

Date: 12 December 2012

Consultation: *Facing the Future: Housing Strategy for Northern Ireland*

The Northern Ireland Federation of Housing Associations (NIFHA) represents registered and non-registered housing associations in Northern Ireland.

Collectively, our members provide 38,000 homes comprising general needs, specialist and supported accommodation. Also each year, Co-ownership Housing supports hundreds of first-time buyers to get their foot on the housing ladder through their successful shared ownership scheme. Over 2,800 people are directly employed by housing associations and their activities help sustain many more jobs in care, construction and maintenance.

The delivery of new social and affordable homes by housing associations in partnership with government is the UK's most successful public-private partnership. Housing associations are Northern Ireland's biggest and most successful social businesses. To date they have borrowed in excess of £450 million at competitive rates to deliver new homes, effectively matching and multiplying public investment. Private borrowing rose by 15% in the last year to deliver more than 2,000 social and affordable homes. Our sector is committed to delivering the Programme for Government target of 8,000 new social and affordable homes by 2015. Further information is available at www.nifha.org.

Introduction

NIFHA warmly welcomes the publication of *Facing the Future*, Northern Ireland's first housing strategy. Everyone in Northern Ireland should have access to a decent home, in a safe community, at a price they can afford. We believe that *Facing the Future* has a key role in realising that vision.

NIFHA is committed to working with Department for Social Development, our tenants and other key partners in building safe and sustainable communities, whilst ensuring value for money for tenants and taxpayers alike. Housing associations are:

- Working collaboratively with partners to achieve shared goals;
- Continually seeking improvement in delivering high-quality services and value for money to tenants and taxpayers; and
- Empowering tenants and communities, supporting them to take increasing responsibility and control in their lives.

'Getting housing right' is essential in tackling so many of the challenges Northern Ireland faces (and meeting Programme for Government targets), from job creation to improving public health and building a shared future, as well as meeting significant unmet housing need. *Facing the Future* has a vital role in providing focus and co-ordination across government to get housing right and maximise its important social,

economic and environmental benefits. As major providers of social and affordable housing, Northern Ireland can only get housing right if housing associations are supported to provide a growing range of housing options, care, support and community services.

Key recommendations

This submission necessarily makes a large number of recommendations. However we consider the following to be the most important in ensuring that our members can fulfil their vital role in delivering the Strategy:

- To deliver the Programme for Government target of 8,000 new social and affordable homes, our sector urgently needs the introduction of a genuine multi-year programme with definitive funding and grant levels, including confirmation of current grant rates to 2015;
- Housing associations are keen and ready to deliver a broader range of affordable and other housing options, and await confirmation of interest-free loan funding from the *Get Britain Building* scheme to facilitate this;
- A more collaborative and consistent commissioning approach is needed for supported housing that commits all partners to provide and maintain housing in the community for people with complex needs, including guaranteed revenue funding;
- Supporting People and other vital funding streams must be protected to ensure vulnerable people can live with as much independence and dignity as possible;
- Whilst allocating primarily on the basis of need should remain at the core of any reformed social housing allocations system, a different approach to measuring need and allocating homes may be required to support more mixed and sustainable communities;
- With funding to develop new employment and training initiatives, and some changes to the way the sector is regulated, our sector can assume a significant role in tackling worklessness;
- To mitigate the severe impacts of welfare reform on tenants, the budget for discretionary housing payments (DHPs) will have to be significantly increased and extended, along with budgets for debt advice and other financial inclusion services; and
- We should be moving towards independent, proportionate, risk-based and outcome-focused regulation for housing associations; perhaps based on the principles of co-regulation.

Principles, themes and overall comments

NIFHA broadly agrees with the principles and themes in *Facing the Future*. However we offer the following overall comments on the document:

- There is no discussion of the cost of delivering the Strategy. The next few years, especially from the start of the 2015-16 spending period, are certain to be characterised by fast growing need at a time of fast diminishing resources. It would therefore be helpful for the finalised budget and action plan to be accompanied by at least an indicative budget.
- Against this backdrop, we would welcome the inclusion within the Housing Strategy of an assessment of what the current needs are and what needs the strategy intends to address. The draft strategy does not describe current needs in any great detail. With this assessment, we can prioritise initiatives and resources, determine the scale of their likely impact, and measure their benefits versus their costs.
- It could perhaps be more balanced on matters of tenure. Within realistic limits, government should attempt to support people to fulfil their housing aspirations. Most people want to own their own homes, although this increasingly difficult to achieve for many young adults. Housing associations supporting the aspiration to home ownership, particularly through the Co-ownership scheme, and other associations are hoping to secure Get Britain Building funds to offer affordable housing.

However action to support home ownership should therefore be accompanied by recognition of the critical importance of the rented sector, which is larger than in other UK nations and is continuing to grow in line with national trends. Renting will increasingly be a tenure of choice for many people and should be supported as such. As well as continuing to improve standards in the social rented sector, there is major work to be done in improving the quality of the offer in the private rented sector. Housing associations may be able to contribute in this task.

- Our divided society is starkly illustrated in the division of social housing along community lines, with 90% of social homes in single identity communities. Housing associations want to do more to facilitate successful communities with a mix of incomes, tenures and community identities. We would hope to see more detail in the final document and action plan on how housing associations, government and others can work together to build more shared future and mixed tenure communities.
- Housing associations are leading providers of housing, care and support for vulnerable people in Northern Ireland. There is relatively little in the *Facing the Future* on care and support. We eagerly await the forthcoming Supporting People strategy and hope that the final housing strategy and action plan will

be aligned with this, the homelessness strategy and the fundamental review of care and support currently being undertaken by DHSSPS.

- In tough times we all have to do more for less. Housing associations recognise the need to pursue efficiencies in the Social Housing Development Programme as in all other areas of government spend. However we believe that well-designed, accessible and energy-efficient homes represent good value for the taxpayer. Whilst some flexibility on standards is appropriate, we believe that government and our sector should still strive to deliver a higher-quality product is typical in the private sector. For example social homes are more fully occupied than private homes and therefore space standards are important. Policy on standards should be guided by consideration of whole-life costs for tenants and landlords as much as by capital costs for the build.

Theme 1 - Ensuring access to decent, affordable, sustainable homes across all tenures

Sector offers

- Housing associations are ready to participate fully in any new Housing Supply Forum to help deliver the step-change in house building Northern Ireland desperately needs;
- Building on the success of Co-ownership, we want to increase access to affordable housing and await to confirmation of *Get Britain Building* funding to allow this;
- We are keen to work with government to explore alternative innovative models of funding social housing beyond 2015; however significant grant will very likely still be needed.

Recommendations

- To maximise the prospects for delivering the Programme for Government target of 8,000 new social and affordable homes, the following are urgently needed:
 1. Introduction of a genuine multi-year programme with definitive funding and grant levels, including confirmation of current grant rates to 2015;
 2. Flexibility in the scheduling of schemes within each year of the multi-year programme including through re-introduction of End of Year Flexibility;
 3. Allow housing associations to re-commence use of the design and build 'package deals' that used to deliver a large proportion of the SHDP;
 4. Radically simplifying the Housing Association Guide to encourage innovation;
 5. Introduction of legislation to allow 'planning gain' developer contributions so they can be secured as soon as the market can sustain them; and
 6. Allow GB housing associations and private developers to access grant – but there must be a level playing field for all SHDP participants.
- Government can work better in partnership with the private sector to increase the supply of housing through:
 1. Encouraging joint ventures between housing associations and private developers to generate cross-subsidy and deliver mixed-tenure schemes;
 2. Housing associations entering in to leasing schemes with the private developers and landlords to increase supply and provide cross-subsidy;
 3. Strategic use of public land to bring more forward for development as soon as possible, including through revised expectations of receipts;
 4. Urgently reviewing NI procurement policy and guidance which appears to be unnecessarily restrictive and inhibiting our construction sector;

5. Quickly implementing the UK loan guarantee scheme in NI to provide cheaper private finance to build much-needed new homes;
 6. Establishing a central database of surplus public sector land (SPSL) in Northern Ireland to help identify potential sites for development;
 7. Ensuring accountability from NAMA and UK Government owned banks on their land holdings, of which very little is coming to market; and
 8. Considering vesting land that is needed for house-building.
- A Housing Supply Forum should be established to provide strong leadership and co-ordination to deliver the new homes Northern Ireland needs;
 - Self-build is worthwhile and to be encouraged, but can only play a very small part in increasing the supply of social housing and will require significant additional grant;
 - Suspended associations being able to be re-admitted to the SHDP for 2013/14 can increase sector development capacity in the short-term;
 - A central database of NI surplus public sector land (SPSL) should be established and combined with a commitment to dispose of sites more quickly and strategically.

Effective delivery of the Social Housing Development Programme

Housing associations are social businesses delivering the important public service of social housing. Our sector's non-statutory (i.e. private) status has allowed it to borrow over £450 million at competitive rates to match and multiply government investment in social housing. With house prices still falling and our construction sector still contracting at an alarming rate, the continued development of social homes is keeping many private developers in business.

To deliver social rented, affordable and supported housing effectively through the Social Housing Development Programme, we need to improve its inefficient structures and processes. NIFHA has made a full submission to the PEDU review, and hope its report will include the following recommendations, and that these will be quickly implemented. To maximise the prospects of delivering the Programme for Government target of 8,000 new social and affordable homes by 2015 we need the following:

- **Introducing a genuine multi-year programme with definitive funding and grant levels.** The current grant rate of 45% should be confirmed as soon as possible to allow a sufficient pipeline of viable schemes to be planned to 2015. In return for this certainty, housing associations can deliver the programme as cost-effectively as possible, with greater certainty of delivery for public sector partners.
- **Increasing flexibility in the scheduling of schemes within each year of the multi-year programme** facilitated by the flexibility of a genuine multi-year programme enabling the accrual or bringing forward of funds between years in response to circumstances. Northern Ireland's current lack of the End of Year Flexibility in government budgets that is available in other parts of the

UK is seriously inhibiting achieving efficiencies in SHDP delivery as a large number of tenders have to be issued at a single point in the year.

- **Allowing housing associations to once again use design and build ‘package deals’** which used to deliver a significant proportion of the development programme in Northern Ireland, were never legally challenged, and which, along with Section 106 planning gain deals, provide the vast majority of sites for new social housing development in England. The failure to facilitate landowners who have suffered impairments on their sites from bringing their land to the market is inhibiting all development and hastening the decline of our construction sector;
- **Radically simplifying the Housing Association Guide.** To tackle increasing challenges with much less public funding, housing associations must be encouraged to innovate and take informed risks. To facilitate this, the Housing Association Guide should be radically simplified, outlining in high-level terms expected outcomes and being far less prescriptive about means. Associations need to be assured that doing things differently is okay and failures are not likely to result in suspension from the development programme.
- **Introducing legislation to allow ‘planning gain’ developer contributions** so they can be raised as soon as the market can sustain them, along with revised planning guidance that mixed-tenure developments are desirable and should be the norm; and
- **Widening participation in grant competition schemes to GB housing associations and private developers,** in appropriate circumstances, ensuring there is a level playing field in governance and regulation for all participants.

How can Government work best in partnership with the private sector to increase the supply of housing and so create long-term stability in the housing market?

Government can work better in partnership with the private sector to increase the supply of housing through:

- **Encouraging joint ventures between housing associations and private developers.** These could greatly assist in de-risking developments for both parties and could help achieve both cross-subsidy for social housing and mixed tenure schemes. Changes to the Guide would be necessary.
- **Housing associations entering in to leasing schemes with private developers and landlords.** This could help bring empty new developments in to use where the developer is reluctant to sell. Housing associations becoming managing agents of private rented sector homes could also help raise standards in this sector and provide a revenue stream to cross-subsidise social housing development.

- **Strategic use of public land.** In light of our dire economic situation, the state of our construction sector and the economic multiplier generated by house building, the NI Executive must prioritise ensuring public land is used strategically and that more is made available for development as soon as possible. This is likely to necessitate a revision of what is considered 'best value' and revising expectations of the receipts that can be secured from public land sales. More surplus sites of a significant size coming forward would help reverse the trend towards the delivery of the SHDP on ever smaller sites.
- **Urgently reviewing procurement policy and guidance.** It appears that Northern Ireland is 'gold-plating' the EU Procurement regime through extremely restrictive local policy and guidance, and regulatory enforcement that inhibits activity in our construction sector. A cross-government review should be urgently initiated to establish whether and how our procurement regime is stifling development.
- **Quick implementation of the UK loan guarantee scheme in Northern Ireland.** The scheme is facilitating cheaper private finance through the underwriting of bond issues worth £10 Billion. It is important this is used here to assist NI housing associations and private developers build much-needed new homes rather than diverted for other purposes. It can greatly assist housing associations in achieving the Programme for Government target of 8,000 new homes.
- **Establishing a central database of surplus public sector land (SPSL)** in Northern Ireland to which housing associations, as the major deliverers of the government's SHDP, should have access to in identifying potential sites for development.
- **Ensuring accountability from NAMA and UK Government owned banks on their land holdings.** A fire-sale of bank-owned land would have been bad for the NI economy, but so too is the current freeze on sales at market values. Ideally the NI Executive should be lobbying for the banks to begin to dispose of some of their land assets to avoid further decline in the construction sector. At the very least they should be regularly reporting on their land holdings and transaction levels.
- **Considering vesting land that is needed for house-building.** Housing associations are struggling to get hold of suitable sites as landowners are reluctant to sell at fair prices in a depressed market. This is resulting in inefficiencies in the delivery of the SHDP as the average site size has halved from 28 to just 14 units in the last four years. DSD should consider instructing NIHE to use its vesting powers where government owned banks and others will not sell their land for house-building.

Do you think there is merit in establishing a Housing Supply Forum? If so, who should be involved and what should be its core purpose?

NIFHA supports the establishment of a Housing Supply Forum. It could potentially help deliver the step-change in housebuilding that Northern Ireland needs. There has always been scope for better collaboration between those that design and deliver housing, the providers of finance and those government agencies that regulate the supply process. The Forum could enhance co-operation and understanding between the public, private and voluntary sectors. It would allow greater visibility around performance and decision making by all players leading to a more effective housing sector.

The Forum's core purpose should be to provide strong leadership and co-ordination in ensuring the new homes Northern Ireland needs are delivered. It should comprise senior representatives from government departments and agencies with relevant responsibilities (DSD, DOE, DFP, DETI, SIB), housebuilder representatives and design consultancy representatives (some individual firms as well as CEF, NHBC etc.) and housing associations (some individual associations as well as NIFHA).

Could self-build play a greater role in increasing affordable housing supply? If so, what role should Government play, if any, in supporting an increase in the number of self-build developments?

Self-build could potentially play a small part in increasing the supply of affordable housing. Most developing housing associations would not be seeking to pursue this option as delivering their social and affordable house-building targets using conventional means will have to be their priority for the foreseeable future. Until relatively recently NIFHA member Habitat for Humanity delivered self-build social housing schemes in Northern Ireland with Housing Association Grant funding. We hope that this work might be able re-commence with government funding. It would have to be accepted that the small-scale of self-build schemes and the costs of delivering the added social value would necessitate significantly higher grant rates than for conventional schemes.

Do you agree with our overall aims within theme 1 and how we propose to achieve them?

We broadly agree with the overall aims within theme 1 and how the Department proposes to achieve them, notwithstanding the points and proposals made elsewhere in this submission.

What other aims and measures should we be considering within theme 1?

Increasing access to affordable housing

NIFHA supports the Strategy's intention to increase access to affordable housing. This should build on the success of Co-ownership Housing, the UK's largest provider of shared ownership homes. As acknowledged in *Facing the Future*, Co-ownership is on track to facilitate at least 2,400 home purchases from 2011-15, with the support of £100 million of government grant.

However Northern Ireland should avoid the proliferation of intermediate housing schemes there has been in England which has diminished consumer and lender confidence in this part of the market. A number of housing associations are exploring options for working in partnership with Co-ownership to enable an increase in access to affordable housing whilst making best use of the considerable expertise that already exists. Particularly in such a challenging property and mortgage market, this is an area that poses significant risks as well as providing some exciting opportunities.

Several housing associations have submitted detailed proposals to deliver affordable housing with the support of interest-free loans through the *Get Britain Building* fund. As soon as this funding is allocated, housing associations can start delivering promptly.

Developing further innovation in the funding of new social housing

NIFHA and our members are keen to work with government to explore alternative innovative models of funding social housing. However it is likely that significant grant will still be needed; subsidised housing requires subsidy.

It is essential that the level of government support for social housing is not based upon inappropriate comparisons with Great Britain and especially England, where grant rates are now much lower due to:

- **£1 billion support p.a. through Section 106.** The planning system in England provides huge support for the provision of new social homes, both in subsidy and the provision of land – In 2007-08, the last year for which we have complete figures, the value of affordable housing planning obligations secured was £2.6bn, and the total value delivered was £1.3bn.¹ This equates to £54,000 subsidy for every new home, mainly delivered in-kind through discounted or free land and/or homes. Even through the downturn, more recent DCLG figures demonstrate that well over half of all affordable homes in England are delivered on S106 sites, saving associations costs and time in site acquisition and remediation;
- **Considerable free and discounted land from local authorities.** This contrasts with Northern Ireland associations paying market rates for Housing Executive transfer sites and other public land;
- **Switch from capital to revenue subsidy.** English associations are able to charge much higher rents as subsidy for new social homes is switched from capital to revenue. Under the new 'Affordable Rent' model, associations can charge up to 80% of local rents on new build properties, up to local LHA caps. Much higher rental receipts from London, the south-east and other buoyant housing markets generates significant additional capacity and allows for the cross-subsidy of development in lower demand

¹ *The Incidence, Value and Delivery of Planning Obligations in England in 2007-08*, Crook et al, Department for Communities and Local Government, March 2012, page 8

areas. Northern Ireland's very weak property market could not support such a switch in subsidy from capital to revenue;

- **Greater economies of scale in development.** In England the Homes and Communities Agency is committed to delivering 170,000 social and affordable homes from 2011-15, compared to just 8,000 in Northern Ireland;
- **Cross-subsidies from 'build for sale' and new-build shared ownership.** Significant cross-subsidy from shared ownership sales accounted for approximately 10% of the cost of new-build social rent homes delivered under the 2008-11 National Affordable Homes Programme (NAHP) in England. These are in addition to the already high level of support from the planning system; and
- **Long-term funding commitment** from Government enabling associations to deliver at lower cost. In England developing housing associations are given certainty of development funding over the three or four year term of the spending period, as opposed to individual year funding in NI.

Harmonised Rents

We agree with the Strategy that higher rents would be required to balance any further cuts in capital subsidy, reflecting the need for associations to raise more private finance to fund further new developments. However, as already pointed out, in many parts of NI there is limited scope to charge higher rents for new social homes where the gap between social and market rents is small.

The current simultaneous cuts to capital subsidy and revenue funding will seriously diminish the development capacity of all UK housing associations. These cuts will compound difficulties caused by increasing arrears from April 2013 as a result of the bedroom tax and increases in the cost of private finance. Further cuts will greatly diminish local associations' capacity to develop unless they can access the additional subsidies enjoyed by our GB counterparts.

We look forward to exploring with the Department whether and how rents can be increased and harmonised on new social homes given the constraints imposed by benefit cuts.

Opening up access to social housing grant to GB associations and the private developers

NIFHA supports moves to allow Great Britain-based housing associations and the private sector to access government grant to provide social and affordable homes. In tough economic times the Department must ensure that it is getting maximum value for its investment and that the pool of providers is as broad as it can be.

However all new and existing grant recipients, including local housing associations, must be expected to compete on a level playing field and therefore subject to the same level of regulation. In its regulatory capacity, the Department will presumably

need to satisfy itself and the NIAO that any new recipients of grant subsidy can demonstrate compliance with the Housing Association Guide.

In England, private providers have been able to access grant to build new social homes since 2004. However over 90% of the HCA's current Affordable Homes Programme (AHP) is being delivered by housing associations. As a consequence of their much higher rates of private borrowing to deliver Affordable Rent, we believe there will be limited capacity and appetite among English based associations to establish themselves in Northern Ireland from 2015. The Department will be aware of the current difficulties the regulatory arm of the HCA is having in preventing 'asset-stripping' by for-profit providers.

For these reasons, although it may be appropriate to open up access to grant to a wider range of providers, we believe that for the foreseeable future the overwhelming majority of new social and affordable homes will continue to be delivered by NI based housing associations. In the short-term, we hope sector capacity can be increased by suspended associations being able to demonstrate they have overcome identified issues, and that they can therefore be re-admitted to the Programme to be able to deliver a significant number of new homes in 2013/14.

Theme 2 - Meeting housing needs and supporting the most vulnerable

Sector offers

- Housing associations are making a full contribution to the fundamental review of social housing allocations; and
- A new system of social housing allocations should reflect a shared view on what – and who – social housing is for. We are keen to contribute to that debate.

Recommendations

- A more collaborative and consistent commissioning approach is needed for supported housing that commits all partners to provide and maintain housing in the community for people with complex needs, including guaranteed revenue funding;
- Supporting People and other vital funding streams must be protected to ensure vulnerable people can live with as much independence and dignity as possible;
- Whilst allocating primarily on the basis of need should remain at the core of any reformed social housing allocations system, a different approach to measuring need and allocating homes may be required to support more mixed and sustainable communities;
- It is worth considering the system used in some Republic of Ireland social housing schemes, where 75% of allocations were made on the basis of need, allowing providers discretion to allocate the remaining 25% of homes to support broader community goals;
- 800 common landlord areas is excessive – need should be assessed at a spatial level in proportion to the level at which it can be efficiently met;
- It is questionable whether households with low levels of identified need that are already adequately housed should be allowed to remain on the waiting list;
- Owner-occupiers that can fund their own adaptations should do so;
- Existing social tenancies should be honoured, but there may be value in creating a new type of tenancy to make better use of adapted homes in future;
- The new accessible housing register and use of more flexible tenancies should be given an opportunity to take effect before further regulatory targets are introduced; and
- To best meet the needs of an ageing population, the Lifetime Homes standard should continue to be met as the norm in schemes funded through the SHDP.

Housing associations wish to maximise social housing's potential to create genuinely mixed communities and facilitate social mobility and employment opportunities. This seems like an appropriate time to consider what the purpose of social housing is and who it should be for in Northern Ireland. Achieving some shared view will greatly

assist in the fundamental review of social housing allocations and winning support for any new system of allocations.

NIFHA agrees with the consultation document that while the current Housing Selection Scheme has served Northern Ireland well, other UK nations have taken steps to allow social housing to play a fuller role in supporting the achievement of wider policy goals, such as reducing worklessness, creating a shared society and supporting economic and social regeneration, as well as addressing some of the impacts of welfare reform.

In London, Labour mayor of Newham Sir Robin Wales has described how the English allocations system has resulted in a 'race to the bottom' in which prospective tenants are encouraged to emphasise their vulnerability to gain enough need points to be allocated a home. We should consider whether our system in Northern Ireland creates such perverse incentives. While alleviating housing need must remain central to social housing allocations, giving a wider range of people a chance of getting a social home may build healthier communities and support job creation, social mobility and a shared future.

NIFHA is concerned about the long-established trend across the UK of a 'residualisation' of social housing. This was explored in depth by Professor John Hills of the London School of Economics in his landmark 2007 report *Ends and Means: The future roles of social housing in England*:

The answer to the fundamental question of who social housing should be for depends on the priorities driving the balance struck between these trade-offs, as well as the resources available (including the existing capital stock). At one end – in some ways the direction policy has followed in England in the last quarter century – is a “residual model”, where social housing is concentrated on those in greatest need. This has lowest immediate public cost, but creates problems for supporting mixed communities, for incentives and for social mobility. At the other lies a more continental European ideal with social housing as a “tenure of choice” for a broad spectrum of the population (as in, say, Denmark or the Netherlands). This approach is good for avoiding stigma and supporting mixed communities, but obviously comes at much higher cost and, for some, social housing provision may not be the best use of available resources.²

As social businesses, Northern Ireland housing associations remain fully focused on meeting the needs of the most vulnerable. However our movement is also committed to tackling the residualisation of social housing, providing a wider range of housing for a wider range of people.

Therefore, whilst allocating primarily on the basis of need should remain at the core of any reformed social housing allocations system, a different approach to measuring need may be required to support more mixed and sustainable communities. There may also have to be consideration as to whether social housing can in future realistically provide the majority of housing for particular needy groups, for example young single adults.

² *Ends and Means: The future roles of social housing in England*, John Hills, CASE – LSE, 2007, page 202

In the fundamental review of social housing allocations, it is worth considering the allocations system used in the Republic of Ireland for primarily special needs / sheltered housing schemes under the Capital Assistance Scheme (CAS). Here, 75% of social housing allocations were made on the basis of need, allowing providers discretion to allocate the remaining 25% of homes to support broader community goals. Such a system in Northern Ireland could allow more working families and others that currently have little chance of being allocated a home to get one. The exercise of discretion would of course be subject to equalities monitoring to ensure fairness and equity.

However, although challenges exist in social housing in Northern Ireland as in the rest of the UK, it is important that these are not exaggerated. Increasingly social housing is being stigmatised and social tenants demonised. The overwhelming majority of social tenants are decent, responsible people who reliably pay their rent and are good neighbours. This is reflected in high rates of satisfaction of 85% and more in our members' tenant surveys.

How should housing need be assessed and what factors taken into account in determining priority for the allocation of social housing?

NIFHA looks forward to fully contributing to the fundamental review of social housing allocations. We will be meeting shortly with the researchers from the University of Ulster working as consultants to the Department on this project.

We agree that it is questionable whether households with low levels of identified need and that are already adequately housed should be allowed to remain on the social housing waiting list. NIFHA also shares the Department's concerns that too many prospective social tenants appear to be repeatedly refusing reasonable offers of social homes before entering in to a tenancy.

We are not well qualified to comment in detail on how housing need is and should be assessed. However it does appear that the use of 800 common landlord areas is excessive. Need should typically be assessed – and social housing allocated – at a spatial level in proportion to the level at which it can be efficiently met. With resources increasingly limited and the need to achieve efficiencies in the new build programme, it seems reasonable that prospective social tenants make similar trade-offs and compromises in where they live as private renters and owner-occupiers. According to the PEDU review of the Social Housing Development Programme, the average size of a social housing development in Northern Ireland has halved in the last four years, from 28 to 14 units. Clearly this is unsustainable. To assist in developing social housing through competitive design and build and other ways that facilitate greater scale and efficiencies, housing need should be assessed at a higher spatial level.

Should we consider creating an additional form of social housing tenancy which would allow adapted social dwellings not currently required for their intended purpose to be let on a more flexible basis to other households?

NIFHA believes that the terms of all existing social tenancies should be honoured, including those for bungalows and adapted properties.

However we do accept that there may be value in creating a new type of tenancy to make better use of adapted homes in future. Homes could be let on fixed-term rather than secure tenancies.

Housing associations are happy to participate in an accessible housing register and to record the profile and location of their adapted and wheelchair standard stock on this register. However we believe that the use of more flexible tenancies and the new register should be given an opportunity to take effect before further regulatory targets are introduced.

To best meet the needs of an ageing population, and the needs of the fast-increasing numbers with chronic diseases, we believe that the Lifetime Homes standard should continue to be met as the norm in schemes funded through the Social Housing Development Programme.

Should individual owner-occupiers make a greater contribution to financing the adaptations required to support them to live independently? If so, do you have any views on how this should happen and Government's overall role in the process?

NIFHA strongly supports the principle that owner-occupiers that can fund their own adaptations should do so. This could be achieved in a number of ways including through means testing, equity release schemes, something similar to the deferred rates payment scheme for the elderly; and attaching a charge to future sale of property.

Do you agree with our overall aims within theme 2 and how we propose to achieve them?

We broadly agree with the overall aims within theme two and how the Department proposes to achieve them, notwithstanding the points and proposals made elsewhere in this submission.

What other aims and measures should we be considering within theme 2?

More effective commissioning of supported housing

NIFHA welcomes DSD's commitment to develop a more joined-up approach with the DHSSPS to make the best use of available budgets and expertise to support the independent living.

Partnerships between associations and the Health and Social Care Trusts will doubtless deliver efficiencies for the tax payer and a better quality of life for the patients.

However there is a need for improved planning and commissioning between the health and housing departments and those co-ordinating the various funding

streams. All too often a supported home is being designed, built and commissioned to the requirements of a specific individual. However housing assets are long term investments and should have inbuilt flexibilities to cater for a range of clients with complex needs. Therefore more robust planning processes are required, together with a joint commitment to define demand for the specialist accommodation, and with greater flexibilities being designed into the schemes.

A more collaborative and consistent commissioning approach must be accompanied by guaranteed revenue funding. Therefore Supporting People and other vital funding streams must be protected to ensure vulnerable people can live with as much independence and dignity as possible.

Theme 3 - Housing and Welfare Reform

Sector offers

- To work with the Department and NIHE to establish the feasibility of a new housing-led third sector provider of debt advice, affordable credit and savings;
- Housing associations are committed to building more single bedroom social homes, but realistically this can only be a small part of the solution to under-occupancy;
- Our sector is building closer relationships with councils, debt and advice agencies, charities, churches and other organisations that can assist affected tenants; and
- We will develop proposals on how associations can provide more training and employment opportunities to affected tenants.

Recommendations

- There should be a six month delay in the introduction of the bedroom tax to allow tenants and landlords to properly prepare, and for government to introduce the necessary information sharing and discretionary housing payment systems;
- New systems for sharing information and paying DHPs to social tenants must be operational before the bedroom tax and benefits cap are introduced in NI;
- In light of the £17 million annual loss in housing support through the bedroom tax, a significant increase in the budget for Discretionary Housing Payments is needed;
- Funding for debt advice and other financial inclusion and capability services will have to be significantly increased;
- The role of the private rented sector in meeting the challenge of welfare reform should be clarified;
- The Housing Executive should be able to discharge its homelessness duty through provision of suitable private rented sector accommodation; In light on Northern Ireland's specific circumstances, discretionary housing payments will need to be extended; and
- Although it is right that Universal Credit is 'Digital by Default', there must be capacity for claimants to get face-to-face assistance with their applications when needed.

NIFHA supports the principles behind welfare reform of simplifying our benefits system and making work pay. We also greatly value the flexibilities the Social Development Minister has secured in how Universal Credit will operate in Northern Ireland and the six month postponement to its introduction to allow proper time to prepare. However we believe that the under-occupation penalty or 'bedroom tax' is unjust and has the potential to cause real hardship to the 32,000 social tenant households affected. We are committed to working closely with the Department and Housing Executive to mitigate the impacts of welfare reform.

Do you agree with our overall aims within theme 3 and how we propose to achieve them?

We broadly agree with the overall aims within theme three and how the Department proposes to achieve them, notwithstanding the points and proposals made elsewhere in this submission.

What other aims and measures should we be considering within theme 3?

Discretionary housing payments

We welcome the increased funding being made available for discretionary housing payments and the change to legislation to allow such payments to be made to all social tenants. However, to lessen the impact of the £17 million annual loss in Housing Benefit social tenants in Northern Ireland are facing as a result of the penalty, NIFHA believes a significant increase in the £7 million funding for Discretionary Housing Payments is needed.

In Great Britain there will have been a gap of over a year between their Welfare Reform Act being passed in March 2012 and the introduction of the under-occupation penalty in April 2013. This has provided certainty and time for social landlords to notify tenants, provide appropriate advice and support, and get the necessary administrative systems in place. Here the gap between the primary and secondary legislation being passed and the under-occupation penalty being introduced could be as little as a week or two. This is clearly insufficient and unfair on tenants and landlords when necessary preparations have been inhibited by delays completely outside their control. That is why we are calling for the six month postponement of the Universal Credit to be extended to the under-occupation penalty.

Longer-term solutions to mitigating the impacts of the bedroom tax are limited in Northern Ireland, including due to the profile of the social housing stock and the limitations imposed on tenant mobility by our divided society. NIFHA therefore believes that discretionary housing payments in NI will have to be extended beyond 2015.

We would value the opportunity to work with the Department in exploring how these payments can best be targeted. NIFHA is concerned about the potentially disproportionate impact of the under occupation penalty on disabled people, and ask that those administering the payments have sufficient guidance and training to prioritise the needs of disabled people and other vulnerable groups.

Provision of smaller social homes

For good housing management reasons, no one bedroom general needs social homes were built in Northern Ireland for many years. Clearly the consequences of this approach now present us with major challenges. Housing associations are committed to delivering more small social homes in light of welfare reform. However the increased costs, housing management needs, potential void levels and other

risks of providing this sort of accommodation will temper associations' capacity to develop a large number of single bed units.

It is highly probable that future governments will amend or even abolish the bedroom tax policy in the lifetime of new homes, emphasizing the need for associations to develop and manage homes for the long-term as well as meeting short-term needs. Therefore with 32,000 households affected by the bedroom tax, the provision of new one bedroom homes by housing associations should only be considered as a small, albeit important part, of an effective policy response to the under-occupation penalty. However the following measures would help in allowing housing associations to develop more one-bedroom social homes:

- In planning apartment blocks of smaller units, the Housing Executive could be more flexible in allowing provision of good quality CCTV, door entry and other systems to prevent anti-social behaviour and assist in housing management. Many of these would currently be considered to be over-specified and not eligible for grant.
- Changes to the Housing Association Guide could allow the provision of an undesignated room (box room). This would make new small homes more attractive to potential occupants and less risky for associations to develop as should be more 'lettable' if welfare policy changes.
- Where necessary, housing associations should be granted the ability to exceed the rent limit of 85% of Local Housing Allowance (LHA). This may be necessary to make schemes in city centres and some other locations viable.
- Community consultation requirements may have to be amended. Schemes of smaller units are likely to attract increased local opposition, so associations will be more reluctant to progress if there's a much higher chance of them getting blocked through strong community resistance.

Other measures to tackle under-occupancy

NIFHA is keen to work with the Department and Housing Executive to support more single people to share accommodation in the social housing sector. We are working with the Housing Executive in rolling-out a domain wide internet-based 'Home-swapper' portal to support under-occupying tenants that wish to move to down-size to smaller social homes.

Role of the private rented sector in meeting welfare reform challenge

NIFHA believes that the potential of the private rented sector (PRS) in meeting the challenge of welfare reform and the housing needs of single people deserves closer consideration. It appears that there is significant potential for the PRS to provide the much-increased need for single bedroom units. However this would require legislative change to enable the Housing Executive to routinely discharge its homelessness duty in to suitable accommodation in the private rented sector on an

ongoing basis. We believe that many private landlords would be willing to offer suitable properties on sufficiently long leases.

Financial and digital Inclusion

NIFHA believes that the need for debt advice is likely to increase exponentially soon after the introduction of the changes to Housing Benefit in April 2013. Funding for debt advice and other financial inclusion and capability services will therefore have to be significantly increased. DSD should make the case for additional funding to the NI Executive.

Also, although it is right that Universal Credit is 'Digital by Default', there must be capacity for claimants to get face-to-face assistance with their applications when needed. Provision also needs to be made for the many parts of Northern Ireland without satisfactory broadband.

In Scotland, England and Wales, social landlords have been in the lead in providing separately branded services offering debt advice, affordable credit and savings to tenants, often through high-street shops. These provide a much-needed alternative to the proliferation of pay-day, door-step and other sub-prime lenders. Most of these lenders have received seed corn funding through the DWP Growth Fund and other statutory sources, supplemented by investment from housing associations. NIFHA encourages DSD to look at these providers such as Scotcash, My Home Finance, Moneyline Cymru and consider funding a feasibility study in to the establishment of such a provider in Northern Ireland.

Information sharing

We are grateful for the Department's recent commitment that as soon as possible after Northern Ireland's Welfare Reform Bill receives Royal Assent, DSD will make regulations, under new powers in the Bill, which will provide the necessary legal 'gateway' to allow the Housing Executive and Housing Associations to share information for purposes connected to the under-occupation penalty and the household benefit cap. This will greatly assist housing associations in providing prompt and effective support to affected households. We believe that new systems for sharing information and paying discretionary housing payments to social tenants must be operational before these benefit changes are introduced in Northern Ireland.

Theme 4 - Driving regeneration and sustaining communities through housing

Sector offers

- Housing associations are committed to playing an increasing role in tackling worklessness, including potentially through helping deliver future welfare to work schemes; leading in a 'Future Jobs Fund' type scheme for NEETs; providing more apprenticeships for tenants and establishing social enterprise arms; and
- Housing associations want to bring large numbers of empty homes back in to use, including through *Get Britain Building* funding as soon as this is confirmed.

Recommendations

- Using existing powers more extensively and effectively should be the priority in bringing empty homes back in to use, although new legislation is worth considering;
- An increasing role for the movement in tackling worklessness can be facilitated through culture change in associations and the way the movement is regulated, and also through additional resources to develop and implement initiatives; and
- We support the principle of introducing demoted tenancies as they would help in taking timely and effective action in response to anti-social behaviour; and
- Information-sharing protocols we have developed with NIHE and PSNI should be adopted as soon as possible to allow effective action against anti-social behaviour.

Housing associations are committed to working with government to maximise opportunities for housing to help create safe, healthy and prosperous communities where people want to live. As social businesses with a proven track record investing in areas for the long-term, we are essential partners in realising this vision.

What more can be done to encourage owners to bring empty homes back in to use?

NIFHA believes that a lot more progress could be made if existing vesting powers were used more pro-actively. Using existing powers more effectively is the starting point and the best way of generating momentum on this issue.

However it is also worth considering legislation that places stronger obligations on owners of empty properties; levies additional rates after homes have been empty for two years; and extends vesting powers to registered housing associations. A new grants scheme to provide owners of empty homes with funds to refurbish and bring back in to use is also worth considering.

NIFHA members have submitted detailed proposals on how they could bring many empty homes back in to use through Northern Ireland's £19 million share of the *Get Britain Building* fund. As soon as funding is confirmed they can start work promptly.

What role might social housing landlords play in supporting tenants to enter training or work?

Many of Northern Ireland's housing associations already provide support for their tenants to enter training and work. This includes advertising opportunities, and assistance in applying for jobs, such as form-filling and interview preparation. Some have already gone much further. For example, Triangle Housing Association's Progression to Employment division has combined the employment services it offers. It runs social enterprise firms enabling adults with learning disabilities to work and also provides this group of people with supported job placements.

In the first year of the social clause being included in large Social Housing Development Programme contracts (1/11-1/12), 32 work placements were created and 12 offers of employment were made. Housing associations are keen to explore with DSD whether these social clauses can be further developed to include apprenticeships and university placements. Although the relatively small size of SHDP contracts, especially with the fast-shrinking average scheme size, will be a limiting factor, there is likely to be some potential.

This is a good start, but housing associations are committed to doing more:

- **A significant role in delivering future welfare to work schemes.** The potential of housing associations in delivering core government welfare to work schemes, whether Steps to Work in Northern Ireland or the Work Programme in Great Britain, has not been harnessed. Future welfare to work provision in NI should be developed in partnership with housing associations and other civil society organisations.
- **Leading in the delivery of a 'Future Jobs Fund' scheme for Northern Ireland.** FJF was a £1bn initiative set up by the Labour government as a response to the recession. It was used to fund six-month jobs for mainly young, long-term unemployed people in social enterprises, local authorities, charities and housing associations, on the proviso that the jobs were 'additional' and so would not have existed without the funding, and that the jobs created community benefit. According to the DWP evaluation, FJF resulted in a net benefit to participants of approximately £4,000 per participant; a net benefit to employers of approximately £6,850 per participant; a net cost to the Exchequer of approximately £3,100 per participant; and a net benefit to society of approximately £7,750 per participant. These are exceptionally positive results for a labour market programme.

- **Apprenticeships for tenants.** These could be offered in areas including general administration, housing management, development and care and support.
- **Establishing further social enterprise arms.** These could draw on the experience of housing associations in Northern Ireland such as Triangle and in Great Britain such as Aspire in the Black Country. Aspire is a relatively small stock transfer association which bought PM Training and is now running it as a social enterprise. PM Training has supported over 15,000 individuals and worked with 800+ companies to become the leading training provider in Staffordshire helping young people to enter work.
- **Providing voluntary training opportunities as ‘tenant inspectors’.** This optional scheme for associations could be underpinned by a structured learning and development programme.

What barriers or opportunities exist for social housing landlords who become involved in such initiatives?

Achieving the step-change in housing association activity will require culture change and resources.

Culture change

For many years housing associations in Great Britain have seen a wider ‘community investment’ role beyond the provision of housing as central to their mission, and allocated resources accordingly. This trend was supported by the National Housing Federation’s ‘In Business for Neighbourhoods’ initiative launched in 2002. The much greater scale of associations and the sector as a whole clearly provides much greater opportunities.

NHF research shows that every year housing associations in England help around eight million people by investing in a range of community services. Last year English housing associations spent over half a billion pounds investing in communities and into projects that help people manage their money and get out of debt, job skills classes, youth enterprise projects, apprenticeships and skills training programmes. This delivered more than 9,000 neighbourhood services and maintained 1,500 community spaces. Overall, housing associations invested £747m, with £530m invested of their own money and £217m raised additionally from other organisations such as national and local government, charities and health agencies.

Such will be demands imposed by fast-reducing funding and welfare reform, many Northern Ireland housing associations may reasonably choose to concentrate their efforts on providing good core housing services for existing tenants and development. However many are also looking to pursue a wider community role, a process which could be accelerated with appropriate support and encouragement.

To facilitate increased housing association work in providing employment and training opportunities and other community investment work will also require culture

change in the way associations are regulated and inspected. Associations believe that they have been actively discouraged from using their surpluses to invest in community services. They are therefore reluctant to consider new activities which could result in negative inspection reports. The movement would therefore benefit from formal clarification from the regulator that community investment activities are a proper use of association time and resources. More broadly, a lighter-touch regulatory regime would free-up significant time that could be channeled into initiatives that make life better for tenants.

Resources

Many housing associations would be willing to invest their own resources in to community investment activities and to seek match-funding opportunities. However many of the training, employment and other services under consideration will require government funding. It is therefore important that any Steps to Work successor scheme and future welfare to work provision in Northern Ireland is structured in such a way that allows housing associations and other social enterprises to participate. In Great Britain the Work Programme's design favoured large commercial 'Prime Contractors' such as A4E and Serco, thwarting the potential for most housing associations to be involved (and so far delivering disappointing results).

As well as designing future public services appropriately, the housing association movement will require resources to assess the feasibility and work up detailed proposals and business cases for initiatives such as increasing apprenticeships and delivering a Future Jobs Fund style scheme in our sector for NEETs. This presents an obvious opportunity for NIFHA to work in partnership with DSD and DEL.

Do you agree with our overall aims within theme 4 and how we propose to achieve them?

We broadly agree with the overall aims within theme four and how the Department proposes to achieve them, notwithstanding the points and proposals made elsewhere in this submission.

What other aims and measures should we be considering within theme 4?

Tackling anti-social behaviour

Everyone has the right to live in a decent and safe community, free from the fear and disruption caused by anti-social behaviour. Housing associations are tackling anti-social behaviour through close work with partners including the PSNI, elected representatives and the Housing Executive.

NIFHA and DSD have run joint training to help with wider housing association movement to learn from and replicate pioneering approaches to reducing anti-social behaviour. Many of these approaches focus on early intervention, helping to build a socially inclusive community in which people feel safe and valued.

For example, in West Belfast, the Colin Housing Providers ASB Forum (comprising Clanmil, Fold, Habinteg, Helm, Open Door and Ulidia housing associations, Colin Neighbourhood Partnership, the NIHE, PSNI and other local community groups) has created a model where relevant information on current ASB issues are aired and dealt with. The good communication aims to speedily resolve tenant and community issues and has assisted in defusing a number of community disputes.

NIFHA supports the principle of introducing demoted tenancies as they would help associations to take timely and effective action in response to anti-social behaviour, rather than only being able to follow the frustratingly lengthy process of pursuing an eviction. Demoting tenancies could help ensure swift and decisive action was being taken against anti-social behaviour and would result in affected tenants having reduced rights including being denied any planned capital improvement works.

Although having the use of demoted tenancies would be a very useful additional 'tool in the box' in tackling anti-social behaviour, we believe that associations should be trusted to use their professional discretion in deciding whether they are appropriate in any new tenancy.

Effective partnership working must be under-pinned by efficient information-sharing between the relevant agencies. Currently the quality of co-operation ranges greatly from area to area. NIFHA has invested significant time in working with PSNI and the Housing Executive on drafting separate information-sharing protocols that could greatly assist our members getting the necessary timely intelligence they need to take action. We hope these can be ratified and implemented by all parties very soon.

Theme 5 - Getting the structures right

Sector offers

- NIFHA is committed to working with our members and the Department to achieve further business improvement in the housing association movement. We have submitted outline proposals to the Department for a joint scheme of work to facilitate this;
- NIFHA will continue to work hard to help our members to understand, apply and meet current regulatory expectations; and
- We want to work with the Department on reviewing the current approach to the regulation and inspection and how it can be strengthened, reflecting on reforms and good practice in GB.

Recommendations

- Housing associations' pursuit of continual improvement should be accompanied by moves towards independent, proportionate, risk-based and outcome-focused regulation;
- This might be based on the principles of co-regulation, embedding the primacy of boards in ensuring high standards of performance and service delivery. Tenants would have a key role in this approach and therefore greater influence;
- Responsibility for the regulation and inspection of social housing should be transferred to an independent body, as it has been in Scotland and England;
- Revisions to the regulatory and inspection regime should provide robust safeguards to protect the private status of housing associations, not least to ensure they can continue to secure private finance;
- Legislation should allow for payment of housing association board members, where boards consider it appropriate; and
- A regulatory system that gives associations greater freedom will help to recruit and retain high calibre boards, raising standards of governance.

Housing associations are Northern Ireland's biggest and most successful social businesses. The development of social and affordable homes by housing associations with government support is the UK's most successful public-private partnership. Tenant surveys consistently demonstrate very high levels of satisfaction from tenants in the quality of services and value for money they receive from their housing association landlords.

The 2012 survey of housing association tenants found:

- 90% of tenants are satisfied/very satisfied with their accommodation;
- 81% of tenants are satisfied/very satisfied that the rent for their property represents good value for money; and
- 84% are satisfied/very satisfied with the services provided by their landlord.

NIFHA is committed to working with our members and the Department to achieve further business improvement in the housing association movement, and we have submitted outline proposals for a joint scheme of work to facilitate this. However it is appropriate to simultaneously recognise that housing associations have considerable strengths and are delivering major social and economic benefits for the people of Northern Ireland.

What strengths do you see in the outlined strategic direction of travel in a future housing scheme for Northern Ireland? Where and in what ways could this be further improved?

NIFHA does not wish to comment in detail on the future of the Northern Ireland Housing Executive until the Minister makes his announcement on the Fundamental Review. However we do believe that a splitting of the Executive's strategic and landlord functions is appropriate. We believe there is a strong case for independent regulation of Northern Ireland's growing housing association movement and this is outlined below.

Future of regulation of social housing in Northern Ireland

In the last few years there have been fundamental reforms to the regulation of housing associations in Scotland and England. NIFHA believes that these should be carefully examined as part of our consideration of regulatory changes to the sector here.

Regulation of housing associations in Great Britain

In England, the 2008 Housing and Regeneration Act established independent regulation for social landlords in England. This was first implemented through the Tenant Services Authority (TSA), although following the 2011 Localism Act it is now conducted through the Homes and Communities Agency (HCA). The HCA may only exercise its functions through its five person Regulation Committee, comprising independent experts in social housing, private finance and governance. There are legal and institutional 'firewalls' preventing the HCA's regulatory and investment functions impinging on each other.

Underpinning the English system is the principle of co-regulation. This places responsibility for meeting regulatory standards on the landlord. Housing association boards are also responsible for being transparent and accountable for their organisation's service delivery. Additionally, associations are expected to support tenants both in shaping and scrutinising service delivery and in holding boards to account.

Every Tenant Matters, the report of The Cave Review of Social Housing Regulation, was the foundation of the regulatory reforms in England. Its key recommendations to modernise and change the focus of regulation of social housing included:

- Creating a regulatory body independent of government;
- Clearly defining the objectives of regulation;
- Bringing together the regulation of housing associations, local authority providers of social housing and new types of provider into a unified regulatory 'domain';
- Setting common standards that should apply across the social housing domain;
- Increasing and safeguarding tenant empowerment;
- Creating a graduated range of enforcement powers for use by the regulator;
- Opening up the register of social housing to a broader range of providers;
- Liberalising other aspects of the regulatory regime;
- Reducing and managing the burden of regulation; and
- That the regulator should act in a co-regulatory manner.

The Cave Review observed that at that point, there was inadequate separation of policy and regulation in Government's dealings with English associations, leading to the unacknowledged implementation of policy by regulation.³ Cave therefore concluded that the regulator should be independent of government with its independence defined by statute. The Communities and Local Government Department responsible for funding the sector should not be its regulator because it would result in 'serious disadvantages': 'It would needlessly 'politicise' a range of 'technical' implementing decisions; it would add to regulatory risk as perceived by lenders; and it would cast doubt on the current 'private sector' classification of housing associations.'⁴

The independent regulator would have a Board of executive and non-executive directors, appointed by the Secretary of State. There would be certain defined areas for which the government would have the power to issue directions to the regulator, firstly in housing standards and secondly in rent levels.

Broadly following the Cave blueprint and its vision of co-regulation, the Homes and Communities Agency now describes its approach as follows:

*We are committed to robust, independent and transparent regulation that focuses on governance, financial viability and value for money. We are also committed to undertaking our regulatory activity under a principle of minimum interference, maintaining lender confidence and protecting taxpayers while simultaneously cutting red tape.*⁵

Economic regulation, ensuring the financial health and viability of housing associations, is the prime focus of the English regulatory system. The HCA now has a 'backstop' role on consumer regulation (service standards), which will only be exercised in the case of 'serious detriment' to tenants. Routine inspections of

³ *Every Tenant Matters: A review of social housing regulation*, Professor Martin Cave, Communities and Local Government Publications, June 2007, page 13.

⁴ *Ibid*, page 12

⁵ HCA [website](#)

housing associations have ceased, placing a much greater responsibility on boards to ensure high standards of performance.

In Scotland, the independent Scottish Housing Regulator was established on 1 April 2011 under the Housing (Scotland) Act 2010 to regulate Registered Social Landlords and local authority housing services in Scotland. The Scottish Housing Regulator is led by a Board of non-executive members appointed by Scottish Ministers. The Regulator is an independent Non-Ministerial Department and directly accountable to the Scottish Parliament.

The Regulator's one statutory objective is to:

*Safeguard and promote the interests of current and future tenants of social landlords, people who are or may become homeless, and people who use housing services provided by registered social landlords (RSLs) and local authorities.*⁶

The Regulatory Framework for Welsh housing associations was implemented in 1996 and is therefore dated in comparison to its equivalents in Scotland and England. Its purpose is to ensure that housing associations 'provide good quality homes and services to tenants and others who use their services'.⁷ It does this by ensuring that each association is well governed, financially viable and delivering high quality services.

The Framework clearly states that 'The Welsh Ministers regulate housing associations' with a Housing Regulation Team in the Welsh Government's Housing Division undertaking regulation activity on their behalf.⁸ However the Welsh Government has also established an advisory board, the Regulatory Board for Wales, to oversee the operation of the Regulatory Framework. This also reports on the way in which the Housing Regulation Team conducts its work. The Chair of the Board is independent of government and housing providers. Other members of the Board are representatives from a variety of organisations, including Community Housing Cymru, the representative body for housing associations, the Welsh Tenants' Federation and the Council for Mortgage Lenders.⁹

The Welsh Government's Housing Regulation Team provides the Board with an annual report on its regulatory activity. The Board then submits a report to the Welsh Ministers on the performance of housing associations and on the regulatory functions of the Welsh Government.

⁶ Scottish Housing Regulator [website](#)

⁷ [The Regulatory Framework For Housing Associations Registered in Wales](#), Welsh Government, 2 December 2011, page 1

⁸ Ibid, page 2

⁹ Ibid, page 4

Avoiding sector re-classification

Enabling the raising of private finance is perhaps the most compelling reason to transfer the Housing Executive's housing stock to one or more new and/or existing housing associations. As well as releasing the potential to borrow against its unencumbered assets, the Housing Executive has a projected £1.2 Billion shortfall in coming years to bring its existing stock up to a satisfactory standard. No-one expects this funding to be available from an over-stretched NI block grant.

UK housing associations have thus far raised approximately £60 Billion in private finance, mainly to fund the development of new social and affordable homes. The sector's no default record has helped it secure these funds at very competitive rates. Because they are constituted as social businesses, housing associations are obligated to re-invest any surpluses in to meeting housing need and their other social purposes.

Mixed funding is increasingly vital as grant rates for new social homes have significantly decreased in recent years across the UK. In Northern Ireland the average grant rate is now at around 45% for developments of general needs social homes – less than half the total cost.

The housing association sector's capacity to continue to borrow privately depends upon retaining its private status. Re-classification of the sector would result in £60 billion of private borrowing being re-classified as a public debt.

Classification of the UK housing association sector is primarily a matter for the Office for National Statistics (ONS). When seeking to distinguish between a public and private sector body, the ONS primarily considers whether the statutory regulation in a sector amounts to public control. Criteria used to determine whether regulation has become control include restrictions on activities, dividend/asset distribution, corporate activity, disposal of assets and the degree of involvement day-to-day operations. If the public sector body (regulator and/or funder) can use special legislation, decree or regulation to determine general corporate policy of the organisations in question, they can be judged to be public sector.

The borderline between regulation and control can be difficult to judge. There are many examples of Government involvement through regulation, particularly in areas such as monopolies and privatised utilities, but regulatory involvement itself is not necessarily control. Therefore, it is possible for there to be regulatory involvement in important areas, such as setting prices, without ceding control of general corporate policy.

However, where the regulation is so tight as to effectively dictate how the entity performs its business, then that is a form of control. ONS (2003)

In its deliberations on cases including the London Underground PPP, British Energy and Foundation Hospitals, the ONS concluded that government – either directly or indirectly – had placed an absolute constraint on the range of activities

that could be undertaken by the relevant companies. In each case, these were considered as indicators of public sector control.

'Modern' regulation

Aside from the issue of independence, which is considered indispensable, there are two other trends that are emphasised in 'modern' regulation:

- Towards deregulation and remaining regulation being consistent with the Better Regulation principles: that it is transparent, accountable, proportionate, consistent and targeted;
- Towards regulation focussing as much on 'incentives' as on 'command and control' i.e. a balance between carrot and stick.

NIFHA believes that changes in the regulation of our sector should be developed in accordance with these principles of better regulation.

Implications for Northern Ireland

NIFHA appreciates the value of regulation and inspection in helping safeguard the housing association movement and improve service delivery. We are grateful for the work undertaken by the Department in its regulatory role in recent years to address some serious, albeit isolated, issues in the movement.

NIFHA is committed to helping our members understand and meet regulatory and inspection requirements, for example through our recent series of inspections seminars with the Department's inspections team.

However the development of Northern Ireland's first housing strategy and the potential significant increase in the size of the housing association sector as a result of the fundamental review of the Housing Executive provides an important opportunity to consider how our movement can most effectively be regulated in future.

As outlined above, in recent years there have been major reforms to social housing regulation in Scotland and England. We certainly do not believe Great Britain has all the answers. For example we value the role of inspections in helping to improve performance, and would not wish to see them discontinued as in England.

Nonetheless, we do believe there are valuable lessons to be learned from the thinking on social housing regulation in Great Britain and the reforms that have followed. Although very different approaches have been taken on each side of the border, it is significant that both Scotland have chosen to establish independent regulators. On balance, we believe that an independent regulator should be set-up in Northern Ireland.

The housing association movement is pursuing continual improvement to ensure it is strong and fit-for-purpose. Our increasing demonstration of success in driving up standards of performance should be accompanied by moving towards independent, proportionate, risk-based and outcome-focused regulation, bringing a more common approach across the four UK nations. Perhaps based on the principles of co-regulation (or enforced self-regulation), a new regulatory settlement could embed the primacy of boards in ensuring high standards of performance and service delivery. Tenants would have a key role in this approach and therefore greater influence.

Recruiting and retaining high quality boards

To meet the great challenges ahead, Northern Ireland's housing associations need to be able to attract high calibre board members. There is a limited talent pool to fill a large number of non-executive posts in Northern Ireland. Recent inspection reports have highlighted a lack of finance and other key skills on some association boards.

A regulatory system that gives associations greater freedom will help to recruit and retain high calibre boards. If the role of a board member is seen primarily as one of ensuring compliance, volunteers will be limited. Conversely, the opportunity to be able to provide strategic leadership and creatively exercise autonomy to achieve stretching outcomes will inspire able people to get involved.

Also, changing the law to allow housing association boards to pay board members when appropriate would undoubtedly help to fill this skills gap. It would also create a formal contract between paid board members and the association they serve, emphasising the seriousness of the role and high expectations of board members in an increasingly challenging environment.