

**Date:** 16 February 2011  
**Consultation:** Draft Budget 2011-15 of the NI Executive

## Introduction

The Northern Ireland Federation of Housing Associations (NIFHA) represents registered and non-registered housing associations in Northern Ireland. Collectively, our members provide 34,000 good quality, affordable homes for renting or equity sharing. In 2009/10 registered housing associations developed 1,800 homes for social renting and enabled about 500 households to part-buy a home.

Further information is available at [www.nifha.org](http://www.nifha.org)

## Comments

- A. The Northern Ireland Federation of Housing Associations welcomes the opportunity to comment on the draft budget.
- B. This response supports the strong case made by our Minister for Social Development that Northern Ireland's budget must include enough revenue funding to protect vulnerable members of society and capital funding must be increased to address acute housing need and "kick start" the economy.
- C. NIFHA and its members have demonstrated that the draft budget was incorrect to assume that £80 million of reserves were available from housing associations to replace core capital funding. Whilst associations are willing to explore opportunities to take on additional borrowing and have engaged with the DSD to this effect, the potential contribution will not be sufficient to fill a funding gap of £80 million.

Northern Ireland's registered housing associations are not only social enterprises but also charities. Their voluntary Boards carry full responsibility for the welfare of their tenants / service users and the future viability of these significant "community benefit" businesses. Designated reserves (which represent the majority of association reserves) have been ring fenced to keep the homes of present and future tenants in good repair.

Secondly, reserves have been invested in housing projects to make them viable and are also employed as working capital for new developments. The remaining reserves are a necessary contingency against business risks.

Confirmation and expansion of these points about reserves can be found in a report written by PricewaterhouseCoopers for the Assembly's Social Development Committee in May 2010.

Under the guidance of their Boards, associations engaged in housing development regularly consider how their borrowings can be maximised within an acceptable threshold of risk in accordance with the DSD's Development Guide.

- D. Since the assumption about reserves was inappropriate, the NI Executive needs to provide the Minister for Social Development with a realistic budget of core funding capable of meeting the needs of the increasing number of households turning to the social rented sector because they are losing their jobs, owner-occupied homes or private tenancies.
- E. The Federation agrees that the budget should give top priority to stimulating the economy. Industry experts confirm that the most cost-effective way of doing this is to invest in measures that keep as much as possible of the public expenditure circulating within Northern Ireland. Spending on infrastructure, including social house-building, is a tried and tested policy instrument that not only lays the foundation for future prosperity but also secures local jobs, meets social needs and improves our environment. We therefore believe the NI Executive should re-allocate much more than £250 million from revenue to capital expenditure and invest much more than £4 million in the Green New Deal.
- F. NIFHA urges the NI Executive to actively explore potential sources of additional income. This search should give consideration to politically sensitive subjects such as raising social rents each year by a little more than the Retail Price Index. This would allow housing associations to lever considerably more private finance into social housing development.
- G. The Federation will comment separately on the draft budget for the Department for Social Development.

## **Conclusion**

It is helpful that a multi-year draft budget is proposed but the Federation believes the Northern Ireland Executive must ensure that those responsible for finalising the budget fully understand the purpose and nature of housing association reserves and place more emphasis on infrastructure investment (including housing) as the best way of securing long-term social well-being and economic and environmental sustainability.

### **Submitted on behalf of NIFHA by:**

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Chief Executive

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