

shelter

N O R T H E R N I R E L A N D

**Response to
The Stormont Executive and DsD
Draft Budget 2011-2015**

Tuesday, 15 February 2011

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1. Shelter Northern Ireland welcomes the opportunity to contribute to the consultation on the draft Budget proposed by the Stormont Executive and the specific DsD draft budget proposals. We wish to work with the Government and the DsD through this difficult period.
2. Shelter NI advocates that all households in NI have a right of access to affordable, decent, warm and safe homes within sustainable and healthy neighbourhoods and where they have long term tenure.

General Comments

3. Shelter understands that the initial budget provided by the UK has been augmented by the Stormont Executive by additional funds raised through local asset selling/ selling and leasing back and by vireing from revenue funds to capital. Some of the assumptions made within the additional fundraising initiatives have been questioned by a number of reputable sources. In addition a number of Departments have produced budgets which do not match the funds they were allocated. (PWC final budget report to NICVA). This reduces our ability to comment with certainty on the various budget proposals.
4. We acknowledge that the Stormont Executive has attempted to produce a budget for the next 4 years. However with so many of the budgets not balancing, we fear that further budget changes may be proposed following the Assembly elections and the establishment of the new Stormont Executive. Nevertheless there are key themes and strategic comments which would apply to any budget or revised budget proposals.

The Economy and Housing

5. NI continues to have a positive household growth due to a combination of population growth, changes in the age structure with households living longer and household sizes reducing. From 2006 to 2021, the growth is expected to be around 126K (NISRA). The Regional Development Strategy for NI in 2008 revised its expectations of the new housing requirement to 208k by 2015 (from 1998) or just over 12k per year. The NIHE uses a net stock model developed by the University of Ulster and it estimates a figure of 138k new houses required over the 2001 2011 decade (Housing Market Review and Perspectives 2009-2011).
6. The current Programme for Government expected to meet social and affordable housing need through greater contributions from the Private Sector. However, normal market trends were distorted during the decade up to 2010 resulting in a considerable oversupply against the revised RDS target of completed homes and the NIHE/UU estimate up to 2007/8 when that financial year almost 18k homes (DsD Housing Statistics) were completed across all sectors. 2008/9 met the RDS target but in the subsequent 2 years, the market has produced less than 10k new homes each year. Despite the oversupply, house prices also overheated during that period as a result of poor lending practice by the banks. House price inflation

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reduced the number of First Time Buyer's able to access home ownership. Since 2008, one of the positive benefits of the market readjustment is that houses for sale have become more affordable.

7. There is therefore an unprecedented situation in that the markers of housing need, namely applicants in housing stress on the Common Waiting List for social housing, levels of homelessness and the number of first time buyers applying to the Co-ownership scheme all point towards the need for more affordable housing for sale and rent.

Social Housing Provision

8. The level of funds suggested for the Social Housing Development Programme (SHDP) is woefully inadequate and falls well below the current year's output. In later years the funding available to support social housing drops further so that households in housing stress and homelessness are likely to increase.
9. The number of homeless people meeting the Housing Executives Full Statutory Duty has risen again and in the last financial year has reached the highest count ever recorded for a year that is the financial year 2009-10. That count might be exceeded by the end of this financial year 2010/11. Trends relating to the difficulties faced by people and families on low incomes are evidently showing an increase.
10. The Bamford line in the SHDP is welcome providing that any funds which are required from the DHSSPS are lined up and ringfenced such that there is no prospect of having accommodation available without the necessary front line services.
11. Reducing grant levels to housing associations may produce more housing but this would be at the cost of increased rents. Ian Duncan Smith's welfare reform seeks to provide an encouragement for households to work such that being in work should be more economically beneficial than being on benefits. Keeping the cost of rents down makes that more achievable.
12. It is time for the DsD Minister to accept the recommendation from Sir John Semple's report on Affordable Housing and call a halt to the Right to Buy whether in whole or in part via equity sharing and the Right to Acquire as these properties are expensive resources that do not provide a value for money return to the public purse once they are sold. Instead we would request the DsD to look at awarding tenants a Portable Discount or some other incentive to meet their aspiration for home ownership.

Rents

13. Shelter NI welcomes the Ministers decision to set NIHE rent levels at +RPI-1% as this keeps rent levels for public housing in NI affordable and among the lowest rents for publicly funded housing anywhere in the UK. The rent level ties into our average wage earnings which are also among the lowest in the UK.

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14. Housing Associations may be capable of stretching their resources to deliver more new social homes with a reduced grant from public funds. There is a limiting factor in that the more housing associations draw on reserves or borrowings now; the fewer new homes can be afforded in the future without increasing income through higher rents. Housing associations may also be required to use their resources to help with other initiatives such as mortgage rescue and equity sharing.
15. It seems likely that Housing Associations are going to come under pressure to increase their rent levels to allow them to pay for greater borrowing. Higher rent levels increase the barrier for workless people to employment paid sufficiently to compensate for the loss of benefit income. Perhaps the new Universal Credit will deal effectively with this problem.
16. In keeping rents more affordable, the DsD has made an efficiency saving against the Annually Managed Expenditure compared with the rent rises and consequential increased welfare bill in England. Perhaps an argument could be made to return some of that saving for further investment on the basis of equity.

Other Housing Solutions

17. It may be possible to focus on new methods of construction and materials to reduce the basic cost of production which has been estimated recently at around £120K per property including the cost of land. For example the use of timber framed pre-fabricated units should be considered. These are cheaper to supply, eco-friendly/ carbon neutral and cheaper for households to run
18. Opportunities may arise from the National Asset Management Agency (NAMA) in the Republic of Ireland which has gained toxic assets in NI. Other opportunities for cross border benefits should be explored especially in relation to European Funds.

Disabled Facilities Grants

19. We are disappointed that the level of funds being directed at older and disabled people for grant support to modify their homes because of disability should be reduced. The budget reduces over the 4 years and pays no attention to the growing cohort of older people who will need help now and into in the future. Expenditure in this programme saves the cost of people going into residential or nursing care and studies show that this amounts to an annual saving of £26k for each person remaining in their own home. This is another example of Preventative Spending, where an early intervention of investment saves the public purse. We would like the Minister to review this fund and give it a higher priority.

Private Rented Housing

20. The Private Rented Sector (PRS) is likely to continue to be the only choice for many poor families. However the sector is in need of reform. Shelter calls on the DsD Minister to continue with the overhaul of the PRS, including mandatory

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registration for landlords, higher standards of accommodation, improved security of tenure for tenants etc.

21. There is a serious question here of affordability. In 2006, nearly 22% of all tenants in the PRS had to top up their Local Housing Allowance by a mean of £20 per week to meet the rental charge. (NIHE Housing Market Review and Perspectives 2009-11). The proposed reduction in the Local Housing Allowance from the 50th to the 30th percentile will have a devastating effect on families receiving benefits and will result in greater demands for discretionary benefit awards, or topping up by individual households. This will drive the poorest households into the cheapest accommodation in their locality and may act to frustrate other important strategic targets such as the elimination of child poverty.

Private Housing for Sale or Rent

22. With the curtailment of the new social housing development programme, the Government here must make greater efforts to stimulate private developers to build for sale or rent.
23. This approach fits well with the strategic aspirations of the Stormont Executive which has set the growth of the economy as its highest priority. Every £1 spent on construction, generates £2.84 in the wider economy. (Construction Employers Federation)
24. To achieve this task of stimulating Private Sector house construction for sale or rent, the Stormont Executive needs to frontload any investment in the first year of the 4 year budget as a stimulated market will return to its normal trend later in the CSR period. To deliver this objective, there needs to be a focus on a range of factors as follows:
 - 1) Lenders must be found prepared to support house builders. We look to the recent announcement by the banks to invest in Small and Medium Enterprises (SME's), including building firms to be realised. Some 26K jobs have been lost in the construction industry here in the last couple of years and some 13k former construction workers are claiming unemployment benefits. We urge the Stormont Executive to pursue lenders relentlessly to ensure that affordable finance is made to the construction industry inter alia.
 - 2) Access to mortgages must be a priority especially for First Time Buyer's (FTB's).
 - i. Shelter acknowledges the Ulster Bank loan to Co-ownership which assists many more households to buy their homes. However additional funding would allow more households to purchase their homes and at some stage the Ulster Bank loan will need to be replaced.
 - ii. The availability of mortgage deposit products from Credit Unions (CU's) has been available in other parts of the UK and in the Republic of Ireland but we are waiting confirmation from the Financial Services Agency (FSA) that these can be delivered by

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- CU;s in NI. While this matter falls to DETI, all Executive Departments must collaborate to achieve common goals.
- iii. Strenuous efforts should be made by relevant Executive Departments to encourage lenders to assist FTB's through more affordable loans without the requirement for significant deposits. The DsD should look to provide a guarantee of last resort for lenders to FTB's to create confidence in the market. This could be applied as one of the mortgage rescue options.
 - iv. The DsD needs to revisit its earlier complex consultation document and produce a policy on Mortgage Rescue.
- 3) Developers also should be prevailed upon to assist achieve national goals.
- i. The DoE has put forward the current (out for consultation) Planning Bill which includes an enabling section to support "Developer Contributions". The DoE needs to urgently bring forward a policy paper for consultation on this matter so that this initiative can be available as soon as possible to meet affordable and social housing need.
 - ii. The Scottish Parliament has agreed a range of new initiatives to stimulate the housing market and some of these may be suitable for NI and should be considered by the DsD.
- 4) While recognising that the Stormont Executive does not have tax raising powers, it could raise funds through guaranteed bonds. With an attractive return, many locally based pension funds and credit unions along with the general public could become engaged in this exercise. For example, Prize Bonds have been operating in the Republic of Ireland for many years. We would argue that such funds raised in this manner go to support the housing construction industry and help underpin the initiatives suggested above.
25. We believe it is crucial that the Stormont Executive and the relevant Departments, championed by the DsD recognise the huge significance of stimulating the housing market and work collaboratively to ensure this happens. We would urge the DsD to establish a Taskforce with the Terms of Reference to set up initiatives to stimulate and increase the supply of Private Housing for sale/ rent.

Other Welfare Reforms

26. Over the next couple of years, many welfare reforms will impact on the poorest people at a time when opportunities for employment are at their weakest.
- 1) The reductions in benefits after one year for people seeking employment will cause hardship among many of the poorest families and underpins the need for more affordable decent warm homes in the social housing sector.
 - 2) The introduction of the single room allowance for people up to the age of 35 will force people to remain in the family home or share the cost with others and flies in the face of the policy to promote independent living.
 - 3) The reduced ceilings for mortgage interest payments will have an immediate impact on overstretched families and will result in higher levels of homelessness.

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27. As these are universal and unilateral decisions by the Westminster Government and as NI is more dependent on the public sector than the rest of the UK, the impacts of these changes will be felt harder. The Stormont Executive needs to focus on new job creation. In our opinion greater stimulation to the private housing construction industry will bring multiple benefits.

Supporting People

28. Shelter welcomes the Ministers commitment to the Supporting People budget which assists many vulnerable people in the community and fits well with the profile of Preventative Spending investment as recently issued by the Assembly (January 2011).

Other Budget Initiatives

29. One of the initiatives proposed by the overall budget is £4m per year for the so called "Green New Deal". This fund should be increased and should be given to DsD for Warm Homes and to assist Housing Association to afford to develop all of their new housing to Level 4 of the Sustainable Code.
30. The Social Investment Fund at £20m a year for 4 years and the Social protection Fund, a one off £20m for year 1 then as funds permit in the following years. These funds should be managed by DsD as it has responsibility for vulnerable people and groups via regeneration, social security, supporting people, homelessness and the community and voluntary sector.

In Conclusion

31. The draft Budget seems incapable of delivering progress in the housing field without significant involvement of the Private Sector. That Sector needs a major stimulus. We call for the DsD to establish a Task Force to deliver that stimulus and drive the recovery in the economy.
32. If you would like us to develop any of the issues raised above or if you need any other further information please contact

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