

## Final NILGA response to the Department for Communities Consultation on a Definition of Affordable Housing

### 1.0 Introduction

NILGA, the Northern Ireland Local Government Association, is the representative body for district councils in Northern Ireland. NILGA represents and promotes the interests of local authorities and is supported by all the main political parties. NILGA is pleased to be able to have an opportunity to comment on the Department for Communities consultation on a Definition for Affordable Housing and trust that our comments will be taken into account as policy on this issue develops.

For further information, or to discuss this response, please contact Karen Smyth at NILGA. [K.smyth@nilga.org](mailto:K.smyth@nilga.org), (028) 90798972.

NILGA would like to thank Housing Rights for their invaluable assistance in informing this response.

### 2.0 Executive Summary

- NILGA welcomes the opportunity to respond and welcomes the Department's decision to lead the discussion on the issue of affordable housing and affordability in Northern Ireland.
- NILGA welcomes the Department's decision to put forward initial thoughts whilst also calling for additional evidence and insight from stakeholders to assist in policy refinement in this area. NILGA considers that it may be useful for the Department to establish a small stakeholder group to consider these issues more fully.
- NILGA welcomes the direct linkage of the definition of affordable housing to the draft Programme for Government indicators 8 and 48. NILGA suggests that the Department also consider the direct relevance of indicator 19 which relates to poverty.<sup>1</sup>
- NILGA recommends that the next stage of policy development in this area should include a robust scoping exercise to evidence the affordability issues across all tenures in the housing market. This would assist the Department to develop a baseline against which progress can be monitored and potential options can be evaluated. NILGA considers this approach to be in keeping with good practice evidence-based policy development and may assist the

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<sup>1</sup> Percentage of population living in absolute and relative poverty (before housing costs)

Department in tracking contribution in ‘turning the curve’ for Programme for Government indicators.

- NILGA recommends that policy development around the definition makes explicit reference to all of the housing tenures in the housing market to reflect Government responsibility being cross-tenure.
- NILGA is of the view that the revised definition should not be product-based and queries the attention given in the document to product-based options.
- NILGA considers that the proposed definition could be strengthened if it included assessment of housing costs and household income. NILGA supports the view of Housing Rights, that the work currently being done by the Affordable Housing Commission (discussed later in this response) to define affordability and affordable housing is best practice which the Department should adopt.
- Similarly, NILGA notes that the Affordable Housing Commission’s work in this area understands not only the interplay between affordability and affordable housing, but also that the affordability discussion cannot be separated from a discussion around quality and standards. NILGA would support the view that the connection between these issues is important and would recommend that the definition recognise this.
- NILGA notes the lack of an up to date and sound legislative basis for the vitally important issue of housing within Northern Ireland

### 3.0 Overview

NILGA welcomes the Department’s decision to lead the discussion on the issue of affordable housing and affordability in Northern Ireland. We understand that the consultation for the definition of affordable housing is an initial discussion paper and may be ongoing and connected to wider areas of work. NILGA is keen to ensure that local government is materially involved in this process and we are hopeful that we can assist the Department through our contribution to this consultation and related work. We cannot overstate the importance of this work amidst the ongoing housing crisis in NI.

NILGA welcomes the Department’s identification that the new definition of affordable housing should be non-product based. It is important to understand the issues of affordability before evaluating and discussing potential affordable housing products.

NILGA believes that a robust scoping exercise is required to fully identify and understand the issues of affordability across each housing sector. A better understanding of the issues will enable the Department to implement a revised definition of affordable housing, which can be used to measure and evaluate the achievement of Indicators contained in the draft Programme for Government.<sup>2</sup>

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<sup>2</sup> Indicators 8 and 48 of the draft Programme for Government aim to address the number of households in housing stress (indicator 8) and the gap between the number of houses we need, and the number of houses we have (indicator 48)

## 4.0 Context: Housing in Northern Ireland

### 4.1 Programme for Government

The overarching framework for all local policy development in Northern Ireland is the draft Programme for Government (PfG) 2016-2021<sup>3</sup>, an outcomes-based framework which co-ordinates all government action for the purpose of ‘improving wellbeing for all - by tackling disadvantage and driving economic growth.’

NILGA recognises the importance of an affordable housing definition in contributing towards the achievement of the outcomes of the draft Programme for Government (2016-21). The Definition of Affordable Housing Consultation Paper explains that the contribution of housing to achieving the draft PfG outcomes are explicitly referenced in relation to:

- **Outcome 8:** We care for others and we help those in need
- **Indicator:** Number of households in housing stress
  
- **Outcome 13:** We connect people and opportunities through our infrastructure
- **Indicator:** Gap between the number of houses we need and the number of houses we have

For the reasons outlined below, **NILGA considers it appropriate for the Department to link the indicator in relation to poverty (Indicator 19, Outcome 8) to those which are outlined in the consultation paper:**

- **Indicator:** the percentage of population living in absolute and relative poverty (before housing costs).

### 4.2 Poverty and Housing Stress

The Northern Ireland Audit Office (NIAO) highlights loss of rented accommodation as one of the top three reasons for homelessness in Northern Ireland, and notes poverty as one of the risk factors for homelessness.<sup>4</sup> The Joseph Rowntree Foundation (JRF) identified that the poorest fifth of the working age population are more likely to spend more than a third of their income on housing costs than the rest of the population in Northern Ireland. The JRF also highlights that the cost of housing impacts on whether or not people can afford to meet all other basic needs.<sup>5</sup>

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<sup>3</sup> Draft Programme for Government Consultation. <https://www.northernireland.gov.uk/consultations/programme-government-consultation> on 21st August 2019.

<sup>4</sup> Northern Ireland Audit Office, Homelessness in Northern Ireland (2017)

<sup>5</sup> Joseph Rowntree Foundation (2018) Poverty in Northern Ireland 2018, JRF Briefing

Research by the JRF analyses the connection between housing and poverty and highlights that the number of people in ‘housing cost induced poverty’ (not poor before housing costs but poor once housing costs are taken into account) has increased over the past two decades.<sup>6</sup> The Joseph Rowntree Foundation recognises that poverty is therefore intrinsically linked to housing costs. The draft PfG Delivery Plan also recognises the link between housing costs and poverty, and outlines key areas of support which will contribute towards ‘Reducing Poverty and the Causes of Poverty’, one of which is to provide over £700 million in Housing Benefit to enable those on low incomes to pay their rents.<sup>7</sup>

Other related impacts of the current crisis are in terms of access to physical and mental health services, schools and education services, compounding the multiple deprivation issues.

**NILGA agrees that the definition of Affordable Housing should relate directly to the draft Programme for Government Indicators, and NILGA considers it important that the definition is linked to the poverty indicator under Outcome 8.**

The aim of the PfG Outcomes Delivery Plan is to “turn the curve” and it aims to measure progress using a number of indicators attached to each outcome. In order to maximise the alignment of the Affordable Housing definition to the PfG, NILGA recommend that the Department explicitly connect measures of affordability to the definition of affordable housing.

In our view, this approach would be consistent with the approach advocated by the Department in the Housing Market Symposium Report which stated that *“In order to operationalise the concept i.e., turn it into a tool that is useful for applied policy and practice, there needs to be a suitable measurement framework”*.<sup>8</sup>

### **4.3 Affordability issues in NI**

**NILGA recommends that the Department’s work to refine policy development in this area take into account the affordability issues affecting people across all housing tenures by carrying out a robust scoping exercise of these issues. In doing so the Department would have a baseline against which to monitor progress in the area and would also have an evidence base against which to evaluate any proposed policy initiatives.**

NILGA understands that the Department will have access to a range of data sources to develop this baseline. Nevertheless, a few headline statistics are detailed below which the Department may find useful in their consideration of the matter.

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<sup>6</sup> Tunstall, R. et al. (2013) The links between housing and poverty. How housing can mitigate or exacerbate the impact of poverty on people’s lives, Joseph Rowntree Foundation

<sup>7</sup> The Executive Office (2018) Outcomes Delivery Plan 2018-2019 Last accessed on 29<sup>th</sup> August 2019 at <https://www.executiveoffice-ni.gov.uk/sites/default/files/publications/execoffice/outcomes-delivery-plan-2018-19.pdf>

<sup>8</sup> Department for Communities (January 2018), Housing Market Symposium 2017, Final Report and Recommendations

NILGA would highlight that the members elected to serve on councils across Northern Ireland are regularly requested to advise and assist people struggling to make ends meet from all walks of life; in private rentals, social housing and owner-occupied homes. Enhancing social well-being and addressing the impacts of poverty are key features in many of the council-led community plans.

### Private rented sector

According to recent research by CaCHE, household income of those in the Private Rented Sector (PRS) almost equates exactly to those in the Social Rented Sector, however **housing costs are higher in the PRS** which is having a particularly **negative living standard effect for low income PRS households**. The private rented sector in Northern Ireland has experienced a more rapid growth, from a lower base than elsewhere in the UK, however it is also the sector in which **poor quality property is most prevalent** and poor management practices are unacceptably frequent.<sup>9</sup>

NILGA is aware that the Housing Rights advice line receives a higher rate of calls from the private rented sector; chief amongst the **concerns of private rented sector tenants is affordability**. In 2017, over a quarter (27%) of the calls received by this advice line were from private rented sector clients enquiring about **shortfalls between their Local Housing Allowance and rental costs**. This has been a growing trend in calls to the Housing Rights advice line since 2010, reaching a peak of 31% in 2015.<sup>10</sup>

The estimated **average rent per week for the private rented sector in Northern Ireland is £98** compared to £77 per week in the social rented sector, and £47 per week for those buying with a mortgage. Those buying with a mortgage have the highest estimated average weekly income of £914 compared to private renters, whose income is £559 per week on average and those in the social rented sector have the lowest average weekly income of £386.<sup>11</sup>

The Joseph Rowntree Foundation highlights that **38% of those living in the private rented sector in NI are living in poverty**<sup>12</sup>. In addition, research carried out by the NIHE stresses that 57% of PRS tenants rely on housing benefit support to meet their rent, however for **89% of these tenants there is a shortfall between the housing benefit they receive and the cost of their rent**.

In Northern Ireland, there are 29,000 households in the social rented sector **at risk of poverty after housing costs** compared to **34,000 households in the private rented sector**. Despite households having the same or a lower income in the social rented sector, the risk of poverty in the private sector is much greater due to the higher housing costs.

### Social rented sector

Problems in the social rented sector are no longer simply about supply; rather insufficient new build, coupled with loss of existing housing stock is just one of the problems contributing to affordability

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<sup>9</sup> Marsh, A. and Gibb, K. (July 2019) The Private Rented Sector in the UK, An overview of the policy and regulatory landscape, UK Collaborative Centre for Housing Evidence

<sup>10</sup> McAuley, M. (2019) Falling Behind: Exploring the Gap Between Local Housing Allowance and the Availability of Affordable Private Rented Accommodation in Northern Ireland; NILGA (*forthcoming research*)

<sup>11</sup> Department for Communities (Dec 2018) Northern Ireland Housing Statistics Annual Publication

<sup>12</sup> Joseph Rowntree Foundation (2018) Poverty in Northern Ireland 2018, JRF Briefing

issues for households. Rents in social housing are becoming **increasingly unaffordable, exacerbated by benefit cuts** undermining tenants' ability to pay their rents.<sup>13</sup>

In Northern Ireland, there is a significant mismatch between the type of social housing stock available and the type required to meet demand. While just 18% of social stock has one bedroom, single applicants account for 45% of the waiting list, meaning that **many households have no choice** but to move to homes which they will **under occupy**.<sup>14</sup> This has ramifications for affordability in the social rented sector, particularly with the threat of the Social Sector Size Criteria (SSSC) mitigations package coming to an end in March 2020.

The Northern Ireland Housing Executive's research showed that for the 72 tenants who had lost their SSSC mitigation payment by June 2018, average **arrears per household had increased from £46 to £174.12** by November 2018.<sup>15</sup> The Department for Communities reported that 87% of respondents to a claimant survey about Welfare Reform had no plans in place to deal with the additional costs upon the end of mitigation payments,<sup>16</sup> revealing that **affordability issues will be exacerbated in the social rented sector** post March 2020.

In addition, the roll out of Universal Credit, which has not yet been fully completed in Northern Ireland, is contributing to **affordability problems** and is driving people into **debt, arrears and poverty**. By May 2019, there were 40,630 live claims for UC in NI and it has been estimated that, by March 2023, approximately 312,000 households in NI will have been transferred to UC.<sup>17</sup>

The five-week wait before claimants receive their first UC payment has already caused a **significant rise in arrears**, despite (as of May 2019) only 13% of the total population in NI due to migrate to UC, having done so already. These arrears have been well documented in the social rented sector; in 2018/19 the **average arrears for NIHE tenants on UC were £700.05**, compared to an **average of £191.82 for Housing Benefit** claimants.<sup>18</sup>

### Homeownership

More recently, there has been a significant shift in the nature of ownership and renting. The number of people who own their own home (mortgaged or outright) has **fallen from 72.8% in 2005/06 to 66.8% in 2015/16**, and as a result the number of people renting has increased from 27.1% to 33.2% over the same period.<sup>19</sup>

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<sup>13</sup> Chartered Institute of Housing (2019), CIH Submission to the inquiry into long-term delivery of social and affordable rented housing

<sup>14</sup> Northern Ireland Housing Executive (2018) Welfare Reform in Northern Ireland: A Scoping Report

<sup>15</sup> Northern Ireland Housing Executive (2018) Welfare Reform in Northern Ireland: A Scoping Report

<sup>16</sup> Department for Communities (2019) Welfare Reform (NI) Claimant Baseline Surveys

<sup>17</sup> Northern Ireland Audit Office (2019) Welfare Reforms in Northern Ireland

<sup>18</sup> Statistic provided by email to NILGA from the Northern Ireland Housing Executive Welfare Project Team on 14/05/19

<sup>19</sup> Mac Flynn, P. and Wilson, L. (2018) Housing in Northern Ireland: Implications for Living Standards and Poverty, NERI WP 2018/No 52, Dublin: Nevin Economic Research Institute

Home ownership has become increasingly **difficult to access**, particularly for first-time buyers, while access to social housing is constrained by a lack of supply.<sup>20</sup> In 2015, more than **60,000 homes were in negative equity** and the Financial Services Authority states that many of those who had taken out mortgages since 2005 have become “mortgage prisoners”.<sup>21</sup> According to research by the Joseph Rowntree Foundation (2018), the **poverty rate for homeowners is higher in Northern Ireland than the UK as a whole.**<sup>22</sup>

The largest tenure type in NI is owner-outright (37%) followed by mortgaged homeowners (29%), making up almost two thirds of dwellings in NI. The remaining third of dwellings are rented (19% privately rented and 14% public/social rented).

## 5.0 Consultation Questions

As this consultation is aimed at gathering initial thoughts and wider thinking on the issue of affordability, NILGA notes that while it may be premature to discuss affordable housing products at this early stage, the models of provision presented appear to be narrow. NILGA would therefore welcome wider availability of the information gathered as part of the research the department has done recently, e.g. for the Housing Strategy Innovation lab, on publicly provided housing models in other EU states. NILGA therefore offers the following comments on the relevant questions asked in the consultation paper.

### 5.1 *Do you think the current definition of affordable housing needs amended?*

Yes. NILGA welcomes the Department for Communities proposal to revise the definition of Affordable Housing for Northern Ireland and supports the Department’s aim to agree a clear definition that can be applied consistently in legislation, policy, local plans and in practice.

NILGA agrees that the current definition needs amended and agrees that a *“non-product-based definition of affordable housing will provide a framework for increasing housing supply while being flexible enough to accommodate changing needs and demands.”*<sup>23</sup>

NILGA recognises that the current definition of affordable housing was provided by the Department for Social Development before responsibilities were subsumed within the Department for Communities. **NILGA considers it an appropriate time to revise the definition of affordable housing** in light of policy developments in spatial planning such as the transfer of planning responsibilities to the 11 councils and the resultant drafting of a suite of 11 new Local Development Plans. The existing accepted definition is set out through regional planning policy; there is no legal definition and therefore no legal requirement for local government to apply or consider the term except through the requirement to take into account the SPPS document. This also leads to ambiguity in interpretation of the meaning of the term.

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<sup>20</sup> House of Commons Library Briefing Paper, Number 07747, 20 May 2019; What is affordable housing?

<sup>21</sup> Northern Ireland Housing Executive (September 2017), Housing Market Analysis Update, Belfast City Council Area

<sup>22</sup> Joseph Rowntree Foundation (2018) Poverty in Northern Ireland 2018, JRF Briefing

<sup>23</sup> Department for Communities (2019) Definition of Affordable Housing Consultation Paper

In addition, the **review of the definition is timely** as the Department will have the opportunity to avail of research and policy developments elsewhere, which will strengthen the work of the Department for Communities. In relation to emerging research, NILGA notes the interesting and important work done by the **Affordable Housing Commission** on defining and measuring housing affordability.<sup>24</sup>

NILGA acknowledges that the current definition is a result of the affordable housing products available at the time of its development (social rented housing and shared ownership housing), however NILGA believes it is imperative that an updated definition does not just seek to update the types of affordable housing products available, but instead reviews affordable housing in a wider context of affordability on a local and individual level.

**NILGA agrees that a revised definition of Affordable Housing should be non-product based.**

A recent briefing paper from the House of Commons Library (May 2019) considers how affordable housing is defined in England and it looks at key trends in the affordability of different tenures. The briefing paper suggests that the failure to link affordability with real income levels and prices within a locality results in definitions which ‘lack credibility’.<sup>25</sup>

Drawing on the emerging research and policy in other jurisdictions, it may be useful for the Department to consider the key trends and affordability issues applicable to Northern Ireland prior to developing an updated definition of Affordable Housing. If approached in the appropriate way, an updated definition of affordable housing has the potential to help address the current housing issues which Northern Ireland faces and more importantly has the potential to make a real difference to the lives of those struggling to afford a home.

**NILGA recommends that the Department undertakes a comprehensive assessment of housing affordability concerns across all tenures in Northern Ireland, and also recommends that policy development on the definition of affordable housing is clearly and directly linked to this evidence base.**

NILGA agrees that it is imperative that public resources are targeted to greatest effect given the current funding environment, and welcomes the Department’s desire to address housing challenges collaboratively with the NIHE, Housing Associations, councils, private developers and private landlords, lenders and the advice sector.

## **5.2 Do you agree with the overarching principles and objectives which have been identified?**

NILGA notes the overarching principles and objectives which have been identified for the Definition of Affordable Housing and looks forward to better understanding how these will be reflected in the final policy. However, the lack of detail in the consultation paper including no clear definition for ‘housing stress’ limits consideration of these to some degree.

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<sup>24</sup> Affordable Housing Commission (2019) Defining and measuring housing affordability- an alternative approach.

<sup>25</sup> House of Commons Library Briefing Paper, Number 07747, 20 May 2019; What is affordable housing?

NILGA supports the delivery of the six objectives outlined within the consultation paper; however the organisation notes that the overarching principles and objectives are weighted in favour of supply. Only one of the six objectives refers to the household;

*'To target our resources on those households who need help to access suitable and affordable housing'*

Given that the Department links the definition to two indicators; one which relates to households in housing stress and another which relates to supply, the Department may wish to consider the **balance of the overarching principles** and objectives in relation to achieving the draft PfG outcomes and indicators equally, and may wish to include an **additional objective aimed at households in housing stress**. The Department may wish to consider an objective such as:

*'To greater understand the affordability concerns of households in, or at risk of being, in housing stress.'*

It is also noted that the suggested affordable housing models provided focus on people wishing to buy their home, with no clear suggested option for those who wish to remain in social or private rented homes.

NILGA members would have serious concerns in relation to reliance on private developers being used to fill the existing housing gap, and some of our councils would prefer a focus on purchase of existing vacant buildings/retrofitting or construction of new homes, specifically for the social rented sector.

### **5.3 Do you agree with the proposed revised definition?**

#### Non-Product Based Definition

NILGA agrees that the proposed **new definition should be non-product based** and the organisation would encourage the Department to take a non-product based approach in defining affordable housing.

NILGA recognises the work which the Department has done thus far in relation to affordable housing and supports the need for a revised definition; however the proposed definition which has been put forward by the Department could be interpreted as being product based. The consultation paper outlines examples of recognised affordable housing products currently available in Northern Ireland, in addition to offering examples of potential affordable housing options. The Department may wish to review the proposals to **ensure they meet the stated approach of being non-product based**.

#### Clarity Required

NILGA notes that there are **two proposed definitions** released by the Department, and it is unclear whether there has been an error in one of the documents containing these. There is a difference between the Definition of Affordable Housing **Consultation Paper** and the **Impact Screening Assessment** for said consultation.

The Section 75 Policy Screening Form states that “*the proposed definition, as outlined in the consultation paper is as follows:*

*Affordable housing is housing provided for sale or rent outside of the general market, for those whose needs are not met by the market. **It should be provided at such a level that it does not place a household under undue financial pressure because of housing costs.** Affordable housing which is funded by Government must remain affordable or, alternatively, there must be provision for the public subsidy to be repaid or recycled in the provision of new affordable housing.”<sup>26</sup>*

The proposed definition in the Consultation Paper does not include the middle sentence (highlighted above in bold), which relates to affordability in relation to a household’s income. NILGA notes that the proposed definition in the Consultation Paper also does not include reference to “eligible households” which is contained in the current definition of affordable housing within the Strategic Planning Policy Statement (SPPS).<sup>27</sup>

**NILGA is of the view that the Department should develop a revised definition of Affordable Housing which relates to housing costs and household income.**

NILGA agrees that “*Affordable housing which is provided by Government must remain affordable or, alternatively, there must be provision for the public subsidy to be repaid or recycled in the provision of new affordable housing*”, and believes that this should remain an important part of the proposed definition.

NILGA acknowledges that the aim of the Consultation Paper is to **capture initial thoughts** on affordability and we are confident that the Department will further consider how housing costs can place a household under financial pressure and housing stress.

NILGA recommends that the Department considers the emerging work done by the Affordable Housing Commission, and the organisation offers the following useful additional evidence which the Department may wish to consider.

#### Defining Affordability

NILGA acknowledges the different definitions of affordable housing and affordability, and would like to **highlight wider thinking** on the issue which the Department may wish to consider.

According to dictionary definitions, something is affordable if it is ‘*believed to be within one’s financial means*’ and to afford something means ‘*to be able to do or spare something without risking financial difficulties or undesirable consequences*’.<sup>28</sup> Focusing on the tenant experience, Shelter have

<sup>26</sup> Department for Communities (June 2019) Definition of Affordable Housing Section 75 Policy Screening Form Accessed on 27<sup>th</sup> August 2019 at <https://www.communities-ni.gov.uk/sites/default/files/publications/communities/dfc-equality-definition-of-affordable-housing.pdf>

<sup>27</sup> Strategic Planning Policy Statement for NI (September 2015) [https://www.planningni.gov.uk/index/policy/spps\\_28\\_september\\_2015-3.pdf](https://www.planningni.gov.uk/index/policy/spps_28_september_2015-3.pdf)

<sup>28</sup> Collins online dictionary [www.collinsdictionary.com](http://www.collinsdictionary.com)

defined affordability as when ‘you can afford to live in it: when you can pay the rent or mortgage without being forced to cut back on the essentials or falling into debt’.<sup>29</sup>

### Income

NILGA believes that it is imperative to consider income in relation to affordable housing and the ability of a household to access and sustain a home after housing costs.

### *Joseph Rowntree Foundation*

The **Joseph Rowntree Foundation** links affordability with poverty, and explains that the main poverty indicator is when someone lives in a household whose **income after housing costs**, is less than 60% of median income, adjusted for their household size and type.<sup>30</sup>

### *Housing Market Symposium*

The **Housing Market Symposium** report outlines that the cost of housing and its affordability for a particular household is an important issue. The Report also highlights that there has been a considerable amount of research undertaken in NI and elsewhere in the UK and further discusses the research by Ulster University in relation to new models of measuring affordability. The Report briefly outlines differing approaches to measuring affordability across England, Wales and Scotland, and **asserts that affordability in its wider sense should cover a household’s ability to sustain its owner-occupancy/tenancy in financial terms.**

### *Affordable Housing Commission*

The **Affordable Housing Commission** (AHC)<sup>31</sup> proposes a new measure of housing affordability, “Rather than focusing on market rents and house prices it defines and measures housing affordability as being what people can afford, be it to rent or to buy.”<sup>32</sup>

The approach of the AHC replaces existing market-based definitions and instead views affordability from the “perspective of who is facing housing stress and under what circumstances.” The new measure is based on an affordability threshold (30% of household income for those in work) as opposed to the ‘Affordable Rent’ product, which defines affordable housing as 80% of market rent regardless of household income.

The Affordable Housing Commission recommends an affordability threshold of 30% of household income; however recent research in Northern Ireland by the Nevin Economic Research Institute has identified other measures of affordability such as the ‘residual income measure.’

### *Nevin Economic Research Institute*

The **NERI** Research Working Paper (April 2018) deems that “widely utilised measures of affordability can be blunt instruments to measure housing sufficiency”,<sup>33</sup> and expresses that the housing cost to

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<sup>29</sup> Bibby, J. (2015) What is ‘affordable housing’? Shelter Blog. Accessed on 29<sup>th</sup> August 2019 at <https://blog.shelter.org.uk/2015/08/what-is-affordable-housing/>

<sup>30</sup> Joseph Rowntree Foundation (2018) Poverty in Northern Ireland 2018, JRF Briefing

<sup>31</sup> The Affordable Housing Commission (AHC) is an independent, non-partisan group established to examine the causes and effects of the affordability crisis, and how it relates to tenure, place, demographics, incomes, wealth distribution, life chances, as well as the social and economic impacts, explore and propose workable solutions, raise awareness of the concerns and solutions; engage stakeholders & build a consensus for change

<sup>32</sup> Affordable Housing Commission (2019) Defining and measuring housing affordability- an alternative approach

income ratio measure does not consider whether the income available after housing costs is adequate to meet non-housing costs. As such, a '**residual income measure**' is advocated, which defines housing as affordable if a **household is able to afford to meet their other essential needs after paying for the cost of housing**.

The Research Working Paper from the Nevin Economic Research Institute highlights the relationship between housing costs, income and living standards and it explains that given that housing costs are often the single biggest expenditure, a person's housing have the potential to affect a wide range of other outcomes.

Housing affordability and affordable housing challenges affect a household's ability to pay for food, utilities, transportation to work, health and childcare expenditures, as well as reducing savings for emergencies, retirement and other opportunities such as pursuing higher education. These challenges may result in decreased opportunities and a lower overall quality of life.<sup>34</sup>

#### Quality of Housing

The Affordable Housing Commission's research<sup>35</sup> is comprehensive and it recognises the **different ways in which different groups of people experience housing stress** whilst examining other issues including housing quality, overcrowding, adequacy of Housing Benefit, household size and regional variations. NILGA considers it important that these issues are factored into the assessment of affordable housing and advocates that **housing affordability cannot be separated from a discussion on housing quality and standards**.

A recent literature review<sup>36</sup> of rent affordability found that all definitions agree that affordable housing should secure affordable rents for some given standard of housing in terms of quality. The Scottish Government defines affordable housing as "housing of a **reasonable quality** that is affordable to people on modest incomes"<sup>37</sup>

Consideration should be given to the standard and quality of homes which are realistically affordable to those on low incomes. Monitoring and maintaining good housing conditions for all households in all tenures is necessary. Bad housing conditions affect health and may have long term effects on incomes and employment, therefore affecting a household's ability to meet housing costs.<sup>38</sup>

**NILGA believes that policy development on the definition of affordable housing should be directly linked to the quality and standards of housing across all tenures.**

#### Across all tenures

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<sup>33</sup> Mac Flynn, P. and Wilson, L. (2018) Housing in Northern Ireland: Implications for Living Standards and Poverty, NERI WP 2018/No 52, Dublin: Nevin Economic Research Institute

<sup>34</sup> Katrin B. Anacker (2019) Introduction: housing affordability and affordable housing, International Journal of Housing Policy, 19:1, 1-16,

<sup>35</sup> Affordable Housing Commission (2019) Defining and measuring housing affordability- an alternative approach

<sup>36</sup> Scottish Government (June 2019) Rent affordability in the affordable housing sector; A Literature Review

<sup>37</sup> Scottish Government (June 2019) Rent affordability in the affordable housing sector; A Literature Review

<sup>38</sup> Scottish Government (June 2019) Rent affordability in the affordable housing sector; A Literature Review

Given the housing pressures across all housing sectors, the Department may wish to consider a revised definition which reflects Government's responsibility across all tenures. The **Housing Market Symposium 2017**, which was established in response to the same PfG outcomes and indicators as are related to the affordable housing definition, states that there has been an **emphasis on market-based solutions in recent decades and recommends that housing policy should encompass the sector as a whole**, rather than its constituent parts.<sup>39</sup>

Additionally, specifically in relation to 'low cost housing without subsidy', the likelihood of delivery of such a scheme is low due to its unattractiveness to the private developer, and is not a viable option for sustainable social rented homes. It may be an option for intermediate housing.

#### **5.4 *Are there other products that we should consider for inclusion as examples of affordable housing?***

NILGA believes that it may be premature to consider affordable housing products in advance of both developing a baseline of the affordability issues faced by people who need access to affordable housing and agreeing a definition. In our view, it would be beneficial for the Department to carry out a **robust assessment of affordability across all sectors**, and to **meaningfully engage with stakeholders** with regards to experiences, issues and challenges of affordable housing.

**NILGA recommends that the Department establishes a stakeholder group; to engage with those who have experience across the sectors, and to carry out a comprehensive assessment of affordability issues in Northern Ireland. We would particularly highlight that the existing range of options available and accessible to clients in terms of social rented homes in areas such as Mid-Ulster, is seriously inadequate.**

#### **5.5 *Are these the right target groups or are there other groups we should consider?***

Whilst the Department's definition details four broad target groups (First Time Buyers/Returnees to the Market, Active Older People, People with disabilities and Lower Income households), it appears to **limit its focus to intermediate housing** and therefore does not take account of a wide range of householders in the owner occupier, social and private sectors.

The Consultation Paper for the definition of affordable housing does not make it clear **how or why these particular target groups were chosen**, and/or why the target groups have been limited to intermediate products.

It is particularly unclear why the Department have chosen Active Older People as a target group. NILGA understands this to be quite a wide group of people with varying affordability needs. It may be more appropriate to adopt an approach which is more targeted. We accept however, that affordable specialist accommodation for elderly people will need to form part of any solution, as will accommodation focussed on 'supported living' provision.

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<sup>39</sup> Department for Communities (January 2018), Housing Market Symposium 2017, Final Report and Recommendations

NILGA believes that a robust assessment of affordability in Northern Ireland would assist the Department in identifying appropriate target groups, and consideration of inequalities in housing would inform the decision-making process for this.

The Affordable Housing Commission provides a proactive and interventionist **‘people based’ approach** in considering affordable housing, which is tenure neutral and provides an inclusive definition and measure of affordable housing. This includes Struggling Renters, Low income older households, Struggling homeowners and Frustrated first time buyers. **NILGA recommends that the Department consider adopting a similar approach in identifying target groups.**

#### Low Income Households

NILGA supports the inclusion of lower income households as a focus for affordable housing and as one of the target groups.

This group of low-income householders are highlighted in the Nevin Economic Research Institute (NERI) research paper, which assesses the sufficiency and affordability of housing in Northern Ireland and the **implications which housing costs have for living standards**. It is clear that housing costs have a significant impact on the living standards of particular groups, specifically for *“low income households in the private rented sector, who face a particularly high housing cost burden and a high risk of poverty.”*<sup>40</sup>

NILGA agrees that it is important to include target groups within the definition of affordable housing and the Department may wish to consider other evidence bases such as the research which informed the Equality Commission’s Key Statement on Inequalities<sup>41</sup>, research referred to throughout this response by the Joseph Rowntree Foundation, the Nevin Economic Research Institute and recent research by Julie Rugg<sup>42</sup> which identifies the inequalities for those living in the private rented sector.

## **6.0 Next Steps**

NILGA believes that reviewing the definition of affordable housing is one of the **most important emerging policies in Northern Ireland**, and welcomes the opportunity to respond and participate in further discussion on the issue.

The Department may wish to **establish a stakeholder group** to meaningfully engage with those involved in all aspects of affordable housing. The establishment of an Affordable Housing stakeholder group would enable early discussions around the **aims and purposes of a definition** and would

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<sup>40</sup> Mac Flynn, P. and Wilson, L. (2018) Housing in Northern Ireland: Implications for Living Standards and Poverty, NERI WP 2018/No 52, Dublin: Nevin Economic Research Institute

<sup>41</sup> Equality Commission for Northern Ireland (2017) Key Inequalities in Housing and Communities

<sup>42</sup> Rugg, J. and Rhodes, D. (2018) The Evolving Private Rented Sector: its Contribution and Potential, University of York, Centre for Housing Policy.

inform further research and recommendations on the issue from a broad spectrum of knowledge and experiences.

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