

Definition of Affordable Housing in Northern Ireland – consultation.

To: All Chief Executives, Main Contacts APSE Contacts in Northern Ireland
For information: England, Scotland, and Wales.

Key Points

The Department for Communities launched a consultation on 24 June 2019, seeking views on proposals to revise the definition of Affordable Housing for Northern Ireland. The consultation closes on 13 September 2019.

2.0. Background

On 24 June 2019, the Department for Communities (DfC) published a consultation seeking views on proposals to revise the definition of 'Affordable Housing' for Northern Ireland.

The stated aim of the consultation is to agree a clear definition of affordable housing that can be applied consistently in legislation, policy, local plans and in practice. For full details of the proposals and consultation questions can be viewed via the following link: -

[Definition of Affordable Housing](#)

This briefing provides an overview of proposals as set out in the consultation.

2.0. Why does the Government intervene to provide affordable housing?

The draft Programme for Government 2016–21 (PfG) seeks to improve well-being for all, by tackling disadvantage and driving economic growth. It adopts an outcomes- focused approach and requires collaborative working within Departments, across Government and with the wider public, private and voluntary sectors. While it cannot be finalised until approved by a new Northern Ireland Executive, the draft PfG sets the context for all policy development and delivery to 2021. The contribution of housing to achieving the draft PfG outcomes is explicitly referenced in relation to indicators 8 and 48.

There is an acknowledgment in the consultation document that good housing is linked to improving health and well-being and that it plays an integral part in building cohesive communities and sustainable neighbourhoods.

3.0. Current Definition of Affordable Housing

The current definition was provided by the Department for Social Development who were previously responsible for housing and this current definition is set out in the Strategic Planning Policy Statement (SPPS). The SPPS states the following: -

“Affordable housing relates to social rented housing and intermediate housing, which are defined as follows: -

- Social rented housing is housing provided at an affordable rent by a Registered Housing Association; that is one which is registered and regulated by the Department for Social Development as a social housing provider.
- Social rented accommodation should be available to households in housing need and is offered in accordance with the Common Selection Scheme, administered by the Northern Ireland Housing Executive, which prioritises households who are living in unsuitable or insecure accommodation; and
- Intermediate housing consists of shared ownership housing provided through a Registered Housing Association (e.g. the Northern Ireland Co-Ownership Housing Association) and helps households who can afford a small mortgage, but that are not able to afford to buy a property outright. The property is split between part ownership by the householder and part social renting from a Registered Housing Association. The proportion of property ownership and renting can vary depending on householder circumstances and preference.

The SPPS also states that “this definition of intermediate housing used for the purpose of this policy may change over time to incorporate other forms of housing tenure below open market rates.”

Within the current definition, social rented housing is clearly defined and there is a strong understanding amongst the wider housing delivery sector of what is meant when the term ‘social rented housing’ is used i.e. housing that is provided by social landlords (the Housing Executive or Housing Associations) to those in housing need.

4.0. Why is there a need for a new definition of Affordable Housing now?

Changes in the Policy and Funding Environment

The Government states that the overall policy and funding environment has moved on since the SPPS was developed. New Government funding streams, the housing association sector’s desire to diversify and grow, and innovative new construction methods and

products from private developers are providing opportunities for new affordable housing products.

As recognised in the draft Programme for Government (PfG) 2016–2021, housing challenges are broader than the need for social rented housing and shared ownership housing. It is proposed that an updated definition of affordable housing will take into account the needs of a wider range of groups, some of whom are not currently finding their needs adequately met by the market.

Co-Production

It is acknowledged that the challenges cannot be addressed by Government alone and partners, such as the Northern Ireland Housing Executive, housing associations, councils, private developers, private landlords, lenders, and the advice sector are required to contribute to the provision of affordable housing options. For all parties to play their part effectively, the Government aim to provide additional clarity on what is required and how it can be delivered.

Targeting Resources

As previously outlined the SPPS acknowledges that the intermediate housing model might change over time. The current definition was drafted to reflect the affordable housing products available at the time of its development, namely social rented housing and shared ownership housing.

In the current funding environment with pressures on both revenue and capital funding, the Government states that careful consideration needs to be given to how resources can be targeted to greatest effect. By amending the definition to capture a range of wider products being offered/under consideration it is believed that it may assist in improving the delivery of appropriate housing and increase suitable housing supply to meet need and demand.

Councils' Local Development Plans

It is stated that considering a change to the current definition is timely given that Councils are working on their Community Plans and also their new Local Development Plans (LDPs) to bring forward appropriate policies, land allocations and key site requirements which provide for a range of housing needs for everyone.

Furthermore, it is reported that it should help to provide clarity in terms of the provision of housing development with homes in a range of sizes and tenures – supporting the creation of more balanced sustainable communities.

5.0. Overarching principles and objectives

In the context of current policies, funding and the wider operational environment, the Department proposes that the guiding principles underpinning an updated definition of affordable housing should be flexible and have the ability to accommodate different needs and situations. Rather than adhering to rigid criteria, any updated definition should operate within clearly defined parameters which seek to deliver the following objectives: -

- To support and encourage an effective housing system;
- To target our resources on those households who need help to access suitable and affordable housing;
- To deliver best value for the public purse in the context of our constrained spending environment;
- To provide a framework for how Government and housing providers think about and deliver affordable housing; To improve the range of affordable housing options and in turn, the supply of new affordable housing properties; and
- To provide clarity for the planning system particularly in the light of councils bringing forward their Local Development Plans which take account of their community plans.

6.0. Proposed updated Definition

Overarching Definition

With the stated principles and objectives in mind, the Department is proposing the following updated overarching definition for affordable housing:

Affordable housing is housing provided for sale or rent outside of the general market, for those whose needs are not met by the market. Affordable housing which is funded by Government must remain affordable or there must be provision for the public subsidy to be repaid or recycled in the provision of new affordable housing.

Affordable Housing Models

The following models offer examples of recognised affordable housing products:

- **Social rented housing** – Social rented housing in Northern Ireland is provided by a Registered Housing Association or the Northern Ireland Housing Executive. Housing Associations are registered and regulated by the Department for Communities as a social housing provider. Social rents are provided at submarket rent levels. Social rented accommodation should be available to households in housing need and is offered in accordance with the Common Selection Scheme, administered by the Northern Ireland Housing Executive, which prioritises households who are living in unsuitable or insecure accommodation.
- **Shared ownership** – Shared ownership schemes are a cross between buying and renting; aimed mainly at first-time buyers. Under these schemes, purchasers buy a share of their home with a mortgage. They then pay rent on the remaining share of the property, which is owned by the local housing association. The expectation is that over time shared owners will buy more shares in their home until they own the whole of the property. This process is often referred to as 'staircasing' to full ownership.
- **Rent to Buy or Rent to Own** – these schemes provide applicants with the opportunity to rent a property for a specified period and then to purchase it, either

through shared ownership or by straight sale with the aid of a more traditional mortgage product. The main attraction or benefit of these schemes is that properties are rented at reduced rates or provide a rent rebate to help households to save for a home deposit.

- **Shared equity** – the terms shared equity and shared ownership are often used interchangeably but they are different products. Shared equity schemes typically allow homebuyers to combine a small deposit with a lower than average mortgage size by providing buyers with an ‘equity loan’, covering a percentage of the property’s value. It can be a quick way to boost the size of the buyer’s deposit and increase their chances of getting a good mortgage deal.
- **Discounted market sales housing** – is housing that is sold at below local market value. Eligibility is determined with regard to local incomes and local house prices. Homes sold under these schemes typically have a discount of around 20% and include provisions to remain at a discount for future eligible households.
- **Affordable Rent products** e.g. mid-market rent – housing that is made available for rent at a cost lower than private market rent but higher than social rented housing rent. For example, rent could be set around Local Housing Allowance or 20 per cent below local market value. This type of housing is deemed as being particularly well suited to Build to Rent Schemes.

The first three of the products listed are already available in Northern Ireland: Social Rented Housing, Shared Ownership and Rent to Own. The available research, some of which is outlined in the consultation paper, into barriers facing first-time buyers and lower income families in meeting their housing needs suggests that there is merit in diversifying affordable homes offerings.

The above examples of affordable housing categories are not intended to restrict housing providers to these particular products. That said, products will only be termed “affordable” if they conform to the requirements as detailed in the proposed new definition.

Low Cost Housing without Subsidy

A further housing product that would appear to be permitted under the new English National Planning Policy Framework (NPPF) is low cost housing without subsidy. This represents a change in policy from the previous NPPF. The Scottish Planning Policy also, albeit more explicitly, includes this product within the umbrella of affordable housing.

In this consultation and associated work, Low Cost Housing without subsidy is defined as housing that priced at or below the average house price for the council area, as reported by LPS Northern House Price Index Report and which is provided without any Government funding and offered for outright sale.

Retaining Affordable Homes

Another key question is how to ensure that properties remain affordable and indeed perhaps whether properties should remain affordable. For products, such as shared ownership or shared equity this is not appropriate because these products are primarily aimed at helping households to realise their aspirations to full homeownership. In these cases, Government subsidy will be expected to be repaid or recycled.

Where this issue is more relevant is in cases where Government investment has permitted a household to buy a property at lower than market value i.e. discount market housing. There are a number of mechanisms for keeping housing affordable, including Golden Shares, Community Land Trusts and Exit Fees.

The issue of retaining affordable homes and the implications in terms of increased values and potential options for dealing with these will require further consideration in the context of different products.

It should be noted that the new proposed definition of affordable housing is intended to provide a high-level context for options for the future development of new affordable housing products. It is likely that the delivery of the types of affordable housing required on the ground and the building of sustainable communities will need to be underpinned by appropriate planning conditions. These and other operational level issues will be considered at a later stage, but any initial thoughts on such issues contained within responses to this engagement exercise are welcomed.

7.0. Focus for Affordable Housing and Target Groups

As previously highlighted, it is stated that an updated definition of affordable housing will need to take into account the needs of a wide range of groups, some of whom are not finding their needs adequately met by the market.

Social Housing

Social Housing in Northern Ireland works on the principle of universal access. The new definition of affordable housing will not impact on access to social housing.

'Housing need' in NI specifically relates to social rented housing and to those on the waiting list for social rented housing who are assessed as being in housing stress. Housing stress is defined as those with 30 or more social housing selection list points. Draft PfG Indicator 8 relates to housing stress.

It is reported by the Department that as of 31 March 2018, the NIHE has approximately 36,198 households on the Social Housing Waiting List: 24,148 of which have 30 points or more and are assessed as being in housing stress. The rest have less than 30 points. They are not assessed as being in house stress but have aspirations to live in social rented housing.

The Housing Selection Scheme, the system for assessing housing need and allocating social homes, has been in place, largely unchanged, since 2000. The Department has conducted a fundamental review of Social Housing allocations. A consultation on proposals concluded in December 2017 and officials are currently considering the way forward in light of responses received.

Intermediate Housing

'Housing demand' is based on economic factors and incorporates economic ability to access housing, including choices about where someone wants to live/where they can

afford to live. Intermediate housing is targeted at those households who cannot access a home to rent or buy in the marketplace that meets their requirements.

Traditionally in Northern Ireland, intermediate homes provision has primarily been directed at supporting First-Time Buyers. However, reflecting on policy, economic and demographic changes, the new funding and operating environments and housing supply issues, it is proposed that the target customer groups for intermediate products are widened. The Department's research indicates that intermediate homes products should be targeted towards four broad customer groupings, as follows:

- 1. *First-Time Buyers (FTBs)/Returnees to the Market*** – house prices have fallen dramatically since the height of the market in 2007, but FTBs still face significant problems in accessing the property ladder, with one key barrier being that they have insufficient means to fund a home deposit. There are several products targeted at this group at present, namely, the shared ownership schemes and the Rent to Own pilot. These products are also available to returnees to the market, a major sub-category of which is individuals who require new accommodation because of family breakdown.
- 2. *Active Older People*** – demographic change is expected to result in a growing demand for housing that is designed to meet the needs, expectations and aspirations of older people. For this group, housing that is easy to maintain and is fit for purpose as they age, and is within or close to their current neighbourhoods is likely to provide an attractive product. Housing which conforms to the HAPPI principles could fill this key gap in the market, but additional assistance may be required to help some individuals within this category to transition to these more suitable homes.
- 3. *People with disabilities*** – statistics show that people with disabilities are more likely to live in poverty, to be economically inactive, to face problems with housing and as a consequence are under-represented in the housing market. It is also the case that the current stock of suitable adapted properties is not adequate to meet current demands. Here it is worth highlighting that Northern Ireland Housing Executive waiting list statistics indicate that the demand for accessible social rented housing is being fuelled to some extent by those who currently live in unsuitable homes in the owner occupier and private rented sectors.
- 4. *Lower income households*** – these are households whose housing needs are not serviced by the market without undue hardship. A sub-category of people within this group includes those households who have low or no points on the social rented housing waiting list. This is a group highlighted in a recent research paper published by the Nevin Economic Research Institute. The main available housing option for these households is the private rented sector which, on average, is £20 per week more costly than social housing and has less secure tenancy arrangements, albeit that recent Government initiatives have rendered the private rented sector a more attractive housing option for more people by improving standards and regulation. DfC recently consulted on proposals to further improve the sector. Officials are currently considering the way forward in light of responses received.

8.0. Councils Local Development Planning

The Strategic Planning Policy Statement (SPPS) sets the strategic direction for the 11 councils to bring forward detailed operational policies within future local development plans. With planning powers transferred to local government, each council will deliver its own Local Development Plan (LDP), taking account of its Community Plan, setting a clear vision of how the respective council area should develop over the longer term.

It is acknowledged that the planning system can play a positive and supportive role in the delivery of homes to meet the full range of housing needs of society, within the wider framework of sustainable development. The aim of local development plans is to guide the future use of land in the relevant council area. This involves ensuring that there is enough land available for different land uses, including the area's housing, employment and community needs, while also protecting important landscape, heritage and environmental features.

9.0. Monitoring and Evaluation

The Department state that they will align the monitoring and measurement of its changes to the definition of affordable housing with the outcomes-based accountability approach of the draft PfG 2016–21.

As far as possible, affordable housing products provided for under the new definition of affordable housing will be evaluated for success using an outcomes-focused approach. This entails moving from simply measuring output, for example, the number of homes delivered or people who access a product, to assessing the impact that the policy has had, for example, how has the number of homes achieved the objectives and impacted positively on the circumstances and well-being of individuals, families and communities. This will be achieved by monitoring all performance against three key questions: -

1. How much have we done?
2. How well did we do it?
3. Is anyone better off?

The Department acknowledges that they are aware that there are currently key gaps in evidence and data collected in relation to the housing market generally, and the existing affordable housing products. This is one of the areas which was explored by the Housing Market Symposium and the Department will use its recommendations to inform new indicators and measures. The Department also state that they will work closely with providers to ensure coherence and consistency in how new indicators and measures are developed and applied.

APSE Comment

APSE welcomes the consultation on the Definition of Affordable Housing with many aspects of the proposals and aims set out in the consultation document being reflected in

the findings of research conducted by APSE and the TCPA. The key points that the research highlighted included a call for clarity regarding the definition of affordable housing; the role that good quality affordable housing can play in promoting health and wellbeing and creating cohesive and vibrant communities.

APSE, in principle, supports the proposal to focus on an outcomes-based accountability approach that looks at monitoring and measuring the wider benefit over and above the number of units delivered.

Councils play an integral role in supporting the delivery of affordable homes in Northern Ireland and setting a clear vision of how the local area should develop over the longer term. However, the Department for Communities needs to ensure that in revising the definition of affordable homes that the work undertaken on producing Local Development Plans is not undermined.

The Department need to give consideration to the funding arrangements for affordable housing in Northern Ireland to ensure that they are genuinely affordable for those who cannot access the housing market.

In addition, lessons need to be learnt from English planning policy, where products labelled as affordable are in reality unaffordable, and meet the needs of the people they are designed to assist.

For Councils and the planning system to function effectively, adequate funding needs to be in place to ensure that the required resource is in place to support the delivery of the aims set out in the proposal.

On a final point, APSE will be responding to the consultation on behalf of APSE Members and any comments regarding the consultation can be emailed to Vickie Hacking, vhacking@apse.org.uk by 1 September 2019.

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