



1. Background

On 3 November 2020, the then - Communities Minister [introduced](#) plans for reform of the housing sector to the NI Assembly. She began with a **focus on social housing**. She talked about plans to revitalise the Housing Executive, increase social housing targets, reintroduce ring-fencing and identify surplus public land and concluded, "I will revitalise our social housing. I will make it work better, and I will make sure that there is a lot more of it".

She then moved on:

as well as increasing the supply of social housing, I will expand the rental options available by introducing **intermediate rent** here. That will provide an additional supply of good, well-managed and maintained homes that are affordable for lower-income people and families.

The DFC [consultation paper](#) follows on from her November 2020 remarks, though differing in significant ways. Where she said, "intermediate rent homes can be a stepping stone for some into low-cost homeownership", the DFC paper makes clear that the proposed model is not as a pathway to home ownership -- except indirectly, by allowing "those on lower incomes an opportunity to pay lower rents in order to better make ends meet or to save for a deposit to access market rent or low cost home ownership" (DFC, 4.1). What is suggested by the DFC paper is a pure rental model, aimed at "those **awaiting the allocation of a social home**, looking for a sound rental option outside the public housing realm, or those who are intent in future on seeking to enter home ownership but are not yet purchase-ready" (DFC, 4.15).

It is important to note that the proposal comes alongside an ongoing **social housing development programme**. The budget allocation for new social homes for 2021-22 [rose by £26m](#) -- nearly one fifth -- on the 2020-21 figure, to £162m. Another DFC consultation, on a draft [Housing Supply Strategy](#) "to deliver 100,000 plus homes over its 15 year lifetime", including at least one third social homes, was announced yesterday.

2. Summary of what is proposed

The proposal is aimed at reaching a particular '**intermediate rental market niche**' (CaCHE research report, 1.9) in the housing market, as outlined below.

Who would it be for? Growth in the private rented sector over the last ten years has reportedly been mainly driven by two age groups: the 16-to-25 year olds and the over 65s (CaCHE, 3.17). Amongst these, the consultation paper says,

there may be 50,400 households paying 25% or more of their income in rent in the PRS [private rental sector] and, of them, 20,000 paying more than 40% (DFC, Executive Summary, 8).

The intermediate rent policy is aimed at benefitting some private renters paying more than 25% of their income. Rents would be set **from 80% of market rents**, in hopes of "a significant impact on rental affordability, pushing nearly a third, 16,000 tenants, back below the 25% affordability line" (DFC, Executive Summary, 8).

Where would it run? The intermediate rent model is aimed at people living in areas with large gaps between housing association rents and private sector rents -- the "prima facie locations"¹ for the model -- who do not have enough points under the Housing Executive social housing allocation system "to have a realistic chance of accessing social housing in an area of choice" (DFC, 1.2, CaCHE 6.1).

As such, these target areas are areas of high housing demand, where households need a high number of points to feasibly get allocated a social home and where rental prices are high.

The scheme could incorporate a range of property types, from new build to 'off the shelf purchase', standalone or mixed tenure, refurbishment, and greenfield / brownfield (DFC 4.4, 4.17).

Where would the money come from? The DFC emphasise that this model is not to the detriment of commitments around social housing. Block grant funding would be "steered wholly towards social housing" (DFC 4.4), and the model would instead rely on Financial Transactions Capital, allocated separately by the UK Treasury under strict conditions² and administered by the NI Department of Finance (DFC 3.4 - 3.10).

FTC funds would be made available through "long-term soft loans from HM Treasury with a discount on the repayment (part of which can be shared by the Department of Finance and the policy operating Department)" (CaCHE 4.8).

In addition, to ensure that the model is economically sound, the DFC's consultation paper asserts that "where there is demonstrated need and where viability cannot be achieved due

¹ Identified in [a DFC-commissioned research paper](#) as "the Greater Belfast Area (including Lisburn and Castlereagh), Derry/Londonderry and Ards and North Down".

² FTC can only be disbursed to the private sector, in the form of equity investment or loans that must be repaid over time (DOF [2021-2022 budget](#), 3.11)

to other factors, the Department will also look for opportunities to apply flexibilities, such as the provision of **public land** on favourable terms" (4.24).

How would it work? The DFC set the starting point for the proposed intermediate rent at up to **80% of the local market rent** in the development locality (DFC, 4.21).

While the CaChE research paper had proposed

setting the rent so that it falls within a range of 67% to 85% of the going local market rent for the same size of property, with the ratio being as low as required **to meet the 25% rent to income threshold** (CaChE, 4.20)

the DFC proposal in the consultation paper does not explicitly commit to that. Instead it says only that

in locations where the differential between market and housing association rents is more pronounced, **there may be merit** in applying rent setting flexibilities to allow rent rates at less than 80% of market rents. The Department intends to work closely with the appointed programme operator around the detail of how and where such flexibilities might be applied. (DFC, 5.9)

The standard Intermediate Rent **tenancy would be five years** (DFC, 2.5), with tenants able to remain on the social housing waiting list during that time if they so wish (DFC, 5.2)

Homes would be **allocated** on a 'first come, first served' basis amongst those meeting initial income and points eligibility criteria (DFC, 5.3)

Who would run it? Due to concern for economies of scale, the entire programme would likely be run by a newly-established, dedicated Intermediate Rent programme operator (DFC, 2.6, 4.5), most likely a "private or social enterprise organisation with housing delivery experience, or through a charitable trust" (DFC, 6.5). (Housing associations were [reclassified](#) as private non-financial corporations in October 2020, but the background research paper pointed out that some may perceive the model as being "outside of their social mission" (CaChE, 5.15).)

3. Analysis and key issues

In its [General Comment 4](#), the UN Committee on Economic, Social and Cultural Rights has published guidance on what the right to adequate housing entails. With regards to the principle of **affordability**, it explains that

personal or household financial costs associated with housing should be at such a level that the attainment and satisfaction of other basic needs are not threatened or compromised. Steps should be taken by States parties to ensure that the percentage of housing-related costs is, in general, commensurate with income levels.

3.1 PPR is concerned that the **equality screening** on this policy found no adverse impacts on any category, despite the fact that the policy focuses on intermediate products for people with few housing points rather than those facing the greatest housing inequalities.

In particular, the following Section 75 groups risk being affected by the apparent decision to **tie intermediate rental products to market rates rather than household income**:

- religious belief (as in areas such as [North Belfast](#) and [West Belfast](#), housing need is [concentrated](#) in predominately Catholic areas, which also, as demonstrated by NISRA data, face severe income deprivation levels)
- age (as the [children living in households](#) in the greatest housing need are developmentally impacted by the living conditions they grow up in)
- gender and marital status (per, inter alia, recent research by Shelter finding that **significantly more women than men** who rent privately feel anxiety about their housing -- nearly one half of women renters versus one third of men; the head of Shelter [said](#), "with a scarcity of decent social homes, [women, and especially single mums](#), are more likely to be pushed into poor housing").

The equality impact of the proposed policy on these groups merits greater attention than it has received by the Department to date. **PPR urges the Department to review the decision to "screen out" this policy under section 4.16 of the Department's equality scheme.**

3.2 The main concern about the proposal is that -- despite having the time and space to learn from the what has happened on the ground elsewhere -- it **appears to overlook the flaws in the intermediate rent schemes** already implemented across the UK.

In this consultation, while mentioning that the target group pays over a quarter of its monthly income on rent, the DFC paper does not flag the possibility of pegging rents to incomes rather than market rates; in its proposal, barring a vague mention of possible 'flexibilities' in 'locations where the differential between market and housing association rents is more pronounced' (5.9), only market-based rents are mentioned. The experience of the very many households across the jurisdictions reviewed by the DFC paper who cannot afford their so-called 'affordable' market-based rent does not figure.

This is worrying. In its [final report](#) (March 2020), *Making Housing Affordable Again: rebalancing the nation's housing system* (p. 15), the UK's Affordable Housing Commission

proposed "a new definition and alternative measures of housing affordability, ***focused on incomes and personal circumstances, rather than market prices***" (emphasis added). While the DFC paper includes some information about intermediate rent policy and practice elsewhere in the UK, it does not critically analyse these or draw on lessons learned. Its proposal, on face value, appears to be for more of the same.

Numerous reviews and studies have echoed the finding that, to be truly affordable, rents much be pegged to income rather than market rates. To give one very recent example, the unaffordability of private sector rents pegged to market rates is part of a ['policy black hole'](#) identified in October 2021 by the Joseph Rowntree Foundation:

the government's 'Affordable Rent' scheme, introduced in 2011, which sets rents at up to 80% of the market rate, ***is only affordable to a quarter of the 956,000 families paying private rents they cannot afford.*** (emphasis added)

[JRF research found](#) that 'affordable rents' as a policy response have been woefully inadequate:

'Affordable rent' homes have made up around half of the homes offered through the Government's Affordable Homes Programme (AHP). While 'affordable rent' dwellings are cheaper than average private renting properties, they are priced at up to 80% of market rents ***rather than being tied to households' incomes, and as such remain unaffordable for many.*** (emphasis added)

It continued,

New JRF analysis has modelled the impact of moving low-income private renters currently unable to afford their rents into 'affordable rent' housing and found that 'affordable rents' would be affordable for just a quarter (25%) of these households. The other three-quarters – 695,000 households – would find 'affordable rents' too expensive. It is clear that 'affordable rent' – the Government's preferred 'low-cost' rental product – isn't the solution for the majority of low-income renters. (p. 10)

The solution JRF have [identified](#) -- "the most affordable rental product" -- **is more social housing**³:

JRF modelling has found that moving low-income private renting households in rental unaffordability into a social rent dwelling would lift over half a million households (552,000) and 1.6 million people out of unaffordability and reduce the pressures of paying high rents for the vast majority of the other half a million households. For these households, **moving into a social rent dwelling would leave them on average £50 a week better off, increasing their household budget by 20%, putting money back into their pockets to spend elsewhere, and reducing the number of trade-offs required on other essential services and goods** for their household. Even for those not lifted out of rental unaffordability, by our definition, social rent dwellings would reduce the depth

³ with rents typically set at around 50% to 60% of market rents.

of unaffordability they are in and go some way to alleviating the financial pressures they are under. (p. 14)

This was also echoed in recent [new research](#) from the Chartered Institute for Housing and the Centre for Homelessness Impact in England, where "there are 1.2 million PRS households with low incomes and high rents" (p. 10). The study asked "whether investing in **building social rented homes, in those areas where the gap with private rents is greatest, would provide better value for money**, by enabling renters to change sectors and claim less – or no – housing benefit" (p. 11). The research found that

moving each benefit claimant out of a private letting and into a social rented unit saves about £1,100 per year in benefit payments... the cost to the Exchequer of a new tranche of investment in social rented homes can be offset by the savings in benefit and temporary accommodation costs, if all or the majority of these homes were allocated to households who would otherwise be housed in the private rented sector (p. 5).

Interestingly, the DFC-commissioned CaChe research (4.20) recommended making the 80% rate flexible enough to meet target rent-to-income ratios, and also pointed to affordability issues:

We recognise also that COVID-19 specifically has increased housing need through loss of income and work, illness, relationship breakdown and homelessness. These factors all increase affordable housing need across a wide range of households and strengthen the underlying case for a wider portfolio of affordable renting, including intermediate rent. (4.8)

But the consultation paper itself did not spell out whether, or how, this would happen. The 'flexibilities' (5.9) it referred appeared to be considered more an exception than the rule, and would definitely require greater transparency and accountability that envisaged by "the Department intends to work closely with the appointed programme operator around the detail of how and where such flexibilities might be applied". These are important programme elements that deserve scrutiny and full public oversight.

The wealth of evidence about the pitfalls of existing intermediate rent schemes, and most importantly the need to peg affordability to income rather than market rent, is absent from the DFC proposal. People here must be able to benefit from the lessons learned in other jurisdictions, a few of which are cited above. "Flexibilities" in the system must be integral to it, and must be subject to full public knowledge and oversight rather than left to a private or semi-private "appointed programme operator".

3.3 The '**intermediate rental market niche**', by definition, excludes those with the greatest objective need, focusing on those who can afford 'intermediate' products. Like the DFC's 'affordable housing definition' consultation, the proposed policy aims to benefit those who are at the low end of the social housing points scale and therefore unlikely to be allocated a home in a high-demand 'area of choice' (DFC 4.25). By definition this means that they are not

amongst the [over half of waiting list families](#) who have been recognised as Full Duty Applicant **homeless** (which warrants 70 points in the points-based allocation system).

A [human rights based approach](#) -- in tandem with to NI duty bearers' Section 75 obligations around equality of opportunity -- means that [priority must be given](#) to the most marginalised and excluded, those facing the sharpest inequalities. This policy does not meet that test.

This and any other 'intermediate product' policy must be accompanied by robust policies targeting those in greater objective need: households, particularly those with children, which are homeless and/or in housing stress.

3.4. Despite repeatedly asserting that this policy would in no way **detract from social housing**, either financially or in any other way, clear concerns remain, as recorded in the accounts of 'sense-checking' interviews (CaChE 5.3, 5.14 etc).

To mention just one potential area of harm, the DFC's new definition of affordable housing includes intermediate housing for rent (DFC 3.6), meaning that provisions like that in the Belfast draft Local Development Plan, that 20% of all new residential development be 'social or affordable', could be met by IR, **displacing or overriding potential social housing** in those developments.

The CaChE research mentioned this issue but did not resolve it:

There was concern expressed that intermediate rent might displace social renting within affordable housing agreements on LDPs, as part of a wider set of questions raised by a third sector stakeholder who was concerned about intermediate rent being developed at the expense of social housing and households in greater need. (5.14)

The DFC, having chosen to expand the definition of affordable housing, must make plain how Local Development Plan '20%' commitments will work in practice -- including how it will ensure that social housing is not given short shrift by developers opting instead for the widening range of (potentially more lucrative) 'intermediate' alternatives.

3.5 There was also concern about

the potential for creating **two 'classes' of tenant**, e.g., within shared housing developments which featured housing for social and intermediate rent (depending on the service standards that are to be met) (CaChE, appendix 3 p. 79).

This is another area where this is [evidence from elsewhere in the UK](#) of misguided housing policy creating unprecedented inequalities amongst tenants from different tenures.

Given the SPPS emphasis on 'mixed tenure' development, and the wider context of section 75 equality duties, it is unacceptable that this issue, raised in the background research paper, was not addressed head on in the consultation document.

3.6 The consultation paper says repeatedly that the intermediate rent model is aimed at tenants who cannot afford home ownership but who lack enough points to have a realistic chance of accessing social housing in an 'area of choice' (DFC 4.25 etc).

The problem with this characterisation is that the shortage of social homes in areas of high demand is not a given over which the Housing Executive and the DFC have no control -- it is a result of a situation they have both the power and the responsibility to address.

PPR's new mapping tool (www.takebackthecity.ie) shows that there is publicly-owned land available in and adjacent to areas of high housing need. That it has remained unused reflects lack of political will.

If demand for social housing outstrips supply in key areas, then housing authorities must do more than use that as a reason to use public funds -- and by some accounts, public land -- to build private rentals.

Housing authorities must use all their powers -- including accessing public land, vesting of private land and ring-fencing, as described by the Communities Minister in her [Assembly speech](#) on housing reform -- to first increase social housing supply in areas of need. If housing authorities can find scope and space for new intermediate private rentals in these areas, then there must also be scope for social housing -- and this must obviously be given first priority, not least on grounds of greater objective need.

3.7 The references to "flexibilities such provision of **public land** on favourable terms" (DFC, 4.24) and "subsidy flexibilities such as low-cost public land" (CaCHe, 6.9) are enormously problematic. As described above, the programme would target areas which are by definition areas of high social housing need and high demand.

Any public land available in these areas must -- in line with the Communities Minister's assertion in November 2020 -- be first used for social housing.

3.8 Another problematic area was around **regulation**. In November 2020, the Communities Minister told the Assembly,

we certainly need to prevent tenants from being placed in homes that are not safe in the private rented sector and being subject to the whims of a landlord or letting agent if it does not suit them any more. We also need to make sure that the public investment in the private rented sector gets a return. We need to protect residents in the private rented sector as much as we possibly can.

Yet the intermediate rent proposal is vague about regulation (eg DFC 6.9). In the 'sense-checking' section of the CaCHe research, authors note that "only one respondent raised regulation as a problem in the context of worrying about comparatively weak regulation in

the private rental market" (CaCHE 5.13). Worryingly, the CaCHE authors actually repeat, uncritically, an assertion from a private sector contact:

the PRS stakeholder argued that regulation and compliance in Northern Ireland works relatively well and, by extension that this policy development may help, through competition, to improve compliance and standards. (5.13)

This is wholly contrary to the content of the Minister's statement above, and to evidence gathered by PPR in repeated housing surveys over the years (most recently in housing clinics in the first half of 2021).

The experience of many residents in poor-quality private rental accommodation who approach PPR for support is that some landlords are not the least bit responsive to tenants' complaints, even in the face of evidence about the physical and mental health impacts of the same on tenants and their families. There is literally next to no functioning oversight or accountability mechanism of private rented housing conditions, leaving tenants without means of obtaining effective remedy for repeated breaches of their right to adequate housing.

The CaCHE 'sense-checking' recorded that, "another respondent noted that while four to five year tenancies are in principle good for tenants, they need to be able to trust their provider" (5.17). This at least would indicate that 'trust in the provider' is not a given.

[New research](#) from the Chartered Institute for Housing and the Centre for Homelessness Impact in England, looking at the larger picture of value for public money, found that

in addition to higher rents, there are acute value-for-money issues about the lower end of the PRS. Housing benefit is, in effect, a subsidy to landlords but **with no control over the quality of the housing it pays for**: whereas the social sector with lower rents is regulated, **the PRS with higher rents has a quarter of tenants living in conditions that fail the Decent Homes Standard**. The problem is most acute for benefit recipients: 29% of those receiving HB in the PRS are in non-decent accommodation. (p. 10)

Surely the issue of regulation and standards warrants more attention than it has received in the DFC proposal?

As the Communities Minister stressed to the Assembly in November 2020,

About 40% of housing benefit is paid to private landlords. More than half of private tenants get housing benefit. It is right that we make sure that, when hundreds of millions of pounds of taxpayers' money is paid to private landlords, **it is not paying for low-quality, overpriced housing**.

The reality of substandard conditions that faces far too many private tenants here -- and the imperative for oversight and regulation of private rental sector conditions -- has been fundamentally overlooked by this report. Measures to ensure Decent Homes Standard is met must be programmed into any new intermediate rent model for it to be seen as credible.

To conclude, in response to the issues raised in this consultation PPR urges that:

- First priority in policy, funding and use of other public resources must be given to ensuring high quality social housing in areas of highest need, therefore addressing the human rights of those furthest away from being able to realise the right to housing.
- The limited supply of public land available to address the housing crisis should not be awarded to the development of for profit models by the private sector but should instead be used first for social housing.
- The DFC must make plain how it will manage and monitor implementation of '20% affordable housing' provisions in Local Development Plans, given the widening range of 'intermediate' alternatives to social housing.
- All affordable housing models, including intermediate rent, should be grounded in people's incomes and circumstances rather than pegged solely to market rates.
- Equality of opportunity must be guaranteed in all mixed-tenure development, and any equality concerns must be flagged and addressed as a matter of priority.
- Any intermediate rent model should go hand in hand with appropriate regulation of private landlords to ensure there are appropriate standards in place and that tenants have effective mechanisms to address issues. Evidence suggests that neither of these elements are currently in place and should be urgently addressed prior to the introduction of any such scheme.