



Northern Ireland
Assembly

**PUBLIC ACCOUNTS
COMMITTEE**

**OFFICIAL REPORT
(Hansard)**

**‘The Management of Social Housing Rent
Collection and Arrears’**

17 September 2009

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Paul Maskey (Chairperson)
Mr Roy Beggs (Deputy Chairperson)
Mr Jonathan Craig
Mr John Dallat
Mr Jeffrey Donaldson
Mr David Hilditch
Mr Patsy McGlone
Mr Mitchel McLaughlin
Ms Dawn Purvis
Mr Jim Shannon

Witnesses:

Ms Heather Cousins)	Department for Social Development
Mr Alan Shannon)	Department for Social Development
Mr Colm McCaughley)	Northern Ireland Housing Executive
Mr Paddy McIntyre)	Northern Ireland Housing Executive

Also in Attendance:

Mr Kieran Donnelly)	Comptroller and Auditor General
Mr David Thomson)	Treasury Officer of Accounts

The Chairperson (Mr P Maskey):

I thank the witnesses for coming today. I immediately pass over to Mr Alan Shannon, accounting officer for the Department for Social Development (DSD), who will introduce his team and then say a few words.

Mr Alan Shannon (Department for Social Development):

Thank you, Chairman. With me today are Paddy McIntyre, chief executive of the Housing Executive; Colm McCaughley, director of housing and regeneration in the Housing Executive; and Heather Cousins, head of housing division in my Department.

We welcome the report; it is timely, and it contains some very useful recommendations. Rent arrears has been a sensitive subject in this part of the world for many years. I know that Committee members will be acutely aware, and the report acknowledges, that many social housing tenants are elderly, poor, vulnerable, unemployed or in low-paid employment. Many are in and out of work and on and off benefits. Some are hard-core debtors with multiple debts. Probably more so than they have been at any time in the past decade or so, the current economic circumstances are even less conducive to proactive recovery processes.

The Department has two strategic objectives for dealing with rent arrears. The first is to ensure that levels of debt are contained at acceptable levels. The second is to encourage the Housing Executive and housing associations to deploy best practice processes to keep it that way. In the current climate, the emphasis has to be on prevention rather than on recovery, striking a balance that is fair to tenants and taxpayers.

Although there are some long-standing problems, we have been encouraged by the Housing Executive's approach, its recent consultancy exercise, its benchmarking, its improvement plan and its modernisation programme, which represent a fundamental change in service delivery.

The Chairperson:

Thank you, Mr Shannon. I will begin by asking you about our correspondence dealing with the Housing Executive's interview on Radio Ulster. The Department of Finance and Personnel (DFP) guidance issued to accounting officers states:

"If you have any particular areas of concern about media handling of public audit business you should consult DFP in advance of responding to the media".

What were the Housing Executive's particular areas of concern, and what was DFP's advice on the matter?

Mr A Shannon:

First, we confirmed the relevant protocols with DFP; we were well aware of them in any case. It is fair to say that DSD has always been scrupulous in observing the protocols on publicity. However, the protocols allow for Departments and agencies to correct factual inaccuracies in the reporting of events. I am sure that members are aware that we live in an age in which the media has a huge appetite for material. Unfortunately, it is not uncommon for some elements in the media to focus on and exaggerate criticisms. Government bodies and their agencies are, therefore, exposed to reputational damage. I think that it is reasonable for Ministers or boards of agencies to want to respond if they feel that unwarranted damage is being done.

In this particular case, the Housing Executive consulted DSD about the protocols on what was possible, and the board felt that, indeed, the Housing Executive's reputation was being damaged by some of the publicity. It is fair to say that the Housing Executive enjoys a good reputation, and it is keen to keep it that way. Therefore, the decision to go to the media to seek to correct some of the coverage was in the spirit of the protocol. I accept that there were some words used, particularly the words "crude comparisons", that might have been open to misinterpretation. Clearly, Chairperson, you were concerned about that. The Housing Executive has made it clear to me that the expression "crude comparisons" was meant to refer to the comparisons that the media were making, not those that were made in the Audit Office report. However, I accept that there was room for ambiguity there, and I assure you that we will seek to avoid any such ambiguity in future.

The Chairperson:

OK. Thank you for that. We will push on. On the same note, the DFP guidance states clearly that any public comments:

“should therefore be confined to quoting material contained in the report itself”

and that:

“immediate comment would not be controversial.”

In the interview, Mr McCaughley described as housing benefit fraud items that are described in paragraph 2.8 of the Audit Office report, which is an agreed report, as “high value debts”. Given that the facts in the report were agreed between the Department and the Comptroller and Auditor General, why is that explanation wholly different from what is contained in the report?

Mr A Shannon:

I do not think that it was intended to be different. The fact is that this is an area where the information is not available. We have accepted the report, and we were not intending to contradict it in any way.

The Chairperson:

OK, but the fact is that that explanation was given. However, I take your earlier point. The proper forum for detailed discussions about the Comptroller and Auditor General's report is with this Committee, not in the media. Do you acknowledge that the interview breached the DFP guidance and risked pre-empting the Committee's deliberations today?

Mr A Shannon:

I do not think that it did. My interpretation of the interview is that it did not breach the guidelines, but I can understand that other people may have a different interpretation. I share entirely the Committee's desire that this be the forum in which the matters are discussed properly. I think that the problem may crop up again and again, because, frankly, I think that since devolution, Ministers are finding it difficult to remain silent if they feel that their Departments are being criticised. The solution is that there should be no public comment of any kind until we reach this stage in the process.

The Chairperson:

I have seen some correspondence from you on that matter. That may be an issue that you should take up elsewhere, because the task of this Committee is to go through reports. There is a set of criteria that people are supposed to adhere to and go through bit by bit. In some cases, we may feel that some of those criteria were not met. That may be a different argument for a different day. If criteria are set down, Departments, Ministers, Assembly Members and everyone else is supposed to stick to them. That point is worth noting.

I sent you a letter on 22 May 2009 requesting an explanation for comments that the Housing Executive made about paragraph 2.8 of the report. I asked specifically for a breakdown of the September 2008 debt figures showing the number and value identified by the Housing Executive as fraud and deemed recoverable. However, your reply to the Committee did not provide that information. Can you confirm whether you have those figures, and, if you have, can you make them available to the Committee?

Mr A Shannon:

Perhaps I did not make it entirely clear in the letter. I did not provide the information because it is not available. The difficulty is that, although the current housing arrears overpayment element is now separated out, a cumulative element is still there that cannot be separated because it was classified some years ago as rent arrears, and we are unable to go back to disentangle that at this stage. It is simply not possible at this point.

The Chairperson:

Will it be possible to do that at some stage in the future?

Mr A Shannon:

Only when the passage of time is such that there is very little left of that element of overpayments that was classified as arrears until 2004.

The Chairperson:

Is there no way of finding any facts or figures on that at all?

Mr A Shannon:

That is the impression I have; others may have a different impression.

Mr Paddy McIntyre (Northern Ireland Housing Executive):

Since April 2004, when the rent accounts were separated, we have been able to identify what is strictly rent debt and what is housing benefit overpayments debt. However, on the accounts before that, all that one can do is make an educated guess. We cannot historically separate housing benefit debt from rent debt, because they were merged in a single account.

The Chairperson:

Is that because, for example, the systems are not in place to recover the debt because it is simply impossible to recover, or are there other explanations?

Mr McIntyre:

It is being recovered, but it is being recovered as rent debt as opposed to rent debt and housing benefit overpayment debt. Before April 2004, they were aggregated in tenants' rent accounts.

Since then they have been separated. We can now tell you what is rent debt and what is housing benefit overpayment debt for any accounts post 2004.

The Chairperson:

I will not hold you up any longer. Perhaps someone will want to return to the issue at a later stage. Thank you.

We will now continue to go through the report with the witnesses. Members will obviously have questions that they would like to pose.

Mr Hilditch:

Mr McIntyre, you are most welcome. Paragraph 1.8 on page 7 of the report states that the Housing Executive, rather than focusing on prevention:

“considers its role is to ‘seek to ensure that arrears do not escalate.’”

Why do you concentrate your efforts on recovering arrears from tenants who are in debt already, rather than helping them to avoid problems that are associated with their debt in the first place?

Mr McIntyre:

With your permission, Chairperson, I will set out the background of how we have managed the function of rent arrears recently. A few years ago, we decided that the way in which we managed that part of our business had to change. One problem with the old model was the issue about which we have just been talking, which is that housing benefit debt was amalgamated with rent debt. It was, therefore, difficult for us to know which was which.

Secondly, the service was run from 37 offices, and, as the Audit Office report demonstrates, it was difficult to maintain consistent standards of compliance throughout. We decided, therefore, that the system had to change.

First, from April 2004, we separated the housing benefit accounts from the rent arrears accounts. We sought external advice, and, amongst other suggestions, we were told that we had to switch the emphasis of our activity from arrears recovery to arrears prevention. I will return to that point in a moment.

We have moved from a situation whereby 37 local offices managed the prevention and

collection of rent arrears to one in which six specialised units now perform that function. Much training was involved in that, and we consider that the new system is beginning to bear fruit. We have moved approximately 600 staff around the Province as part of that process. The early inspection reports from those six units show that we now comply with the required standards.

We invest major resources in the prevention and recovery of arrears. It is fair to make the point that at one stage we were probably more focused on recovery than on prevention. The consultant's report that we received in 2007 told us that we needed to increase our focus on prevention. The improvement plan has three broad strands, the first of which is to ensure that tenants have the necessary information and advice, particularly at sign-up stage. The second strand is to determine whether tenants are maximising their income, particularly from benefits. The third strand is to ensure that those with particular problems receive the necessary specialist support and advice about money; indeed, we have recruited 12 specialist advisers for that purpose. We agree that the focus and message must be that paying rent is a priority.

Mr Hilditch:

To follow on from that, paragraph 1.8 also states that in response to the credit crunch you have:

“taken steps to ensure that tenants were aware of the advice and assistance available to them.”

Some examples of good practice are outlined in paragraph 1.4 of the report. Will you outline specifically any additional steps that you have taken to help your tenants to avoid falling into debt by keeping their rent payments up to date?

Mr McIntyre:

Part of our activity was the remodelling of how we managed rent collection and prevention of arrears. The report contains some examples of best practice, and Colm will take the Committee through the details of that.

Mr Colm McCaughley (Northern Ireland Housing Executive):

Paragraph 1.4 helpfully contains a short list of the measures that any good authority should take, and I will use that as a framework in answering Mr Hilditch's question. Four basic elements are involved, the first of which focuses on new tenants. Recently, we revamped our entire sign-up process for new tenants, including the completion of new financial profiles for them. That is done to provide what we broadly call an early warning system. We add that to what we know already about the typical profile of a debtor. A debtor tends to be urban rather than rural, male

rather than female and is neither in long-term employment or unemployed but has an erratic employment history. We add an individual's financial profile to those characteristics. That means that our staff are now in a much better position to carry out risk assessments on the possibility of new tenants getting into debt.

To complement that, we have deployed new tenancy officers whose specific role is to prevent new tenants from getting into debt by teaching them good habits and getting them into the habit of paying their rent earlier rather than later. It is that for which those officers will be held responsible.

Beyond that is the more fundamental issue of housing benefit. I am sure that all members appreciate the importance of that benefit.

We are moving towards what I would call an easier, quicker, and better system of assessing benefit entitlement at the very beginning of the tenancy; it is called an e-benefit system. Five of our offices have the e-benefit system already, and it will be in all our offices by December 2009. In addition to assessing housing benefit, the e-benefit system assesses automatically tenants' entitlement to all other benefits. Therefore, by December 2009, we will finally be in a position to seek to maximise the income of our new tenants. By June 2010, we will also offer that service to housing associations free of charge.

The next theme in the Audit Office report is ongoing advice and support. We have had to broaden our advice skills and capacity. In order to do that, we have put our staff through a great deal of money-advice training. I am grateful to Citizens Advice for running the courses for us. As the chief executive said, we have recruited 12 specialist money advisers whose role is to deal with extreme and difficult cases. We also have a referral system with the citizens advice bureau. We have a rule that no one is allowed to be evicted without first having been offered totally independent advice from the Housing Executive via Citizens Advice.

Members will recognise also a group of tenants that we euphemistically call the hard-to-reach group. People in that group have untypical lifestyles, and some would even call them eccentric. Frankly, paying rent is a secondary consideration for those people. We have recognised that by introducing floating support schemes. Those people need help to sustain and maintain a tenancy, because they will be evicted otherwise. We have tried to expand the floating support scheme to

help them with budgeting to ensure that they avoid eviction.

The next section of the report deals with payment options, which we have succeeded in expanding. We now have 700 pay points as well as Internet- and phone-based transactions. That is relevant because, unlike years ago, 26% of our tenants now have access to the Internet at home, and that figure is rising quickly.

We use extensive amounts of new publicity material, and we have revamped our website to provide more information. We use our rent statements to broadcast information, and we vary the message to our tenants on a quarterly basis. Paragraph 1.5 of the report contains a great deal of information on good practice, and Paddy has touched on that already by describing our remodelling of the business.

We all know the typical debtor, but seasonal debt is a serious problem. Last year, for example, our performance over a six-month period was excellent, but it was undermined totally by our performance in December. Some years, many of our tenants decide simply not to pay rent in December. We must come up with a way of trying to prevent seasonal debt, and we are looking at a model that has been piloted in two authorities in England.

That model runs a rent-free period and was illegal until recently. It is not literally free, but rent is paid over 48 weeks in the year instead of 52 weeks. Under the model, tenants do not pay rent for two weeks in July and two weeks in December. We are going to meet the English authorities that employ the model in order to assess its effectiveness. Seasonal debt is a new and emerging trend that threatens our performance. Given the credit crunch and the economic crisis, it will worsen in the years ahead. We have done a lot but, hopefully, I have shown that we have a great deal yet to do.

Mr Hilditch:

Do you feel that we are at a robust stage?

Mr McCaughley:

I think that we are. However, I will feel a lot better when the e-benefit system is in place and when our upfront dealings with new tenants are even more robust.

Mr J Shannon:

I was rather looking forward to a discussion between Shannon and Shannon, but my question is for Paddy McIntyre. Paddy was formerly a manager in the Newtownards office, so it is nice to touch base with him again. However, that does not mean that I will ask him easy questions.

Paragraph 1.8 through to paragraph 1.11 of the report deals with performance measurement. What is the importance of having such a wide range of performance indicators to measure arrears performance?

Paragraph 2.1 indicates that the Housing Executive has only one corporate target to measure what is a complex area of the business. If the Housing Executive does not collect any rent, it cannot carry out maintenance, it cannot staff the organisation, and you boys would not be sitting here today. The collection of rent is a critical, core factor of the process, so I wonder why you have only one corporate target to measure such a complex area of your business.

Mr McIntyre:

That is a fair point, Mr Shannon. You are right to say that rental income is critical to the services that we deliver to the public, such as repairs, maintenance and a whole range of other services. Paragraph 1.11 says that the trend throughout the United Kingdom has been to reduce the number of indicators for formal reporting and that the guidance is that a range of indicators should be used beneath the corporate target. You are right when you say that we have only one corporate target for rent arrears reduction, which focuses on the overall arrears target. We comply with that one target.

As you know, the Housing Executive's business is wide in scope. Rent arrears is one of the organisation's targets out of around 73 in our business plan, which we agree with the Minister each year. We also comply in the sense that we have five corporate targets to meet for housing benefit. Although we did not set indicators for the key performance measures that are listed in figure 1 of the report, we measured and monitored them. For example, we measured our annual collection rate against the total that was due to us. We analysed and tracked gross tenant arrears and current tenant arrears. We had a range of targets around housing benefit processing, and we monitored and measured the evictions and notices that we served.

You are right that our organisation has only one corporate target for rent arrears among 73 that

we must meet, but we did monitor and measure performance trends against the items that are listed in figure 1. Having said that, the value of the report is that we recognise the weakness in having a single corporate target, and we have now extended our approach to include sub-targets beneath that, which, by and large, cover the key performance measures. We have set higher targets, and we will measure performance against those targets. In that sense, the report is welcome, because it points us towards doing something that will ensure that a rigorous performance management system is in place.

Mr J Shannon:

Perhaps the Housing Executive should have more meaningful and challenging targets. You referred to the key performance measures that are listed in figure 1, one of which is write-offs. Is there something false about your figures, which state that arrears have been reduced by £3.3 million when £10 million was used over that time to write off the arrears. Is that not massaging the figures?

Mr McIntyre:

I understand why you might come to that conclusion. We do not write off debt to achieve our corporate target; we write off debt when there is no prospect of recovering it. The types of cases in which we write off debt are those in which tenants have died, when they cannot be tracked down or when they have no means by which to pay. We have a clear policy in place to write off debts only when there is no prospect of our recovering them.

You mentioned the figure of £10 million that was used to write off the debt, but that does not include the fact that, during that time, around £8 million worth of inaccurate housing benefit overpayments came into the system.

Those overpayments are there because tenants claimed housing benefit incorrectly, and the money was transferred into their accounts. Therefore, there is something else in there other than the conclusion that you are drawing. Those overpayments eventually feature as rent debt and write-offs. As I mentioned earlier, the separation of those accounts from April 2004 means that we know exactly the housing overpayment element, as opposed to rent arrears, that has been written off.

Our argument is that writing off arrears is a legitimate business tool. We do it only in

circumstances in which all other means of recovery will not work. The approvals that we have around it are quite significant. A manager does not simply write off debt; it has to be approved at board level. The report acknowledges in paragraph 2.9 that the performance of individual offices and managers is looked at net of write-offs. Therefore, we are not trying to massage figures.

There have been years in which we have not achieved the corporate arrears target despite the fact that we have been writing off debt. I want to assure the Committee that we were not writing off debt to try to achieve a corporate arrears target.

Mr J Shannon:

As you have confirmed in your response to the earlier question, paragraph 2.4 of the report states:

“there is no correlation between the level of write-offs and the reduction in debt”.

A survey found that the people most disliked by the general public are bank managers. If you are not careful, you could end up being as disliked as them. How can you justify your position that there is no correlation between the level of write-offs and the reduction in debt? Is it not the case that you would never have met your corporate target without such write-offs?

Mr McIntyre:

As I said in my introductory remarks, I can see how you might come to that conclusion. I am saying that there was no intent on the part of the Housing Executive to write off debt to achieve the corporate target. We write off debt only when the conditions that allow us to do so are satisfied; for example, when a tenant has died or cannot be traced. We have extensive tracing arrangements, including checking with utilities and using a private sector tracing company, that we put in place before we write off debt. I can see how you and members of the public might come to that conclusion, but I am assuring you that writing off debt is not a path pursued by the Housing Executive to achieve a corporate target.

Mr J Shannon:

You mentioned that many of the write-offs were as a result of housing benefit mistakes, or whatever. According to the statistics in figure 3, there was clearly a problem back in 2001-02, and that problem still existed in 2006-07, albeit to a lesser degree. Is there not an onus on you to sort out the housing benefit issue? To follow on from the comment that my colleague who has just left the room made, if you have identified that there is an issue, why has it not been addressed?

Mr McIntyre:

There were two issues. One was that housing benefit overpayment debt was linked to the rent account and could not be separated from it. We took action, and, from April 2004, those two elements were separated.

The problem with housing benefit overpayments occurs because claimants, either fraudulently or in error, fill in application forms incorrectly. For example, many people do not declare their occupational pensions. When a data match is subsequently carried out, and it is discovered that a person's housing benefit claim is incorrect, the overpayment that was made to that person's account has to be recovered.

We are responding to applications for housing benefit that are stated inaccurately. We send out many messages telling people to ensure that they tell us of a change in their circumstances and declare all their income. I expect that you will have dealt with some of those cases.

Mr J Shannon:

I deal with them every week. There is an issue for the Housing Executive, through its staff, to ensure that people are aware of the system when filling in a housing benefit application.

Many people are confused by the system, and the confusion and paperwork in the system leads to problems. You spoke of people being aware of occupational pensions, and of being in work and out of work, and so on. People notify the housing benefit office, yet a few weeks later they receive what is tantamount to a warning letter. Those are some of the issues about which people have concerns.

Mr McIntyre:

I may ask Colm to explain what we have been doing to get those messages to tenants as part of the housing benefit claim process.

Mr McCaughley:

In 1999, we started data matching, computer to computer, and discovered debt in the range of £2.5 million a year. It got to the stage at which we thought that our claimants might not understand that government is a little more sophisticated than it was some years ago, and that we

had that facility.

Therefore, a year and a half ago we devised a leaflet that said, “Be aware. You had better tell us up front exactly what your circumstances are, because our computer is going to talk to the social security system computer and others.” We dispatched that leaflet in every claim to ensure that claimants were aware that that would happen. In addition, we have built up as much advice up front as we can, and we have changed the rules around the front-end of housing benefit to ensure that as much information as possible is verified and double-checked before benefit goes into payment.

Despite all those measures, we still face annual data matches that reveal significant amounts of error. Therefore, the best that we can hope to achieve is to continue as we are and invest more up front, but perhaps get the message across to claimants that we will find out if they are not telling the truth.

Mr J Shannon:

My third question relates to paragraph 2-8. If ever examples of high-value or high-profile arrears cases were needed, here they are. They total £5.6 million, with one person alone owing some £21,000. How on earth does anyone get into that level of arrears? There are others with debts of £1,000. I am aware of people in arrears to the tune of £450 receiving a letter — a standard letter, I know, but very threatening — and shaking at the knees, wondering how they will pay back £450, and some guy is running around with arrears of £21,191, which is the highest individual debt.

There are 32 tenants with an average debt of more than £10,000; some 202 tenants between £4,000 and £10,000; and almost 2,600 with £1,000. That is very scary. How on earth were arrears allowed to escalate to that level, and why did you not act sooner to recover those debts?

Mr McIntyre:

I am glad that I do have an explanation, because that is quite a scary case. What might be equally scary is that something like 3% of our tenants owe us 50% of the total debt. That is an incredible figure.

I will explain the £21,000 debt. The individual concerned, on 19 November 2002, was sitting

with a relatively small debt on her rent account. We did a data match, and identified a fraudulent housing benefit claim. The person was working and claiming benefit, and the day after the 19 November her rent account was accredited with an arrear of £21,000. That illustrates the point made earlier about the huge impact that housing benefit overpayments can have, and did have, on our arrears figures. That is not a debt that was running along for many years as a result of nothing being done about it. It arose entirely out of a fraudulent housing benefit claim, which we detected through data matching.

Colm will add more detail on the other cases that are mentioned in that paragraph, Mr Shannon.

Mr McCaughley:

All 32 cases — every single one of them — were cases of high-level housing benefit claimant error, similar to the case for £21,000, for which that claimant received a two-year suspended prison sentence and owes the Social Security Agency £80,000.

Of the 32 cases, nine were fraud cases, and the rest, I suspect, were genuine error. There is a mixture of both. I do not want to overplay the issue of fraud. There was genuine error involved, too.

That brings us back to the Chairperson's question: how much of the £5.6 million can be recovered? I wish that I could give a specific, clear and unequivocal answer, but I cannot, for technical reasons. However, I can say that, in our experience, a major contributory factor in that £5.6 million was housing benefit. The good news is that that type of case, unless the Housing Executive and its staff make some serious mistakes, can never arise again. Any case in which more than £10,000 is owed, or even £5,000, should never arise again. Thankfully, after today, we can set aside the issue of housing benefit debt and its contribution to rent arrears. Hopefully we will never have to talk about it again.

It is no coincidence that, since we separated the accounts, one statistic stands out: the number of serious debtors between 2004 and 2009 has fallen by 42%. That decrease is not a coincidence; it just happened to start when we separated the accounts, and it continues. That will feed its way out of the system. We must get on and recover the £5.6 million.

However, we must also look to the future. Housing benefit is no longer a threat; there are two other threats. We deal with cases in which there is a constant change of circumstances — people are in and out of employment and on and off benefits. Those people can amass serious debts. The other threat lies in the length of time it takes us to process court action. Those are threats for the future, and our priorities now are to set aside the housing benefit issue, to deal as quickly as possible with changes of circumstances, in order to stop arrears rising, and to take timely and effective court action. We cannot go to the Magistrate's Court anymore. We have to go through the County Court, and that takes months longer. We must ensure that the steps that we take are totally streamlined and that we do not ever face another case of serious debt as measured in some of the cases detailed in paragraph 2.8 of the Audit Office report.

Mr J Shannon:

I agree with what you are saying, Colm. Are you telling us that if an integrated manual research system had been in place early on, housing benefit fraud would have been noticed earlier? You gave us the example of the highest individual debt of £21,000, but the fact that, at the same time, 32 tenants each owed more than £10,000, is also scary when all added up.

Mr McCaughley:

The process of data matching has grown and expanded and got better year on year since 1999. For several years we sought data matching with the Inland Revenue — now Revenue and Customs — which is now being done. Year on year, data matching has got better, and we must keep warning our claimants that if they have capital, we will be talking to Revenue and Customs, which will tell us what the value of that capital is. I should add that, when we ran the data match, we did not find the extraordinary levels of capital that we expected to find. There were one or two serious cases of near-millionaires claiming benefit, but it was not as pervasive as we thought it might be. We have just got better at it over the past 10 years.

Mr J Shannon:

I will make one more point and then ask you a question, Mr McIntyre. We had a working relationship some 10 to 15 years ago, with me as an elected representative and you as a local manager. Housing Executive issues are among the most important that my constituency office deals with, alongside planning matters. The processing of housing benefit applications is alarmingly slow, and alarm bells ring when I receive enquiries about them. I want you to examine that process to determine whether it can be improved. It is important that preventative

measures be put in place and that there be better correlation between the Housing Executive and applicants. I have dealt with constituents who did not knowingly fill in their housing benefit applications wrongly. Those are the people whom I have been fighting for. I have had to deal with people who were about to be evicted, some of whom I was able to help at the eleventh hour. However, some of them could not be helped.

I will ask this question, Chairperson, to see how we can address the issue. People who knowingly fill in forms incorrectly do not necessarily do so because of bad health or because they do not understand the documentation. Some of those people are vulnerable because — let us be honest — they may not always be able to manage their money.

What has the Housing Executive done to address those issues and to ensure, as the responsible landlord that I expect the Housing Executive to be, that tenants know all the issues and that they are not faced with arrears that threaten their livelihood, future, health and social status?

Mr McIntyre:

There are two issues there, the first of which relates to housing benefit processing times.

The Chairperson:

Please make your answers succinct.

Mr McIntyre:

I was going to say that, if anything, paragraph 2.10 points to a declining housing benefit performance between 2001 and 2006-07. The Housing Executive is now just about meeting its target times for performance on public-sector housing benefit. Since the six new units for processing housing benefits were set up, there have been issues around the south-east office. Those issues are being addressed, and that office will get on target in due course.

I do not want to repeat myself, but on Jim Shannon's second point, part of the message that the Housing Executive was getting from the consultancy exercise was that more had to be done to prevent debt and to make people aware of what they were due to pay and the of advice and help that were available to them. Colm McCaughley went through a long list of what is being done — I am sure not to everybody's satisfaction yet — to address that issue. In the light of the Chairperson's request to be brief, I do not want to repeat those measures.

Mr McGlone:

Thanks for that. I concur with Jim Shannon that the processing of housing benefit remains an issue with the public that must be looked at, and Mr McIntyre might need to add another dedicated office to those that already exist.

To follow up on what Colm McCaughley said about processes being in place to ensure that there is no repeat of the case in which a guy owed £21,000, I see no process that can be put in place to prevent that from ever happening again if some boy is juking about doing the double, or whatever. That is not the Housing Executive's fault, and I recognise how that amount accumulated, but will Mr McCaughley elaborate on what processes are in place to ensure that nothing like that ever happens again? I may have had a dull moment and not picked that up clearly.

Mr McCaughley:

It should never happen again in so far as ever becoming a rent debt; it gets separated out as a housing benefit debt and cannot lead to a tenant's eviction. It remains a debt to be recovered, but it will be dealt with totally separately, and certainly cannot lead to a tenant ever being evicted for having a rent arrear.

Mr McGlone:

It is still there.

Mr McCaughley:

It still exists as a debt to be recovered, but it would not be recovered through rent payments.

Mr McGlone:

However, it is still there as a liability.

Mr McCaughley:

Yes.

Mr McGlone:

OK, thanks for that.

Mr Beggs:

I welcome the witnesses. My first question is for Mr McCaughley. Paragraph 2.11 on page 15 of the report indicates that the Housing Executive considers its overall performance to have been positive. To a degree, the witnesses have reflected that view, and it was certainly the line that was spun on Radio Ulster. However, I point the witnesses to some very specific facts that may lead to a different view. I refer to paragraphs 2.6 to 2.10.

Paragraph 2.6 states that the percentage of rent collected, if converted into an equivalent of money, amounts to some £2 million between 2005-06 and 2006-07. Therefore, the Housing Executive collected £2 million less in equivalent money during that period, yet that is considered a positive performance.

Another issue is that former tenants now account for almost one quarter of all arrears. Mr McCaughley indicated earlier that “former tenants” could be overwritten with “bad debt”, because where have those tenants gone? How can they be traced? Therefore, almost one quarter of arrears can be considered bad debt.

Thirdly, almost 250 tenants owe more than £4,000. How on earth did such a figure accumulate over such a large number of tenants? Do the witnesses agree with the Audit Office that the report highlights matters of great concern?

Mr McCaughley:

Yes, those are matters of concern. I still hold the view that the Housing Executive has come out of a very difficult period with some positive results, which are included in the report. However, what I said about the positive outcomes or trends does not in any way undermine the importance of the three areas that you have identified.

Those areas are part of our improvement plan, and we are taking action to address them. Paragraph 2.6 relates to the percentage of debt collected. Our actions in that area included, as I said earlier, making it easier for tenants to pay and focusing on new tenants. However, I want to concentrate on one area. We have possibly the highest uptake of housing benefit in the United Kingdom, yet some people still do not claim. All that we need is a 1% increase in housing benefit uptake in order to reap an extra £2 million a year in income. We are trawling existing

non-recipients and working up a campaign with our colleagues in the Social Security Agency, whereby we data-match with them on people on state pensions. We will seek to discover who should be claiming housing benefit. Those are some actions that we have taken to try to improve rent collection.

Paragraph 2.7 refers to former tenants, and the report acknowledges some difficulties that we face. We have recently brought in private sector agents to try to trace and recover some of that money. It is early days, and the jury is out on the effectiveness of that action, but it supplements and complements the work that we have been doing. We have also improved access to credit information. If any former tenant tries to access a credit card or loan through a building society or bank, we are able to trace them through credit information, which we pay for to source. It means that we are able to trace them and seek to recover the money. We have, effectively, asked those tenants to sign up to the concept that, whenever they take a tenancy, the Housing Executive has every right to pursue every means to trace them in future. We will use other computerised systems to access their new addresses.

I mentioned the decrease in serious debtors. The nature of our debt problem is fundamentally changing. The report shows that we had a very small amount of big debts. That trend is changing, and we are heading towards a situation in which we have a large number of small debts. That reinforces Paddy McIntyre's earlier comments about the need to refocus all our efforts on prevention and early intervention. I accept the report's findings. These are challenging times, and we remain concerned. However, some of those actions provide a sound basis for progress.

Mr Beggs:

I want to concentrate on the facts in the report. Paragraph 2.9 indicates that, in 2006-07, 27 of your 37 district offices' performance on rent arrears and write-offs deteriorated. Those figures are contained in the report, which is dated May 2009. Why are the figures so dated?

Mr McCaughley:

Sorry?

Mr Beggs:

Why do the most recent figures that are available to the Committee, which are presented in the

report, date from 2006-07? Why have we received such dated information rather than more up-to-date management account figures?

Mr McCaughley:

That is simply a by-product of the timeline used for the report. We can supply information up to the current month or current week on a district-by-district, area-by-area basis for all the debt indicators, such as performance on collectible income, former tenants, serious debtors —

Mr Beggs:

If you collect that information monthly, what on earth were you doing when performance deteriorated so badly right across the board several years ago? If the chief executive of a private sector property company were to report to his board with an extra £2 million of debt that he had not collected, he might be fired.

Mr McCaughley:

It was a serious problem.

Given that there were no easy fixes, we needed to change the nature and structure of that bit of our business radically and fundamentally, and, as Paddy McIntyre said, we had to virtually start afresh. That was the solution that we came up with. We had 37 locations that were being pushed and pulled by different priorities; one-off emergencies were diverting and distracting them, and various services had different peaks and troughs. We could reduce that to management incompetence, but lots of other factors, whether social, economic, organisational or, indeed, local, are at work and can come into play as well. We have had to change fundamentally the way in which we deliver that service.

Mr Beggs:

I am pleased that you appear to have changed.

Mr McIntyre, paragraphs 2.13 and 2.20 show that your performance has been good when compared with certain groups of housing authorities, but not as good when compared with English authorities as a whole. Why were you selective with the bodies with which you benchmarked the Housing Executive? I notice in the report that when the Audit Office took advice about which bodies would be the best comparators, the recommendation was that the entire group of local authorities should be the comparator, rather than picking out and comparing

yourself with the worst performers. Do you not accept that that would be a more reasonable comparison, and that it would show you in a bad, rather than a reasonable, light?

Mr McIntyre:

Putting benchmarking in context, paragraph 2.13 of the report says that, as a public sector organisation, we were benchmarking our performance across a range of activities much earlier than the rest of the public sector. Therefore, for us, benchmarking is a critical part of what we do to try to improve performance. There is a benchmarking culture in the Housing Executive.

Perhaps I should clarify that we still benchmark against English authorities as described by the Audit Commission. We do not report on them; we choose to report on HouseMark. These days, the Audit Commission reports on about only 200 local authorities, because a lot of them have transferred their stock to large-scale voluntary transfer arrangements.

We use HouseMark for a number of reasons, one of which is that its comparator is larger than any other, because it covers not only local authorities, but arm's-length management companies and housing associations. We believe that that gives us a broad range of type and scope of organisation and, indeed, a wider set of data.

The implication is that we have selected something to make us look good. However, if one looks at HouseMark, one sees that, although we are good in some categories, we are average and, indeed, not at all good in others. My point is that we chose HouseMark because the range of information on which it reports, and against which we can benchmark, is much wider. Funnily enough, and in any event, since March 2008, the Audit Commission has stopped benchmarking rent arrears.

We are going to look at the Chartered Institute of Public Finance and Accountancy (CIPFA), because there may be some merit in extending the range of bodies against which we benchmark, but we certainly did not choose HouseMark because it makes us look better. In some cases, it does, but in others, we do not do terribly well. We chose it because it represents a wider range of housing authorities, as opposed to just local authorities. The Audit Commission has gone; it is no longer reporting on us.

Mr Beggs:

Do you accept that the many changes that you say you have introduced ought to be benchmarked against comparable bodies? I do not understand why the English authorities as a whole would not be a reasonable group to be compared with. There is no harm in being compared with a wider group as well, but why would you not compare yourself against the average for English authorities?

Mr McIntyre:

We benchmark against local authorities, but we report only on HouseMark.

Mr Beggs:

Why?

Mr McIntyre:

We believe that it represents a bigger collection of authorities that manage housing stock. For example, a lot of the remaining local authorities are small and rural; whereas many of the big metropolitan authorities have transferred their housing stock to housing associations. We are not trying to be smart; we chose what we believed to be the best basis for our benchmarking.

The report says that we have to have a look at that matter, and we will do so; however, since 2008, the Audit Commission is no longer producing benchmarking information on rent arrears. CIPFA produces information, and we will look to see whether that offers a further source of benchmarking. If it does, we will take it on board.

Mr Beggs:

Does your benchmarking show that the changes that you have made are making a difference?

Mr McIntyre:

A series of things led us to conclude that we needed to do something about how we manage rent arrears. Benchmarking was one, and the inspection reports, which we have just been talking about, was another where we could not get consistency of standards across the 37 local offices. Those were the things that led us to the conclusion that we needed to change the way in which we ran that part of our businesses.

Mr Donaldson:

You talked about benchmarking and indicators, and Mr Beggs challenged you on the situation that pertained for the period of the scope of the report. What reassurance can you give the Committee that that situation has changed and that the indicators that are available today represent a marked improvement in the Housing Executive's performance? Do you have figures available that show the number of offices where that performance has increased?

Mr McIntyre:

Following the inspections of the 37 offices, part of the criticism was that offices were not complying, which was one of the reasons why we changed, specialised and provided fairly detailed training. In the first paths of inspections of those new six units, all the offices have complied. Mr McCaughley may know the figures on arrears, but on the general front, from the date of the publication of the report, rent arrears have continued to decrease and the number of large debtors has decreased. I accept a couple of points that have been made about housing benefit and performance. Nevertheless, that has also improved.

The report, along with the things that we put in place previously, gives us a good platform to continue to improve and deliver performance on rent arrears.

Mr Donaldson:

Would it be possible to provide the Committee with some indicators, possibly in a further written note, based on the situation with those offices that were underperforming and on the indicators that are highlighted in the report?

Mr McIntyre:

Yes.

The Chairperson:

I remind members and visitors to switch off their mobile phones entirely as they interfere with the recording system.

Mr Craig:

I have two or three questions to ask, Mr McIntyre. You are correct to say that the Housing Executive is heading more towards having a large number of smaller debts, and my local

experience bears that out. Page 22 of the report refers to the inspection unit and the important role that it plays in your organisation, ensuring that all the offices comply with the existing manual. Paragraph 3.4 lists issues that the Housing Executive discovered and that Mr Donaldson referred to. Those include:

“cases not being actioned in a timely or appropriate manner”,

“letters and Notices seeking Possession not being followed up in a timely manner”,

and

“tenants not being asked to pay while waiting for Housing Benefit claims to be assessed”.

The last issue is particularly crucial when it comes to many of the smaller debts that are arising.

Touching on what Mr Donaldson said, what specific efforts has the Housing Executive made to ensure that all the local districts are improving on what its inspectors are saying?

Mr McIntyre:

The inspection process is an important part of getting improvements in performance. When the reports came out, we would have agreed with the manager an action plan to address the deficiencies in inspections. I apologise for repeating myself, but given the complexity of a lot of the issues, it became apparent to us that, it was impossible to deliver a high standard of inspections in the 37 localities. I am not criticising the local offices, because those of you who deal with them know that they deal with a wide range of issues.

We have reorganised the business, and we now run it out of six areas. We inspected those six units in that activity fairly recently, and they all passed. Those units will be inspected twice a year. If deficiencies are identified, we will agree a performance plan to get those sorted out. We are finding that it is much easier to build best practice across six units than across 37 units. The early indications that are coming from the report suggest that that is a better way to run the rates collection and recovery part of our business. Colm mentioned the challenges that are coming down the track to do with the changing nature of the arrears problem, and we will be better prepared to deal with those than under the 37-local-office machine. That is not being critical; it was difficult to run that across 37 offices.

Mr Craig:

Has your inspection unit seen improvements in those offices? That is a key issue.

Mr McIntyre:

The system under which 37 offices handled rent arrears has gone. The six units that now handle rent arrears have passed the first wave of inspections, which were carried out recently. They demonstrated that they are complying with the standards. We still want to pick up and deal with certain aspects, but we are getting better compliance from the new arrangements than we were getting from the old arrangements.

Mr Craig:

That is good to hear.

Paragraph 3.4 of the report appears to hint that there are people who do not pay and people who provide the Housing Executive with false information on housing benefit. Do those people really need to worry, given the case studies that are in the report? It looks as though the Housing Executive is a bit of a soft touch. How do you instil a culture of payment? Not to put too fine a point on it, it would take over seven and a half years to get the payments back from the individual that is cited in case study 2, for example. There is not much incentive to prevent those people from not paying or from providing false information.

Mr McIntyre:

Those two cases are unacceptable and embarrassing, but they are not illustrative of our general organisational culture. Last year, we collected 99.6% of the £253 million of rent that was due to us. That is not illustrative of an organisation that has a culture of not collecting money. We took notice seeking possession against 3,000 people last year because they were not paying rent. That does not demonstrate an organisation that has a culture of not bothering about rent arrears.

The important point is that we eventually resolved all those 3,000 cases through voluntary arrangements. We really do not want to go down the path of eviction; we want to get the people who are involved in those cases paying again. There is sometimes a fine line between being a soft touch and demonstrating that we appreciate the vulnerable circumstances that tenants can be in.

Mr McCaughley:

It is interesting to ask whether the culture of an organisation sets the tone for a customer's behaviour, and the answer is that it does. Have we had some problems with that? We have, and

the inspection unit picked up on areas where some of our staff were being overly caring, verging on being paternal. It identified two types of situation: one was a reluctance to take legal action; and the other was that the staff did not void a housing benefit application, even though the information had not been received after 30 days. We have clamped down on those two types of situation, and if you need evidence that we are no longer a soft touch, 3,000 tenants were brought through the courts last year. Those people would not perceive us to have a soft touch.

We have tried to change our teaching, training and development culture. We promote that as the three Fs: be fair, be firm and, whatever else, be fast. We are trying to drive out the touch of paternalism that probably sits in the midst of all public sector organisations.

Mr Craig:

I am pleased to hear that, because there is a world of difference between those who deceive the system deliberately and the genuine mistakes that are made by both the Housing Executive and its tenants. You really need to go after people who defraud the system.

Your figures for January 2007 show that around 40% of your current tenant debt was being recovered through the long, drawn-out, slow process of benefit deductions. How much of that £4.5 million of debt have you recovered through that system? How much are you currently recovering from the deductions system?

Mr McCaughley:

Perhaps I should start by saying that our first port of call in trying to recover debt is through the use of a self-help approach, in that we try to reach voluntary agreements. About 25% of the debt is trapped in that approach. A lot of people are honouring their agreements, but there are those who do not honour their agreements, with the result that we end up having to use compulsory and more coercive means.

As of July 2009, the amount outstanding is £4.05 million. That still represents 40% of the debt, so the percentage has not changed, but the absolute value has. That figure represents a decrease of £550,000 from January 2007. I realise that £3.25 seems like a small amount, but I remind members that we also receive the weekly rent and rates liability, so that is guaranteed recovery. At the risk of sounding like a soft touch, it is hard to manage money when one does not have a lot.

Mr Craig:

You are starting to touch on the other side of the coin. I have worked with the local office in Lisburn on this matter. Where genuine mistakes are made, the question is whether they are your fault or the tenant's. Can you refer them automatically to the likes of the CAB, which can work out how the tenant pays back the debt? A lot of those tenants are on a very low income, and that is another part of the unfortunate equation.

Mr McIntyre:

Again, it is the old fine line between caring and being a soft touch. We have a standing arrangement with CAB where we pay for advice that tenants can use. Fairly recently, we brought in 12 trained money advisers who are available to help tenants to make settlements. We do not want to put people through court or make deductions and so forth; we want people to pay rent and weekly outgoings voluntarily. We do not want them going any further into arrears; we want them to make a payment of whatever they can afford, which will come off what they already owe us. The key issue for us is to secure the weekly liability.

Mr Donaldson:

I have always admired what the Housing Executive tries to do. I have worked closely with you in local areas. Generally, you get it right on most occasions. However, key issues are highlighted in the report, one of which is your capacity to respond to and implement recommendations.

One such example is the commitment that you gave to introduce payment by direct debit in April 2008. It now looks as though it will perhaps be two years beyond that date before direct debit can be introduced. Payment by direct debit is a facility that has been available for many years. I can imagine tenants who have their rent increased but overlook going into the bank to change a standing order. The responsibility is on the tenant to change a standing order, whereas that happens automatically with direct debit. Surely it is in your interests, as well as those of the tenant, to introduce a direct-debit scheme. Why on earth is it taking so long to set up a direct-debit scheme?

Mr McIntyre:

The 2007 report that you are talking about recommended extending our range of payment options. Historically, the options have not all been good, and there has not been a wide range if

them. As Colm said earlier, with the exception of direct debit, all the payment options have been introduced. That is related to a very old computer system that we have, which is changing next year. The ability to pay by direct debit will come in with the new system. However, I can see why you would make that comment.

Funnily enough, a lot of our tenants prefer standing orders. Ten thousand people pay by that method, probably because it means that they are in control of their money. I accept that, in this day and age, it is hard to explain why we do not have a direct-debit facility. We will introduce it next year.

Mr Donaldson:

I hope that, in time, you will move to a position whereby all new tenants pay by direct debit. I accept your point about standing orders giving the tenant a degree of control. However, that is an outmoded system.

Paragraph 3.4 of the report suggests that your communication of policies and procedures to staff was not particularly good, and judging from the level of non-compliance that is highlighted in the inspection report, that seems to be the case. What are you doing to ensure that staff understand and implement the measures in your 2007 improvement plan as detailed in paragraph 3.12?

Mr McIntyre:

Again, that is a well-justified criticism. At the risk of being slightly repetitive, we decided that, for a variety of reasons, we had to make significant changes to how we ran that function. The changes that were necessitated by the improvement plan, and by adjustments elsewhere, were such that we had to change the arrangements. Those changes have now been made. To summarise, we have regrouped, retrained and remodelled. We put in place an extensive learning and development programme, which, by the way, won a Chartered Institute of Housing national award.

It is much easier to communicate our objectives to six managers and their supervisors than to 37 managers. Colm meets the managers quarterly, and they discuss performance, best practice and any longer-term improvements that need to be made. The criticism, when it was made, was justified, but the new model allows us to communicate our messages more easily and simply than

was the case under the old structure.

Mr Donaldson:

Are results flowing from the changes that you have made? Is there an improvement in the follow-through on cases? The report cites examples of cases not being followed up for more than four months. Are the procedures now in place to prevent that from happening?

Mr McIntyre:

Again, I may sound repetitive, but the first six inspections of the new units found that they comply with the required standards. That confirms that the improved communication is beginning to have an effect. However, it is early days. Those units have been in place for only one year approximately, so we will see how it goes. We will inspect those units twice each year and keep an eye on them. Communication is much easier now it was than under the old structure. We can communicate directly with those who run the units.

Mr McLaughlin:

Paragraphs 4.2 to 4.4 focus on housing associations' and the Housing Executive's different levels of performance on arrears. The report states that the Housing Executive manages more than 90,000 units, and between them, housing associations manage approximately 22,000 units. The arrears statistics, as provided by those housing associations, show a significant disparity between their performance and that of the Housing Executive. I find the explanation difficult to understand. The Department's explanation may clarify why the arrears show up in the statistics, but it does not address the disparity in performance.

Mr A Shannon:

I am not sure that there is such a great difference between the two. The latest figures that I have cover the past three years, and the percentage of rent that housing associations collected was 98%, 97% and 98%. That is a reasonably good picture. As the report states, there is a certain distortion because of technical arrears due to housing benefit. Therefore, it looks, in gross terms, as though the situation is not that great. However, if you remove that element, the level of arrears is reasonably acceptable.

The last figure that I have is for the gross arrears. It is now down to 4.53% of rent receivable, which is within our target of 5%.

Mr McLaughlin:

Your Department's statistics in figure 7 of the report show that there were increases of 163% in gross arrears in the period from 2001-02 to 2006-07. Your Department says that those changes are due to the way in which housing benefit is being processed and that, in fact, benefit overpayments are now being clawed back. Surely those changes affect both the Housing Executive and housing associations. Why, therefore, were there differences between their outputs?

Mr A Shannon:

The statistics in figure 7 need to be considered in context. There are three issues to consider. First, the size of the stock controlled by housing associations is growing all the time, so it is to be expected that in gross terms the debt will also grow.

Secondly, technical arrears do not apply to Housing Executive houses, because the Housing Executive pays the housing benefit. It treats the housing associations as a private sector landlord, so it is obliged to pay four weeks in arrears. Housing benefit that is paid for Housing Executive tenants is actually paid by the Housing Executive to itself and is not bound by the four-week period.

Mr McLaughlin:

Does that affect around 70% of your clients?

Mr A Shannon:

Yes. That is why you do not see the technical arrears figures in the Housing Executive statistics.

Mr McLaughlin:

Are you content that your Department's statistics, on which the public rely, are case sensitive because they deal with those different treatments, or do they give the appearance of illustrating a concerning discrepancy in performance? Are data collected at the end of financial year — on 31 March?

Mr A Shannon:

Yes.

Mr McLaughlin:

I know that that is the accounting period; however, is that really the best time to collect the data, given that the benefits are still being transferred?

Mr A Shannon:

That happens every month. Essentially, the data provide a snapshot of what happens at the end of every month. It just so happens that the data are for the end of March, which is also the end of the financial year.

Mr McLaughlin:

The report criticises the fact that the data give a snapshot of the situation at a particular time in the year, rather than a snapshot of performance across the year.

Mr A Shannon:

If we were to take a snapshot at the end of any month, that problem would still exist.

Mr McLaughlin:

I am not disputing that. However, would it not be better to have a picture of the performance across the year? That is the type of information that we should design.

Mr A Shannon:

That could be done. I am, of course, a little uncomfortable with the use of those historical figures. We have accepted that our data collection was not very good for a number of years. Therefore, we are not comfortable with using those figures, up to the very recent ones, because we do not think that they are reliable for the reasons that are explained in the report.

Mr McLaughlin:

I concur with some of the points that other members raised. The Committee accepts that this is a very difficult issue and that significant work has been done. I should say that this report is probably not the worst that we have had to deal with, but having said that, we should look to improve the situation.

Paragraph 4.5 highlights the fact that in 2005-06, four housing associations made no

submission to DSD. That must have had a distorting effect. The report further states:

“in the same year, identical arrears data were recorded by DSD in respect of two different Associations; and one Association’s gross arrears ranged from £158,000 to £219,000 between 2001-02 and 2003-04, but reduced to £3,000 and £10,000 in the years 2004-05 and 2005-06 respectively.”

I would have thought that that would have raised a red flag.

I will return to the question: is that data sensitive enough? Are we responsive enough when there are apparent anomalies?

Mr A Shannon:

The answer to that is no. Until recently, we had no confidence in the data. The reason for that is that housing associations are not public bodies. Some years ago, when we started our newbuild programme through housing associations, we decided to regulate them with a light touch. I use the word “regulate” because we do not have a directive relationship with them. They are independent bodies — we regulate them. Our interest in regulating them is to ensure that the vulnerable tenants whom they cater for are provided with a decent service.

For several years, housing associations were very small. They represented a tiny proportion of the housing stock. We did not know much about them. In recent years, that has changed, and they now account for a substantial proportion. To be honest, that regulatory activity was not a top priority for housing division in DSD at that time. We have accepted that that is not satisfactory.

The situation has moved on. Several years ago, we beefed up our monitoring: we set up an inspection team; and we produced a housing association guide. In recent years, we have been bearing down gradually on their performance.

The most recent changes, in which I have much more confidence, took place in 2008, when we expanded the size of housing division by nearly one quarter. We have beefed up the regulatory inspection unit. We have published that unit’s reports. We have held a series of conferences in order to spread best practice. We scrutinise the returns. We have also simplified returns in order to make them more manageable. We are pretty happy now that we can stand over the figures for the past couple of years.

Mr McLaughlin:

Have the issues on which the associations must report been amended during that period, or are

they the same basic set of information points?

Mr A Shannon:

We used to ask for a return that covered 60 key items. We have now reduced that to 30.

Ms Heather Cousins (Department for Social Development):

Part of the problem was that the return was large and cumbersome. It was not always clear to the associations why we requested the information for which we had asked. Therefore, we set up a working group to look at the return. We rationalised it to include only the information that we would use as part of regulation. We have discussed those changes with associations and with the Northern Ireland Federation of Housing Associations. Those changes have been accepted.

We have also built in quality-control checks so that we can ensure that the information that is produced is accurate. That enables us to check it more regularly and to take action, as you say, when red flags are raised.

Mr McLaughlin:

When an association fails to register a return, when information is misleading or when two associations produce the same set of figures, what action follows?

Ms Cousins:

Associations that fail to respond to the return deadline are contacted by telephone and email. We monitor that until we receive the return. As I said, we now check for accuracy the information that comes in. For example, we can check the information in the return against published annual accounts. Again, if there are discrepancies, we follow those up immediately. We now have the benefit of having professionally qualified staff in our inspection unit. Information can be scrutinised much more professionally than was the case in the past.

Mr McLaughlin:

Are sanctions available? Is there an example of a sanction having been applied?

Mr A Shannon:

We have assessed associations' performances and given them a classification. Five associations have been classified as "unacceptable". Those associations are now targeted for special attention.

They are required to make returns quarterly, rather than annually. We are working closely with them, because they account for 20% of the total arrears that we have discussed. They have also been removed from the development programme, which is quite a serious sanction. Therefore, it is now a much more serious proposition.

Ms Cousins:

In addition, the publication of the inspection reports will have a significant impact on the associations, particularly if they want to borrow money from banks, for which they need a good inspection report.

Mr McLaughlin:

Would those sanctions be imposed for missing a performance target, such as the 4% arrears target?

Mr A Shannon:

They would be running the risk of slipping into the “unacceptable” category.

Ms Cousins:

That would be part of the financial viability part of the inspection. That in itself may not mean that they are not financially viable, but it would be one of the indicators that would be looked at closely.

Mr McLaughlin:

To see whether an association was financially capable?

Ms Cousins:

Yes.

Mr McLaughlin:

Thank you.

Mr McGlone:

I would like a wee bit of clarity on that point. Figure 7 in the report, ‘Total Housing Association arrears performance 2001-02 to 2006-07’, intrigues me. In 2002-03, 100-03% of rent was

collected. There is some doubt surrounding DSD's ability to clarify those figures. However, if they incorporate arrears from the previous year, and if that pattern is followed through, and if what we read at paragraph 4-2 in the report is that there are

“significant increases in gross arrears for the sector”

year on year, does that mean that the 92% figure for 2006-07, which is the lowest of the five years covered, the most recent figure available? If the arrears problem is getting worse, the actual in-year percentage of rent collected is, in fact, much lower than 92%.

Mr J Shannon:

There you are: answer that one.

Mr McGlone:

I presume that if one reaches 100%, that is the inevitable logic of the figures that are presented. If arrears collection is getting worse, and if the 92% includes the in-year collection of rent, as does the 100-03% figure, we clearly have a worsening situation up to 2007.

Mr McCaughley:

Yes, but the worsening situation can be driven simply by the year-on-year increase in the debt. That is not measuring simply the in-year debt but the in-year debt plus the historical debt. If historical debt rises, the percentage will automatically fall, even though, year on year, the amount that was collected in-year was the same.

Mr McGlone:

Perhaps you did not pick up on the point that I was trying to articulate, or perhaps I did not articulate it well enough, Colm.

Mr J Shannon:

It was too mathematical.

Mr McGlone:

Well, I am not a mathematician; I am relying on these guys in front of me. If the figure collected for 2002-03 was 100-03%, and that incorporated arrears from the previous year's collection, my presumption is that the amount of collection for that in-year was much lower than 100%. Is that right? If that is carried on through to the 92%, we are, again, in a worse situation than in 2002-

03. I may be totally wrong, but that is my simple mind working it out.

Mr A Shannon:

The right-hand column from which you are quoting covers only the rent owed in-year. It is not the arrears.

Mr McGlone:

Yes, but the explanatory footnote on page 28 states:

“It is possible to achieve a rent collection level of greater than 100 per cent if a landlord collects a high percentage of rent due for the current year and recovers arrears outstanding from previous years.”

You may need to read the report a wee bit more.

Mr McCaughley:

The only way in which 100% can be achieved in that situation is if you have zero debt.

Mr McGlone:

Or if you included in your figures the arrears that you collected from the previous year.

Mr McCaughley:

No; if historical debt is included, every penny of the rent roll for that particular year must be collected, plus every penny that is owed from previous years.

Mr McGlone:

Is the footnote misleading or erroneous?

Mr McCaughley:

I think that the footnote has already been qualified.

The Chairperson:

The footnote has been agreed by the Department and the Audit Office.

Mr McGlone:

That squares with what I am trying to elicit. Can we move on? I am still unclear about that matter, but anyway —

The Chairperson:

Before you move on, perhaps the Committee can write to the Department to seek more clarification on that issue.

My next question is on the prevention and management of arrears, and I refer to paragraphs 4.19 and 4.20 of the Audit Office report. Alan, you outlined the valuable work that has been done by both the Department and the Northern Ireland Federation of Housing Associations to disseminate good practice in the prevention and management of arrears. What arrangements have been put in place to aid the sharing of good practice between associations and the Housing Executive? From my own experience, I know that such arrangements could be put in place. We are dealing with the prevention and management of arrears here, but what measures does the Department intend to put in place to enhance good practice generally?

Mr A Shannon:

We accept that much more could be done in that area, and we have made a start. We have worked closely with the Northern Ireland Federation of Housing Associations to try to coordinate and spread best practice. We are rewriting the housing association guide with particular reference to preventing and managing debt. The federation is one of the key reviewers of our guide. It will be a collaborative effort, and I understand that its comments have been invaluable.

In conjunction with the Federation of Housing Associations, the inspection team ran a seminar for housing associations staff and board members earlier this year. It covered the key issues that emanated from the first round of inspections: trends; lessons learned; and the way forward. The finance section covered arrears; targets; impacts of housing benefit; early intervention; informing the board; and monitoring. It was a successful, well-attended and well-received event. The Northern Ireland Federation of Housing Associations has held its own seminar since. The inspection unit also published its report for 2008, which highlights its findings and best practice.

Ms Cousins:

We also have regular meetings at which the Housing Executive and the housing associations discuss pertinent issues and share good practice.

Mr McGlone:

Can you give examples of the issues that are discussed?

Ms Cousins:

Meetings are held on a range of issues, such as the newbuild programme. We all go to various housing forums and conferences, which include sessions that are applicable to both the housing associations and the Housing Executive.

Mr McGlone:

Have you noticed a recent improvement in standards as a consequence of all that?

Ms Cousins:

Standards are improving all the time. We are keeping closer tabs on progress, and that is helping too.

Mr McGlone:

Alan, paragraph 4.22 refers to the fact that associations do not have the same right as the Housing Executive to obtain information on former tenants. That can act as an impediment to, or delay in, the recovery of arrears. Can the Department advise what is being done to remove that anomaly?

Mr A Shannon:

The situation is a little more complicated than it may appear. The housing-benefit section is the only part of the Housing Executive that can trace customers for overpayments of housing benefit. The part of the Housing Executive that deals with rent arrears does not have that authority. One section of the Housing Executive is not allowed to give that information to the other section. Therefore, the associations are no worse off than the Housing Executive. It is a data protection issue that is beyond our control.

Mr McGlone:

Is your answer that nothing can be done about it?

Mr A Shannon:

Yes.

Mr Beggs:

Could new legislation enable that to happen?

Mr A Shannon:

Legislation that tackled that aspect of the Data Protection Act 1998 would be needed to make it possible.

Mr Beggs:

It seems preposterous that one section of the Housing Executive knows where someone owes money but cannot tell the other section. That is ridiculous, frankly.

Mr A Shannon:

I know, but, it was not that many years ago that very strict protocols were in place about information different Departments could share with one other. Gradually, public opinion on that has changed, data sharing has become more acceptable, and barriers have been taken down. However, there are still barriers that make that difficult.

Mr Donaldson:

Did you say that you can tell when a customer takes out a bank loan but that you cannot tell each other when a customer is in default of payments to your organisation?

Mr A Shannon:

No, I do not think that I said that.

Mr J Shannon:

Colm was mentioned. *[Laughter.]*

Mr McCaughley:

The Housing Executive can tell when anyone takes out a bank loan or a new credit charge, through a special system in which we are an accredited body.

Mr Donaldson:

If you can be accredited to get that sort of personal information on transactions that are enacted by other organisations outside your remit, why can you not apply to have that special relationship

between two of your own bodies?

Mr McCaughley:

We have a housing benefits section, and the officers who do that work for us, under what is known as customer information service, have to be vetted. This year alone, two of those officers have been disciplined for not conforming to what is a very strict set of rules as to when customers' information can be accessed. That is way in which the rules are written. As Alan says, sharing that information would require a major change in the legislation around data protection. The rules are very precise and very clear, and officers have to comply with them rigidly.

Mr A Shannon:

It is a piece of law that, I suspect, none of us is an expert in. The legislation concerns the collection of information for a particular purpose and the extent to which that information can then be used for a different purpose.

Mr Donaldson:

It would be very helpful if we could have a paper explaining why your organisation cannot share that information and yet, at the same time, can receive external information, which, in my opinion, is just as sensitive as the information that you are currently protecting from each other.

Mr McCaughley:

May I add that we are trying to get the tenant, at the sign-off stage, effectively to sign away his rights so that the Housing Executive or the housing association can, at some stage in the future, access his information from whatever source we think fit? However, we are not quite sure of the legalities of that.

Mr J Shannon:

Why would the Housing Executive want to do that?

The Chairperson:

Can you direct your questions through the Chair please, Jim.

Mr McCaughley:

For now, the legality of that is yet to be tested.

Mr McLaughlin:

I accept that, for perhaps good reasons, there are certain restrictions on the transfer of information. However, in the Housing Executive and the housing associations, if there were behavioural issues or rent arrears that resulted in the termination of a tenancy, would those separate organisations be permitted to retain that information in the event that the individual involved was to apply for housing in the future?

Mr McIntyre:

You can only apply for housing from the Housing Executive, and we maintain a central register. One of the traces that we do is whether an applicant owes us a former debt. If they do, the rule is that we keep them off the waiting list for a couple of years, unless they satisfy particular criteria. Likewise, if we evict somebody for reasons of antisocial behaviour, that individual can be disqualified from waiting lists for a couple of years.

Mr McCaughey:

In any given year, we write back £250,000 that we had previously written off. When a tenant reappears and seeks rehousing from us, at that stage, we immediately reinstate the debt.

Mr Donaldson:

If a tenant who is in arrears decides to buy another property and applies for a mortgage, and a credit check is undertaken by the bank loaning the mortgage, will the default on the rent appear in that credit check?

Mr McIntyre:

Do you mean a credit check run by a building society?

Mr Donaldson:

A bank or a building society.

Mr McCaughey:

We do not share our data or rent accounts with anyone. We access information from banks, building societies and other lending agencies; however, we do not contribute to that or share data.

Mr Donaldson:

Is that because you are restricted from doing so by data protection legislation?

Mr McCaughley:

Yes.

Mr Donaldson:

I find it incredible that banks and building societies are required to release information about their customers, which you can access, but the Data Protection Act prevents you from releasing the same information to a bank or building society carrying out a credit check on a customer applying for a mortgage.

I am not apportioning blame. I just find it incredible that there is such a loophole in the legislation.

Mr McIntyre:

As Alan says, it is quite a complicated area. I think that a paper explaining it would be helpful.

Mr McCaughley:

I should add that an applicant in arrears would not be allowed to buy the house unless he cleared the debt.

Mr Donaldson:

Are you going to know about that?

The Chairperson:

We look forward to receiving that paper.

Parts 2 and 4 of the report illustrate that there are deficiencies within the performance information produced by the Housing Executive and housing associations, and deficiencies in its monitoring regulation activities. As the accounting officer, what are you doing to enhance those regulations and to ensure that you receive reliable and comprehensive information?

Mr A Shannon:

Housing associations will be required to produce a more useable set of information, which we

will then check and thoroughly scrutinise. Where housing associations are in difficulties, we will require more regular returns than usual.

The Chairperson:

Today, we have heard that Housing Executive reforms have deteriorated across a range of different indicators. Large sums of irrecoverable debt have been written off, and, I suppose, the Housing Executive does not really know how well the housing associations are doing. The performance information that you gather from the housing associations is, at this stage, unreliable. However, I know that there is work in progress in that area. Clearly, the situation needs to improve, and we expect a response to our report that shows exactly how you intend to improve the regulatory framework for the housing bodies. We have asked for additional information, and we look forward to receiving that. Thank you, Heather, Alan, Colm and Paddy.