

HOUSING ASSOCIATION RENTS GENERAL NEEDS & SHELTERED

2016/17



The Northern Ireland Federation of Housing Associations (NIFHA) represents 22 registered housing associations in Northern Ireland. Collectively our members provide 47,000 homes comprising general needs, specialist and supported accommodation, as well as shared ownership.

Housing associations are not-for-profit social businesses which increasingly borrow significant amounts of private finance to deliver public benefit in meeting housing need, supporting their tenants and investing in communities.

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INTRODUCTION

Rental income is the basis of all housing association activity. It enables associations to meet commitments to existing tenants regarding the management and maintenance of their homes; to develop new social homes in line with housing need; to provide care and support to the most vulnerable and to invest more broadly in tenants and communities.

NIFHA and the sector are committed to maintaining a policy on rents which, whilst recognizing the need for commercial viability and solvency, also supports the tenants' need for affordability, fairness, sustainability and transparency.

Following an independent analysis by Savills, housing association rents in Northern Ireland were deemed to be appropriate, compared to other jurisdictions in the UK. However, with the determination of the UK government to limit the housing benefit bill, and the dependence of over 70% of housing association tenants on housing benefit, rent policy (both for individual associations and as a sector) has been, and will remain, under intense scrutiny.

In November 2015, at its Annual Conference, NIFHA announced that it would begin publishing average rent data in 2016/17 to promote openness and transparency around housing association rents. This document, analysing housing association rents by general needs, sheltered and number of bedrooms is the first step in providing that greater transparency. A further section on the supported housing sector will be added in the coming months; because of the nature and variety of housing within that sector further work is needed to ensure comparison is valid and relevant. NIFHA expects this report will aid in the continuous improvement and development of housing association rent policies and also have a self-regulating impact by allowing housing associations to benchmark much more precisely. This data will also allow for external scrutiny by tenants, elected representatives and other interested parties.

OVERVIEW OF THE SECTOR

Housing associations are among the largest social enterprises and charities in Northern Ireland. They are also significant housing developers, generating a large proportion of new residential development in recent years. In 2015/16 the stock owned by the sector increased to 47,767 homes. This included social rented and shared ownership homes.

The sector has continued to grow, borrow, develop and invest over 2015/16, providing much needed homes, support and opportunities for tenants and communities. However, in an ever changing environment the key for housing associations will be to find the right balance between achieving efficiencies without losing sight of the bigger picture. The efficiencies that government demands can be achieved but the sector must primarily deliver on its core objectives of delivering and managing social housing, whilst investing in new activities, aimed at providing greater support for tenants. This will be challenging in view of the economic pressures and policy changes which are currently placing pressure on the housing association model. Resilience, however, has long been a key attribute of the sector.

With a continuing emphasis on generating operating efficiencies and ensuring value for money in 2015/16, there has been some evidence of stock rationalisation in the sector. Several housing associations have swapped or transferred stock to another association. The main factor in this sort of transaction is a desire for a more efficient and effective service, ultimately benefiting tenants and reflected in more competitive rent levels.

Over the last five years community investment has become an essential element of housing association activity, with housing associations investing a significant amount of their own resources into additional services that support financial and digital inclusion, health and well-being and training and employment. The introduction of Welfare Reform and other policy initiatives presents a threat to the sectors ability to maintain this 'wider community' focus as many housing associations in England have had to scale back this element of their business in the wake of the 1% rent reduction

In conclusion, whilst the political commitment to new social housing does remain strong, with capital funding in place over the next four years and an increased target for new development, housing associations do face considerable challenges. They must contend with the conflicting pressures of maintaining or even lowering rents whilst, at the same time continuing to finance development, maintain current stock to a high standard and deliver more 'wrap around' services with a community focus.

HOW DO HOUSING ASSOCIATIONS SET RENT?

Housing association boards are ultimately responsible for setting rents, but current levels and patterns of housing association rents in Northern Ireland reflect the cumulative effect of various Government policy and landlord business decisions over several decades. Rents reflect:

- When and where social housing was constructed;
- Affordability for tenants;
- The borrowing conditions that applied;
- The influence of regulatory conditions by government; and
- Most importantly, individual housing association decisions on the rental income required to maintain financial viability.

Consequently, for every housing association the way in which rents for their stock has been arrived at includes historic decisions in respect of debt repayment, refinancing, the accumulation and use of surpluses, property maintenance, rent pooling and rent structures.

Housing associations must set rents and service charges at a level sufficient to cover planned expenditure – primarily the maintenance and improvement of existing homes and the development of new social housing - but that is affordable for lower income households.

RENTS

Tenancies that commenced prior to September 1992 have a controlled rent, whereby the rent is set in accordance with the Northern Ireland Housing Executive (NIHE) rent point structure and the annual rent uplift is set by DfC. In 2014/15 there were less than 1,000 such tenancies.

All other properties have a decontrolled rent, which means that rents are set by individual housing associations in accordance with each housing association's rent structure (i.e. rent policy).

Generally, these rent policies continue to resemble the NIHE rent structure to a greater or lesser extent. However, they have been adapted to charge a premium for newer units. For example, one housing association awards 7 points for dwellings built between 1975 and 1995 but 16 points for dwellings built since 2005. Housing associations also tend to apply higher weights (cash value per point) for dwellings developed since 1992.

Some rent policies pool rent so that each tenant pays a similar amount for a similar type of property, depending on its age; whereas other associations assess each scheme individually and the weekly rent more accurately reflects the cost of building (including finance) and maintenance.

Other attributes that have been employed in at least one instance include location, eco-housing design, secured by design, and possession of a driveway.

SERVICE CHARGES

Housing associations often levy a service charge, as part of their rent, most commonly for the upkeep of shared areas and facilities such as grounds maintenance, the lighting, heating and cleaning of common areas, and the maintenance and replacement of door entry systems and lifts.

Tenants of sheltered housing and other 'specialist' housing and tenants of smaller general needs dwellings (in particular, flats), are most likely to pay service charges on top of their basic rent. Service charges for 'specialist' housing generally exceed those for general needs housing. This is largely because 'specialist' housing schemes contain costlier common facilities and services. Sheltered housing, for example, may include a communal lounge and kitchen, assisted bathrooms and laundry facilities.

Charges may also be levied to cover the costs associated with certain services provided by a concierge, caretaker, warden or other staff. Most service charges are eligible for Housing Benefit support but charges for heating or fuel (except for communal areas) as well as counselling or other personal support or services such as meals are not. Within this report only service charges eligible for housing benefit are included.

Some housing associations set charges to cover the full cost of providing and administering a service. Most associations set charges on a scheme by scheme basis but a few pool charges across schemes. Some associations levy a charge to build up a 'sinking fund' to pay for sporadic expenditure, such as the redecoration of common areas, to prevent tenants incurring extra fees in any given year.

RENT INCREASES IN 2016/17

As stated previously housing association boards set their rent increases every year at a level that ensures financial viability whilst remaining affordable for tenants. For example, in 2015/16 rent increases ranged from 1.6% to 4.85% (based upon information available from 15 housing associations). Any surpluses from operating activity is reinvested in maintaining and improving existing homes; developing new social and affordable housing; and providing a growing range of services and opportunities. These surpluses are critical, not only for the ongoing financial viability of the organisation, but in enabling housing associations to deliver much more for tenants and communities.

Independent organisations, with strong financial management, robustly stress tested business plans and effective leadership should ensure that housing associations can continue responding to the need for new homes, high quality services and dedicated support.

AVERAGE RENTS IN 2016/17

General Needs: 1 Bed

The average housing association weekly rent for 1 bed general needs accommodation in Northern Ireland is **£66.76**

Housing Association	Mean	No.
Apex	£64.87	134
Choice	£62.09	1,303
Clanmil	£74.17	92
Connswater	£71.22	10
Fold	£65.36	113
Grove	£51.81	8
Habinteg	£68.21	111
Hearth	£73.41	37
Helm	£72.68	997
NB Housing	£86.12	21
Newington	£53.65	33
South Ulster	£62.58	79
St Matthew's	£66.96	13
Triangle	£70.87	12
Woodvale & Shankill	£56.80	12
Total	£66.76	2,975

Note: Rent includes service charge (eligible for HB only)

11 out of 15 associations with 1 bed properties were within +/-10% of the average rent. These properties accounted for 96% of general needs 1 bed stock.

The sector encompasses a variety of 1 bed accommodation, from bungalows to flats to maisonettes, and this range of accommodation provides safe and secure homes for tenants with varying needs and vulnerabilities and whatever their age.

Variability in rents is caused mainly by differences in services charges as some tenants only require basic additional services and so have low service charges, maybe just covering heating, lighting and maintenance of communal areas, whilst other tenants and schemes have higher service charges to provide additional services fundamental to their health, wellbeing and effective management of the scheme. This might be a concierge service for flats/apartments, security feature and CCTV, neighbourhood wardens or community development officers etc.

The age of the stock a housing association owns is also a factor. Generally, the highest rents are charged for the newest properties and reflect the cost of building and development; therefore, housing associations with a high proportion of new stock will have a higher average weekly rent.

Because most housing associations have smaller numbers of 1 bed general needs stock than 2 or 3 bed there is more variability in the average rent data.

General Needs: 2 Bed

The average housing association weekly rent for 2 bed general needs accommodation is **£82.43**

Housing Association	Mean	No.
Abbeyfield & Wesley	£83.19	9
Alpha Housing	£78.27	54
Apex	£82.68	1,198
Ark Housing	£81.16	132
Choice	£81.49	2365
Clanmil	£86.08	1274
Connswater	£92.98	469
Fold	£81.83	1456
Grove	£77.58	88
Habinteg	£81.65	830
Hearth Housing	£70.14	36
Helm	£84.53	1673
NB Housing	£78.82	414
Newington	£82.58	70
Rural Housing	£88.29	157
South Ulster	£71.38	524
St Matthew's	£73.81	65
Triangle	£91.45	131
Woodvale & Shankill	£67.87	188
Total	£82.43	11,133

Note: Rent includes service charge (eligible for HB only)

13 out of 19 associations have rents within +/- 10% of the average rent. These account for 87% of 2 bed stock.

Housing associations with higher than average rents:

- Have a large proportion of new stock built after 2000, and a proactive development programme. Generally, the highest rents are charged for the newest properties and reflect the cost of building and development.
Note: associations are building through the Social Housing Development Programme in areas of high housing stress and for people with the greatest needs.
- However, there is a specific issue for housing associations who acquired land and developed during the boom of the mid 2000s, before the crash of 2008, as average rents for these properties reflect the high cost of building (both in terms of land and cost of employing contractors) at the time.
- Rural schemes, because of diseconomies of scale, have higher average weekly rents e.g. small schemes with high transport, infrastructure and administrative costs result in higher rents in order to make schemes viable.
- As with 1 bed accommodation there is a proportion of flats with higher than average service charges that because of the needs of the tenants they house, provide more comprehensive services than is usual.

General Needs: 3 Bed

The average housing association weekly rent for 3 bed general needs accommodation is **£93.97**

Housing Association	Mean	No.
Alpha Housing	£89.96	10
Apex	£93.95	2,083
Ark Housing	£90.15	87
Choice	£94.56	1,932
Clanmil	£99.83	1,107
Connswater	£98.99	284
Fold	£89.96	1,094
Grove	£85.19	116
Habinteg	£94.00	793
Hearth Housing	£74.07	22
Helm	£93.29	1,053
NB Housing	£89.36	295
Newington	£93.74	189
Rural Housing	£100.52	257
South Ulster	£93.77	351
St Matthew's	£80.57	81
Triangle	£98.48	132
Woodvale & Shankill	£79.72	129
Total	£93.97	10,015

Note: Rent includes service charge (eligible for HB only)

17 out of 20 associations have rents within +/- 10% of the average rent. These 17 associations account for 98 % of 3 bed stock. The other three associations have rents more than 10% below the average mainly because, for their own distinct reasons they have not had active development programmes so they have little debt to service. One association also has a significant proportion of controlled rent properties.

As with 2 bedroom properties, higher rents are charged because: -

- Rural schemes, because of diseconomies of scale, have higher average weekly rents e.g. small schemes with high transport, infrastructure and administrative costs result in higher rents in order to make schemes viable.
- Newer properties, built since 2000. Housing associations that have a high proportion of newly built stock will have higher average rents.
- Specific issue with new build during the boom of the mid 2000's, before the crash of 2008, as average rents for these properties to some extent reflect the high cost of building (both in terms of land and contractors) at the time.
- There is some 3 bed stock which has been 'adapted', either when it was built or because the tenant develops additional complex needs. These properties will have higher space standards and additional facilities (e.g. downstairs bathrooms); indeed, they can be highly specialist units, which is then reflected in a higher than average rent.

General Needs: 4 Bed

The average housing association rent for 4 bed general needs accommodation is **£98.43**

Housing Association	Mean	No.
Alpha Housing	£103.06	1
Apex	£101.47	220
Ark Housing	£98.72	7
Choice	£98.70	190
Clanmil	£108.61	175
Connswater	£104.12	16
Fold	£96.12	135
Grove	£72.43	6
Habinteg	£101.65	114
Hearth Housing	£97.72	3
Helm	£93.71	137
NB Housing	£93.91	56
Newington	£88.96	86
Rural Housing	£109.10	14
South Ulster	£106.11	25
St Matthew's	£78.11	42
Triangle	£96.79	13
Woodvale & Shankill	£85.66	20
Total	£98.43	1,260

Note: Rent includes service charge (eligible for HB only)

15 out of 18 associations have rents within +/- 10% of the average rent. These account for 99 % of 4 bed stock. As in the 3 bed stock the other three associations who have rents more than 10% below the average have either, for their own distinct reasons not had active development programmes so they have little debt to service or have a significant proportion of controlled rents.

- Again as with 2 and 3 bed property higher rents tend to be seen in rural schemes and in new property built after 2000, especially during the mid-2000's boom.
- Also there is a significant proportion of 4 bed stock which has been 'adapted', either when it was built or because the tenant develops additional complex needs. These properties will have higher space standards and additional facilities (e.g. downstairs bathrooms); indeed, they can be highly specialist units, which is then reflected in a higher than average rent.

General Needs: 5 Bed

The average housing association rent for 5 bed general needs accommodation is **£103.38**

Housing Association	Mean	No.
Apex	£107.92	20
Ark Housing	£114.46	5
Choice	£100.69	39
Clanmil	£107.53	10
Connswater	£122.68	7
Fold	£101.27	6
Habinteg	£100.90	15
Helm	£101.85	33
NB Housing	£98.85	4
Newington	£90.11	16
Rural Housing	£113.38	6
South Ulster	£113.10	7
Triangle	£131.75	1
Woodvale & Shankill	£92.37	4
Total	£103.38	173

Note: Rent includes service charge (eligible for HB only)

14 associations have 5 bed accommodation but again because overall associations have 5 bed stock in small numbers there is greater variability in the rents charged.

- However, housing associations with higher than average rents are generally those associations with a high proportion of new stock, they have been proactive in building and development.
- As with 4 bed, a proportion of 5 bed has been 'adapted', either when it was built or because the tenant develops additional complex needs. These properties will have higher space standards and additional facilities (e.g. downstairs bathrooms); indeed, they can be highly specialist units, which is then reflected in a higher than average rent.

Sheltered: 1 Bed

The average housing association weekly rent for 1 bed sheltered accommodation is **£74.67**

Housing Association	Mean	No.
Abbeyfield & Wesley	£75.68	91
Alpha Housing	£73.77	782
Apex	£80.70	271
Ark Housing	£53.89	72
Choice	£67.24	1,837
Clanmil	£86.70	897
Covenanter	£53.34	27
Fold	£73.61	2,403
Habinteg	£88.16	35
Helm	£79.77	780
NB Housing	£87.68	63
Newington	£85.66	65
Woodvale & Shankill	£80.06	86
Total	£74.67	7,409

Note: Rent includes service charge (eligible for HB only)

7 out of the 13 associations who have sheltered 1 bed stock have rents within +/- 10% of the average rent. These account for 85 % of 1 bed sheltered stock.

Variability in rents is caused mainly by differences in services charges as some tenants only require basic additional services and so have low service charges, maybe just covering heating, lighting and maintenance of communal areas, whilst other tenants and schemes have higher service charges to provide additional services fundamental to their health, wellbeing and effective management of the scheme. This might be a concierge service for flats/apartments, security feature and CCTV, neighbourhood wardens or community development officers etc.

Sheltered: 2 Bed

The average housing association weekly rent for 2 bed sheltered accommodation is **£84.92**

Housing Association	Mean	No.
Abbeyfield & Wesley	£86.65	4
Alpha Housing	£84.85	94
Apex	£86.08	42
Choice	£79.86	329
Clanmil	£97.62	74
Fold	£85.12	187
Helm	£87.03	242
Newington	£89.91	12
Woodvale & Shankill	£92.86	9
Total	£84.92	993

Note: Rent includes service charge (eligible for HB only)

Sheltered: 3 Bed

The average housing association weekly rent for 3 bed sheltered accommodation is **£93.81**

Housing Association	Mean	No.
Apex	£109.17	6
Ark Housing	£84.44	1
Choice	£84.74	34
Clanmil	£108.86	15
Fold	£93.16	22
Helm	£96.24	6
Total	£93.81	84

Note: Rent includes service charge (eligible for HB only)

With the exception of one housing association, generally associations have a small number of 2 bed and 3 bed sheltered stock so there is greater variability in the rents charged.

POTENTIAL FUTURE IMPACTS

Wider housing policy and finance regimes will shape rental levels in the future to an even greater extent than they have previously.

Welfare reform, the cornerstone of which will be the introduction of the Universal Credit for working age households, will have a significant impact on social housing tenants.

A consultation on a social housing rent policy has been put on hold by the Department because of the announcement of a 1% rent reduction each year for four years for housing associations in England in the 2015 summer budget. The rent reduction in England has resulted in significant changes to how housing associations provide services to tenants, develop new homes and invest in communities. Any required reduction in rents in Northern Ireland would likely have similar impacts.

Welfare Reform

Northern Ireland has formal autonomy over Housing Benefit and other social security policies. However, the parity principle set out in sections 87 and 88 of the Northern Ireland Act 1998 means that such policies must remain closely aligned with those operating in Great Britain. Any substantial variance from this principle would have adverse financial consequences that would have to be paid from the Northern Ireland block grant.

The implementation of welfare reform has commenced following the Fresh Start Agreement in November 2015. The programme of welfare reforms is wide ranging and includes the introduction of the Benefit Cap, Universal Credit and the Social Sector Size Criteria or Bedroom Tax. These changes will have many implications that go well beyond the scope of this study. However, the provisions of most significance for rents in respect of the social rented sector are the eligibility criteria for service charges within Universal Credit, the Social Sector Size Criteria and the LHA Cap and their possible implications are outlined below.

Universal Credit

Universal Credit is a single means-tested benefit which will be paid to people aged 18 to 64 years. It will be introduced in September 2017 and will replace a number of existing benefits including Housing Benefit. In Northern Ireland, the default position will be that the housing element of Universal Credit is paid directly to the landlord, although claimants will be able to request payments to themselves.

Currently service charges are considered eligible under Housing Benefit unless classed as ineligible. Under Universal Credit, service charges are ineligible unless classed as eligible.

There are four categories of eligible service charges:

- Category A - Maintaining the general standard of the accommodation
- Category B - Areas of communal use
- Category C - Basic communal services
- Category D - Tenant accommodation-specific charges

Housing associations will need to review their service charges and understand which costs will be covered by Universal Credit and which won't. Where a service charge is levied against a tenant that includes eligible and ineligible aspects, only the eligible aspect will be payable by Universal Credit the rest will have to be paid for by the tenant. Landlords will need to make their tenants aware of what they need to pay and put in place suitable measures for payment to be made.

Social Sector Size Criteria

The Social Sector Size Criteria, also known as the Bedroom Tax, is a change to Housing Benefit entitlement in which claimants will receive less if they live in a property that is deemed to have one or more spare bedrooms. If the claimant is living in a property that has more bedrooms than required under the Social Sector Size Criteria the eligible rent will be reduced by:

- 14% if they have one more bedroom than is required
- 25% if they have two or more bedrooms than what is required

These deductions will apply to the total eligible rent plus service charges. The higher the gross rent therefore, the higher the amount of money that will be deducted from Housing Benefit.

The Housing Executive have estimated that approximately 7,250 housing association households will be affected by the introduction of the Social Sector Size Criteria. Approximately 6,025 households will have a reduction of 14% and a further 1,225 households will have a reduction of 25% to their Housing Benefit payments.

Local Housing Allowance Cap

Local Housing Allowance was introduced for people living in private rented accommodation in April 2008. It is a rent assessment scheme which sets the amount of Housing Benefit that tenants are entitled to.

The Local Housing Allowance cap will apply in Great Britain from April 2018 for new general needs tenancies created after 1 April 2016 and the legislation to implement the LHA cap has already been passed in England, Scotland and Wales; however, this has yet to happen in Northern Ireland. Due to the parity principle the LHA cap will most likely be introduced in Northern Ireland by April 2018, although this has not yet been confirmed.

The LHA rates for 2016/17 are the same as those set in 2015/16 or the 30th percentile of local market rents, whichever results in the lowest value, this has resulted in a reduction of LHA rates in some areas. LHA rates have been frozen for the next four years which will place housing association income under significant pressure. With over 70% of housing association tenants in Northern Ireland dependent on some level of housing benefit, the introduction of the LHA cap to social housing tenancies has the potential to adversely affect a large proportion of new social housing tenants.

There are four main impacts of the LHA cap:

- Single people under 35 will likely struggle to find suitable accommodation that they can afford.
- Parts of Northern Ireland will become unaffordable for social housing tenants as the LHA cap will disproportionately affect some areas. Belfast has reasonably high LHA rates but rural areas such as Newry, Armagh and Fermanagh have much lower LHA caps and will see the greatest impact. This may be because the private rental market in these rural areas is much less developed, therefore the LHA rate is based upon a small market sample, with relatively low rents.
- The development of new social housing could fall in certain areas. Many of the areas with the lowest LHA rates also have high land costs, e.g. Newry. New build rents need to be set at a level that can service the debt on development finance and development costs will increase in areas where land is at a premium.
- The potential for LHA rates to decrease also raises concerns for ongoing delivery introducing an element of uncertainty around rental income that will impact on the development model.

For more information on Welfare Reform and how it affects housing associations and their tenants please visit www.nifha.org/members-home/housing-practice/guides/

CONCLUSION

Social housing rents are under, and will continue to be under, considerable pressure and scrutiny. There is a significant demand for rents to be less variable within the housing association sector; however, in a diverse and innovative sector, a 'one size fits all' approach is challenging and could have adverse and unintended consequences. High quality and well managed homes and communities and a broad range of additional services and support all come at a cost. The challenge for housing associations is balancing those costs with the needs for rents to remain affordable for tenants. This is a challenge that housing associations are best placed to manage. It is important that housing associations are accountable to tenants, government and elected representatives; this report on housing association rents seeks to improve the sector's transparency and accountability in relation to rents and rent setting. In particular we hope to explain what rent covers and the reasons for variations in rent across the sector. .

This is the first report that NIFHA has published on housing association rents and we will continue to add to the analysis in the coming months. Thereafter the data will be updated annually but from 2017/18 will be included within the Sector Global Accounts.