



Northern Ireland
Assembly

**COMMITTEE FOR
SOCIAL DEVELOPMENT**

**OFFICIAL REPORT
(Hansard)**

**Independent Review of the Northern
Ireland Housing Executive**

30 June 2011

NORTHERN IRELAND ASSEMBLY

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SOCIAL DEVELOPMENT**

Independent Review of the Northern Ireland Housing Executive

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Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Mr Gregory Campbell
Mrs Judith Cochrane
Mr Michael Copeland
Mr Sammy Douglas
Mr Mark H Durkan
Mr Alex Easton
Mrs Pam Lewis
Mr Fra McCann
Mr David McClarty

Witnesses:

Mr Hugh Crossey)
Mr Richard Parker) PricewaterhouseCoopers
Mr Stephen Smyth)

The Chairperson:

I welcome Richard Parker, Hugh Crossey and Stephen Smyth from PricewaterhouseCoopers (PwC). Thank you for coming along this morning. I know that you have been working on the report for the past number of months at least and that you are here to give us a synopsis of it.

Mr Richard Parker (PricewaterhouseCoopers):

Thank you for providing us with the opportunity to brief the Committee on the work that we have

been undertaking for the Department for Social Development (DSD) on the strategic review of the Northern Ireland Housing Executive. I am the partner at PwC with responsibility for housing across the UK. Hugh Crossey is managing partner of our practice in Northern Ireland. He leaves the firm today, so be as nice to him as you like because he will not be back. Stephen Smyth has been the man on the ground; he has been leading our work directly with the Department over the past six to nine months.

I will provide a summary of the work we have been undertaking, and our key findings, conclusions and recommendations. I will also set out the work that we plan to do with DSD on future engagement with housing stakeholders.

In 2010, we started working for the previous Minister, looking at the role of the Housing Executive, particularly the way in which it would be able to meet its obligations over the next two decades and beyond. The Social Development Committee of the previous Assembly was briefed and updated on our work. We understand that the then Minister, Alex Attwood, also briefed the Assembly in March on the findings that were emerging from our work at that time.

The primary purpose of the work we undertook on the strategic review of the Housing Executive was to identify a sustainable delivery model that would ensure that it could meet the future challenges that it faced, particularly with regard to its strategic, landlord and operational roles. We acknowledge the great work and significant contribution that the Housing Executive has made over the past 40 years to housing and communities across Northern Ireland. It has delivered significant social benefits. The quality of stock, once some of the poorest in Europe, is now seen as a benchmark for its quality and how it is maintained. The Housing Executive is rightly regarded internationally as a leading authority on best practice for housing management and community building. It has an unrivalled track record on cohesion and delivering community safety initiatives. However, the Housing Executive faces real and fundamental challenges, particularly around its ability to continue to deliver the investment that is needed to protect and invest in the stock and to safeguard the needs and interests of its tenants. In particular, new models are needed if it is to be financially sustainable and deliver and derive optimum value from the assets that it owns.

A key focus of our work was the need to put the Housing Executive or any future organisation on a stable and secure financial footing. It goes without saying that, unless that is the case, some

of the wider objectives of the Housing Executive and the wider needs of the communities in Northern Ireland will not be achievable.

The 2009 Savills report looked at the condition of Housing Executive stock and identified that it needed about £5.5 billion of investment over the next 30 years to meet the decent homes plus standard. I think that there is a consensus and general understanding that providing that scale of investment from the public purse is not only daunting and challenging but, in the current financial and fiscal environment, very difficult or impossible. Members will also know that borrowing on the public sector balance sheet is no longer the option that it might have been. Without alternative funding approaches, meeting the cost of future investment programmes will simply not be possible.

To meet those future challenges, we needed to look at establishing an entity that will have access to funding, the ability to carry reserves forward without political intervention and far greater certainty and control and influence over its future rental income. That led us to the conclusion — when I say us, I mean DSD and a whole series of other stakeholders — that the best fit may be for the landlord function to be separated from the executive and placed in a body outside the public sector. That new body would be able to access funding and would be able to borrow against the rental stream of the assets that it would hold.

There are a number of possible ways in which that landlord function could operate. We discussed that at length with the stakeholders that we engage with. The view that we took at the time, working with others, was that the best format or the optimum structure would be for it to be a social enterprise: a non-profit distributing entity that would be mutual in its structure and would be owned by tenants.

Of course, there would, quite rightly, be a need and an opportunity for politicians to shape the investment and social priorities of that social enterprise. In purely financial terms, it is worth saying that that option does not deliver the maximum benefits, but it was the option that best aligned the needs of tenants, the requirements of politicians and the needs of taxpayers and the staff of the executive.

If the landlord function were to be delivered in this way — outside the public sector through the creation of a new entity — it would give rise to the challenge of regulating that entity and of

the Minister and members of the Committee overseeing its purpose, role and effectiveness. So, as a result of those considerations, we came to a view that, in addition to the creation of a new social enterprise, we would also recommend the establishment of a new strategic housing authority and a new housing regulator. I will say a bit more about those two entities a bit later.

To summarise the work that we have undertaken to date, which was, I emphasise, strategic in nature, we suggested, for the purposes of serving communities in Northern Ireland most effectively, the creation of a new social enterprise. That would be mutually owned by tenants, would have a leasehold ownership of the stock — it would not own the stock outright — would be responsible for maintaining and investing in that stock and would raise the finance to serve that purpose. It would also have landlord, community cohesion and safety responsibilities.

In addition, we have suggested the creation of a new housing regulator for Northern Ireland, which would have independent responsibility for inspection, governance and the economic performance of housing associations and the new social enterprise. It would also have responsibility for all tenure types across Ireland and for rent-setting.

We also suggested the creation of a new strategic housing authority, which would take on the current strategic roles of the executive. That authority would have strategic responsibility for housing across the whole of Ireland, including private and public sector housing associations, and would be responsible for delivering the policy priorities of Ministers. It would also be responsible for assessing need and for commissioning and monitoring the delivery of housing investment programmes.

So, three entities were proposed: a new social enterprise landlord, a new housing regulator and a new strategic housing authority. It is also worth saying that our suggested future direction of travel also provided the opportunity to look at a way of better knitting together the services that are provided to tenants across Northern Ireland. We also suggest that, over time, citizens could be better served by the establishment of a network of jobs, housing and benefits offices across Ireland, which would provide some of the services that are provided by the executive currently. There would also be a dual role for local authorities and local government in the provision of those services.

Our review was strategic in nature. Developed further, it gives the potential for reduced

government support centrally and provides the opportunity to access about £5.5 billion worth of additional investment, which is needed to maintain and improve stock over the next 30 years. Our analysis indicated that, compared to some alternative options, there is a net benefit to the taxpayer of about £585 million over those 30 years. Moreover, tenants will have assurances that their homes will be well maintained over the next 30 years, and they will have a say in the governance of the new social enterprise that will manage the stock.

The social enterprise is a non-profit distributing company, so the surpluses that it generates will be available for reinvestment in the communities that it serves. The role and purpose of the strategic housing authority — looking at the needs of communities across Northern Ireland as a whole and beyond social housing tenants — will better serve the housing needs of the community over a sustainable period than is the case under the current structure.

As regards future direction, we have acknowledged throughout the process that we are simply setting a strategic framework. Some key questions have emerged from our work about future structures and approaches. We have not sought to be definitive; we do not believe that there are absolute, right answers. Debate is necessary and discussions need to continue; assumptions need to be validated, and political decisions, ultimately, need to be made.

We made a series of working assumptions in our work. All that we have sought to do is set the parameters for further discussion that, we hope, will serve as the basis of a mature conversation about something that is integral to the future of many vulnerable communities in Northern Ireland. I am very pleased with the commitment and dedication of all those with whom we engaged during the process. Transformation on this scale is not without its challenges; some people, quite rightly, feel vulnerable and concerned. However, there is real motivation for change, recognition of the issues that need to be faced and a momentum to make something happen.

As I say, there needs to be further discussion about the future of housing in Northern Ireland, building on the existing strengths of the Housing Executive and using some of our initial recommendations as a starting point. This is not the end of the Housing Executive; it is an exciting new beginning that builds on its legacy.

We have been asked by the Department for Social Development to embark on discussions

with key stakeholders across the housing community, including tenants, staff representatives, housing associations, the construction industry and others. We look forward to meeting the Committee over the coming months to share and feed back on the conversations that we have had and, hopefully, and to develop further a way forward with you.

That completes our oral evidence. Thank you for the opportunity to speak to you today. We are happy to take questions.

The Chairperson:

Thank you, Richard. I think that you corrected yourself in the latter part of your contribution when you referred to the North of Ireland. Earlier, you referred several times to all of Ireland; I did not stop you because I quite enjoyed the concept. I am just getting the vibes across. Thank you very much for your presentation.

In previous Budget discussions, the Executive referred to the future housing budget and looked at other ideas for finance raising. You obliquely referred to that. Was that part of your consideration at any stage? Did you look at the thinking of the Executive about the Budget discussions?

Mr Parker:

I will kick off and ask Stephen to step in. Yes, we had extensive discussions with the Executive. We looked at future Budgets and future commitments and the constraints that they faced in a very open way. We were closely supported in that work by senior staff at the Housing Executive.

Mr Stephen Smyth (PricewaterhouseCoopers):

The Budget period over the next three or four years has some clarity around it now. However, this strategic review looks to the next 30 years. Some of the costs identified by the Savills report reach a dramatic peak as the current housing stock comes to the end of its natural life, if I may use that non-scientific expression. So, down the line, there will be a peak of funding outside the current CSR and budgetary periods. That is one of the drivers for adopting the assumption that they cannot be met simply from the existing funding mechanism.

The Chairperson:

Will you elaborate a little more, if you can, on the stakeholder engagement that you propose to

undertake from now on? What is the time frame for that, and what format will it take?

Mr Smyth:

When the Minister, on receipt of the proposals, asked us that same question, we gave him a definite statement that there are no absolutely right answers and there are variants to the various solutions that we propose. He has asked us, over the next two to three months, to speak to tenants, staff, housing associations, representatives of the building and construction trade and others, such as the Housing Council and local government representatives, and come back to him with views on how people envisage those recommendations being realised. What are the structures and governance mechanisms that will make them real? We will get back to the Minister in the autumn, and, at that point, I think that it will be his intention that we return to brief the Committee.

Mr Campbell:

I welcome you to the Committee. I am unsure about a couple of things. You outlined various bodies, and I see the sense in recommending them. However, I am unclear about the need for a distinction between the new strategic housing authority and the new social enterprise landlord. Why must those two bodies be as distinct as they appear to be in those proposals?

Mr Parker:

That is a good question. In essence, we seek to recognise that the entity responsible for managing and investing in the existing housing stock has to give that role absolute priority. In addition, there is an important function for an entity to oversee delivery, supply and management and to address the needs of communities across Northern Ireland as a whole at a more strategic level. That entity should be responsible for addressing supply and tender issues across all housing tenders in Northern Ireland in a strategic sense, by responding to and delivering according to the requirements and needs of Ministers and the Committee. We believe that those interests are best served by an entity that is distinct and separate from one whose priority is the management and delivery of services to the existing housing stock.

Mr Campbell:

What would be the problem if the two were incorporated in one body?

Mr Parker:

To some extent, that situation exists. By their very nature, the needs of tenants are urgent and immediate. That means that the current Housing Executive experiences, quite rightly, a gravitational pull to serve the needs of tenants, as opposed to stepping back and looking at the wider needs of communities across Northern Ireland for housing supply. That situation has the potential, over time, to give rise to conflict. Those roles, at one point in time, gave rise to fewer conflicts than they do today. Today, there is a need to increase supply by using the Housing Executive's land bank more effectively to meet the needs of the whole community: social tenants and those living in the private rented sector and what acts as private housing. It is difficult for an entity that owns social housing stock to have the foresight, wherewithal and strategic vision to deal with strategic issues across Northern Ireland as well as managing its own stock. The reference points are many. Nowhere else in western Europe or North America has entities with those two functions. The most similar entity is Housing New Zealand, which has, over recent years, separated out the two functions.

Mr Campbell:

I have one final question. You mention housing associations, but given the responsibility that associations have taken on in recent years, particularly in the newbuild programme — although you say that it is outwith your remit — did you look at the importance of the associations and the possibility of a review of their work? There is a multiplicity of associations with what might be called a cash bank.

Mr Smyth:

Many people have raised that question with us. It was outwith our scope, but it would be disingenuous to say that the report will not have significant impacts on housing associations. Those will include the introduction of a new housing regulator with responsibility not only across the new social enterprise but across housing associations and private landlords; a more competitive process for housing association grant (HAG) newbuilds, which, with substantial public funding, will make that more of a true procurement exercise; and the energy that will be injected into the sector through the introduction of the new social enterprise and the expected innovation that that will bring. Our thoughts are that it will have significant impacts on housing associations. We believe that, over time, it will lead to the consolidation of the housing association sector into a smaller number of larger associations. It begs the question whether that part of the sector will take a step back, look at the impact of the recommendations and how it

proposes, proactively and positively, to deal with them.

Mr F McCann:

It is obvious that quite a lot of work has gone into the report. There are always some concerns when people start to say that a body has delivered well for 40 years but then systematically dismembers the whole organisation. That is a concern for many people. I would not say that a review of the way in which the Housing Executive works was necessary. After 40 years, changes are necessary because we are in a different era. I want to follow up on what Gregory said. There has now been a review of the Housing Executive, and I take it that, at some stage, there will be a review of the housing associations, given what has taken place. I thought that it would have been far better to have a root-and-branch review of the Department and the way in which it runs housing, the Housing Executive and housing associations as a whole. If you go for a new beginning, you get a new beginning, rather than a partial new beginning in housing.

I note the recommendation that the housing regulator would still be placed in DSD. However, where would the new strategic body sit? There seems to be an indication that it would be an arm's-length body attached to DSD. The winner seems to be the Department rather than housing. There are concerns about that.

There is also concern about the Savills recommendations, which state that you need £5 billion over the next 25 years to maintain the decent homes standard; however, they also criticise the Housing Executive for maintaining the decent homes standard. There is some confusion there. Here is completely different from most other regions since more people are on low pay. That affects the convergence of rents. A convergence of rent for those most in need may be an increase of £30 or £40 a week. There are quite a few difficulties.

Some of the recommendations are intermingled. Over the past year or so, I have heard the arguments and debate about the need to set up a separate strategic policy body and about the landlord end of it. You can bring that forward, but a strategic body has to be separate from the Department and maintained within the confines of the Housing Executive, perhaps under a new name. Removing it completely would create many difficulties.

Mr Smyth:

I will cover a couple of the points about structures. First, there is no absolutely right answer, and

we have tried to set out some of the variants. The regulator would be a relatively small body. There is a case for it to be attached to the Department — if I can use that phrase — albeit with legislative cover for independence of its regulatory function. That is just an efficiency; it is how the Scottish regulator works. I accept, and it is acknowledged in our report, that some people would like a totally independent regulator separate from the Department and responsible just for pay and rations. That is a valid argument for debate. It will be interesting to hear the feedback on the preference of options as we talk it through with the key stakeholders.

The Housing Executive is an arm's-length body but with a link and controls to the Department for Social Development. What we see in future is a strategic housing authority also an arm's length but with a link to the Department for its finances and pay and rations. Some people argue that the strategic housing role should be taken by the Department; others think that it would be better left with an arm's-length role. Personally, I value the Housing Council's input into the strategic decisions on housing. Moreover, being at arm's length facilitates the Housing Council having that input.

There are arguments about all the structures, but let us agree on the fundamentals: a new social enterprise landlord who can borrow the money; a new strategic housing authority that can deliver the priorities of the Minister and the Assembly; and a new housing regulator that can put the governance regime in place.

Mr Hugh Crossey (PricewaterhouseCoopers):

The convergence of rents is a sensitive issue, and we were conscious of that when we were doing the work. There is an inevitability that if we set up an entity that has to borrow to fund the maintenance programme, there will be a cost to that borrowing. That will have to be covered, over time, by a migration of the convergence of rents. It does not have to be done instantly; it can be done over some time. It will also be under the control of the regulator.

However, about 85% of Housing Executive tenants are covered by benefits, and an increase could bring more people into that bracket. They are very sensitive issues. The entity would borrow to do that work, and there would be a cost to that borrowing. Without trying to mask it, that cost would eventually have to be covered by a rent increase. It would be over a lengthy period and under the control of the regulator.

Mr Parker:

Indeed. Hugh is absolutely right. It is challenging, but, in essence, there are only two ways of delivering or funding the investment: more government subsidy, which is not available; or rents. We all have a responsibility to ensure that rent increases are affordable. I expect any work on rent to look at the affordability of increases to present and future tenants.

Mr F McCann:

There are quite a few things in the report. Regardless of whether you increase the rent tomorrow or over 20 years, it will affect those most in need. You mentioned housing benefit. At the moment, there is an attack on many aspects of housing benefit, and that is affecting people. Ours is a fairly low-paid economy where people just sit outside the housing benefit bracket, and any serious increase would have a dramatic effect on people's ability to pay. There is a question about the transfer of aspects of housing to social security. I have difficulties with that, with the advice sector and with the ability of the Social Security Agency to run it, as it is already under severe pressure.

There is an issue about mutualisation and about tenants owning their houses. What I read here seems to pay lip-service to it. I am not saying that that is the way you should go. You are saying that tenants should have the right to say that they own their houses; however, they have no say in how it is run, with the exception perhaps of one or two people sitting on a board. There are many difficulties that we need to pick up on.

Having read the report, I know that PricewaterhouseCoopers says that it will go round all the stakeholders. However, I notice that the list excluded the entire advice service, the voluntary housing sector and the amalgamation of residents' associations — the very people who would be affected by mutualisation. That needs to be taken into consideration, and we need to bring those people, and others, in so that we get a wide view of what it means to the future of housing.

Mr Crossey:

There is no intention to constrain a consultation artificially.

The Chairperson:

Several points flow from this morning's meeting. We can write them up and present them to you, including the suggestion of a wider range of consultees.

Mr Douglas:

PwC was here this morning for its report, which was very comprehensive. This is not the Housing Executive as we know it; it is a root-and-branch change. We need to face up to uncharted waters and challenges. You mentioned mature conversations. This is a start, because it is a huge change with huge implications for people in Northern Ireland. I hope that this is just the start of it.

You said that the Housing Executive has had 40 years of success. Part of that success is about its being local and the local office responding to local needs. It was not just the rent office, as we used to call it; it was about community cohesion and safety and a local link. Recently, it has moved away from those services to become more centralised. I understand that that is because of financial constraints. I hope that any new structure will build on the success of the past.

The social enterprise model is a radical departure, but I do not see in the report that you have spoken to social enterprises. Perhaps that is a question that you could answer. This could be the biggest social enterprise in Northern Ireland and one of the biggest in the UK. As someone who has been involved in social enterprises, I know that setting one up is a huge task, and it is also quite exciting. You talked about it being a company limited by guarantee with charitable status and mutuality. The structure would be owned by the tenants. Can you elaborate on that? How would you set it up? Who would be on it? How would people be elected or selected? You also mentioned that there might be an opportunity for some politicians to be on it.

One of my biggest criticisms of the report is on a small aspect. I know that names are names. However, I think that the proposed name is NIHE Northern Ireland Homes, and I do not think that that rhymes very well. I find it hard to say. That is a small point, but thank you for your report.

Mr Parker:

Thank you for the points that you have raised. I will touch on a couple of them and then ask Stephen and Hugh to respond. We hope that, in the future, because the organisation will be on a more secure and long-term financial footing, it will be able to deliver the needs of local people in a way that they most value. The organisation will remain large in scale, and underpinning what we are doing is that it will be local or small at the front and big at the back. Behind the

organisation, there will be a focus on tenant needs at a local level. There will be an organisation to provide a critical mass for efficient back-office operations. We hope that it can do those things. To be frank, the alternative is difficult for us all to contemplate, because, over time, as the Housing Executive's resources decline, customers' needs will remain unmet.

You asked about the organisation's structure and raised issues about social enterprise. Some important points were raised on that. An important caveat is that it was not in our brief to spend a great deal of time defining the structure, and there were two very good reasons for that. We are setting a strategic context, and we have a view about a proposed approach. Our thinking is not immutable, and our suggestions are not fixed. That is why we have not gone into it in depth. There is good practice across Europe and beyond of organisations that are set up in a similar way and which, ultimately, are non-profit-distributing. Indeed, many of the very large housing associations that I work with in England function in that way and to great effect.

Mr Douglas:

You mentioned not-for-profit organisations. We need to be very clear that the structure will be a business that is run as a business to make profit. It is not profit-sharing.

Mr Parker:

Absolutely. Any business that is to be viable in the long term needs to create surpluses. There are some good examples, and future discussions will address any concerns that members of the community and other stakeholders have about the structures. We have considered the board representation. Do you want to talk about that?

Mr Crossey:

One of the things about the social enterprise model is that it would be set up as independent in a way that would allow it to borrow. Therefore, it needs to have control. At the same time, the stock would return to public sector ownership at the end of the period. In a way, there are some constraints around what had to be achieved around those objectives that led us to the social enterprise model. We have had discussions not only around NIHE but generally around setting up social enterprise models in NI. You are quite right to ask about how they are established and initially appointed. Once they are appointed, they will be run like any other business in that respect. The Committee and DSD would have an initial view on how that board will be constructed, and, thereafter, the entity would be independent of that. It has to be that way to

allow it to carry out the function and to be able to borrow.

Some of our thinking was about trying to balance different stakeholder interests and deciding on the best model to meet all of those interests. As Richard said, we have not said that this is absolutely the way that it must be done. We have said that further debate and refinement are required to challenge some of the assumptions that we have made and also to potentially refine those stakeholder interests to see whether there is something even better than we have set out. We are not saying that it absolutely must be done and that it must be done in this way.

Mr Durkan:

I welcome the PricewaterhouseCoopers report. It is very thorough. Fra made the point that I wanted to make, regarding the need to trawl far and wide through the consultation and to touch base with the organisations that Fra mentioned. Your recommendations are ambitious and imaginative, and they are a refreshing change from what comes back from most such reviews. In response to a question from Gregory Campbell, Stephen spoke about a more competitive process for housing association grants (HAG). Am I right in saying that the new housing authority will not be eligible to apply for HAG?

Mr Smyth:

That is a very good question. Effectively, we are suggesting that the new social enterprise organisation should not be eligible for HAG for a period of time, which may be 10 years. That is HAG funding for newbuilds. We are not saying that it cannot build new houses; it can, if it can afford it through any profit that it generates. The reason for that is, first, to give the housing associations time to reflect on the fact that this big beast of a social enterprise will be eligible at some point for HAG and will be competing with them. Secondly, we are proposing that the public sector retain the Housing Executive's existing outstanding debt. It is part of the quid pro quo that the public sector will retain the debt of that organisation, but, for the next period of time, the Housing Executive should not receive public sector funding for proposed newbuilds. It is a bit of a balance, and it is a matter for discussion. We have suggested a 10-year period. We have discussed that with the Housing Executive senior management. It is a matter for refinement and review.

Mr Durkan:

Is that to give the housing associations 10 years to try to catch up, because it involves quite a bit

of balance?

Mr Smyth:

Absolutely. The HAG funding will continue through the Department through the strategic housing authority. We are suggesting that the strategic housing authority, building on some of the good work that the Department has done, adopts a more competitive procurement approach to the allocation of HAG funding. It has that level of independence from the Department, which I think Mr McCann referred to.

Mr Copeland:

I must confess that I read through your document briefly and could not make my mind up as to whether it was an obituary or a birth notice. I think that it is probably a bit of both. There are several specific questions to which I may have missed the answer, but they may be in here. It appears to me that option 4(a) is possibly the preferred option. Although there are a lot of words in the document, there are not a lot of numbers in this; they are all in this, so I would need to go through all those numbers. It strikes me that several questions arise from option 4(a). It is mentioned that housing stock should be transferred to the new social enterprise. Do you include in the term “stock” the development land and the potential development land that is in the Housing Executive portfolio?

Mr Parker:

We do not. That will remain with the strategic housing authority.

Mr Copeland:

Do you also accept that the Housing Executive has a substantial number of people who find themselves in the unfortunate circumstances of being, to some degree, benefit dependent, and, to a larger degree, dependent on housing benefit, which, as we heard, is going to be under pressure from other quarters? We have accepted that there is a pressure on housing benefit. Housing benefit in Northern Ireland that was paid to non-Housing Executive landlords over the past five years, up until December last year, amounted to £1.243 billion. That is for non-Housing Executive tenants. I suggest that the Housing Executive figure was a good deal larger than that and that any reduction of any percentage in such a large amount of money could hamstring the new venture before it even gets off the ground. There have also been repeated difficulties where the amount of money required by the housing benefit to maintain the housing standard to a decent

and reasonable level is declining every year, because the amount of properties is declining. I have heard that said in the Chamber. The difficulty is that the properties that remain are the worst in the portfolio — the ones that nobody else wanted to buy. I remain unclear about where the vast amount of money that was raised from the sale of that public asset went. I understand that it went to the Treasury to offset the debt.

I am also concerned that this new venture, Northern Ireland Homes Ltd, can build from profit when the 10-year period is up. The chances of a profit occurring within the first 10 years of the venture are probably close to those of a snowball in hell, if I may be so blunt. The people whom we represent ask simple questions: will this lead to more affordable social housing? Will it improve the standard of the properties that are already rented? Will it lead to the notion that social housing is fundamental to a stable society?

Mr Parker:

Those are very good points. The answers to the last three questions are: yes, yes and yes.

Mr Copeland:

Those are very unfamiliar words in here. *[Laughter.]*

Mr Parker:

We will back better support. On each of the objectives of supply, protecting interests, current investment and affordability, our suggestions were very strongly against criteria that drove some of the non-financial analysis. For obvious reasons, we are sensitive to the issue that you raised, as it is only a partial and inadequate solution if the suggested approach simply makes rents unaffordable for those who need this housing. That goes without saying.

We have worked to that approach because, as I said at the outset, from a financial perspective, that drives what we can achieve. However, we need to reconcile the financial requirements to the needs of those who need the housing and because, as you say, maintaining the social fabric and social requirements are fundamental to a stable society. We expect any business plan — whether our proposed solution is followed or not — to identify investment need in a more detailed and up-to-date way than in the past to identify the best way to reconcile that investment to different funding approaches or the need to meet those funding requirements and then to identify the contribution that rents will need to pay.

I recognise what you say about benefits, and we are addressing that across England. However, we are still talking about housing, the cost of which is significantly discounted compared with market or intermediate rents. I expect any increases to be accommodated in the benefits regime. There is another group of people that we need to recognise: those on medium to low wages who do not draw benefits but who expect to be subject to rent increases. There is a perversity about housing in Northern Ireland: if you are on a waiting list for a property with the Housing Executive, the rent that you ultimately pay is significantly lower than it is for someone on a waiting list for access to housing association housing.

Mr Copeland:

Do you also agree that the taxation regime for private landlords, who pay, I believe, 40% tax on rental income, forces private rents up? The real cost is less. Reducing taxation would reduce rents in the private sector. In some cases, the service provided by the private sector is good, but, in many cases, it is atrocious.

Mr Parker:

Our brief did not cover those issues, but we have suggested the establishment of a regulator to regulate the sector.

Mr Copeland:

The last thing is the value of the land that will be removed from the Housing Executive. Is there a notional figure for that, say by acreage?

Mr Smyth:

I could not quite give you a valuation for that. I want to be clear about the land bank that currently sits with the Housing Executive. The proposal is that the social enterprise would be created and there would be leasehold ownership of the stock. The land bank, the development land and some other land that is within the remit but which is not seen as being used for development would remain with the strategic housing authority and in the public sector. We do not envisage any of the land being transferred out of the public sector.

Mr Copeland:

I am not concerned about it being transferred out of the public sector. If you want to borrow —

any business borrows to invest and recoup — you must borrow against something. I would suggest that borrowing against potential or actual development land would be an awful lot easier than borrowing against a couple of rows of bricked-up houses.

Mr Smyth:

That is a good point. The borrowing will be primarily against the rental income and the housing stock. The strategic housing authority could use that land but not solely for initiatives through the social enterprise. It may also use that land in initiatives with housing associations, other bodies or local government. The strategic housing authority will have that broader view and will be able to do that.

Mr Copeland:

That drives me back to my initial point, which was that when Housing Executive land was given to housing associations or was gifted to them for £1, they built houses. If there is one thing that came out of the Troubles that was undervalued and worth saving, it was the Housing Executive. Its history of house building was such that it left us with a housing stock that, properly maintained, would be as good as any in Europe. I understand that it cannot go on in the way that it did, because the money is not there to do so. However, I would have preferred to see the Housing Executive retain the ability to compete in the construction of new houses. It starts with an added advantage in that it holds the land.

Mr Smyth:

Let me first confirm that that is a view that we heard from almost all the stakeholders. Indeed, most politicians and community representatives find the fact that the Housing Executive has not built dispiriting. They look back to a time when houses were of good quality and were well managed. That is something that we heard from a lot of people.

Mr Copeland:

And you discounted that.

Mr Smyth:

Absolutely not. We are very keen that the new social enterprise will have the ability to build, and we did not want to put any limitations on it. If, as key stakeholders, politicians feel that it should be eligible for HAG funding and should be able to compete for HAG upfront, that is a political

decision. We put that up as an option, and those are the detailed implementation challenges that we face. Looking at it in the round, there are considerations for the housing associations in encouraging that sector to reform through the use of HAG.

Mr Copeland:

The use of the term “political considerations” intrigues me because, as you well know, political considerations should be demonstrably justifiable. Do you see anything in your research that would indicate that it would be a desirable outcome to empower the Housing Executive to once again build homes?

Mr Smyth:

For us and the current management team in the Housing Executive, it is all about social objectives. This will be a social enterprise with stated social objectives into which politicians and others will be able to input in setting up the new organisation. Those social objectives and the priorities of the social enterprise will initially focus on the huge ask around the maintenance of the current stock. If there is scope resource-wise or financially to build homes, that would be a welcome addition. However, I think that, if you were to speak to people in senior management in the Housing Executive, you would find that the key thing on their horizon is the demands of the Savills report and the fact that the current stock requires £5.5 billion of investment over the next period. It will be fine if they can get the capacity to build. However, let us set the social objectives that reflect society’s priorities.

Mr F McCann:

I have one brief question to ask. The report mentioned the Housing Executive’s historic debt, and, when it was first mooted, there was discussion about the separation of housing. It was suggested that doing away with that historic debt would be one way to give a lift to whatever the new body may be. However, I do not see that suggestion among the recommendations.

Mr Smyth:

We have talked to the Department of Finance and Personnel about that, and I know that the Department has done so as well. We have asked whether it would be possible to adopt it. However, I have to say that the soundings have not been extremely positive — that is putting it diplomatically. Nevertheless, I do not think that it is a lost cause. There were similar recommendations in the recent economic report on Northern Ireland, and it was a Programme for

Government recommendation that was never followed up on. So, I do not think that it is a lost cause, and we will push for it. We are aware of it, we have raised it, and we will continue to push for it.

Mr Douglas:

Stephen mentioned social objectives. When we are looking at the whole social enterprise model, we need to look at its benefits, particularly for tenants, for example. You mentioned a dividend. If a profit is made, there is a threshold above which a dividend is available to tenants. I am not talking about a financial dividend; I am talking about, for example, developing community projects. I am thinking about opportunities, such as in training, job creation and volunteering, that do not exist now but that social enterprises are very good at. I am not talking about taking jobs away so that people have to volunteer; I mean the people who are retired or not working for mental health reasons. So, for me, a range of positives are linked to social enterprise. It would be good, therefore, if, at some stage, we could list some of those for further discussion.

Mr Parker:

You are absolutely right. There are real strengths in the model for delivering such benefits in a cohesive way. You mentioned something else that is very important, given the wider economic challenges that we face. Once the new organisation is set up, it will have the ability to secure over £5 million of investment into stock. That investment will not just improve and maintain people's homes but will create jobs and opportunities and improve the economic situation of Northern Ireland as a whole.

Mr F McCann:

As well as that, the Housing Executive will be able to borrow not just for maintenance but for building houses.

Mr Douglas:

To go back to my original point about the structure itself, there has to be a sense of ownership. As we have all found, if there is a sense of ownership, people treat things better and are more involved. That is the key to selling this to tenants.

The Chairperson:

Thank you. I thank the members for their good questioning, and, in particular, I thank you all,

Richard, Stephen and Hugh, for your presentation and for doing your best to give us as accurate answers as you possibly could. Thank you for your comprehensive report. We look forward to engaging with you again. I wish you the best of luck over the next two or three months with the range of consultations that you are embarking on. As you know, very important issues are at stake, so good luck with your endeavours, and, as I said, no doubt we will engage with you again in the not too distant future.