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Social Housing in Northern Ireland

What does the future hold?

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SUMMARY

Social housing in Northern Ireland faces unique challenges over the coming years in terms of capacity, finance and delivery. Moreover there are questions over the structure of organisation who deliver social housing and how that could be amended to best suit future needs.

This *InBrief* looks to evaluate current social housing policy and whether Northern Ireland should look beyond the UK for best practice.

KEY POINTS

- Northern Ireland is not at present providing an adequate supply of social housing.
- Schemes for tenant purchase of social housing have depleted stock and should be suspended.
- The reclassification of Housing Associations as public bodies disrupts the current financial model and calls into question the future role of the NIHE
- There should be a broader role for Housing Associations beyond providing for low-income households.

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Research for new economic policies

Background

As in the rest of the United Kingdom social housing in Northern Ireland is provided by both the state and the non-profit private sector or Housing Associations (HAs). However distinctively in NI the provision of state social housing is not administered through local authorities (LAs) but rather centrally by the Northern Ireland Housing Executive (NIHE). For many years leading up to the creation of the NIHE there had been public unrest about the allocation and maintenance of social housing by NI's 65 councils (NIHE, 1999). In 1971 the NIHE was created to take over the policy functions and obligations of LAs along with almost 150,000 units across NI.

HAs in one form or another are a key feature of the delivery of social housing across Europe. Generally HAs are described as private non-profit providers of low cost or affordable housing. At UK level, their legacy stems from philanthropic trusts of the Victorian era such as Peabody Trust (Heywood, 2013). Since the late 1980's HAs have become the predominant provider of social housing in Great Britain following mass stock transfers from local authorities. The Thatcher government decided to prevent local authorities from using local taxes to provide housing as this was considered to be unfair competition with the private sector. Subsequently local authorities transferred over 1.3m homes to HAs between 1988 and 2007 (Pawson et al, 2009).

While HAs play a significant role in social housing in NI, the same level of stock transfer did not take place. Despite recent moves to begin small scale stock transfer, NI has consistently the lowest HA provision of social housing among the four UK nations (ONS, 2014). The NIHE stopped building new properties in 1996 and since then all new social housing construction has been undertaken by HAs with significant grant funding from the Department for Social Development.

Current Provision and Need

The latest Northern Ireland Housing Statistics show that NI has over 767,400 dwellings, averaging to 417 dwelling per 1,000 population (NISRA, 2015). Social housing provides for just over 15 per cent of all households and just over one third of that is supplied by HAs with the remainder provided by the NIHE.

The current waiting list for social housing in NI stood at just under 40,000 in 2014/15, with 10,157 in Belfast alone. Just over half of those on waiting lists were deemed to be in housing stress with 19,621 people presenting themselves as homeless in the same period. Despite this just fewer than 11,000 allocations were made in 2014/15. Of all 85,771 social housing tenants, 80 per cent are in receipt of Housing Benefit. The average rent for a NIHE tenant in 2014/15 was £63 per week, some £10 cheaper than HAs.

The 2011-15 Programme for Government set out to achieve 6,000 new social housing units and this target was achieved. However as Muir (2015) points out the estimated need for new social housing units is 2,000 per annum, so while the government may have reached its own target, the overall need is unmet.

Stock of Social Housing

There are significant concerns over the ability of the Social Housing Development Programme (SHDP) to meet the required need in NI. However the ability to retain current stock needs to be strengthened before exploring ways of boosting supply. The 'Right to Buy' (RTB) scheme introduced by the Thatcher government in 1980 gave long standing tenants in social housing the right to purchase their home at a discount. Since 1980 30 per cent of social housing tenants in Great Britain exercised that right and between 1981 and 1998 some 2.2 million homes were sold (House of Commons Library, 1999). The scheme that was introduced in Northern Ireland saw the NIHE lose 117,000 properties over the same period (NIA, 2010). Changes made to the

maximum discount rate and the rapid increases in house prices stalled the volume of sales after 2000.

The UK coalition government sought to revive the scheme in 2012 and it was subsequently announced in the 2015 Queen's Speech that the new Conservative government will seek to extend the RTB scheme to some 1.3 million tenants in HA properties in England. Such a policy, if introduced, would dramatically reduce the overall stock of social housing across England.

The government in Scotland have taken a markedly different approach to social housing and from August 2016 the RTB' scheme in Scotland will be suspended (SG, 2014). This raises an important issue for policymakers in NI. Since the introduction of RTB in 1981 new building of social housing has failed to even come close to matching the outflow properties. In 1981 NI had a housing stock of 502,000, 39 per cent of which was classified as social housing. In 2014/15 NI had 767,400 dwellings only 15 per cent of which are classified as social housing.

Given the growth of the economy and rising incomes, it is perhaps not surprising that the need for social housing has diminished somewhat since the 1980s. However it is clear that given the current waiting list and shortfall in output, the current stock needs at the very least to be maintained.

Financial Uncertainty

As mentioned previously, the NIHE has devolved its responsibility for new social housing to HAs since 1996. The logic of this is that, as private non-profit bodies, HAs can access much needed private finance in order to take on new building projects. This was the reasoning behind the stock transfer that took place between LAs and HAs in Great Britain post 1988. However HAs do receive significant financial support from the state and the government has a substantial role in the regulation of the sector. This led to a recent decision by Office for National Statistics to reclassify

HAs in England as public bodies thus adding their debt to the General Government Balance.

If the same ruling is made regarding NI it calls into question the role of HAs leading the social housing building programme for NI. It would certainly remove the impetus to break up the NIHE and create a number of large HAs out of its stock (DSD, 2013). If anything this decision would undermine the objections to the NIHE beginning to borrow and issue its own bonds for new development. While HAs should have a continuing role, the NIHE as the largest social landlord has, by far, the greatest number of assets with which to lever external finance. Many HAs lack the scale and the institutional capability to engage in large scale borrowing. Furthermore, as a public body the NIHE has accountability to Government that HAs lack. If HAs in NI are reclassified, any new debt they issued would be public borrowing. Under these circumstances greater public accountability becomes a necessity.

A Broader Role for Housing Associations

As mentioned earlier, HAs are a feature of the housing market in most European countries. However they can play a more enhanced role and in some cases directly compete with the private sector driving down both prices and rents.

In Austria, for example, the rental sector accounts for just over 40 per cent of all households. The private rental sector accounts for 18 per cent, but it has recently been overtaken by the social housing sector which accounts for 22 per cent. Only 9 per cent is accounted for by municipalities, with 13 per cent provided by HAs (Amann & Mundt, 2005). In Austria social housing is not confined to providing for purely low-income households, it seeks to actively compete with the private rental sector moderating rent increases and maintaining adequate supply.

In the Netherlands HAs have become financially independent of government, save for loan guarantees. While municipal

authorities may provide land at sub-market rates, new developments are funded through private finance (70-80%) and the association's own financial resources for the remainder (Cahill, 2014). Interestingly while HAs usually provide about one third of new builds, during the downturn they provided almost two thirds of new developments. Such a counter-cyclical role for HAs could be beneficial in NI, given the level of volatility experienced in the housing market in recent years.

There have been suggestions that HAs should enter the owner occupier market as a mechanism for boosting supply in that sector while providing additional finance for social housing (Walker, 2014). Such a policy move could lead to mission creep i.e. distracting HAs from their primary function, but HAs could take a role in developing affordable housing in the owner occupier sector and provide much needed competition to private development. Rather than merely taking over the social housing functions previously carried out by the state, HAs could extend their appeal and provide greater stabilisation in the wider housing market.

Conclusion

NI has created a distinctive social housing model, but many of the challenges faced are similar to those of other UK regions. Schemes like RTB have depleted the supply of social housing to the point where it struggles to meet demand. Reclassification of HAs as public bodies would create a case for the NIHE to reassume its role of both financing and providing new social housing development. HAs in turn should seek to expand their role beyond low-income households and challenge the private sector in order to limit volatility and unaffordability in the wider housing market.

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