.

LL KPI 1.7 Listening to our Customers
Meet with our customers and act on their requests through implementing 13 Tenant Scrutiny Panels.

Not a KPI in 2014/15.

All 13 area Tenant Scrutiny Panels have been trained. The first meeting of the scrutiny training peer review group was held on 25 January 2016.

LLKPI 10 Tenancy Fraud
Implement our Tenancy Fraud Action Plan.

The tenancy audit of 2,845 properties resulted in the recovery of 24 properties during the year. The majority of actions have been completed, however, some additional actions were incorporated following publication of the Northern Ireland Assembly's Public Accounts Committee Report (October 2014) and are still being progressed.

LL KPI 1.4 Managing our Stock
Tenancy Fraud: Implement our Tenancy Fraud Action Plan. Establish a baseline for future monitoring.

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.

LLKPI 8 Sustaining Tenancies
Implement the Sustaining Tenancies Strategy in all regions.

The South Area pilot is completed and has been evaluated. However, our Systems Thinking work has highlighted the potential for a more radical look at our customer interactions. Therefore, the wider roll-out of this strategy is now scheduled for September 2015.

LL KPI 1.5 Supporting our Tenants
Implement our Sustaining Tenancies Strategy.

This work commenced as a Pilot in the South Area to be rolled-out during this financial year however, our new 'Build Yes' approach means that the sustaining tenancies policy action plan will now be revised.

Objective 2 Delivering better homes

Asset Management Commission

The major outworkings of the Joint Asset Management Commission awarded to Savills in 2014 were published by the Department and the Housing Executive in March 2016. The publications included a summary report on the Commission's work and findings, plus individual reports on an inventory of our built property assets, Savills' reviews of our compliance and contractual arrangements, the Stock Condition Survey Report on our stock, and the development of an Asset Performance Evaluation Model. These outputs provide a wide range of information and recommendations that have already been used - and will continue to be used - to shape and improve our asset management activities going forward.

Savills' Stock Condition Survey found that some £6.7 billion would be required to bring our existing housing stock and other properties up to, and maintain them for the next thirty years at, a new investment standard that goes beyond compliance with the previous 'Decent Homes' standard. The new standard mirrors the types of works commonly delivered by other modern social housing providers in the UK and aims to provide our tenants with homes that reflect modern expectations of space, safety, amenities and thermal comfort. In response to these findings and Savills' associated work on an asset performance model, we developed a new Asset Management Strategy for our housing stock and a complementary new Tower Block Strategy, both of which were approved by the Minister. The Asset Management Strategy will direct our future stock investment activity and adopts an approach founded on 'active asset management,' where decisions on investment will be based on the extent to which our stock meets our corporate objectives and supports our business plan.

As part of the next stage in taking forward this work we are currently preparing a new 10 Year Investment Plan that will replace the existing Maintenance Investment Strategy that has driven our physical programme since 2003. The new Plan will set out where and in what type of works we intend to invest over the period 2017/18 to 2026/27. It is also our intention that much of the works in this Plan will be delivered in multi-element schemes, thus addressing a number of issues at once for our tenants. Work on

the Plan is at an advanced stage and it is due to be published later this year. However, its completion is subject to confirmation on the level of funding that will be available over the duration of the Plan's implementation.

As regards our responses to Savills' other findings:

- Last year we procured, and are currently introducing, a modern Asset Management IT system which will replace a number of existing systems and databases, and help us better plan and manage the delivery for tenants or our asset management activities;
- We established a Compliance Project Team and developed a Compliance Action Plan that will introduce new policies, procedures and performance management across critical areas;
- We have reviewed our procurement methodology and are applying Savills' recommendations to the procurement of our new contracts.

Response Maintenance

We deliver our response maintenance service to our housing stock of over 86,500 through 23 contracts of which five are delivered by our Direct Labour Organisation (DLO). During the year we dealt with 388,326 requests for repairs at a cost of £44.5m. This year we continued to measure our contractors' performance focusing on customer satisfaction as well as more robust inspections of work carried out.

Investment Programme

In 2015/16 we again undertook a significant investment programme, completing External Cyclical Maintenance works for 8,149 dwellings, new heating installations for 4,645 dwellings and kitchen replacements for 4,184 dwellings. We completed the schemes to deliver the Programme for Government target for full double glazing and installed new windows in 5,611 homes.

During the year we began to deliver the £28m Interim Investment Priorities Programme that had been developed and agreed with the Department in early 2015. 43 Schemes in the programme were started and a further 11 were approved, representing a funding commitment of over £17.6m, primarily in internal upgrading, roofs and external works, and health and safety upgrades. Of particular note was

the completion of the external cladding scheme for Cuchulainn House that has had a significant impact on the Belfast skyline. In the coming year we will start further schemes addressing these priorities and commence other schemes involving thermal efficiency works, environmental improvements and major refurbishments. The Programme's introduction of mixed element Bathroom/Kitchen/Rewire schemes has provided a test of how we intend to deliver our future Investment Plan.

Adaptations to Homes

In 2015/16 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 309 major adaptations including 143 extensions, 152 lifts and 12 changes of heating and 2 internal re-arrangements. We also installed 1,035 showers and carried out 4,200 other minor adaptations.

Stock Transfer

Following the approval of the review of the Stock Transfer Programme in 2014, we had hoped to have appointed housing associations for the first tranche of four estates and begun formal consultation with tenants on the transfer proposals for their homes. Stock transfer however, is a complex issue and 2015/16 has instead seen the development of a new financial model for transfer and the preparation of business cases for the estates. An Expressions of Interest exercise for this tranche was carried out at the end of 2015, and eight of our partner housing associations registered an interest in involvement in the programme. We are, therefore, well placed to make significant progress in the programme in 2016/17, and intend to appoint housing associations to all four estates and to have either transferred or secured a decision on transfer for three of them (Grange, Ballee and Wellington Green). As regards the other estate - Doury Road - we are working with the Department to ensure that the transfer proposal aligns with the development plan prepared for the estate under the Building Successful Communities initiative. Given the additional time that this will require, a decision on the transfer of Doury Road is expected in the early part of the next financial year.

Direct Labour Organisation

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

The current DLO business consists of 440 staff (including agency staff), with running costs of £20.6m 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.

A skills training matrix, together with gap analysis, is underway to formulate a training plan for each operative that is tailored to their role within the DLO. Due to the large volume of staff recently signed-up under the Housing Executive terms and conditions of employment, all DLO staff will go through a basic induction programme with a focus on construction based activities.

Performance and service delivery are measured against organisational Key Performance Indicators (KPIs) 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.

Objective 2: Delivering better homes

Performance 2014/15		Performance 2015/16	
<p>LLKPI 11 Asset Management Develop an Asset Management Strategy by March 2015.</p> <p>We are working to develop an Asset Management Strategy, however this will be informed by the results of the Stock Condition Survey. We expect a draft Strategy to be signed off in the new financial year following consultation with senior management and the Housing Community Network.</p>		<p>LL KPI 2.1 Asset Management Further develop our new Asset Management Strategy for implementation.</p> <p>A Strategy was completed and approved by the Department in January 2016.</p>	
<p>Not a KPI in 2014/15.</p>		<p>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>LLKPI 11 Asset Management Develop a five year investment plan by March 2015.</p> <p>Our five year Investment Plan will be informed by the results of the Stock Condition Survey and a draft is to be completed in the new financial year.</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>LLKPI 12 Maintenance of Housing Executive Stock To start planned External Cyclical Maintenance work on 9,000 dwellings, start 5,000 kitchen replacements, 6,000 heating installations and 9,800 double glazing starts.</p>		<p>LL KPI 2.5 Planned maintenance of our stock 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>	
External Cyclical Maintenance	9,314	LL KPI 2.5.01 External Cyclical Maintenance	8,149
Kitchen replacements	5,114	LL KPI 2.5.02 Kitchen replacements	4,184
Heating installations	6,910	LL KPI 2.5.03 Heating installations	4,645
Double glazing	7,800	LL KPI 2.5.04 Double glazing	5,611
<p>LLKPI 14-01 Carry out response maintenance repairs within target times - Emergency within 24 hours; Urgent within 4 days; Routine within 4 weeks; Change of tenancy within 25 days.</p>		<p>LL KPI 2.6 Response Maintenance to our stock Emergency within 24 hours; Urgent within 4 days; Routine within 4 weeks; Change of tenancy within 25 days.</p>	
Emergency	99.05%	Emergency	99.44%
Urgent	96.79%	Urgent	97.55%
Routine	96.09%	Routine	97.06%
COTs	97.34%	COTs	98.05%

Objective 2: Delivering better homes continued ...

Performance 2014/15

LLKPI 15 Inspections
Ensure all occupied homes have a valid annual gas safety certificate.

99.4% had a valid gas safety certificate.
The target was introduced in 2014/15.

LLKPI 17 Provide energy advice to 8,500 Housing Executive customers, helping our tenants to make the most efficient use of heating systems, as well as gains from our heating programme to help reduce the energy efficiency element which contributes to fuel poverty.

Advice was provided to 7,537 tenants through Heatsmart visits.

LLKPI 16 Stock Transfer
Initiate Tranche 1 of the Stock Transfer Programme

The first schemes on the revised transfer programme have been initiated.

Performance 2015/16

LL KPI 2.7 Safety Inspections
Ensure all occupied homes have a valid annual gas safety certificate.

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.

LL KPI 2.8 Energy Advice
Provide energy advice to 6,300 Housing Executive customers.

Advice was provided to 6,300 tenants.

LL KPI 2.4
Deliver the Small Scale Stock Transfer Programme.

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.

Objective 3 Fostering vibrant communities

Through this objective we worked with communities to improve community safety and relations and build confidence in our housing estates.

Community Involvement

Our Community Involvement Strategy 2014-17, provides the framework for our communities to challenge and lobby us. As a result, an enabled, engaged and empowered community sector continues to grow. The tenant based Scrutiny Panel framework has been established in all of our 13 areas and 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 local housing managers to account in the delivery of housing services and work closely with the local offices to improve the delivery of customer services.

Our local offices continue to work with resident and inter-agency working groups to improve the cohesion, 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 (SCNI), we continue to support and work with over 500 community groups across Northern Ireland.

The Central Housing Forum (CHF) is made up of representatives from all our areas in Northern Ireland with further representation from our hard to reach groups including the disability sector, the rural sector

and the youth sector. All major policies are consulted on with the CHF. They continue to challenge and lobby us and meet twice a year with our Board.

Each Area Manager has a small budget (£15k per annum) to award to community groups throughout the year to support and encourage small scale activity. There are many examples where this helps client groups who do not normally engage with statutory agencies and responds to specific, locally identified needs.

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 3,230 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 forged 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, seven properties were repossessed on the grounds of ASB following court action. Repossession continues to be a last resort, after we have tested all other interventions as a means of resolving problems of ASB first.

In addition to addressing ASB head on, we also use mediation and restorative practices. During the year we procured a new Mediation Service Provider to work with parties in resolving neighbour disputes. Mediators provided interventions in 51 neighbour disputes involving more than 100 individuals and families.

Our community based restorative partners, Northern Ireland Alternatives and Community Restorative Justice Ireland also provided mediation and community support in over 220 cases of neighbour disputes. This work was funded by ourselves 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). 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, street pastors, a scheme to address hate crime, home security schemes, good morning services, diversionary activities, physical works to communal areas and inter-generational workshops.

We have developed and launched a Hate Harassment Toolkit to help those who are experiencing or know someone who is experiencing harassment, persecution and/or intimidation, all of which can be described as hate harassment. The Toolkit aims to provide 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.

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 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 five key themes:

- Shared housing
- Flags/emblems/sectional symbols
- Race relations
- Communities in Transition
- Interfaces

Evidence of our work was demonstrated this year with the removal of the first Housing Executive owned peace wall in North Belfast, which has significantly improved the lives of residents living beside it. Also, over the past four years, we have supported 156 estates and communities to become more accessible to all and to be welcoming to everyone regardless of religion, political beliefs or ethnicity.

A key priority for us is to continue to lead on this important work through our mainstream programmes such as Building Relationships in Communities Programme (BRIC2) and through our re-imaging work which transforms paramilitary images within our estates into more acceptable and inclusive expressions of culture.

Our cohesion work will continue to be delivered at a local level by our Good Relations Officers and local offices, to address all the issues that continue to affect our segregated society.

Social Housing Enterprise Strategy

Our new Social Housing Enterprise Strategy 2015-2018 was launched in September 2015.

The Strategy highlights the importance of achieving social outcomes which lead to socially and economically vibrant and self-sustaining social housing communities. This will be achieved through local social housing enterprises and social entrepreneurs positively impacting on our communities.

The Strategy has a number of key strands, including providing social investment finance to local communities, existing social enterprises and individuals where their business-related activities will have medium to long term social and economic outcomes of benefit to those communities.

To date, in response to 74 applications to the Social Enterprise Investment Scheme, more than £360,000 has been invested in 33 local initiatives which are intended to bring about transformational changes within local communities. Already we can see the impacts this strategy is having in our communities with 40 new jobs created, 16 new services developed, 15 equipment and/or site refurbishment for businesses funded, six training programmes supported and eight groups receiving support for social enterprise development.

Another integral part of the Strategy is the non-financial resources being deployed to support the development of the social enterprises within our communities. These include in excess of 300 residential, commercial and garage properties let to voluntary, community and social enterprise organisations, and acknowledged as having significant value to local communities.

There is also the strategically important initiative which is using the Social Clauses section within our Response Maintenance/Public Sector Contracts' arrangements to support the development of additional social housing enterprises. The new response maintenance contracts, which will come into operation later in 2016, will see the identification and development of six social housing enterprises over the next 18 months.

We recognise that we cannot deliver the Strategy without the active support and encouragement of the Social Economy/ Social Enterprise Sector in Northern Ireland. To date, there has been considerable success in our engagement with key stakeholders within the sector, including those within the community, voluntary, social enterprise, philanthropic and statutory sectors.

A direct result of that engagement, in both strategic and operational terms, is the development of a unique initiative which will see the creation of a Skills and Development Support Services Framework. This "information framework" will identify which services social enterprises and social entrepreneurs in our estates can access at little or no cost throughout Northern Ireland.

Objective 3: Fostering vibrant communities

Performance 2014/15

LLKPI 18 Community Safety
Implement the action plan from the Community Safety Strategy 2014-17.

During the year the Community Safety Action Plan was published for public consultation. Following an extended consultation period, a revised Action Plan was approved by the Board in February 2015. The Action Plan is now being implemented.

Performance 2015/16

LL KPI 3.1 Community Safety
Implement our new Community Safety Strategy.

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. 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.

LLKPI 19 Community Cohesion
Increase support for shared housing among our tenants: Develop 14 further shared communities and develop good relations in 88 Housing Executive estates.

By December we had developed good relations in 88 Housing Executive estates. A further 14 shared communities were developed.

LL KPI 3.2 Community Cohesion
Initiate BRIC2 to support a further 72 communities.

Good Relations Plans are complete. Over 75 staff from Belfast Area 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 reimaging of the first Housing Executive peace wall; delivering phase one of the BRIC 2 programme with 26 groups signed up, and delivering 26 Good Relations Plans.

LLKPI 20 Community Involvement
Implement the 2014 Community Involvement Strategy, particularly the introduction of Tenant Scrutiny Panels to all areas, and to promote social enterprise projects.

There are 17 individual projects contained within the Strategy; 14 are complete, 2 progressing to timescales in 2015/16 and a pilot for digital inclusion is currently being discussed. The Strategy included the introduction of Tenant Scrutiny Panels, mystery shopping, supporting the Housing Community Network, promoting social enterprise projects, a community conference and customer involvement as an integral part of area business plans.

LL KPI 3.3 Community Involvement
Implement the 13 actions contained in the Community Involvement Strategy 2014-17.

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, and we are working on digital inclusion and paperless meetings.





Support Services



Performance Analysis

Support Services

Support Services include the Finance, Corporate Services and Corporate Management directorates which provide the necessary support services to underpin Regional and Landlord Services.

Finance Division provide corporate accounting, financial support, counter fraud and security, and Housing Benefit services.

Corporate Services include Human Resources, IT, Legal Services, Facilities Management, Internal Audit, Corporate Assurance, Procurement, Secretarial and Communication Services.

Corporate Management includes the Chief Executive's department with overall responsibility for corporate matters.

Budgetary Management

Support Services have a total directly managed budget of £36.8m* 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 £15.6m, overheads and operational running costs £21.2m. These costs are apportioned across the various Landlord and Regional Services.

*It should be noted that Housing Benefit administration costs are now shown separately as part of the Regional Services budget. This differs from the 2014/15 annual report where the costs were included within the Support Services budget.

Tackling Fraud

The Counter Fraud and Security Unit (CFSU) investigate all allegations of fraud or related offences regarding the Housing Executive. 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 e.g. Housing in Multiple Occupation (HMO) staff. In the last financial year, the Counter Fraud Unit investigated six complex cases including an alleged conflict of interest, housing benefit landlord fraud, allegations in heating maintenance and planned maintenance. In addition to this the Unit assisted

with two human resources investigations, prevented an attempt to claim a grant from an applicant who had concealed assets in order to satisfy the eligibility criteria, and reported a number of attempted frauds to the PSNI which were prevented by the vigilance of staff in the finance department.

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 01 August 2014 following a Northern Ireland Audit Office (NIAO) report titled 'Tackling Social Housing Tenancy Fraud in Northern Ireland'. The recovery of social housing for re-allocation within the community, and the prosecution of those who criminally abuse the system for their own benefit is a priority for the Housing Executive.

During the last financial year, the Housing Executive investigated 2,182 suspected cases of tenancy fraud. This resulted in 350 properties being recovered (as outlined at page 37). The Tenancy Fraud Unit was involved in 131 of these cases, resulting in 35 recoveries being recovered for re-allocation. This equated to a 'recovered property benefit' of £280,000. In addition to this, three fraudulent housing applications have been withdrawn.

In the forthcoming year, priority will be given to exploring a number of options for prosecution of cases where there is evidence of fraud. 19 cases were as a result of whistle-blowing within the community, 108 emanated from housing management procedures, two were referred from SSA, one from the PSNI and one from Housing Benefit staff.

Of these 131 cases, 91 were in respect of non-occupation, of which 24 contained further allegations of being sub-let for profit. All cases that had an associated Housing Benefit fraud have been passed to the Housing Benefit Review team and the Social Security Agency (SSA) Single Investigation Service. Six cases contained allegations of false succession claims; seven alleged the provision of false information within a housing application or within supporting documentation; two contained allegations of false joint tenancy requests and there was one case alleging false assignment of a tenancy.

The Tenancy Fraud Unit has delivered awareness training to Senior Housing Officers, Customer Service Unit staff and Patch Managers in recent months and has demonstrated what outcomes can

be achieved when cases of suspicious tenancies are referred to the Unit. Over the coming months the Unit will be developing a strategy to prioritise cases suitable for prosecution, and further develop the excellent working relationship established with the SSA Single Investigation Service Investigators.

Housing Benefit Administration

At the end of March 2016 there were 165,314 tenants claiming Housing Benefit (HB) broken down as follows:

Housing Executive tenants	67,214
Housing association tenants	28,444
Hostel claims	1,379
Private rented sector tenants	68,277

Over the course of the year we paid out £680.3m in HB, assessing 63,068 (4,199 found not to be eligible) new claims for HB and dealing with 361,805 changes to existing claims in the process. New claims were processed on average within 16.8 days of receipt of the claim, with 46% of these being processed in under 10 days while changes were made on average in 4.9 days of our being notified of the change.

Additional financial assistance was also delivered to 16,004 private sector claimants through the Discretionary Housing Payment scheme with awards totalling £3.1m being made over the course of the year.

Further help with rates charges was also provided through the Rate Relief and Lone Pensioner Allowance schemes. During 2015/16 a total of £3.64m was awarded in Rates Relief whose caseload stood at 23,860 at the end of March 2016, while a further £0.67m was paid out in Lone Pensioner Allowance which had a caseload of 5,299 at the end of March 2016.

During the year we have continued to work closely with the Department in assessing the impact of the proposals for welfare reform on HB claimants. We have also maintained our focus on the prevention and detection of fraud and error in the HB system. During 2015/16 sanctions were taken against more than 650 claimants for benefit fraud and we recovered over £14.6m 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, email or in writing. During the year we dealt with 238 formal complaints, of which 47 were dealt with at second stage by our Chief Executive, carrying out detailed investigations and addressing any issues raised. A further seven 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 continue to look at ways to make it easier for tenants and stakeholders to access information and services online, providing the facility to pay rent, report fraud, make a complaint or give us feedback on our services. Significantly, 56% of the 1.6m visits to our website in the past year were made to the mobile version of the website through smartphones and tablets (an 8% increase on the previous year).

We provide a range of advice and guidance online and during last year:

- 53,000 people accessed our improved online payment page;
- 73,000 people looked for advice regarding Housing Benefit;
- 80,000 sought advice on private renting;
- 72,500 got guidance on the Boiler Replacement Allowance;
- 20,000 got information on the Affordable Warmth Scheme.

We have grown our social media channels, increasing our audience to more than 3,600 Facebook and 3,500 Twitter followers. We will continue to look at ways to allow our tenants and stakeholders to enjoy the benefits of being online and to go digital first.

Communicating with our customers is very important to us, and we keep in touch with tenants at least once a year by posting our tenants magazine 'Streets Ahead'. Last autumn we distributed our magazine, along with a money advice magazine, to over 87,000 households. Streets Ahead is also available in other formats on request.

Human Resources

Resourcing

During the 2015/16 financial year we appointed a new Chief Executive. Clark Bailie took up the position on a permanent basis in September 2015, having previously served as the organisation's Director of Finance since 2007.

In June 2015 Paul Isherwood was appointed Director of Asset Management. During the last year the Asset Management Division has been working on the development of new structures to deliver the Housing Executive maintenance programme.

Significant progress has been made in the design and implementation of revised staffing structures across a number of business areas in the past year.

We have implemented a Work Placement Strategy designed to increase apprenticeship, student and work placements within the Housing Executive. Staff succession plans have been developed within each division, forming the basis of our Staff Succession Strategy to establish career pathways and address potential loss of 'organisational memory'. We have also initiated a review of our Grading Guidance.

A key element in moving to new structures is the Voluntary Early Severance (VES) Scheme. The VES Scheme is designed to facilitate the voluntary release of staff from the Housing Executive, thereby supporting transition to the new ways of working. At the end of March 2016 a total of 221 staff had been released from the organisation under the VES Scheme.

Sickness Absence

The average level of absence over the year was 11.81 days. This represents an increase in the level of absence from 10.3 days in 2014/15 (and from 11.4 in 2013/14). Long term sickness absence accounted for 64% and short term 36% of all absences, which shows an increase in long term absence from the 56% recorded last year. Long term absence refers to 20 days and above. The number of staff with no absence was 39%.

In order to address increasing absence levels, the Human Resources (HR) Attendance Management Team will deliver a programme of sickness absence awareness training for newly recruited Team Leaders and Line Managers, covering relevant procedures, roles and responsibilities. A further round of Stress Risk Assessment training for line managers has also been scheduled for September 2016, to assist managers in taking a pro-active approach to the identification and addressing of workplace stressors. Additionally, staff now have access to advice and counselling services on a 24 hours a day, 7 days a week basis.

New absence management reports have also been developed, and we are working closely with our IT staff to introduce 'Dashboards' for line managers which will highlight when an employee requires a return to work or absence interview/formal case review. This will also assist in identifying any underlying trends, and allow better targeting of appropriate initiatives and interventions.

A Health and Wellbeing page is currently being created on the staff intranet, which will provide employees with information on the organisation's health promotion activities and sources of further help and advice. A Health and Wellbeing working group will be established to investigate and promote health initiatives throughout the organisation.

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

Learning and Development

We recognise the wealth of talent we have right across our organisation and have developed a number of initiatives during 2015/16 which are aimed at identifying, leveraging and supporting this talent. In total 7,920 individual training interventions were delivered covering corporate, functional and generic training. 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.

The embedding of effective leadership capabilities is an important theme within our Journey to Excellence. In support of this we have implemented the Leadership and Management Development Programme, aimed at developing leadership and management capability right across the organisation.

Included in this is our Professional Mentoring Scheme which we launched in autumn 2015, which has established mechanisms to support staff in enhancing both personal and professional development through a formal mentoring arrangement. Also included is our Leadership, Trust and Confidence training and our 'Leader as Coach' training, designed to promote a coaching culture. All of these courses adopt a strong practical focus to develop our leaders through relevant, applied and shared learning that adds value to both the individual and the organisation. We currently have 35 mentors matched to 45 mentees.

Risk Management

Our Risk Management Strategy describes the processes that the Housing Executive has put in place to manage risks. As part of the Housing Executive's continuous review to ensure our approach to risk management is robust and complete, the Board approved a Review of the Risk Management Strategy and Reporting Framework in December 2015. This review is currently ongoing and will result in an improved risk management environment which facilitates better risk identification, evaluation and management.

During the year we ensured the key risks to the organisation were identified and managed. Our full report is detailed in the Governance Statement in the Corporate Governance Report of the Annual Accounts.

The key corporate risks identified by the Board for inclusion in the Corporate Risk Register in 2015/16 are shown overleaf.

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

With budget reductions being forecast for 2016/17 and the following three years which will form the next Comprehensive Spending Review period, it is necessary to plan so that efficiencies can be found with minimal impact on our customers as much as is possible. The Finance Division have been working closely with divisional and departmental managers throughout the organisation to identify and plan for these efficiencies to be realised. Work continued throughout 2015/16 with both Landlord Services, Regional Services and Shared Services managers to ensure that they are fully aware of both the direct and indirect costs associated with their respective business areas and actively seeking to identify opportunities for efficiencies. This will be a key activity in future years.

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:

- poor value for money
- poor quality work
- overpayments

6. Welfare Reform

Fail to effectively manage impact of Welfare Reform leading to:

- 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 Plan (SHDP)

Fail to adequately meet assessed housing needs and deliver the Social Housing Development Programme in line with budget.

Support Services	
Performance 2014/15	Performance 2015/16
<p>SSKPI Finance Ensure that financial resources are managed effectively, maximising the benefits to tenants and customers. Ensure that Landlord Services financial resources are managed.</p> <p>At the end of the financial year there was a reported underspend of: £12.425m (including corporation tax accrual); or £15.820m (excluding corporation tax accrual). Please note that corporation tax accruals are funded from a separate AME funding arrangement. This underspend will be carried forward into 2015/16.</p>	<p>SS KPI 1.1 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 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>SSKPI 1 Ensure that Regional Services financial resources are managed.</p> <p>At the end of the financial year there was an underspend of £15.78m (including AME/ Non-Cash expenditure). £5.01m (excluding AME/Non-Cash expenditure. This is within the 2% tolerance of a Non Departmental Public Body (NDPB). It should be noted that AME/ Non-Cash funding is held separately from DEL capital and resource budgets.</p>	<p>SS KPI 1.1 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>SSKPI 2 Finance Continue the development of revised financial reporting arrangements, including an internal cost apportionment model.</p> <p>A new cost apportionment model was developed and independently reviewed by the Northern Ireland Audit Office and was introduced in 2014/15.</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>

Support Services continued ...

Performance 2014/15

SSKPI 7 Programme Management
Put in place a clear and structured programme management function and methodology to ensure delivery of the organisation's needs going forward.

A new programme management team was put in place during November 2014.

Performance 2015/16

SS KPI 2.1
Deliver the 2015/16 Programme Management Programme.

The 2015/16 work programme update was presented to the February Programme Management Steering Group. Projects are either complete or carried over in line with project plans.

SS KPI 3.1 Internal Services
Review of Human Resources policies as defined by our Board.

Not a KPI in 2014/15.

The majority of policy reviews were complete, the Acceptable Use Policy - Desktop Review will slip to 2016/17.

SS KPI 3.2 Internal Services
Deliver the Audit and Assurance Annual Plan

Not a KPI in 2014/15.

The target has been met - 89 reports were approved at the Audit, Risk and Assurance Committee (ARAC) in 2015/16.

SS KPI 4.1 Procurement
Provide a professional, compliant and innovative procurement service.

Not a KPI in 2014/15.

During the year a new Corporate Procurement Strategy was published (January 2016) and work will continue to ensure compliance with procurement guidance notes and public procurement regulations.

SSKPI 3 Housing Benefit
Process new Housing Benefit claims within an average of 25 days.

SS KPI 5.1 Housing Benefit
Process new Housing Benefit claims within 25 days.

Overall end of year average - measured in days	Target	Actual
	25	20.08

Overall end of year average - measured in days	Target	Actual
	25	16.80

SSKPI 3 Housing Benefit
Process changes of circumstances claims within an average of 8 days

SS KPI 5.1 Housing Benefit
Process changes of circumstances claims within an average of 8 days

Overall end of year average - measured in days	Target	Actual
	8	5.7

Overall end of year average - measured in days	Target	Actual
	8	4.9

SSKPI 3 Housing Benefit
Ensure an accuracy rate of 97% for Housing Benefit assessments

SS KPI 5.3 Housing Benefit
Ensure an accuracy rate of 97% for Housing Benefit assessments

The accuracy rate at the year-end was 98.9%, exceeding the target.

The accuracy rate at the year-end was 99%, exceeding the target.

Support Services continued ...	
Performance 2014/15	Performance 2015/16
<p>SSKPI 3 Housing Benefit Recover at least £14m of overpayments.</p> <p>*£15,240k was recovered during the year, exceeding the target. *rounded down to agree with note 8.</p>	<p>SS KPI 5.4 Housing Benefit Recover at least £14m of overpayments.</p> <p>£14,647k was recovered during the year, exceeding the target.</p>
<p>SSKPI 3 Housing Benefit Reduce the level of Housing Benefit fraud and error to 3.35% of benefit expenditure by March 2016.</p> <p>This is measured at the end of the calendar year and at the end of December 2014 the result showed a slight reduction at 4.1%. Within this total the level of official error fell from 1.5% to 1.1%. Customer error also fell from 0.9% to 0.4% but customer fraud increased from 1.8% to 2.6% although a significant proportion of this estimate related to passported Housing Benefit claims where the fraud related to a claim for a different social security benefit, but also affected the Housing Benefit award.</p>	<p>SS KPI 5.5 Housing Benefit Reduce the level of fraud and error to 3.35% of Housing benefit expenditure.</p> <p>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%.</p>
<p>SSKPI 4 Housing Benefit - Welfare Reform Work with the Department to develop and agree a transition plan to respond to the changes to the welfare system.</p> <p>This year has seen continued delays in the legislative process of the Northern Ireland Welfare Reform Bill. A transition plan was developed during the year and options for future delivery are being considered.</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>We met regularly with the Department to work on a transition plan for Universal Credit. In relation to the social size criteria, the Northern Ireland Welfare Reform Bill received Royal Assent on 25 November 2015 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>

Commitment

The performance detailed throughout this management commentary has been delivered against a background of significant organisational change for many of our staff as they took on new roles and responsibilities under our Transformation Programme. The future for our organisation is about embracing change with confidence and enthusiasm and ensuring that we, as an organisation, meet that change effectively and efficiently.

The achievements carried out over the year highlight the hard work and dedication of staff throughout the organisation and I know our staff are committed to delivering excellent housing services. I would like to thank them for their continued commitment and professionalism.

A handwritten signature in black ink that reads "Clark Bailie". The signature is written in a cursive, slightly informal style.

Clark Bailie
Chief Executive
Date: 28 June 2016

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 Social Development (to be renamed Department for Communities in May 2016) and that suitable systems are in place to provide reliable information on performance against those targets.

Our Audit and Assurance 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 Audit and Assurance Department is content to conclude that the 2015/16 KPIs have been calculated on a reasonable basis with appropriate supporting evidence.



Elizabeth Clarke
Head of Audit & Assurance (Acting)

ACCOUNTABILITY REPORT

Corporate Governance Report

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 2016.

Statutory basis

The Northern Ireland Housing Executive (the Housing Executive) is a Non-Departmental Public Body (NDPB) 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, supplemented by two Housing Amendment Acts which came into effect in 2010 and 2011.

Primary responsibilities

As a comprehensive regional housing authority, under existing legislation the Housing Executive's primary responsibilities 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;
- to manage its own housing stock in Northern Ireland;
- to formulate 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 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 Social Development's right to issue a direction in connection with the exercise of any of its functions. On the 9th May, it will amalgamate with the Department of Culture, Arts and Leisure and some of the functions of other departments to form the Department for Communities. 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 2015 - 31 March 2016

Chairman

Donald Hoodless BA, DPA, OBE

Vice Chairman

Professor Peter Roberts BA, MA, DLitt, MRTPI,
FIED, AcSS, FRSA, OBE

Phillip Brett (Appointed June 2015)

Angela Coffey (Term ended May 2015)

Edna Dunbar (Term ended May 2015)

Catherine Elattar (Appointed June 2015)

Bill Keery (Appointed June 2015)

Hazel Legge (Appointed June 2015)

Greg Lomax

Kenneth Millar BA (Re-appointed June 2015)

Jim McCall (Appointed June 2015)

Derek Wilson (Appointed June 2015)

Mags Lightbody, who was employed on a fixed term contract with the Strategic Investment Board, performed the duties of Acting Chief Executive until her resignation on 21 June 2015 from this post. Her contract ceased with the Strategic Investment Board on 30 September 2015. Clark Bailie was appointed Acting Chief Executive from 22 June 2015. Following a recruitment process, Clark Bailie was then appointed Chief Executive which became effective from 1 September 2015.

At 31 March 2016, the gender breakdown of the Board and Chief Executive was:

Female: 2

Male: 9

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 and Personnel (to be renamed the Department of Finance from 9 May 2016), 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 the Regional Services. This follows from a directive from the Office for National Statistics to reclassify the Housing Executive between Landlord Services as a Quasi Public Body and Regional Services as a Non Departmental Public Body (NDPB), which became operational from 1 April 2014.

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 2016, 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 £248.9 million (2015: £309.5 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 £7.4million (2015:£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 decreased from £108.6 million in 2014/15 to £58.2 million in 2015/16. The actuary explained that this decrease in the deficit is mainly due to a change in the assumptions, particularly the increase in the discount rate and a higher than expected return on assets, which decreased the year end pension liability. Note 22 provides further pension disclosures.

Property, plant and equipment

For Year ending 31 March 2016 annual accounts, the Housing Executive's land and housing stock have been revalued by an independent external valuer as at 31 March 2016. 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 and Personnel (to be renamed the Department of Finance in May 2016) 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 2016 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 2010'. 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 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 2016 resulted in an increase in value of £94million which has been transferred to the Revaluation Reserve Account. Of this amount, £85.2million 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 £3.9m 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 £3.3m (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 £11.2 million has been transferred to the Revenue Reserve Account from the Revaluation Reserve Account. During the financial year the Housing Executive sold 392 dwellings. In addition 4 houses were transferred to Housing Associations.

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. Our annual publication "Northern Ireland Housing Market: Review & Perspectives" analyses and synthesises the most recent housing statistics and market intelligence and underpins the Housing Executive's Corporate/Business Plan and its need for intervention in the market. It is also used as a source of information for the public, private and voluntary sectors, including the housing associations.

A number of key research projects were completed during 2015/16. These included a major study to develop a more systematic approach to assessing and analysing housing-related support needs of clients benefiting from the Supporting People programme. This study has developed a new methodology that can be put in place over the next two years utilising new sources of data and based on greater inter-agency collaboration, a new approach that will provide a more robust evidence base for the allocation of SP funding streams in the future.

A new iteration of the Net Stock Model was completed, based on more up to date demographic and housing market data, which helped inform the 2016/17 Social Housing Development Programme. A significant project involving collaboration between the Town & Country Planning Association, Belfast Healthy Cities provided policy makers and practitioners with advice and information to help unlock challenging policy and practice situations and enhance collaborative working between professionals in housing, planning and health.

The annual Continuous Tenant Omnibus Survey continued to provide a wealth of customer views on how well the Housing Executive is delivering its services. The key findings of the 2014 survey, which were published in August 2015, indicated high levels of satisfaction with services.

Preparatory work for the 2016 House Condition Survey was also completed, laying the basis for fieldwork to start at the end of May 2016, with a view to having headline results by March 2017.

As part of the ongoing commitment to engage with customers and stakeholders, the Housing Executive held another two Housing Market Intelligence Exchanges in May and November 2015. 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 2015 -16, a total of 429,847 (2014/2015: 428,783) payments were processed with 422,355 (98.26%) (2014/2015: 418,482 (97.6%)) 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 389,630 (90.64%) (2014/2015:390,480 (91.07%)) 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 business as it is in receipt of subvention from the Department, however full disclosure is given in Note 20.

Going Concern

The financing of the Housing Executive's liabilities will be met by future grants from the Department, approved annually by the Assembly, 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.

There were no additional audit services carried out during the year ended 31 March 2016. During the year ended 31 March 2015, 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 and the Northern Ireland Audit Office carrying out an independent examination of a new internal apportionment process used by the Housing Executive to allocate Supervision and Management Charges between Regional Services and Landlord Services. The costs of these exercises have been disclosed in Note 5 to the financial statements.

Committee of the Board - Audit and Risk Assurance Committee

The Audit and 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 and Risk Assurance Committee comprises three Board members and two independent members. The Committee is chaired by the Vice Chairman 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 (to be renamed the Department of Finance in May 2016) and published in Managing Public Money Northern Ireland.

Governance Statement for the Year Ended 31 March 2016

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 NIHE Board and forms part of the Annual Report and Accounts.

This Annual Governance Statement has been produced in line with guidance issued by the Department of Finance and Personnel (DFP) 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 and 3b Internal Reports);
4. Declaration of significant governance issues; and
5. Conclusion.

Our governing body, the Department for Social Development (DSD), has been 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 statement.

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of NIHE policies, aims and objectives, whilst safeguarding the public funds and the NIHE'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 its Sponsoring Department sets out the policy and resource framework within which the NIHE operates. It sets out the role and aims of the NIHE, 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 NIHE, through its Board under delegated authority.

2. The NIHE Governance Framework

The NIHE 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.

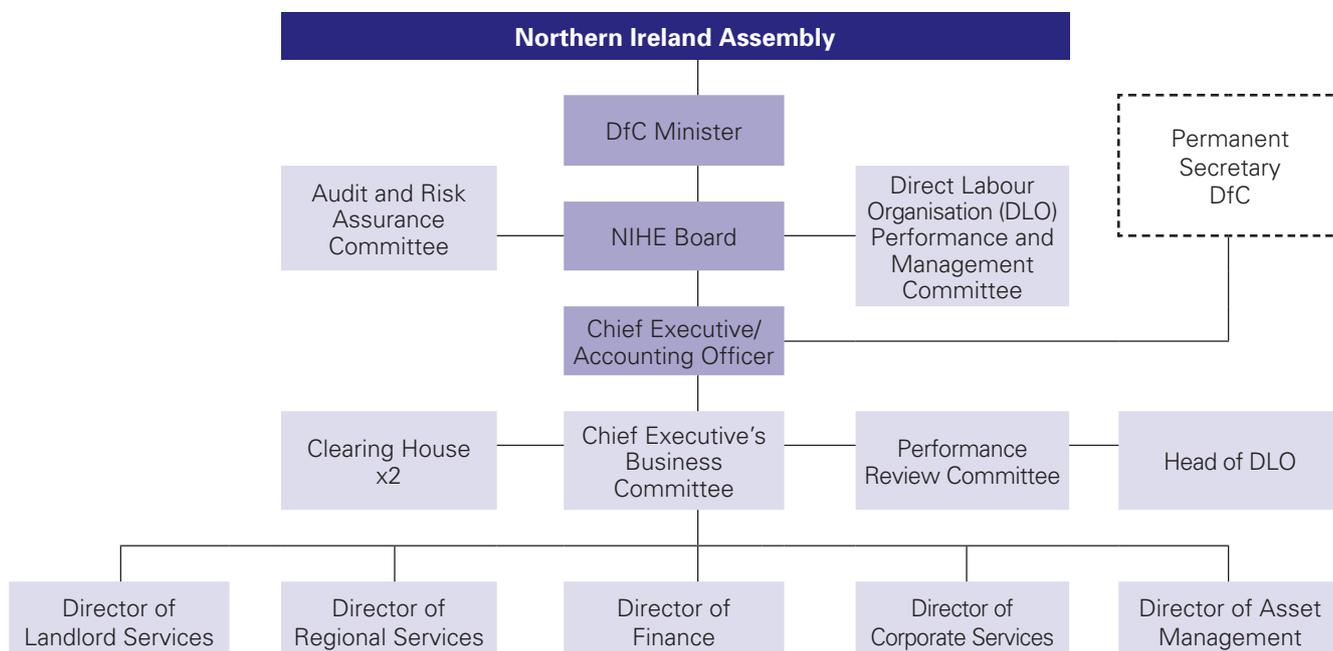
The NIHE has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework, including the system of internal control. The review of effectiveness is informed by the work of the divisional managers within the NIHE who contribute to the development and maintenance of the governance environment. The NIHE maintained a system of Internal Control for the year ended 31 March 2016 in accordance with DFP guidance.

The NIHE's Head of Audit and Assurance Department annual assurance statement for the 2015/2016 financial year provides an opinion on the NIHE's control environment.

In November 2015 the substantive post holder of Head of Audit and Assurance was absent and temporary arrangements were immediately put in place for the Audit and Assurance function. As an interim measure an Assistant Director from Finance, undertook the duties until a temporary Head of Audit and Assurance was appointed through an agency assignment. This temporary appointment commenced in March 2016.

These arrangements were brought to the attention of the Department and updates on the position were provided on a regular basis.

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



* As part of a management review of structures and reporting lines the Head of Audit and Assurance reporting line was moved to the Chief Executive from September 2015. This was an interim measure whilst a review was completed. The NIHE approved a new reporting framework for Audit and Assurance in April 2016 which will move the reporting line into the Director of Finance.

The Board

NIHE 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 support 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 NIHE 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 the restructuring of the organisation in January 2014.

As a consequence of the Local Government reforms in Northern Ireland and a number of Independent Board members approaching the end of their terms of appointment, there were 7 Board appointments in the 2015/16 financial year. There were 6 new appointments to the Board and 1 Board Member re-appointed for a second term.

During 2015/2016 the NIHE Board met on a monthly basis with an additional meeting in June to sign off the Annual Accounts.

29 April 2015	28 October 2015
27 May 2015	25 November 2015
16 June 2015	16 December 2015
30 June 2015	27 January 2016
29 July 2015	24 February 2016
26 August 2015	23 March 2016
30 September 2015	

The attendance of each member of the Board from April 2015 to March 2016 is as follows:

Board Attendance		Comments
Donald Hoodless	13/13	Chair
Prof Peter Roberts	11/13	Vice Chair
*Phillip Brett	11/11	Appointed June 2015
Angela Coffey	2/2	Term ended May 2015 Independent Member
Edna Dunbar	2/2	Term ended May 2015 Independent Member
*Catherine Elattar	9/11	Appointed June 2015
*Bill Keery	10/11	Appointed June 2015
*Hazel Legge	10/11	Appointed June 2015
Jim McCall	7/11	Appointed June 2015 Independent Member
Ken Millar	12/13	Reappointed June 2015 Independent Member
Greg Lomax	12/13	Chair of DLO Committee Independent Member
Derek Wilson	11/11	Appointed June 2015 Independent Member

** Initial emergency appointment in June 2015 for 6 months with a formal 4 year term starting November 2015. As these members were drawn from the Northern Ireland Housing Council, there was a requirement to make an initial 6 month emergency appointment, whilst a formal recruitment exercise could take place. The initial appointments were nominated by the Housing Council and agreed with the Department.*

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 next NIHE 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 NIHE Board.

The ARAC met throughout the year on the following dates:

30 June 2015
29 September 2015
15 December 2015
6 April 2016 (originally scheduled for March 2016)

The attendance of each member of the ARAC from April 2015 to March 2016 is as follows:

Member Attendance	Comments
Prof Peter Roberts	4/4 Chair of ARAC
JP Irvine	3/4 Independent Member
Ken Millar	4/4 Board Member Rep.
Deane Morrice	3/4 Independent Member
Derek Wilson	4/4 Board Member Rep.

The 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 NIHE Chief Executive, relevant Directors and DLO management six weeks prior to the 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 provide an update to the NIHE Board after each meeting.

The DLO Performance and Development Committee met throughout the year on the following dates:

19 March 2015
28 July 2015
26 October 2015
2 February 2016

The attendance of each member of the DLO Performance and Development Committee from April 2015 to March 2016 is as follows:

Member Attendance		Comments
Greg Lomax	4/4	Chair of DLO
Angela Coffey	2/2	Board Member Rep. Term ended May 2015
Edna Dunbar	2/2	Board Member Rep. Term ended May 2015
Catherine Elattar	1/3	Board Member Rep.
Billy Graham	3/4	Independent Member
Bill Keery	2/3	Board Member Rep.
Bob Millar	3/4	Independent Member

Clearing House Committees

The Landlord and the Regional Divisions each has a Clearing House Committee for the purpose of considering and scrutinising routine divisional business papers to ensure compliance with Organisational Governance Requirements.

The Landlord Services Clearing House Committee has delegated authority from the Chief Executive's Business Committee to approve maintenance schemes up to and including £500k.

The Regional Services Clearing House Committee has delegated authority from the Chief Executive's Business Committee to consider a range of Land and Property Papers for compliance with organisational governance requirements.

It has a delegated limit of authority to approve Land and Property transactions up to and including £100k with the exception of Special Purchase of Evacuated Dwellings (SPED) disposals which have a limit of up to and including £250k.

Standing Orders and Board Scheme of Delegations

NIHE Standing Orders are the key Governance document for the organisation and are in place to ensure transparent and effective decision making throughout NIHE.

Standing Orders are used to regulate the proceedings and business of the NIHE and its Committees. In line with Good Governance the NIHE reviews the Standing Orders and Board Scheme of Delegations on an annual basis. The 2015/2016 annual review was completed on the 26 August 2015. 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.

In line with the organisation wide Transformation programme, the Standing Orders were further reviewed and updated to ensure they were reflective of the current operating environment. Changes to facilitate the new way of working were reviewed and approved by the Board on 27 January 2016.

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 2015/2016 reporting period in line with the 2013 Code principles (where these are relevant). The NIHE as an arm's length body of the Department is compliant with all relevant aspects of the 2013 code.

Performance of the NIHE Board 2015/2016

The Board routinely undertake an Effectiveness Evaluation; the last 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.

This will be a valuable exercise for the Board to consider its strengths and weaknesses and the mix of skills and understanding for each Member. The Effectiveness Evaluation undertaken in 2014 was facilitated by an independent consultant; it is the intention to use an independent consultant for this exercise in 2016. The Chairman annually conducts an appraisal of Board members training requirements. As a consequence a number of training sessions and workshops, to enhance Board Member's knowledge and skills, have been facilitated in 2015/2016.

In addition the Audit and Risk Assurance Committee and DLO Performance and Development Committee have identified a number of training requirements which have subsequently been met through workshops and best practice visits.

Some of the training needs identified and addressed through the workshops and training sessions include Governance, Fraud and Finance. A session was also held in relation to the new Asset Management Division providing an overview of the high-level proposed strategy. This was partly facilitated by outsourced consultants, Savills, who were commissioned by the Department to conduct a review of all NIHE stock.

As part of the Board's Annual Programme visits are organised during the year to see projects being undertaken by NIHE at a local level. These visits contribute to the Board's development and provide the opportunity to meet with staff, community representatives and partner agencies to learn about the impact of the organisation's policies and strategies at community level.

In order to support the Board in conducting their duties, training on emerging Best Practice was provided on the following business areas during 2015/16:

Training	Date
Asset Management	29 July 2015
Regeneration 'Place Shaping'	25 August 2015
Governance	3 November 2015
Finance	27 January 2016

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

Quality of data used by the Board

The Chairman has continued a programme of restructuring Board business to ensure the Board's time is focused on strategic matters and reflects the new Organisational structures, roles and responsibilities.

The Senior Management Team in conjunction with Board also reviewed the Work Plan for 2015/2016. Further work will be conducted on the Work Plan 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 the Board Papers are of a satisfactory quality to facilitate the Board in conducting their duties.

The Board have also procured and are in the process of implementing a new electronic Board Book system.

Declaration of Interests

A process for Declaration of Interests by both Board Members and Officers is well established within the NIHE 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 NIHE 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.

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

A new Board/Committee electronic database has been established which captures all outside interests, including conflicts of interest. This database is reviewed annually and updated as declarations are made.

National Fraud Initiative (NFI)

The Comptroller and 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 NIHE is fully engaged with this process which analyses data submitted by the wide range of public sector bodies participating in the National Fraud Initiative. For example, through the Northern Ireland Audit Office (NIAO), the NIHE is provided with data matches generated by comparing payroll and occupational pension databases against Housing Benefit records. This allows us to test and ensure the accuracy and completeness of claimant details.

Data matches from the 2014/15 NFI exercise were received in February 2015. These were sifted and prioritised and 5,767 were identified as passported cases and forwarded to the Social Security Agency (SSA). Of the remaining cases 1,344 have been prioritised for action and were passed to Housing Benefit review staff for investigation in April 2015. These investigations are now largely complete with a total of 5 frauds and 173 errors detected. Recovery action is ongoing in 73 cases totalling £280,956.

The remainder of the data matches have been investigated using a risk-based approach. There have been no further frauds uncovered during these investigations.

Fraud risk is continually assessed within each business area of the organisation and reported on quarterly to the Audit and Risk Assurance Committee. Fraud awareness training was recently completed for the organisation and this is due to be refreshed within the next two years. 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 perceived to be a higher risk of fraud.

Housing Benefit Fraud and Error - Peer Review

In October 2015 NIHE and the SSA Single Investigation Services (SIS) began a joint pilot exercise involving the Belfast HB Review Team and SIS jointly sifting allegations of HB fraud received by NIHE. The pilot ended in March 2016 and the lessons learned from the exercise will be used to establish a more effective working relationship between NIHE and SIS in the detection and prevention of HB fraud. As a result of the review, NIHE have established new working procedures with SIS.

Assurance Reporting

The Department's Management Board requires assurance that 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, NIHE 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 NIHE 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.

Risk Management

The NIHE Board has an approved Risk Management process in place to ensure risks faced by the Organisation are identified, managed and appropriate controls are in existence and utilised accordingly.

In addition to the Risk Management process NIHE introduced an Assurance Framework in April 2014. The NIHE Assurance Framework is a key document in the effective management of risk within the Organisation.

The framework provides a visible and structured means of identifying and recording the different sources of assurance that are provided.

The NIHE Board approved a Review of Risk Management Strategy and Reporting Framework in December 2015.

This major review will be achieved through an assessment and analysis of:

- a) Current major risks facing NIHE;
- b) Examination of how risks are identified within NIHE;
- c) How risks are measured;
- d) How risks are reported;
- e) The supporting policy framework.

The completion of this review (scheduled for quarter 3 2016) will result in an improved risk management environment which facilitates better risk identification, evaluation and management.

The current Corporate Risk Register for 2015/16 identifies the key NIHE risks, the management actions in place to address them and the proposed actions to manage them. Risks are evaluated on the basis of the likelihood and impact of the risk materialising.

NIHE continuously horizon scans for new and emerging risks. It is proposed that in respect of Information Governance NIHE will be assessed against the Information Assurance Maturity Model (IAMM) Her Majesty's Government during 2016/17.

The Corporate Risk Register, as at 31 March 2016, includes the following evaluated as red risks: (There are eleven Corporate Risks recorded on the register, however the six detailed below are red risks. These are scored as Likelihood High and Impact High on a risk scoring matrix.)

Risk	Progress
Budget Reduction	In-line with the Public Sector in Northern Ireland, the NIHE faces major reductions in budget. This issue was considered as budget constraints may have a potentially significant impact on service delivery, the NIHE's reputation and public confidence. The budget position continued to be closely monitored throughout 2015/16 to identify potential pressures and implement corrective actions.
Management of Allocated Funding	Due to the reduction of Government funding and the implications of Welfare Reform, NIHE faces challenging budgetary constraints. In order to maintain financial stability the NIHE works closely with the department with frequent monitoring rounds to ensure the management of allocated funding.
Social Housing Development Programme (SHDP)	The aim of the SHDP was to facilitate 1,500 starts on sites for 2015/16 within the available budget. The risk to achievement of programme delivery has been increased this year due to rising land costs and fewer advance land purchases. The budgetary environment in which SHDP operates has become subject to tighter controls, removing year end flexibility in relation to budget underspends, should an underspend occur the accounting officer will need to write a letter of explanation to the Department and that part of the budget will be lost. The Regional Services division has developed a delivery strategy and continue to work closely with Housing Associations and the Department to ensure delivery of SHDP.

Risk	Progress
Health and Safety (Landlord Division)	<p>The responsibility for the Health and Safety risk is split, with the occupational element of the risk the responsibility of Corporate Services.</p> <p>The Landlord Services Division has responsibility of the property aspect which is assessed at a greater risk for the organisation.</p> <p>Significant actions have been completed during 2015/16 to reduce the Health and Safety risk score.</p> <p>A project team has been established to implement the action plan for the building control regularisation process. In addition Fire Risk Assessments have been completed on all premises. These are being reviewed, and associated building works will be notified.</p>
Welfare Reform	<p>The Northern Ireland (Welfare Reform) Act 2015 received Royal Assent on 25 November 2015.</p> <p>There are five main elements of the programme which will impact on NIHE:</p> <ol style="list-style-type: none"> 1. Social Sector Size Criteria; 2. Benefit Cap; 3. Universal Credit; 4. Debt Transformation Programme; 5. Replacement Scheme for Housing Benefit Rates. <p>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.</p> <p>NIHE continues to closely monitor developments in Welfare Reform in conjunction with the Department and to put in place plans for mitigating actions.</p>
Contract Management	<p>NIHE continues to make improvements in relation to the management of general response maintenance contracts.</p> <p>During 2015/16 risk issues were identified with Consultant Led Planned Maintenance. Action plans have been developed to address these issues and are currently being implemented.</p>

Business Case Management System

A new Business Case Management System went live during November 2015 and will act as a central register for recording and monitoring all future NIHE business cases.

A review of the new web based management system, which will provide an integrated forward work plan, to test how it has performed during the initial bedding in period and consider any improvements necessary. In addition to the economic appraisal training provided in 2015, further training on appraisal of expenditures below £1m is being developed with a view to rolling this out across regions in coming months.

A test drill exercise is planned for the summer of 2016 which will consider a stratified sample of appraisals relating to expenditures within the NIHE delegation.

3. Overview of Significant Reports/Issues

3a. External Reports

Public Accounts Committee

The Northern Ireland Audit Office (NIAO) commenced their Land Disposals report in January 2014 and it was subsequently published in January 2016. The report reviewed land disposals within the NIHE over the period from 2004 to 2010. It considered the actions both within the NIHE and the Department.

The NIAO report made four recommendations which the NIHE and the Department have accepted and are currently in the process of developing an action plan to implement these.

The Report focused on the organisational culture within the Housing Executive at that time. It also highlighted the role of the then Board in establishing a "culture of compliance" and promoting "an appropriate organisational culture." The Report also commented on the effectiveness of the Department's oversight of the Housing Executive, highlighting the need to test the performance and governance assurances received from the Housing Executive.

The overall conclusion of the Report outlined that there were a number of recurring weaknesses in disposals and transactions of land in the period between 2004 - 2010. It also identified weakness leading to a breakdown in NIHE internal controls and governance procedures. The report also acknowledged that since 2010 the NIHE and the Department had taken action to strengthen their controls around land and property transactions, including new systems of control and governance with the NIHE Board exercising much stronger oversight of the organisation.

The Public Accounts Committee (PAC) examined the NIAO report at a hearing on 20 January 2016 and issued its report on 16 March 2016. The Report focused on a number of land disposals, dating prior to 2010, which were investigated by the Housing Executive.

While the PAC Report recognised the changes made to internal controls around the management of land and property since these matters came to light, it also made a number of recommendations aimed at improving controls in both the Housing Executive and the wider public sector.

The PAC recommendations will now be carefully considered and appropriate action will be taken.

Departmental Inspections

As part of their Annual inspection programme, the Department have completed 4 inspections to date, in the areas of Response Maintenance, Void Management, Rent Collection and Tenant Engagement. Two of these inspections were rated as satisfactory and two were rated as substantial. (See 3b Acting Head of Audit & Assurance Opinion re: Independent Assurance provided by the Department's Housing Governance and Inspection Team).

The Department and NIHE are engaging to agree a programme for 2016/2017.

Independent Assurance provided by the Department's Housing Governance and Inspection Team

At the request of the Department's Permanent Secretary, the Department's Housing Division has established an inspection regime for NIHE from 2015/16 similar to what they have in place for Registered Housing Associations. It is undertaken by the Housing Governance and Inspection Team.

During 2015/2016 this team issued four final reports which provided a source of independent assurance over NIHE Landlord Services and Asset Management activities and the implementation of recommendations. These were:

- 1. Implementation of Response Maintenance Recommendations (September 2015). The purpose of the review was to determine how effectively NIHE management had implemented recommendations relating to Response Maintenance from various sources since 2010. The report stated 'the Team is satisfied that NIHE Management have put in place appropriate measures to address the majority of recommendations contained within the reports referred to in Appendix 1. Those recommendations where action is ongoing - a total of nine out of one hundred and thirty-nine recommendations - are of a longer term nature and the Team consider that there has been an acceptable level of progress on these.'*
- 2. Inspection of Voids Management (April 2016). The report concluded that the inspection team were content that the assurance arrangements in place for voids management were adequate and reliable and awarded a Satisfactory Assurance.*

3. *Inspection of Rent Collection (May 2016). The report concluded that as a result of the documentation and processes reviewed, a Substantial Assurance could be awarded for this business area; and*
4. *Inspection of Tenant Engagement. The report concluded that the arrangements put in place by the NIHE for the delivery of the Community Involvement Strategy provide sufficient assurance that the organisation is effectively engaging with its tenants and the Strategy outcomes are contributing to the services provided and awarded a Substantial Assurance.'*

- c) Half yearly Ministerial meetings attended by the NIHE Chief Executive, NIHE Chairman and the Department's Minister. The purpose of these meetings is for the Minister to hold NIHE to account for their performance against their key targets.

2 June 2015	7 December 2015
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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 NIHE. In 2015/2016 the Department and NIHE agreed a new engagement framework for future meetings. This framework included agreed reporting documents and standing agenda items.

A number of oversight meetings took place throughout the year, as detailed below:

- a) Monthly Performance meetings attended by all NIHE Directors and the Departments senior staff. These meetings focus on the general performance of NIHE including financial performance and any outstanding Recommendations both internal and external.

25 September 2015	26 February 2016
27 November 2015	30 March 2016
18 December 2015	

- b) Quarterly Accountability meetings attended by the NIHE Chief Executive, NIHE Directors and senior staff and Deputy Permanent Secretary from the Department. These meetings are a quarterly review to discuss current in year financial position and performance against PfG targets, Ministerial priorities, other issues as required and, strategic performance issues.

12 May 2015	9 November 2015
26 August 2015	26 January 2016

3b. Internal Reports

Acting Head of Audit and Assurance Opinion

The Acting Head of Audit and Assurance Department (AAD) is responsible for 3 Units, namely Internal Audit, Assurance and Improvement and Technical (Response/Planned Maintenance) Inspection. During 2015/2016 AAD conducted an ARAC approved programme of work to enable the Acting Head of AAD to provide annual opinions on the overall adequacy and effectiveness of the NIHE's framework of risk management, control and governance.

The Acting Head of AAD, 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 2015/2016. A number of reviews identified areas with significant internal control issues including contract management, value for money 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 Acting Head of AAD's opinion and also that management have implemented or are taking action to implement the recommendations made by AAD to address any control weaknesses identified.

In addition to an overall Head of AAD opinion in relation to the NIHE control environment, the Acting Head of AAD 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 2016, the Internal Audit Unit within AAD carried out 36 internal audit assignments. Five reports issued with an overall Limited Assurance opinion and no reports were unacceptable. No reports have been carried forward into 2016/2017.

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

- Absence Reporting;
- Consultant Led Planned Maintenance;
- Low Rise Double Glazing;
- Asbestos; and
- Investigation Strategy Group (ISG).

When Internal Audit reports are classified as overall Limited or Unacceptable, 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.

Assurance and Improvement Reports

During the 12 months to 31 March 2016, the Assurance and Improvement Unit within AAD reported on 19 assignments. Four of the 19 reviews commenced in the last quarter of the 2014/2015 year. All 19 reports received either a substantial or satisfactory assurance opinion.

Technical (Response/Planned Maintenance) Inspection Reports

During the 12 months to 31 March 2016, the Technical (Response/Planned Maintenance) Inspection Unit within AAD reported on 34 reviews. Nine of the 34 reviews commenced in the last quarter of the 2014/2015 year. Two reports issued with an overall Limited Assurance opinion and 5 issued with an overall Unacceptable Assurance opinion.

The 2 Technical Inspection reports which issued with an overall Limited opinion were in relation to Planned Maintenance (PM) as detailed below:

- Kilmacormick/Knockninny Kitchen Revenue Replacement Scheme (PM); and
- Energy Performance Certificates (EPC), All Regions (PM).

The 5 Technical (Response/Planned Maintenance) Inspection reports which issued with an overall Unacceptable opinion were 4 in the area of Planned Maintenance (PM) and 1 in Response Maintenance (RM) as follows:

- South Belfast Fire Doors Installation 26:73:004 (PM);
- Gregg Street, Lisburn External Cyclical Maintenance Scheme (PM);
- North (NE) Region Office; Carrickfergus Heating Scheme (PM);
- Vertical (through floor) Lift Contract, All Regions (PM); and
- All Trades Response Maintenance South and East Belfast Area (RM).

During 2015/2016 AAD commenced an exercise to revise the methodology used for Technical Inspection reviews. At the request of ARAC, AAD carried out a testing exercise of the new methodology on two completed reports, one of which was planned and the other in response maintenance. This resulted in the planned maintenance scheme inspection on Kilmacormick/Knockninny Kitchen Revenue Replacement Scheme remaining as an overall Limited classification. The All Trades Response Maintenance South and East Belfast Area were reclassified from overall Unacceptable to an overall Satisfactory classification. The methodology has also now been reviewed externally and is currently being refined for use in the 2016/17 inspections.

Acting Head of Audit and Assurance Opinion (Housing Benefit)

During the 12 months to 31 March 2016, AAD carried out 12 audit assignments on Housing Benefit. Three reports issued with an overall Substantial assurance opinion and nine had a satisfactory opinion.

The Acting Head of AAD on the basis of work carried out provided an overall **Satisfactory Assurance opinion** on the system of internal control over the NIHE Housing Benefit in 2015/16. In forming the overall opinion, the Acting Head of AAD has taken account of the NIHE's risk management, control and governance arrangements.

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 117 recommendations carried forward into 2015/2016 and 397 recommendations added from new reports. During 2015/2016, 463 recommendations were completed with the remaining 51 being carried forward into 2016/2017.

In addition, in quarter 4 2015/2016 AAD carried out a validation audit on recommendations where management had reported they had been implemented. The audit received a satisfactory assurance classification as 80% of the sample tested confirmed that the recommendations had been fully implemented and 18% partially implemented. The outcome of the audit was reported to the April 2016 ARAC meeting.

Update on Internal Investigations including potential Fraud Investigations reported in 2014/2015 Annual Governance Statement

As reported in the 2014/2015 Annual Governance Statement, fourteen new cases were referred to the Counter Fraud and Security Unit (CFSU) in 2014/2015. One case referred to the PSNI is now further referred for prosecution by the PPS. The remainder of the other cases, with one exception have all been concluded with no further referrals to the PSNI. The one outstanding case refers to a whistleblowing allegation where CFSU were providing advice and guidance to AAD. This enquiry has been incorporated into a larger scale review of whistleblowing allegations into heating maintenance. This review is expected to conclude in the next few weeks with no referral to the PSNI.

Internal Investigations 2015/2016 (including Potential Fraud)

During the 2015/2016 year, 6 new cases have been referred to the CFSU. Three of these cases have been referred to the PSNI and one of these has been further referred for prosecution by the PPS. One investigation has been closed with a referral made to a professional body regarding an alleged conflict of interest and there are two investigations ongoing.

Of the ongoing investigations one relates to the whistleblowing allegations into heating maintenance and the other refers to a grant application under the Affordable Warmth scheme.

Tenancy Fraud Investigations

In the 2015/2016 year, 102 tenancy fraud cases have been referred to the CFSU. Of these referrals there have been 34 dwellings recovered with 3 further termination of tenancy forms received. Of the 34 dwellings recovered, 4 right to buy applications have been prevented due to non-occupation of the dwellings concerned. Three housing applications were withdrawn following investigation where it was determined that false information had been provided by the applicant.

NIHE recovered a total of 350 properties in the 2015/2016 financial year in respect of tenancy fraud action.

Investigation Steering Group (ISG)

The Investigation Steering Group (ISG) was established to consider whistleblowing allegations and allegations of possible fraud and misconduct within the NIHE. The NIHE treats all concerns raised by Whistleblowers in a serious manner and ensures all are investigated. In conjunction with the NIHE Whistleblowing Policy, the ISG oversees a more stringent process around the timeliness and management of whistleblowing claims. The Group has been meeting on a monthly basis over the last 6 months of the 2015/16 financial year to deal with an increased list of cases. The group can also meet by exception if needed.

The Chair of the ISG, the Director of Corporate Services, commissioned a review of the workings of the group. This review was carried out by Capita on behalf of AAD. Whilst the report was an overall Limited Assurance, Capita recognised the improvements which had been implemented in the 2015/2016 financial year and a number of positive outcomes about the work of the group were noted.

Several recommendations have come out of this review and these are currently being considered by the Chair of the Group. Once the chair of the ISG has completed his consideration of the recommendations, the terms of reference of the group will be reviewed.

In the 2015/16 year there were 15 whistleblowing cases referred to ISG. Overall there are a total of 13 cases that remain open and continue to be investigated.

Ministerial instructions

There were no Ministerial instructions in the financial year 2015/2016.

Protective security breaches

There were no protective security breaches in the financial year 2015/2016.

In June 2015 there was a fire at Telephone House in Belfast which impacted BT's ability to deliver IT services to its clients. This resulted in an outage for a period of circa 24 hours which impacted on NIHE service delivery. Following the incident NIHE embarked on a review of our business continuity plans in order to minimise disruption should an incident occur in the future.

4. Declaration of Significant Governance Issues for 2015/16

I can confirm that the significant governance issues raised in the Governance Statement for the year 2015/2016 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 NIHE 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 potential significant governance issues:

Resourcing

Continuing progress with the NIHE's Journey to Excellence 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 Landlord Services Division has developed a new model for the delivery of front

line housing services. The establishment of the new roles of Team Leader, Patch Manager, Housing Advisor and Front-end Housing Advisor are intended to greatly enhance access to NIHE services. The NIHE will make appointments to around 380 of these new housing roles through internal selection exercises during the 2016/2017 year.

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 NIHE maintenance programme. 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.

As at the end of March 2016, a total of 221 staff had been released from the organisation under the VES Scheme. This concludes Tranche 1 releases and includes a small number approved for release under Tranche 2. Approvals for all Tranche 2 staff releases are now in place with release dates to occur by the end of March 2017. 155 staff are due to leave from 1st April 2016 under Tranche 2. Of this, 27 left in April, and a further 20 will be leaving on 31st May.

Tranche 3 planning is now underway with the requisite DoF and Departmental approvals confirmed. The NIHE will approve releases under this tranche during the 2016/17 financial year.

In light of the significant budgetary pressures facing NIHE, 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 NIHE is being managed through redesign of work and continually reviewing how the organisation provides its services. Whilst NIHE 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.

During the 2015/2016 financial year a number of senior posts were recruited for. The NIHE Board acted quickly to put interim measures in place, where appropriate, and to make permanent

appointments in a timely manner to ensure service delivery and continuity for the organisation.

Asset Management and Tower Block Strategy

During 2015/2016 a major piece of work was undertaken by the NIHE Asset Management Division to develop an Asset Management and Tower Block Strategy. This was approved by the NIHE Board in September 2015 and the Minister for Social Development.

The development of the Strategies was aided by the work undertaken by Savills and will be used to set the future direction for investment and improvement of the NIHE stock. The delivery of this key investment programme, whilst funding dependent, is regularly considered by the NIHE Board and the Department.

Finance Improvement Project

Finance has been engaged with the Department to address issues relating to the consistency of monthly monitoring reports. In order to drive sustainable longer term improvements a Finance Improvement Project has been initiated to critically review finance processes, procedures, outputs and staff skills/structures.

The output of this work will be used to drive changes within the Finance Department to ensure it is best placed to meet the future needs of internal and external stakeholders.

Stock Transfer

Stock Transfer is a Ministerial Priority which will continue into the 2016/2017 financial year. Whilst significant progress has been made this year with the NIHE Stock Transfer Programme, which aims to transfer 2,000 properties to Housing Associations, due to the number of delivery partners there is a potential risk of slippage but NIHE are committed to working with the key stakeholders to deliver.

The transfer process for the four estates in Tranche 1 of the programme was initiated in late 2014/2015. Outline Business Cases were drafted for each estate in the course of 2015/2016. NIHE held a number of meetings with both tenants and local Housing Associations to ensure engagement and understanding of the process.

The 2015/2016 Financial Year also saw the appointment of external legal consultants to assist with the preparation of model stock transfer documentation and to advise on transfer issues.

The NIHE Board approved the final version of the revised Stock Transfer Protocol document. It also approved the selection of four more estates which will make up Tranche 2 of the programme. NIHE have commenced consultation and engagement with representatives for the estates identified and this will continue into the 2016/2017 financial year.

Housing Benefit Fraud and Error

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

During 2015/2016 the level of cumulative overpayments increased from £34.6m to £36.9m; an increase of over £2.0m. A total of £14.6m 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 2015/2016 approximately £4.6m was raised in overpayments arising from this counter-fraud activity.

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 2015, this showed that the overall combined estimate of fraud and error fell from 4.1% of annual benefit expenditure to 3.5% against a target of 3.35%. Within this total, the level of official error fell from 1.1% to 1.0% of annual benefit expenditure. Customer error remained at 0.4%, customer fraud fell to 2.1% 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.

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

A wide range of measures to prevent and detect fraud are in place and are kept under regular review. A target to reduce fraud and error at 3.35% of HB expenditure by March 2017 has been agreed by the NIHE 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. We have increased the number of Customer Compliance visits and interviews, and raised £1.5m in Housing Benefit overpayments from this activity during 2015/2016, down slightly from £1.7m in the previous year.

For those claimants receiving earned income, we are responding quickly to changes in income, contacting claimants promptly to prevent any overpayment of Housing Benefit due to claimants not informing us of their changed circumstances. During 2015/2016, 16,790 cases have been reviewed.

In addition, from October 2014 we have participated in the Real Time Information (RTI) programme which identifies cases of undeclared earnings and occupational pensions using data supplied by HMRC. During the period April 2015 to March 2016 we reviewed 4747 cases and identified 1043 instances of undeclared income, raising overpayments of £1.07m. It is the intention to increase the number of cases reviewed via RTI and automate this process via the Automated Transfer to Local Authority Systems (ATLAS).

The NIHE's 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 NIHE properties.

When we detect suspected or actual fraud, we take action. Under our service level agreement with the Social Security Agency 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 2015/2016 we referred 463 cases of suspected fraud to SIS resulting in the detection of overpayments of approximately £650,000 and 9 prosecutions. The Social Security Agency publicise those cases where a criminal conviction has resulted following an investigation of benefit fraud.

Welfare Reform

The NIHE continues to make preparations for the implementation of Welfare Reform. Liaison is ongoing with the Department in relation to the Social Sector Size Criteria and a scheme for mitigation. Plans are in place to ensure that claimants affected can be accurately identified. This requires cleansing of data currently held on the HB System for Social Sector claimants including number of dependents and number of bedrooms within the property. It is estimated that this exercise will cost approximately £300k which includes IT costs. The Benefit Cap of £26k is being implemented from 31 May 2016 on a phased approach affecting 394 claimants. We have been working closely with the Department who will be managing the mitigation scheme.

Contract Management (Planned Maintenance)

This is a core service delivery area for NIHE and has been the subject of critical Audit comment in recent years. NIHE are fully committed to having a robust management of all contracts.

Planned Maintenance Contracts have now been live since June 2014 and have been delivering projects on site since August 2014. The delivery of Planned Schemes is the responsibility of our multi-discipline professional consultants, appointed in April 2013, who we hold accountable for performance.

In order to provide governance, both the planned schemes and the multi-discipline professional consultants' contracts are monitored by 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. Meetings take place on a monthly basis to discuss performance. There is active management of the contracts by both the consultants and NIHE in-house staff.

Similar contracts are in place for other planned works, such as heating and grounds maintenance, where the works are directly managed by our in-house staff. These contracts contain similar key performance indicators and escalation procedures measuring quality, cost accuracy and timely delivery providing the necessary governance.

The closure of the 2010-2014 "Egan" planned schemes is nearing completion. Agreement was reached between both parties, contractors/employer,

on the projects completed up to July 2012 with projects from July 2012 being closed on a project by project basis. Principles from the agreement have been applied across into the latter projects with only a small number now remaining to be finalised.

Contract Management (Response Maintenance)

The current Response Maintenance All Trade contracts have been in place since 2014, with the existing arrangements due to end in August 2016.

The Maintenance Services Review project commenced in September 2015 with the aim of undertaking a fundamental review of the NIHE's maintenance service for customers with the introduction of new contracts and ways of working commencing in August 2016.

The project has been assessed as high risk, and is therefore subject to an Office of Government Commerce (OGC) Gateway Review - these deliver a "peer review", in which independent practitioners from outside the programme/project use their experience and expertise to examine the progress and likelihood of successful delivery of the programme or project.

In this context a Gateway Review 2 (Delivery Strategy) was conducted in February 2016 by an external review team appointed by the Department of Finance & Personnel (Department of Finance from 9 May 2016) Centre of Excellence for Programme Delivery. A total of 8 recommendations were made and these were classified as follows:

7 Critical - Do Now

1 Essential - Complete within 3 months

The delivery confidence status awarded was Amber/Red indicating that the project should go forward with actions on recommendations to be carried out before the next Gateway 3 (Investment Decision) expected to take place later in May 2016, once the draft procurement evaluation report is available.

An Assurance of the Action taken or Planned (AAP), on the above recommendations was held on 28 April 2016. As a result of the actions and the considerable work carried out to address the recommendations in the Gate 2 report delivery confidence was assessed as **Amber**.

Further Gateway Reviews will be conducted at appropriate times in the project lifecycle. These will

be a Gateway 4 Readiness for Service, and Gateway 5 Benefits Realisation (post project).

Following the outcome and feedback from the Gateway Review on Response Maintenance preparations are underway to procure replacement Response Maintenance contracts to begin September 2016 immediately after the close of the current set of contracts.

In order to provide robust governance and ensure contractor performance in both the current All Trade and the new contracts, performance will be monitored by the measurement of Key Performance Indicators (KPIs) and incorporate clearly defined escalation procedures for cases of poor performance and contractual non-compliances. Poor performance and breach of contract can, if appropriate under the escalation process lead to termination.

While the key performance measures currently in place are primarily targeted against quality, cost accuracy and timely delivery, the new suite of industry standard KPIs will focus on the above and also include a greater emphasis on Health and Safety and customer satisfaction. Monthly assessments of the KPIs continue to be focused on at monthly performance 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.

AAD outcomes for 2015/2016 have identified continuous improvements within the delivery of the Response Maintenance Contracts.

The contract management and policy documentation is in the process of review to ensure they are fit for purpose in relation to the new Response Maintenance Contracts.

Direct Labour Organisation

The in-house Direct Labour Organisation (DLO) continues to deliver a quality response maintenance service to around 29,000 homes in North, South and West Belfast, as well as Craigavon and Coleraine. However NIHE recognise the challenge to ensure that services are provided in a cost effective way and this is monitored closely by Senior Management.

DLO currently employs a total of 440 staff and has a turnover of some £23m per annum providing the All Trades response maintenance service along with a grounds maintenance service and a ten year Health

& Safety electrical inspection programme.

The introduction of a new workforce management software package with task mobility is planned for August 2016. Introducing a new integrated Workforce Management System will address inefficiencies by reducing duplication of effort and provide DLO with enhanced management reporting information, business intelligence and key performance indicators.

The DLO is developing a traineeship and apprenticeship programme to deliver a cohort of trained and skilled staff. The DLO will achieve a 3rd party accredited Health and Safety System (SafeTCert) by September 2016, in addition, all electrical operatives within DLO will be registered with an Electrical License to Practise register to affirm the NIHE commitment to the use of a trained and skilled workforce.

Performance and service delivery is measured against organisational KPIs and reported monthly to the Performance Review Group and quarterly to the DLO Performance and Development Committee.

Social Housing Development Programme (SHDP)

The SHDP is a Programme for Government Target which NIHE is committed to delivering. The delivery is reliant on a number of stakeholders and is therefore subject to potential slippage however this is monitored on a monthly basis.

The 2015/2016 target was to facilitate starts on a minimum of 1,500 new units of accommodation through the delivery of the Social Housing Development Programme (SHDP). In order to achieve this target, the NIHE continued to work closely with the Department and the Housing Association movement to ensure that the maximum possible number of social housing starts was achieved within the available budget. This target was exceeded with 1568 new social homes started.

To encourage Housing Associations to achieve on-sites at an earlier stage in the year, a new 3-year SHDP is published each January. In addition, during the past two years there has been a concerted effort to encourage Housing Associations to maximise the number of development sites in their ownership significantly in advance of the programmed start on-site year. This ambition was reflected in a successful Advance Land Purchase funding pilot that provided grant enhancements for schemes which achieved an

on-site start before the end of December (with site purchases having been secured in the previous year).

This approach is currently under review with the Department and the level of advance acquisition of land is expected to be considerably lower in 2015/2016 than in the previous two years.

NIHE also support the delivery of Departmental initiatives such as Together Building United Communities (TBUC) and Building Successful Communities (BSC). NIHE are committed to playing an active role to promote these and to assist in their delivery.

Supporting People 2016/2017

As part of the Department's "Facing the Future: Northern Ireland Housing Strategy 2012-2017", there was a commitment to review the Supporting People programme, including its policy and legislative framework. This report was published in November 2015 and a number of areas to further improve the impact of the programme and its economy and efficiency were identified.

The recommendations of the report have been accepted by the Board of NIHE. A project working group has been established to agree an implementation plan; to set milestones and monitor the implementation of the recommendations. The Department is part of the group and has indicated they are considering ways to support the change process.

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 NIHE 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 2016/2017.



Clark Bailie
Chief Executive
Date: 28 June 2016

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 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 2016. 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 (continued)

Name and Title	Date of Contract	2016 Salary	2016 Bonus Payments
		£'000	£'000
D Hoodless Chairman		40 - 45	-
C Bailie Director of Finance (from 01/04/14 - 21/06/15) Acting Chief Executive (from 22/06/15 - 31/08/15) Chief Executive (from 01/09/15)	1 Sept 2015	110 - 115	-
G Flynn Director of Landlord Services	1 April 2012	85 - 90	-
S McCauley Director of Regional Services	1 April 2012	75 - 80	-
T McCartney Director of Corporate Services	1 Jan 2014	85 - 90	-
P Isherwood Director of Asset Management (from 01/06/15)	1 June 2015	60 - 65 *70 - 75	-
H Carty ** Acting Director of Finance (from 22/06/15)	1 April 2013	50 - 55 *65-70	-

* Full year equivalent salary.

** H Carty acted into the Director of Finance post from 22/06/15. Her substantive post with the Housing Executive is Assistant Director of Finance - Support Services.

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. The 2014/15 figures have been restated to reflect the date benefits were incurred during 2014/15 as opposed to the date they were paid.

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).

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 2014/15 and 2015/16, until 21 June 2015, were as follows:

Name and Title	2016 Salary	2016 Bonus Payments
	£'000	£'000
Mags Lightbody Acting Chief Executive (01/04/14 - 21/06/15)	30 - 35	-

Benefits in Kind refer to £1,600 (2015: £7,100) of Life Assurance payments as well as £3,100 (2015: £13,300) of Travel and Accommodation costs.

2016 Benefits In Kind	2016 Pension Benefits	2016 Total	2015 Salary	2015 Bonus Payments	2015 Benefits In Kind Restated	2015 Pension Benefits	2015 Total
£	£'000	£'000	£'000	£'000	£	£'000	£'000
20,000 (to nearest £100)	-	60 - 65	40 - 45	-	18,200 (to nearest £100)	-	60 - 65
-	307	415 - 420	80 - 85	-	-	12	95 - 100
-	116	205 - 210	80 - 85	-	-	11	90 - 95
-	65	140 - 145	70 - 75	-	-	13	80 - 85
-	27	115 - 120	85 - 90	-	-	22	105-110
-	20	80 - 85	-	-	-	-	-
-	48	100 - 105	-	-	-	-	-

2016 Benefits In Kind	2016 Pension Benefits	2016 Total	2015 Salary	2015 Bonus Payments	2015 Benefits In Kind	2015 Pension Benefits	2015 Total
£	£'000	£'000	£'000	£'000	£	£'000	£'000
4,700 (to nearest £100)	0 - 5	35 - 40	140 - 145	-	20,400 (to nearest £100)	10 - 15	175 - 180

Top to Median Pay Multiples Ratio - 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 2015/16 was £105k - £110k (2014/15: £160k - £165k restated). This was 4.69 times (2014/15: 6.86) the median remuneration of the workforce, which was £22,937 (2014/15: £23,698). The remuneration for the lowest paid staff member was £6k. The remuneration of the highest-paid director decreased from the previous year.

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.

	2016	2015 Restated
Band of highest paid Director's total remuneration	£105K - £110K	£160K - £165K
Median Total Remuneration	£22,937	£23,698
Ratio	4.69	6.86

Directors' Pensions - Audited Information

Name and Title	Total Accrued Pension at Age 60 & Related Lump Sum	Real Incr. (Decr) In Pension & Related Lump Sum At Age 60	CETV at 31 Mar 2015	CETV at 31 Mar 2016	Real Incr. (Decr) in CETV after adj.
	£'000	£'000	£'000	£'000	£'000
C Baillie Director of Finance (from 01/04/14 - 21/06/15) Acting Chief Executive (from 22/06/15 - 31/08/15) Chief Executive (from 01/09/15)	45 - 50 Plus 105 - 110 Lump Sum	10 - 15 Plus 25 - 30 Lump Sum	545	779	234
G Flynn Director of Landlord Services	40 - 45 Plus 90 - 95 Lump Sum	5 - 10 Plus 5 - 10 Lump Sum	693	810	117
S McCauley Director of Regional Services	20 - 25 Plus 30 - 35 Lump Sum	2.5 - 5 Plus 2.5 - 5 Lump Sum	221	269	48
T McCartney Director of Corporate Services	2.5 - 5 Plus 0 - 2.5 Lump Sum	0 - 2.5 Plus 0 - 2.5 Lump Sum	18	36	18
P Isherwood Director of Asset Management (from 1 June 2015)	0 - 2.5 Plus 0 - 2.5 Lump Sum	0 - 2.5 Plus 0 - 2.5 Lump Sum	-	11	11
H Carty Acting Director of Finance (from 22 June 2015)	10 - 15 Plus 15 - 20 Lump Sum	2.5 - 5 Plus 0 - 2.5 Lump Sum	146	182	37

* H Carty acted into the Director of Finance post from 22 June 2015. 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)	2016 Salary £'000	2016 Benefits in Kind £ (to nearest £100)	2015 Salary £'000	2015 Benefits in Kind £ (to nearest £100) Restated
Professor P Roberts, Vice Chairman	05/11/12	5	15-20	10,500	15-20	15,200
J Speers	05/11/09	Until 31/03/15	-	-	5-10	-
J Palmer	05/11/09	Until 31/03/15	-	-	5-10	-
A Coffey	01/06/10	Until 31/05/15	0-5	-	5-10	-
E Dunbar	01/06/10	Until 31/05/15	0-5	-	5-10	-
K Millar	01/06/15	5	5-10	-	5-10	-
S Begley	03/10/11	Until 31/03/15	-	-	5-10	-
G Lomax	15/04/13	5	5-10	6,400	5-10	9,000
F Britton	17/02/14	Until 31/03/15	-	-	5-10	-
P Brett	01/06/15	5	5-10 *5-10	-	-	-
W Keery	01/06/15	5	5-10 *5-10	-	-	-
H Legge	01/06/15	5	5-10 *5-10	-	-	-
J McCall	01/06/15	5	5-10 *5-10	-	-	-
D Wilson	01/06/15	5	5-10 *5-10	-	-	-
C Elattar	01/06/15	5	5-10 *5-10	-	-	-

*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.

The 2014/15 figures have been restated to reflect the date benefits were incurred during 2014/15 as opposed to the date they were paid.

Staff Report

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

Staff Numbers and Costs - Audited Information

	2016			2015	
	Permanent Staff £'000	Others £'000	Board Members £'000	Total £'000	Total £'000
(a) Staff costs comprise					
Wages and Salaries	66,921	1,352	109	68,382	70,609
Social Security Costs	4,654	85	6	4,745	4,795
Seconded-in Staff	-	231	-	231	245
Agency Costs	-	11,534	-	11,534	10,908
Total Staff Costs excluding Pension Costs	71,575	13,202	115	84,892	86,557
Other Pension Costs				15,234	16,759
				<u>100,126</u>	<u>103,316</u>

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

	2016 £'000	2015 £'000
Wages and Salaries	292	287
Social Security Costs	23	20
Other Pension Costs	60	57
	<u>375</u>	<u>364</u>

Others above include costs of staff seconded from other Public Sector Bodies and amount to £231k. In addition, staff employed by recruitment agencies amounted to £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.

	2016			2015	
	Permanent Staff Number	Others Number	Board Members Number	Total Number	Total Number
Executive	6	-	10	16	14
Landlord Services	1,545	44	-	1,589	1,682
Regional Services	344	3	-	347	378
Finance (includes Housing Benefit Staff)	465	18	-	483	520
Corporate Services	275	1	-	276	283
Seconded-in Staff	-	3	-	3	2
Agency Staff	-	551	-	551	501
	<u>2,635</u>	<u>620</u>	<u>10</u>	<u>3,265</u>	<u>3,380</u>

Staff Report continued

Staff numbers and related costs (continued)

Agency Staff numbers have been calculated from an average of 12 months for the 2015/16 financial year and 6 months for the 2014/15 financial year as this is considered to provide a reliable number of agency staff employed for the 2015/16 and 2014/15 financial years.

(c) Employee Gender

At 31 March 2016 there were 2,638 staff employed within the Housing Executive (excluding Board Members). Below is a gender breakdown by Directorate:

	Male Number	Female Number	Total Number
Executive	4	2	6
Landlord Services	938	624	1,562
Regional Services	183	148	331
Finance (includes Housing Benefit Staff)	168	297	465
Corporate Services	135	139	274
	<u>1,428</u>	<u>1,210</u>	<u>2,638</u>

Staff Report continued

Early Departure Costs - Audited Information

2016		2015	
Numbers	£'000	Numbers	£'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;	140	1,939	123	1,787
(b) Restructuring compensation paid and accrued by the Housing Executive for the early retirement of staff;	188	5,493	194	5,616
		<u>7,432</u>		<u>7,403</u>
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;	516	982	528	1,005

During the year ending 31 March 2016, 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 on the next page.

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 2015-16 - 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	-	14	14
£10,000 - £25,000	-	49	49
£25,000 - £50,000	-	85	85
£50,000 - £100,000	-	40	40
£100,000 - £150,000	-	6	6
Total Number of Exit Packages			
2015-16	-	194	194
2014-15	-	193	193
Total Cost £'000			
2015-16	-	7,432	7,432
2014-15	-	7,403	7,403

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

We are currently in the midst of our Journey to Excellence transformational change programme which has at its heart our people and our customers. At the core of Journey to Excellence is a clear and simple principle that motivated, empowered and highly skilled people, supported by best in class technologies and processes, are the key to delivering the very best service to our customers.

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.

Communication with staff is managed through our Internal Communications Policy which ensures that our people are involved and engaged on all aspects of the business.

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 new refreshed 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 appraisals 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 support and fund our people through further education and we deliver Institute of Leadership Management (ILM) accredited development programmes and CIH Housing Management and Housing Maintenance programmes. 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 Success Plans are individually tailored to identify the specific training needs of every staff member.

Sickness Absence

The average level of absence over the year was 11.81 days. This represents an increase in the level of absence from 10.3 days in 2014/15 (and from 11.4 in 2013/14), and is therefore in excess of the target, which was attendance levels to improve by 5% on the previous year. Long term sickness absence accounted for 64% of all absence, while 36% was due to short term absences. Long term absence had accounted for 56% of all absence last year. Long term absence refers to absences of 20 days or more. 39% of staff had no absence during the year.

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.

3.6% 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 or staff employed by other bodies seconded 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 2016:

	Number
As at 1 April 2015	1
New Engagements during 15/16	0
New Engagements in payroll for 15/16	2
Engagements ceased during 15/16	(1)
As at 31 March 2016	2

Health and 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 £145k on consultancy projects during the year.

Assembly Accountability and Audit Report

Assembly Accountability Report

The following sections in the Assembly Accountability Report are subject to audit:

Statement of Losses and Special Payments - Audited Information

	2016		2015	
	Number	£'000	Number	£'000
Claims Waived (Amounts Written Off):				
Rent and Rates	2,504	1,154	2,986	1,530
Commercial Property	2	2	16	26
Recoverable Charges - Damages	98	43	94	31
Recoverable Charges - Legal	619	201	773	216
Hostels	59	14	111	39
Leaseholder	10	15	-	-
Group Heating	-	(3)	-	-
Housing Benefits Overpayments	4,554	1,521	4,608	1,455
	<u>7,846</u>	<u>2,947</u>	<u>8,588</u>	<u>3,297</u>
Special Payments over £250,000	1	325	-	-
Ex Gratia Payments	6	3	5	3
Extra Statutory Payments	1	1	13	115
Public Liability Claim	276	1,852	255	1,729
Contractual Claims	1	150	3	409
Debtors ledger	30	129	16	1
Other Write Offs and Cash losses - numerous	48	81	305	(100)
	<u>8,209</u>	<u>5,488</u>	<u>9,185</u>	<u>5,454</u>

A claim was issued against the Housing Executive, Design Services section, regarding a scheme design. Alterations were required to the original design which resulted in contract delays. A compensation claim of £325k has been included in respect of this claim.

Losses and Special Payments are included in Note 5 of the Financial Statements with the exception of Housing Benefit overpayments which are accounted for in Housing Benefit Expenditure.

Assembly Accountability Report continued

Remote Contingent Liabilities - Audited Information

All contingent liabilities are disclosed in Note 24 of the Financial Statements. There are no remote contingent liabilities which require further disclosure with the exception of the following:

- 1) There is a potential liability due to staff regarding the calculation of holiday pay, which applies to all employers. Currently the calculation is based on Basic Pay. The Employment Appeal Tribunal (EAT), reviewing the calculation for all employers, concluded that holiday pay should reflect 'normal pay'. The tribunal states 'normal pay' includes basic pay and overtime, should the employer contractually oblige the employee to work (i.e. compulsory non-guaranteed overtime) and that the employee regularly works. To require inclusion, the overtime has to be regular and permanent enough to have become part of the worker's 'normal remuneration'. The case has been remitted to a further Tribunal, at which further facts will be heard, and a clearer decision made. However, the Housing Executive do not anticipate the outcome of this case affecting large numbers of staff and therefore consider this a remote contingent liability which should also be immaterial.
- 2) A public liability claim has been received in respect of an incident which occurred during 2015/16. No details are being disclosed as this claim is considered commercially sensitive.
- 3) There are four further possible contractual claims. No further details can be disclosed at present as this information is considered commercially sensitive.
- 4) An estimated £66k (2015: £66k) has not been accounted for in respect of properties where home loss and disturbance claims have not been received after a number of years and payment is no longer deemed probable but could still be claimed.



Clark Baillie
Chief Executive
Date: 28 June 2016

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 2016 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 and the Assembly Accountability and Audit Report that is described in these reports as having been 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 £680.3 million. The level of estimated fraud and error as reported in Note 28 to the accounts resulted in overpayments of £19.5 million and underpayments due to official error of £3.6 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 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 a number of areas in respect of £100.1 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 £100.1 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 £23.1 million of housing benefit payments attributable to estimated levels of fraud and error, and, except for planned maintenance expenditure of £100.1 million, in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions 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 Executives' affairs as at 31 March 2016 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 (formerly Department for Social Development) directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Assembly Accountability and Audit Report to be audited has been properly prepared in accordance with Department for Communities directions made under the Housing (Northern Ireland) Order 1981; and
- 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 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
- the Governance Statement does not reflect compliance with Department of Finance's (formerly Department of Finance and Personnel) guidance.

My detailed observations are included in my Report on pages 144 to 151 of the financial statements.



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

30 June 2016

Northern Ireland Housing Executive

Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

		2016	2015
	Note	£'000	£'000
Income			
Rental Income	8	301,465	287,961
EU Income	8	(13)	3,043
Other Income	8	52,837	52,511
Total Housing Benefit Income	6	665,080	655,233
Total Income		1,019,369	998,748
Expenditure			
Staff Costs	4	100,126	103,316
Other Expenditures	5	426,394	473,165
Total Housing Benefit Costs	6	665,080	655,233
Depreciation, Amortisation, Write Offs & Write Down	10(a)	33,600	34,141
Total Expenditure		1,225,200	1,265,855
Net Expenditure before Interest		(205,831)	(267,107)
Interest Receivable	9(b)	295	425
Financing Charges	7	(33,946)	(39,629)
Pension Financing Charges	22(d)	(3,622)	(3,587)
Net Expenditure before taxation		(243,104)	(309,898)
Tax on ordinary activities	9	(5,777)	355
Net Expenditure after taxation		(248,881)	(309,543)
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net operating costs:			
Net gain/(loss) on revaluation of Property, Plant and Equipment		93,902	81,848
Net gain/(loss) on revaluation of Pension Actuarial Gains & Losses	22(e)	55,480	(21,533)
Other Comprehensive Net Expenditure		149,382	60,315
Total Comprehensive Net Expenditure for the year ended 31 March 2016		(99,499)	(249,228)

All amounts in the Statement of Comprehensive Net Expenditure relate to the continuing operations of the Northern Ireland Housing Executive.

The notes on pages 97 to 141 form part of the accounts.

Northern Ireland Housing Executive

Statement of Financial Position as at 31 March 2016

		2016	2015
	Note	£'000	£'000
Non-current assets			
Property, Plant & Equipment - Operational	10(a)	2,207,928	2,151,937
Property, Plant & Equipment - Non Operational	10(b)	392	977
Intangible Assets	10(c)	2,297	2,113
Total non-current assets		2,210,617	2,155,027
Current Assets			
Assets Classified as Held for Sale	11	4,004	3,690
Inventories	12	1,543	4,071
Trade and other receivables	13 & 14	69,032	72,954
Cash and cash equivalents	15	95,178	101,940
Total current assets		169,757	182,655
Total assets		2,380,374	2,337,682
Current Liabilities			
Trade and other payables	16	(263,138)	(280,428)
Provisions	21	(4,920)	(6,174)
Total current liabilities		(268,058)	(286,602)
Net Current Liabilities		(98,301)	(103,947)
Non-current assets less net current liabilities		2,112,316	2,051,080
Non-current liabilities			
Trade and other payables	16	(11,578)	(13,435)
Loans Outstanding	18	(301,283)	(352,967)
Provisions	21	(1,055)	(1,103)
Pension Liability	22(d)	(58,165)	(108,557)
Total Non-current liabilities		(372,081)	(476,062)
Assets less Liabilities		1,740,235	1,575,018
Taxpayers' Equity			
Statement of Comprehensive Net Expenditure Reserve		1,083,104	1,000,559
Revaluation Reserve		657,131	574,459
		1,740,235	1,575,018

The financial statements on pages 93 to 141 were approved by the Board Members of the Northern Ireland Housing Executive and signed on their behalf by:



Mr Donald Hoodless,
Chairman

Date: 28 June 2016



Mr Clark Bailie
Chief Executive

The notes on pages 97 to 141 form part of the accounts.

Northern Ireland Housing Executive

Statement of Cash Flows for the year ended 31 March 2016

		2016	2015
	Note	£'000	£'000
Net Cash Outflow from Operating Activities	23(a)	(197,404)	(209,857)
Cashflow from Investing Activities	23(b)	(88,294)	(100,349)
Cashflow from Financing Activities	23(c)	258,490	265,342
Decrease in Cash & Cash Equivalents		(27,208)	(44,864)
Cash and Cash Equivalents at beginning of period		101,939	146,803
Cash and Cash Equivalents at end of period		74,731	101,939

The notes on pages 97 to 141 form part of the accounts.

Northern Ireland Housing Executive

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2016

	Note	SOCNE Reserve £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 31 March 2014		1,060,366	503,265	1,563,631
Changes in reserves 2014/15				
Unrealised gain on Revaluation:				
Housing Stock		-	59,177	59,177
Operational Land & Buildings		-	22,609	22,609
Non Operational Land & Buildings		-	62	62
Other Assets		-	-	-
Realisation of assets on disposal		10,654	(10,654)	-
Net Expenditure for year		(309,543)	-	(309,543)
Actuarial loss on defined benefit pension scheme	22(d)	(21,533)	-	(21,533)
Grant from Sponsoring Department		260,615	-	260,615
Balance at 31 March 2015		<u>1,000,559</u>	<u>574,459</u>	<u>1,575,018</u>
Changes in reserves 2015/16				
Unrealised gain on Revaluation:				
Housing Stock		-	85,157	85,157
Operational Land & Buildings		-	8,745	8,745
Non Operational Land & Buildings		-	-	-
Realisation of assets on disposal		11,230	(11,230)	-
Net Expenditure for year		(248,881)	-	(248,881)
Actuarial gain on defined benefit pension scheme	22(d)	55,480	-	55,480
Grant from Sponsoring Department		264,716	-	264,716
Balance at 31 March 2016		<u>1,083,104</u>	<u>657,131</u>	<u>1,740,235</u>

The notes on pages 97 to 141 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 and Personnel Northern Ireland (renamed to the Department of Finance from 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 2015/16.

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 2010: 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 2016, 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 and 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 and Local Government in England titled 'Stock Valuation for Resource Accounting 2010 : 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 and 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 and 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.

l) 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 and 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 5.

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 and Managing Asbestos, 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 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.

a. 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.

b. 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.

c. 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.

d. 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.

e. 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.

f. 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
- Waiting List Management
- Housing Benefit
- Travellers

Commissioned Services delivered by Regional Services on behalf of Landlord Services are:

- House/Land Sales
- Research
- Adaptations

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.

Notes to the Accounts

Note 3

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.

An Accounting directive from HM Treasury, 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 and upkeep of the Housing Executive's housing units and associated grounds maintenance costs.
- Supervision and Management Costs - this includes salary costs (which includes commissioned services Income and Expenditure charged between Landlord Services and Regional Services, travel and subsistence, Office expenses and IT programme costs for Landlord Services).
- Corporation Tax - relates to Corporation Tax paid.
- Rental and 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 revenue payments in respect of Public Liability Claims, write offs and losses, contributions paid to outside agencies, Land & Property Programme and expenditure incurred on the upkeep of hostels and capital expenditure on IT.

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;
- Supervision and Management Costs - this includes salary costs (which includes commissioned services Income and Expenditure charged between Landlord Services and Regional Services, travel & subsistence, Office expenses and IT programme costs for Regional Services).
- 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;
- Land & Property Programme - this programme funds the acquisition of privately owned houses in designated inner-city areas (Urban Regeneration Areas) to allow major development schemes to proceed;
- 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;
- 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.
- Landlord & Regional Asset/Liability Split - Information on Capital and Revenue spend is provided to the Board monthly. No information is provided regularly to the Board, in respect of assets and liabilities, for Landlord Services and Regional Services. This information is therefore not disclosed in Note 3 separately.

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	2016			2015		
	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	-	90,895	90,895	-	102,646	102,646
Dwelling Related Costs	12,516	138,991	151,507	4,989	145,179	150,168
Supervision and Management Costs	-	65,269	65,269	-	62,126	62,126
Corporation Tax	-	12,000	12,000	-	5,105	5,105
Other	3,002	7,786	10,788	3,680	7,593	11,273
	15,518	314,941	330,459	8,669	322,649	331,318
Less Rental & Miscellaneous income	-	(309,713)	(309,713)	-	(296,448)	(296,448)
Less Capital Receipts	(14,304)	-	(14,304)	(14,945)	-	(14,945)
Total Expenditure	1,214	5,228	6,442	(6,276)	26,201	19,925
REGIONAL SERVICES						
Total Net expenditure reported for Operating Segments:						
Supporting People	-	73,019	73,019	-	72,067	72,067
Supervision and Management Costs	-	52,766	52,766	1,070	54,553	55,623
Private Sector Grants, and Energy Efficiency	27,130	-	27,130	29,575	-	29,575
Land & Property Programme	1,118	-	1,118	7,484	-	7,484
Misc Public/Private Programme	-	14,450	14,450	-	13,189	13,189
Social Housing Development Programme	98,541	-	98,541	146,089	-	146,089
Other	834	3,894	4,728	1,628	(479)	1,149
	127,623	144,129	271,752	185,846	139,330	325,176
Less Rental & Miscellaneous income	(1,773)	(4,672)	(6,445)	(2,123)	(4,952)	(7,075)
Total Expenditure	125,850	139,457	265,307	183,723	134,378	318,101

The table above reflects information provided on outturn against budget to the Board monthly. A reconciliation is provided overleaf to reconcile the outturn to the Financial Statements.

Notes to the Accounts

Note

3(a) Analysis of Net Expenditure by Segment (continued)

Reconciliation to Statutory Accounts

Total Net expenditure reported for Operating Segments:

	2016	2015
	£'000	£'000 Restated
Landlord Services	6,442	19,925
Regional Services	265,307	318,101
	271,749	338,026

Adjustments in the Budgeted Outturn and not in the Statement of Comprehensive Net Expenditure:

Travellers Sites Additions	-	(501)
Redevelopment Land Additions	(1,011)	(1,975)
Transfer of Operational Housing Stock to Non-Operational Redevelopment	-	(55)
Transfer of Redevelopment Land to Operational Land	640	486
Operational Assets Additions	(10,567)	(8,668)
Receipts (net of expenses) for Sale of Land & Property	14,304	14,945
Loans Principal Repayments	(56,991)	(63,060)
	(53,625)	(58,828)

Adjustments in the Statement of Comprehensive Net Expenditure and not through Budgeted Outturn for Landlord Services:

Depreciation, Amortisation, Write Offs & Write Down	33,518	33,644
Provision for Liability and Charges movement	(413)	(6,885)
Corporation Tax Movement	(6,239)	-
IAS 19 Pension Adjustment	3,503	4,499
Other adjustments	388	(913)
	30,757	30,345

Statement of Comprehensive Net Expenditure

	248,881	309,543
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The presentation of the operating segments note has been revised for 2015/16. As a result, 2014/15 comparators have been restated in line with the revised presentation.

Notes to the Accounts

Note

	2016			2015	
	Permanent Staff £'000	Others £'000	Board Members £'000	Total £'000	Total £'000
4 Staff numbers and related costs					
(a) Staff costs comprise					
Wages and Salaries	66,921	1,352	109	68,382	70,609
Social Security Costs	4,654	85	6	4,745	4,795
Seconded-in Staff	-	231	-	231	245
Agency Costs	-	11,534	-	11,534	10,908
Total Staff costs excluding Pension Costs	<u>71,575</u>	<u>13,202</u>	<u>115</u>	<u>84,892</u>	<u>86,557</u>
Other Pension Costs				15,234	16,759
				<u>100,126</u>	<u>103,316</u>

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.

	2016	2015
	£'000	£'000
Wages and Salaries	292	287
Social Security Costs	23	20
Other Pension Costs	60	57
	<u>375</u>	<u>364</u>

Others above include costs of staff seconded from other Public Sector Bodies and amount to £231k. In addition, staff employed by recruitment agencies amounted to £11,534k. Further details on the staff costs can be found in the Staff Report within the Remuneration and Staff Report.

Notes to the Accounts

Note

		2016	2015
Note		£'000	£'000
5 Other Expenditures			
Direct Employees Costs		731	887
Transport Related Costs		2,770	2,673
Premises Related Costs		8,140	8,019
Supplies, Services, Write - Offs & Other Costs		19,379	17,623
External Audit - Auditor's Remuneration	(a)	165	165
- Other Services		-	25
Bank Charges		278	268
Dwelling Related Costs	(b)	144,630	144,923
Public Sector Expenditure		1,559	1,115
Rates Relief Expenditure		2,777	2,555
Lone Pensioner Allowance (LPA)		178	151
Private Sector Expenditure	(c)	14,014	13,152
Private Sector Grants	(d)	28,928	34,015
Rates paid on Housing Stock		36,891	36,141
Supporting People		72,868	71,967
Public Liability Charges		1,372	662
Social Housing Development Programme	(e)	98,541	96,089
Co-ownership	(f)	-	50,000
Impairment	(g)	1,011	1,990
Restructuring Costs		7,432	7,403
		<u>441,664</u>	<u>489,823</u>
Less:			
Recharges - salaries & overheads of Housing Executive staff providing professional services in the delivery of its core business.	(h)	(15,270)	(16,658)
		<u>426,394</u>	<u>473,165</u>

Notes to the Accounts

Note

5 Other Expenditures (Continued)

(a) There were no other services provided by External Audit during 2015/16. For 2014/15, £16.7k related to the National Fraud Initiative and £8.6k related to a review of an internal apportionment exercise used to allocate Supervision and Management Charges between Landlord Services and Regional Services.

(b) The major element of Dwelling Related Costs is the maintenance of the Housing Executive's housing stock including grounds and general maintenance costs. For 2015/16, £100.1m was spent on a planned maintenance programme and £44.5m was spent on response maintenance.

(c) Private Sector Expenditure is analysed as follows:	£'000
Special Purchase of Evacuated Dwellings (SPED)	2,522
Allowance for loss in Fair Value on SPED	(610)
Homelessness	9,006
Asylum Seekers	2,523
Other	573
	<u>14,014</u>

SPED costs include £722k which relate to loss on sale of SPED stock sold during the 2015/16 year.

(d) This includes Affordable Warmth Grants of £11,556k, Disabled Facilities Grants of £9,322K, Boiler Replacement Grants of £3,523k, Other Grants of £2,768K and Group Repairs of £74k. There are also administration costs included in this category for the running of these schemes which have not been separately disclosed.

(e) Social Housing Development Programme includes payments to Housing Associations for the following functions:	£'000
New Build	83,027
Advance Land Purchase Grant	9,979
Voluntary Purchase Grant	501
Small Adaptations Grant	2,004
Together: Building a United Community	3,030
Recoupment of SHDP grant	(1,306)
Grant recouped and paid to Department	1,306
	<u>98,541</u>

(f) The NI Co-ownership scheme was introduced as a pilot in the year ended 31 March 2015 but a decision was made during 2014/15 that responsibility reverted to the Department from 1 April 2015. There is therefore no expenditure recorded for 2015/16.

(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	13,731
Rates Relief and Lone Pensioner Allowance	905
Other Programme Cost delivery	634
	<u>15,270</u>

(i) The total EU Income included in Note 8 is (£13k) for 2015/16. 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

6 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:

	2016 £'000	2015 £'000
Housing Benefit - Public and Private	680,290	671,036
Housing Benefit - Overpayment recoveries	(14,579)	(15,240)
Net Funding from the Department	665,711	655,796
Transfer of Housing Benefit overpayment movement to overpayment debtor account	(2,564)	(996)
Increase/(Decrease) in HB Overpayment Provision	1,933	433
Total Housing Benefit Costs/Income	665,080	655,233

7 Financing Charges

	2016 £'000	2015 £'000
Loan Interest Charges	33,903	39,586
Finance Charges on Service Concession Arrangements	43	43
	33,946	39,629

8 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.

	2016 £'000	2015 £'000
Rental Income		
Dwellings and Garages	303,211	289,886
Redevelopment	30	63
Commercial Properties	2,226	2,069
Lands	33	6
Travellers, Hostels and Requisitioned Properties	667	684
Miscellaneous	273	266
	306,440	292,974
Less: Abatements		
Dwellings and Garages	(992)	(964)
Commercial Properties	(143)	(43)
	(1,135)	(1,007)
Less: Voids		
Dwellings and Garages	(3,492)	(3,621)
Redevelopment	(1)	32
Commercial Properties	(161)	(227)
Hostels	(177)	(179)
Traveller Sites	(9)	(11)
	(3,840)	(4,006)
Total Rental Income (C/Fwd)	301,465	287,961

Notes to the Accounts
Note

		2016	2015
8	Note	£'000	£'000
Income (Continued)			
Total Rental Income (B/Fwd)		301,465	287,961
EU Income		(13)	3,043
Other Operating Income			
Income from Housing Associations		1,080	469
Revenue grants		119	171
Capital Grant		-	90
Rates Income from Housing Stock	26	36,832	36,086
Income from Land & Property Services:			
Rates Collection		3,968	3,989
Rates Relief Income	26	2,777	2,555
Lone Pensioner Allowance	26	178	151
Income from Other Bodies		-	-
Legal Expenses Recovered		267	290
Other Recoverable Charges		179	138
Ground Rents Receivable		77	79
HMO Multiple Occupancy - Registration Fees		426	547
Group Repairs Income		13	32
SPED Income		1,793	2,154
Income from Hostels		1,588	1,754
Income for Asylum Seekers		2,917	2,718
Income from sold flats		428	1,071
Income from Service Enhancement Fund		147	171
Income recoverable on maintenance contracts		27	19
Miscellaneous Income		21	27
		<u>52,837</u>	<u>52,511</u>
Total Income (excluding Housing Benefit Income)		354,289	343,515

Notes to the Accounts

Note

9 Taxation

(a) Taxation charge in the year

Analysis of charge in the year (estimate)

Current tax:

	2016	2015
	£'000	£'000
UK Corporation tax on taxable income for the current year	11,303	10,148
Adjustments to the tax charge in respect of previous periods	(5,546)	(10,513)
Interest and penalties	20	10
	<u>5,777</u>	<u>(355)</u>

The Housing Executive is currently in discussions with HM Revenue and Customs regarding submission of the Corporation Tax returns for the periods from 2009/10 to 2014/15 and has prepared calculations in the 2015/16 Annual Accounts based on tradable activities.

Tradable activities, which are subject to Corporation Tax, include Rental Income, Disposal of Capital Assets and Interest Receivable.

(b) Factors affecting the tax charge

	2016	2015
	£'000	£'000
Interest Receivable - current year	295	425
Chargeable/Net Rental Income	56,222	47,897
Chargeable Gains	-	-
	<u>56,517</u>	<u>48,322</u>

Net Expenditure before taxation multiplied by the effective rate of Corporation Tax in the UK for the current year of approx. 20% (2015: 21%)

Adjustments to the tax charge in respect of previous periods	(5,546)	(10,513)
Interest and penalties	20	10
Current tax charge	<u>5,777</u>	<u>(355)</u>

A Corporation Tax charge of £5.8 million has been recognised in the accounts (see note 9a above for calculation). There is also an outstanding liability at the year end of £3.2 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 2016 and for previous financial years.

Notes to the Accounts

Note

10

(a) Property, Plant and Equipment

Operational

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 Adaptations 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		
Impairment		
At 31 March 2016	-	-

Carrying amount at 31 March 2015

2,048,457	32,073
-----------	--------

Carrying amount at 31 March 2016

2,100,407	36,865
-----------	--------

Asset financing:

Owned

2,100,407	36,865
-----------	--------

Finance Leased

-	-
---	---

On-balance sheet Service Concession contracts

-	-
---	---

Carrying amount at 31 March 2016

2,100,407	36,865
-----------	--------

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 and Equipment continued

Operational continued

Cost or Valuation

At 31 March 2014

	Housing Stock £'000	Land £'000
	2,025,056	30,851
Additions	5,046	118
Reclassification Uplift		1,083
Disposals	(10,208)	(2,552)
Demolitions	(180)	
Write off Adaptations to Leased Offices		
Transfer from Housing Stock		
Transfer to Housing Stock	761	
Transfer from Non-Operational Assets		486
Transfer to Non-Operational Assets	(55)	
Transfer to Non Current Assets Held for Sale	(2,960)	(227)
Transfer from Non Current Assets Held for Sale	453	140
Impairment	(69)	
Write down in valuation		(105)
Revaluation Adjustments	30,544	2,279
At 31 March 2015	2,048,457	32,073

Depreciation

At 31 March 2014

	-	-
Charged in year	(28,633)	
Written back on Revaluation	28,633	
Backlog Depreciation		
Disposals		
Depreciation on transfer to Non Operational Assets		
Impairment		

At 31 March 2015

Carrying amount at 31 March 2014

2,025,056	30,851
-----------	--------

Carrying amount at 31 March 2015

2,048,457	32,073
-----------	--------

Asset financing:

Owned

2,048,457	32,073
-----------	--------

Finance Leased

-	-
---	---

On-balance sheet Service Concession contracts

-	-
---	---

Carrying amount at 31 March 2015

2,048,457	32,073
-----------	--------

Commercial Property £'000	Office Premises £'000	Hostels £'000	Travellers Sites £'000	Other Assets £'000	Total £'000
10,826	24,408	15,834	2,882	22,596	2,132,453
88	342	-	501	2,402	8,497
					1,083
				(120)	(12,880)
	(272)				(180)
					(272)
		(761)			-
					-
(30)	(19)		(25)		486
					(129)
					(3,187)
(69)					593
					(69)
					(105)
5,700	8,309	(363)	(428)	67	46,108
16,515	32,768	14,710	2,930	24,945	2,172,398
(1,002)	(2,098)	(1,543)	(237)	(18,848)	(23,728)
(232)	(514)	(347)	(65)	(1,702)	(31,493)
1,227	2,609	1,890	302		34,661
				(31)	(31)
				120	120
	3				3
7					7
-	-	-	-	(20,461)	(20,461)
9,824	22,310	14,291	2,645	3,748	2,108,725
16,515	32,768	14,710	2,930	4,484	2,151,937
16,515	32,768	14,710	2,930	1,043	2,148,496
-	-	-	-	-	-
-	-	-	-	3,441	3,441
16,515	32,768	14,710	2,930	4,484	2,151,937

Notes to the Accounts

Note 10

(a) Property, Plant and 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 2016 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 £3.3m 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 2016.

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 £320k 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 and Equipment (continued)

Other Assets

Other Assets includes Motor Vehicles, Plant and Machinery, Estate Management Equipment, Furniture, Equipment and Fittings and Computer Equipment which have been revalued by reference to appropriate Treasury approved indices.

Asset Net Book Value (NBV)	At 31 March 2016	At 31 March 2015
	£'000	£'000
Motor Vehicles	1,566	692
Plant and Machinery	115	83
Estate Management Equipment	171	219
Office Furniture	5	8
Office Equipment	-	-
Hostels Furniture and Fittings	-	-
Computer Hardware	3,054	3,482
	<u>4,911</u>	<u>4,484</u>

Depreciation, Amortisation, Write Offs and Write downs charged to the Statement of Comprehensive Net Expenditure consisted of the following:

	At 31 March 2016	At 31 March 2015
	£'000	£'000
Depreciation - less Backlog Depreciation	33,126	31,524
Amortisation - IT Software	758	600
Revaluation Adjustments - Other Assets	(180)	(104)
Revaluation Adjustments - Land	20	105
Writedown in Assets Held for Sale	139	58
Losses on Sale of Surplus Land	339	293
(Profit)/Loss on Sale of Housing Stock	(3,877)	(2,419)
(Profit)/Loss on Sale of Other Assets	(4)	(13)
Losses on Demolished Property	517	180
Write off Adaptations to Leased Offices	128	272
Loss on Disposal - Housing Association	2,634	3,645
	<u>33,600</u>	<u>34,141</u>

Notes to the Accounts

Note

10 (b) Property, Plant and Equipment (continued)

Non Operational Assets	Redevelopment	Commercial		Travellers	Total
	Land	Properties	Offices	Sites	
	£'000	£'000	£'000	£'000	£'000
At 1 April 2014	1,025	12	199	-	1,236
Expenditure in year	1,975	-	-	-	1,975
Transfer of Property (to)/from Operational Assets	(431)	30	16	25	(360)
Disposals	-	(5)	-	-	(5)
Revaluation Adjustment	-	(22)	75	7	60
Impairment	(1,929)	-	-	-	(1,929)
At 31 March 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

Non Operational Assets comprises Redevelopment Land, Commercial Properties, Offices and Travellers Sites.

The reduction of £1.0 million write down in the value of Redevelopment Land results from the land acquisition and development costs greatly exceeding their brownfield site value. All residual Redevelopment Land sites were converted to brownfield sites and transferred to operational land during 2015/16.

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 Depreciation, 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 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

Cost or valuation

At 31 March 2015

Additions

Reclassification Uplift

Disposals

Revaluation Adjustments

At 31 March 2016

Amortisation

At 31 March 2015

Charged in year

Backlog Amortisation

Disposals

At 31 March 2016

Carrying amount at 31 March 2015

Carrying amount at 31 March 2016

Asset Financing:

Owned

On-balance sheet Service Concession contracts

Carrying amount at 31 March 2016

Cost or valuation

At 1 April 2014

Additions

Reclassification Uplift

Disposals

Revaluation Adjustments

At 31 March 2015

Amortisation

At 1 April 2014

Charged in year

Backlog Amortisation

Disposals

At 31 March 2015

Carrying amount at 31 March 2014

Carrying amount at 31 March 2015

Asset Financing:

Owned

On-balance sheet Service Concession contracts

Carrying amount at 31 March 2015

	IT Software £'000	Total £'000
	14,790	14,790
	866	866
	-	-
	-	-
	76	76
	<u>15,732</u>	<u>15,732</u>
	(12,677)	(12,677)
	(715)	(715)
	(43)	(43)
	-	-
	<u>(13,435)</u>	<u>(13,435)</u>
	<u>2,113</u>	<u>2,113</u>
	<u>2,297</u>	<u>2,297</u>
	43	43
	2,254	2,254
	<u>2,297</u>	<u>2,297</u>
	14,065	14,065
	685	685
	-	-
	-	-
	40	40
	<u>14,790</u>	<u>14,790</u>
	(12,077)	(12,077)
	(579)	(579)
	(21)	(21)
	-	-
	<u>(12,677)</u>	<u>(12,677)</u>
	<u>1,989</u>	<u>1,989</u>
	<u>2,113</u>	<u>2,113</u>
	121	121
	1,992	1,992
	<u>2,113</u>	<u>2,113</u>

Notes to the Accounts

Note

11 Assets classified as held for sale

	Land £'000	Housing Stock £'000	Total £'000
At 1 April 2015	730	2,960	3,690
Transfer from Operational Assets	451	3,482	3,933
Transfer to Operational Assets	(130)	(455)	(585)
Disposals	(390)	(2,505)	(2,895)
Revaluation Decrease	(139)	-	(139)
At 31 March 2016	522	3,482	4,004

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 £139k, 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.

£3.5m of Housing Stock which has been reclassified as held for sale is based on sales proceeds in the period April and estimated sales in May and June 2016.

12 Inventories

	2016 £'000	2015 £'000
Consumable Stores	635	726
Work in Progress - Housing Associations	-	804
SPED (Net of the Allowances at Note 14)	908	2,541
Total	1,543	4,071

13 Trade and Other Receivables

Amounts falling due within one year:

	2016 £'000	2015 £'000
Trade Receivables (Net of the Allowances at Note 14)	28,132	25,093
Other receivables	664	586
VAT	3,089	6,874
Prepayments and accrued income	22,386	24,248
	54,271	56,801

Amounts falling due after more than one year:

Trade Receivables (Net of the Allowances at Note 14)	14,761	14,653
Prepayments and accrued income	-	1,500
	14,761	16,153
Total	69,032	72,954

Notes to the Accounts

Note

14 Allowances for Trade receivables and Losses

	Tenants Debt £'000	Housing Benefit Over-payments £'000	Other Debts £'000	SPED* £'000	Total £'000
Opening Balance					
At 1 April 2014	8,605	15,853	957	1,480	26,895
Movement in allowance in year	(435)	403	(81)	(633)	(746)
Movement in long term debt discount	(10)	30	1	-	21
At 31 March 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

* *Special Purchase of Evacuated Dwellings*

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 and Cash Equivalents

	2016 £'000	2015 £'000
Balance at 1 April	101,940	155,327
Net Change in Cash and Cash Equivalent Balances	(6,762)	(53,387)
Balance at 31 March	95,178	101,940
The following balances at 31 March 2016 were held at:		
Commercial Banks and Cash in Hand	8	101,940
Short Term Investments	95,170	-
Balance at 31 March	95,178	101,940

16 Trade and Other Payables

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Bank Overdraft	(20,447)	-
Trade Payables	(3,277)	(3,578)
Taxation and social security	(1,375)	(1,471)
Corporation tax payable	(3,172)	(9,395)
Commitment under Service Concession arrangement	-	(91)
Other Payables	(9,806)	(15,711)
Accruals and deferred income	(173,376)	(193,191)
Loan Repayments	(51,685)	(56,991)
	(263,138)	(280,428)
Amounts falling due after more than one year:		
Other Payables	(11,578)	(11,347)
Accruals and deferred income	-	(2,088)
	(11,578)	(13,435)
Total	(274,716)	(293,863)

Notes to the Accounts

Note

17 Commitments under Service Concession Arrangement

Not later than one year
 Later than one year and not later than five years
 Later than five years

2016	2015
£'000	£'000
(5,521)	(2,440)
(6,862)	-
-	-
<u>(12,383)</u>	<u>(2,440)</u>

18 Loans Outstanding

Loans from the Government Loans Fund and Former Local Authorities maturing:

Later than one year and not later than five years
 Later than five years

Total

2016	2015
£'000	£'000
(143,136)	(167,865)
(158,147)	(185,102)
<u>(301,283)</u>	<u>(352,967)</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 and Personnel (the Department of Finance from 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:

Obligations under operating leases comprise:

Property

Not later than one year
 Later than one year and not later than five years
 Later than five years

2016	2015
£'000	£'000
1,571	1,629
2,215	3,407
615	965
<u>4,401</u>	<u>6,001</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	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Financial Assets at fair value through profit or loss	-	-	-	-
Held to Maturity Investments	-	-	-	-
Loans and Receivables	14,761	14,653	127,063	134,486
Available for sale financial assets	-	-	-	-
Total Investments	14,761	14,653	127,063	134,486
Financial Liabilities at fair value through profit or loss	-	-	-	-
Financial Liabilities measured at amortised cost	312,860	366,403	263,138	280,428
Total Borrowings	312,860	366,403	263,138	280,428

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 2016 in relation to financial instruments are made up as follows:

	Liabilities measured at fair value through profit or loss £'000	Liabilities measured at amortised cost £'000
Financial Liabilities		
Interest Expense	-	33,946
Losses on derecognition	-	-
Impairment Loss	-	-
Interest payable and similar charges	-	33,946
Interest Income	-	-
Gains on derecognition	-	-
Interest and Investment Income	-	-

Notes to the Accounts

Note

20 Financial Instruments (continued)

	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
Financial Assets				
Interest Expense	-	-	-	-
Losses on derecognition	-	-	-	-
Impairment Loss	-	-	2,263	-
Interest payable and similar changes	-	-	2,263	-
Interest Income	-	-	295	-
Gains on derecognition	-	-	-	-
Reversal of impairment loss	-	-	-	-
Interest and other income and gains	-	-	295	-

(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:

	2016		2015	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Liabilities				
Consolidated Loans Fund	342,780	510,360	397,510	587,414
Non Consolidated Loans Fund	10,187	15,168	12,449	18,396
Total Debt	352,967	525,528	409,959	605,810
Loans and receivables				
Long term Debtors	16,610	14,761	17,233	16,153
Total Investments	16,610	14,761	17,233	16,153

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 2016 for the Government Loans Funds is £478m (2015: £552m), and the estimated fair value of Local Authority Loans is £12m (2015: £15m).

Notes to the Accounts

Note

21 Provision for Liabilities and Charges

2015/16

Opening Balance -

At 31 March 2015

Provided in the year

Provisions not required written back

Provisions utilised in the year

At 31 March 2016

	Redevelopment Area Purchases £'000	Home Loss & Disturbance Payments £'000
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)

2014/15

Opening Balance -

At 31 March 2014

Provided in the year

Provisions not required written back

Provisions utilised in the year

At 31 March 2015

	Redevelopment Area Purchases £'000	Home Loss & Disturbance Payments £'000
At 31 March 2014	(6,172)	(571)
Provided in the year	(1,100)	(111)
Provisions not required written back	1,073	11
Provisions utilised in the year	5,696	291
At 31 March 2015	(503)	(380)
Amount due for settlement:		
Within 12 months	(468)	(380)
After 12 months	(35)	-
At 31 March 2015	(503)	(380)

- (a) An amount of £202k 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 £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.
- (b) An amount of £200k has been provided for 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 £115k has been provided for in respect of 3 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	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)

Contractual Claims £'000	Public Liability Claims £'000	Managing Asbestos £'000	Supporting People £'000	Corporation Tax £'000	Total £'000
(1,066)	(2,533)	(4,394)	(250)	(5,500)	(20,486)
(37)	(939)	(1,912)	(322)	-	(4,421)
195	-	-	165	5,500	6,944
352	1,641	2,449	257	-	10,686
(556)	(1,831)	(3,857)	(150)	-	(7,277)
(506)	(813)	(3,857)	(150)	-	(6,174)
(50)	(1,018)	-	-	-	(1,103)
(556)	(1,831)	(3,857)	(150)	-	(7,277)

(e) The Housing Executive has undertaken to survey all its housing stock to identify the presence of asbestos and the risk it presents. The costs of surveying and managing asbestos in the remaining dwellings to be surveyed have been estimated at £7.0m (2014/15 - £9.0m).

£3.2m has been accounted for as an accrual and is expected to be paid out during 2016/17. This includes costs for 24,981 dwellings previously surveyed now requiring full resurvey to meet current Health and Safety Executive regulations.

A provision of £1.7m has been accounted for in respect of properties which were due routine resurveys by 31 March 2016 as required under Health & Safety Regulations. The remaining provision covers 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 2015/16 year.

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 last formal actuarial valuation of the fund was carried out as at 31 March 2013, with the next formal valuation due at 31 March 2016. The results from this valuation will be first used in the 2016/17 Annual Report. The results from the year end 31 March 2013 formal valuation were released during the 2013/14 financial year. In calculating the Housing Executive's assets and liabilities the appointed actuaries have rolled forward the values calculated at the latest valuation (March 2013). 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 2016	31 March 2015
Rate of Inflation (RPI)	2.90%	2.90%
Rate of Inflation (CPI)	1.90%	1.90%
Rate of Increase in Salaries	3.40%	3.40%
Rate of Increase in Pensions	1.90%	1.90%
Discount Rate	3.60%	3.30%

Notes to the Accounts

Note

22 (a) Pensions continued

Breakdown of Life Expectancies

Life expectancy for mortality tables used to determine benefit obligations at:	31 March 2016	31 March 2015
Male member aged 65 (current life expectancy)	22.2	22.1
Female member aged 65 (current life expectancy)	24.8	24.7
Male member aged 45 (life expectancy at age 65)	24.4	24.3
Female member aged 45 (life expectancy at age 65)	27.1	27.0

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 110% SAPS S1 (Year of Birth) with medium cohort mortality improvement, and a minimum improvement 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 2013. 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	878,862	915,614	885,054	910,281	899,383
Assets	820,697	820,697	820,697	820,697	820,697
Total Scheme shortfall	58,165	94,917	64,357	89,584	78,686
Funding Level	93%	90%	93%	90%	91%
Increase in Liabilities	-	36,752	6,192	31,419	20,521

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	Assets at
	31 March 2016	31 March 2015
	£'000	£'000
Equities	616,945	596,638
Bonds	99,192	95,927
Property	64,905	62,769
Cash	39,655	38,350
	820,697	793,684

The above asset values as at 31 March 2016 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 March 2016	31 March 2015
	£'000	£'000
Fair Value of Employer Assets	820,697	793,684
Present value of Funded Liabilities	(866,499)	(888,752)
Net Underfunding in Funded Plans	(45,802)	(95,068)
Present value of Unfunded Liabilities	(12,363)	(13,489)
Unrecognised Actuarial (Gain)/Loss	-	-
Unrecognised Transition (Asset)/Liability	-	-
Net Liability	(58,165)	(108,557)
Amounts in the Statement of Financial Position		
Liabilities	(58,165)	(108,557)
Assets	-	-
Net Asset / (Liability)	(58,165)	(108,557)
Funding Level	93%	

Notes to the Accounts

Note

22 Pensions (continued)

(d) Notes to the Statement of Comprehensive Net Expenditure

Amount Charged to Employee Costs	Year End 31 March 2016		Year End 31 March 2015	
	£'000	% of Payroll	£'000	% of Payroll
Current Service Cost	(15,852)	(24.5%)	(13,822)	(21.4%)
Administration Expenses	(194)	(0.3%)	(193)	(0.3%)
Insurance premiums for risk benefits	(1,294)	(2.0%)	(1,289)	(2.0%)
Past Service Cost	-	-	-	-
Curtailment and Settlements	(1,793)	(2.8%)	(1,848)	(2.9%)
Decrease in Irrecoverable Surplus	-	-	-	-
Total Operating Charge (A)	(19,133)	(29.6%)	(17,152)	(26.6%)

Amount (Debited)/Credited to Other Financing costs	Year End 31 March 2016		Year End 31 March 2015	
	£'000	% of Payroll	£'000	% of Payroll
Interest Income on Scheme Assets	26,102	40.3%	30,888	47.9%
Interest on Pension Scheme Liabilities	(29,724)	(45.9%)	(34,475)	(53.5%)
Net Return (B)	(3,622)	(5.6%)	(3,587)	(5.6%)
Net Revenue Account Cost (A) - (B)	(22,755)	(35.2%)	(20,739)	(32.2%)

Notes to the Statement of Changes in Taxpayers Equity

	31 Mar 2016	31 Mar 2015
	£'000	£'000
Actuarial Gains/(Losses) on Plan Assets	5,374	64,286
Actuarial Gains/(Losses) on Obligation	50,106	(85,819)
Actuarial (Loss)/Gain Recognised in Statement of Changes in Taxpayers Equity	55,480	(21,533)

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	Year End
	31 March 2016	31 March 2015
	£'000	£'000
Opening Defined Benefit Obligation	(902,241)	(786,977)
Current Service Cost	(15,852)	(13,822)
Past Service Cost		
Interest Expense	(29,724)	(34,475)
Members Contributions	(4,167)	(4,128)
Unfunded Benefits Paid by Employer	982	1,005
Benefit Payments from Plan	23,827	23,823
Plan Curtailment	(1,793)	(1,848)
<i>Actuarial movements:</i>		
Effect of change in financial assumptions	50,106	(85,819)
Closing Defined Benefit Obligation	(878,862)	(902,241)

The attributable movement in the scheme assets during the period was as follows:

Reconciliation of Fair Value of Employer Assets	Year End	Year End
	31 March 2016	31 March 2015
	£'000	£'000
Opening Fair Value of Employer Assets	793,684	706,489
Employer Contributions	16,685	13,198
Members Contributions	4,167	4,128
Interest Income	26,102	30,888
Contributions in respect of Unfunded Benefits	982	1,005
Unfunded Benefits Paid	(982)	(1,005)
Benefits Paid from Plan	(23,827)	(23,823)
Settlement Payments	(194)	(193)
Taxes paid from plan assets	(1,294)	(1,289)
<i>Actuarial movements:</i>		
Return on Plan Assets	5,374	64,286
Closing Fair Value of Employer Assets	820,697	793,684
Net Pension Liability	(58,165)	(108,557)

The liabilities show the underlying commitment that the Housing Executive has in the long term to pay retirement benefits. The total pension liability is £879m (2015: £902m) and results in a net overall deficit balance of £58m (2015: £109m) 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 2015/16 (2014/15 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 2016	31 March 2015	31 March 2014	31 March 2013	31 March 2012	31 March 2011
	£'000	£'000	£'000	£'000	£'000	£'000
Fair Value of Employer Assets	820,697	793,684	706,489	715,113	612,856	608,519
Present Value of Defined Benefit Liability	(878,862)	(902,241)	(786,977)	(832,203)	(695,285)	(684,561)
(Deficit)/Surplus	(58,165)	(108,557)	(80,488)	(117,090)	(82,429)	(76,042)
Experience Losses/(Gains) on Assets	5,374	64,286	26,207	66,637	(37,215)	20,862
Experience (Losses)/Gains on Liabilities	-	-	-	-	-	(85,576)
Actuarial Gains/(Losses) on Employer Assets	5,374	64,286	26,207	66,660	(37,205)	20,947
Actuarial (Losses)/Gains on Obligation	50,106	(85,819)	11,824	(108,345)	24,108	138,226
Rebalancing due to Valuation	-	-	4,999	-	-	24,799
Actuarial (Losses)/Gains recognised in Statement of changes in Taxpayers' Equity	55,480	(21,533)	43,030	(41,685)	(13,097)	183,972

Notes to the Accounts

Note

23 Notes to the Statement of Cash Flows

	2016	2015
	£'000	£'000
(a) Reconciliation of Net Expenditure before interest to Operating Cash Flows		
Net Expenditure before Interest	(205,831)	(267,107)
Taxation paid	(12,000)	(1,750)
Depreciation of Property, Plant & Equipment	33,126	31,524
Amortisation of Software	758	600
Impairment	1,011	1,990
Income from Government Grants - Non Current Assets	-	(90)
Decrease in Inventories	2,529	760
Decrease/(Increase) in Receivables	3,949	(1,851)
(Decrease)/Increase in Payables and Provisions	(20,663)	24,048
(Profit)/Loss on Disposals, Write Offs & Revaluation Movements	(283)	2,019
Net Cash Outflow from Operating Activities	(197,404)	(209,857)
(b) Cashflow from Investing Activities		
Payments to Acquire Non-Current Assets		
Land and Buildings	(6,907)	(5,940)
Other Operational Assets	(1,248)	(724)
IT Hardware and Software	(1,906)	(2,362)
Non Operational Assets	(2,221)	(4,332)
Total Expenditure	(12,282)	(13,358)
Income from Sale of Non-Current Assets and Grants		
House Sales (Inc. Land & Buildings)	14,679	15,220
Plant & Equipment	15	13
Government Grants	-	89
Total Income and Grants	14,694	15,322
Repayment of Loans		
Repayment of Loan Debt	(56,991)	(63,065)
Financing Charges		
Loan Interest charges	(33,941)	(39,630)
Other Financing Charges	(43)	(43)
Total Financing Charges	(33,984)	(39,673)
Interest Receivable	269	425
Net Cash (Outflow) from Investing Activities	(88,294)	(100,349)

Notes to the Accounts

Note

23 Notes to the Statement of Cash Flows continued

(c) Cashflow from Financing Activities

Grant from Sponsoring Department

2016	2015
£'000	£'000
258,490	265,342
<u>258,490</u>	<u>265,342</u>

(d) Analysis of Change in Cash and Cash Equivalents

	At 1 April 2015 £'000	Cash Flows £'000	Other Changes £'000	At 31 March 2016 £'000
Cash at Bank and in Hand	101,939	(6,761)	-	95,178
Overdrafts	-	(20,447)	-	(20,447)
Total	<u>101,939</u>	<u>(27,208)</u>	-	<u>74,731</u>

	At 1 April 2014 £'000	Cash Flows £'000	Other Changes £'000	At 31 March 2015 £'000
Cash at Bank and in Hand	155,326	(53,387)	-	101,939
Overdrafts	(8,523)	8,523	-	-
Total	<u>146,803</u>	<u>(44,864)</u>	-	<u>101,939</u>

(e) Reconciliation of Net Cash Flow to Movement in Cash and Cash Equivalents

Net decrease in Cash & Cash Equivalents in Period
Cash and Cash Equivalents at 1 April 2015
Cash and Cash Equivalents at 31 March 2016

2016	2015
£'000	£'000
(27,208)	(44,864)
101,939	146,803
<u>74,731</u>	<u>101,939</u>

Notes to the Accounts

Note

24 Contingent Liabilities and Assets

Liabilities

At 31 March 2016 public liability claims notified and not processed gave rise to a total estimated potential liability of £10.7m (2015: £7.9m) in respect of 552 claims (2015: 812). Of this balance, £1.5m (2015: £1.8m) has been accounted for as a provision, based on past payments history, and £1.1m (2015: £1.2m) has been accrued as at 31 March 2016. The remaining £8.1m (2015: £4.9m) 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 2016 a provision of £0.2m (2015: £0.3m) has been accounted for in respect of redevelopment land vested and owned by the Housing Executive. A further estimated £0.9m (2015: £1.5m) has not been accounted for in respect of properties where no claims have yet been made by previous owners. A provision of £249k (2015: £194k) 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 £385k (2015: £425k) has not been accounted for where claims have not been received but payment may still be due.

At 31 March 2016 a provision of £115k (2015: £556k) has been accounted for in respect of contractual claims issued against the Housing Executive. A further estimated £1.3m has not been accounted for in respect of additional exposure to contractual claims issued against the Housing Executive. An additional claim has been brought against the Housing Executive which cannot be quantified and for which further details 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 Housing Executive has also received approval from the Department in December 2015 to proceed

with Tranche 3. 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 2016 the Housing Executive has entered into contracts which will incur expenditure of £78.4m (2014/15: £72.3m) in future years. Of this, capital commitments represent £57.5m (2014/15: £40.9m) and revenue commitments represent £20.9m (2014/15: £31.4m). Capital commitments include private sector grant approvals up to 31 March 2016 of £13.3m (2014/15: £8.7m) 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 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 6 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 5. 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 a member of staff who was 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 DFP (Department of Finance from 9 May 2016) (see Note 18). The Housing Executive also made payments to the Strategic Investment Board in respect of staff costs for the previous acting Chief Executive until 21 June 2015. Details can be found in the Remuneration Report. In

addition, £49k (including Benefits In Kind) was paid to the Strategic Investment Board for the period from 22 June 2015 for the previous Acting Chief Executive until her contract ended on 30 September 2015. Further payments of £10.3k for Employers National Insurance Contributions and £2.5k in respect of management fees was also paid to them for the period April to Sept 2015.

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 2015/16 to LPS amounted to £36.9m. An allowance of £4m is received from LPS which resulted in Rates collected during 2015/16 of £40.9m. Notes 5 and 8 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 £178k 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, Energy Efficiency Schemes, and the Cross Schools Project (funded by the Republic of Ireland's Department of Foreign Affairs and Trade's Anti-Sectarianism Fund). During the year ended 31 March 2016, the Housing Executive ceased administration of the Cross Schools Project, and no balance was held in relation to this scheme at the year-end.

The aggregate cash transactions through the separate bank accounts in the year were as follows:

Opening Balance 1 April 2015 £'000	Income £'000	Expenditure £'000	Closing Balance 31 March 2016 £'000
25	-	(13)	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 Social Security Agency through Benefit Reviews, which measure Official Error, Customer Fraud and Customer Error.

The Social Security Agency issued a report titled 'Fraud and Error for Housing Benefit' for the calendar year 1 January 2015 to 31 December 2015. This report highlighted an estimated amount of £19.5m overpaid (customer fraud £14.3m, customer error £1.95m and official error £3.25m) and £4.4m underpaid (customer error £0.75m and official error £3.65m) through fraud and error in Housing Benefit for tenants. This represents approximately 3.5% 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 2015.

29 Events after the Reporting Date

On 23 June, the UK held a Referendum to determine whether the country would remain in or leave the EU. The Housing Executive is currently considering the impact of the majority leave result on its activities. However, it is likely to be some time before the impact, if any, will be known. There have been no other significant events since the year end which would affect these accounts.

30 Authorisation Date

The financial statements were authorised for issue on 30 June 2016 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 2016 - Unaudited

	Landlord 2016 £'000	Regional 2016 £'000	Total 2016 £'000	Landlord 2015 £'000	Regional 2015 £'000	Total 2015 £'000
Income						
Rental Income	301,432	33	301,465	287,928	32	287,960
EU Income	(5)	(8)	(13)	76	2,968	3,044
Other Income	44,340	8,497	52,837	43,885	8,626	52,511
Total Housing Benefit Income	-	665,080	665,080	-	655,233	655,233
Capital Grant Income	1,213	2,634	3,847	1,556	3,701	5,257
Commissioned Services Income	13,291	3,263	16,554	13,035	2,846	15,881
Total Income	360,271	679,499	1,039,770	346,480	673,406	1,019,886
Expenditure						
Staff Costs	68,978	31,148	100,126	71,229	32,087	103,316
Other Expenditures	196,490	229,904	426,394	190,310	282,855	473,165
Total Housing Benefit Costs	-	665,080	665,080	-	655,233	655,233
Depreciation, Amortisation, Write Offs & Write Down	33,517	83	33,600	34,073	68	34,141
Commissioned Services Charge	3,263	13,291	16,554	2,846	13,035	15,881
Capital Grant Charge	-	573	573	-	1,070	1,070
Capital Grant in Kind	-	3,274	3,274	55	4,132	4,187
Total Expenditure	302,248	943,353	1,245,601	298,513	988,480	1,286,993
Net Expenditure before Interest	58,023	(263,854)	(205,831)	47,967	(315,074)	(267,107)
Interest Receivable	217	78	295	238	187	425
Financing Charges	(33,930)	(16)	(33,946)	(39,613)	(16)	(39,629)
Pension Financing Charges	(2,494)	(1,128)	(3,622)	(2,470)	(1,117)	(3,587)
Net Expenditure before taxation	21,816	(264,920)	(243,104)	6,122	(316,020)	(309,898)
Tax on ordinary activities	(5,761)	(16)	(5,777)	394	(39)	355
Net Expenditure after taxation	16,055	(264,936)	(248,881)	6,516	(316,059)	(309,543)

Northern Ireland Housing Executive

Annex: Statement of Financial Position split by service - Unaudited as at 31 March 2016

	Landlord 2016 £'000	Regional 2016 £'000	Total 2016 £'000	Landlord 2015 £'000	Regional 2015 £'000	Total 2015 £'000
Non-current assets						
Property, Plant & Equipment						
- Operational	2,204,798	3,130	2,207,928	2,149,007	2,930	2,151,937
- Non Operational	305	87	392	305	672	977
Intangible Assets	2,297	-	2,297	2,113	-	2,113
Total non-current assets	2,207,400	3,217	2,210,617	2,151,425	3,602	2,155,027
Current Assets						
Assets Classified as Held for Sale	4,004	-	4,004	3,690	-	3,690
Inventories	635	908	1,543	1,530	2,541	4,071
Trade and other receivables	31,442	37,590	69,032	28,653	44,301	72,954
Cash and cash equivalents	95,178	-	95,178	39,915	62,025	101,940
Intercompany balance	24,362	13,337	37,699	28,420	16,834	45,254
Total current assets	155,621	51,835	207,456	102,208	125,701	227,909
Total assets	2,363,021	55,052	2,418,073	2,253,633	129,303	2,382,936
Current Liabilities						
Trade and other payables	(143,746)	(119,392)	(263,138)	(124,006)	(156,422)	(280,428)
Provisions	(4,518)	(402)	(4,920)	(5,369)	(805)	(6,174)
Intercompany balance	(13,337)	(24,362)	(37,699)	(16,834)	(28,420)	(45,254)
Total current liabilities	(161,601)	(144,156)	(305,757)	(146,209)	(185,647)	(331,856)
Net Current Liabilities	(5,980)	(92,321)	(98,301)	(44,001)	(59,946)	(103,947)
Non-current assets less net current liabilities	2,201,420	(89,104)	2,112,316	2,107,424	(56,344)	2,051,080
Non-current liabilities						
Trade and other payables	-	(11,578)	(11,578)	-	(13,435)	(13,435)
Loans Outstanding	(301,283)	-	(301,283)	(352,967)	-	(352,967)
Provisions	(1,026)	(29)	(1,055)	(1,053)	(50)	(1,103)
Pension Liability	(40,046)	(18,119)	(58,165)	(74,741)	(33,816)	(108,557)
Total Non-current liabilities	(342,355)	(29,726)	(372,081)	(428,761)	(47,301)	(476,062)
Assets less Liabilities	1,859,065	(118,830)	1,740,235	1,678,663	(103,645)	1,575,018
Taxpayers' Equity						
Statement of Comprehensive Net Expenditure Reserve	1,202,272	(119,168)	1,083,104	1,104,204	(103,645)	1,000,559
Revaluation Reserve	656,793	338	657,131	574,459	-	574,459
Total Taxpayers' Equity	1,859,065	(118,830)	1,740,235	1,678,663	(103,645)	1,575,018

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 an NDPB¹ and is sponsored by the Department for Communities (formerly Department for Social Development). 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 86,500 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.

Explanation for Qualified Audit Opinions

3. This report reviews the results of my 2015-16 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.

Response and planned maintenance expenditure (Part 1)

4. The Housing Executive spent a total of £144.6 million on maintenance during 2015-16; £44.5 million on response maintenance expenditure and £100.1 million on planned maintenance expenditure. Considerable problems have been identified in the past in relation to the Housing Executive's controls over work done by contractors on its response and planned maintenance programme and I have qualified my

regularity audit opinion in this area for a number of years. Last year I was provided with enough evidence to remove my qualification in the area of general response maintenance expenditure. However my qualification on the element of expenditure relating to heating response maintenance continued. Since then the Housing Executive has made progress in addressing the concerns I highlighted in my 2014-15 report. Consequently this year I am content that I have the necessary evidence to support an unqualified opinion for response maintenance expenditure.

5. However for 2015-16 I have not been provided with sufficient evidence over the controls operating with respect to planned maintenance expenditure. Therefore I have again qualified my regularity audit opinion. Further detail is set out in Part 1 of this Report.

Fraud and error in housing benefit expenditure (Part 2)

6. The Housing Executive spent £680.3 million on housing benefit in 2015-16. The fraud and error within this expenditure has been estimated to be £23.1 million. As these levels continue to be 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.

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 a Non-Departmental Public Body. 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.

Part 1: Response and planned maintenance expenditure

Qualified opinion due to insufficient evidence of controls operating over planned maintenance expenditure

Response Maintenance

Key Points:

- Evidence of action being taken to address concerns highlighted in the 2014-15.
- Sufficient evidence now provided and the qualification on heating response maintenance has been removed for 2015-16.

Background

- 1.1 Response maintenance expenditure relates to the day-to-day repairs and maintenance that has to be carried out on housing stock in response to a specific need, usually initiated by a tenant. In 2015-16 the Housing Executive spent £44.5 million in this area compared to £45.6² million in 2014-15.
- 1.2 For a number of years I qualified my audit opinion due to weaknesses in the controls over response maintenance expenditure. Last year I was provided with evidence of sustained improvement in the inspection results of response maintenance schemes. However a number of whistleblowing allegations raised during the year in heating response maintenance contracts were not fully investigated by the time of my report. Consequently in 2014-15 I removed my qualification with respect to general response maintenance expenditure but continued to qualify heating response maintenance expenditure.

Progress

- 1.3 The favourable inspection results I reported last year have continued for 2015-16. The Housing Executive has completed its investigations on the whistleblower allegations, which include overpayments to contractors and is currently negotiating with contractors to ascertain if any overpaid monies can be recovered.

Conclusion on response maintenance expenditure

- 1.4 I am content that there has been sufficient progress in dealing with the whistleblowing allegations raised last year over the management of heating response maintenance. As results continue to improve I consider that I have sufficient evidence over the controls operating in heating maintenance and have therefore decided, for 2015-16, to remove my audit qualification on heating response maintenance.

Planned Maintenance

Key Points:

- Five of the seventeen general planned maintenance schemes inspected this year have been classified as limited or unacceptable.
- Three planned heating schemes have been inspected and two have been classified as satisfactory and one as unacceptable.
- My audit opinion continues to be qualified due to lack of sufficient evidence.

Background

- 1.5 Planned maintenance expenditure refers to the money spent every year by the Housing Executive to maintain its housing stock and includes general maintenance such as painting {external cyclical maintenance (ECM)}, kitchen replacement, double glazing and heating maintenance. During 2015-16 the Housing Executive spent £100.1 million on such schemes compared to £99.6³ million in 2014-15.
- 1.6 During the audit we examine the Housing Executive's internal controls to ensure that:
- work done by their contractors is properly inspected by maintenance staff;
 - accurate assessments of sums due 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 Housing Executive's Audit and Assurance

2. This is restated from 2014-15.

3. This is restated from 2014-15.

Figure 1: Results for the AAD general planned maintenance scheme inspections in 2015-16

Type of Scheme	Fire Doors	Double glazing	ECM	Kitchens	Other	Total
Classification						
Substantial		1	1			2
Satisfactory	2	2	2	2	2	10
Limited				1	1	2
Unacceptable	1		1		1	3
Total	3	3	4	3	4	17

Source: Housing Executive

Department (AAD)⁴ undertakes. The AAD provides independent assurance to Housing Executive management and the Accounting Officer. It does this by selecting planned maintenance schemes that are seventy-five per cent or more complete. A random sample of 10 per cent of the dwellings in each scheme is then selected 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 AAD.

- 1.7 As part of the inspection process the AAD ensures that:
- the scheme meets the necessary Housing Executive policy and standards;
 - the scheme has been completed in line with specification; and
 - contractor payments are accurate.
- 1.8 The AAD classifies the results of these inspections as providing substantial, satisfactory, limited or unacceptable assurance based on whether it considers the system of governance, risk management and control to be adequate and effective. Reports classified as substantial or satisfactory provide assurance that there is either a robust system or there is some residual risk which needs to be addressed. Reports classified as limited or unacceptable highlight an inadequate or ineffective system of governance⁵.

4. In June 2014 the Audit and Assurance Department was formed following the merger of the Housing Executive's Corporate Assurance Unit and its Internal Audit Unit.

5. Every year the AAD checks that all significant recommendations raised in their reports are implemented.

General planned maintenance schemes inspection results

- 1.9 The results of the 2015-16 inspections are set out in Figure 1. There were 17 inspections this year covering a number of different types of schemes of which five received limited or unacceptable classifications. Reasons for these poor scores include the contractors not complying with specifications, for example, with respect to fire doors, set out by the Housing Executive and lack of documentation on file.
- 1.10 Figure 2 compares the 2015-16 results to the prior year and shows that the percentage of schemes classified as limited or unacceptable is broadly consistent across both years. For both years nearly thirty per cent of the schemes inspected had unsatisfactory results. In my view more work needs to be done by the Housing Executive to ensure controls are operating effectively in this area. Lessons learned from the improvement in management of response maintenance contracts should also be applied to planned maintenance contracts.
- 1.11 Although inspection results can be compared at a high level year on year, each year the AAD selects different types of maintenance schemes for inspection so results on individual inspections are not directly comparable. For example this year the AAD also included, for the first time, an inspection of a grounds maintenance scheme and a review of the system for obtaining Energy Performance Certificates for Housing Executive properties.

Figure 2: Comparison of 2015-16 and 2014-15 AAD general planned maintenance scheme inspection results

Inspection classification	2015/16		2014/15	
	No	%	No	%
Substantial	2	12	1	7.5
Satisfactory	10	59	7	54
Limited	2	12	1	7.5
Unacceptable	3	17	4	31
Total	17		13	

Source: Housing Executive

1.12 As noted above the AAD provides independent assurance that contractors are paid for the work that is actually carried out. In my report accompanying the accounts last year I noted that without full Quantity Surveyor input to its inspections the AAD's inspection reports could not provide a complete picture. I welcome the fact that a Quantity Surveyor has been in post since May 2015 and was able to provide input to thirteen of the seventeen inspections completed this year.

Issues identified in consultant led contracts⁶

1.13 New consultant led planned maintenance contracts started in August 2014 and the AAD inspected six of these schemes in 2015-16. Four of these schemes were classified as satisfactory with the remaining two classified as limited and unacceptable respectively. The latter was an external cyclical maintenance scheme where issues were identified in relation to the standards and quality of workmanship carried out by both the consultant and contractor.

1.14 The Housing Executive told me last year that management checks on the work of the consultants had been in place since the commencement of these contracts. The Housing Executive had however noted inconsistent performance and action was being

taken to ensure performance was both reliable and effective. AAD carried out an internal audit of consultant led planned maintenance which focused on the Housing Executive's review and monitoring of consultants and how contractors were managed. The AAD concluded, that instead of transferring the risk of managing contractors from the Housing Executive to external consultants, the new contracts have added a layer of complexity to the delivery of planned maintenance. Non-compliance and variations in practice include:

- significant control weaknesses over the assessment of quality and financial accuracy;
- inconsistencies and ambiguities within the contract documentation;
- a weakening of the control environment, reducing the Housing Executive's ability to manage the consultant following the removal of three Key Performance Indicators (KPI) after the contract had been awarded; and
- delays in reporting KPI performance to more senior staff and the Housing Executive Board.

1.15 When asked what action was being taken to address these findings the Housing Executive informed me that an action plan has been formulated to address the recommendations identified and this is currently being implemented. I intend to follow this up in my 2016-17 audit.

1.16 The Housing Executive also told me that it was taking action to instigate major changes in relation to how Asset Management activities are controlled and managed:

- a new directorate was established during the year, starting with the appointment of a director of Asset Management and a senior management team, with new programme managers being recently appointed;
- the new Asset Management system has been procured and is at implementation stage;
- a new structure has been designed which will result in considerable changes within programme management; and
- the role of the project manager will become a much more accountable role and there has been/will be a considerable investment in training.

6. The new planned maintenance contracts transfer 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.

Planned heating maintenance inspection results

1.17 The Housing Executive spent £29 million (29 per cent of total planned maintenance expenditure) during 2015-16 on planned heating maintenance. This year three heating installations have been inspected by the AAD's qualified heating engineers with two schemes receiving a satisfactory classification and one an unacceptable classification. This compares to six inspections in the prior year, where five schemes were satisfactory and one unacceptable. As the number of inspections has halved since last year it is difficult to comment on trends. The AAD told me that the improved performance in schemes inspected in 2014-15 led to a reduction in the number of schemes inspected this year allowing for additional inspections to be carried out as noted in paragraph 1.11.

Concerns regarding the approach used for both general and heating planned maintenance scheme inspections and reporting

1.18 I have reviewed a sample of the AAD's work on planned maintenance and am satisfied that it follows their procedures and processes. However I have two key concerns about the methodology being used by the AAD for planned maintenance schemes in 2015-16:

- (i) In 2013-14, following whistleblower allegations and follow up investigations, the AAD commenced a due diligence exercise which identified significant weaknesses in the methodology used in planned maintenance inspections and the reporting of these results. For example schemes with a failure rate of up to 25 per cent were being given a substantial classification. This approach continued to be used for the 2014-15 scheme inspections and to mitigate this weakness the Head of the AAD reviewed the classifications assigned to each scheme inspected. Consequently results for nearly half of the schemes inspected were revised, prompting the classification to be downgraded from substantial to satisfactory. For the second half of 2015-16 this enhanced review was not carried out as the Head of AAD post was filled on a temporary basis; and

- (ii) Despite the new consultant led approach being used in planned maintenance schemes, and the significant change of emphasis in these contracts, the inspection approach continues to be based on the methodology established for the old planned maintenance contracts.

These concerns reduce the assurance I can take from the results of these inspections.

- 1.19 As noted above the AAD due diligence exercise identified weaknesses in the current inspection methodology. Last year the Housing Executive informed me that the AAD were devising a new inspection methodology for 2015-16 onwards which they intended to test robustly before implementation. However this methodology has not yet been introduced. The Housing Executive has indicated that the methodology has been reviewed externally and approval will be sought from the Board in July. It is disappointing, as we reach the end of the first quarter of 2016-17, that the revised approach has not yet been implemented. The assurance I take from these inspection results will continue to be reduced until a new methodology is established which is fit for purpose and proportionate.

Conclusion on both general and heating planned maintenance expenditure

- 1.20 This year the AAD has been able to provide independent assurance over a number of planned maintenance schemes relating to both the old contracts and the new consultant led contracts. The majority of the inspections have had Quantity Surveyor and qualified heating engineer input. However, for a second year nearly thirty per cent of the general planned maintenance schemes inspected by the AAD have had limited or unacceptable classifications. Also one of the three planned heating maintenance schemes has had an unacceptable classification. The Housing Executive needs to do more to address these issues. At this stage, I do not consider that the management of planned maintenance to be at the improved standard that I have noted for response maintenance contracts. Furthermore the inspection methodology which the Housing Executive concluded was flawed in 2014-15 is

still in use. This reduces the extent to which I can rely on the results of the inspections.

- 1.21 The internal audit report by the AAD on consultant led contracts raises a number of significant issues which need to be addressed as a matter of urgency to strengthen the governance arrangements and control environment for these contracts. It is particularly concerning that there have been delays in reporting KPI performance on these contracts to Housing Executive senior management and the Board.
- 1.22 Accordingly in 2015-16 I was unable to obtain sufficient evidence that the Housing Executive's control of this expenditure was adequate to ensure payments were applied for the purposes intended by the Assembly. I have therefore qualified my regularity audit opinion again on planned maintenance expenditure of £100.1 million this year.

Part 2: Fraud and error in Housing Benefit expenditure

Qualified opinion due to estimated levels of fraud and error in housing benefit expenditure

Key Points:

- 2015 had the lowest estimated level of benefit overpayments and underpayments since 2011.
- Overpayments due to official error are however 14 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 and methodology

- 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 for Communities (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 2015-16, the Housing Executive spent £680.3 million (2014-15: £671 million) on housing benefit.

- 2.2 The Department's Standards Assurance Unit (SAU) regularly reviews a sample of ongoing housing benefit claims for evidence of fraud or error throughout the year in order to estimate the level for the year. As the reviews are based on a sample they are subject to statistical uncertainties. My staff examined 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.
- 2.3 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. All overpayments and underpayments made as a result of official error are considered to be irregular. Underpayments due to customer error are not considered irregular.
- 2.4 I accept that the inherent nature of fraud and error in the current complex housing benefit system means that a significant reduction may prove difficult for the Housing Executive to achieve. Nevertheless for a number of years I have qualified my regularity opinion in respect of the estimated level of fraud and error in housing benefit expenditure as I consider it to be material.
- 2.5 The SAU examines housing benefit claims for the following types of fraud and error:
 - Customer fraud arising where customers deliberately seek to mislead the Housing Executive, for example, by under declaring assets or falsely stating their own or their partner's earnings.
 - Customer error relating to situations where customers have made mistakes in claiming benefit which are not judged to have arisen from fraudulent intent, for example, many customers incorrectly believe that reporting changes once to a public body will lead to all government bodies updating their records for that individual.
 - Official error arising when housing benefit is paid incorrectly due to inaction, delay or a mistake by the Housing Executive, for example, incorrectly applying a customer's income.

Results of SAU testing in 2015

2.6 Note 28 to the financial statements (entitled 'Fraud and Error') details the estimated levels of fraud and error based on the SAU's work in 2015⁷. This shows that the total amount of estimated irregular payments in 2015 was £23.1 million comprising:

- overpayments due to customer fraud or error and official error of £19.5 million (2.9 per cent of housing benefit payments); and
- underpayments due to official error of £3.6 million (0.5 per cent of housing benefit payments expenditure).

Estimated Level of Housing Benefit Under and Over Payments Reported from 2011/12 to 2015/16

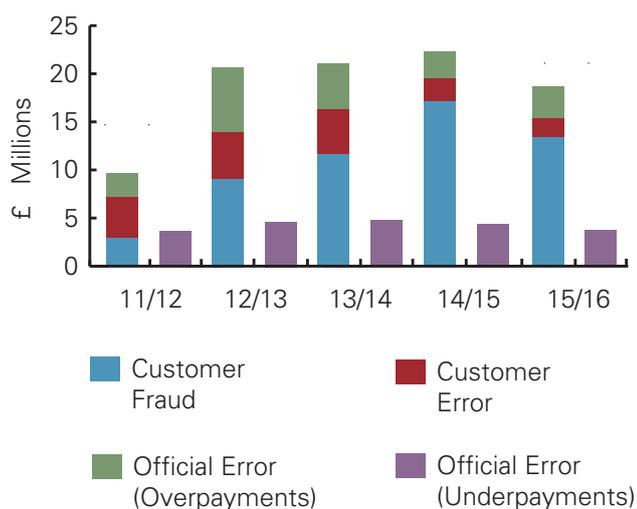


Figure 3: Breakdown of estimated levels of fraud and error by type over the last five years

	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
	£m	£m	£m	£m	£m
Total Housing Benefit Expd	558.5	612	659	650	666
Overpayments due to:					
Customer Fraud	2.8	9.2	11.7	17.1	14.3
Customer Error	4.8	4.8	4.6	2.4	2.0
Official Error	2.6	6.8	4.8	2.8	3.2
Total over-payments	10.2	20.8	21.1	22.3	19.5
% of over-payments	1.8%	3.4%	3.2%	3.4%	2.9%
Total under-payments due to official error	3.6	4.7	4.8	4.4	3.6
% of under-payments	0.6%	0.8%	0.7%	0.7%	0.5%

Source: Housing Executive

2.7 Figure 3 shows that the total estimated level of overpayments has fallen this year and at £19.5 million is less than three per cent of benefit expenditure, the lowest it has been for four years. SAU examined 545 cases during the year and identified customer fraud or error in 50 of them. In more than half of these cases the customer had incorrectly declared earnings and income.

2.8 Between 2014 and 2015 overpayments as a result of both customer fraud and customer error have fallen but overpayments as a result of official error have increased by 14 per cent from £2.8 million to £3.2 million. SAU examined a further 588 cases during the year and identified official errors in 90 of the cases, nearly twice as many as last year. The Housing Executive told me that it had identified issues with the method previously used to calculate weekly and monthly rates and correction of this has led to a large number of errors being identified, some of which

7. SAU report the results of their 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 2015 calendar year was £666 million whereas the amount paid out in the financial year 2015-16 is £680.3 million as disclosed in Note 6 to the accounts.

are for very small amounts. As official errors arise from mistakes by the Housing Executive these errors are within its control and it is best placed to reduce them.

- 2.9 While 2015 has seen a £0.4 million increase in overpayments due to official error corresponding underpayments have fallen by double that amount from £4.4 million in 2014 to £3.6 million in 2015. The Housing Executive may wish to examine if there is any aspect of its success in reducing benefit underpayments that could be replicated in respect of overpayments.
- 2.10 I note that the Accounting Officer has provided comprehensive detail on the wide range of measures being undertaken to prevent and detect fraud and error in housing benefit expenditure in his Annual Governance Statement.

Qualification of regularity opinion due to estimated level of fraud and error in housing benefit payments

- 2.11 In reaching my 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.
- 2.12 Nevertheless the estimated levels of fraud and error in housing benefit expenditure remain material at £23.1 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 2015-16 in this area.

Part 3: Overall Conclusion

- 3.1 I have qualified my regularity opinion on the Housing Executive's 2015-16 accounts for the following reasons:
- on planned maintenance expenditure because sufficient evidence has not been provided in respect of the controls operated by the Housing Executive over work done by contractors on its planned maintenance programme;
 - and
 - on material levels of estimated fraud and error in housing benefit expenditure.

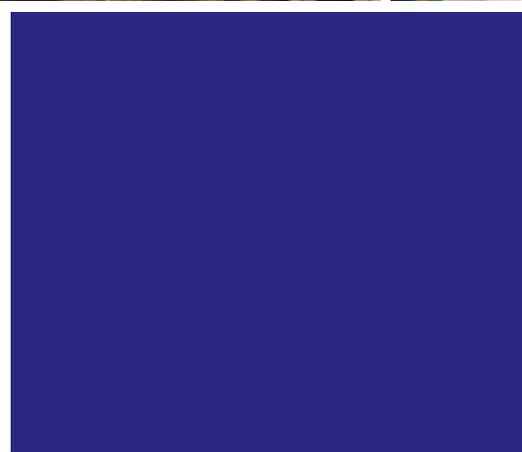


Kieran Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU
30 June 2016



This document is available in alternative formats. Please contact:

Corporate Communications
 The Housing Centre
 2 Adelaide Street
 Belfast
 BT2 8PB
 Tel: 03448 920 900



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