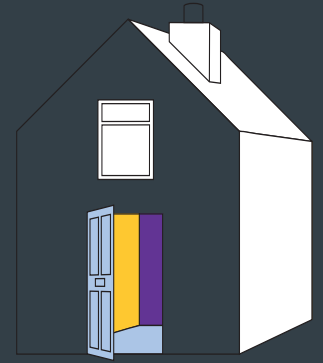


REVIEW INTO AFFORDABLE HOUSING
INTERIM REPORT

General Information



The purpose of this consultation document is to seek views and comments on my view of the housing and planning system and suggested recommendations and proposals.

Responses should be sent to:

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Alternative versions of this document including large type and audiocassette are available from the above address.

Comments are sought and should reach the Affordability Review Team by the 26th January 2007.

Unless indicated, responses may be published on the website at www.dndi.gov.uk

Following consideration of comments, a final report will be published at the end of March.

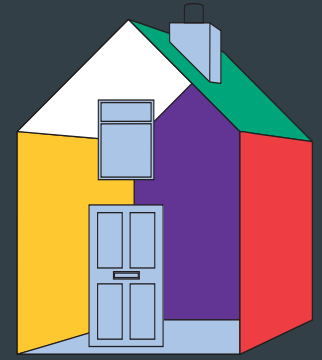
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Summary of Preliminary Proposals and Recommendations



Chapter 2: What do we mean by Affordable Housing?

1. A definition of affordable housing is essential. A definition is suggested.
2. It is suggested that housing costs should not exceed 30 – 35% of household income and a proportion of around this level should be used for eligibility purposes.

Chapter 3: The future need for new house building

3. The Department for Regional Development should now review again the Housing Growth Indicators for Northern Ireland currently set at 208,000 for 1998 – 2015.
4. Housing Growth Indicators at sub regional and District Council level are too restrictive and should be used alongside local market information in determining local housing and land requirements.
5. A social house building programme of 2,000 completions per annum is required.
6. Additionally, more social housing opportunities could be provided through bringing back voids into the stock and by giving incentives to social tenants to move into private sector homes.
7. The Foyer initiative should be expanded.

Chapter 4: Planning

8. The current Area Plan system is not delivering. Consideration should be given to moving to a more flexible system such as the English Local Development Framework and to whether this could be introduced prior to transfer of

planning functions to new councils under the Review of Public Administration.

9. Development of “*Routes through*” the Local Development Planning System would speed up decisions on major developments / schemes.
10. Increased densities and mixed tenure schemes should be supported.
11. “*Key site requirements*” should be extended to provide for affordable as well as social housing. New Department for Regional Development guidance is required on this.
12. There should be sensitive and flexible application of “brownfield development” to meet the 60% target. A balance between densification and the protection of an area’s character and communities needs to be struck. There may be a requirement to extend development limits in small settlements where sites available for development in small towns and villages are limited.
13. Triggers should be identified within the development control system to signal when the application of an Article 40 should be considered. Again new Department for Regional Development guidance is required.
14. Mechanisms for capturing the full range of developer contributions under Article 40 of the Planning Order should be introduced.
15. The Northern Ireland Housing Executive should develop a methodology for reviewing usage of open space under the exceptions policy of Planning Policy Statement 8, to release land for development of housing at higher densities and to diversify the tenure mix on existing social sector estates. Pilot schemes should be identified immediately to test the new approach.

-
16. Extension of Policy CTY6 should provide for mixed social and affordable developments up to 12 properties.
 17. The statutory response time for Planning Service to respond to applications should be extended.
 18. The scope for permitted development should be enlarged, and the possibility of restricting housing applications to one per site should be explored.
 19. Applications for significant housing developments might be fast tracked.
 20. A multi-skilled unit might be set up within the Planning Service to deal with significant housing applications.
 21. The decision to retain the Planning Appeals Commission after the Review of Public Administration implementation should be reconsidered.

Chapter 5: Land and building

22. In view of the extent of land banking and speculation, the Department of the Environment's Housing Land Availability Monitor should, if possible, be prepared annually on the basis of whether housing land is suitable, viable and actually available for building.
23. To counter land banking, selective zoning of land zoned for housing use but not being released should be considered.
24. The Department for Social Development should examine the scope for strengthening powers to vest land for housing purposes. The Northern Ireland Housing Executive should be proactive in the use of existing vesting powers.
25. The duration of planning permissions for significant housing developments might be reduced to three years.
26. The Register of Surplus public sector land should be comprehensive. The Department of Finance and Personnel should address this issue.
27. Consideration should be given to establishing a Northern Ireland Land Assembly Agency along the lines of English Partnerships. With appropriate restructuring this role could be undertaken by the Northern Ireland Housing

- Executive, the proposed Land & Property Services Agency or the Strategic Investment Board. Further work is required on this proposal. However, should a devolution settlement be secured, a public expenditure dowry for such an Agency would allow it to initiate its commercial activities.
28. Provisions in Great Britain for Local Authorities to release land at less than market value, swap lands and hold land for periods of 5 years should be applied to the Northern Ireland Housing Executive.
29. A pathfinder project should be initiated to test the use of Community Land Trusts in Northern Ireland.
30. New procurement arrangements should be introduced for Housing Associations and bundling of a number of sites into a larger contract should be tested.
31. Legislation should be brought forward to allow for payment of Housing Association Grant to private sector developers.
32. The Construction Employers Federation should encourage local builders to consider timber frame construction and to absorb any lessons from the £60,000 house initiative.

Chapter 6: Extending access to sustainable home ownership

33. Uptake of the Northern Ireland Co-ownership Housing Association product has reduced recently. Consideration should be given to extending or abolishing co-ownership housing value limits, to the scope for reducing the current rent level (2.75%) and to entry to the scheme at a lower level. The Northern Ireland Co-ownership Housing Association might be permitted to purchase on a rolling basis a stock of homes for selling through co-ownership.
34. I doubt if there is sufficient demand for shared ownership / shared equity in Northern Ireland to merit the introduction of more than one provider.
35. Further consideration will be given to shared ownership / shared equity schemes in Great Britain following publication of the report of the shared equity taskforce by the Department for Communities and Local Government.

-
36. The potential for private developers to deliver equity loan products, the use of public sector lands as Government's equity stake and the scope for equity release and mortgage rescue will be considered further prior to my final report.
 37. The threshold for stamp duty should be increased to £150,000 and possibly indexed for the future. Categories of first time buyers purchasing low cost affordable houses should be exempted from stamp duty.
 38. A document similar to the Welsh "Affordable Housing Toolkit" should be prepared for Northern Ireland by the Department for Social Development.

Chapter 7: Making better use of and protecting our assets

39. To deal with the high level of voids in Northern Ireland; a new system of rating to provide for a 100% liability on properties vacant for 6 months or more rising to a 200% liability if vacant for a year or more.
 40. I would suggest that representations are made to the Chancellor of the Exchequer to reduce VAT levied on refurbishments from 17.5% to 5% to support sustainability.
 41. Use should be made of existing powers to occupy and vest empty properties and legislation should be introduced to extend powers along the lines of the English Empty Homes Management Order.
 42. Initiatives should be brought forward to incentivise owners to bring properties back into use.
 43. A scheme should be introduced to release social sector voids for purchasing by low income first time buyers. Housing Associations could do this by retaining ownership of the land with a statutory charge or alternatively renting at sub market rents.
 44. Other existing buildings, e.g. obsolete offices, might be converted to meet housing need.
 45. There should be energetic implementation of the Living over the Shop Initiative.
 46. The work of the Rents Review Team will be considered as part of my final report.
47. There should be a renewed focus on social sector mobility schemes supported by an enhanced incentive for households downsizing and on the marketing of such programmes. The Department for Social Development should monitor and report on the Northern Ireland Housing Executive / Housing Association performance.
 48. The House Sale claw back period might be extended on a sliding scale.
 49. The Social House Sales Scheme discount might be capped at a lower level than £24,000. The London figure is £16,000.
 50. A Cash Incentive Scheme to assist social tenants to move into private sector home ownership should be considered.
 51. The possibility of introducing geographical or property type restrictions should be examined in the context of the final report. However, there are serious equality issues to be considered.

Chapter 8: The private rented sector

52. There is a strong case for registration of all landlords by the Northern Ireland Housing Executive, with sanctions for failure to register.
53. Registration could incorporate a mediation and arbitration service for landlords and tenants.
54. The Northern Ireland Housing Executive should publish a handbook of good practice for private landlords.
55. Evidence to date has not convinced me of the need for further controls on the private rented sector but I will wish to consider that further in light of the responses to consultation.
56. A Voluntary Rental Support Scheme might be introduced to assist landlords and potential social tenants.
57. Statutory registration of Houses in Multiple Occupation by the Northern Ireland Housing Executive should be progressed as a matter of urgency.
58. A Deposit Guarantee Scheme should be considered to assist those on low incomes who are seeking homes in the private rented sector.

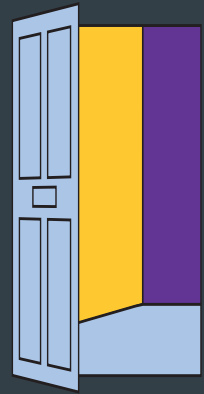
Chapter 9: Growing the skills for successful development

59. A variety of measures are suggested to identify construction skills requirements and address potential shortages. They focus on training in new technologies and modern methods of construction.
60. A forum of public sector organisations should be convened to consider how Article 40 of the Planning Order can be effectively administered.
61. The Planning Service needs to extend its expertise in understanding housing markets and in negotiating commercially with developers.
62. The Planning Service should not be subject to manpower reductions but should receive further resources. In England, Planning Delivery Grant helps Local Authority Planning Departments in areas of high demand.
63. Information on mortgage finance, equity sharing and about homeownership generally needs to be made available in a variety of ways including through schools and community based programmes.

Chapter 10: Review of public administration

64. There is a strong case for brigading housing, planning and regeneration in one Department.
65. Local Housing Strategies might be prepared by the post-Review of Public Administration Councils and the Northern Ireland Housing Executive, probably initially for areas equating to the existing 26 District Council areas.
66. The transfer of the management of Supporting People and the creation of a central health agency under the Review of Public Administration would facilitate commissioning of supported housing projects through the Local Housing Strategy.
67. A more comprehensive Community Plan, prepared within the parameters of the Regional Development Strategy might be prepared by the new Councils going beyond their own functions to set out a vision for the development of their areas.

Introduction



This Review of Affordable Housing was launched on 5th September 2006 by David Hanson MP, Minister of State responsible for the Department for Social Development (DSD). The terms of reference of the Review are very broad and are set out in Annex 1. I have been asked to undertake this Review in a personal capacity and the views expressed in this report are my own but I have been given dedicated and energetic assistance by a small team of officials from DSD and the Northern Ireland Housing Executive (NIHE), Catherine Martin, Una McConnell and Claire Wright, for whose help I am most grateful and without whom this report could not have been written.

The Minister asked that I produce an interim report in December 2006 and a final report in March 2007. I welcomed this approach, as it will enable me to test out my analysis and the preliminary recommendations I have made in the light of the outcome of a consultative process which will follow the publication of this report. The timescale for tackling such a complex subject has been short and I am conscious that the evidence base for aspects of my analysis and for some of the recommendations I have made is not yet fully developed. I would emphasise that all the recommendations and suggestions I have made are of a preliminary nature. Most will, I hope, be included in my final report but some may not survive either because further information becomes available or circumstances change or because, following the consultation process, I decide not to persevere with them. I would stress that I am not expecting Government to make decisions at this stage. This interim report is part of the process of preparing the final report which will contain my recommendations and only then will I expect Government to accept, reject or modify the

recommendations I will have made. The purpose of this interim report is to generate debate, to seek comment and to bring forward innovative ideas and solutions that I have so far not considered. I am aware too, that in parallel to this review, separate studies are under way on the Northern Ireland (NI) housing market, the Common Waiting List (CWL) and on rents. The results of these studies will complement the recommendations made in this Review.

I have approached this first stage of the Review by meeting as many interested parties as possible. Those I have met include representatives of the main political parties, and of District Councils, of DSD, the Department for Regional Development (DRD), the NIHE and of Housing Associations, of the Royal Chartered Institute of Surveyors and the Construction Employers Federation (CEF), of the Council of Mortgage Lenders (CML), of the Planning Appeals Commission (PAC), of the Northern Ireland Co-ownership Housing Association (NICHA), of non-governmental organisations and of academics working in this area. In addition, there have been a number of informal contacts which have also proved to be extremely useful. I am most grateful to all those who I have met. They have without exception been frank, informative and helpful. In the time available it was impossible to engage with the wider community. Accordingly, I have commissioned a process to elicit community views and attitudes and this will inform my final report. Additionally, I have been greatly helped by a number of written submissions including important submissions from NICHA and jointly from NIHE, Northern Ireland Federation of Housing Associations and Housing Associations. Again, I am most grateful to all those who have offered written submissions.

In preparing this report, I inevitably turned to similar studies which have been undertaken elsewhere. Kate Barker produced a comprehensive report for the United Kingdom (UK) Government in 2004, which dealt primarily with the problems emerging in England. Peter Bacon produced a similar report for the Irish Government in 1998. In Scotland and Wales there have been reports to the Scottish Parliament and Welsh Assembly respectively. The issues facing NI now are not new and there has been much in these reports that has been relevant to my work. I have examined aspects of policy on affordable housing in the United States, where some interesting and innovative developments have taken place. I am also conscious of other reviews being undertaken in Great Britain (GB), particularly the Hill's Review into social housing. However, while it has been important to garner as much information as possible from elsewhere, I have been determined to base my recommendations fully in the context of the issues as they affect NI.

In the course of the Review I have encountered a number of basic societal issues and I believe that there is a case for some fundamental attitudinal research into these. Among these issues are:

- Has owner-occupation at 72.8% reached a peak and do different employment patterns such as short term contracts, greater mobility, later marriage, suggest that there is a preference for rented accommodation among a proportion of the younger population, with owner-occupation being sought at a later age, usually in mid 30s – or is this simply a function of inability to afford owner-occupation at a younger age and secure the undoubted equity gains that have been available recently?
- Is the wish to have new build mixed tenure estates attainable or will the development of social affordable housing built alongside market provided housing be resisted by developers and those purchasing market properties?
- Can those seeking social and affordable owner-occupier housing insist on the location where it is to be provided? With limited exceptions Planning Policy Statement (PPS) 14 would not permit people to build new homes in the open countryside. Given the shortages in certain areas, it will be very difficult if not impossible to house those seeking social or affordable owner-occupier



housing in locations they desire. Some may choose the private rented sector to meet their locational needs

- The role of immigrants in society, their lifestyle and the support given to them. In particular, should they be eligible for social housing?
- Finally, will our political/security situation over the next few years improve to such an extent that choosing where to live will no longer have to take account of sectarian boundaries and housing throughout NI can become more integrated?

In taking forward the Review, I have remained conscious of a number of themes that underlie the current situation and which it is important for the Review to address. This is not a comprehensive list but they include:

- The impact of the recent rapid rise in housing prices
- The difficulty encountered by First Time Buyers (FTBs) attempting to enter the owner occupier-market
- The recent rise in the CWL, including the rise in the numbers in housing stress
- The impact of investment in buy to let properties leading to a significant growth in the private rented sector
- The desirability of mixed tenure, already encouraged by the social housing sales policy – the reaction against building large estates of social houses
- The very rapid rise in land prices fuelled by land banking and speculation
- The difficulty which developers have in securing land for house building and in securing timely planning permissions, both in urban and rural areas

- The even greater difficulty which Housing Associations face in securing land for social housing
- The high level of liquidity in the financial market and the relatively relaxed mortgage market where interest rates remain low in spite of recent increases
- The relatively low take up of shared equity in recent years
- The need to make better use of the existing stock and in particular to reduce the number of empty properties
- The necessity of maintaining quality in the housing stock and of following the principles of sustainable development
- The impact of the Review of Public Administration (RPA) and the opportunities which it may present.

The chapters which follow explore these and other themes and contain a series of practical recommendations which I hope can improve the current situation. Building new housing is a medium to long-term business and it is important to remember that at present private house building completions are at a record high level. There are therefore no quick fixes. Normally one would expect the market to adjust automatically after a period. However, looking at the experience of the Republic of Ireland (ROI) in recent years, it is far from clear whether or when this will happen. What I hope is that the proposals I have suggested, if they survive both the test of consultation between now and March 2007 and the further work I need to do on many of them, will effect a significant improvement in the current situation.

Chapter 1: The NI Housing Market: Current Situation



Housing policy decisions have multiple impacts and are instrumental in the achievement of key objectives in the areas of health, education, community safety and security, crime and re-offending; in this context expenditure in housing could be considered an “invest to save” initiative. However the housing market, perhaps more so than other markets, is susceptible to macro and micro economic conditions, demographic trends and social/ behavioural drivers of change.

Affordability

The current market suggests that house prices will continue to rise faster than wages and growth in NI is out-performing other regions of the UK. The demand for housing is likely to be sustained and the affordability gap already evident across all District Council areas will widen as a consequence. The University of Ulster (UU) / NIHE affordability index, based on a typical annuity formula and a combination of house prices, median household incomes and interest rates, is designed primarily to assess changes in affordability over time and by location. Application of the model in 2001 and 2004 provided evidence of significant problems

at access points to the market in specific locations. House prices have grown faster than incomes across the UK for thirty years and this is true of NI despite its insulation from the boom / bust cycle experienced in the GB housing market during the 1990's. Economic growth in NI was restricted, despite the low-pay economy, and house prices remained stable; however from 1995 onwards renewed confidence in the market has resulted in an upward movement in price. Earnings in NI are likely to remain less than those in GB, the cost of living is also likely to remain high with poor households already spending proportionately six times as much on fuel, light and power than those in the highest income strata after housing costs. The most recent Quarterly House Price Index, produced by UU in partnership with the Bank of Ireland and NIHE, showed that during the second quarter of 2006, house prices increased by 25% on the same period last year. The overall average price of residential property was £162,821, and almost 80% of transactions involved properties priced over £100,000. Incomes have not risen at the same rate as house prices, and although some commentators feel that current levels of house price growth are unlikely to be sustained in the long term there are a number of factors

Table 1: Affordability Index for NI, 2001 - 2004

Year	Median Income	25th percentile price	Affordable Price / Purchasing Potential	Affordability Gap	% Affordable
£	£	£	£		
NI 2001	12,500	59,950	52,288	-7,662	16
NI 2004	13,500	79,000	50,999	-28,001	5

(cross-border investment, planning restrictions, the second home phenomenon, inward migration, patterns of household formation, churn/ filtering effects in the high value market) interacting to shape the market.

While higher property values are generally good news for existing owner-occupiers, increasing numbers of low income and single earner households are being priced out of the market. The proportion of house sales to FTBs is continuing to fall, in 2004 it was only 30%

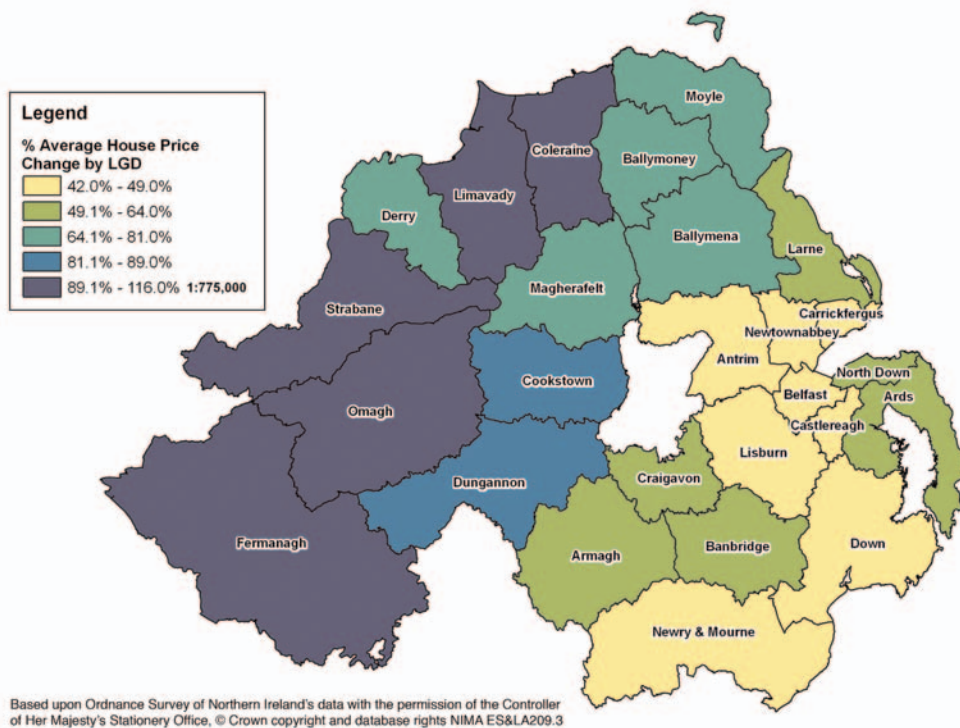


Figure 1: Percentage Average House Price Change 2001 - 2005 by Local Government District
Source: University of Ulster 2005

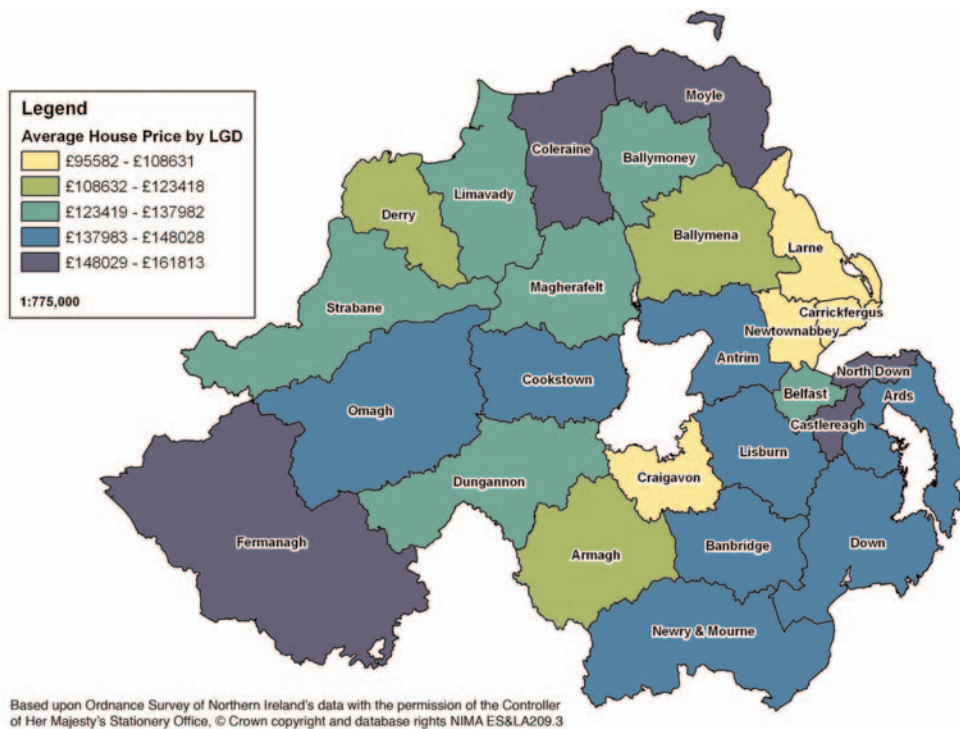


Figure 2: Average House Price by Local Government District
Source: University of Ulster 2005

compared to 60% in 2001. The median advance for FTBs in 2001 was £50,000; by 2005 the median advance had increased to £77,480, 55% higher (Figure 3).

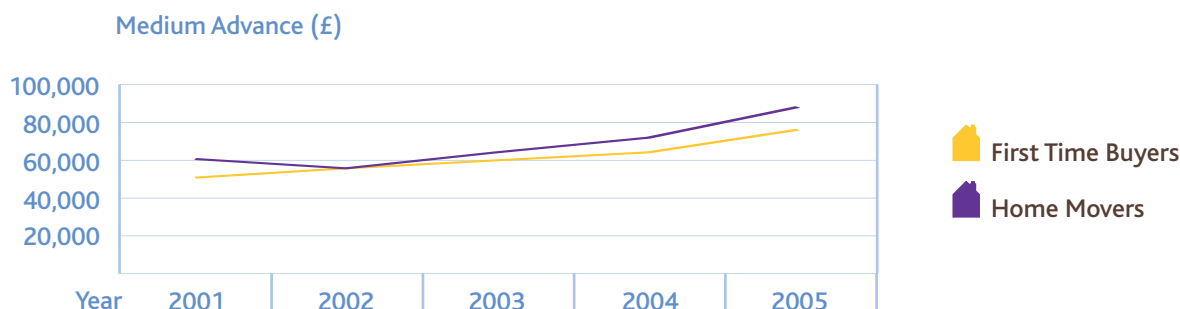


Figure 3: Median Advance for FTBs & Home Movers

Whilst the median advance has increased by £27,480, this increase has not been matched by an increase in earnings with the median income for FTBs only increasing by £5,672 in the same period (Figure 4). Declining affordability and the trend towards deferring decisions to form households until later in life have resulted in the average age of FTBs in the UK rising. In NI, the median age of FTBs in 2005 was 29.

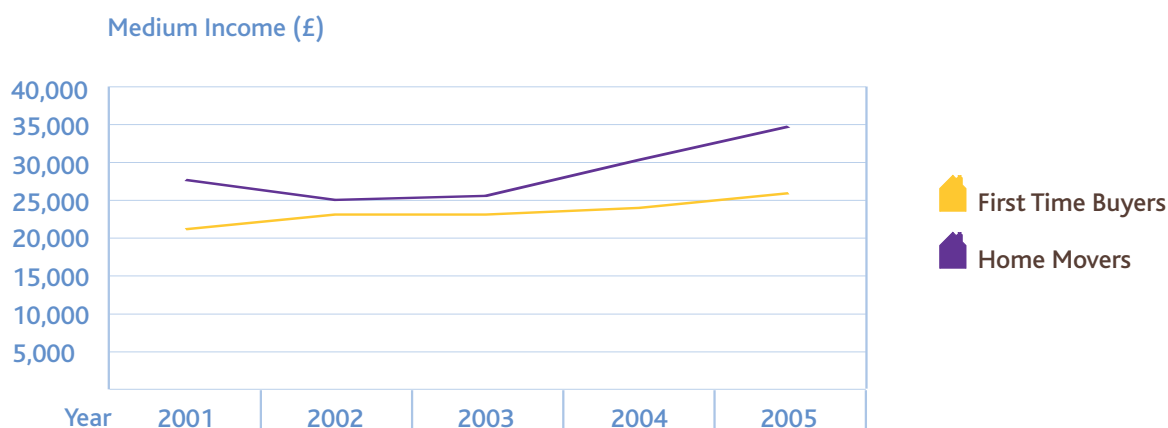


Figure 4: Median Income for FTBs & Home Movers

The growing affordability problem is also evidenced by the number of actions for mortgage possession during 2005-06 (2,614), this represented an increase (19.5%) from the total recorded for the previous year. Whilst mortgage repossessions are low compared to the rest of the UK and actions do not usually lead to actual repossessions, this increase is nevertheless concerning (Figure 5).

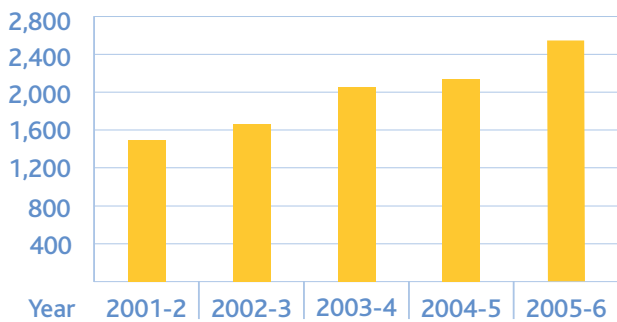


Figure 5: Actions for Mortgage Possession 2001-02 to 2005-06

However, a growing affordability problem is not just evidenced by the inability to enter home ownership. As demonstrated by the graph below (Figure 6), the majority of NIHE tenants are in receipt of Housing Benefit and whilst many may only require support for a transitional period there are a proportion that remain unlikely to enter home ownership. This reinforces the need for an affordable rented sector. In the short-term, continued residualisation of the social housing sector is a risk and Housing Benefit to owner-occupiers and private rented sector tenants may also increase reflecting that 30% of all NI households and 67% of lone parent households are in poverty.

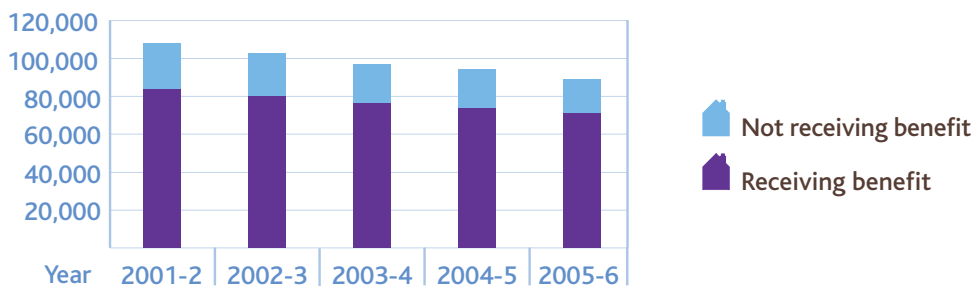


Figure 6: NIHE Tenants & Housing Benefit

20,121 households presented as homeless during the year 2005-06, an increase of 15.9% on the previous year. 9,749 households presenting as homeless were awarded priority status. Of these households, 2,334 attributed their status to accommodation not reasonable (23.9% of all priority homeless), while sharing breakdowns/ family disputes and marital or relationship breakdowns collectively accounted for 30.2% of priority need homeless households. The total number of applicants to the CWL in 2005-06 was 32,215, an increase on the previous year (29,819) of 8%. Of these applicants, 17,433 were in "housing stress". Single households made up the majority (50%) of these cases (Figure 7).

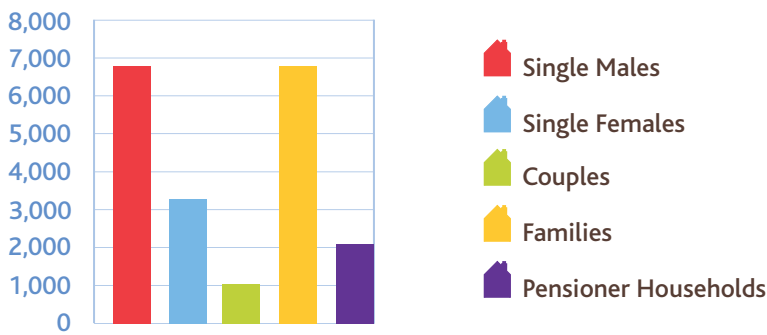


Figure 7: Homeless Households by Status

Number of Dwellings

NI has a high level of home ownership with owner-occupied dwellings accounting for 483,700 (72.8%) of the total occupied stock with the remainder consisting of NIHE dwellings, Housing Association dwellings and the Private Rented/Other category (Figure 8). The number of vacant dwellings increased by 11.7% from 2005 to 2006, and now constitutes 5.4% of the total housing stock (provisional).

Occupied Housing Stock
2006

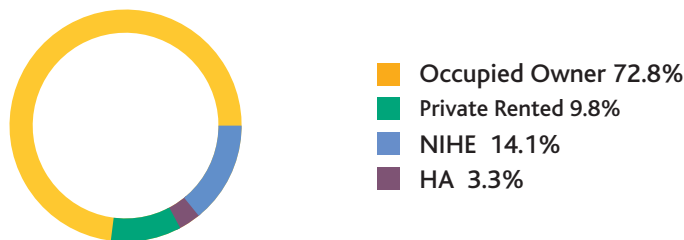


Figure 8: Occupied Housing Stock 2006

The total number of NIHE tenancies decreased from 93,477 at March 2005 to 90,931 at March 2006. This decrease corresponds closely with the number of NIHE dwellings sold (Figure 9).

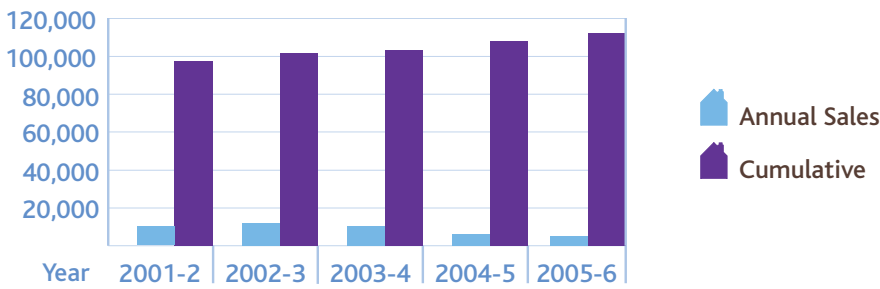


Figure 9: NIHE Sales Completed 2001-02 to 2005-06 Annual & Cumulative

New Provision

The Regional Development Strategy (RDS) set out a need for 208,000 additional dwellings over the period to 2015. To guide the future development of the region and secure a regional balance, Housing Growth Indicators (HGI) are set for the North, South and West (108,200) and the Belfast Metropolitan Area (BMA) and its Hinterland (99,800) and also at District Council level. Evidence suggests that a large number of the additional dwellings required have already been provided.

NI still has a high rate of development, with 10.1 dwellings completed per 1,000 population during 2005-06, an increase on the previous year, however, there is evidence that this is beginning to slow.

15,184 new dwellings were started during 2005-06, an increase of 6.7% on the previous year (Figure 10). Of dwellings started during 2005-06, 92% (13,955) were commissioned by the private sector, while Housing Associations were responsible for all (1,229) of the public sector dwelling starts.

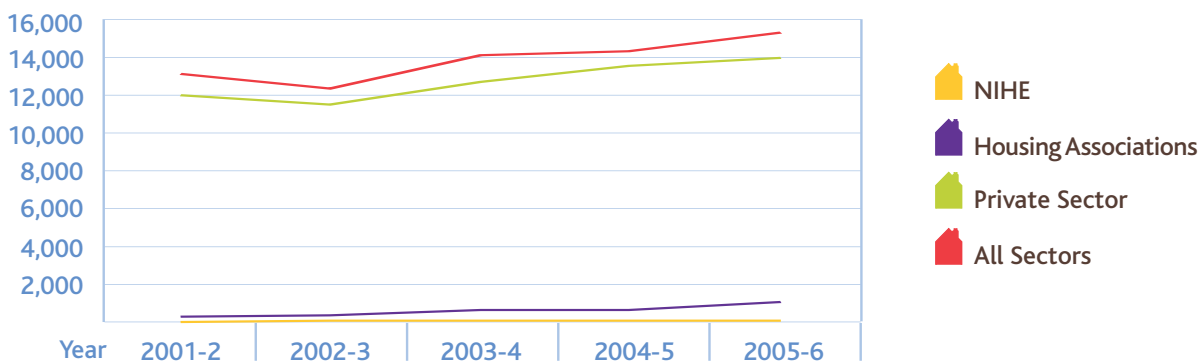


Figure 10: Dwelling Starts by Sector 2001-02 to 2005-06

The number of NICHA Scheme applications completed rose to 504 for the year 2005-06, an increase from 502 applications during 2004-05. The number of properties sold during 2005-06 by the scheme decreased to stand at 686 (a fall of 7.9% from 2004-05). The capital expenditure of the scheme during the last financial year was £7.2 million compared to £12.6 million in 2004-05.

During 2005-06, 35,883 planning applications were received; a decrease of 1.1% (415) on the previous year. 29,840 decisions were made over this period (83% of applications received), and of these 81.9% were granted. Omagh Planning Division received the greatest number of planning applications during 2005-06 with 32.3% of the total applications. This gives some indication of the workload the Planning Service is experiencing and yet, new dwellings started were approximately 63% of the number of planning approvals granted.

Chapter 2:

What do we mean by affordable housing?



Defining what we mean by affordable housing is a necessary first step. There are two approaches; one is based on an income measure whilst the other is via tenure classification. Leading academics have defined affordability as, “securing some given standard of housing or different standards at a price or rent which does not impose, in the eyes of some third party (usually Government) an unreasonable burden on household incomes”. In England planning guidance defines affordable housing as housing provided at prices below those of the market to some eligible households whose housing needs are not met by the market. It can include social rented and intermediate housing. In ROI the definition is set out in legislation, the Planning and Development Act 2000 states that, “affordable housing” means houses or land made available for eligible persons. An “eligible person” is a person who is in need of accommodation and whose income would not be adequate to meet the payments on a mortgage for the purchase of a house to meet his or her accommodation needs because the payments calculated over the course of a year would exceed 35% of that person’s annual income net of income tax and pay related social insurance.

In terms of ability to pay, it has been suggested that housing costs should not exceed 30% - 35% of net household income. I understand that this may not be an appropriate figure and that financial institutions, in determining how much to lend, may use a higher figure. Within this context there will be “affordable” housing across tenure groups. All social housing will be affordable; there will also be “affordable” houses available on the open market and in the private rented sector. One of the key tasks facing Government is the development of a robust methodology for determining the size of the

intermediate market and assessing how much of the demand is met through the open market and the private rented sector to provide a high level target for how much additional supply, which might be supported by Government intervention, is required.

I would welcome views on the proportion of income that a household could reasonably be expected to contribute to housing costs. I am conscious of the work commissioned by NIHE from the University of York to refine the NI index and the outcome of that work will further inform the development of an income measure for my final report. However for the purposes of this report I have used a broad tenure definition where the categories identified have received Government support or are a direct result of Government intervention.

Affordable Housing

Includes **Social Rented Housing** i.e.

- Housing rented from the Housing Executive or a Housing Association; or,
- Housing rented from a private landlord where the rent is supported by Housing Benefit.

and **Intermediate Housing** i.e.

- Shared Ownership;
- Low Cost Home Ownership Schemes provided through Grant or Discount (Properties purchased under Social Housing House Sales/ Cash Incentive Schemes/ Portable Discount/ FTB Scheme/ Housing delivered via developer contributions);
- Long-term leases purchased from a Housing Association operating a Community Land Trust;
- Housing provided by Housing Associations for private renting to working households on low-incomes at sub-market rents.

Chapter 3: The future need for new house building



DRD's Regional Development Strategy (RDS), "*Shaping Our Future*", takes a long-term perspective and sets out the strategic approach to the distribution and form of housing throughout NI. The RDS sets out the main drivers of change in NI with the aim of ensuring that housing, and its critical relationships with employment, transport and the environment, are managed within the principles of sustainable development. The RDS discusses the management and distribution of housing growth in line with the Spatial Development Strategy which advocates development of the BMA, the Northwest and main towns located on key and link transport corridors. The RDS, through the HGIs, provides the overall level of housing need for the BMA and each District Council area. The RDS identifies three major housing related themes: the management of housing need; support for urban renaissance and the achievement of balanced communities. The primary demographic factors affecting change can be summarised as a rapidly growing and youthful population with an increased incidence of smaller households. The regional household growth rate is twice that of the UK rate. The projected need was originally set at 160,000 new dwellings between 1998 and 2015 but this figure has been adjusted by DRD on two occasions, initially to 200,000 and again following public examination in March 2006 when it was set at 208,000.

DRD accepted the finding of the Panel hearing the examination in public that there was a requirement for 208,000 new dwellings between 1998 and 2015. It also accepted the disaggregation of this total into HGIs for the BMA and for each of the remaining District

Council areas. These HGIs are particularly relevant to the development of Area Plans as they provide the upper limit estimate of housing requirements within each plan area. The HGIs are occasionally at odds with a town or city's aspiration to develop and grow in the future. Many Councils indicated that their key objective is to develop certain towns into regional or national centres and argued at the public examination into the HGIs, that when apportioned to local level they do not adequately provide for the Council's vision of planned growth.

At current building rates, NI will have reached the 208,000 estimated requirements by 2013 rather than 2015. Adherence to the 208,000 figure by 2015 would suggest a significant slow down in house building from now on. If the current rate of building were to be maintained, the 2015 figure would be around 25,000 higher. This seems perverse given the sharp rise in prices; the inability of FTBs to access the market and the rise in the CWL. In this context it is interesting to note that in ROI successive forecasts of future house building in recent years have always proven to be too low. There were 81,000 completions in ROI last year. I would recommend that DRD now re-examine the 208,000 figure. I would suggest that it may be practical to settle on an estimate that is not so precise, possibly expressed as a range of outcomes.

I am concerned too at the lack of flexibility in the HGI system, as it affects the zoning of land in Area Plans. The system seems to rely too much on top down estimates and too little on local market information. There needs to be more

flexibility in the estimates at District Council level and these need to be translated into a less restrictive approach to the earmarking of land for house building through zoning or other measures. The objective is to meet real need not to pander to unrealistic ambitions for particular settlements. I appreciate that the current system seems to have a stern logic but the outcome of the top down logic is a system of land allocation that is too inflexible and takes insufficient account of local market conditions. Given the extent of land banking of zoned and unzoned land, the speculative market in land, the requirements of an increasing migrant population, new developments relating to ROI affecting, for example the Newry area, and the significant involvement of investors in the new house building market, not to mention the intrinsic uncertainties of forecasting future household formation and second home demand, I believe that the HGI should be only one input to the housing need identified in an Area Plan. Local market information should have an equally important role to play in determining future needs for new house building and for the land which needs to be set aside in Area Plans in order to ensure delivery of this requirement.

Whilst I am conscious that the recommendations of the recent review of HGIs are still very relevant, there may well be a need for a mechanism to revisit the target more regularly to take account of changing patterns of demand. Representations to me from Councils have suggested that population growth in some rural towns, such as Aghnacloy, has doubled due to an influx of economic migrants. This has to be managed in a sensitive and sustainable way; central to this is the careful monitoring of growth. A rolling programme of market testing and the introduction of new mechanisms for managing local aspirations, which I will describe later, might support the development of a more flexible and responsive system.

The Need for Social Housing



The wider economic and demographic trends driving the NI housing market suggest that NI is on a trajectory to a substantial wealth gap between those who own property and those who do not. There will always be a significant minority of households that cannot afford, or are not in a position, to access the private housing market. While some of these households will find suitable accommodation in the private rented sector, many others might be prevented from doing so by anticipated increases in rent levels and competition for private rented properties. For some households accessing social housing is the only option.

The processes used for the assessment of social housing need in NI are robust; a number of methodologies have been applied at both regional and local levels. The minimum estimate

of need for social housing is the gap between projected households and current stock and private build. There is an additional adjustment to allow for the fact that extensive private build evident in NI will alleviate the pressure on the “*better off*”, but not the pressure on the poor, estimated at around 36% of the wider NI population. However, much higher prices are almost certainly forcing households who would, until recently, have aspired to be FTBs in the owner-occupier market to move into private rented accommodation or to seek social housing. The availability for the first time of household projections for NI, published by the Northern Ireland Statistics and Research Agency (NISRA) earlier this year, has enabled the completion of new analysis. The 2006 model suggests that a larger Social Housing Development Programme (SHDP) is necessary to slow the rate of growth in homelessness, housing stress and in the CWL generally. The formula developed to determine the minimum social sector stock required by 2025 illustrates that increasing the SHDP will help to slow the rate at which the CWL rises; it will not provide quick fixes to either the affordability crisis or the restricted access to social housing for rent.

If we continue to deliver a SHDP of 1,500 units whilst selling and demolishing stock at the same levels, social housing will, by 2025, house only 11% of households. Poverty levels in NI of between 20-25% of households suggest that the proportion of households in poverty not supported by the social sector would increase sharply. The NIHE has recommended an increase in the annual SHDP to 2,000. I support the NIHE conclusion but acknowledge that there are substantial public expenditure implications in such an increase and that the SHDP has to compete with other public expenditure priorities such as health, infrastructure and education. However, if anti-poverty is to be a priority of Comprehensive Spending Review 2007, then provision of sufficient social housing must inevitably be high on the priority list.

Managing demographic change and regional growth will impact on how housing services are targeted and delivered. The declining proportion

of children in the population will eventually impact on the size and design of dwellings. The projected decrease in average household size has serious implications for future housing provision; mean household size is projected to drop from 2.52 to 2.20 in 2025. The formation of smaller households is a key driver of housing demand. An ageing population, including increased numbers of very old and frail people and growing numbers of active pensioners with caring responsibilities has important implications for not only the design of dwellings, but also in terms of the support funding and care packages required to enable vulnerable pensioners to live in comfort. More single parent and single person households, more stepfamilies and more people forming households much later in life are likely to sustain demand. The increased incidence of household formation through relationship breakdown especially amongst adults with caring responsibilities might support the growth of “*alternative*” extended communal households in the private rented sector, more familiar in Europe. Certain groups including those with mental ill-health, those with chaotic lifestyles, and children leaving care will remain at risk of persistent poverty. One recent innovation I was particularly impressed with was the Foyer initiative which links housing provision with training and learning opportunities for young people in need. Four schemes are operating successfully and I believe there is scope to expand this initiative.

The potential polarisation between work rich and work poor households and between households able to accumulate assets and those that cannot is likely to shape the development of housing policy. There may indeed be a need for an even higher social housing provision, given recent developments in the private market. However, adjusting the house sales policy, bringing void properties back into use and using Article 40 (A40) of the Planning Order may help to provide a significant number of additional dwellings in the social sector without significant public expenditure implications. Nevertheless, I would recommend that an urgent review of the requirement for social housing takes place. I am not confident that increasing the programme to 2,000 will definitely be sufficient to meet need.

Chapter 4: Planning



In our discussions both with private and social house builders, a recurring theme was the lack of availability of land for house building and the cost of that land. There seems to be strong evidence of land banking and of a strong speculative market in land suitable for house building whether formally zoned or not. Housing land prices have increased almost threefold between 2003 and 2006. While private house building has been at record levels, house builders maintain that they are running out of land in their ownership and are apprehensive about acquiring more at current price levels. Housing Associations have suggested that it is almost impossible for them to acquire sites for social housing on the open market. In these circumstances it is not surprising that attention has focused on the planning system and the Planning Service has been placed under great pressure. The recommendations I am making in this and the following chapter are designed to address these issues.

The Area Plan system has operated for many years in NI and is the means by which land is zoned for different purposes such as housing, industry and open space. Area Plans must have regard to the principles and guidance laid down in the RDS. In spite of the desire of the Planning Service to provide full Area Plan coverage for the whole of NI, this has not proved to be possible. The Area Plan process is taking too long. The BMA Plan, albeit the most complex in NI, seems unlikely to be adopted until 2010, a decade after its preparation began. When it is adopted it will only have a 5 year life. The Area Plan concept as currently delivered does not seem to be working well and I have doubts as to whether it remains fit for purpose. Plans take too long to deliver and

are often out of date by the time they are adopted. A more flexible system is needed and I am attracted to the Local Development Framework (LDF) system which has been introduced in England. It seems to offer a degree of flexibility. The various elements central to the development of an area are separated: infrastructure; transportation policy; provision of open spaces; protection of the built and natural environment; economic development and housing. These components of the LDF are managed in a strategic way that permits amendment at regular intervals of the planning documents that relate to dynamic areas like housing and employment. Once agreement is reached on the strategic issues, e.g. regional transportation plans or major infrastructure development or on the less dynamic areas of the plan, e.g. protection of heritage, these planning documents can be adopted. These elements are not revisited as regularly as other aspects of the LDF; this allows more effective use of resources.

Key elements of the new system include:

- Flexibility, to enable effective and appropriate responses to changing circumstances more quickly than development plans under the existing system
- Strengthening community and stakeholder involvement, by involvement from the outset of plan preparation
- Front loading, i.e. seeking consensus on essential issues early in the process
- The use of sustainability appraisal in the preparation of local development documents to ensure they are prepared with the objective of contributing to the achievement of sustainable development

- Efficient programme management in preparation of local development documents, and
- Soundness and transparency, both in plan content, and the process by which plans are produced.

Action taken in England to move towards a system of LDFs for the management of development control is intended also to expand the system to accommodate alternative mechanisms for development control. Examples include options that provide substitute “*routes through*” the current system for major schemes (i.e. most schemes over the size of 25 dwellings in urban areas and 10 dwellings in rural).

Area Planning will become the responsibility of the new Super Councils under the RPA. Movement to the LDF system could tie in well with the community planning responsibilities of the new Councils. I would recommend that DOE examine carefully what I perceive to be the benefits of the LDF system and consider whether it could be introduced prior to the transfer of responsibilities to the new Councils and I discuss this further at Chapter 10.

Regional Development Strategy

Under the RDS, guidance is delivered in the form of Planning Policy Statements. Three of these have particular relevance to housing: PPS12 Housing in Settlements; draft PPS14 Sustainable Development in the Countryside and PPS8 Open Space, Sport and Outdoor Recreation.

PPS12: Housing in Settlements

PPS12 sets down many important and relevant objectives for planning policy in relation to housing, most of which I would strongly support. The call for higher densities is undoubtedly right. Inner Belfast currently is developed at relatively low densities. There is scope to increase densities significantly and this does not imply a return to high-rise development of the sixties, though appropriate modern forms of high rise should be acceptable in the City Centre area. Low rise apartments in blocks of a reasonable size would,

I believe, be acceptable to local communities in Belfast and other large towns and would help to cater for that portion, around 50%, of the CWL who are single applicants. I strongly support too the emphasis on mixed tenure. The House Sales Scheme has already taken this forward but the era of large new social housing estates has passed and new developments need, as far as possible, to be planned on a mixed tenure basis.

However, there are certain aspects of PPS12 which might be reconsidered or strengthened. I have already indicated my concern about the rigidity of the HGI system. Under PPS12 where NIHE through the Housing Needs Assessment provides evidence of housing need, an Area Plan can provide for “*key site requirements*” for social housing to be placed on land zoned for residential development. In the Banbridge, Newry & Mourne Plan, the NIHE recommendations have been accepted, however, the requirement applied in the draft BMA Plan has been contested and a Public Inquiry will be held. As yet no social housing has been delivered via the “*key site requirements*”.

I believe there may be a case for zoning land not only for social housing but also for affordable housing as defined in Chapter 2. PPS12 itself suggests that mixed tenure is desirable and there is a clear reaction against the provision of large social housing estates. Zoning for social and affordable housing would not only help to meet the need for affordable housing but would also help to meet the mixed tenure objective.

While I am strongly in support of the PPS12 emphasis on sustainable forms of development, the target of providing 60% of future housing growth within existing urban limits may be over-rigid in particular locations. Indeed, it may have the effect of encouraging developers to demolish fit houses in order to replace them with larger numbers of smaller dwellings. While this may be justified in many cases, in some areas it serves to change the character of certain locations resulting in “*town cramming*” or “*garden grabbing*”. In more rural towns and villages, where demand will be increasing due to the restriction on building in the open countryside, sites within the urban footprint may not be available. The policy seems appropriate in

Belfast and perhaps some other large towns. It should, I suggest, be implemented with flexibility elsewhere where the value of greenfield land is much less important as was illustrated in the Barker Report.

The guidance on policy HS2 (social housing) indicates that in locations where a demonstrable housing need is identified by the NIHE, planning permission for housing proposals will only be granted where provision is made for a suitable mix of housing types and tenures to meet the range of market and social housing needs identified.

There is however an absence of clear, unambiguous guidance on when and where HS2 should apply. It is essential that the evidence base is understood by operational planners and that guidance on what should trigger a condition under HS2 is made available by DRD. In addition to providing clarity for planners, guidance would provide more certainty for developers. There is a need to progress this as a matter of the utmost urgency. However, the preparation of guidance on the interpretation of PPS12 in relation to social housing will only go some way to addressing the problem. It does not provide a clear statement about how affordable housing could be delivered through the planning system. It is imperative that any new guidance incorporates the methodology for determining what quantum of affordable housing is required in an area, what delivery mechanisms will be used to deliver it and how much of this will be met via developer contributions. There is much work to be done and the transfer of functions to the Super Councils adds urgency to its completion.

The section in PPS12 which deals with affordable housing is now out of date and the conclusions that it is not appropriate to impose an arbitrary level of housing to be delivered by the private market is in my view no longer valid. This issue is addressed below in the consideration of how A40 of the Planning Order might be used.

Article 40

In GB and in ROI, developers applying for planning permission for market housing are required to make provision for a proportion of social or affordable owner occupier or equity sharing homes. In England under Section 106, Local Authorities place formal planning obligations on developers. The obligation either requires the developer to do something or restricts what can be done within the land following the granting of planning permission. Obligations tend to apply to larger sites and deal not only with affordable housing but also with infrastructure requirements, educational, social and leisure facilities etc. In respect of affordable housing, a number of different approaches can be taken to fulfil affordable housing obligations, including:

- On-site provision of various tenures: social rented, shared ownership, key worker etc. Units are developed and transferred to a Housing Association
- Off-site provision: development and transfer of units
- On-site provision of land only: land transferred to a Housing Association or the proposed land assembly agency for free or at a rate below the market value
- Off-site provision of land only, and
- Commuted sum: payment of a sum in lieu of actual provision of units.

In England, planning agreements are now attached to 40% of major residential planning permissions and the number of Section 106 affordable units granted permission has risen rapidly to around 36,000 in 2004/5. The total value of affordable housing obligations delivered in 2003/4 was estimated at £600 million, while the value of obligations agreed during the same period was £1.2 billion. One benefit of the system is that it has the capacity to delivery mixed tenure developments. 40% of the Housing

Corporation programme New Build allocations are a result of planning gain.

In ROI, under Part V of the Planning and Development Act 2000, a similar system has been put in place with developers required to provide one affordable house in every five houses built. After initial difficulties the system is settling down but developers are often using the “*commuted sum*” approach rather than provide houses on or off site. These commuted sums have been put in a special fund which is being used to finance additional social and affordable housing. The fund has now reached a total of 32 million Euro.

The equivalent legislative power to place planning obligations on developers is A40 of the Planning (NI) Order 1991. A40 has been widely and successfully used to place obligations on developers to provide roads and similar infrastructure but has never been used to require developers to provide a proportion of affordable housing. Given the current need for social and affordable housing, I believe that the use of A40s should now be brought into immediate use in NI. I can see advantages in adopting the system used in ROI, where a one in five proportion of affordable housing to market housing is required. I appreciate that the Planning Service is under quite extraordinary pressure in relation to development control and I would suggest that staff with the necessary financial and market skills to negotiate effectively with developers be recruited, or alternatively, that this expertise is bought in from consultants, while skills are built up within the Service. A40 is not easy to operate and progress initially may be slow.

It will operate best in a buoyant market and has the potential to make a significant contribution to the provision of social and affordable housing in NI. The advantages in terms of securing land for housing in areas where Housing Associations have had difficulty purchasing sites and through the provision of units at no / minimal cost to the public purse cannot be overstated.

PPS8: Open Space, Sport and Outdoor Recreation

The NIHE has a number of estates which contain large areas of open space. This is not open space dedicated to any particular purpose and in some estates it can be a focus for anti-social behaviour. It has been put to me that such areas could be developed for affordable housing, with mechanisms to ensure that it was available and continued to be available to low income households including social tenants who might be able to use a cash incentive to purchase such dwellings. PPS8 indicates that the Planning Service will not permit developments that would result in the loss of open space. An exception will be permitted however where it is clearly shown that redevelopment will bring substantial community benefits that decisively outweigh the loss of the open space. While appreciating that care needs to be taken with proposals to use open space in NIHE estates, I would recommend that the Planning Service take a positive view of such proposals, work with communities to manage change, and only reject them where they **very clearly** do not comply with the terms of PPS8. The NIHE should adopt a proactive approach to making use of appropriate open space for affordable housing and should start a number of pilot projects as soon as possible.

PPS14: Sustainable Development in the Countryside

Currently PPS14 is subject to judicial review but on the assumption that it is brought into force, which I hope will happen, there will inevitably be less house building in the open countryside and more pressure for social and affordable housing in rural towns, villages and hamlets. It has been represented to me that the amount of land zoned in such rural settlements takes no account of the demand which PPS14 will generate and that zoning of further land for housing needs to be addressed. In addition, Policy CTY6 envisages that planning permission may be granted for a small group of dwellings (generally not more than 8 dwellings) to provide social housing for the rural

community where a demonstrable need has been identified by the NIHE which cannot be met within an existing settlement limit. It has been represented to me that the limit of 8 is too restrictive and that consideration should also be given to providing affordable owner occupier or equity sharing housing, as well as social housing in such developments. I would suggest that a limit of 12, of which 4 would be affordable housing, might be appropriate. This would have the benefit of securing mixed tenure in such settlements.

Development Control

Representations have been made to me from a variety of interests about the speed with which the Planning Service deals with planning applications. It is clear that the Service is under great pressure and it of course is dependent upon those whom it is required statutorily to consult such as the Roads Service. Recently many developers have decided to wait for a statutory period of 8 weeks to elapse after which the application is deemed not determined and proceed to the PAC for a decision. The result of this is that the PAC has now a very significant backlog of appeals. I appreciate that the Planning Service is doing its best to improve performance against the tide of applications it has received. The PAC has indicated that the timeframe for decision-making is inadequate and proposed that it should be extended. I agree as the certainty it would provide for development would outweigh the difficulties associated with negotiating the current system.

I have a number of suggestions which the Planning Service should consider. I agree with the Barker Report in England which suggested that the scope of permitted development should be

enlarged. It is arguable that too much of the Planning Services' time and resources are spent in dealing with relatively minor applications, the vast majority of which receive approval. More permitted development for non contentious applications would release resources to deal with the higher priority planning issues. Developers often make multiple applications for the one site. I am not sure if it is feasible but it is arguable that the Planning Service should restrict applications to one per site. In respect of housing, there seems to be a need for greater dialogue between planners and developers. Housing applications for developments of say 25 houses or over might be fast tracked through the system and it might be worthwhile setting up a special multi-skilled central unit to deal with such applications especially if A40 is to be brought into general use.

The PAC emphasised to us the necessity of very clear and very precise guidance from the RDS policy documents to assist it in making appropriate and expeditious decisions. The PAC response prompted me to consider its future role in a post RPA situation where area plans and development control will be the responsibility of the new Councils. In these circumstances, I would suggest that there would no longer be a need for the PAC and the Department, being no longer the planning authority, could have a planning inspectorate which would deal with appeals, as is the case in England. If, as seems the case, responsibility for the PAC is to be transferred to the Courts Service, I would be concerned that appeals would tend to become more the province of lawyers than of planners. Those hearing or deciding upon appeals should, in my view, be concerned with producing a planning response or a planning solution.

Chapter 5: Land and building



While the Planning System has a critical role in making land available for affordable housing, the zoning of land or the granting of planning permission is a necessary but not a sufficient condition to make land available for building affordable housing. Land prices have risen dramatically in the past three years with the average cost of housing land rising by 300% since 2003 (small sites – somewhat less for bulk sites – see Annex 2).

There is significant evidence of land speculation and of land banking. Some owners are prepared to sit on land which is zoned or which is suitable for housing while its value increases rapidly. There are reports of land changing hands on two or three occasions as speculators take their profits. The Planning Service produces an annual report on “*Housing Land Availability*”. However this only deals with the topics from a planning standpoint – is there land suitable for housing development. It does not deal with the willingness of the owner to see the land actually used for house building either directly or through sale to a private builder or a Housing Association. I suggest that the Planning Service review whether it would be possible to publish this report on the basis of the land being suitable, viable and actually available for building.

Dealing with land banking is difficult and the options are limited. However the following might be considered:

- Selective de-zoning of land – clearly this would not be possible in many instances – it would not make planning sense – but there may be some possibilities
- Compulsory Purchase - vesting procedures are slow and vesting orders have often been

overturned but there may be instances of acute social housing need where vesting by the NIHE would be successful under existing legislation. DSD might consider whether vesting powers could be strengthened but vesting is a significant use of state power and would need to be used sparingly. Nevertheless, I would encourage the NIHE to be more pro-active in using its existing vesting powers

- Planning permissions last for a period of five years. In current circumstances, development may be delayed in anticipation of further price rises. Permissions for significant new housing developments might be granted on a three-year basis and build out rates could be incorporated in the permissions granted.

Surplus Land

Government Departments, public bodies and District Councils all hold land which they no longer require for their own purposes. The Valuation and Lands Agency (VLA) maintains a register of surplus land but unfortunately not all public bodies and District Councils contribute to this Register. Since this land could be valuable for housing purposes, I would argue that this Register should be comprehensive and recommend that the Department of Finance and Personnel (DFP) address this issue. Having said this, I do not think that land the NIHE hold but is not scheduled for use within 3 years should be deemed as surplus. The guidelines on disposal of surplus public sector property published by VLA require review of holdings every 3 to 5 years and for NIHE land a longer period would be more realistic.

How Much Public Sector Land is There?

Public sector organisations hold significant land across NI and whilst most of this remains in use for the benefit of the public, from time to time, as policies and priorities or patterns of demand and approaches to management change; land becomes surplus to requirements.

The decommissioning of PSNI stations, policies to deliver health care to people in their communities, proposals to centralise access to public services through “one-stop-shops” and the restructuring of public administration in NI present opportunities to access land for alternative purposes.

A 2002 study commissioned by the Strategic Investment Board and the Office of the First Minister and Deputy First Ministers identified a number of strategic sites i.e. 10 hectares or more across NI. They identified some 3,087 hectares of land with a significant number of the sites located in the BMA or in the Northwest. Of the sites identified, which only represent a proportion of the land in public ownership, approximately 48% were in the ownership of public sector organisations. Sites identified ranged from 10 hectares to 300 hectares.

A Land Assembly Agency

Given the extent of surplus public sector land and the difficulty of securing land for social and affordable housing, I believe there may be an argument for a NI Land Assembly Agency positioned outside Government and operating on a commercial basis.

This might operate along the lines of English Partnerships. It could take into its ownership appropriate sites from the stock of surplus public sector land and it could assemble key sites, some of which might be produced by the application of A40. It could take over all or part of the NIHE land bank which is extensive. It might also purchase key sites on the open market. Like English Partnerships, it would essentially be a trading body able to borrow in the private market. It would be dedicated to securing land, determining its optimum use through master

planning activity and disposing of it in a manner which would assist in developing mixed tenure, sustainable communities and would generate additional funds for future land purchase. Essential to this are the appropriate commercial and entrepreneurial skills and whilst it may be appropriate to institute a special purpose vehicle there are a number of organisations that could with some restructuring fulfil the role particularly: the Strategic Investment Board, the Housing Executive or the new Land and Property Services Agency.

What might a Land Assembly Agency do?

Take a strategic role in delivering sustainable, mixed tenure communities by:

- Assembling strategic sites for development
- Advising on the reuse of brownfield sites and regeneration
- Ensuring that surplus public sector land is used to support Government objectives
- Managing a central registry of all land in public sector ownership, participation would be compulsory
- Champion the delivery of infrastructure and management of contamination to support sites it has assembled
- Raise private finance to support its activities, and
- Support the development of planning and housing delivery models, in particular, measures to make A40s operate effectively.

This proposal requires a good deal of further work. It also has significant public expenditure implications. Public bodies usually dispose of surplus land on the open market and use the proceeds to supplement their budgets. If some of their sites were to be handed over to the new body, they would be seeking public expenditure compensation. Should a devolution settlement be reached, one possibility might be that this body could be created with a dowry to compensate public bodies for the loss of receipts. There may be scope, if the recommendation was accepted, to transfer several strategic sites to the agency, with payment deferred until a later date, this would permit master planning and release to the private sector, thereby, optimising profit to fund the payment for the original site and facilitating purchase of others.

A View from Elsewhere: ROI

The Affordable Homes Partnership, a State Body, in Dublin is empowered to advise Local Authorities on land zoning and make recommendations on the amendment of Development Plans to allow rezoning for residential development in prime areas such as Blackrock, Killiney, Blanchardstown as well as in locations in Counties Wicklow and Kildare.

The Affordable Homes Partnership also facilitates land swaps of Government land in key locations for affordable homes or land elsewhere. Broc House in Dublin 4 was exchanged with a private sector partner for 89 affordable homes in Ongar Village, Clonsilla, Dublin 15.

Community Land Trusts

One of the difficulties in maintaining the supply of affordable housing, is keeping it affordable at resale. With current price increases, low cost owner occupier property could, within a few years of purchase, be beyond the reach of low income FTBs. The concept of the Community Land Trust might provide a mechanism to ensure that new homes built specifically for low cost home ownership were maintained in that state. Basically the purchaser would buy the house and not the land. The purchase would be able to benefit from any increase in equity as a result of the house increasing in price but would not benefit from inflation in the price of the land. Given that land costs are now such a large proportion of the cost of housing, the use of community land trusts could be an effective way of encouraging low cost home ownership and of ensuring that dwellings built for that market are retained in it. I would recommend that a pathfinder project to test the use of a Community Land Trust in NI be initiated by DSD in partnership with a Housing Association. The scheme should be of sufficient size to deliver the full range of housing tenures. Pending the possible creation of a Land Assembly Agency, where the NIHE remains in possession of land suitable for low cost owner occupation or equity sharing, it too should retain title to the land, thus reducing initial costs and preserving the low cost nature of the housing that is built.

Social House Building: Procurement

Housing Associations are now responsible for providing new social housing. The target of 1,500 social housing starts has been challenging and this may, in part, be due to difficulties in securing land and public expenditure constraints but there are doubts about the capacity of Housing Associations to deliver an enhanced social programme. Given that starts do not immediately relate to housing people on the CWL, I would suggest that in future, progress is measured via completions per annum.

There is a need to ensure that maximum efficiencies are being gained from the procurement process to ensure the best use of the available funding. A draft report from Partnerships UK recommended that Government should take steps to structure and manage competition between providers of new social housing so that larger contracts can be let. The size of the restructured contracts would support process efficiencies and might attract major contractors into the social housing market with the aim of delivering outturn cost savings through a contracted process of continuous improvement.

To achieve this, the report recommended that core elements of the SHDP are packaged into longer term strategic partnering agreements; contractors would be selected through a competitive tendering process. Successful contractors enter into a long term strategic partnering agreement which commits them to continual improvement and provides for construction costs to be subject to benchmarking and supply chain market testing.

There are undoubtedly opportunities for economies of scale from a more strategic approach to procurement. However, representatives of Housing Associations and developers strongly suggested that the construction industry in NI was already very efficient, arguing that new procurement methods would not deliver further savings but would add bureaucracy. It was argued that involvement of more small companies sharpened tender prices. Anecdotal evidence also suggested that many of

the current efficiencies in the system came from the smaller, family run businesses. New procurement measures could put these companies out of the SHDP or force them into the role of sub-contractors potentially affecting the viability of organisations and adversely impacting on local economies. On the other hand, supply chain philosophy would suggest that using larger companies delivering larger contracts would bring substantial cost savings.

I support the move to link Housing Associations through the agency or group route. I am less sure about the effectiveness of bundling sites into large contracts but given the prospect of a larger social housing programme, the approach should certainly be tested.

New Ways of Working with the Private Sector

Further and closer involvement of the private sector in delivering social housing, perhaps through the introduction of a facility to pay HAG to organisations other than Housing Associations, might provide a downward pressure on costs. The Private Sector has been extremely successful in integrating modern methods of construction and there may be opportunity to increase their application in new mixed tenure developments.

Timber frame building which is extensively used in Scotland is scarcely used at all in NI. This may be because of unfortunate experiences with Trada homes built in the 1970s but modern timber frame construction have many advantages especially in terms of design and insulation. I would suggest that the CEF use their influence to encourage local builders to consider use of timber frame and other modern methods of construction. In particular, they might take account of any lessons to be learnt from the £60,000 house initiative in England.

Chapter 6: Extending access to sustainable home ownership



The inability of members of our society to access sustainable home ownership not only affects the individual it also profoundly affects life in NI. Government policy of encouraging social diversity in existing and new housing developments has evolved and is evident across a number of strategies and planning policy statements as discussed previously. At a regional level, *Shaping our Future, Renewing Communities, and A Shared Future*, clearly set out Government's aspiration to develop inclusive, balanced communities that reflect and accommodate a mix of tenures, incomes, cultures and interests.

Why Home Ownership?

Home ownership is not just valuable as a means of meeting people's aspirations; it can also act as a catalyst for change in local housing markets. Changing tenure and income profiles in low-demand areas can help raise confidence and attract inward investment. This can greatly enhance the life chances and choices available to individuals and communities.



From an individual's perspective, home ownership can be viewed as having a number of benefits over renting. There is a widespread perception that rent is "dead money" and that monthly costs of ownership are less than those of renting. Home ownership is also seen as a route to attaining independence and as a means of achieving greater security, control and quality. People often view home ownership as a form of investment for the future – be it to advance personal circumstances, for provision in retirement or as a legacy to leave to their children.

In addition to these personal desires, helping existing and prospective social tenants into home ownership can result in savings for the taxpayer, as low cost home ownership assistance costs half as much as providing a new social home for rent¹.

The NI Lending Market

Mortgage providers in NI have responded to the desire for home ownership and the growing affordability issue. A number of notable factors are evident in the NI lending market:

- At present 45 lenders are active in the market. However, a recent publication from the CML suggests there may be capacity in the market for new entrants from both the UK and the ROI. The same paper suggests that technological advances, particularly the Internet, are providing easier access to finance and aid entry to the housing market
- In recent years there has been intense market activity:
 - Loans advance to home-buyers in NI have increased by nearly 50% between 1993 and 2004
 - High levels of transactions with 48,000 transactions in 2005 compared to 38,000 in 2000
- NI has experienced rapid increases in house prices. In the early 1990s, NI had the lowest house prices in the UK. By the second quarter of 2006, the average house price had increased by 25% over the previous year to £162,821 (NI Quarterly House Price Index)
- The average age of a first time buyer in NI is 29

- There has been a decreasing number of FTBs entering the market:
 - The numbers of loans to FTBs in NI dropped significantly falling from 17,300 to 9,200 between 2000 and 2005
 - The typical deposit required increased during the same period from £5,300 in 2000 to £9,300 in 2005.

I am concerned by the decreasing number of FTBs, a symptom of a worsening affordability problem. In response financial institutions have responded by developing new products. Longer-term mortgages, interest only mortgages, incentives for FTBs, 100%+ loans, parental guarantees and release of equity to support deposits for children are now common across the market. At the same time loan to value ratios have increased. The majority of these products are aimed at keeping the monthly repayment affordable.

Lenders have indicated that take-up of new products has been "phenomenal". However, one must question how far these can go and whether such products help those on lower incomes or merely force them to take out increasing levels of debt which might, in the context of additional interest rate rises, become quickly unaffordable and unsustainable. The question then arises that if a person cannot afford the mortgage for a whole house are there means of assisting them to purchase a share in a house that might eventually lead to full home ownership.

Support for Home Ownership

Means of assisting FTBs into owner occupation can, broadly speaking, take one of three forms:

1. **Discounts and Grants** – for example those offered to social housing tenants to enable them to buy their rented home or to buy a home on the open market e.g. Right to Buy, Right to Acquire and Cash Incentive Schemes. This type of assistance is discussed further in Chapter 7
2. **Shared Ownership Schemes** – where a homebuyer purchases a proportion of the equity in a home, paying rent, usually to a registered social landlord, on the share they

¹ National Audit Office (2006) "A Foot on the Ladder" Low Cost Home Ownership Assistance

do not own. In NI, this is provided through the Co-ownership scheme

3. **Equity Loan Schemes** – where a homebuyer purchases a percentage of a home using a commercial mortgage and receives an interest free equity loan for the remaining percentage.

Shared Ownership and Equity Loan Schemes

In recognition of the desire for owner occupation and in order to help households get a first step onto the housing ladder, Government has developed policies to support households into owner-occupation. The rationale for supporting people who otherwise could not afford to buy their own home relates to creating a better balance of housing types and tenures and mix of incomes, promoting more sustainable communities and enabling more people to share in the benefits from owning assets such as access to financial services.

The use of low cost home ownership products can help to free up social rented housing. This is an important objective in terms of value for money to the taxpayer and purchaser. Low cost home ownership assistance can cost the taxpayer less than the grant needed to house people in social rented accommodation. To help households get a first step onto the housing ladder, DSD funds the Co-ownership scheme.

The NICHA Co-ownership Scheme

The NICHA Co-ownership scheme is currently the only scheme of its type available in NI. The scheme enables households, whose resources would otherwise be insufficient, to take the first step towards owner-occupation. From its inception in 1978, NICHA has helped over 19,000 households into owner-occupation, with over 15,000 of these households now owning their property outright. On average, each year the NICHA scheme supports over 500 households into owner-occupation. Without such a scheme it is unlikely that these households would be able to get a foot on the property ladder.

The Current NI Co-ownership Scheme

What is Co-ownership?

Co-ownership is a scheme run by NICHA and funded by DSD. The scheme helps people to own their own home through equity “*sharing*” which means part-buying and part-renting the property of their choice.

How does Co-ownership work?

Co-ownership rents are based on the value of the property and size of the share taken. The larger the share the lower the rent. To start with applicants must buy at least 40% (two fifths) of the value of the property, through a mortgage in the usual way. Rent is paid to NICHA on the other part of the property. Applicants can initially purchase 40% (two fifths), 50% (half), 62.5% (five eighths) or at most 75% (three quarters) of the home at the start. Applicants can increase their share in the property at any time in slices or in total – this is known as “*staircasing*”. Alternatively, applicants may decide not to purchase an additional share in the property. Applicants can sell the property at any time provided the purchase price they are offered is acceptable to NICHA’s valuer.

What can be bought through Co-ownership?

Any kind of property may be considered for Co-ownership, anywhere in NI. There are limits on the value of properties (set by the DSD and regularly reviewed) which currently stand at £130,000 to £150,000 depending on the District Council area in which the property is located.

What does it cost?

Applicants pay a total of £250 on application. This fee covers a valuation fee of £40 (non-refundable) and a legal package fee of £210.

In addition....

Rents depend on the purchase price of the property and the share financed by NICHA. The annual rent is 2.75% of the value of NICHA’s contribution. This works out at approximately £2.29 a month for every £1,000 contributed by Co-ownership. Any ground rent payable on the

home is met by NICHA on the applicant's behalf and added to the monthly rental charge.

Mortgage payments make up the main cost every month. These can vary depending on the amount borrowed, the term over which the finance is borrowed and the prevailing interest rates.

Who can apply?

In general applicants can apply if their income is not enough to enable them to purchase the property of their choice through a full mortgage. There is no upper age limit, but all applicants must be at least 18 years old. NICHA must be satisfied that the applicant cannot afford to buy the property on the open market but will be able to keep up the financial commitment involved.

Despite the success of the scheme, in recent months a number of factors have conspired to limit the effectiveness of the NICHA product, and uptake of the scheme in the first six months of 2006 have been at lower levels than in the previous five years. Firstly the rise in the property market, coupled with competition from investors has raised questions about the ability of the current scheme to help those households who desire owner-occupation to actually get on to the property ladder. While DSD has responded to the rising market by increasing property value limits (now £130,000-£150,000 depending on District Council area), I still have concerns regarding the schemes ability to deliver in the current market. In meeting with estate agents I have been given numerous examples of property prices rising extensively by the day often putting FTBs out of the running on day one of the property being released, investors offering cash payments, often without viewing the property, and of the bulk buying of investment properties. Such investors are often able to move quickly and do not have to negotiate the processes associated with the Co-ownership scheme. In such a market Co-ownership purchasers are often "*beaten to it*" when it comes to purchasing a property. The NICHA might be permitted to purchase on a rolling basis a stock of homes for selling through co-ownership.

I am also concerned that the current value limits for Co-ownership restrict applicants' ability to compete in the market. I am told that traditionally the value limits would have supported the purchase of a conventional 3-bedroom semi-detached house. However today I am told that the limits will, in the main, only allow for the purchase of an apartment or smaller two-bedroom unit. There may be scope to extend or abolish value limits; however strict controls will have to be put in place to ensure responsible lending under the scheme and to restrict access to those whose incomes do not permit them to enter full homeownership.

In addition, the current low interest rates, has also narrowed the gap between paying a 100% mortgage and paying part-mortgage, part-rent such as in the Co-ownership scheme. I feel there may be scope to reduce the rent level (currently at 2.75%) further to improve the competitiveness and attractiveness of the product, particularly in view of the fact that NICHA equity holdings will have grown significantly in value.

Given the current housing market, I believe that more flexibility and innovation are needed in meeting the needs of the intermediate market. As such I have looked closely at the role of shared equity products used elsewhere to assess how the introduction of additional schemes or refinements to the current scheme could make them more competitive in a rising market and thus enable more households to access owner-occupation.

Shared Ownership / Shared Equity Schemes Elsewhere

Numerous shared ownership / equity loan schemes are available in England, Scotland, Wales and ROI. In most cases a range of products and initiatives have been introduced to develop and expand shared ownership / equity loan schemes relevant to the particular circumstances and desires of Government in each country. A summary of the schemes in each country is provided in Annex 3.

While in general the number of products / providers in NI may appear on the surface limited (particularly in comparison to the countries mentioned above), a number of factors must be considered before deciding whether there is scope for further shared ownership / equity loan schemes in NI. Firstly financial institutions have amended and extended their product offerings to provide greater opportunity for FTBs to access mainstream mortgage products (e.g. 100% loans, longer-term mortgages). Secondly to date the numbers accessing and making use of the current Co-ownership scheme (approx. 500 per annum) have been relatively small. Given this position I am concerned as to whether there is sufficient demand for shared ownership/ equity loan schemes to merit the introduction of more providers in NI.

I have considered whether in addition to the shared ownership scheme there is scope for the introduction of an equity-loan scheme. In England the two forms of assistance for low cost home buyers have proved to have different benefits and costs for the home buyer. Homebuy equity loan assistance requires the owner to take out a private mortgage for 75% of the property. Shared Ownership products allow the purchaser to buy smaller proportions of the equity using a private mortgage, typically 50% but sometimes as low as 25%. Shared Ownership therefore allows those with smaller incomes to own a stake in a property and get onto the owner occupation ladder.

For applicants in a somewhat higher income range, the Homebuy equity loan however is often a more attractive option for a number of reasons:

- It provides greater choice by allowing applicants to purchase any home on the open market
- Homebuy owners can also find it easier to sell their properties as some Local Authorities place restrictions on whom shared ownership purchasers can sell their properties to
- The financial returns of buying a fixed share of a home are greater using a Homebuy equity loan compared to equivalent Shared

Ownership. This is because under Shared Ownership homeowners are required to pay rent on that part of the home they do not own. Furthermore, unlike mortgage payments, this rent is increased with inflation. In contrast, rent (interest) is not charged on the Homebuy equity loan from the participating lender for the first 5 years. After 5 years the interest is capped at 3% rising up to - but not exceeding - the lender's standard variable rate after 10 years. Interest is never charged on the Government's equity loan stake.

I am aware that equity loan schemes have not been without their critics and I have yet to fully determine the merit of introducing such a scheme in NI. I am conscious that the Shared Equity Task Force will be reporting to DCLG shortly and I will consider their findings before making my final recommendations in March.

In addition to the range of products appropriate in NI, the potential for private developers to deliver equity loan products; the potential use of public sector lands as Government's equity stake and the scope for forms of equity release and mortgage rescue are all issues which I intend to explore further before making my final recommendations in March.

Regardless of the future products available in the sector I am convinced, on hearing from various parties over the course of the review, that there is strong support for retaining one provider of low cost home ownership products. In other jurisdictions there have been calls for schemes to be simplified and the number of providers rationalised to ensure that the sector is easily understood by clients and stakeholders in the field. To this end I was particularly impressed with the Welsh Assembly's *"Affordable Housing Toolkit"*, which brings together in one reference document all the mechanisms available to Local Authorities and their partners to increase the supply of affordable housing, including through planning tools.

In the interim however I would encourage DSD to look at reducing the minimum share which can initially be purchased through the existing Co-ownership scheme (currently 40%), possibly reducing it to a minimum of 25%.

Stamp Duty

I am also concerned about the additional costs imposed on purchasers through payment of stamp duty. Stamp duty is a tax that is paid by the purchaser of property. Since the 23rd March 2006 the following stamp duty scale has been in operation:

- For properties with a purchase price of £125,000 or less - stamp duty is not payable
- For properties where the purchase price is between £125,001 to £250,000 - stamp duty of 1% is payable
- For properties purchased in the range £250,001 to £500,000 – stamp duty of 3% is payable
- For properties purchased for over £500,000 – stamp duty of 4% is payable.

In certain areas, designated by Government as being “*disadvantaged*”, properties with a purchase price of £150,000 or less, are also exempt from stamp duty.

The increase in the stamp duty threshold and the exemption in disadvantaged areas have benefited many FTBs. However, in a period of rapid house price inflation an increasing numbers of FTBs in NI are now required to pay stamp duty. The proportion of FTBs paying duty will continue to grow rapidly unless there is a change in the application of stamp duty. Increasing stamp duty payments have obvious cost implications and impact on affordability, particularly for FTBs already stretching themselves to purchase a home.

While I realise that the issue of stamp duty thresholds relates to broader Government policy across the UK I do believe it is an issue which

Government must tackle. Government’s aim is to help people access an affordable home and changes to the stamp duty system could make minor in-roads in helping people access affordable home ownership. For example; through:

- Index stamp duty thresholds in line with house price inflation, although this may be impractical for central Government due to the different levels of house price growth throughout the UK
- Raising the threshold for stamp duty to £150,000. The Quarterly House Price Index for quarter 2 of 2006 from University of Ulster suggested that the average price of a home has risen by 25% over the last year and that the average price of a home in NI now stands at £162,821. This high rate of house price inflation looks set to be repeated in the next quarter
- Exempting FTBs from stamp duty or exempt those purchasing a low cost “*affordable*” home through the many products described in this report.

Proposals

Consideration should be given to making amendments to the existing NICHA Shared-Ownership scheme to allow greater uptake, for instance:

- Uplifting or abolishing value limits
- Reducing the rent level
- Reducing the initial share that applicants must purchase

It might also be worthwhile considering if increasing the range of low cost home ownership products available in NI would extend choice, in particular exploring the value of an equity loan scheme (to be considered further pending the outcome of the Shared Equity Task Force). I am particularly attracted to the Welsh “*Affordable Housing Toolkit*” which provides comprehensive, yet, accessible information to Local Authorities, the private sector and individuals and I suggest a similar document is prepared for NI by DSD.

Chapter 7: Making better use of and protecting our assets



Empty Homes

New supply of social and affordable market housing represents a small proportion of the stock. Bringing long term voids back into use offers opportunities to release properties to meet both social housing need and demand for affordable housing. It has the potential to regenerate some of our most disadvantaged neighbourhoods and with a little imagination could support the development of vibrant, sustainable communities. There are exciting

examples of best practice and of innovative approaches to the rehabilitation of traditional dwellings and obsolete commercial premises that offer potential solutions. There are many reasons why properties remain empty in the private sector; some remain empty for only short periods of time before they come back into use. However sometimes issues relating to poor records, speculation or transactional reasons can result in properties remaining empty for long periods of time in some cases falling into disrepair and blighting adjoining areas.



In the social sector the main reasons for voids are:

- A concentration of vacant properties at sectarian interfaces; in addition, civil disturbance and intimidation in estates across the Province
- Continued impact of socio/economic and demographic factors in former new town growth centres (e.g. Brownlow and Ballymena) which have now extended to new locations such as Portadown, Carrickfergus and some parts of Belfast. This appears typical of low demand problems that are evident in other parts of the United Kingdom
- The unpopularity of some non-traditional house types (particularly higher density properties from the sixties and seventies, e.g. maisonettes; high rise flats)
- Growth of new property in the private rented sector at various locations combined with favourable Housing Benefit levels, attracting social housing tenants to this tenure
- Housing market failure usually associated with aged and obsolete stock.

In most instances NIHE have initiated local strategies to address the range of problems occurring in difficult to let areas. NIHE's existing action plans provides for the following:

- Estate strategies involving improvement, sale and/or selective demolition have been put in place for numerous estates
- The general over-supply problems of the "new towns" growth centres (Craigavon, Antrim, Ballymena) have been systematically addressed and improved although further work is required
- Demolition and environmental improvement works at interfaces where feasible
- Urban renewal programmes in private areas involving improvement, replacement or a combination of both
- Grant aid including group repair schemes in some private areas exhibiting signs of decline
- Marketing, community safety and anti-blight measures in public sector estates including use of alarm systems, the appointment of neighbourhood wardens and other security measures
- Improvement or demolition of unpopular, non-traditional housing including decapitation; privatisation and more intensive management e.g. concierge
- The emergence of a number of locations as existing or potential over-supply areas have been under investigation and individual estate strategies have been and are being brought forward.

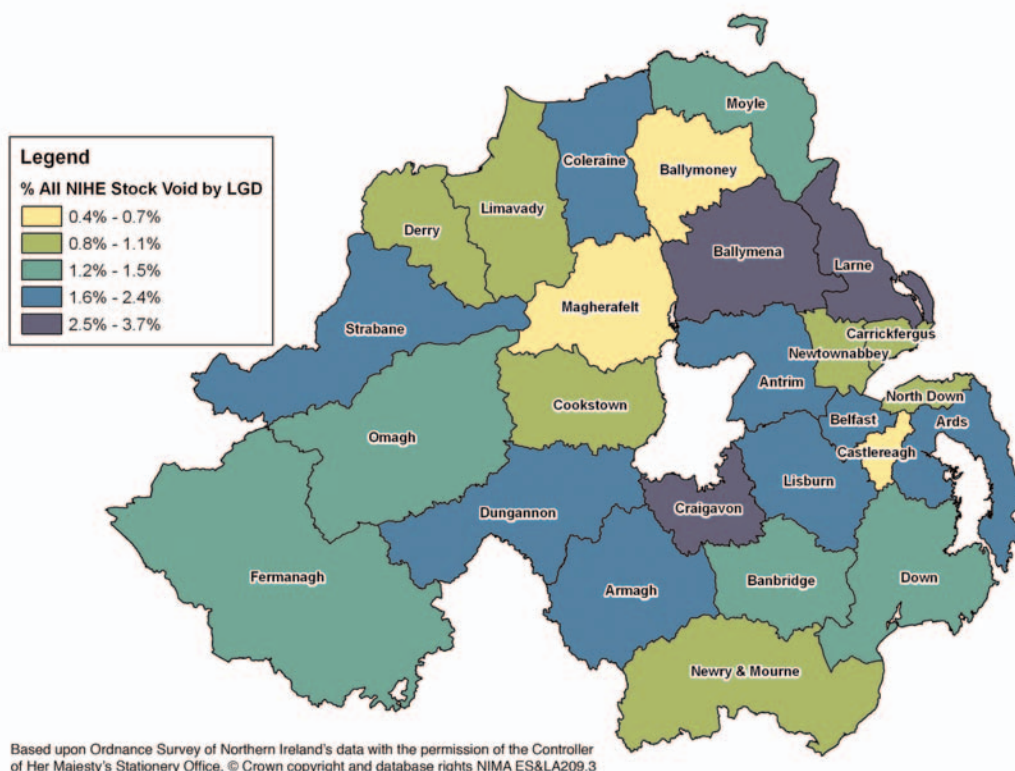


Figure 11: Percentage of all current NIHE stock classed as void* by Local Government District

Source: NIHE Oct 06

* Actionable Voids

These measures often work in combination to stabilise areas in decline however there may now be an opportunity to use voids to promote the renaissance of communities by attracting new residents to learn, live and work and socialise there. This will require existing communities and new residents to take a chance. Some of the models I have looked at demonstrate that when initiatives are supported by excellent design and quality standards, or where there is ongoing engagement between communities and service providers and a willingness to change and invest in the future, remarkably diverse and successful communities can evolve.

Current estimates of voids in the public and private sectors suggest a void level over 5%. This compares to England where Government and Local Authorities are aiming to reduce the current 3% void level to 1.5%. Reducing void levels in NI by 2% would bring nearly 13,000 properties back into use, roughly equivalent to one year's supply of private sector new build. There are examples in England where this approach has been successful. The Manchester - Salford Housing Market Renewal pathfinder is working with Urban Splash to convert hundreds of terraced homes into

modern properties for family living. The Newcastle - Gateshead Housing Market Renewal pathfinder has converted 22 empty flats that had been targeted by arsonists, fly-tippers and vandals, into 11 five bedroom family homes, which now enjoy full occupancy.

Measures to address void levels in the private sector could include:

- A new system of rating to provide for a 100% rate liability on properties vacant for 6 months or more rising to a 200% rate liability if vacant for 1 year or more
- Representation to the Chancellor of the Exchequer to include in his next budget a proposal to reduce VAT levied on refurbishments from 17.5% to 5% to support the implementation of the Sustainable Development Strategy
- Make more extensive use of existing powers to occupy and vest empty properties and to advance legislation at the earliest opportunity to extend powers along the lines of the Empty Homes Management Orders (EHMO) in England

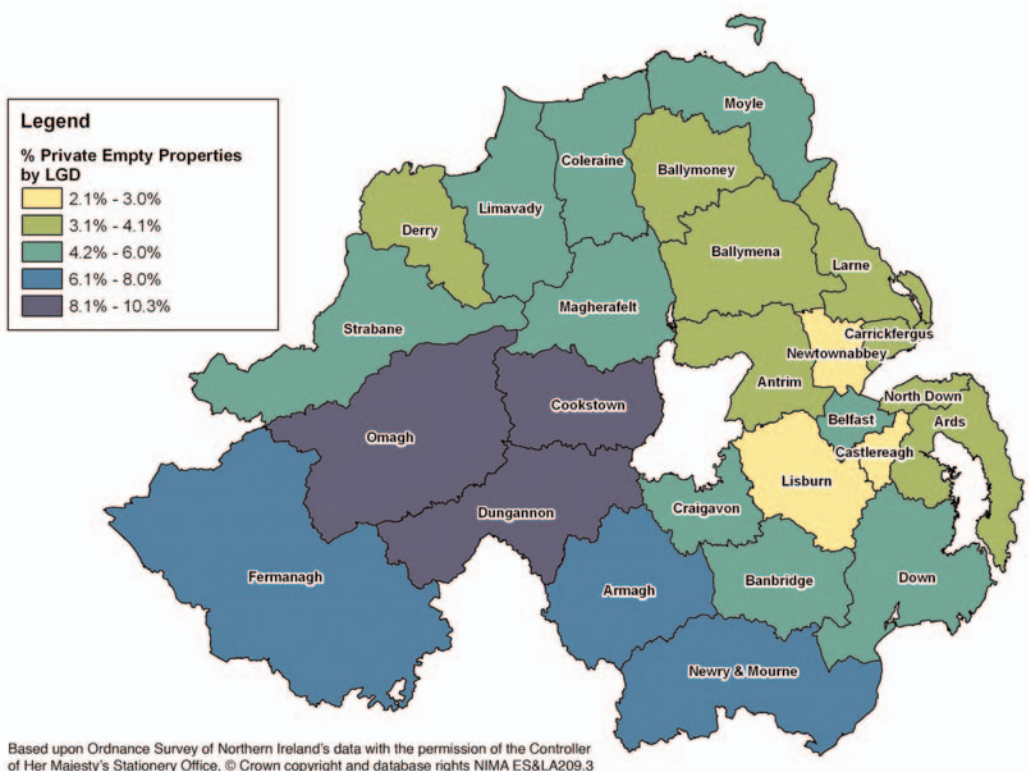


Figure 12: Percentage of Private Empty Properties (+6 months) by Local Government District
Source: RCA Sept 06

How Do Empty Homes Management Orders Work?

EHMO are intended to “*bridge the gap*” between voluntary and enforcement measures. The comprehensive study in London suggested that the compulsory purchase of properties was often not the best solution to the problem. A tool to temporarily manage the property had clearer benefits to new tenants, the local community and the local authority - the owner benefited as the property was improved and managed at no cost, whilst the local authority enjoyed full nomination rights for the occupation of the property enabling them to address housing waiting lists. EHMO’s give Local Authorities in England powers to temporarily manage long-term empty homes where the owner is not present or deemed unfit, where they turn down offers for assistance or do not have plans to bring their properties back into use.

EHMO’s permit Local Authorities to refurbish properties to the required standard. The cost of the works would be repaid from the rental income subsequently received, and the management order would continue until the expenditure on the property has been recouped.

- The marketing of initiatives to incentivise owners to bring properties back into use

Empty Homes Week

Government could draw on the best practice and success of the Energy Efficiency Week spearheaded by NIHE, the energy efficiency advice centre’s and energy suppliers in NI for almost ten years, transferring this local model of best practice to raise the profile and provide information on empty homes. This if combined with a package of measures providing advice about bringing the property back into use, including options to:

- Sell to a Housing Association in areas of social housing need
- Access NIHE’s Private Sector Grants programmes
- Register on the Rental Support Scheme if it meets specified standards.

Lessons could be learnt from London’s experience of operating a regional “*Empty Homes Week*” which gained significant community support and

improved the Greater London Authority’s knowledge and understanding of where and why there were empty homes.

- Change the private grants regime to encourage the rehabilitation rather than replacement of dwellings

Best Practice in NI

Mourne Homesteads

The Mourne Homesteads Project was established to address the loss of traditional housing types. The buildings are all privately owned, vacant and in varying states of disrepair with few having amenities or services. The traditional dwellings form a very visual contribution to the character of the mountain landscape, however these dwellings are vulnerable due to speculators, second home owners and perversely, due to the private sector grants which encourages replacement rather than renovation. Often the replacement by modern buildings does not reflect the siting, materials or scale of the former dwellings to the detriment of the local landscape described in some areas as “*bungalow blight*”.

In the Mournes a pilot scheme involving nine buildings provided for the retention, restoration and re-use of traditional dwellings within the Mourne “*Area of Outstanding Natural Beauty*” (AONB). Adoption of best practice in refurbishment and re-use of traditional buildings, meet the housing needs of local people within both the private and social housing sectors and by doing so reduce pressures for the development of green field sites within the AONB. The project aimed to help resolve conflict between local communities and the planning system by making provision for housing for local people within the AONB and by providing a programme in traditional building skills open to all.

Measures to address void levels in the social sector could include:

- Immediate moratorium on demolitions in the social sector for a short period to facilitate a review which would consider a scheme to release voids at discount to FTBs, subject to meeting eligibility requirements based on previous years annual income and agreeing a clause requiring continuous owner-occupation



How a Scheme for First Time Buyers Might Work?

Eligibility for the FTB scheme would be subject to the availability of funding and should be prioritised to meet the aspirations of social sector tenants and CWL applicants. FTBs will have to evidence receipt of an adequate annual income. Applicants would be required to secure a mortgage from a reputable lender, meet a 5% deposit for the property and any costs arising from the transaction.

NIHE and Housing Associations releasing void properties would do so with a discount equivalent to the House Sales Scheme discount, the provider will have “*right of first refusal*” on any future resale of the property and a statutory charge to this effect will be enforced.

- Assembly and transfer of void properties to Housing Associations for rehabilitation / remodelling and resale on a long-term lease basis where the Housing Association retains ownership of the land, and has a statutory charge on the property or for renting at sub-market rents.

Sustainable Development and the Re-Use of Buildings

The re-use of existing properties is important for the preservation of rural and urban areas. The re-development of existing buildings offers best value economically, socially and for the environment and supports all the principles of sustainable development particularly as existing buildings often have supporting infrastructure in place.

The Sustainable Development Strategy for NI requires Government to advance policies to use resources efficiently and minimise environmental impacts. Existing buildings, particularly obsolete commercial premises and office accommodation, present an untapped resource that could be unlocked to meet housing need. Some examples of best practice exist elsewhere; the remodelling of office accommodation into “*Loft-style*” living arrangements often in convenient urban locations have been successful in England, particularly in Manchester and Liverpool. In major cities in Australia and the United States similar

initiatives when combined with improvements to the public realm, enterprise development and community safety initiatives, attracted people back into city centre communities. Making use of the existing urban fabric is cost effective, it would support the regeneration of whole areas and has the potential to both increase the number of homes available and stimulate economic activity. Developers like Urban Splash in Manchester have succeeded by refurbishing old buildings in the city centre.

Living Over the Shop

I strongly support this initiative by the NIHE and I look forward to its energetic implementation. I think there may also be a case for the extension of the programme to provide support for the rehabilitation of obsolete office accommodation.

Best Practice in NI

Living Over The Shop

NIHE piloted this initiative from 2002, for a scheduled 5 year period, with the potential for a three year extension in Lisburn and Derry/Londonderry. The initiative aims to promote private rented residential accommodation over commercial premises in town and city centres. The scheme was well received and NIHE secured permission to extend the concept to other settlements as Town Centre Living Initiative Areas (TCLIA). Following a call for applications from interested Councils in June 2005 four further areas were designated as TCLIAs with affect from January 2006: Cookstown, Dungannon, Lurgan and Dromore, Co. Down. The initiative has demonstrated its value as a tool that contributes to town centre regeneration. Financial incentives, including grant to improve properties, are available to support the initiative.

NIHE aims to promote the concept and hopes to declare up to a maximum of five new areas each year. NIHE will continue to invite Councils to submit applications for TCLIA status on an annual basis. There are currently 12 applications under consideration and there will be up to five further declarations in January 2007. These areas will join the current TCLIAs, NIHE will continue to play a key support role through their

representation on Council led partnerships and through the on-going provision of advice and assistance in the promotion of the concept. There is growing Council interest in the concept as a tool that supports regeneration and initial indications from the four areas declared in January 2006 are encouraging particularly with regard to grant applications. Towns that expressed an interest in TCLIA status included: 1. Enniskillen, 2. Bushmills, 3. Ballymoney, 4. Antrim, 5. Lame, 6. Newry, 7. Donaghadee, 8. Strabane, 9. Downpatrick, 10. Magherafelt, 11. Carrickfergus, 12. Portadown

Rents Review

Inconsistency in rent setting policies across the social sector in NI and the growing divergence between the average rents set by the NIHE and Housing Associations is concerning as is the apparent lack of clarity and consistency in the setting of service charges by different landlords. To support this review, to build an evidence base for policy development in this area and to support a move towards a uniform rent policy and some degree of harmonisation, DSD in partnership with NIHE have commissioned the University of Glasgow to undertake a study. A review of rents is timely and could have positive public expenditure implications for NI by creating opportunities for attracting increased levels of private finance to development funding. It might also send transparent and consistent price signals that relate housing quality and location to its pricing. The main research aim is to review current rent-setting practices for social housing in NI with a view to considering the scope for the development and implementation of a harmonised rent-setting regime for NI's NIHE stock and Housing Associations.

The Rents Review is a large, multi-faceted and complex research project - this comprehensive, review of social sector rent-setting policy has two distinct elements. The study will examine evidence from the rest of the UK and ROI. It will also build up a detailed picture of existing rent-setting practice in NI and consider the strengths and weaknesses of current practice in terms of coherence, feasibility and fairness. It is within this context that options for a new uniform rent-setting system for all social landlords could

be developed possibly involving a process of rent harmonisation. I have asked the Rents Review Team to test any proposals across agreed criteria for what would be deemed socially acceptable including considering their impact on affordability and inter-tenure equity. The work of the Rents Review Team will inform my final recommendations in March. However the growing divergence across social sector rents is of concern and I fully expect to make recommendation for a full reform programme to support consistent rent setting policy across the social sector.

Marketing Mobility Schemes

A new focus on existing mechanisms for tackling over-crowding and under-occupation across the social sector is required. The transfer scheme operated by NIHE and Housing Associations which allows existing tenants to register their desire to move to different property types or locations has in the past been managed and marketed more intensively. However for a number of reasons the scheme has become less of a priority. Transfer schemes for existing tenants can complement housing management strategies to address under-occupation and over-crowding, acting as an additional means of matching household requirements better to the dwelling. They can operate over long distances, facilitating moves from high-demand to low-demand areas, as well as more locally. A facility to move across all social housing providers supports labour market mobility by enabling workless tenants to widen job search or avail of specialist facilities.

The current scheme operated by NIHE facilitates the movement of at least 4,000 social sector tenants annually. However there may be scope for the scheme to assist many more. Housing needs change over time as people's lives and circumstances change. Options that enable households to change property or location as their requirements change should be re-prioritised. Ensuring households are in accommodation appropriate to their needs has the potential to extend the housing options open to tenants and offer a continuum of solutions to meet changing circumstances.

There is a need to re-focus attention on the promotion of viable housing options and a more intensive marketing of properties and services on offer. This would extend choice for both long-term tenants and tenants that aspire to owner-occupation. There is the need for an effective mobility scheme across the social sector and between the social and owner-occupied sector, perhaps via cash incentive schemes or through the prioritisation of applications to shared ownership schemes from eligible social sector tenants.

It is necessary for DSD, NIHE and Housing Associations to use existing partnership arrangements:

- To recognise the consequences and costs of sub-optimal use of the stock (more unsatisfied priority need, more overcrowding, households placed unnecessarily in temporary accommodation, or spending an unnecessarily long time there, subsidy being allocated to households that no longer need it)
- To plan the use of the stock strategically, against a clear vision and explicit objectives
- To utilise the full range of instruments available for securing better use, recognising the need to deploy these in a co-ordinated and mutually reinforcing way.

Central to this are recommendations related to information exchange between social sector landlords, NIHE and Government Departments and the regulatory role fulfilled by DSD in respect of both Housing Associations and NIHE.

Recommendations:

- Information sharing protocols between NIHE and Housing Associations established as a matter of priority
- Proposals should be developed to enhance the existing transfer scheme including consideration of enhancing cash incentives for occupants transferring to smaller properties and mechanisms to promote transfer where adaptations are requested
- A Marketing Plan for the promotion of the service to tenants and their representative organisations should be developed by NIHE in partnership with Housing Associations
- Development of a Cash Incentive Scheme for eligible social sector tenants to buy on the open market (eligibility should involve an

affordability check based on an income threshold verified by previous years pay-slips)

- DSD should monitor and report on NIHE and Housing Association performance.

Social Sector House Sales Scheme

The impact of the very successful House Sales Scheme has been a gradual movement towards the residualisation of the social housing stock both in relation to the socio-economic characteristics of its tenants but also in the quality of its stock – better quality properties in desirable locations sold first. Whilst the House Sales Scheme still represents one of the most important routes into home-ownership for low-income households in NI, the sustainability of the scheme in the context of Government’s ability to meet future need is an issue. This poses serious questions not only about the level of service social sector tenants can reasonably expect in respect of their right to buy but also in terms of the equality enjoyed by groups identified in legislation and Government’s ability to meet the housing needs of future generations.

Take-up of the House Sales Scheme has been strong, NIHE’s stock has reduced by more than 50% and increasingly as Housing Associations deliver more general needs accommodation their properties have become more attractive to potential tenant/ purchasers. Changes to the House Sales Scheme in 2004 that reduced the available discount has impacted on the number of Expressions of Interest and in actual take-up of the House Sales Scheme. From 1998 to January 2005, the percentage discount drifted down from about 48% to about 46% and from Quarter 2: 2005 to Quarter 1: 2006, discount dropped to around 38%. Nevertheless, the Scheme still represents a significant reduction in cost compared to purchase on the open market.

Whilst sales have dropped by 3,221 in 2004-05 and 2,683 last year, take-up has remained relatively robust in both urban and rural settings.

Research into the Scheme conducted in 2003 suggested that the impact in terms of Government’s ability to meet need through re-lets would not be felt immediately however it would impact in the medium to long term when properties which would normally have become available for re-let at the end of a tenancy would

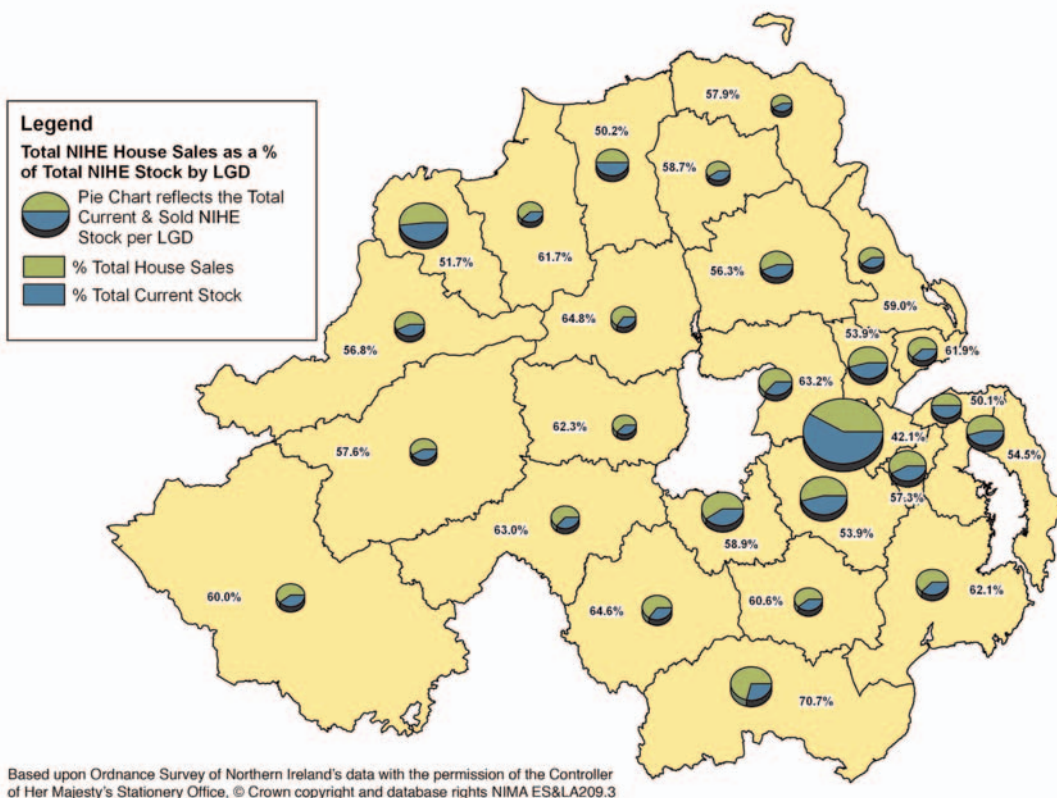


Figure 13: Total NIHE house sales as a Percentage of total NIHE stock by Local Government District
 Source: NIHE Oct 06

no longer be in the social sector; “*second wave effects*”. Researchers suggested the stock would need to be replenished at a rate of one property for every five sold to counteract the loss of potential lets. The delivery of the SHDP which at present barely counteracts the continued reduction in stock through the House Sales Scheme has a direct effect on the ability of low-income households, lone parent families and individuals with special needs to access social housing resulting in increased numbers of private sector tenants in receipt of high levels of support via Housing Benefit.

The rapid increase in house values from 1995 has most benefited tenants that bought properties at discount under the more generous Scheme operating then and may have encouraged former tenants to sell properties to access the increased equity. Resale of former NIHE properties represents 10-15% of all transactions and whilst the prices these properties are achieving are significantly higher than the discounted value, I have heard reports of sales of former social properties at £185,000 and even one, on the North Coast, which reportedly sold at £250,000. However on the whole they remain a source of affordable accommodation for aspiring owner-occupiers. Prices of houses sold through the House Sales Scheme have increased considerably over the last 5 years, and in 2002-03 the increase in the average selling price rose almost 20%. The average selling price was approximately £25,000 per dwelling for 2003/04, however in 2005-06 this had risen to £34,000. The properties have also proved attractive to private sector landlords with some 10% of all NIHE properties sold ending up in that sector.

For public expenditure purposes the validity of a valuation should be reduced to 3 months and the use of private valuers with VLA (or new Lands and Property Services Agency) fulfilling a quality assurance / verification role would speed up the system. VLA should also be charged with developing a methodology for the valuation of land dedicated to mixed tenure developments.

The sale of social sector houses has had a powerful and lasting effect on communities. Promoting mixed tenure in areas traditionally associated with social housing has enabled residents to invest in their areas and their futures and has extended to them, the benefits and opportunities associated with home ownership. Some areas have been transformed.

Further restrictions on the Social Sector House Sales Scheme would secure the supply of social housing for the future. The increased cost of land and development and the need to protect our environment through restrictions on land use might further limit Government’s ability to deliver social housing where it is needed. Changes to the claw-back provision to extend the period applicable by introducing a sliding scale for discount repayable in percentage terms would enable Government to capture some of the increase in property value for the public benefit. The scheme currently requires a repayment of 100% of the discount if the property is re-sold within 5 years, this could be extended to allow for 80% of the discount to be reclaimed if the property is re-sold within 6 years, 60% within 7 years, 40% within 8 years, 20% within 9 years and no discount would be reclaimed after 9 years of owner-occupation. Restrictions on the sale of properties of certain types or in specific areas would enhance Government’s ability to meet demand in the future, this is especially relevant in NI where a younger age structure and increased levels of inward migration suggest an on-going requirement for social housing. The cap of £24,000 seems generous when compared with the position in GB especially in view of the rising CWL.

Changes to the Social Sector House Sales Scheme are necessary to safeguard supply in the future, whilst I understand that changes will impact differently on different groups of people measures could be introduced to off-set these. There are many examples of portable discounts and cash incentives schemes that have successfully balanced the need to support people’s aspirations to enter owner-occupation with the need to meet housing need. Reforms to the House Sales Scheme could include:

Financial Measures:

- Introducing an extended claw-back period based on a sliding scale
- Introducing a Cash Incentive Scheme (CIS) equivalent to the House Sales Scheme discount for eligible social sector tenants and capping the Social House Sales Scheme discount at a lower level than £24,000 to enable the equitable operation of restrictions. The cap in London is set at £16,000.

Cash Incentives Schemes

In England Local Authorities have powers to offer cash incentives for tenants to buy and repair new homes in the private sector. The terms were originally subject to Secretary of State approval, and ring-fenced capital allocations were available for this purpose. Local Authorities are now free to offer whatever terms they choose, and specific allocations have been discontinued. Local Authorities are responsible for implementing schemes and have to weigh up the benefits of CIS against all the other claims on their capital resources. CIS has the potential to appeal to tenants who might otherwise be contemplating the right to buy, with the great advantage to the authority that their existing home will not be lost to the social rented sector and the dwelling made available for a household in greater need for much less than the cost of building a new unit. In contrast whilst the exercise of RTB generates a capital receipt it is at a significant discount to the property's market value.

The major increases in house prices have made it harder for even the more prosperous social tenants to afford to buy a home, and RTB sales have consequently been declining although this is also related to the reduction in maximum discounts. Take-up of CIS across England is running at around 600 households a year however the new Homebuy scheme is aimed in part at existing social tenants, giving them opportunities to buy shares in the equity of a home newly-built for the purpose "*New Build Homebuy*", or of a home in the open market "*Open Market Homebuy*". Successful CISs have been operating in Scotland and within certain Local Authorities in England for some time. The schemes provide a discount for social sector

tenants to purchase a home on the open market. In some areas this model has also been made available to applicants for social housing deemed to be in need and it might be extended to CWL applicants with appropriate points and income levels.

A CIS allows council tenants to be offered, at the discretion of their landlord, a grant to help them to buy a home on the open market, freeing up their social home for a new tenant. The grant is funded through Local Authorities' own resources and the NIHE should, in partnership with DSD and DFP, consider the opportunity for ring fencing receipts from social sector sales to facilitate a CIS for social sector tenants that meet certain income based eligibility requirements. An assessment of the cost of offering the Scheme to applicants on the CWL that meet eligibility requirements should also be undertaken.

Introducing geographical restrictions:

- Settlements of under 4,500 population, this would protect supply in rural areas where development might be restricted
- Areas of high demand for social housing, this would sustain a supply in areas where land available for development is limited and there is intense private sector demand.

Further restrictions on property types:

- Homes for large families, NIHE sold stock is dominated by three bedroom properties (76%), with a further 8% having a fourth bedroom (house sales 1979-2003). This has significantly reduced the stock of homes suitable for larger households. Whilst the average household size in NI is falling, reflecting demographic and lifestyle change, it is still higher than elsewhere in GB
- Listed buildings constitute a very small proportion of the stock however where they are in use it is often after intervention to protect buildings of architectural value for future generations. The investment to bring the properties back into use and maintain them at an appropriate quality standard is often significant and raises questions around the sustainability of the mortgage given the specialist maintenance requirements of a listed building

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- Single storey dwellings, these include older peoples' bungalows which are already exempt from the scheme. Extending the exemption to all single storey dwellings would protect developments where in anticipation of a future need NIHE recommends the provision of chalet type bungalows to Life-time Home Standards as these properties can be easily extended to provide for changing patterns of need
 - Special purpose accommodation for wheelchair users, this would protect supply.

I appreciate that there are all kinds of equality issues involved in these geographical and other proposals and it may be more straightforward to place further restrictions on the scheme generally to preserve the social housing stock. I therefore do not recommend any of these proposals at this stage but would be interested in the reaction to them during the consultation period. The equality issues which affect those who might be denied the right to buy have to be balanced against the equality issues affecting those currently on the CWL who are denied access to social housing at an earlier date and those young people today who might require a social house in the future.

Chapter 8: The Private Rented Sector



Government has progressed policy to support the operation of a vibrant private rented sector which together with opportunities to move into homeownership at affordable rates provides “*pathways of choice*” for people with regard to tenure. The private rented sector after years of decline has shown signs of a renaissance: in 1961, 35.3% of all households lived in privately rented dwellings. The private rented sector constituted 15.8% of the total stock in 1974, some 72,200 dwellings. By 1991 this had reduced by a further 43,600 properties to 5.0% of the total stock. There has been growth in the sector: it now represents 9.8% of the stock providing 65,300 dwellings in both urban and rural areas.

Nationally, the buy-to-let initiative was launched in September 1996 by the Association of Residential Letting Agents and four lenders. Intended to support sustainable expansion of the private rented sector the initiative expanded rapidly to the current situation where a wide range of buy-to-let products are available from numerous lenders. By the end of 2002 there were some 275,500 outstanding buy-to-let mortgages, some being re-mortgages of earlier loans, worth a total of over £24 billion. The CML statistics show that during 2000-01 the market grew by around 50%, in 2001-02 an increase in advances in excess of 80% is recorded. The following year the number of new advances increased by 44.3%. By mid-2006, there were over 750,000 buy-to-let loans outstanding with a total value of £84 billion.

Joseph Rowntree Foundation research suggests that landlords take a medium to long-term view of their investments, suggesting a degree of stability rather than a more speculative approach. Landlords were often planning for retirement or using the investment as their main or sole source

of income. NIHE research suggests that in NI a large number of landlords are new entrants and may have limited experience of managing tenancies. They are accustomed to very favourable economic conditions characterised by low interest rates, growing capital values and rising rent levels, poorly performing stocks and shares and pension schemes, and an increasing demand for private rented accommodation. This may not always be the case and measures to provide some certainty may be broadly welcomed.

There is also evidence of larger scale investors entering the market. The private rented sector is now growing rapidly because of the sheer volume of acquisitions of new and existing property by investors who have been encouraged by the sharp increases in housing values. I have received representations from public representatives and others who feel that the buy to let activity should somehow be curtailed. There are ways in which low cost owner-occupier or shared equity properties can be protected through retention of the land by a public body or trust. However apart from these specific areas, I can see no way of preventing further investment in buy to let properties. The market is likely to adjust making further such investment less attractive.

The extent of buy to let activity in recent years has revived the private rented sector and increasingly households who might previously have entered owner-occupation are having to opt for private rented property instead either on a temporary or permanent basis. The private rented sector therefore is an important source of affordable housing. Rents have not risen as sharply as the capital value of housing and it would seem that landlords are more concerned with increasing capital values than with rents.



Indeed, it has been suggested to me that some of the larger investors have been prepared to leave their properties vacant and simply to focus on capital value growth. There are difficulties too within communities, where settled low cost owner-occupier communities find that a substantial proportion of the properties have become privately rented, often attracting a

transient population. There are difficulties too with some landlords who are either unaware of their responsibilities or are unwilling to accept them. While mainstream lenders have been responsible in their lending to buy to let investors, some new landlords have purchased their properties with finance raised from secondary institutions. With increases in the

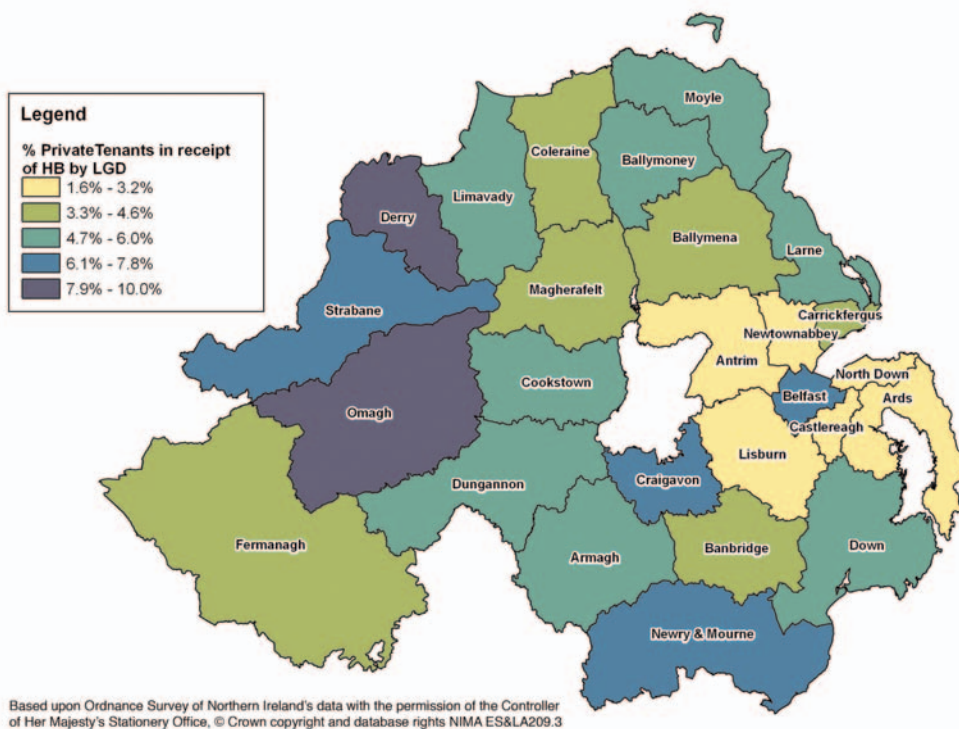


Figure 14: Tenants in receipt of Housing Benefit as a Percentage of total household spaces by Local Government District

Source: NISRA NI Census 2001 & NIHE HB Data Aug 05

mortgage interest rates, water charges and possible increases in rates, these landlords could well find themselves under financial pressure and this will no doubt cause them to seek rent increases.

A significant proportion of tenants in the private rented sector are supported by Housing Benefit and the overall cost of Housing Benefit seems likely to increase. Most have to supplement this to pay market rents and this in turn can lead to poverty and debt. I believe that there is a strong case for the registration of all landlords. The scheme could incorporate a mediation and arbitration service for landlords and tenants. This task would fall to the NIHE and would of course require legislation. There would of course have to be sanctions in the event of a landlord failing to register. I would suggest too that the NIHE should publish a handbook of good practice for private landlords. Representations have been made to me that there should be rent controls and sanctions against landlords who fail to maintain their properties or who evict tenants without good cause. I am sceptical about the value of state intervention in this market but would wish to consider the matter further and would welcome comments during the consultation period.

Voluntary Rental Support Scheme (RSS)

Over recent years use of Housing Benefit has evolved into a medium to long-term housing support catering for 130,581 cases across NI (private and public) at a cost of £386.2 million in 2005-06. In the private rented sector, there are 60,494 Housing Benefit claims however this figure includes 17,414 Housing Association tenancies. 74% of these claimants are in receipt of full Housing Benefit, 26% are in receipt of partial Housing Benefit. The Housing Benefit spend for this sector in 2005-06 was £191.1m.

A voluntary RSS would allow Government and NIHE to form long-term relationships with landlords, tenants and their representative organisations to provide for the long-term housing needs of these recipients.

How a Rental Support Scheme Might Work

What Would Change

At present the Housing Benefit applicant sources a private rented property and applies via the local NIHE or Social Security Agency office. If the application is successful, NIHE makes a monthly payment towards the rent. The tenant, if necessary, adds a rent contribution and pays the landlord directly. There is also provision for the benefit to be paid directly to the landlord's bank account.

RSS could be administered by NIHE which will negotiate an "*availability contract*" with the landlord under which NIHE would guarantee a monthly electronic payment, payable in advance to the landlord for the period of the contract. In return NIHE will have exclusive nomination rights to the property.

The rent paid by NIHE will be the full agreed rent based on the Local Reference Rent for the property. The landlord will not have to collect rent or fill vacancies for the duration of the agreement. NIHE will pay the full rent even if the property is vacant.

Landlord & Tenant Relationship and Responsibilities of Landlord

Legally the landlord and tenant relationship will remain between those parties. NIHE would act as broker or agent on behalf of the tenant, NIHE will deal with anti-social behaviour on the property should it arise through tenancy arrangements or anti-social behaviour orders. To ensure the effective implementation of RSS formal agreements between NIHE and tenants in this regard RSS tenants would be made aware that engaging in such behaviour could put their future entitlement to *all* Government housing supports at risk. The landlord would still have full recourse to the law should it be necessary. The landlord will retain responsibility for:

- Insurances – property, contents and public liability
- Routine Maintenance/Repair and replacement of equipment.

Rents

Rents will reflect local market rents. The process for determining the Local Reference Rent for an

area takes these into account and whilst there may be scope to allow, in exceptional circumstances, rent payable to be subject to negotiation rents should not exceed the current Local Reference Rent. Whilst there may be “winners and losers” among landlords in financial terms there would also be distinct advantages in terms of time and worry. The reduction in rent would be offset by:

- The landlord not having to collect rents for the duration of the RSS contract
- The landlord not having to fill vacancies (advertise and interview prospective tenants) for the duration of the RSS contract
- The fact that the average yield across the private rented sector is 11 months rent per annum due to vacancies/tenant turnover
- The very bankable asset that a guaranteed RSS rent payment would represent
- Guaranteed prompt payment, in advance, by NIHE
- The fact that many landlords pay a letting agent the equivalent of one month’s rent per annum as a fee.

Eligibility Issues

To participate in RSS landlords would be expected to:

- Be tax compliant
- Agree to engage in mediation and arbitration should the need arise and
- Ensure the property meets minimum standards.

Tenants must have been in receipt of Housing Benefit for a minimum of 18 months and be deemed by NIHE to have a long-term housing need.

If there is a potentially greater role for the private rented sector in meeting housing need in the future, measures that support tenants and landlords should be developed to ensure the growth of a vibrant sector characterised by quality accommodation. Clearly significant administrative effort would be required to launch such a scheme and I would therefore welcome a reaction from landlords as to whether it would meet their needs and those of their tenants.

Houses in Multiple Occupation

Recent legislation provided for NIHE to develop a statutory registration scheme for Houses in Multiple Occupation and this should be progressed as a matter of urgency. These dwellings are often used by migrants and it has been suggested that overcrowding is occurring in some properties.

Deposit Guarantee Scheme

Many people on low incomes who are seeking property in the private rented sector have difficulty with meeting the requirement to pay a deposit, usually equivalent to a month’s rent. Since the early 1990s, assistance with this requirement has been available in some parts of the UK through schemes that offer, in place of a deposit, a guarantee that in the event of eventualities such as damage, theft or rent arrears, the landlord or letting agent would be recompensed up to an agreed level. Deposit guarantee schemes often offer help with finding a property and ongoing support once a tenancy has started. In 2002 in Scotland, the Homelessness Task Force recommended that all Local Authorities should provide access to such schemes by 2004. A review in 2003 indicated that 19 of the 32 Local Authorities provided access to such schemes and a further 10 were in the process of introducing them. I believe that there is a strong argument for a similar scheme to be developed in NI.

The Review suggested that various Local Authorities’ schemes used the private rented sector in different ways, depending on the operation of the local housing market, particularly in respect to the availability of social housing. In some cases, the scheme’s aim was to provide interim housing to groups enabling them to move out of resettlement hostels and into more independent accommodation with a view to moving into social housing in the longer term.

In other cases, privately rented accommodation was used almost as emergency accommodation, in providing speedy access to homeless households in locations where hostel provision was limited. In other cases, the scheme set up tenancies with the expectation that the client would stay in the property for some time, since other housing options were severely restricted. Schemes were not rigid in interpreting the role that the private tenancy would play in resolving someone's housing difficulties. The review of schemes in Scotland found deposit guarantee schemes complemented homelessness reduction strategies and played a significant preventive role if access to the service was offered early enough in the protracted downward trajectory that often characterises housing difficulties. Some of the people interviewed had known that a period of settled housing was due to come to an end (for example, following relationship breakdown a partner or parent had given them a "deadline" to leave by) or had experienced a period during which they "sofa surfed" with friends or relatives. It is during this period that information about support is most effective.

The provision of help with deposits accompanied by a package of "add-on" services necessary to the successful progress and sustainability of a tenancy could be usefully applied in NI in areas where the private rented sector is concentrated particularly in Belfast, Derry and Newry. The package of services would reflect local constraints such as availability of funding, the supply of affordable private rented properties and access to social housing. A scheme that integrates advice-giving services and is specifically targeted at homeless people and those at risk of homelessness is likely to be most effective. I would suggest that the NIHE devise a scheme along these lines.

Evaluation of Simon Community Rent Guarantee Scheme

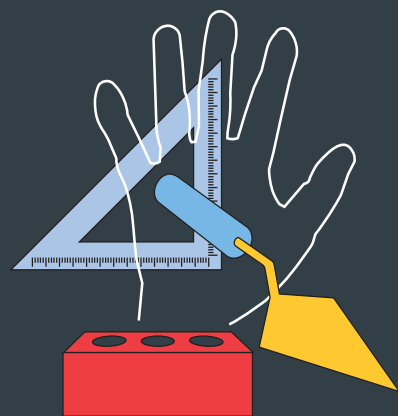
The potential for a scheme in NI has been tested. The Simon Community piloted a scheme providing advice and support for homeless people.

The scheme:

- Takes responsibility for the administration of the tenancy
- Provides floating support services and at the outset develops a support plan for the individual
- Monitors the tenancy including maintenance and Housing Benefit.

The evaluation concluded that the scheme supported people out of hostel accommodation and enabled vulnerable participants to establish tenancies. The Scheme also challenged landlord's perceptions of homeless households and homeless perceptions of the private rented sector. Recommendations included extending the Guarantee Scheme to cover damage and arrears and developing an insurance policy for landlords.

Chapter 9: Growing the skills for successful development



Proposed reform of the planning and public sector land management system together with challenges facing the private sector require new skills. Processes are increasingly complex and as technology advances they require a constant updating of skills and knowledge. This involves investment in training and pathfinder projects to build skills and test new ways of working. It involves investing time in discussion with partners to identify shared objectives and develop initiatives that advance all stakeholders agendas. The challenge for public sector organisations is to become more entrepreneurial in their approach to policy and programme development to identify potential partners in the private and voluntary sectors whose objectives, be they related to corporate social responsibility, profit generation or purely philanthropic, correspond to their own.

Building Skills in the Construction Industry

Promoting sustainable development and increasing the supply of quality housing are compatible objectives. Investment in skills development in the construction industry will support wider application of more sustainable technologies. The provision of practical learning opportunities for school leavers and employees is essential. A shortage of skilled labour acts as a key barrier to growth. Efforts to extend use of modern methods of construction such as timber frame and off site development or to integrate energy efficient and waste minimisation design solutions should be underpinned by training. Anecdotal evidence suggests that there is a shortage of skilled employees in the construction

sector and that there is increasing dependence on migrant workers.

Work is underway by the Department for Employment and Learning (DEL) to forecast future skill requirements to inform the planning and funding of post 16 education and training. This will provide a better understanding of the current and future demand for skills. In addition, the Adult Skills Project will, in conjunction with employers, focus on the up-skilling of employees with options such as an increase in the number of apprenticeships as well as introducing all-age apprenticeships.

The Skills Strategy for NI highlighted the need to focus on raising the skills of the workforce and defined three different types of skill: essential skills, employability skills and work based skills. The Skills Strategy sets out how DEL will work in partnership with employers and their representative bodies, individuals and trade unions, training and education providers, the community and voluntary sector and other Government departments and agencies to deliver on a long term vision for skills in NI. Initiatives such as the “*Further Education Means Business Strategy*” and pre-apprenticeships programmes will provide young people access to high quality, high value vocational education courses and a pathway to a full apprenticeship programme. DEL should consider how learning about sustainable development and modern methods of construction can be facilitated and should aggressively market the opportunities for apprenticeships to employers and potential participants. If it was deemed a priority, consideration could be given to incentives for employers to meet the target of providing 10,000 apprenticeships by 2010.

Best Practice

In June 2004, DEL announced an initiative managed by the CEF through which 20 of the major companies in the construction industry (including the Victoria Square development) would employ up to 200 additional apprentices in a range of skills during the two year period beginning in September 2004. Over 300 young people applied for a place on the programme. To date 99 young people successfully completed the induction module and 87 commenced a Modern Apprenticeship in full time remunerative employment with their sponsor company. Currently, there are 50 participants on the CEF programme.

Recommendations

- DEL, in partnership with employers, to identify skills requirements and potential shortages
- Market the opportunities for apprenticeships to employers and potential participants
- Provide clear access and progression pathways through increased access to apprenticeships and all-age apprenticeships
- Support for Construction Sector employers to provide information and training to their staff on sustainable technologies and modern methods of construction
- Industry professionals should work with schools and further education colleges to promote a career in the building, housing and planning profession
- Develop partnerships between organisations such as DEL, the Construction Industry Training Board, CEF and schools and colleges to encourage school leavers into the housing and construction industry and support apprenticeships
- Develop a number of linking initiatives encouraging young people into housing as a “first choice” career.

Building Skills in the Public Sector

Housing and planning professions in the public sector require the skills to understand housing market information and build the evidence base for housing and planning to support appropriate policy and programme development. Achieving a balance between the flexibility required to work in partnership with others, particularly with private sector interests, to meet common objectives whilst providing a decision making framework grounded in evidence is perhaps the greatest challenge facing public sector organisations. The successful delivery of affordable and social housing requires effective planning processes that engage all the key players from the outset of the process.

Expert assistance and clear unambiguous guidance should be available to operational staff to help them deal with significant development proposals. The Egan Review, “*Building Skills for Sustainable Communities*” emphasised the need for high quality brokering skills in Government and Regional offices and agencies. Developing a more entrepreneurial approach will require a change in organisational cultures and mind-sets about the role of public sector organisations and there perhaps needs to be a new approach to how risk is assessed and managed. Developing the tools to support decision making will in future require housing and planning professionals to understand how complex factors that drive markets interact. Mainstreaming the use of robust economic appraisal tools and integrated impact assessments that consider sustainability, regulatory burdens and equality issues will be necessary.

Understanding markets and setting policy development within a more socio-economic context demands excellent project management skills, a greater competency in partnership working particularly with regard to negotiation skills and the development of entrepreneurial attitudes. Strong leadership supported by commercial awareness and legal expertise will be essential in driving this forward.

To deliver more housing the Planning Service will increasingly need to work in partnership across sectors to exercise powers to influence the use of land for the public benefit. A forum for all public sector organisations with an interest in new development such as the roads service, water service, housing and other government departments was recently convened to develop a protocol for assessing and prioritising needs, considering the regulatory burden on the private sector and determining any public expenditure. This model should be used at an early date to consider how A40 of the Planning Order can be effectively and efficiently administered.

It has been suggested that competition from the private sector for experienced planning professionals has attracted many skilled practitioners from the public sector. In the Planning Service the average age of a Planning Officer is 27 and it has been suggested that a skills shortage is developing. The Service is under enormous pressure due to unprecedented numbers of applications. The Service is below its full complement of staff and resources have had to be redirected away from critical Area Planning work to manage statutory obligations in relation to Development Control. This increasing pressure is unsustainable and is undoubtedly related to the "drain" of key staff from the Service. The level of public concern and the perception, expressed to me at a number of seminars that the Service is in

crisis must impact on morale and damage the confidence with which this work is undertaken.

I believe that we must support and resource planning and housing professionals in the public sector. We need to build capacity and develop the necessary skills to negotiate effectively with the private and voluntary sectors and the wider community. Recruitment and retention policies should be the focus of attention. The NI Civil Service reform agenda aims to prioritise front line services, so that resources are targeted to meet the needs and aspirations of the community. The Planning Service and those involved in the delivery of housing provide frontline services and are an important means by which Government engages with people. Housing is key to countering poverty and social exclusion. The inability to access decent, affordable housing impacts significantly on quality of life. The achievement of balanced, sustainable development in NI is critical to meeting key economic, social, environmental, health and education related objectives.

The Planning Service is subject, similar to other parts of the NI Civil Service, to manpower reductions. In current circumstances this would make little sense. Furthermore in England, Planning Delivery Grant provides additional help to local authority planning Departments operating in high demand areas. I believe the Planning Service here, given the circumstances in which it is operating, should receive similar help. Such assistance might help the Planning Service to recruit experienced market negotiators and also some architectural expertise, which is currently lacking in the Service. It would also permit relevant training to take place and give the Service an opportunity to resume with greater vigour its role in plan making.

Skills within Communities

With an increasing number of actions for repossession, increasing levels of debt and more homeowners struggling, it is more important than ever that people are aware of the financial options open to them. There are an increasing number of mortgage products and options into home ownership or occupation and it is essential that information is accessible. Individuals with low numeracy and literacy skills may require additional support and housing and advice organisations already play an important role in this regard. Consultation with advice agencies from the community and voluntary sector revealed extreme concerns about increased levels of personal debt particularly through unsecured loans and the aggressive marketing of “secondary” lenders products to social sector tenants and vulnerable homeowners.

To ensure sustainable home ownership in our communities, it is vital that there is knowledge of financial products and providers, that there is understanding about how mortgages work, the relationship to interest rates and the other costs attached to home ownership such as rates, maintenance and utility bills. This will ensure that individuals and families understand all the options and are able to make the right choice for their circumstances. Ensuring that applicants on the CWL are aware of all the options open to them and that they understand the possible alternatives of shared equity products will promote choice. Information on the range of products and housing solutions needs to be widely available and easily understood.

Improving literacy and numeracy skills and financial awareness in communities will not only help people access affordable housing it might also provide a useful access/progression route to training, education and employment. There may be scope to integrate this learning via schools and community based training programmes.

Chapter 10: Review of Public Administration



Concern about how policies are implemented stem from the recognition that they cannot be understood in isolation from their delivery mechanisms. In some cases policies are based on poor information and incomplete understanding of the problem, but generally it is impossible to say whether policies fail because they are bad ideas or because they are good ideas poorly executed. In my discussions with stakeholders from across sectors, there was broad consensus that critical elements of the process for delivering new homes are not working; more importantly there was unanimity that supply and demand for social and affordable housing are *“out of kilter”* and I perceived an appetite for change. I might also say that there is an understanding that failure to address the affordability problem will impact on a large number of people in NI and put at risk the achievements made in recent years in tackling poverty and disadvantage.

The traditional *“top-down”* approach to policy development is often criticised for starting with the policy decision and the emergence of the *“bottom-up”* approach involving analysis of the roles of the multiple actors who interact at a local level on a particular problem or issue was, in part, a reaction against this. Whilst the *“bottom-up”* approach is not without problems it is valued as a mechanism for involving people at a local level in decisions that will affect their lives. The opportunity presented by the RPA can not be over-stated.

From the outset of this Review, I have been struck by the number of organisations involved in planning, housing and regeneration. Information exchange, particularly regarding levels of need and how the housing market operates, is weak

and the relevant socio-economic factors are insufficiently taken into account. At Government level, I believe there is a strong case for centralising strategic housing, planning and regeneration functions within one Department. There should also be mechanisms for further devolution of responsibilities to allow for a *“bottom-up”* approach to the identification of need and the prioritisation of actions at the level of existing District Council areas by the new Super Councils and the NIHE. The new restructured Department would act as an enabler to support the partnerships between Super Councils and the NIHE that manage these local delivery mechanisms. A number of functions will of course transfer to local government from existing Departments and NIHE and these will complement the functions already exercised by existing District Councils.

I think there may now be an opportunity to move towards a more inclusive *“bottom-up”* approach. Providing a mechanism for the integration of housing and planning through the preparation of local (sub-regional) housing strategies (LHS) under a community plan structured to operate like a LDF, perhaps at existing District Council level (enabling the use of established service points and relationships), might deliver significant benefits. NIHE already play a critical role through the preparation of Housing Needs Assessments and District Housing Plans and in undertaking latent demand testing. This together with information captured by Planning Service, the new unitary health trust and the Super Council’s could, under the new structures, form the basis of a LHS *“owned”* by both NIHE and the Council. LHS, in addition to assessing the various needs would also examine

market conditions and the socio-economic factors influencing housing sub-markets. By developing the LHS in partnership, all stakeholders including the community could contribute, priorities could be identified and a course of action agreed. The LHS could provide the framework for decisions about the quantum and the appropriate mechanisms for delivering social and affordable housing in each area and would be an integral part of the LDF discussed in chapter 4. This would enable Councils to make appropriate development control decisions, initiate A40 negotiations or modify zoning decisions to meet housing need.

The system, as I reflected upon earlier, might also provide for speedier routes through the planning system where the proposed development adheres to requirements set out in the various control documents prepared by Councils, NIHE and communities. It could also, potentially deliver a means for *“joining-up”* public service provision. This requires a very clear vision that each organisation and the community would have to *“buy-into”*. It demands strong leadership and involves recognising opportunities and embracing change.

I think many of the operational roles already undertaken by District Councils such as amenity

provision, building control, environmental health, community safety, economic and social development will complement the functions proposed for transfer. One additional observation is that the transfer of Supporting People to the Super Councils and the creation of a central health agency under RPA might enable supported housing projects to be commissioned through the LHS under the proposed Community Planning / LDF.

A more comprehensive Community Plan that goes beyond how a Super Council might fulfil its own functions, prepared within the parameters of the RDS and other region-wide strategies, might set out the vision for the development of its area. This might deliver:

- Transparency in the development of policies and decision-making
- Increased accountability at a local and sub-regional level
- Improved information and understanding of the challenges facing specific areas and better identification of mutual objectives across organisational and sectoral boundaries
- Opportunities for streamlining of processes, and
- Increased community engagement.

Glossary of terms



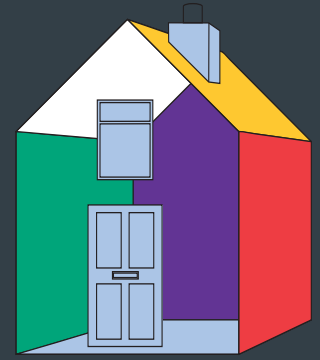
Affordability Index	Measure developed by UU to map the proportion of affordable housing by District Council Area. The model uses the median income for the area to apply an annuity formula to determine the affordable price, the lowest 25th percentile property market is monitored to determine what proportion of properties in the District Council area are affordable. The Affordability Gap is the difference between the Affordable Price and the House Price
Affordable Housing	Includes <i>Social Rented Housing</i> and <i>Intermediate Housing</i>
AONB	Area of Outstanding Natural Beauty
A40	Article 40 - Agreements made under the provision of the Planning (NI) Order 1991 www.opsi.gov.uk/legislation/northernireland/nisr/yeargroups/1990-1999/1991/1991oic/aos/no1220.htm
Barker Review	Established by the ODPM and Her Majesty's Treasury to address the imbalance in the housing market evidenced by increasing incidence of homelessness and, in some areas, significant issues around affordability and access to the market
BMA	Belfast Metropolitan Area
BMA Plan	The Planning Service's Draft Area Development Plan for Belfast, Lisburn, Newtownabbey, Castlereagh, North Down and Carrickfergus Council areas
CEF	Construction Employers Federation
CIS	Cash Incentive Schemes
CML	Council of Mortgage Lenders
CWL	Common Waiting List
DCLG	Department for Communities & Local Government
DEL	Department for Employment and Learning
DFP	Department of Finance and Personnel
DOE	Department of the Environment
DRD	Department for Regional Development
DSD	Department for Social Development
FTB	First Time Buyers
GB	Great Britain
HAG	Housing Association Grant
HGI	Housing Growth Indicator
HNA	Housing Needs Assessment conducted by NIHE to inform area planning and zoning decisions
Intermediate Housing	<i>Shared Ownership, Low Cost Home-ownership Schemes</i> Includes the Co-ownership Scheme, operated by NICHA, which

	provides a shared equity arrangement whereby the occupier purchases a share of the property (up to 75%) and pays rent on the remainder, and the Social Housing House Sales Scheme operated by NIHE and Housing Associations to enable tenants in residence for five years or more to purchase their home at a discounted rate
LDF	Local Development Framework
LHS	Local Housing Strategy
NI	Northern Ireland
NICHA	Northern Ireland Co-ownership Housing Association
NIHE	Northern Ireland Housing Executive
NISRA	Northern Ireland Statistics and Research Agency
ODPM	Office of the Deputy Prime Minister
PAC	Planning Appeals Commission
PPS	Planning Policy Statement
PPS 8	Planning Policy Statement 8 – Open Space, sport and recreation
PPS 12	Planning Policy Statement 12 – Housing in Settlements
PPS14	Planning Policy Statement 14 – Sustainable development in the countryside
RDS	Regional Development Strategy
ROI	Republic of Ireland
RPA	Review of Public Administration
RSS	Rental Support Scheme
Section 106	Section 106 of the Town and Country Planning Act 1991 which provides for agreements between Local Authorities and developers in England
SHDP	Social Housing Development Programme
Social Rented	This is housing made available to rent to applicants on the CWL by the NIHE, one of the 37 Housing Associations operating in NI or through payment of Housing Benefit to a private rented sector landlord
TCLIA	Town Centre Living Initiative Areas
UK	United Kingdom
UU	University of Ulster
VLA	Valuations and Lands Agency

Annex 1

Affordability Review

Terms of Reference



Introduction: The Review will examine the range of mechanisms aimed at securing social housing for rent, growing a quality private rented sector and helping intermediate households into homeownership. Recommendations for reform should consider a range of issues including:

- Increasing the supply of social and affordable housing
- Extending use of strategic partnering arrangements
- Making the market and planning system work better
- A new framework of simplified low cost home ownership products
- Making more effective use of existing assets
- The role of financial services industry in both supporting access to and the sustainability of homeownership
- Regeneration and housing
- Local housing strategies.

Objective: The objective of the Review is to consider the range of Government interventions in the housing market via the planning and housing systems that increase supply of social housing for rent, support the private rented sector and assist intermediate households into homeownership.

Terms of Reference: The Review will:

- Take account of the Shared Equity Taskforce's assessment of the benefits and risks, for individuals, the housing market, the mortgage market, and the wider economy of enabling homeownership for this group through the use of shared equity products and low cost home ownership schemes
- Identify whether there are market or state failures in NI holding back development by the private sector of shared equity products for low-income households, together with options for reform if necessary
- Consider opportunities for further private sector involvement in delivery of social housing for rent and low cost home ownership schemes, making recommendation for reform if necessary
- Consider how the planning system can support the delivery of social and affordable housing
- Consider how existing assets can be harnessed to deliver social and affordable houses now and in the future
- Consider opportunities for strategic partnering
- Take proper account of the regulatory regime and anticipate how any proposed reforms might impact.

Annex 2

Changes in Land Values by District Council



RESIDENTIAL BUILDING LAND: SMALL SITES (BY DIST. COUNCIL AREA - £'000/Ha)							
District Council	2006	2005	2004	2003	2002	2001	2000
Antrim	1750	750	750	450	405	400	385
Armagh	1950	700	450	375	325	275	200
Ballymena	1500	1500	650	455	500	400	290
Ballymoney	1400	1400	480	325	325	180	150
Banbridge	1000	750	750	500	450	420	380
Belfast (N&W)	3500	1480	1480	1400	1500	1500	1000
Carrickfergus	1600	1600	650	425	425	325	275
Castlereagh	2250	1800	1750	1250	800	750	775
Coleraine	2250	1800	1250	1100	400	320	370
Cookstown	2000	1400	750	500	475	400	325
Craigavon	1950	700	475	425	375	300	225
Down	1000	750	750	535	510	500	420
Dungannon	2000	1400	750	600	550	500	350
Fermanagh	1900	1250	750	550	475	450	325
Larne	1400	1400	500	325	325	250	225
Limavady	2000	1500	700	650	300	260	260
Lisburn	2000	1500	1500	900	870	850	800
L'Derry	2400	1800	1500	1300	650	500	480
Magherafelt	2250	1800	800	680	300	225	230
Moyle	1400	1400	475	375	325	180	175
Newry & Mourne	2500	800	550	500	450	400	400
Newtownabbey	1700	1700	750	525	525	350	290
N'Ards	1563	1250	1250	950	700	650	675
N. Down	1875	1500	1400	1060	800	750	775
Omagh	1900	1250	750	650	475	300	325
Strabane	1800	1000	550	500	250	230	220
Simple Average	1878	1315	862	666	519	449	397
Increase (Year/Year)	43%	53%	30%	28%	16%	13%	14%

*All figures at Autumn

RESIDENTIAL BUILDING LAND: BULK LAND (BY DIST. COUNCIL AREA - £'000/Ha)							
District Council	2006	2005	2004	2003	2002	2001	2000
Antrim	1500	750	750	430	400	370	360
Armagh	1950	650	400	350	300	250	180
Ballymena	1400	1400	600	430	475	450	325
Ballymoney	1300	1300	465	300	300	180	150
Banbridge	1000	750	750	525	475	420	370
Belfast (N&W)	2800	1500	1600	1900	2000	2000	1500
Carrickfergus	1500	1500	625	400	400	325	275
Castlereagh	2125	1700	1650	1000	900	850	875
Coleraine	2000	1500	1000	825	300	250	275
Cookstown	1600	1250	700	450	400	350	275
Craigavon	1950	650	425	375	330	250	200
Down	1000	750	750	550	525	500	400
Dungannon	1600	1250	700	550	450	400	300
Fermanagh	1400	1000	700	500	425	400	275
Larne	1300	1300	475	300	300	250	225
Limavady	1600	1300	650	600	200	165	170
Lisburn	1750	1500	1500	870	840	825	780
L'Derry	2100	1500	1300	900	625	475	460
Magherafelt	2000	1500	725	630	200	175	170
Moyle	1300	1300	450	350	300	180	175
Newry & Mourne	2500	750	500	450	400	375	375
Newtownabbey	1600	1600	725	500	500	400	325
N'Ards	1438	1150	1150	800	800	750	775
N. Down	1813	1450	1400	900	900	850	875
Omagh	1400	1000	700	600	425	240	275
Strabane	1400	675	370	320	210	195	190
Simple Average	1666	1191	810	608	515	457	406
Increase (Year/Year)	40%	47%	33%	18%	13%	13%	28%

*All figures at Autumn

Annex 3

Shared Equity / Ownership Schemes



The English Homebuy Programme

What is Homebuy?

Homebuy is run by a number of local Homebuy Agents and funded by DCLG. The scheme offers a range of products aimed at high priority groups – social tenants, those on the housing register, key workers and FTBs who cannot afford to buy their home outright, who have been identified as eligible for assistance by Regional Housing Boards. The Homebuy Programme offers 3 products:

Social Homebuy

- Open to Local Authority and Housing Association tenants (provides an alternative option for those who cannot afford or do not have the Right to Buy or Right to Acquire)
- Allows the client to buy at a discount a share of the property (minimum 25%) by means of conventional financing
- The Local Authority / Housing Association hold the remaining share which the client pays a rent on
- Clients can staircase up in minimum tranches of 10%; buy out the remaining equity at any stage or sell their share at any stage.

New Build Homebuy

- Open to key workers, social housing tenants, those on the housing register and other priority FTBs
- Allows the purchaser to buy a share (normally 25-75%) of a newly built home (generally built for a Housing Association) through conventional financing

- The Housing Association holds the remaining share and charges a discounted rent on this share
- Clients can buy an additional share of the property at the current market value (usually in tranches of 10%); buy out the remaining equity at any stage or sell their share at any stage.

Open Market Homebuy

- Open to social tenants, those on the housing register, other priority FTBs and, in certain areas, key workers
- Allows the purchaser to buy a share of a home (75%) on the open market by means of a conventional mortgage with one of 4 participating lenders; the remainder of the purchase price is paid by means of two equity loans of 12.5% each, one from the mortgage lender and the other from Government via the Homebuy Agent
- Client pays no interest on either of the equity loans for the first five years. After 5 years, interest on the lenders loan is capped at 3% rising up to - but not exceeding - the lender's standard variable rate after 10 years. Interest is never charged on the Government's equity loan stake
- The amount the client will have to repay the lender and the Homebuy Agent when the loan scheme comes to an end will be linked to the value of the home at the time it is sold (i.e. current market value).

Welsh Low Cost Homeownership Products

The Homebuy Scheme

The Homebuy scheme is the primary means of providing assistance to those unable to access home ownership without assistance. The scheme is operated by Registered Housing Associations and is funded by Housing for Wales. The scheme:

- Is open to Local Authority and Housing Association tenants, and to some other people in housing need. Help is limited to people who would not be able to buy a home without help from the scheme
- Clients need to get a mortgage for 50-70% (usually 70% but 50% in some areas) of the purchase price of the property. The remaining % is funded by the Housing Association by means of an interest free equity loan
- The loan is repaid when the property is sold. Clients must repay the % of the current market value of the share that the Housing Association own i.e. if the Housing Association retain a 30% share the client will repay 30% of the current market value.

Homefinder

The Homefinder scheme has been operated by some Local Authorities to enable priority purchasers to buy a home at a discount of up to 30% of its purchase price. Prospective purchasers, by prior arrangement select a suitable property for sale on the open market which the authority acquires to immediately resell at a discounted price; with the discount being secured by a charge on the property, and repayable if the property is sold. Alternatively, the council can exercise a right of pre-emption and repurchase the property. This scheme is virtually identical to Homebuy with the exception that the discount is limited to 30%.

Transferable Discount and Home Release Schemes

These schemes enable Local Authorities and Registered Social Landlords to help tenants purchase a home in the private sector by contributing, through grant or loan to the purchase. The schemes involve a fixed payment of £3,000 and a further means tested grant of up to £10,000. Since the introduction of Homebuy, use of these schemes has diminished significantly, particularly as they are not eligible for Social Housing Grant. However, the Welsh

Assembly Government is prepared to consider applications to use them to broaden the range of schemes available to social landlords.

Shared Ownership

Since the introduction of the Homebuy scheme, demand for Assembly Government funded Shared Ownership schemes (where the buyer pays a rent on the unpurchased equity) has fallen away. The combined cost of rent and mortgage for a 40-50% equity share under the shared ownership scheme will normally purchase 70% equity in an equivalent property under the Homebuy scheme. This product is therefore no longer supported for funding through the Social Housing Grant programme. Under the provisions of the General Consents for the Disposal of Houses and Land 1994, local authorities are still able to sell properties on shared ownership terms but there is little evidence of them doing so.

Scottish Low Cost Homeownership Products

Homestake

Homestake is a shared equity scheme for people who want to be homeowners but whose incomes and resources are insufficient to meeting their needs because of local housing market prices. Homestake was launched in 2005 and has been developed by Communities Scotland, the Scottish Executive's housing and regeneration agency. Homestake is administered by Communities Scotland, the City of Edinburgh Council and Glasgow City Council.

Homestake operates in two ways:

The main scheme relates to homes that are newly built by registered social landlords – normally a housing association or housing cooperative. In Edinburgh and the Lothians, an additional scheme operates that allows people to buy homes being sold on the open market.

The main scheme:

- Is open to FTBs and to those whose life circumstances have changed, for example, people affected by marital breakdown. The scheme has been designed flexibly so that it can also be used to assist disabled people and older people access more suitable housing
- Generally requires clients to pay for between 60 and 80% of the price of a property with

the remainder held by a registered social landlord using Homestake grant funding. No rent is paid to the registered social landlord on the share they retain

- Clients can increase their stake after a set period of time (generally after 2 years) to a minimum of 80% and can increase once more to 100% after a further year if applicable
- In some high pressure areas a “golden share” of 20% can be retained by the registered social landlord. In such areas clients can only staircase to a maximum of 80%
- When the property is sold both the owner and the registered social landlord receive their share of the property value.

Open Market Homestake is:

- Open to the same categories of applicants as the main Homestake scheme who cannot buy a house suitable for their needs in the City of Edinburgh, East Lothian, Midlothian and West Lothian Council areas
- The scheme enables people to buy a home being sold on the open market
- Applicants should normally have a gross annual household income of no more than £19,700, for a single applicant or £25,100 for a larger household
- Generally requires clients to pay for between 60 and 80% of the price of a property with the remainder held by a registered social landlord using Homestake grant funding. No rent is paid to the registered social landlord on the share they retain
- Clients can increase their stake after a set period of time (generally after 2 years) to a minimum of 80% and can increase once more to 100% after a further year if applicable
- When the property is sold both the owner and the registered social landlord receive their share of the property value.

Shared Ownership

Shared ownership schemes aim to help people who are otherwise unable to buy a suitable home to become home owners. Through a shared ownership scheme, applicants can buy a 25%, 50% or 75% share in a house or flat owned by the housing association, usually in a new build development. They then pay a reduced “rent”,

called an occupancy payment, for the part of the home they don't own. The total monthly cost of the mortgage repayments and occupancy payment should come to less than the repayments on a mortgage for the whole property. After the first year, applicants have the option to purchase further shares until eventually they own the whole home outright.

Who runs shared ownership schemes?

Most shared ownership schemes are run by housing associations. However, some private builders also offer shared ownership for new build homes.

Who can apply for shared ownership?

Different housing associations have different application criteria and priorities when allocating properties. For example, some housing associations may only offer shared ownership properties to families or disabled people.

Financial criteria

In order to qualify to buy a shared ownership property, applicants must be able to afford at least a 25% share of the home. The housing association will need to be satisfied that the applicant can keep up the mortgage and occupancy payments, as well as the other housing costs involved, such as council tax, factoring and service charges and household bills. Some housing associations will only accept applicants who earn above a certain income level. Applicants who can afford to buy a home outright are not eligible for a shared ownership scheme.

Eligibility

Priority is generally given to council and housing association tenants, and people who are on council or housing association waiting lists. However, private tenants can also apply. Usually the schemes are only open to FTBs, although some housing associations will consider applications from those who have owned a home in the past but can now no longer afford to buy a suitable property, for example, because of health problems or relationship breakdown.

ROI Affordable/Shared Ownership Scheme

What is the Affordable/Shared Ownership Scheme?

The scheme involves the sale of properties by local Councils at cost price rather than at market value. The homes are purpose built by the County Council/Public Private Partnership or acquired under Part V of the Planning and Development Act 2000.

Who is eligible for the Affordable Housing Scheme?

The following are eligible for consideration under the Shared Ownership/Affordable Housing Scheme:

1. Persons in need of housing and who meet the income limit set out below:
Single Applicant €40,000 or under
Joint Applicant's Figure on the P60/P21 for Principal Earner x 2.5
+ Second Earners income x 1
Must be €100,000 or under
2. Tenants and tenant purchasers of Local Authority houses who intend to return their houses to the Authority on providing a private house for their own occupation under the Scheme
3. Persons included by a Local Authority in its latest assessment of housing needs under Section 9 of the Housing Act, 1988, or accepted for inclusion in the next such assessment
4. Tenants of one year's standing of houses provided by approved housing bodies under the Rental Subsidy Scheme who intend to return their houses to the housing body on providing a private house for their own occupation under the Scheme.

In addition applicant(s) must also meet the following general criteria:

- Applicant(s) must be FTBs
- Applicant(s) must be working in a full-time permanent capacity for at least 6 months prior to making an application
- Income must be sufficient to support mortgage repayments
- Evidence of a savings record in the sum of €650/€750 per month over a 3 month period

prior to application. This level of savings must be maintained until Final Loan Approval issues. In the case of applicants living in the family home and paying "Keep", this is not reckonable as part of a savings record

- Rent may be taken into account as part of a savings record if there is proof of rent i.e. Standing Order and/or Lease Agreement. In addition, an adequate savings record is required at time of application
- Only earned income is reckonable in calculating applicant's income. Long term Social Welfare payments may be accepted in addition to earned income.

The scheme offers two options – shared ownership or the affordable option.

Shared Ownership Option:

The Shared Ownership option facilitates the purchase of a property in two or more stages to person(s) who could not afford full ownership immediately. Applicants initially acquire a share (minimum 40%) in a property by means of a mortgage from the Council and rent the remainder from the Local Authority. The standard term of a Shared Ownership Loan is 25 years. At any time during the term of the loan the rented equity portion may be bought out and at any stage during the term of the loan, a special payment of not less than €1,500, may be made off the rented equity amount. This will result in a smaller rented equity and lower monthly rent repayments. In any event the rented equity must be bought out within the 25 year period. Repayments on a Shared Ownership loan are approximately between €700/€750 per month. This payment is made up of the applicant's mortgage repayment, the rent to the Council and a mortgage protection payment which is currently 0.598%. In addition, applicant(s) will also be responsible for the maintenance, Buildings and Contents Insurance and other ongoing costs related to the house.

Affordable Option:

The Affordable option provides for a mortgage of up to 95% of the sale price of the property, capped to a maximum of €185,000 mortgage. In the event that the sale price of the property is greater than €185,000, the difference must be

made up with a deposit. The standard loan term is 25 years. The amount of the loan advanced in individual cases will be determined by the Council having regard to the household circumstances. Normally, monthly outgoings on the loan should not exceed 35% of the net household income. Repayments on an Affordable Loan are approximately between €650/€750. This payment is made up of the applicants mortgage repayment and a mortgage protection payment which is currently 0.598%. In addition, applicants will also be responsible for the maintenance, Buildings and Contents Insurance and other ongoing costs related to the house.

Selling the Property

Homes purchased from the Council under the Shared Ownership/Affordable Housing Scheme can be sold. In the event of re-sale the seller must pay back to the Council any remaining mortgage or rented equity still owing and the clawback percentage of the actual amount the property is sold for. The clawback percentages vary from property to property. These are set at time of sale and are based on the sale price and the market value price of the property. The amount payable to the County Council reduces each year after year 10. The clawback no longer applies after year 20.

