

REVIEW INTO AFFORDABLE HOUSING  
FINAL REPORT

SPRING 2007

# General Information



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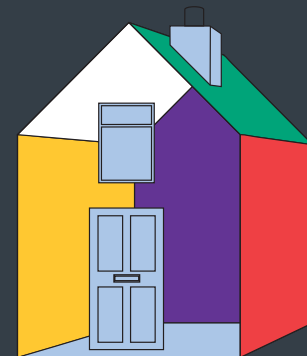
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# Summary of Proposals and Recommendations



## Chapter 1: What do we mean by Affordable Housing?

1. Affordable housing should be related to ability to pay. Affordable housing costs should not exceed 35% of gross household income.
2. Affordable housing should meet the needs of eligible households and there should be provisions for such housing to be retained for future eligible households or any subsidy to be recycled for alternative affordable provision.
3. Categories of affordable housing should include social rented housing (Northern Ireland Housing Executive, Housing Associations or housing provided through the Rental Support Scheme) and intermediate housing (shared ownership).

## Chapter 2: The future need for new house building

4. The Department for Regional Development should complete the review of the Regional Development Strategy Housing Requirement 1998 -2015 currently set at 208,000 and publish it as soon as possible. The figure may be too low.
5. Sub-regional and District Council level Housing Growth Indicators need to be augmented by local market information. The Department for Regional Development should expedite its consideration of policy necessary to guard against the possibility of under provision in Area Plans.
6. A target for social housing completions should be set at 2,000 per annum expressed as 10,000 over the next five years as it will take time to accelerate delivery on the ground. A firm funding commitment needs to be put in place by Government to secure this.
7. The Foyer initiative should be expanded.

## Chapter 3: Planning

8. A system more akin to the English Local Development Plan System should be introduced and made operational for the new local authorities in 2009.
9. The Department of the Environment should follow the advice set out in Planning Policy Statement 3 in England to make sure land is actually available for house-building, although the principles set down need to be adjusted for Northern Ireland. Similar considerations apply to the treatment of windfall sites in Area Plans.
10. Development of "*routes through*" the Local Development Planning System would speed up decisions on major developments/schemes.
11. Increased densities and mixed tenure schemes should be supported with an emphasis on the requirement for good design. Further consideration of the long-term management and maintenance of apartment blocks is required as is a review of car parking requirements in higher density developments.
12. In the Titanic Development, Government should set a target of 20% affordable housing of which a significant element should be social housing.
13. The Planning Policy Statement 12 target of 60% of development land within the urban footprint should be augmented by a target of around 30% of this on previously developed brownfield land.
14. A Remediation Grant should be introduced to support brownfield development.
15. Explicit guidance is required to reduce inappropriate development such as "*garden grabbing*", "*town-cramming*" and the "*greying*" of our towns.

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16. If sufficient land for building cannot be found within the urban footprint, planners should zone more greenfield land.
  17. Planning Policy Statement 12 should be revised to implement key site requirements for both social and intermediate housing on zoned housing land. The Planning Service should give careful consideration to what can be achieved within draft Area Plans on the assumption that Planning Policy Statement 12 is revised appropriately.
  18. Development Control policy HS2 in Planning Policy Statement 12 should be amended to include other forms of affordable, as well as social housing.
  19. Housing Need Assessments should be developed into local housing market assessments to enable the development of local housing strategies.
  20. The provision to apply planning obligations under Article 40 of the Planning (NI) Order 1991 (hereafter referred to as Article 40) to secure developer contributions for affordable housing should be set down by the Department for Regional Development in revised Planning Policy Statement 12, along the lines proposed.
  21. A forum should be convened on planning obligations as they relate to housing and infrastructure to assist the process of agreeing a revised Planning Policy Statement 12 dealing with developer contributions. The revised Statement should be published for consultation in July 2007, and the new developer contribution system implemented no later than January 2008.
  22. Having now developed a new methodology for reviewing usage of open space under the exceptions policy of Planning Policy Statement 8, pilots should now be progressed.
  23. If Planning Policy Statement 14 is upheld, an extension of Policy CTY6 should provide for mixed social and intermediate developments up to 12 properties and increased flexibility in respect of development limits will be necessary.
  24. The scope for permitted development should be enlarged.
  25. Applications for significant housing developments should be fast tracked.
  26. A multi-skilled unit might be set up within the Planning Service to deal with significant housing applications and negotiate Article 40 agreements with developers.
  27. A protocol should be developed by the Planning Service to facilitate pre application discussions within 30 days of a request being made by an applicant.
  28. If a statutory consultee does not respond after 30 days, the Planning Service should be entitled to assume the consultee is content with the application. Regular meetings of all consultees to deal with housing applications should be considered.
  29. The Northern Ireland Housing Executive should be added as a statutory consultee.
  30. A Planning Delivery Grant or equivalent assistance should be made available to assist the Planning Service and new local authorities to operate the Planning System effectively.
  31. The decision to transfer the Planning Appeals Commission to the Courts Service after the Review of Public Administration implementation should be reconsidered. Post Review of Public Administration it should operate under the aegis of the Department responsible for planning policy.

#### **Chapter 4: Land and Building**

32. The Planning Service should examine best practice in producing an Annual Monitoring Report to ensure it relates to sites genuinely deliverable.
33. The Planning Service should take advantage of any opportunities that arise to dezone housing land which is being withheld for speculative reasons. It should also examine the possibilities of rezoning for housing use land zoned for industry but lying unused for a lengthy period.
34. The Department for Social Development should monitor the effectiveness of the Northern Ireland Housing Executive's existing vesting powers and consider strengthening them, if necessary.
35. Planning permissions should be granted on a three year basis, should no longer be automatically renewed and fresh applications should be required once they expire. All

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- planning permissions should include conditions relating to phased completion of the development as well as start dates.
36. The lifespan of a valuation should be reduced to three months. The Valuation and Lands Agency should enhance their quality assurance role in respect of public sector sales and acquisitions. They should also undertake the immediate task of reviewing the guidance on valuation for mixed tenure and low cost housing models.
  37. The Department of Finance and Personnel and the Department for Social Development should take the necessary steps to establish a Lands Assembly Agency with the functions which have been recommended.
  38. The guidance on the application of the Government Accounting Rules for Northern Ireland to the Northern Ireland Housing Executive in relation to the identification and disposal of surplus land should be clarified.
  39. The Northern Ireland Housing Executive should be more proactive in vesting of land for social and intermediate housing.
  40. When disposing of land to the private sector, the Northern Ireland Housing Executive should, in appropriate circumstances, seek proportions of social and intermediate housing significantly higher than the 20% developer contribution.
  41. Community Land Trusts should be considered for integrated communities.
  42. Any new procurement system should be responsive to new supply generated through planning obligations.
  43. Legislation should be advanced to enable payment of grant to bodies other than housing associations.
  44. The use of modern methods of construction, including renewable technologies and the development of necessary skills and knowledge should be expanded.

### **Chapter 5: Regeneration**

45. There is a need for an over-arching strategic framework for regeneration activities in Northern Ireland which will allow key public sector organisations to ensure their corporate policies take account of the wider regeneration agenda.
46. Capital and revenue programmes should be aligned over longer periods of time to allow continuity and consistency in programme management.
  47. Effective planning for sustainable communities is essential for areas of new housing and for existing areas requiring regeneration. The Department for Social Development, in partnership with other Government Departments, should produce such a framework for regeneration activities in Northern Ireland. Input will be required from central and local government as well as the private and voluntary sectors to ensure success.
  48. Regeneration will work best where there are mixed tenure, mixed income communities. The Department for Social Development, the Planning Service and other public bodies should approach regeneration on these terms and on sites where masterplanning is taking place the Department for Social Development should, where appropriate, bring forward pilot schemes for affordable housing at an early date.

### **Chapter 6: Extending Access to Sustainable Home Ownership**

49. A number of fundamental changes to the Co-ownership Scheme are recommended, such as abolition of the current property value limits and instead movement to a system where certain eligibility criteria will apply, reducing the rental element, development of a property portfolio, a reduced initial equity stake and permitting staircasing in tranches of 5%.
50. Northern Ireland Co-ownership Housing Association should improve its marketing of the Co-ownership scheme.
51. Stamp Duty Land Tax should be waived on properties purchased through the Co-ownership scheme, a matter for the Chancellor of the Exchequer.
52. The Northern Ireland Co-ownership Housing Association should remain the sole provider and Co-ownership the only shared ownership scheme. However, the Department for Social Development should keep this under review.

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53. The Department for Social Development should monitor the financial service industry's response to the Shared Equity Taskforce report.
  54. The Northern Ireland Co-ownership Housing Association should act in a more entrepreneurial manner and consider expanding its business e.g., using its reserves to purchase land and develop affordable housing schemes, equity release and mortgage rescue packages.
  55. The Northern Ireland Co-ownership Housing Association should play a critical role in supporting private sector developers in providing intermediate housing through Article 40.
  56. A document similar to the Welsh "*Affordable Housing Toolkit*" should be prepared for Northern Ireland by the Department for Social Development.

### **Chapter 7: Making better use of and Protecting our Assets**

57. To deal with the high level of voids, a new system of rating should be introduced to provide for 100% liability on properties vacant for 6 months or more, rising to a 200% liability if vacant for a year or more.
58. The Northern Ireland Housing Executive should act as the Empty Homes Agency for Northern Ireland and should be responsible for producing a strategy to tackle the high levels of empty homes, all aspects of which should be energetically implemented. A target of bringing 9,500 empty houses back into the stock within the next 5 years should be set.
59. The Department for Social Development should introduce legislation along the lines of the English Empty Homes Management Order to allow the Northern Ireland Housing Executive to occupy homes empty for longer than 6 months and install tenants from the social housing waiting list.
60. A scheme should be introduced to release social sector voids for purchase by low income first time buyers with appropriate arrangements to ensure affordability in perpetuity.
61. Mechanisms should be introduced by the Northern Ireland Housing Executive and the Planning Service to encourage conversion of existing empty buildings for housing use e.g. obsolete offices and commercial premises.
62. The Northern Ireland Housing Executive should ensure energetic implementation of the Living over the Shop Scheme in the context of Town Centre Living Initiative areas.
63. In light of the Rents Review Team's identification of significant variations in rent setting policy across the social sector, a review of the points based system should be undertaken to produce a consistent and transparent methodology for determining rents and service charges for the social sector. The long term objective should be a unified rent setting structure for all social sector lets.
64. There should be a renewed focus on social sector mobility schemes including proactive marketing. Home Loss and Disturbance payments under the Housing (NI) Order 1981 could be used to incentivise tenants to downsize. Housing officers should encourage and support resettlement of tenants. The Department for Social Development should report on Northern Ireland Housing Executive/housing association performance in this area.
65. An immediate and comprehensive review of the House Sales Scheme should be undertaken looking at the level and form of discounts (including the use of equity shares in lieu of discounts or Cash Incentive Schemes/portable discounts), exemptions for property types or geographical areas and arrangements for protecting Government's investment.
66. The Secretary of State or the First and Deputy First Ministers, in an Assembly Executive, should make representations to the Chancellor of the Exchequer to reduce VAT levied on refurbishments from 17.5% to 5% to support sustainability. VAT on refurbishment of homes empty for over 3 years is already reduced to 5%. This concession should be made known more widely in the context of the Empty Homes Strategy. If the Chancellor of the Exchequer does not respond on the wider issue, representations should be made to reduce this period to 1 year or possibly 2.

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## Chapter 8: The Private Rented Sector

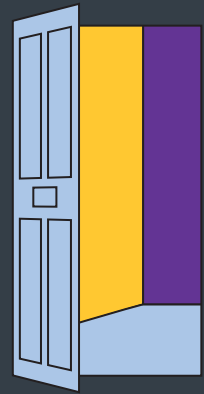
67. If the private rented sector is to play a greater role in meeting housing need issues such as security, control and quality within the sector should be adequately addressed.
68. There is a case for registration of all landlords by the new local authorities post-Review of Public Administration implementation. However, in the interim, the Northern Ireland Housing Executive should extend the registration of Houses in Multiple Occupation and develop a system for wider landlord registration.
69. Registration should incorporate a mediation and arbitration service for landlords and tenants.
70. The guidance being produced by the Department for Social Development and the Rent Officer for Northern Ireland should be widely disseminated.
71. The Department for Social Development and District Councils should ensure that all landlords comply with the Private Tenancies (NI) Order 2006.
72. Consideration should be given to providing for longer periods of notice and tenancies as is the case in the Republic of Ireland system.
73. A Voluntary Rental Support Scheme should be introduced by the Northern Ireland Housing Executive to assist landlords and potential tenants.
74. A Deposit Guarantee Scheme should be considered to assist those on low incomes who are seeking homes in the private rented sector.

75. The Department for Social Development, in partnership with the Northern Ireland Housing Executive, should evaluate implementation of the Private Rented Strategy and prepare an action plan. More resources should be made available to facilitate policy development in this sector.

## Chapter 9: Concluding Comments and the Challenges Facing Stakeholders

76. Information on mortgage finance, equity sharing and about homeownership generally needs to be made available in a variety of ways including through school and community based programmes.
77. Responsibilities of stakeholders for taking forward the proposals in the Review are, where possible, identified.
78. There is a strong case for placing responsibility for housing, planning and regeneration in one Department. This should take place in 2009 when the Review of Public Administration is implemented.
79. The Department, in collaboration with the Northern Ireland Housing Executive should drive and coordinate a research agenda into housing. In particular, research is required into local housing markets. Additionally, consideration should be given to improving data.
80. The Department for Social Development should consider introducing regulation of estate agents along the lines of the Consumers Estate Agents and Redress Bill introduced in Parliament in November 2006.

# Introduction



Sir John Semple and Minister launching the Review

The Right Honourable David Hanson MP, Minister for State for Northern Ireland responsible for Social Development, launched this Review into Affordable Housing on 5th September 2006. The terms of reference for the Review, set out at Annex 1, were very broad. These allowed me to look across sectoral and organisational boundaries and consider the wide range of issues that impact on the delivery of housing. In the short time available I have not been able to

conduct a complete assessment of the many issues. I have attempted to identify the critical areas where I believe there are opportunities for improvement. I have been mindful of the need to make recommendations that are practical. Some of the proposals are largely administrative and could be introduced in the short-term; others are more strategic and will require legislation and re-structuring of both organisations and processes. Significant economic, social and

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environmental imperatives exist that cause me to recommend in the strongest possible terms that, should an elected Assembly be restored in Northern Ireland (NI), it and its Executive should make amendment to the planning and housing systems a priority and amongst its first matters of business. I regard it as extremely important that the Executive or Mr Hanson and his Ministerial colleagues through the appropriate Departments reach early conclusions on my recommendations. I appreciate that all may not be accepted or that they may need to be modified but delay means inaction and in my view action is required in a variety of areas.

I was asked to undertake this Review in a personal capacity and the views expressed in this report are my own. I am however most grateful for the support, advice and insights of a wide range of individuals and organisations, too numerous to mention, without whom this report could not have been written. They have without exception been frank, informative and helpful and above all have demonstrated genuine concern about the impact of restricted access to housing and a willingness to work in new ways to extend housing choice and opportunities.

The production of an Interim Report in December 2006 enabled me to test my preliminary assessment of the issues and I am very grateful for the many thoughtful responses I received which further informed my thinking. I have also been greatly assisted by the academics and researchers that have undertaken work to complement this review and I am especially grateful to the Northern Ireland Housing Executive (NIHE) Research Unit and the Inter Departmental Equality and Social Needs Information Research Group for facilitating this. Much useful new evidence on the operation of the housing market in NI, the intermediate housing market and on the experience of households attempting to access housing has been presented and models for determining social rents and prioritising need are under review. All this important work will further inform the development of housing and planning policy. I expect Government to consider this evidence when accepting, rejecting or modifying the recommendations I have made.

The following chapters contain a series of recommendations for Government, the rest of the public sector, the voluntary sector, the construction industry, landlords and lenders, which I hope can improve access to affordable housing. I discussed much of the background to key issues in the Interim Report which has been augmented by the publication of the NIHE/University of Glasgow and University of Ulster research, the report prepared by Advice NI and voluntary sector partners and new analysis conducted by the University of York for NIHE. In the interest of brevity where my opinion remains unchanged I have simply reiterated my support for recommendations previously made. All publications can be accessed via the Affordability Review web-site<sup>i</sup>.

While the Review has been underway, the housing market in NI has been extraordinarily buoyant with very high price increases and with growth in the price of land outstripping that of houses. The market never stays the same and future adjustment to a less buoyant market seems inevitable but of course the timing is uncertain.

The Review has also been undertaken at a time when there has been intense interest in affordable housing in England, Scotland, Wales, the Republic of Ireland (ROI) and further afield. In England alone, since September 2006 we have had a policy statement on affordable housing<sup>ii</sup>, a new planning statement on housing – PPS3<sup>iii</sup>, the second Barker Report on planning<sup>iv</sup>, the outcome of the work of the Shared Equity Taskforce<sup>v</sup>, and most recently the Hill's Review into social housing<sup>vi</sup>, with the Cave report on regulation to come. In addition there has been the announcement of a merger between English Partnerships and the Housing Corporation. The Irish Government has recently published a comprehensive review of housing policy, "*Delivering Homes, Sustaining Communities*"<sup>vii</sup>, containing important housing policy and planning changes. I have endeavoured to keep pace with what has been happening elsewhere and to assess the relevance of the emerging policy proposals to NI.

In undertaking the Review I was conscious also of those special features which apply in NI which do

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not apply elsewhere. There are societal issues such as the impact of sectarianism on the housing market. There are also constraints imposed by a Common Waiting List and a Common Selection Scheme which should now be revisited in light of the Hill's report. There is the role of the NIHE and the impending changes in responsibility for aspects of housing and for planning which are currently scheduled to take place in 2009 under the Review of Public Administration (RPA). I have been conscious too that many see that NI's housing problems could be resolved by a substantial input of Government finance to fund a much larger social housing development programme. Given the overall public expenditure position of NI and the claims of health and education, I do not anticipate that such funding is likely to be made available nor indeed am I convinced that massive social house-building is the answer. I note that in ROI, of the proposed 600,000 house to be built over the next nine years, only 10% or 60,000 homes are to be in the social sector. I believe that we should be aiming for mixed income, mixed tenure developments, which will allow those who aspire

to home ownership, in whole or in part, to have the opportunity to secure the benefits of ownership, and those who cannot do so to be accommodated in quality social or private rented housing in sustainable communities.

Finally, I wish to say an enormous thank you to the three members of the Review Team who have given me such extraordinary support throughout this exercise. Catherine Martin and Una McConnell from the Department for Social Development (DSD) and Claire Wright from the NIHE made an immense contribution to all the work that has gone into the preparation of this Report and I cannot speak too highly of their commitment, professionalism and good humour.

*John Semple*

Sir John Semple KCB



# Chapter 1: What do we mean by Affordable Housing?



**In terms of ability to pay, housing costs should not exceed 35% of gross household income.**

Definitions of affordable housing applied in other jurisdictions demonstrate some consistent characteristics. They are targeted at eligible households based on local incomes and house prices and they provide mechanisms for keeping housing affordable in perpetuity or for ring-fencing and recycling investment (with any proportionate equity growth) for new provision. Most of the consultation responses agreed that a definition of affordable housing should be related to the ability to pay. Consequently I would recommend that housing costs should not exceed 35% of gross household income, Annex 2 illustrates the relatively low number of properties which would have been affordable in each District Council area in 2006 based on this definition. As the Department of Communities and Local Government (DCLG) highlight the terms “*affordability*” and “*affordable housing*” have different meanings. “*Affordability*” is a measure of whether housing can be afforded by certain groups of households. “*Affordable housing*” refers to particular products outside of the mainstream housing market.

Drawing on examples from elsewhere I would suggest that affordable housing should:

- Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and house prices; and
- Include provisions for the home to be retained for future eligible households or, if the restrictions are lifted, for any subsidy to be recycled for alternative affordable provision.

At present categories of affordable housing include:

- Social rented – housing provided at an

affordable rent by a social landlord or as part of the proposed Rental Support Scheme

- Intermediate Housing through Shared Ownership – the participant purchases a share of the property via the Co-ownership scheme. If alternative shared equity models were to be introduced then these too would be included within this definition.

There may also, over time, be opportunities to extend the scope of the definition by pursuing options, perhaps on land in public sector ownership where Government or the NIHE retains an equity share in the home based on the value of the land contributed or through the development of community land trusts, which permit owners to buy and trade “*bonds*” in the trust. The introduction of alternative models requires the development of new products and markets, the full and active engagement of lending institutions and a change in culture in terms of how we think about home-ownership. Whilst I think there is potential and can see the attraction of some of the models operating elsewhere I think there is limited opportunity for their application in NI at present. I would however support a community land trust pilot scheme which might complement the integrated housing schemes currently being developed by DSD in partnership with NIHE and housing associations.

How we define affordable housing is particularly important. It is also a necessary first step in securing the delivery of affordable houses through the planning system and I make some comment on this in Chapter 3. It is also relevant to determining eligibility for low cost home ownership schemes which I discuss further in Chapter 6.

# Chapter 2: The future need for new house building



In my Interim Report I queried whether the regional housing need estimate of 208,000 new homes for the period 1998-2015 needed to be increased. I was conscious that if current building rates continued, the 208,000 figure would be achieved by 2013. Given the substantial changes already made to the original estimate of 160,000 and the inevitable uncertainty of some of the component estimates, such as migration, I recommended that the Department for Regional Development (DRD) undertake an immediate review of the total. I was aware that a panel of distinguished town planners had reviewed the figure in 2006 and had recommended a biennial review of the total. However circumstances have been changing rapidly and I am pleased that DRD are now completing a review of the 208,000 estimate and intend to publish the findings of this work later in the year when the Regional Development Strategy<sup>viii</sup> (RDS) is reformulated as part of the Department's work on the first review of the Strategy. In this context, I note that in its recent publication "*Delivering Homes, Building Communities*"<sup>vii</sup> the Irish Government has set a target of 600,000 new houses to be built over the next 9 years. This compares with about 100,000 due to be built in NI if the 208,000 figure were to be maintained. It reinforces my view that the 208,000 target may be too low.

## Housing Growth Indicators



I was also concerned that when the 208,000 regional requirement was disaggregated into Housing Growth Indicators (HGIs) for the Belfast Metropolitan Area and other District Council areas, this top down approach, when translated into Area Plan zoning, was too inflexible and took too little account of local market information. This point was made forcibly to me by a number of District Councils and other respondents. DRD has stated that a key objective of the RDS is to provide for a balanced supply of housing land throughout the region by a robust and flexible approach to meeting future housing needs. The

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RDS also states that flexibility is needed to deal with uncertainties in forecasting assumptions. It notes that a balance has to be struck between a robust approach which seeks to ensure strategic objectives are met, particularly in relation to the drive to promote more housing within existing urban areas, and a flexibility to respond to an unforeseen demand for fresh housing land supplies. The approach is directional in nature and seeks to provide growth in sustainable locations. HGIs are the mechanism to secure this approach and DRD propose to adjust HGIs every five years. DRD intend to explain in a revised Planning Policy Statement (PPS) 12 how this process for monitoring the HGIs will work and how this will feed into the Area Plan process.

While I welcome this, I remain concerned that the system of land allocation through the RDS, the HGI system and Area Plans is inflexible in practice and takes insufficient account of local market conditions. The situation in Newry is a case in point, where within a relatively short period the city has become a commuting centre for people working in Dublin. There are similar cross border influences occurring in the North West. There is also an uneven distribution of incoming migrants, while on the supply side there is clearly a significant problem of the banking of land which is zoned or could potentially be zoned for house-building. There may appear to be sufficient land to meet HGIs but often it is not available in practice for house-building. I appreciate the need to have a RDS which establishes broad patterns of future development across NI but I believe that the RDS balance referred to by DRD needs to be redressed in favour of greater flexibility taking into account local market information and price signals. I am pleased to note that DRD is considering policy to guard against the possibility of under provision in Area Plans either because the forecasts are too low or because of deliverability problems.

## Social House-Building

I dealt with the requirement for social housing in my Interim Report. I recommended that a target of 2,000 completions should be set. This compares with completions of around 800 in the past year. The majority of respondents supported this recommendation. However in their consultation response the NIHE and the NI Federation of Housing Associations (NIFHA) pointed out that the latest net stock model has indicated an annual

requirement of 2,200 new dwellings to prevent ongoing increases in the social housing waiting lists and they suggest a target of 2,500 starts per annum. Relets are crucial to securing movement from the waiting list into social housing. I consider ways of increasing relets and of making better use of the existing stock in later chapters of this report. A focus on intermediate housing may also mean that those unable to enter full owner-occupation may well have alternative options. Additionally, I believe that there is a significant opportunity to increase supply by bringing empty houses back into the stock and that a proportion of these could be used for social housing. Accordingly I propose to adhere to my recommendation of 2,000 completions per annum. I prefer a target expressed in terms of completions rather than starts as they give a better indication of real progress. An appropriate proportion of this provision should cater for tenants with special needs such as those with physical or mental disability. Reaching this target will take time and land will be required. The Article 40 developer contribution system will need to be introduced urgently to support the achievement of this target.

Developer contributions through Article 40 can help to provide land and reduce the costs of social housing provided alongside market and intermediate housing in a development. Where commutation is appropriate they can provide finance which can be recycled to build social housing elsewhere. Their early introduction is essential and will help secure the necessary social housing provision. In a situation where traditional first time buyers cannot readily access the market and where the private rented sector has grown rapidly as a result of the growth in buy to let activity, there is inevitably uncertainty about the future need for social housing and the forecast requirement needs to be monitored closely by the NIHE and DSD.

The answer when providing social housing is not to build large mono-tenure estates but rather to integrate social housing with intermediate and market housing in a mixed tenure format. There are of course significant public expenditure implications in setting such a target and a firm funding commitment needs to be put in place by Government, if this enhanced target is to be met. If the Government's cross-cutting anti-poverty strategy is to mean anything, the provision of a decent home for the poorest in our community must be a priority.

# Chapter 3: Planning



Responses to consultation on the Interim Report have consistently pointed up the issue of the availability of land for house-building of all types – market, intermediate and social rented. It is clear that if housing targets are to be achieved in the future, action needs to be taken to ensure that land for house-building is available and, in so far as is possible, that the price of land is stabilised. Recent figures on the cost of land for house-building have indicated an average price increase for small sites of 94% in the past year and for bulk sites 76%. Since 2003, the average price of land has risen four fold for small sites and by almost as much for bulk sites. There is clearly a speculative market in land fuelled by the fact that it is in short supply.

This can be for two reasons. Firstly, insufficient land may be zoned for housing development. Alternatively, as a result of land banking (for speculative gain or other reasons) land which is zoned may not actually be available for house-building. This may apply not only to land zoned for early development but also to land zoned for development in the later stages of an Area Plan and to land which has the potential to be zoned in the future. I return to issues relating to zoning and the release of land for building through the planning system later in this chapter.

As I suggested in my Interim Report, there is clearly a problem about the current Area Planning process. It is behind its target of full coverage by 2005. When plans do get made, the whole process is slow. When there is a need for amendment to cope with changes in circumstances, the process is again cumbersome and slow. The Planning Service has clearly had a resources problem which is not surprising given the development control

pressures it faces. The Area Planning process, although it is now catching up and there is the prospect of plans being published for all of NI by 2009, is far from ideal and I have recommended that we move to a system more akin to the English Local Development Plan system. It too has had its critics but I believe it is a more flexible way of dealing with the issues and there was general support to this proposal in response to my Interim Report. It separates out the longer-term issues from those which may have to be adjusted in the shorter-term to deal with changing circumstances. I would hope that DRD and Department of the Environment (DOE) would advance the work necessary to move to a new system so that the new local authorities, post RPA implementation, would have the opportunity to operate a new and improved system of plan making from 2009. Interestingly there is an opportunity for NI to leap-frog the current English Local Development Plan system to produce an even better system of plan making. Kate Barker in her recent report on the English planning system<sup>iv</sup> has made a number of important suggestions for improvement. A key recommendation is for the streamlining of policy and processes and reforming plan making at local level so that future development plan documents can be delivered in 18-24 months rather than three or more years.

I am encouraged by the fact that the DOE is continuing to research development plan models in other jurisdictions, including Local Development Frameworks in England and that it hopes to publish a paper on further changes during 2007-08. DOE have pointed out that it would be difficult to introduce a new system of local plans, whether based on the Local Development Framework or some other model

prior to RPA implementation in 2009. I accept that this would be unrealistic and disruptive but I recommend that DRD and DOE set a target to not only devise a new system by 2009 but also to take all necessary steps so that it can be put into operation immediately by the new local authorities as they assume their plan making responsibilities. For housing, the key feature of any plan making system must be the accuracy of its initial assessment of the requirement for land for house-building, its sensitivity to change and its capacity to respond to such change within a short timescale. This will require a high standard of input from Housing Need Assessments and subsequently from local housing strategies.

One symptom of the lengthy process to complete an Area Plan through to adoption is that there is a issue over prematurity. DOE need to consider whether applications to develop land zoned for housing in draft plans could be accepted, provided there is no overriding reason why the application should be refused. It is appreciated that if there are strong objections to the zoning of a particular area of land, it would be difficult prior to a public inquiry to grant planning permission but if the objections are relatively insignificant or are clearly inspired by commercial competition, the permissions might be granted. I understand that the Planning Appeals Commission (PAC) has adopted this approach in relation to some specific planning appeals.

I have been impressed by aspects of the new PPS3<sup>iii</sup> dealing with planning for housing in England. It focuses on making sure that land is actually available for house-building rather than simply zoned in the hope that it might be available. It provides some useful advice, set out below, that I would recommend DOE follow, though clearly the principles set down need to be adjusted to match the NI institutional framework.

*"Maintaining a flexible, responsive supply of land*

*To ensure that there is a continuous five year supply of deliverable sites available for housing, Local Planning Authorities should monitor the supply of deliverable sites on an annual basis, linked to the Annual Monitoring Report review process, including:*

- *Setting out in Local Development Documents*

*the approach by which allocated sites will be advanced into the five year supply of deliverable sites*

- *Monitoring how many sites from the five year supply of deliverable sites have been delivered annually*
- *Drawing upon allocated sites, as necessary, to update the five years supply of deliverable sites, setting out in the Annual Monitoring Report the revised list of specific deliverable sites*
- *Considering whether it is necessary to update the housing market and land availability evidence bases and initiate a review of relevant Local Development Documents in order to be able to continue to maintain an up-to-date five year supply of deliverable sites.*

*To be considered deliverable, sites should, at the point of adoption of the relevant Local Development Document:*

- *be **available** – the site is available now*
- *be **suitable** – the site offers a suitable location for development now and would contribute to a creation of sustainable, mixed communities*
- *be **achievable** – there is a **reasonable** prospect that housing will be delivered on the site within five years."*

Another important point made in this section of PPS3 is that generally allowances for windfall should not be included within the first 10 years of supply.

*"Allowances for windfalls should not be included in the first 10 years of land supply unless Local Planning Authorities can provide robust evidence of genuine local circumstances that prevent specific sites being identified. In these circumstances, an allowance should be included but should be realistic having regard to the Strategic Housing Land Availability Assessment, historic windfall delivery rates and expected future trends."*

This contrasts directly with the position set out in the current NI PPS12, paragraphs 26, 64 and 65, which require Area Plans to take full account of windfalls in assessing the need for housing land to be zoned. DRD should address this issue when revising PPS12.

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I am of the opinion that if the Planning Service adopted the objective of having a continuous five year supply of deliverable sites, it would need to make available more land for residential development in a significant number of cities, towns and villages. This could be done either by bringing forward land due for release in later phases of Area Plans, or if such land was not zoned or available, by zoning new land, if necessary suitable greenfield sites. Infrastructure provision is of course important to enable this to be done and in this context examples such as the inadequacy of the Bangor sewage system or the need to build the North Lisburn feeder road come to mind.

## PPS12

The Interim Report dealt with PPS12 in some detail but, as a result of consultation responses and further deliberation, there are a number of additional points which need to be made.

### Densities

In general there is strong support among consultees for increased densities although with an emphasis on good design. There is concern that developments should not consist only of apartments and town houses. There is a need to have appropriate types of affordable housing to meet the different circumstances of those in need. On the other hand there is equal concern about the resistance of some community groups to higher density development. For example, given the price of land in the inner core near Belfast City Centre, it makes no sense to build houses at low densities. This may suit the existing community, but it is wholly inappropriate and economically unviable given the value of the land, cost of development and the fact that the housing investment there is to last for at least 60 years or more. There is also an environmental imperative to review our attitude towards public transport, in the past 10 years the number of cars on the UK's roads as increased by 7.5 million. This has significant implications as the owners of vehicles expect somewhere to park at home. The current car-parking requirements imposed by planning policy appear extremely generous and I would suggest that there is a need to review the requirement and explore other methods for managing resident's car-parking requirements

such as permits. Action must be taken to counter-act low-density, car dependent land use patterns. For Government and local politicians there is a real challenge here to explain to and convince local communities of the value of higher density, perhaps by linking it to the wider sustainability agenda. Interestingly Belfast City Council in its submission supported the move towards high density.

*"The Council would be supportive of any policies or schemes which seek to encourage higher density living but would contend that such housing should not only be considered for single occupancy or two person households but also for families such as in other European cities. Winning broader public acceptance of the merits of high density housing and overcoming the association with the high rise flats of the 1960s will be difficult to achieve. Government needs to adopt a much more pro-active approach in getting the message across that high density can equate with high quality of life. Design is a critical aspect in achieving sustainable higher densities in terms of accommodation that is both desirable and liveable."*

I very much agree with the views expressed by the Council. However, on a specific point, if higher density is to be pursued I believe that further consideration is required on the long-term management and maintenance of apartment blocks.

### Mixed Tenure

There was overwhelming support among those responding to the consultation for mixed tenure development. Use of Article 40 to provide a proportion of affordable housing, whether social or intermediate, will greatly assist the development of mixed tenure. In regeneration areas in particular, mixed tenure, mixed income developments have the potential to rebuild sustainable and vibrant communities. In this context, the failure to deliver mixed tenure in Phase 1 of the Titanic development must be regarded as a lost opportunity. For this development, Government should set a target of 20% affordable housing, within which there should be a significant element of social housing. In Edinburgh Docklands and Dublin Docklands, this approach has been adopted and there is no reason why land in the Titanic quarter should not

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make a similar overall contribution to the requirement for affordable housing. Looking at this from the opposite stand point it was interesting to note the statement in the DCLG publication *"Delivering Affordable Housing"*<sup>ii</sup> which went as follows: *"For too long we have lived with the consequences of rigid mono tenure development; and today no-one would promote significant scale development that included nothing but social rented housing."* The path to achieving genuine mixed tenure, mixed income development will not necessarily be straightforward but there is overwhelming agreement that it is the path to follow.

### **Brownfield Development**

I stated in my Interim Report that there should be sensitive and flexible application of *"brownfield development"* to meet the 60% target and expressed my reservations about the broad definition applied in NI. The original definition contained in Draft PPS12 and based on the Scottish definition explicitly excluded private gardens. The definition in England set out in PPS 3<sup>iii</sup> states, *"Previously developed land is that which is or was occupied by a permanent structure, including the curtilage of the developed land and any associated fixed structures."* There are certain exemptions and there is no presumption that previously developed land is necessarily suitable for residential development nor that the entire curtilage should be developed; it does however place an appropriate emphasis on the re-use of previously developed lands.

PPS12 currently classifies *"brownfield development"* as any development within the *"urban footprint"* and a target of achieving 60% of development within these areas has been set. I agree that for sustainability and transportation reasons there should be a focus on the development of compact urban centres. However I feel there should be an explicit focus on the regeneration of previously developed land. I propose that within the region wide target of 60% of development within the urban footprint, around 30% of this should be on previously developed land given the proportionately greater scale of the NI house building programme. In England an incentive has been introduced to support brownfield development. The

Remediation Grant provides for 150% of private sector companies costs for de-contamination of previously developed lands and the Scottish Executive also provide support by way of grant. I believe a similar incentive would stimulate such development in NI and could act as a powerful tool in the regeneration of many towns and cities. Interestingly in ROI, legislation exists to apply a levy of 3% of the value of land left derelict and undeveloped. This option might be explored further for NI.

Explicit guidance is also needed to reduce inappropriate development. Many organisations representing communities, housing and planning professionals expressed concerns to me about the demolition of single family dwellings to make way for apartment blocks. Further guidance would be helpful to counter cases of *"garden grabbing"*, *"town-cramming"* and limit what has been referred to as the *"greying"* of our towns. A balance between densification, which can often deliver significant benefits in terms of tenure and income mixing, and the protection of an area's physical and social character needs to be struck.

Kate Barker suggested that the greenbelt should not be sacrosanct and queried the value of greenbelt land around the urban fringe which did not require special protection. While it is clearly desirable on sustainability grounds to have compact urban form, I believe that in NI greenbelt land is no more and possibly less valuable than in England.

### **Key Site Requirements**

The Planning Service has emphasised that successful implementation of key site requirements, relating to both intermediate and social housing on zoned housing land, will be dependent on amendment to PPS12. The Planning Service have pointed out that while they see merit in the recommendation to extend the concept to embrace intermediate housing, they see it as relevant to future development plans rather than as something to be used to amend existing draft development plans. This seems to run contrary to the emphasis they place on mixed income, mixed tenure developments and I would recommend that the Planning Service give careful consideration to what can be

achieved within draft Area Plans on the assumption that PPS12 is revised appropriately.

## HS2

In my Interim Report I recommended that Development Control Policy HS2 should be extended to include the need for intermediate housing, as well as social housing. In their response NIHE and NIFHA have stressed that: *“HS2 is the critical planning mechanism for delivering social and other affordable housing in Northern Ireland. It is essential that it is operational as soon as possible.”*

I agree with the emphasis which NIHE/NIFHA has placed on the extension of HS2.

## Developer Contributions

The provision to apply planning obligations under Article 40 of the Planning (NI) Order 1991 to secure developer contributions is of crucial importance to the provision of affordable housing in the future. It should be set out by DRD in a revised PPS12 and prior to implementation of RPA, should be managed by the Planning Service, working in close co-operation with NIHE, housing associations and NI Co-ownership Housing Association (NICHHA).

In operating developer contributions the following principles should in my view apply:

1. 20% of the houses provided in any housing development granted planning permission should be affordable homes (social and intermediate)
2. The contribution by the developer should normally be set at the value of the land on which the affordable homes are located (i.e. it would be provided at nil cost)
3. The planning obligation should apply to all housing developments of 5 dwellings or over
4. Planning obligations should be capable of being fulfilled through:
  - On site provision
  - Off site provision at another location
  - Land at another location
  - Payment of a commuted fee
  - Contribution in kind.

In significant developments of 10 dwellings or more the obligation will normally be secured by on-site provision unless there are compelling reasons why this is not appropriate

5. Developers should normally be required to deliver 10% social and 10% intermediate but where there are specific site constraints or issues relating to the economics of the development or to the relative need for each type of tenure, the tenure split could be adjusted. Housing Need Assessments would inform decisions in each case about the relative proportion of social and intermediate housing required
6. Where it is not possible to provide affordable houses on site, either because the site is too small or for other compelling reasons, a commuted fee should be payable. This would relate to 20% of the value of the land on which the development is located
7. Commutation payments should be paid into a ring fenced Affordable Housing fund, and the proceeds should be used to provide affordable housing elsewhere
8. Arrangements should be made to allow a developer to fulfil the obligation on an alternative site, provided the Planning Service agree that this is acceptable
9. Mechanisms should be put in place to ensure that affordable housing on a site is completed prior to the completion of all market housing on the site
10. Where, prior to the introduction of the Planning Gain Supplement, a number of public bodies are seeking developer contributions, e.g. for affordable housing, roads, water etc, machinery needs to be in place to ensure that the total developer contribution does not render the proposed scheme unviable. The proposed introduction of Planning Gain Supplement will impact on the development environment and if the suggested changes to the fiscal framework deliver further clarity for builders in respect of contributions for infrastructure necessary to development it should provide a clearer focus on the use of planning obligations to provide social and intermediate homes. In the interim, infrastructure bodies could replicate the Planning Gain Supplement system to determine and consolidate the extent of an additional financial obligation over and above that required to meet the 20% affordable housing obligation. The additional consolidated obligation would need to be distributed among the various infrastructure providers.

11. In circumstances where Housing Association Grant is likely to be payable, the developer would need to work at an early stage with a housing association who would take over the management of the social homes. In England, grant on the equivalent sites provided under Section 106 of the Town and Country Planning Act 1990 (Section 106) is only available on developments which integrate different tenures in a single site design following mixed communities principles. Equally where intermediate homes are being provided, the developer would need to work at an early stage with NICHA.

## Housing Need Assessments

As part of PPS3 in England, local development documents are required to include estimates of the overall likely proportion of households that require market or affordable housing, e.g. x% market housing, y% affordable housing. The NIHE has the role of carrying out Housing Need Assessments under PPS12.

Housing Need Assessments are essential to assist in the identification of future housing sites and meet the required housing need by providing a broad indication of provision required for different categories of need within the overall HGI. Housing categories considered include: regeneration, social housing, affordable private rented, affordable owner occupied, empty homes, second homes, students, supported housing need, and traveller accommodation. They aim to:

- Set the regional housing market context within which specific housing needs exist
- Highlight housing trends to provide a descriptive baseline and draw attention to any issues that are significant
- Analyse housing trends and the factors driving the housing market, and give an indication of the relative importance of these drivers
- Assess the impacts of local housing needs on the wider housing market; and
- Identify the range of housing needs.

I welcome the current review of the methodology applied to determine need across the various categories as I believe the robustness and scope of the assessments could be much improved. There is a need to address the apparent gaps in evidence for housing and planning decisions and I

will return to this later. In their current format Housing Need Assessments do not integrate all the necessary market information this would embrace, for example, comparative house price and income data. Movement towards identifying and assessing local housing markets would be more appropriate and would, in time, enable NIHE, in partnership the new local authorities, to develop local housing strategies and planning guidance that responds to issues arising from the operation of sub-regional housing markets. PPS12 would need to be amended to require NIHE to specify this information. Prior to the development of local housing strategies post-RPA implementation, the Housing Need Assessments will have a valuable role to play in the operation of developer contributions.

## Local Housing Strategies

Looking to the future when the new local authorities will assume their new functions, including responsibility for planning, I believe that it would be worthwhile now to begin preparations for the production of local housing strategies. These could link up with a revised local planning process with procedures for monitoring the availability of deliverable sites and with the operation of planning obligations.

I recommend that NIHE immediately initiates, in partnership with District Councils and Divisional Planning Offices, a programme to prepare Local Housing Strategies initially for each District Council area. These should cascade from the regional spatial and transport strategies and be consistent with the Sustainable Development Strategy. A proposed policy framework is set out in Annex 3. Much of the information is available:

- NIHE District Housing Plans
- NIHE Housing Need Assessments
- DOE's Housing Land Availability Monitor (with some modifications – a single Land Assembly Agency to include a review of land in public sector ownership in each area)
- DOE Urban Capacity Studies
- Health and Social Services Delivery Strategies
- Education Strategy
- Housing Programmes (such as the Social Housing Development Programme, Supporting People Delivery Plan, Promoting Social Inclusion Task force to tackle Homelessness)

- Transport Plans
- Regeneration initiatives and strategic sites
- Enterprise and Industrial Development Zones.

### **Introducing Developer Contributions: Early Action Required**

Action is required now to introduce the new developer contribution system and to make other necessary changes. An amendment to PPS12 would provide an opportunity to set out in respect of affordable housing:

- An explanation of planning obligations and their objectives
- An outline of the general ambitions and vision of the Planning Service and NIHE
- How planning obligations are to be secured and enforced
- The procedure for completing an agreement.

In my Interim Report, I recommended a forum of public sector housing and infrastructure providers be convened to consider how Article 40 of the Planning Order could be effectively administered. The task will be complex and I believe that a forum of this nature, if set up immediately could help to deliver the new arrangements on time. Details of how this forum might operate are set out at Annex 4.

At the operational level, there is a pressing need to work in partnership to use the planning system to secure developer contributions. The Planning Service should make sure that all relevant public sector infrastructure providers are involved in the formulation of planning obligations and that the infrastructure necessary to facilitate development is delivered by other bodies. Public sector bodies that must be consulted in relation to Article 40s are DRD Strategic Planning (HGI, Transport, and Spatial Strategy), NIHE, Roads, Environmental and Heritage Service, Valuation and Lands Agency (VLA), DSD, Education and Health Authorities and the Water Service. With regard to developing negotiation skills, this is one area where I feel much can be learned from the Private Sector and from the experiences of local authorities both across the water and in ROI where such negotiations have taken place for a number of years.

I believe DRD should set itself a target of publishing for public consultation by July 2007, a new draft PPS12 dealing with all the issues I have addressed, including a framework for the operation of affordable housing planning obligations. The objective should be to introduce the operation of developer contributions no later than 1st January 2008 and preferably by the autumn of 2007. This is of the utmost importance for the delivery of affordable housing in the future and every effort should be made by DRD and the other Departments and bodies which will be consulted to ensure that this timescale is met.

An effective partnership between the Planning Service and the developer should be achieved without compromise on the quality or timing of any development. I have noted the recent audit report from the Commission for Architecture and the Built Environment on the quality of housing in England<sup>ix</sup>. This has revealed that significant numbers of new dwellings (82%) failed to meet design standards. This has no doubt impacted on provision through the planning system under Section 106 of the Town and County Planning Act and safeguards should be put in place in NI to ensure that dwellings provided through developer contributions meet required standards.

## **PPS8**

There was broad support among respondents for what was said in the Interim Report in respect of PPS8 given the proviso that sufficient consultation is undertaken with local communities, but I would suggest that there should be no vetoes on the basis of NIMBY objections. I am pleased to note that the Planning Service and the NIHE have been working together to produce a document outlining working processes for applying Policy OS1 and that the Rathcoole Estate pilot study has been submitted to the Planning Service for their consideration. I note also that Open Space appraisals on a number of sites in the Social Housing Development Programme are also under way. I am encouraged by these developments and hope that they will produce a useful contribution to the provision of land for affordable housing, without any significant loss of amenity for existing residents.

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## PPS14

There is clearly significant opposition to PPS14 and this was made abundantly clear to me in a number of responses to suggestions contained in the Interim Report, in particular from Sinn Féin, the SDLP, the NI Housing Council and numerous District Councils. PPS14 is, of course, subject to judicial review. If it is upheld, then not only will my recommendation to extend CTY6 be required but also increased flexibility in respect of development limits attached to small towns and villages would be necessary to allow for the building of dwellings, which would otherwise have been built in the open countryside. If necessary these development limits should be extended into Greenfield land and the 60% urban footprint objective where it applies should be set aside. The current Area Plan system does not allow for the implications of new policies, such as PPS14, to be taken into account. This strengthens my argument for a more flexible system.

## Helping the Planning Service

The Planning Service has been operating under great pressure. It is in my view under resourced and it has lost a large number of its more experienced professional planners within a relatively short time. In the responses I received there was substantial concern expressed at the time taken to deal with development control applications and at the delays in producing Area Plans. I made a number of suggestions in the Interim Report which were designed to relieve the pressure on the Planning Service and at the same time to permit housing applications to be dealt with more quickly.

The Planning Service suggested that extending the statutory response time under Article 33 from 8 to 12 weeks would have little practical effect since less than 1% of applications had taken the Article 33 route. I acknowledge that this may indeed be the case. Planning Service also pointed out that Article 9 of the Planning Reform (NI) Order 2006 now provides powers to decline to determine an application if it is similar or substantially similar to an application not yet determined. This should

prevent “*twin or multiple tracking*” where a developer might submit several applications for one site. The Planning Service did not respond to the suggestion that the scope for permitted development be enlarged. I still believe, as did Kate Barker in her reports, that this should be explored, with a view to focusing the limited resources of the Planning Service on the more important applications. In the context of setting priorities, I received substantial support in particular from builders for the proposal that significant housing applications should be fast tracked. I believe that with the introduction of developer contributions to affordable housing, this recommendation will become even more important. It ties in with my recommendation that the Planning Service should set up a multi-skilled unit to deal with significant housing applications. In the future most housing applications will require negotiations with developers on housing need, on housing management, on the economics of the development and often also on legal issues. It would be very difficult from a standing start to provide the necessary skills within the Planning Service and even more difficult to provide them in Divisional Offices. The unit I have in mind would have secondees from NIHE, VLA, the Departmental Solicitors Office and possibly from consultants able to negotiate effectively with developers on the financial and economic aspects of the proposed development. It would, of course, be desirable for the Planning Service to develop such expertise over time through appropriate training. Final decisions would of course have to rest with the Planning Service. Post RPA implementation the unit might be retained to assist the new local authorities with advice in particular on the operation of developer contributions.

Three new issues emerged since publication of the Interim Report as a result of consultation responses. I have already dealt with prematurity. The role of statutory consultees was highlighted by a number of respondents. In dealing with a planning application, the Planning Service can only progress at the speed of the slowest consultee. The Environment and Heritage Service was subject to particular criticism. There is an argument not only for setting performance targets for statutory consultees responses but also for considering a more radical approach, whereby

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if no substantive response had been received after 30 days, the Planning Service should be entitled to assume that the consultee is content with the application. Another possible approach which might speed housing applications, especially after the introduction of developer contributions, would be regular meetings of representatives of all consultees chaired by the Planning Service at which decisions would be taken on all aspects of an application which necessitated involvement of consultees. I would further suggest that the NIHE is included as a statutory consultee. This would assist the private sector in assessing the impact of the affordable housing obligation attached to any proposal and would enable the tenure split within the 20% requirement to be determined.

Builders expressed concern about the difficulty of engaging the Planning Service in pre-application discussions. Clearly these are important, so that any significant application can be shaped in advance to make it acceptable and compliant with planning policy. It was suggested that there should be a protocol whereby the Planning Service would facilitate a pre-application discussion within 30 days of a request being made by a potential applicant for a housing development. This seems reasonable and I would commend the proposal to the Planning Service.

There is an issue around resources. In my Interim Report, I suggested that the Planning Service is under resourced and should be exempt from manpower reductions. In England, a Planning Delivery Grant is available to supplement the resources of local authority Planning Departments. To date it has been paid as a reward for good performance. This has not been available to the Planning Service in NI. It needs extra resources to achieve improved performance and, in the affordable housing context, to meet the challenge of operating developer contributions effectively. There is now a proposal in England to develop a new Housing and Planning Delivery Grant with three objectives:

1. To provide a direct incentive for local authorities to engage in the delivery of increased housing supply to meet the needs of their community
2. To help address any disincentives to housing growth

3. To build a planning framework that enables the delivery of increased housing supply as well as ensuring that continuing planning reforms take place.

There is a need for a Planning Delivery Grant of this kind to assist the new local authorities to operate the Planning System effectively and in the interim it should be replicated for the Planning Service in DOE.

Finally, in the responses to my Interim Report, there was considerable criticism of the Planning Service. Some suggested that there was a negative rather than positive attitude towards development. In England there has been long-standing advice that development should: *"be encouraged unless it will cause demonstratable harm to an interest of acknowledged importance."* This seems to be an appropriate approach to the need for affordable housing. Performance both in development control and area planning has not been satisfactory. However the pressures have been great. Many respondents paid tribute to those currently in the Service whose often heroic efforts are keeping the system going. Planning will transfer to the new local authorities in 2009 and this may allow the employer greater freedom to vary terms and conditions. If not or if the transfer does not take place, I believe that Government cannot ignore the plight of those trying to operate the current system and that a review of all aspects of how the Planning Service is delivered, including recruitment and retention, should take place. This was proposed by a significant number of respondents.

## The Planning Appeals Commission (PAC)

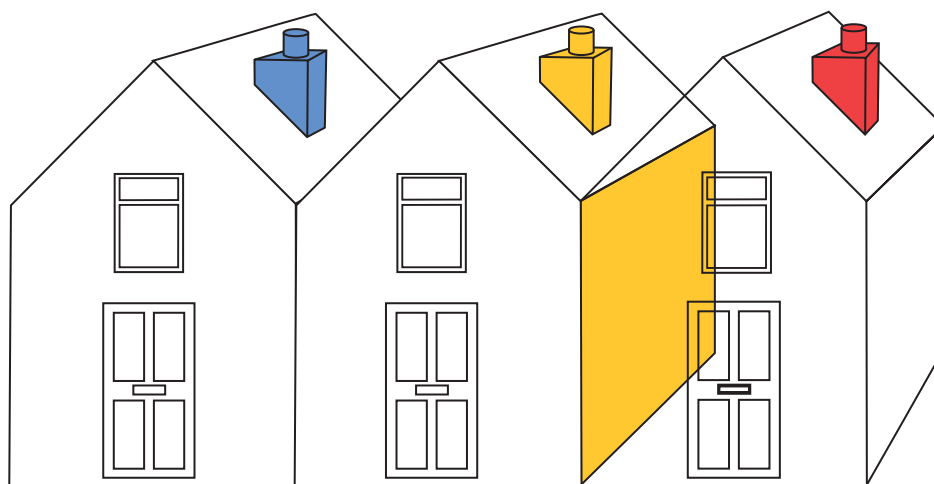
In my Interim Report I suggested that post RPA implementation, when the DOE is no longer the planning authority, the PAC might no longer be required and that appeals could be handled as in England by a Planning Inspectorate attached to the Department which would post RPA implementation no longer be responsible for local plan making or development control. I would stress that this was not intended to be a criticism of the work of the PAC but rather it seemed a

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natural outcome of the change in the responsibility of the Department. Many consultees have written in supporting the PAC, paying tribute to the work it has done and the role it has played. I have decided therefore to withdraw this recommendation. However if the PAC is to remain and as I have said many, including even some developers, have come to the PAC's defence, I would still much prefer to see it operate post RPA implementation, under the aegis of the Department responsible for planning policy rather than under the Courts Service as is currently planned. I would see no difficulty in reconciling this with the PAC's independence. I would fear that under the Courts Service the PAC in the future might come to

focus more on legalities than on finding planning solutions. There is already a steady flow of judicial reviews in the courts on planning issues. Additionally the Department would have the responsibility for seeing that the PAC was properly staffed, resourced and guided and would have a vested interest in ensuring that it did its work effectively and expeditiously.

Some of the recommendations I have made in response to operational planning issues may require legislation, I have tried to identify these and they are set out at Annex 5. Others may be progressed administratively and where this is possible I suggest that reforms are put into place immediately.



# Chapter 4: Land and Building



In my Interim Report, I reflected on the extent of land banking and speculation. I referred to the Housing Land Availability Annual Report produced by the Planning Service and suggested that the report should be prepared and published on the basis that the land considered to be available was actually deliverable. The Planning Service in its response to consultation commented:

*"We are satisfied that land in our Housing Land Availability Monitor will normally be viable and suitable for housing purposes. We would accept that in a very small number of cases there could be unforeseen physical or environment constraints. However it would not be cost effective to remove them from the overall figures. We are also unsure as to whether there is an appropriate and reliable mechanism to determine market availability."*

Given the approach taken in PPS3 in England discussed in the previous chapter, designed to secure a continuous five year supply of deliverable sites, I would recommend that the Planning Service examine best practice in producing an Annual Monitoring Report, to ensure that it relates to sites that are genuinely deliverable and are not subject to land banking and withholding for speculative gain or for other unjustifiable reasons.

I made some further recommendations designed to deal with land banking including a proposal relating to selective dezoning. I was not surprised when the Planning Service commented that, *"This has its attractions but it raises a number of practical difficulties."* I suggest that the Planning Service take advantage of any opportunities that arise to dezone land which is being withheld for speculative reasons, recognising however, that such opportunities are likely to be very limited.

The NIHE/NIFHA response suggested selective dezoning of land which has been zoned for industrial use for some time and not developed for the purpose, with a view to making it available for provision of housing, including an affordable component. I would recommend that the Planning Service examine the possibilities of such rezoning.

Compulsory purchase may be a more effective form of intervention and is seen by the Planning Service as a more appropriate and effective way forward. The NIHE has indicated its support for a more proactive, selective use of its existing vesting powers and I would strongly endorse this approach. DSD should monitor the effectiveness of NIHE's existing vesting powers and consider strengthening them, should this prove necessary.

I recommended in my Interim Report that planning permissions might be granted on a three year basis. This received considerable support but both the Construction Employers Federation and the Planning Service were sceptical. The former were concerned about the time taken to secure permissions; the latter felt that the additional work would be unlikely to yield much, if any, benefit. However, the *"use it or lose it"* approach in the English Compulsory Purchase Act 2004 and also applicable in Scotland is, I believe, a valuable approach and the recent radical proposal put forward in ROI to vest Agricultural land at reduced market value takes this concept even further. The time from the receipt of outline permission to the submission of further detail on reserved matters should be reduced to three years from five. Once reserved matters have been approved, developers would have two years to implement the planning permission. Planning

permissions would no longer be automatically renewed and fresh applications would be required once they expire. All residential planning permissions should include conditions relating to phased completion of the development as well as start dates.

## Valuations

I propose changes to certain roles that the VLA and independent private sector valuers currently fulfil. I have suggested that the “life-span” of a valuation for the purposes of sales to tenants under the Social House Sales Scheme and acquisitions of existing satisfactory properties by housing associations should be reduced from the six month validity period currently in place to a three month period. For all valuations, independent valuers and auctioneers valuations should be acceptable and I recommend that VLA continue to perform a quality assurance and appeal role in respect of independent valuations carried out under such schemes, and to develop monitoring and verification systems to improve information and manage this responsibility.

There is also the immediate task of preparing best practice guidance on valuation for mixed tenure and affordable housing models. A new methodology to value land specifically allocated to affordable housing will have to be developed, since no such “*use limitations*” have existed in NI before, and it is imperative that we learn from experience elsewhere in so doing. VLA’s participation in the development of policy on planning obligations and agreements will support and reinforce this crucial work.

## A Land Assembly Agency

In my Interim Report, I indicated that there might be an argument for a NI Land Assembly Agency positioned outside Government and operating on a commercial basis. I suggested a number of functions which it might undertake but pointed out that the concept needed further work. In the light of the consultation responses, which were broadly positive, I have reflected further on this proposal and I recommend that the Department of Finance and Personnel (DFP)

and DSD should take the necessary steps to establish the Agency on the basis set out below.

A Lands Assembly Agency might have the following functions:

1. It would take over the register of surplus land currently maintained by the VLA. The register would be given statutory force and all public bodies including District Councils would be required to register their surplus land with the Agency, before any steps were taken to dispose of it
2. The Agency might, in association with DFP, exercise a challenge function, seeking explanation from Departments and other public bodies about the extent of their landholdings and their need to retain them. It would also be helpful if the NI Audit Office and Local Government Auditors were to examine surplus land policies of Departments and other bodies and how they were operated but the Agency would have the direct and immediate responsibility for persuading Departments to identify surplus land for disposal
3. The Agency would advise Departments and other public sector bodies how to best manage their land assets and on how to dispose of surplus land. No Department or public body would be permitted to dispose of land without having consulted with the Agency and secured its agreement to the methods of disposal. The objective of such disposals would be to maximise both the financial and community benefit of disposal. This would be achieved by master-planning large sites, by land swaps, by aggregation of sites involving purchase of additional land where necessary, and of course by straightforward disposal on the very best commercial terms. The Agency would have the opportunity to work with the owners of surplus public sector land to assemble sites that would have significant potential for community benefit. In particular, it would be able to secure the assembly of sites suitable for mixed tenure housing including affordable housing. I do not envisage that the Agency would necessarily take all this land into its ownership, rather it would facilitate co-operative arrangements to secure the assembly of valuable sites, intervening to purchase only when partnership

arrangements were unable to deliver. The Agency would also need to act as champion for the development of the necessary infrastructure in its widest sense for the sites which it was assembling. The advisory role of the Agency would be particularly valuable to the new local authorities, as they take over operational responsibility for regeneration and planning, particularly in relation to the implementation of developer contributions

4. Where it was necessary or desirable for the Agency to acquire land itself, it would be best if it could do so on the basis of commercial borrowing. It would buy and dispose of land on a commercial basis, with any profit being used to support its other activities. Where a Department or public body was unwilling to dispose of its surplus land on a basis agreed by the Agency, the Agency should be given the power to have the land transferred to it, initially without payment. On eventual disposal, the public body involved would receive the receipts associated with its sale
5. There could be arguments in favour of the Agency being pump primed by being given substantive land interests to manage for disposal. The DSD New Town lands might be transferred to the new Agency to manage. However I have concluded that it would not be appropriate for the NIHE land bank to be transferred to the Agency. I comment separately on how the NIHE should manage its land bank. Similar considerations apply to regeneration sites in DSD ownership which are currently the subject of master plans such as the Crumlin Road gaol site.

I reflected on whether the Agency should dispose of, or facilitate the disposal of, surplus public sector land at prices below market value. On balance I would suggest that this would not be appropriate. However land could be sold with conditions such as the provision of affordable houses and this would impact upon its market value. The operation of developer contributions should also enable affordable housing to be built at reasonable cost on sites that are brought forward for development. On balance, I am inclined to agree with the VLA response that the Agency might be aligned closely with the new LPSA.

It would be important that the Agency employs staff with the necessary skills to deliver its objectives. There would need to be a significant entrepreneurial dimension associated with the skills of chartered surveyors, valuers, planners and those familiar with public and private finance. Terms and conditions of employment would need to reflect this and not be tied to public sector conditions.

While I have dealt with this proposal in greater detail, I am conscious that a great deal more work would be required to turn these ideas and principles into an effective working body. I doubt if this could be done prior to 2009, when RPA is implemented. Legislation would be required. However, if the proposal is accepted, implementation, at the same time as RPA implementation, would be a suitable target and I commend this to DFP and DSD.

## The NIHE Land Bank

The NIHE has a substantial land bank. Although some of this would be of little value for house-building, a significant proportion could have potential. In their response to the Interim Report, the NIHE/NIFHA pointed out that NIHE has extensive acquisition, development and disposal powers and referred to the methods it currently deploys in land identification and negotiation and to its role as technical assessor in relation to PPS12/HS2. It suggested that it should make the provision of an element of affordable housing a condition of any disposal of NIHE land to the private sector. It referred to the Government

## Operation and Financial Arrangements

Like the Strategic Investment Board, the proposed Agency might operate as a commercial company, limited by guarantee in this case, owned by both DFP, through the new Lands and Property Services Agency (LPSA) established by the implementation of RPA through an amalgamation of VLA, the Rates Collection Agency, Land Registers of NI and the Ordnance Survey for NI, and by DSD.

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Accounting Rules for NI (GANI) and sought extension of these from 3 to 5 years for NIHE land.

I have reflected on the NIHE/NIFHA response and agree there is some confusion and that clarity should be provided regarding the GANI definition. I also agree that the NIHE should be much more proactive in vesting land for social and intermediate housing. Where the NIHE is disposing of land to the private sector, it should, provided its assessment of need supports it, seek proportions of affordable housing, significantly higher than the 20% developer contribution. Under Article 40, the 20% developer contribution would still apply on the granting of planning permission. Receipts for the sale of the land would be lower than if it was just sold on the open market but in my view this is wholly justifiable to achieve the resultant community benefit. I believe that the imposition of conditions of this nature are preferable to the selling of land at below market value to produce homes at below market value, where it may be difficult to secure retention of the affordable nature of the homes in perpetuity, or to recycle the subsidy involved. However if the NIHE is confident that it can find ways to ensure this, then I would support its expressed desire to test out models on specific sites currently in its ownership.

All in all, I believe that the NIHE needs to be much more proactive in managing its land bank and in using its extensive powers to secure land for building affordable homes in mixed tenure developments.

## Community Land Trusts

A Community Land Trust (CLT) is a model for the mutual ownership of land. In examples from the UK and USA, the land owned by the local authority and the community is pooled together with either the community or the local authority retaining the freehold interest on the assets. The exact structure can differ. However the CLT will invariably have a representative board generally composing of one third tenants, one third independents and one third local authority representatives.

CLT's have enabled comprehensive master plans to be developed in some areas with any resulting enhanced value being retained solely for the benefit of the community. Proposals could be developed to allow the CLT to lease the housing units to a housing association, which would manage and repair the stock, with the ground lease rents sustaining associated community projects. The CML, however has stated its concerns regarding CLT options where stock is leased to housing associations, suggesting that it will be more expensive for borrowers to approach lenders without the benefit of security of freehold land. The CLT model is centered more on community-wide requirements and I would suggest that this offers exciting opportunities for those integrated communities that have an explicit commitment to a shared future. I envisage that proposals for CLTs will become more sophisticated as practice is further developed. There are also some excellent examples of employment and enterprise development related projects. It may also be possible to tackle major regeneration projects through a CLT which could prepare a master plan and source a commercial development partner to undertake the project.

## Social House-Building Procurement Strategy

The more proactive management of supply-side relationships are a feature of business in the 21st Century and it is entirely appropriate that public spending is subject to the same review. Using purchasing power to deliver better quality outputs, drive up standards and transform markets is an important element of Government's wider procurement strategies and any leverage that expenditure on affordable housing provides to improve the quality of NI's new supply should be energetically exerted. The processes involved in requesting, ordering, auditing and paying for goods and services from an external provider are complicated. However these can be managed to support the implementation of complementary policies be

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they related to market transformation, economic development or sustainable development.

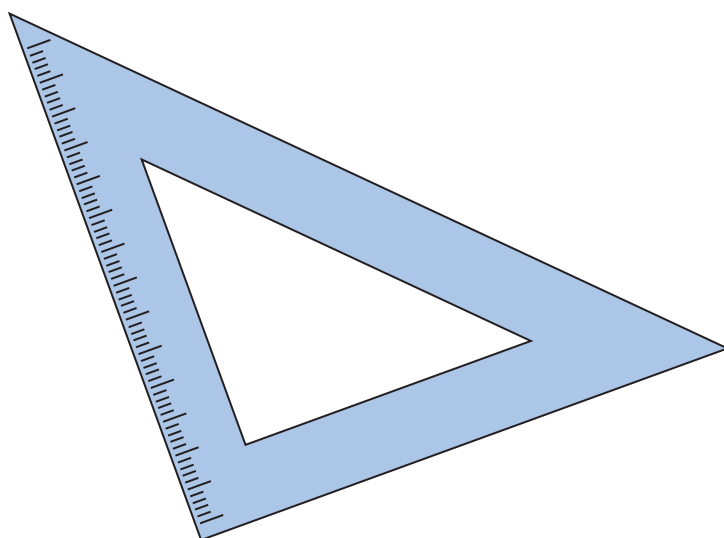
A more strategic approach to the procurement of affordable housing would facilitate whole-life costings and help to identify some of the hidden costs in procurement policies. In my Interim Report, I suggested that legislation should be advanced to enable payment of Housing Association Grant to bodies other than housing associations. I am still convinced of the need for such a provision. It is critical that any modification to the supply chain for delivering affordable housing through the administration of Housing Association Grant makes provision for payment of grant to builders to optimise the contribution the planning system can make to the delivery of more affordable homes through Article 40.

Whilst I understand that the proposed Procurement Strategy for social housing is aimed at delivering efficiencies, there may be other opportunities to achieve the same objective perhaps through regulation and more intensive management of the Social Housing Development Programme. Whichever model is agreed upon, it is absolutely essential that mechanisms for supporting the delivery of affordable homes through the planning system are fully integrated with programme formulation, management and evaluation. Any new procurement mechanism will have to be responsive to new supply generated through planning obligations.

## Modern Methods of Construction

More than half of all material resources consumed globally is used in construction and as we hope to increase levels of activity in the construction sector the implications for resource use are significant. The financial structuring of the housing market offers few incentives to the developer to promote sustainability and occupational costs are often of much less importance to potential buyers than initial purchasing costs. However, the introduction of Energy Performance Certificates may change this. Investment in skills development in the construction industry will support wider application of more sustainable technologies and this will be essential as from April 2008 changes to Building Regulations will require all new homes to generate 10% of their energy from micro generation. This will have a significant impact on the market transformation of micro generating technologies. However Government should consider if further assistance to effect change in existing housing stock is necessary.

The opportunities in construction to halve inputs and double outputs through better insulation, ventilation, using local timber and recycling materials need to be realised. The use of modern methods of construction in the development of affordable housing should be expanded, the technology and “*know-how*” exists. But Government needs to provides the appropriate framework.



# Chapter 5: Regeneration



The terms of reference for the Review specifically included regeneration. I fear the Interim Report paid insufficient attention to this aspect of the Review. It has become clear, through further work undertaken after the production of the Interim Report and as a result of responses through the consultative process, that the Final Report needed to deal with regeneration in greater detail. Land use and the design and building of new residential developments with viable economic frameworks are essentially about “*place-making*”; involving building communities around design excellence, community involvement and social well-being.

Planning for sustainable communities is relevant not only to new housing supply; it is critical to renaissance of existing areas. It helps to address employment and population shifts, support investment and realise Government’s aim of ensuring that no one should be seriously disadvantaged by where they live. Communities will operate best, in my view, if they are of mixed income and mixed tenure. Indeed such an approach is in my view vital if we are to build sustainable communities, particularly in areas which require regeneration. Consistently research has shown that people want access to employment opportunities, GP services, transport links to connect to other neighbourhoods and communities and effective schools as well as shops, restaurants and leisure facilities. Well planned neighbourhoods that deliver such a range of facilities are likely to produce sustainable communities. Studies have also shown that proximity to high quality, well managed public spaces can enhance the desirability and value of houses.

Housing policy decisions have multiple impacts and are instrumental in the achievement of key objectives in the areas of health, education, community safety and security, crime and re-offending and, in this context, expenditure in housing could be considered an “*invest to save*” initiative. Housing plays a crucial role in both instigating the revival of existing communities and delivering new communities with the attributes that attract new households and is a crucial element of the wider regeneration agenda. Physical improvements to existing properties and the integration of new homes, particularly where the outcome is a mix of tenure and incomes, can play a role in de-concentrating deprivation. Tackling pockets of disadvantage can have an impact on the breadth, depth or duration of social exclusion, disaffection, low aspirations and can help to counter adverse inter-generational effects on children. However for positive outcomes to be sustained there needs also to be a focus on management to address the social and economic problems that tend to affect target areas. Advancing regeneration through mainstream housing programmes has been tested through the New Towns Policy (1950-1985) and the development of major social sector estates (1950-1980) and whilst the policies delivered improvements in access to accommodation and the condition of the housing stock they often failed to tackle the issues which needed to be addressed to ensure the development of sustainable communities.

I believe there is a need for an over-arching strategic framework for regeneration activities in NI which would make necessary connections between the high-level strategies that will shape

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the development of villages, towns and cities in the coming years such as:

- Shared Future
- Shaping our Future (the regional development, spatial and transportation strategies)
- The Sustainability Strategy for Northern Ireland
- Anti-Poverty Strategy
- Skills Strategy for Northern Ireland
- Investing for Health
- Renewing Communities, and
- Neighbourhood Renewal
- Architecture and the Built Environment for NI.

This would also enable key public sector organisations, many of which have responsibilities for providing key infrastructure, to align strategic and corporate policies to take account of the wider regeneration agenda. This element of planning for the future is essential. Capital and revenue programmes should be aligned over longer periods of time to allow some continuity and consistency in programme management.

The strategic framework would set the context for regeneration initiatives by identifying:

- Development priorities and procedures for identifying and targeting communities in need of renewal
- High level regeneration policy and its application in both urban and rural settings
- The right spatial balance
- Mechanisms for delivering policy at a local level and for engaging stakeholders
- Monitoring delivery agencies performance against policy objectives
- Issuing comprehensive guidance that integrates sustainability principles and appraisals into all regeneration policies and strategies
- Supporting the development of good practice and opportunities for policy learning and capacity building.

This framework would provide the structure within which all organisations with an interest in regeneration would develop policy responses. All

other regeneration work at sub-regional or local level should cascade from the overarching strategy. It should be noted that this is a resource intensive process requiring input from central and local government and from the private and voluntary sectors, to ensure success. However, I believe that the investment is necessary and that a strategy should be developed and led by DSD, in partnership with other Government Departments, to:

- Facilitate a comprehensive, multi-disciplinary, locally co-ordinated approach to regeneration
- Strategically and proactively de-concentrate pockets of disadvantage
- Make better use of and optimise the potential value of publicly held assets through planning permission, infrastructure and regeneration etc
- Develop partnerships with the private sector
- Provide a focus on preventative rather than reactive strategies
- Take a holistic approach to asset management.

DSD would retain responsibility for the overarching regeneration policy which would guide the application of policy through the new local authorities to:

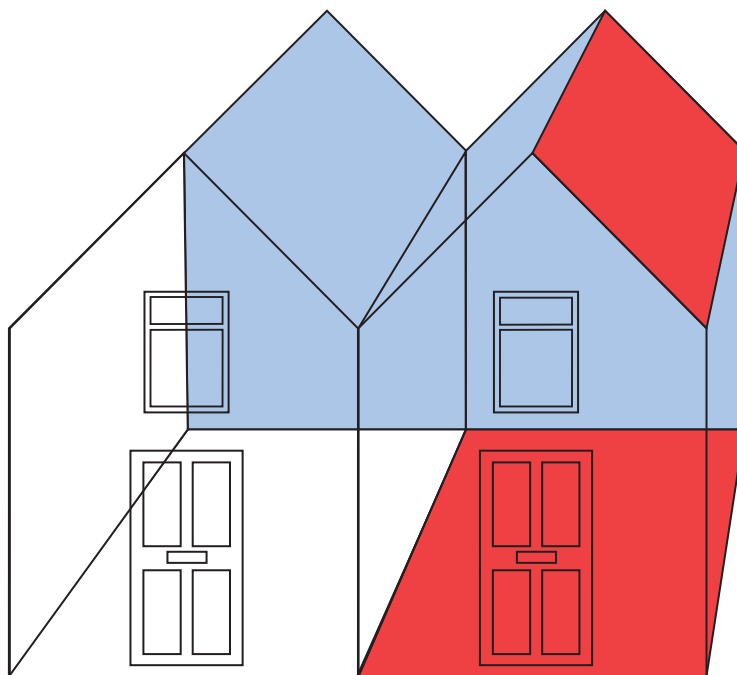
- Assess the nature of subsidy/investment
- Distribute gap funding/subsidy
- Ensure statutory obligations are met
- Complete continuous monitoring of not only the regional and local 'output' but prescribed policy 'outcomes'
- Broker regional and sub-regional partnerships.

High quality and well-managed housing is a cornerstone of sustainable communities. The location, planning, layout and design of housing make an important contribution to sustainable development. Equally important is the task of creating and maintaining communities that reflect diversity in terms of income, tenure and increasingly ethnic background. In certain areas development in line with the principles of "A Shared Future"<sup>x</sup> may be possible and it would certainly be desirable to have communities which included residents from both religious/political traditions in NI.

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Housing in communities must also cater for the needs of older people, vulnerable groups and those with special needs. The quality and condition of housing has a major impact on health and well-being. It also affects access to education and employment and has a considerable influence on people's motivation and sense of self-esteem. Much good work is already underway in regenerating communities and areas which have become rundown or derelict. Masterplanning is taking place in five

areas of Belfast (Lower Shankill, Crumlin Road, Lower Falls, Shore Road and Lower Newtownards Road). Masterplanning is also taking place in a number of important strategic sites such as the former prison site on the Crumlin Road, the Ebrington and Fort George former military bases in the Northwest and these should contain significant affordable housing. On some of these sites, pilot schemes of affordable houses suitable for intermediate tenure through Co-ownership should be brought forward at an early date.



# Chapter 6: Extending access to sustainable home ownership



## Shared Ownership and Equity Loan Schemes

As I commented in my Interim Report estimating the size of the Intermediate Housing Market (IHM) and therefore potential customers for shared ownership and equity measures is particularly difficult. The relationship between demand and supply for lower value private properties, applications for social housing and take up of the right to buy is complex and has a number of external drivers. The demand for buy-to-let properties and the extension of products available for borrowing privately

influence actual and potential demand for IHM products. Recent research<sup>xi</sup> has replicated for NI work into the geography of affordable and unaffordable housing in England which identified a narrow intermediate market (defined as the proportion of younger (aged 20-39) working households that can afford to pay a social rent without support from Housing Benefit but can not purchase in at lowest decile house prices for two and three bedroom dwellings). The broad definition of the IHM in each District Council area is the proportion of working households in each area unable to purchase at lower quartile house prices for two and three bedroom dwellings.



## Broad and narrow intermediate housing markets

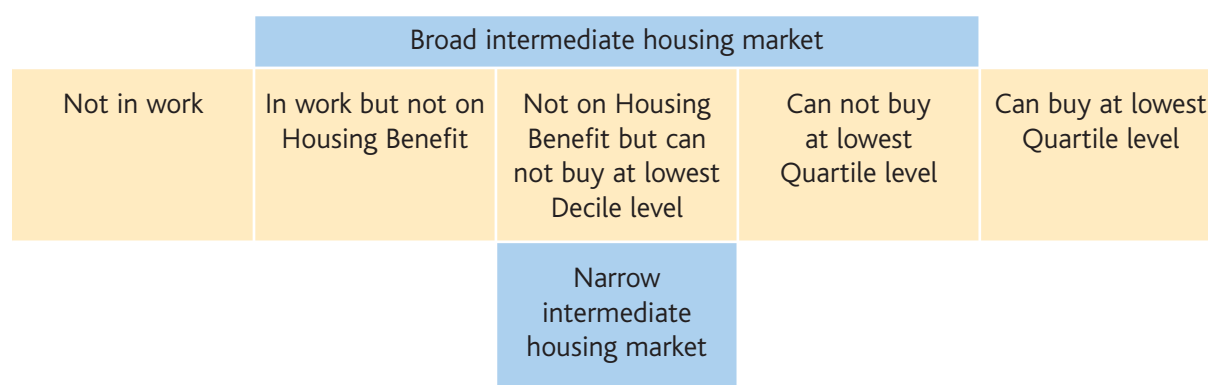


Figure 1 Replicated from: "The geography of affordable and unaffordable housing", Steve Wilcox, Joseph Rowntree Foundation, 2006.

The new analysis commissioned by NIHE shows that across NI as a whole some 34% of all younger working households could not afford to buy at lower quartile house prices for two and three bedroom dwellings. Some 12% could afford to buy at lowest decile house prices; albeit that they could not afford to buy at lower quartile prices. Consequently just 18% of all younger working households fell within the 'narrow' IHM; that is they can afford to pay more than a NIHE rent, but still cannot afford to buy at the very bottom of the housing market (i.e. at lowest decile house prices). The remainder are working, in receipt of housing benefit and unable to purchase at the lowest decile. More details of the various rankings of District Councils on the narrow and broad IHM measure and the house price to income ratios are set out in Annex 6.

The differences in the results from the ratios and IHM analyses confirm that analyses based on averages have limitations. It is the differences in the distributional profiles of earnings and house prices in each area that lead to such different results from the two analyses. This work has important implications for housing policy in NI, and particularly for targeting an adequate supply of affordable housing for those working households unable to buy their own home, even at the lower end of local housing markets. There will be additional demands for IHM products where they offer households the opportunity to obtain larger or better quality properties than they could afford to buy at the lower end of the housing market, or to purchase in more attractive and expensive localities than they could otherwise afford. Meeting those demands may have a

legitimate policy objective in terms of ensuring a greater degree of social mix in areas with more expensive properties. Similarly intermediate housing schemes may have a role to play as part of regeneration plans in areas of low demand, even when needs based assessment shows there is a very limited IHM for the area as a whole.

While there was general support for NICHAs in the responses I received, there was also support for some fundamental changes to the existing scheme. I am therefore recommending a number of amendments to the current scheme which I urge DSD to implement with some priority. I hope that the proposed changes will improve the accessibility and attractiveness of the scheme and support greater uptake. I also envisage that allowing more people who desire owner occupation to take up the scheme would reduce the numbers on the social housing waiting list and make better use of available public funding. The changes I am proposing include:

- Abolition of the current property value limits and instead movement to a system where certain eligibility criteria will apply. This is discussed further below
- The development of a rolling property portfolio through acquisition and development, using a proportion of its reserves (currently standing at about £40 million)
- Reducing the rent level charged on the equity retained by Co-ownership. I propose this be reduced from the current 2.75% to 2%
- Reducing the initial equity stake to a minimum of 25% from the current 40%. Entry level could be at any 5% level from 25% up to 75%

- Staircasing should be permitted in tranches of 5%. When the client is able to afford the extra equity however, legal costs may prohibit this and 10% tranches might be more practical
- Stamp Duty Land Tax should be waived on properties purchased through the Co-ownership scheme, a matter for the Chancellor of the Exchequer
- Streamlining of application processes
- Renewed marketing campaign with lenders and private sector developers.

I have made the above recommendations for a number of reasons. One of the main concerns, put to me during the period of consultation, related to the property value limits which were thought to be unrealistically low, slow to adapt to changing market conditions and not transparent. With regard to rent levels, I believe there is scope to reduce the current rent level without impacting on the sustainability of the organisation.

Lowering the initial equity stake that eligible applicants can purchase to access the scheme would enable more households to participate. The measure would extend choice particularly in areas with high property prices. Provisions to permit more gradual staircasing upwards and downwards would give participants more control over their finances and provide real choices about how and when they will enter full owner-occupation. Some participants may choose Shared Ownership as a long-term housing solution and there could well be a change in culture and ethos of the scheme where in addition to providing a route to full home ownership it also provides a long-term housing solution. Amendments to the current scheme are necessary to make it attractive and viable for low income households.

However I am conscious that there will always be some for whom owner occupation, while the desired tenure, is not realistically financially attainable (or maintainable). For this reason I have proposed eligibility criteria which will be used to assess both the viability and sustainability of the scheme for individual household circumstances. Robust financial appraisal tools will identify applicants who would be able to sustain a conventional mortgage combined with rent on the equity retained by

NICHA and thus be eligible to apply for assistance. It would also eliminate those who are able to access home ownership through conventional mortgage products. This would ensure proper and effective targeting of the scheme to those most in need of assistance.

I also feel there is scope for NICHA to enhance its standing in the market through an improved marketing campaign. This should aim not only to increase awareness of the scheme to clients but also to focus on improving the reputation of the scheme to financial lenders, estate agents, financial advisors and social housing providers. Representations have been made to me that some stakeholders often do not promote Co-ownership and in fact often discreetly discourage it. I would like to see this position change. I have also been told of potential clients who dismiss the scheme as they mistrust the buy-out process and this again is an area where improving public knowledge and changing perceptions could be beneficial.

## Co-ownership Scheme – A Model Eligibility Criteria

### Financial Eligibility Criteria

The applicant's income will be used to determine eligibility, the value limit of the home that can be purchased and the amount of borrowing required and, as such, removes the need for geographical value limits. Income, together with the equity share will establish the borrowing limit; the equity share to be purchased will increase or decrease the value limit. A maximum income level for entry onto the scheme should be set by DSD and NICHA considering the affordability definition (housing costs should not exceed 35% of gross household income) and the average median income. I would suggest that the maximum income level should be set for an individual or household at £42,000, approximately twice the median earnings from the Annual Survey of Hours and Earnings 2006<sup>xii</sup>. This should be reviewed annually, and would benefit from partnership between key agencies to improve data capture and analysis. DSD should progress this with the Northern Ireland Statistics and Research Agency, NIHE and NICHA.

There should be some flexibility in this 35% affordability measure, for instance, NICHA could apply an affordability test (considering incomings and outgoings) and could use a lower percentage if the individual had to repay significant debts or a higher percentage if outgoings were low, such as, where an applicant has completely repaid student loans or has no other debts. Alternatively, if an eligible applicant to the scheme could demonstrate that they could afford to pay more than 35% of their income, for example if the applicant could evidence previous payment of that percentage of their income towards rent and savings and commit to directing this towards their shared ownership housing costs, this could be facilitated. Flexibility is essential and this was reiterated in a number of consultation responses.

The affordability check by NICHA would determine the maximum income of the applicant that can be directed towards their home purchase. If they are unable to afford a house using the lowest equity share available (25%), the applicant should be directed towards the social housing sector. Equity shares in property could begin from 25% upwards increasing in tranches of 5%. Therefore in areas with high house prices and low average incomes, such as Moyle District Council, the affordability check may limit applicants with an average income to an initial equity share of 25%.

#### Formula to determine house value limit for applicants

35% of maximum income/12 = Affordable Monthly Repayments

Affordable Monthly Repayments = Mortgage repayment + Co-ownership rent

Highest House Value = amount of mortgage borrowed + value of Co-ownership Equity Share

Applicants on the scheme should be able to staircase up and down (but never to an equity share of less than 25%) depending on a change in their circumstances such as a pay increase or the birth of a child.

#### Examples (using income multiplier)

Assuming: Rent = 2%  
Interest = 6.75%  
Term = 25 years

##### Example 1

Household Income = £25,000  
35% of income = £8,750 ÷ 12 months =  
Affordable Monthly repayments of £729.17

*At 50% equity share:*

*£85,000 mortgage costs = £587.27 +  
rent @ 2% on £85,000 = £141.67  
Highest House Value = £170,000*

*At 25% equity share:*

*£60,000 mortgage costs = £414.55 +  
rent @ 2% on £180,000 = £300  
Highest House Value = £240,000*

##### Example 2

In Moyle median income = £13,860  
35% of income = £4,851 ÷ 12 months =  
Affordable Monthly repayments of £404.25

*At 50% equity share:*

*£47,000 mortgage costs = £324.73 +  
rent @ 2% on £47,000 = £78.33  
Highest House Value = £94,000*

*At 25% equity share:*

*£35,000 mortgage costs = £241.82  
rent @ 2% on £105,000 = £175  
Highest House Value = £140,000*

##### Example 3

Household Income = £40,000  
35% of income = £14,000 ÷ 12 months =  
Affordable Monthly Repayments of £1,166.67

*At 50% equity share:*

*£135,000 mortgage costs = £946.55  
rent @ 2% on £135,000 = £225  
Highest House Value = £270,000*

*At 25% equity share:*

*£98,000 mortgage costs = £677.09  
rent @ 2% on £294,000 = £490  
Highest House Value = £392,000*

In addition to the financial eligibility criteria detailed above, a number of general eligibility criteria might also be applied.

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## General Eligibility Criteria

Eligibility to the Co-ownership scheme is subject to availability of funding and will be prioritised. All applicants applying for Co-ownership should meet the following basic criteria:

- You must not be able to buy a home suitable for your housing needs without assistance
- You must have indefinite leave either to enter or to remain in the UK
- You must have access to at least £200 to cover solicitor fees and if stamp duty is payable, evidence of access to this amount
- Evidence of a savings record in the sum of 35% of your income over a 3 month period prior to application. Rent may be taken into account as part of this savings record if there is proof of rent
- You must be employed on a permanent contract of employment or if you are on a fixed term contract applications will be considered as long as:
  - there are at least 6 months remaining on the contract
  - the contract was issued at the outset for at least 12 months
  - there is a reasonable prospect of the contract being extended
- You must sell your existing property if you own one
- You must have a good credit history.

### You will not qualify for this scheme if:

- You have had rent arrears during the last 12 months or are in breach of your current tenancy agreement
- You cease to be a permanent employee in your profession before you complete your purchase
- You have an adverse credit history
- If you have debts over £15,000 (this will be increased to £20,000 if your debts include verified Student Loans)
- You are in receipt of housing benefit.

## Scheme Details

If an applicant has met the eligibility criteria, acceptance to the Co-ownership scheme will depend on the availability of funds, the ability of applicants to access existing affordable housing

in the area (which will be determined from the affordability index) and the demand for social housing. In addition, the following conditions should apply:

- Priority will be given to those currently in social housing and to those on the social housing waiting list
- Where funds are limited, NICHA will have the right to target acceptance to the scheme to applicants at the lower end limit of values (to enable more households to benefit), or to determine minimum equity entry levels (e.g. minimum 50% initial equity stake)
- NICHA must determine the current needs of the applicant's household, taking into account the number of people in the household, their age and gender and other family circumstances e.g. where the applicant has divorced or separated and children visit on a regular basis, there may be a need for an additional bedroom. As a guide, one bedroom more than required based on current household composition should be permitted
- Homes with more than four bedrooms may be purchased only in exceptional circumstances.

## Scope for Additional Shared Ownership and Equity Loan Schemes

I have noted with interest the recent developments in shared equity in England and ROI including the proposals made in *"Delivering Homes, Sustaining Communities"*<sup>vii</sup> of an incremental purchase scheme for social housing tenants whereby they will be entitled to use their rental payments to build up an equity stake in a local authority house in an incremental fashion in return for paying a premium on the rent and taking over responsibility for the maintenance of the dwelling.

In England, the report of the Shared Equity Task Force<sup>xiii</sup> confirmed the importance of shared equity schemes and it is my recommendation that DSD closely monitor the financial services industry's response.

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As a first step, I believe there is scope for extending the market for shared ownership products and the role of NICHA as evidenced in the amendments noted above. However, initially I think there are advantages in retaining a “one provider and one scheme” approach largely due the benefits attached to having one system for lending partners and applicants to navigate and administrate. Fundamental criticisms of the many schemes in GB and ROI relate to the complexity of managing and understanding a plethora of products and providers. In terms of regulating the sector and collecting information on the IHM, having responsibility vested in one body is arguably more efficient. Finally, NICHA has long established relationships with a range of stakeholders in the field including financial institutions, estate agents and financial advisors and this is a solid base from which NICHA can build its reputation.

An area I feel warrants further investigation is the ability and capacity of NICHA to act in a more entrepreneurial manner. In addition to providing the current shared equity scheme I believe there is scope for NICHA to expand its business. I have been encouraged by the recent partnership between NICHA and Habitat for Humanity (NI), which facilitated the operation of a subsidised version of the Co-ownership scheme tailored for community-based, volunteer self-build projects. Although the scope for self-build schemes may be relatively limited I feel that such innovations should be supported as they could contribute further to the delivery of affordable homes.

Another initiative might be the use of financial reserves to purchase land and develop affordable housing schemes or to purchase units from housing associations or the private sector and then make them available for purchase through the shared equity scheme. This may eliminate the

side effects of a buoyant property market that are currently affecting Co-ownership applicants such as bidding wars, gazumping and vendor withdrawals. NICHA has benefited from the strong growth in the value of NI’s housing stock which has increased by 165% in the last five years. The organisation’s current financial reserves and existing equity might allow them to borrow private finance at competitive rates.

NICHA should play a critical role in supporting private sector developers to meet planning obligations. There will be opportunities for developers to work in partnership with NICHA and other housing associations to ensure that developments in NI provide for balanced communities, with a range of house types, tenures and values. NICHA should act as the agent for much, if not all, of the intermediate housing provided through developer contributions. The developer could transfer these to NICHA who would then sell them directly to applicants financed through Co-ownership. NICHA could play a useful role in supporting private sector developers to offer their own shared equity products by transferring good practice and learning. There may be scope for NICHA to extend its product base to provide equity release options for elderly owner occupiers and there may be opportunities to develop mortgage rescue packages to support low income owner-occupiers. Strict conditions and space standards would apply to ensure that any such scheme was effectively targeted. NICHA should develop proposals for consideration by DSD.

The timescale for making the necessary changes to the Co-ownership product should be such that a revised scheme is in place well before the system for developer contributions comes into operation.

# Chapter 7: Making better use of and protecting our assets



## Rating Empty Homes in the Private Sector

In my Interim Report I proposed that to deal with the high level of voids in NI, a new system of rating to provide for a 100% liability on properties vacant for 6 months or more, rising to a 200% liability if vacant for a year or more should be introduced. It has been suggested that the costs involved in administering domestic vacant rating would be excessive in relation to the revenue to be gained from it. However I believe this needs to be set against the cost of new social sector provision. Such a wider assessment would, I believe, provide an imperative for addressing the extensive number of empty dwellings. I believe this policy should apply to all vacant properties (vacant for over 6 months) regardless of value, to ensure the policy

acts as an incentive for owners to bring properties into use or compel sale on the open market or to a housing association.

Exemptions and reliefs should be minimised and only applicable in very specific circumstances. It has been argued that such a domestic vacant rating policy would impact most heavily on the low value and low quality properties that are predominant in rural areas potentially disadvantaging owners of these properties. However in the context of the Sustainable Development Strategy for NI<sup>xiv</sup> and Draft PPS14 I think there is a strong argument for encouraging action on or sale of empty homes in both rural and urban settings.

Properties fall out of use for many legitimate reasons and whilst I accept a need for a transactional period I believe that rating policy is

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a tool that should be used to incentivise action by the owner or the NIHE (in its proposed new role as Empty Homes Agency) to address these. Rating policy also has the potential to target and stimulate action amongst those investors that have purchased properties to benefit from the significant capital appreciation of property in NI to either sell or let such properties.

## An Empty Homes Agency for Northern Ireland

I also remain convinced of the need for a more pro-active approach to empty homes in both the social and private sectors. I believe the NIHE is well placed to act as Empty Homes Agency for NI with responsibility for the production of an Empty Homes Strategy. It would need to set up an Empty Homes Unit to take forward the work in a proactive way. I recommend that there is a short-term moratorium on social sector demolitions until such a Strategy is produced. The Strategy should encompass:

- The creation and maintenance of a register of empty homes (empty for longer than six months) available for public inspection
- Initiatives to incentivise owners to bring properties back into use including access to the private sector grants regime, the rental support scheme and housing management advice
- A programme for use of existing powers to occupy and vest empty properties
- A review of current demolitions policy and new guidance that reflects best practice
- A scheme to provide for the release of social sector voids for purchasing by low-income first time buyers, if necessary through Co-ownership. Housing associations could do this by retaining ownership of the land with a statutory charge or alternatively renting at sub market rents
- A marketing plan which might consider establishing a hotline, designating Empty Homes Officers within the NIHE District Office network or through introducing an “*Empty Homes Week*” as occurs in London.

Additionally it could have responsibility for:

- Mechanisms for supporting change of use of existing buildings to meet housing need, e.g.

obsolete offices or commercial premises. This could include advice on planning requirements, housing management and tenant’s rights

- Action Plans for Town Centre Living Initiative Areas which includes the Living over the Shop scheme.

Government should support the new role by committing to introduce legislation (along the lines of the English Empty Homes Management Order) to extend powers for intervention, at the earliest opportunity. 5.4% of the housing stock in NI is vacant. This compares with 3% in England and there are plans to reduce the English percentage further. DSD should set the NIHE a target of moving towards a level of voids 1% above the current English level within 5 years. This would bring some 9,500 homes back into use and could help meet need in both the social and intermediate sectors. A more ambitious target could be to reach the current English level of 3%. This would produce 16,000 extra homes. From 2009 the new local authorities, which would have responsibility for improvement and repair grants, could take over the task of bringing empty homes back into use.

## Rents Review

The work of the Rents Review Team has highlighted significant variations in rent setting policy across the social sector. I have asked that a review of the points based system be conducted and that a consistent and transparent methodology for determining rents and service charges be considered for the social sector. The existing NIHE points system on which many of the housing associations have based their rent setting policies has been in operation for over 20 years. The scheme, which focuses primarily on the physical attributes of the property, could be enhanced to take account of factors which influence prices in market housing such as access to amenities and popularity of location.

Work on this is being progressed. However it is complex. Different rent setting policies and structures have emerged in housing associations across the sector for a variety of reasons. The gradual growth of the voluntary housing movement and the development of sometimes different policy and administrative processes for housing associations has resulted in some

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associations operating a number of rent setting structures. I believe these differences should over time be eliminated with the long-term objective of a unified rent setting structure for all social sector lets.

## Promoting Mobility in the Social Sector

I have suggested that there should be a renewed focus on both social sector mobility schemes, supported by an enhanced incentive for households downsizing, and on the marketing of such programmes. I believe that more intensive management of the stock is necessary to address under-occupation and over-crowding. Better matching of applicants and tenants needs to their property type should be a priority. I would suggest that Home Loss and Disturbance Payments under the Housing (NI) Order 1981 be amended to incentivise existing tenants to move to more appropriate accommodation. I believe that housing officers at local level could provide support throughout the moving process which can often be a difficult and stressful time; the payment will support the resettlement of the tenant in their new homes. DSD should monitor and report on NIHE/housing association performance.



In my Interim Report I made a number of recommendations on the operation of the Social Sector House Sales Scheme. The modifications to the scheme which I suggested elicited significant comment during the consultation and whilst the different measures proposed enjoyed varying degrees of support there seems to be broad consensus that the scheme requires amendment to take account of changed market conditions. Whilst I accept that some of the proposals may have differential impacts on certain groups within society, I firmly believe that this must be balanced against the needs of existing and future applicants for social housing. The sustainability of the scheme in its current form is far from clear and I recommend an immediate comprehensive review of the House Sales Scheme. The review should consider:

- The level of discount including the possible movement towards an equity share in lieu of discount and alternative Cash Incentive Schemes/portable discounts
- Exemptions of property types or geographical areas similar to the temporary suspension of sales in areas of high demand in operation in Scotland
- Arrangements for protecting Government investment i.e. claw-back mechanisms or the retention of an equity share (called a “Golden Share” in Scotland where the registered social landlord retains at least 10% of the equity in the property).

I am also committed to my previous recommendation on VAT levied on refurbishments and suggest that the Secretary of State or the First and Deputy First Ministers make representation to the Chancellor of the Exchequer to reduce it from 17.5% to 5% to support sustainability. If a general reduction is not acceptable then the current concession of 5% rate for refurbishment of housing vacant for more than three years might be extended to houses vacant for longer than a year or possibly two years. This concession needs to be publicised in the context of an Empty Homes Strategy.

# Chapter 8: The Private Rented Sector



The private rented sector provides homes for a diverse range of households, some with short-term housing needs such as students and young mobile singles but for many, including many lower income families, it can provide longer-term accommodation. The continued growth in house prices and competition with investors which has restricted first time buyer's access to the property market and increased demand for social housing provision has resulted in the private rented sector playing an increasingly important role in providing housing for those in need.

Beginning to tackle some of the problems that impact on tenants is critical if public confidence in the sector to deliver quality accommodation is to be developed. The qualitative research project undertaken by Advice NI<sup>xv</sup> revealed that often tenants in private rented accommodation aspire to social renting. I suspect that much of this is due to the uncertainty and insecurity associated with the sector. It was suggested to me that people have three key concerns about their accommodation: security, control and quality. I am convinced that if the sector is to play a greater role in meeting housing need these issues must be adequately addressed.

A professional, well-managed private rented sector which extends housing choice and provides protection for tenants and landlords rights might reduce demand for social renting and facilitate greater inter-tenure movement and labour market flexibility. The joint DSD/NIHE Private Rented Strategy, launched in May 2004, has done much to address the issues in this sector, especially with regard to unfitness and ensuring that landlords and tenants know their rights and responsibilities and whilst this is an important first step, more should be done.

## Registration of Landlords

My recommendation regarding registration of all landlords with sanctions for failure to register received strong support. However, not all agreed that it should be undertaken by the NIHE. This was largely due to their role in administering housing benefit which, it was suggested, might compromise their independence. Another important factor is the enhanced role of District Councils in the private rented sector conferred by



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the Private Tenancies (NI) Order 2006. Registration of landlords has a number of benefits such as better management of the sector, improved information regarding the sector and more effective monitoring of accommodation standards. In light of the introduction of the Private Tenancies (NI) Order 2006 and the additional responsibilities for District Councils, I agree that the NIHE may not be the appropriate agency to undertake registration. Registration is a major exercise and would need to be undertaken on a prioritised and progressive basis. There may be much to be learned from experience in Scotland and ROI. Completion of the registration of Houses in Multiple Occupation already underway would clearly be a first priority.

A registration system offering an independent mediation and arbitration service should give tenants more confidence in the sector and will provide landlords with a mechanism for managing difficulties that commonly arise during a tenancy such as disputes regarding rent increases, return of deposits and contractual issues. The number of households awarded priority homeless status that presented due to the loss of rented accommodation increased by over 20% from 2004-05 to 2005-06 and statistics for the first half of 2006-07 suggest that this rate of increase will be sustained. Some of these breakdowns in tenancy might have been avoided if appropriate support services were in place.

In addition, I think it would be very useful if tenants and landlords who have any queries or issues regarding their property had a "first contact" organisation to consult about their problem. This organisation, preferably the registration body, could provide and signpost advice and support services. The body should have powers to investigate complaints, refer appropriate cases to the Rent Officer for NI and, if appropriate, impose penalties and sanctions.

The proposed registration system and mediation and arbitration service could usefully support the distribution of the Guidance for Landlords and Tenants currently being produced by DSD and the Rent Officer for NI. This will provide landlords with more information about their responsibilities and will provide tenants with

information on their rights and what to expect from their landlord. This information will be disseminated shortly by advertisement, mail shots of estate agents, solicitors and landlord's forums. Registration of landlords would facilitate wider dissemination of relevant information and would ensure better coverage and targeting of landlords and tenants.

I propose that the NIHE continue with the registration of HMOs. However, the increased powers conferred on District Councils by the Private Tenancies (NI) Order 2006, such as enforcing housing fitness and acting as a point of contact should problems between tenants and landlords arise, should facilitate a greater role for the new local authorities, in the registration of all private landlords, post-RPA implementation. The transfer of additional responsibilities to new local authorities such as the registration of HMOs and the payment of private grants further supports this case. It may not be efficient for District Councils to progress the registration of private landlords pre-RPA implementation and I therefore propose that, in the interim, NIHE extend their HMO role to register private landlords in HMO areas and develop the systems necessary to support a wider registration programme which could be "rolled-out" at a later date. The complete registration system including HMO registration could transfer to the new local authorities post-RPA implementation.

Registration of the private rented sector will also improve the information base, an essential element of any Housing Need Assessment, and will inform the local housing strategies which would be prepared under a modified planning system. Registration of landlords might also provide an effective vehicle to target grants and support services.

During the consultation period, I received evidence of the need for further controls on the private rented sector. The issue of insecurity of tenure, a short notice period, complicated and confusing leases/tenancy agreements all contribute to the perception and the reality of the sector as transitional and insecure. Evidence presented in the document *"Affordable Homes: Impacts of Restricted Access to Affordable Housing Across Tenure Groups"*<sup>xv</sup> clearly illustrated how the

market, and in particular the private rented sector, at certain times and in different ways, fails to deliver quality, affordable accommodation. I welcome the introduction of the Private Tenancies (NI) Order 2006 which will from 1 April 2007 require that any new tenant must, within 28 days of the start of the tenancy, be provided with a written statement detailing the terms of the tenancy. The e-consultation and focus groups have demonstrated that many tenants do not understand the terms of their lease. Some landlords and agents do not comply with current legislation such as that requiring provision of a rent book. I have heard first hand of cases where tenants did not know who their landlord was, who held their deposit and had no record of rent paid. DSD should ensure that all landlords comply with the Private Tenancies (NI) Order 2006 and should undertake a large publicity campaign to make certain that all landlords know what is required of them and tenants know what to expect. An ongoing campaign in relation to this and other aspects of the private rented sector is required.

Issues related to the security of a tenancy have been emphasised throughout both the e-consultation and discussions with key stakeholders. The increase in the buy-to-let market and the need amongst some investors for a degree of liquidity has resulted in widespread use of short-term contracts, although the minimum statutory period of notice is one month. These features of the market have reduced certainty for new tenants. There has been a very favourable operating environment for landlords but if interest rates were to increase further, the higher cost of borrowing might stimulate some withdrawal from the market. The profile of the sector both in terms of landlords, tenants and properties has changed and the sector is extremely vulnerable to changes in the market, the regulatory environment, housing benefit system and fiscal policy.

If we adopt a more European approach where the private rented sector plays a greater role in meeting the range of housing needs, some degree of security is required. With more and more people unable to access home ownership and social rented accommodation, the private

rented sector may well become a long-term home option for many individuals and families. If this sector is to provide long-term housing, security of tenure is required. In ROI, as indicated below, tenants enjoy more security as, following an initial six-month period, they have the right to stay in rented accommodation for the remainder of a four year period, regardless of the lease length. Once the tenancy has lasted for six months, landlords can only terminate the tenancy on specified grounds. After four years of the tenancy, a new tenancy starts and after 6 months, the tenant again has the right to stay for four years. In addition, the length of notice depends on the length of tenancy. Whilst this model has deficiencies such as the number of reasons a landlord can serve notice on the tenant, longer leases and an extended notice to quit should become the norm in the private rented sector in NI. The application of this or a similar model would provide a more transparent and consistent system and deliver greater security of tenure for private sector tenants and certainty and continuity for landlords. This should be considered for NI. I understand that Deasy's Act has prevented options like this being considered before, but if this Act has been amended in ROI, I see no reason why it should not be amended in NI.

### Rules to terminate a tenancy in Republic of Ireland

#### Terminating a Tenancy

Landlords can terminate a tenancy without giving a reason during the first 6 months. After this period of time, landlords can terminate a tenancy that has lasted between 6 months and 4 years only in the following circumstances:

- After 3½ years
- If the tenant does not comply with the obligations of the tenancy
- If the property is no longer suited to the tenants needs (e.g. overcrowded)
- If the landlord needs the property for himself or an immediate family member
- If the landlord intends to sell the property
- If the landlord intends to refurbish the property
- If the landlord plans to change the business use of the property.

If the landlord evicts for a specific reason and subsequently does not carry out the intention, he can be reported to the Private Residential Tenancies Board.

#### Notice periods

The length of notice depends on the length of the tenancy.

Length of Tenancy	Notice by Landlord
Less than 6 months	4 weeks (28 days)
6 months to a year	5 weeks (35 days)
1 – 2 years	6 weeks (42 days)
2 – 3 years	8 weeks (56 days)
3 – 4 years	12 weeks (84 days)
4 years or more	16 weeks (112 days)

Landlords can give less notice if the tenants are not keeping up their obligations (28 days) or if there is serious anti-social behaviour (7 days).

## Voluntary Rental Support Scheme

A Voluntary Rental Support Scheme should be introduced to assist landlords and potential social tenants; details on how a rental support scheme might work were contained in my Interim Report. This proposal received general support with some suggestions that the contract between the landlord and NIHE should be longer and rent should be payable for 12 months of the year, not 11, as I suggested in my Interim Report. I accept that lettings must deliver viable rates of return on investment and agree with the suggestion to modify my original proposal.

In many European countries, private landlords may obtain assistance similar to non-profit landlords to enable them to rent dwellings on social market terms. It may be that the benefits to the landlord of the NIHE letting the property, collecting rents, dealing with anti-social behaviour, guaranteed payments etc may not be enough to encourage landlords to join the scheme. However, the introduction of Local Housing Allowances where the rent is paid to the tenant instead of directly to the landlord may give further encouragement for landlords to join such a scheme. Since under the scheme tenants would have no contact with the private landlord

and would deal directly with the NIHE, the NIHE would have the responsibility to collect rents. The contract with the NIHE provides for payment to the landlord regardless of vacancy and the NIHE would manage occupancy by making the accommodation available to eligible households on the social housing waiting list. In addition to these benefits to landlords, the scheme could be used to target assistance such as grants and advice to encourage private landlords to participate. Tenant damage, under a financial threshold, would be repaired by the NIHE. Above this threshold, the landlord would repair any damage by means of buildings insurance. There are sound economic arguments for such a scheme as meeting housing need in good quality private rented accommodation is often more cost effective than other mechanisms.

I accept that this scheme may be more attractive to landlords in hard to let areas and areas of low demand. However, it would be the responsibility of the NIHE to market this scheme in areas of high demand and only accept accommodation in low demand areas if there was demonstrated need.

I am convinced that the scheme, if implemented in conjunction with measures to bring empty homes back into use, target private sector grants programmes and register private landlords, would deliver significant benefits. I suggest that DSD, in partnership with NIHE, evaluate the implementation of the Private Rented Sector Strategy and prepare an action plan to take account of progress made to date, the new operating environment and to reflect Government's response to the recommendations I have made for the sector. To assist with my recommendations and to ensure that policy can react to changes in the private rented sector, more resources must be made available to facilitate policy development in this sector.

## Deposit Guarantee Scheme

My proposal for the introduction of a Deposit Guarantee Scheme received strong support. For some, accessing the private rented sector is difficult due to the requirement to pay a deposit and rent, usually one month, in advance to secure

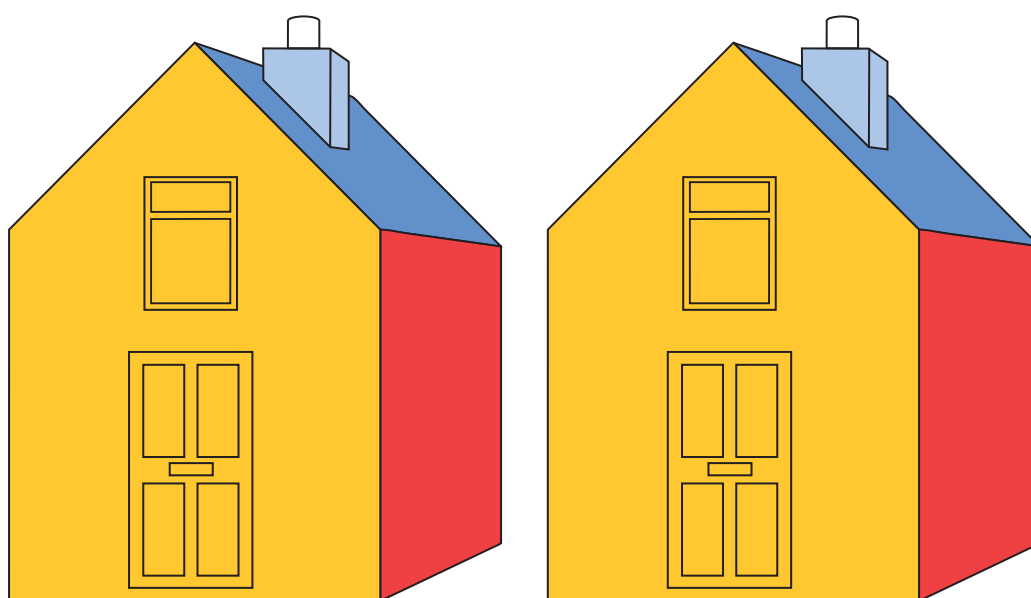
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the tenancy. Providing some form of support for households with limited resources to enable them to secure appropriate private accommodation might facilitate wider access. This scheme should be primarily targeted at people in hostels, the homeless and those at risk of homelessness. It should also offer a mediation service to both tenants and landlords to assist both parties to settle their differences responsibly, particularly with regard to issues relating to rent arrears, repairs etc. There is much best practice to draw upon and I was impressed by some of the schemes operating in Scotland which appear to be particularly effective when additional support services are integrated to promote independent living often involving practical help with home management, budgeting etc. I also noted with interest that agencies working with homeless people in Holland stop working with clients only after they have established two positive and apparently durable relationships with an employer or a voluntary sector organisation.

Schemes of this nature, managed by the Simon Community and First Housing Aid and Support Services, currently exist. The Smartmove scheme in North Belfast and Derry/Londonderry was evaluated by the NIHE and received a very positive assessment. The evaluation recommended that the scheme be expanded to areas of high demand across NI and to client

groups experiencing difficulties in securing accommodation. I agree and recommend that this scheme and other deposit guarantee schemes are supported by Government to enable them to be “rolled out” across NI. It may be useful if there was a centrally co-ordinated system to help clients access these schemes. The private rented sector and Housing Benefit units within the NIHE District Office network may be well placed to manage this. Effective targeting of these schemes to eligible households, landlords and organisations working with tenants and with the homeless is essential and I would suggest a partnership approach, perhaps led by NIHE, would be the most appropriate means of progressing these initiatives. Both the Voluntary Rental Support Scheme and the Deposit Guarantee scheme could be used to assist applicants on the waiting list for social housing into quality private rented accommodation.

The principle of parity has been applied to housing benefit and I am conscious that the difficulties some households experience when navigating the system are not exclusive to NI. I welcome the review that DSD is undertaking into aspects of the administration of Housing Benefit and hope that the findings contained in the research from Advice NI and the University of Glasgow/University of Ulster will inform this important work.



# Chapter 9: Concluding Comments and the Challenges Facing Stakeholders



The housing market is extremely complex with a range of external drivers of change that interact at different times and in different ways to influence access to affordable homes. The very useful work undertaken by the University of Ulster and the University of Glasgow into the operation of the market in NI reveals some of these connections and makes policy recommendations which should be considered by Government when reviewing the suggestions I have made. Many of the recommendations I have made are interdependent and will in some cases require the restructuring of organisations and/or administrative processes. Much of my thinking on the operation of the planning system has been predicated on the institution of new arrangements for public administration and my firm belief that delivery is more effective, for a myriad of reasons, at local level. Central government plays, and will continue to play, a critical strategic/enabling role in directing and supporting local delivery mechanisms. Some of the suggestions I have made will demand a culture change within some private and public sector organisations. There is a need to develop new models of working together and growing the skills necessary in the private and public sectors to drive forward delivery of affordable homes both in the social and intermediate sectors.

It is essential that the skills necessary to ensure that the planning system and the private sector deliver affordable housing are in place. I made a number of recommendations in my Interim Report to build the requisite skills, and these are carried through to my Final Report. I also discussed the requirement that communities and individuals have the skills and information available to ensure that routes into home

ownership are accessible and sustainable. It is vital that there is greater financial awareness within our communities to enable people to understand their options and make the right choices. Awareness of the costs associated with home ownership including the impact of interest rate rises, insurance, rates and water bills, is also important to allow people to make informed decisions about how and when they enter owner-occupation. Sustainability is an issue affecting households across tenures and as the qualitative research undertaken by Advice NI<sup>xv</sup> demonstrates, housing organisations and advice agencies have an important role to play in this.

## Review of Public Administration (RPA)

The implementation of RPA, as I reflected in my Interim Report, offers new opportunities which would help to tackle the growing affordability problem. Revision of the planning system, the proposed development of local housing strategies and new local authority community plans would enable central and local government to develop new tools to respond to the problems as they affect local communities and markets. This would enable the more effective prioritisation and targeting of activities. For example, one would expect the emphasis to be different on the North Coast where there are high levels of second home ownership compared with other regional towns where the priority might be regeneration. However, I do not underestimate the extent of the task facing Government in creating the new local authorities, transferring the functions from Departments and in making a whole new system work.

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I would also reinforce the view set out in my Interim Report that the transfer of some responsibilities from central Government to new local authorities should precipitate a review of the current Departmental structures to provide for an amalgamation of housing, planning and regeneration into one Department.

## The Challenges Facing Stakeholders

To enable organisations to consider my proposals and their role in providing social and affordable homes, I have identified some of the key challenges that the various proposals present to the main actors in the housing and property markets.

### Government

The Planning Service must reform and move to a more flexible planning system, such as local development frameworks. On a five year rolling basis, DRD and DOE should ensure that sufficient deliverable sites are available to meet the needs of all types of house building. The Planning Service, with consultees, needs to deal more speedily with development control applications for housing developments and should develop a protocol for timely pre-application discussions.

DRD and DOE need to introduce the new developer contributions for affordable housing at the earliest possible date, hopefully in the autumn of 2007, but no later than January 2008. Initially DRD need to publish a revised PPS12 by July 2007 dealing with developer contributions and the other important issues I have highlighted. DOE need to gear up to operate the new system successfully as this will involve close working with NIHE, NICHA, housing associations and all relevant infrastructure providers. More funding should be provided to ensure that the Planning Service builds and attracts the necessary skills to deal with the current workload and to ensure a smooth transition to the new system of developer contributions.

DRD, DOE and DSD have the main responsibility for bringing forward legislation to implement some of the proposals I have made. DSD will need

to make the case in the forthcoming Comprehensive Spending Review for the funds necessary to support the Social Housing Development Programme and other proposals which may require additional funding. DSD and DFP together would need to take forward the establishment of the Land Assembly Agency. DSD will need to agree the changes to the Co-ownership scheme and will need to work closely with NICHA, local lenders and the CML to grow a market in intermediate housing. DSD also needs to develop a regeneration strategy to guide the new local authorities in exercising their regeneration functions. It will also need to oversee the various proposals I have made in relation to the private rented sector and to take initiatives in considering how service charges and sinking funds in apartment blocks should be dealt with.

The onus is on Government to drive forward the research agenda to develop the evidence base for planning and housing policy decisions and to provide guidance on practice. In particular, further work is required to identify and address gaps in the data and making better use of market information to improve policy formulation at local level through local housing strategies and within central government by establishing baselines and effective measurement of outputs and more importantly outcomes.

I am conscious that the housing and planning policy environment is changing rapidly and that the implementation of the recommendations of the Bamford Review of Mental Health and learning disability could further change the operating environment in respect of the provision of supported housing. I suggest that Government immediately works to co-ordinate responses to these and consider the wider implications of the changes for new local authorities, NIHE and housing associations.

The need for the development of the skills base within the various organisations is related, in part, to traditional patterns of work that failed to challenge “*silo*” mentalities. There is a need for a culture change where a more entrepreneurial approach is recognised and rewarded. I realise that all Government Departments face uncertainty with funding constraints, RPA implementation and the return of the Assembly

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but difficult decisions must not be deferred. The proposals I have made are I believe, necessary and I suggest that a staged, managed approach is taken to their consideration and, if they are accepted, crucially to their implementation.

## NIHE

The NIHE, as the Strategic Housing Authority for NI, has a number of roles and responsibilities in providing affordable homes. In terms of social housing they have a role as both landlord and in terms of managing the Social Housing Development Programme, which funding permitted I have recommended be increased to 2,000 completions per year expressed as a target of 10,000 completions over the next five years.

In relation to its landlord role, I am keen that the NIHE readily act on some of the recommendations I have made in terms of bringing void properties in its own stock back into use, either for social tenants, or where there is no demand for social housing, by releasing them to first time buyers. I also see an important role for the NIHE in providing intermediate housing on land already in their ownership in areas where there may be no demand for social housing. I would urge them to consider as a matter of urgency piloting alternative means of intermediate provision, for example by releasing sites to the private sector by means of development brief or by working in conjunction with housing associations and NICHA to deliver intermediate housing. Further consideration should be given to the NIHE using land as an 'equity stake' in affordable provision, although I am aware that this area requires further research.

With regard to planning and land issues, the NIHE should aim to quickly progress policy relating to a number of areas such as PPS8 exception sites, increasing the use of existing vesting powers and piloting community land trusts. All in all, the NIHE should be managing its extensive land bank much more proactively to secure the building of new social houses by housing associations but also the provision of intermediate homes for those who can afford to move into this tenure.

With regard to Housing Need Assessments I am eager that, following the current review of the

methodology, the robustness and scope of the assessments be improved to address the apparent gaps in evidence for housing and planning decisions. The NIHE should aim for Housing Need Assessments to integrate the necessary information on market housing, moving towards local housing market assessments. In time, such assessments could enable NIHE, in partnership the new local authorities, to develop local housing strategies and planning guidance that responds to issues arising from the operation of sub-regional housing markets. Prior to the development of local housing strategies post-RPA implementation, the Housing Need Assessment will have a crucial role to play in the operation of developer contributions and the NIHE should immediately review their coverage and their ability to accurately assess the need for social and intermediate housing in local areas. The NIHE should also have a role as a statutory consultee with regards to applications involving developer contributions.

The NIHE would have an important role as the Empty Homes Agency for NI with responsibility for the production of an Empty Homes Strategy and for its energetic implementation. An Empty Homes Unit should be set up to take forward this work in a proactive way, with a target of bringing 9,500 empty dwellings back into the stock over a five year period.

There has also been strong support for the Living over the Shop initiative and I am keen that the NIHE roll this scheme out across NI.

While I have recommended that, post RPA implementation, registration of private landlords should lie with the new local authorities, I am keen that, in the interim, the NIHE both continue their work relating to the registration of HMOs and work to develop a uniform registration system to register landlords in the wider private rented sector prior to transferring this registration function to the new local authorities.

## District Councils/New Local Authorities

The proposed transfer of planning responsibilities to new local authorities suggests they will play a pivotal role in the delivery of housing in the future. After RPA implementation, new local

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authorities will have a greater role in planning which would increase further with the introduction of Local Development Frameworks, community planning and the development of local housing strategies. The responsibility to advance brownfield development, increase density and improve design will require strong leadership and will, I suspect, require considerable engagement with and education of communities and their representative groups.

Preparations for the transfer of functions from central to local government present significant challenges for local political representatives and existing District Council officials. There is a need to begin to build the necessary skills to manage and embed substantial programmes of reform. Some of the proposals I have made will require the development of new skills and competencies more commonly associated with the private sector. Understanding land-use planning, the development process and the economics of development and construction will be critical.

Community planning would enable the new local authorities to express a vision for the development of their areas. This is a necessary first step. Setting a strategic direction would ensure that partner organisations can align policies and programmes to identify mutual objectives and support the achievement of development goals in a progressive and sustainable way.

New local authorities will also have responsibility for regeneration, within the policy framework set out by the sponsoring Department, and this will again involve working in close partnership with NIHE.

New local authorities will have a role in regulating the private rented sector. The useful work undertaken by the Rent Officer for NI, the NIHE Private Rented Sector Unit and DSD will provide an excellent starting point (and source of support and guidance) for the new local authorities when undertaking further functions.

### **House-builders**

To meet Government's objective of creating more diverse, attractive, mixed communities,

residential developments should deliver a range of housing types. The development industry should seek to produce a range of dwellings from affordable housing through to executive homes.

There is more than ever a need for the private and public sectors to form close working relationships, as wider policy on delivering affordable housing is being developed. Early engagement is necessary to ensure that the required certainty is provided in the Area Plan and Development Control processes.

In order to deliver Article 40 requirements, developers will have to build relationships with housing associations and the NIHE to deliver social housing and with NICHA to deliver intermediate housing. Developments which involve housing associations, NIHE or NICHA as partners at an early stage are most likely to progress smoothly. In cases where the provision of an Article 40 agreement affects the viability of the development, grant support could be made available. However, in these cases, the development will be required to meet the standards set out in the Housing Association Guide. Where social and intermediate housing, or any other planning obligation, is to be delivered as part of a larger development there should be no compromise on quality.

There is a need to foster closer working relationships between builders and the Planning Service; actions such as submitting multiple planning applications for one site and appealing to the PAC for non-determination have contributed to the operational difficulties the Planning Service has experienced. More engagement between developers and planners at an earlier stage is needed and mutual recognition of the difficulties facing both parties.

Builders also have an important role to play in ensuring more sustainable buildings and that developments are built incorporating modern methods of construction and renewable technologies. Builders need to develop necessary skills in their labour forces to deliver new homes in this way. They should also consider facilities surrounding developments such as transport links, schools etc. Good design, at higher densities that contributes to local distinctiveness

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and minimises the demands on the environment and high quality housing provision integrated within mixed income/tenure developments is essential if efforts to de-stigmatise affordable rented accommodation are to be successful.

In the interest of sustainable development builders should seek to increase the proportion of brownfield land in their landbanks and should, where possible, prioritise delivery on these sites.

### **Lenders**

It is essential that lenders provide good financial advice and operate responsible lending policies.

Options for keeping housing affordable in perpetuity can cause concern for lenders due to certain restrictions. Issues related to requirements of resale to eligible households may be mitigated by operating a cascade system that allows resale to be widened if a buyer meeting the criteria does not come forward within specified times. In the event of a mortgage default where the lender takes possession, there may be circumstances where a housing association or NICHA might purchase the property.

Whilst I appreciate that a wider range of mainstream financial products have developed as a response to the growing affordability problem, lenders should engage with Government to develop innovative products, supporting market transformation if necessary.

There is also a key role for local lenders in improving the evidence base for housing and planning policy decisions. Accurate information about house prices will be an essential element of local housing market assessments in the future.

Information on mortgage finance, equity sharing and homeownership in general should be made available through a variety of sources including through school and community based programmes. There is also an opportunity for lenders to play an active role in raising awareness about the Co-ownership scheme.

Working in partnership to consider alternative mechanisms for financing affordable housing would deliver benefits and profits to participating lenders and would go some way to fulfilling

corporate social responsibilities and the Financial Services Authority requirements.

### **NI Co-ownership Housing Association**

A key concern of this report is the development of intermediate housing. With house prices rising so rapidly in recent years, first time buyers may now need to get on to the property ladder through a co-ownership equity sharing approach. The role of NICHA is crucial in this. NICHA needs to market its revised product aggressively to prospective participants, lenders, builders and to financial advisors.

NICHA has a responsibility to ensure sustainable home ownership for those who aspire to become owner-occupiers through the Co-ownership scheme. The provision of advice and the application of robust affordability checks will ensure that eligible households accessing the scheme do not borrow more than they can sustain.

In the short term, NICHA should use its financial reserves to purchase dwellings to sell on to applicants. It would need to work closely with developers and the Planning Service as the developer contribution system begins to operate. This will be a significant challenge for NICHA as the primary equity sharing body in NI.

### **Housing Associations**

Housing associations have an important role to play in the provision of affordable housing. In their role as social landlords and social housing new build providers, they have the responsibility to ensure value for money and excellent service provision for their tenants. I recognise that the large number of housing associations engaged in the development of a relatively small capital programme brings many advantages. However the pressure to achieve further efficiency through more effective management of supply chain relationships can not be ignored. Housing associations need to be of sufficient size or organised in such a manner that provides for economies of scale. Proposals to advance a Procurement Strategy for social housing should contribute to leaner organisations. Housing associations should prepare for new arrangements by progressing programmes for continuous improvement required under the regulatory framework and the Clients' Charter.

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Housing association homes should be affordable and whilst I understand the difficult operating conditions associations are currently faced with and the requirement to ensure rents cover private borrowing, further consideration should be given to the affordability of rents when determining the viability of a site.

Higher densities and a mix of properties and tenures should be considered. Associations should work in partnership with NICHHA and private developers to provide affordable and market homes to ensure that sites secured are developed to full capacity. Other areas of the UK are achieving much higher density development and there is a need for social and intermediate housing providers to work with communities to secure their agreement to higher density development based on excellent design standards.

Housing associations will be required to meet specified performance targets and any requirements set out by the regulator to engage in development or participate in Article 40 agreements. Partnership with private developers and the Co-ownership scheme will be an increasingly important element of new social and intermediate housing.

Where housing associations have accumulated reserves, these should be “put to work” to support the delivery of more affordable homes.

Housing associations also face a challenge in terms of the skills required to operate in a rapidly changing, extremely competitive environment. Whilst I was struck by the commitment of housing association staff, I believe skills building programmes should be developed and proactively implemented by DSD, in partnership with NIHE and NIFHA, to improve the competency and capacity of housing association staff and board members. I think such a programme would help attract and retain a more diverse membership, of the necessary calibre, for housing association boards.

### **Professional Bodies**

Professional bodies such as the Royal Institution of Chartered Surveyors and the Chartered Institute of Housing have a responsibility to ensure that their members are acting with integrity and professionalism. I recognise that

they have to act in the best interest of their clients but professional standards should be maintained and anyone who requires their services regardless of whether they are first time buyers, landlords or tenants should receive impartial information that complies with the law and enables them to make the best choice.

In NI, anyone can set up as an estate agent irrespective of qualifications or experience. Estate agents have an important role in selling, renting and managing homes, land and other buildings and are mainly engaged in the marketing of property available for sale. They are the first point of contact for many people when choosing a home yet there is no legal requirement to belong to a professional body in order to trade as an estate agent. The short timescale I have had to produce this report has meant that I have not considered this option fully but I would recommend further research and consideration be given to following the example in England and Wales where the Government is taking forward measures to require estate agents to join approved redress schemes and improve the regulation of the estate agency market in the Consumers, Estate Agents and Redress Bill, which was introduced in Parliament on 16 November 2006. It is also worth noting that in the recent Irish Government publication “*Delivering Homes, Sustaining Communities*”<sup>vii</sup> there was a proposal to set up a new regulatory authority for property services which would include estate agents, auctioneers and property managing agents.

### **Voluntary Sector**

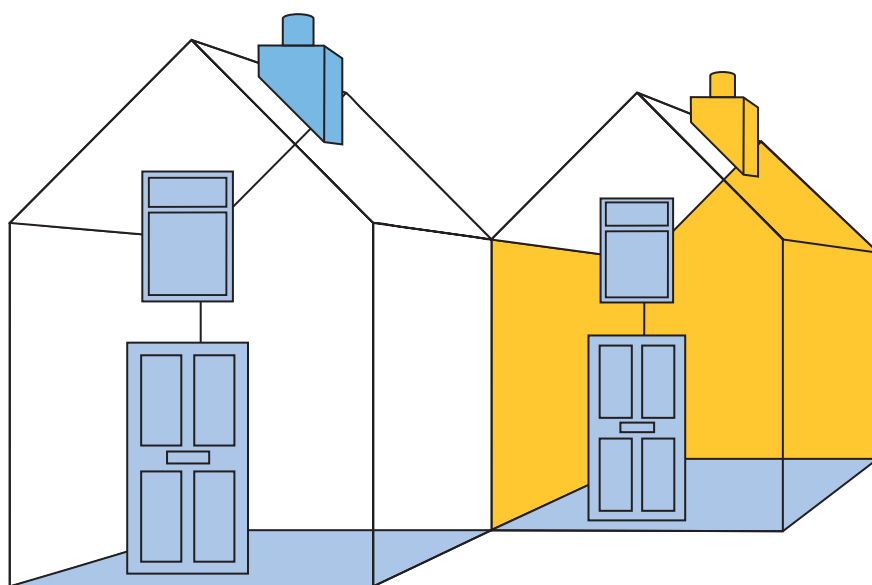
The voluntary sector has and will continue to provide a valuable service to the public. Their role in providing advice services that assist people to make housing choices and find the right home for them, provide information on tenants rights, rent arrears, dealing with repossession and homelessness are much needed services and vital to the more vulnerable members of our society. The voluntary sector has been instrumental in developing and testing some of the proposals I recommend in this report, such as rental deposit guarantee schemes. The voluntary sector has a continued and important role to play in dealing with hard to reach people and the representation they make on behalf of the vulnerable ensures their needs are considered when Government is formulating policy.

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## A Final Word

I am only too conscious that I have not delivered an instant solution for those who require affordable housing. However I have done my best to suggest a series of practical proposals, which I hope will improve their prospects of finding affordable homes suitable for their needs.

Considering the proposals made in this report and putting them into practice will be challenging for all the stakeholders involved. The hard work of implementing those of my proposals found to be acceptable now begins and I would wish those taking this forward every success in delivering new policies and programmes.



# Glossary of Terms



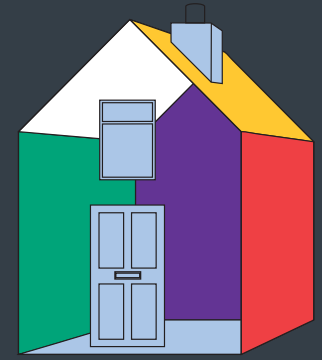
Affordability Index	Measure developed by UU to map the proportion of affordable housing by District Council Area. The model uses the median income for the area to apply an annuity formula to determine the affordable price. The lowest 25th percentile of the property market is monitored to determine what proportion of properties in the District Council area are affordable. The Affordability Gap is the difference between the Affordable Price and the 25th percentile House Price
Affordable Housing	Includes <i>Social Rented Housing</i> and <i>Intermediate Housing &amp; housing</i> provided under the proposed Rental Accommodation Support Scheme should it be introduced
Article 40	Agreements made under the provision of the Planning (NI) Order 1991 <a href="http://www.opsi.gov.uk/legislation/northernireland/nisr/yeargroups/1990-1999/1991/1991oic/aos/no1220.htm">http://www.opsi.gov.uk/legislation/northernireland/nisr/yeargroups/1990-1999/1991/1991oic/aos/no1220.htm</a>
Barker Review	Second Barker Review into Land Use Planning, established by DCLG and Her Majesty's Treasury
CEF	Construction Employers Federation
CML	Council of Mortgage Lenders
CLT	Community Land Trust
DCLG	Department for Communities & Local Government
DFP	Department of Finance and Personnel
DOE	Department of the Environment
DRD	Department for Regional Development
DSD	Department for Social Development
GANI	Government Accounting Rules for NI
GB	Great Britain
HGI	Housing Growth Indicator
HMO	House in Multiple Occupation
Housing Need Assessment	Conducted by NIHE to inform area planning and zoning decisions
Intermediate Housing	<i>Shared Ownership, Low Cost Home-ownership Schemes</i> Includes the Co-ownership scheme, operated by NICHA, which provides a shared equity arrangement whereby the occupier purchases a share of the property (up to 75%) and pays rent on the remainder, and the Social Housing House Sales Scheme operated by NIHE and Housing Associations to enable tenants in residence for five years or more to purchase their home at a discounted rate

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IHM	Intermediate Housing Market
NI	Northern Ireland
NICHA	Northern Ireland Co-ownership Housing Association
NIFHA	NI Federation of Housing Associations
NIHE	Northern Ireland Housing Executive
NIMBY	Not In My Back Yard
PAC	Planning Appeals Commission
PPS	Planning Policy Statement
PPS3 (England)	Planning Policy Statement 3 – Housing, issued by DCLG
PPS 8	Planning Policy Statement 8 – Open Space, Sport and Outdoor Recreation
PPS 12	Planning Policy Statement 12 – Housing in Settlements
PPS14	Planning Policy Statement 14 – Sustainable Development in the Countryside
RDS	Regional Development Strategy
ROI	Republic of Ireland
RPA	Review of Public Administration
Section 106	Section 106 of the Town and Country Planning Act 1990 which provides for agreements between Local Authorities and developers in England
Social Rented	This is housing made available to rent to applicants on the Common Waiting List by the NIHE, one of the 37 Housing Associations operating in NI or through payment of Housing Benefit to a private rented sector landlord
UK	United Kingdom
USA	United States of America
VLA	Valuations and Lands Agency

# Annex 1

## Review into Affordable Housing Terms of Reference



### Introduction:

The Review will examine the range of mechanisms aimed at securing social housing for rent, growing a quality private rented sector and helping intermediate households into homeownership. Recommendations for reform should consider a range of issues including:

- Increasing the supply of social and affordable housing
- Extending use of strategic partnering arrangements
- Making the market and planning system work better
- A new framework of simplified low cost home ownership products
- Making more effective use of existing assets
- The role of financial services industry in both supporting access to and the sustainability of homeownership
- Regeneration and housing
- Local housing strategies.

### Objective:

The objective of the Review is to consider the range of Government interventions in the housing market via the planning and housing systems that increase supply of social housing for rent, support the private rented sector and assist intermediate households into homeownership.

### Terms of Reference:

The Review will:

- Take account of the Shared Equity Taskforce's assessment of the benefits and risks, for individuals, the housing market, the mortgage market, and the wider economy of enabling homeownership for this group through the use of shared equity products and low cost home ownership schemes
- Identify whether there are market or state failures in NI holding back development by the private sector of shared equity products for low-income households, together with options for reform if necessary
- Consider opportunities for further private sector involvement in delivery of social housing for rent and low cost home ownership schemes, making recommendation for reform if necessary
- Consider how the planning system can support the delivery of social and affordable housing
- Consider how existing assets can be harnessed to deliver social and affordable houses now and in the future
- Consider opportunities for strategic partnering
- Take proper account of the regulatory regime and anticipate how any proposed reforms might impact.

# Annex 2

## Affordability Index

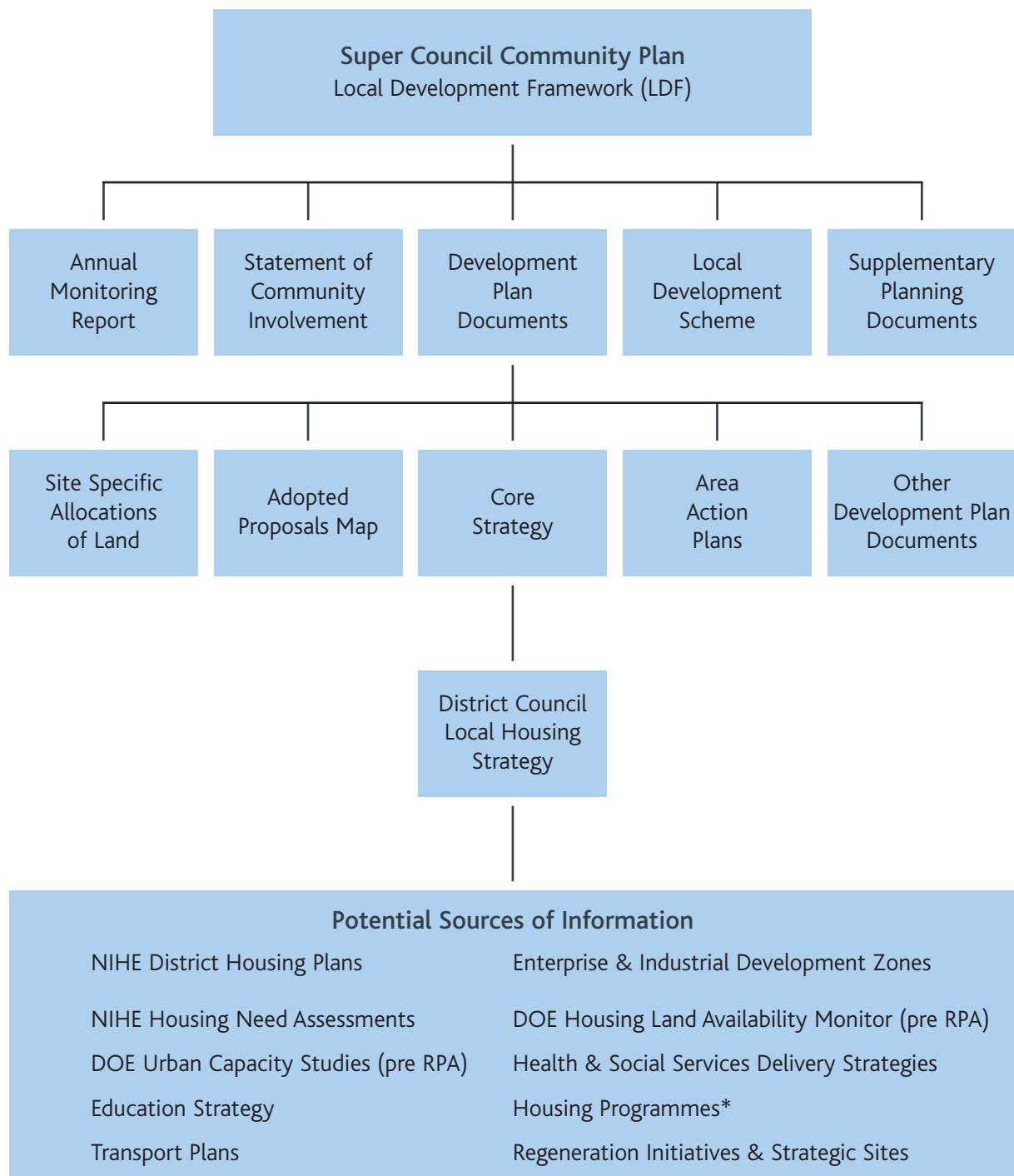


### Affordability Calculation 2006 based on median income

Mortgage interest rate	6.75
Term of mortgage in years	25
<b>Affordable % gross monthly income</b>	<b>35</b>
Loan to value ratio	95

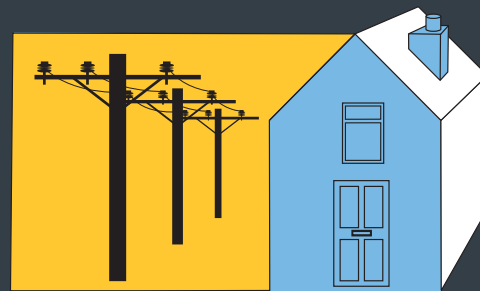
District Council	Median Income 2006	25th percentile price q1	Affordable price	Affordability Gap	% affordable
Derry	£15,433	£120,000	£68,579	-£51,421	1
Limavady	£14,669	£131,500	£65,184	-£66,316	0
Coleraine	£18,117	£147,500	£80,506	-£66,994	0
Ballymoney	£13,690	£130,000	£60,834	-£69,166	0
Moyle	£13,860	£149,463	£61,589	-£87,874	0
Larne	£16,572	£89,500	£73,640	-£15,860	13
Ballymena	£19,454	£112,250	£86,447	-£25,803	9
Magherafelt	£20,196	£142,000	£89,744	-£52,256	0
Cookstown	£24,156	£143,000	£107,341	-£35,659	3
Strabane	£13,690	£107,500	£60,834	-£46,666	4
Omagh	£20,196	£140,000	£89,744	-£50,256	14
Fermanagh	£18,860	£145,000	£83,807	-£61,193	1
Dungannon	£15,147	£142,625	£67,308	-£75,317	1
Craigavon	£16,500	£120,500	£73,320	-£47,180	1
Armagh	£20,460	£132,000	£90,917	-£41,083	2
Newry & Mourne	£18,860	£160,000	£83,807	-£76,193	1
Banbridge	£24,156	£120,000	£107,341	-£12,659	20
Down	£15,433	£135,000	£68,579	-£66,421	0
Lisburn	£20,416	£132,950	£90,722	-£42,228	3
Antrim	£24,156	£142,500	£107,341	-£35,159	9
Newtownabbey	£24,156	£104,713	£107,341	£2,628	26
Carrickfergus	£25,146	£93,500	£111,740	£18,240	40
North Down	£24,156	£125,000	£107,341	-£17,659	11
Ards	£39,270	£113,500	£174,503	£61,003	62
Castlereagh	£33,550	£148,000	£149,085	£1,085	26
Belfast	£13,690	£115,000	£60,834	-£54,166	1
North Belfast	£13,690	£82,500	£60,834	-£21,666	3
South Belfast	£16,775	£136,500	£74,542	-£61,958	1
West Belfast	£13,745	£107,000	£61,078	-£45,922	1
East Belfast	£20,801	£123,500	£92,433	-£31,067	4

# Annex 3 Proposed Planning Policy Framework



\* Such as the Social Housing Development Programme, Supporting People Delivery Plan and the Promoting Social Inclusion Taskforce to Tackle Homelessness

# Annex 4: The Workings of a Forum of Public Sector Infrastructure Providers



## Who would be involved?

I envisage the forum having a core of organisations with responsibilities for affordable housing and infrastructure provision associated with new developments.

The core members could include: DRD, who should chair the forum, DOE Planning Service, NIHE, Roads Service, Water Service and the Environment and Heritage Service. Representatives of local government might too be included given the imminence of RPA implementation.

## What would the forums remit be?

I suggest that the priority for the forum should be the development of implementation mechanisms to capture developer contributions. This would also involve establishing mechanisms to agree infrastructure requirements in respect of developments in a holistic and co-ordinated way at an early stage in the planning application process.

## How would it work in practice?

I recommend that designated officials from each organisation participate in the group. Such commitment would enable focussed consideration of all the issues and I hope would allow a mechanism for using Article 40 to acquire affordable housing units to be developed on the time scales I have suggested in this Report. I would hope that the group could learn from 'best practice' examples from the ROI, England, Scotland and Wales with regard to the specific workings of developer contributions. It may well be that consultants with specific knowledge of the workings of other systems should be involved initially.

The group, in addition to developing mechanisms to deal with the management of planning obligations and the methods of meeting infrastructure requirements, should also work in parallel to ensure that detailed, unambiguous guidance is devised for operational staff in all relevant public sector organisations. This should be supported by a comprehensive training and development programme to ensure skills gained are transferred and embedded. This could include a one day symposium for all staff to be briefed on how the new system would work.

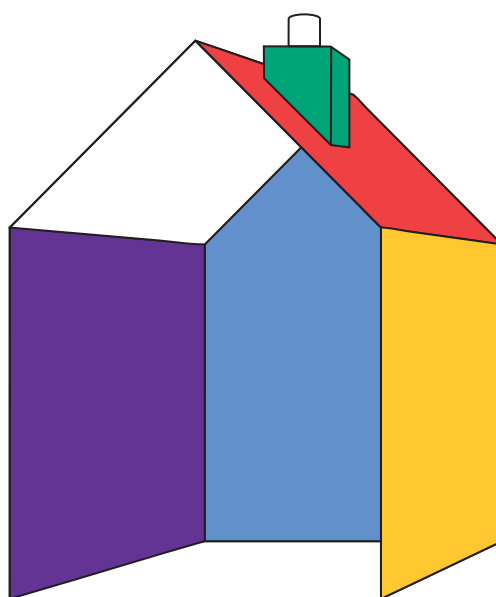
# Annex 5: Legislation Requirements



Rec	Issue
8	Planning & Urban Regeneration Legislation
20	<ul style="list-style-type: none"> <li>Proposed introduction of Local Development Frameworks including the development of policy on Planning Obligations particularly the nature of developer contributions and capacity to levy fees</li> <li>Revision of Statutory response times and inclusion of the NIHE as a Statutory Consultee</li> <li>Amendment to the duration of Planning Permissions and the conditions attached to them</li> <li>The scope of Permitted Development</li> <li>Fast tracking applications of a specific size or in a specific geographical area or for a specific use</li> <li>Introduction of a Planning Delivery Grant to support delivery by the Planning Service/new local authorities</li> <li>Consideration arrangements for the introduction of Planning Gain Supplement and implications for the statutory provision for A40s</li> <li>Review of RPA transfer arrangements in respect of the Planning Appeals Commission</li> </ul>
21	
24	
25	
27	
28	
29	
30	Brownfield Development: The introduction of a Contaminated Land Grant Scheme to encourage the reuse of land that has been derelict for some time
31	
35	Review of vesting procedures
37	Provisions for the creation of a Land Assembly Body and review of GANI to facilitate release at less than best value, land swaps and in-kind contributions as is the case in other parts of the UK
38	
41	Provision for the introduction of Community Land Trusts primarily for use in Integrated Housing Schemes
43	Legislation to allow bodies other than housing associations (including the private sector) to compete for Housing Association Grant to build social housing for rent/shared ownership.
51	Review of Stamp Land Tax Duty may be required at a national level to advance any change to Legislation and a new Minister might consider how to address this with Her Majesty's Treasury perhaps by extending exemptions.
58	Provisions to establish NIHE as the Empty Homes Agency for NI and to enable the introduction of Empty Dwellings Management Orders
59	

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64	Incentive for social tenants down-sizing – review of provision in the home loss and disturbance payment
66	Review on the levy of VAT on refurbishment projects might also be reviewed at a national level and a new Minister might consider how to address this with Her Majesty's Treasury
68	Registration of Private Rented Sector landlords
69	Establish a Mediation/Arbitration Service
72	Issues related to security of tenure and the length of private rented sector tenancies
73	Introduction of the Rental Support Scheme
74	Introduction of a statutory rent deposit guarantee scheme.
78	Re-structure of regional planning & housing bodies (specification of capacity requirements, representation)



# Annex 6: Intermediate Housing Market



Proportion of younger working households in the Intermediate Housing Market in 2005

	Working Housing Benefit & not Lower Decile			Lower Decile not Lower Quarter
	Broad		Narrow	
Antrim	39.0	4.9	14.7	19.3
Ards	39.1	2.0	21.4	15.7
Armagh	21.9	1.9	9.9	10.2
Ballmena	35.1	5.9	18.8	10.5
Ballymoney	33.5	1.2	17.3	15.0
Banbridge	22.1	0.8	10.3	11.1
Belfast	36.6	4.4	19.3	12.9
Carrickfergus	33.2	1.9	16.8	14.4
Castlereagh	28.7	0.5	12.8	15.4
Coleraine	41.8	2.3	26.2	13.2
Cookstown	50.5	2.0	41.2	7.3
Craigavon	25.6	2.3	13.2	10.2
Derry	29.8	2.5	10.8	16.5
Down	32.1	2.2	21.8	8.1
Dungannon	18.3	1.6	9.8	6.8
Fermanagh	34.8	2.6	23.4	8.8
Larne	26.8	4.8	9.9	12.0
Limavady	37.9	2.4	26.6	9.0
Lisburn	34.6	2.3	20.8	11.5
Magherafelt	23.1	1.6	7.1	14.4
Moyle	48.3	6.0	26.3	16.0
Newry & Mourne	44.8	7.1	24.7	13.0
Newtownabbey	16.8	0.0	8.2	8.6
North Down	48.3	5.3	32.6	10.3
Omagh	27.9	1.6	21.7	4.6
Strabane	43.0	5.4	18.2	19.4
<b>Northern Ireland</b>	<b>33.5</b>	<b>3.0</b>	<b>18.2</b>	<b>12.2</b>

Note: Due to small sample sizes the results for Moyle should be treated with particular caution.

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## House Price to Income Ratios 2005

Based on mean house prices for 2/3 bedroom dwellings and household earnings for working households with Household reference person aged 20-39

	House price	Household earnings	Ratio
Antrim	96,774	27,186	3.56
Ards	108,172	28,142	3.84
Armagh	87,954	32,869	2.68
Ballmena	102,216	31,772	3.22
Ballymoney	102,072	26,603	3.84
Banbridge	92,893	34,060	2.73
Belfast	112,576	30,040	3.75
Carrickfergus	102,346	32,016	3.20
Castlereagh	120,011	37,721	3.18
Coleraine	121,947	31,704	3.85
Cookstown	122,831	31,866	3.85
Craigavon	86,111	28,454	3.03
Derry	89,343	28,798	3.10
Down	112,024	31,860	3.52
Dungannon	90,520	29,999	3.02
Fermanagh	105,521	27,451	3.84
Larne	85,010	26,478	3.21
Limavady	97,591	28,085	3.47
Lisburn	111,003	28,787	3.86
Magherafelt	94,398	35,027	2.69
Moyle	100,982	24,560	4.11
Newry & Mourne	109,529	25,938	4.22
Newtownabbey	94,017	33,327	2.82
North Down	115,474	27,602	4.18
Omagh	96,121	33,197	2.90
Strabane	95,619	22,547	4.24
<b>Northern Ireland</b>	<b>104,184</b>	<b>30,098</b>	<b>3.46</b>

Note: Due to small sample sizes the results for Moyle should be treated with particular caution.

# Annex 7: Consultation Process



Whilst many individuals and organisations have participated in events to support the production of this report; all content, conclusions, errors and omissions are the Review's alone. The Review issued a call for evidence in September 2006, in addition to submissions from a wide range of organisations, a number of personal responses were received and these have been anonymised. The following organisations made formal submissions to the Review:

1. Banbridge Borough Council
2. Belfast City Council
3. Chartered Institute of Housing
4. Construction Employers Federation
5. Craigavon Borough Council
6. Dungannon and South Tyrone Borough Council
7. Fold Housing Association
8. Habitat for Humanity
9. Holyland Regeneration Association
10. IMIA Ltd
11. Julie Cowans, Advisor (Urban Policy and Sustainable Communities)
12. NI Co-ownership Housing Association Ltd
13. NIHE - NIFHA Joint Submission
14. Portstewart Community Vision
15. SDLP
16. Shelter
17. The Carvill Group
18. The Housing Council
19. The Mortgage Shop
20. Tudor Renewal Area Residents Association
21. Ulster Architectural Heritage Society
22. Unison

## Seminars

Eight roundtable discussions were held to gather information, test preliminary analysis and to discuss possible policy solutions in advance of the production of the Review's Interim Report. At these seminars Sir John Semple and the Review team met with:

## Lenders

Laurence Baxter: Council of Mortgage Lenders  
Derek Wilson: Ulster Bank  
Jay Colville: Nationwide Building Society  
Brian McCormick: First Trust Bank  
Peter Lyttle: Progressive Building Society  
Margaret Chambers: Abbey  
Lee Mallon: Alliance and Leicester

## District Councils

Antrim Borough Council  
Armagh City and District Council  
Ballymoney Borough Council  
Banbridge District Council  
Belfast City Council  
Coleraine Borough Council  
Craigavon Borough Council  
Derry City Council  
Dungannon and South Tyrone Borough Council  
Limavady Borough Council  
Newry and Mourne District Council  
North Down Borough Council  
Omagh District Council

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## Academics

The Review team met with a number of academics to discuss policy options:

Alan Bridle: Bank of Ireland

Joe Frey: NIHE Research Unit

Ken Gibb: University of Glasgow

Stanley McGreal: University of Ulster

Chris Morris: Department for Social Development

Alan Murie: University of Birmingham

Chris Paris: University of Ulster

Steve Wilcox: University of York

## Non-Governmental Organisations

Fiona Boyle: Foyer Federation

Colm Bradley: Community Technical Aid

David Carroll: Simon Community

Ray Cashell: Shelter NI

Lisa Copeland: Community Technical Aid

Yvonne Hamilton: Portstewart Community Vision

Kevin Higgins: Advice NI

Kim Liggert: Chartered Institute of Housing

Andrew McClelland: Ulster Architectural Heritage Society

Nicola McCrudden: Housing Rights Service

Laurence Moffett: Shelter NI

Kathy Rae: West Belfast Partnership Board

Ricky Rowledge: NI Council for the Homeless

Murray Watt: NI Tenant Action Project

## Planning Professionals

### **Department for Social Development**

Henry McArdle: Belfast Regeneration Office

Chris Morris: Statistic and Research

### **Department for Finance and Personnel**

Stephen Halliday: VLA

### **Department for Regional Development**

Mike Thompson: Strategic Development and Transportation

Alan Houston: Roads Service

### **Department of the Environment**

Al Adair: The Planning Service

Peter Mullaney: The Planning Service

### **Northern Ireland Housing Executive**

David Hutchinson: Land and Property

Stephen Semple: Strategic Planning

## Housing Associations

Rob Clements: Rural Housing Association

Alan Crowe: NI Co-ownership Housing Association

David Duly: Habinteg Housing Association

Jean Fulton: BIH Housing Association

Claire McCarty: Clanmil Housing Association

John McLean: Fold Housing Association

Tony Ruddy: Ark Housing Association

Chris Williamson: Northern Ireland Federation of Housing Associations

## Private Sector Developers

John Armstrong: Construction Employers Federation

Nigel Lucas: Construction Employers Federation

Kieran Fox: Construction Employers Federation

Tom Kirk: National House Building Council

James Hagan: Hagan Homes

Christopher Carvill: The Carvill Group

John Montgomery: Patton Homes

Mark Graham: Taggart Holdings

Joe Mulheron: The Mulheron Partnership

## Other meetings with Stakeholders

Sir John Semple and the Review team met a number of individuals and organisations, including:

Crumlin Road Gaol Regeneration Team

Democratic Unionist Party

Department for Social Development

Department for Regional Development

Department of the Environment

Economic Planning and Environmental Consultants Ltd

Equality Commission

Holylands Residents Association

Level

Northern Ireland Audit Office

Northern Ireland Housing Council

Northern Ireland Housing Executive

Partnerships UK

Planning Appeals Commission

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The Rent Officer for Northern Ireland  
Royal Town Planning Institute  
SDLP  
Sinn Féin  
Strategic Investment Board  
Tudor Renewal Area Residents Association  
Ulster Unionist Party

## England & Republic of Ireland

The Review team also visited England and the Republic of Ireland. Individuals and organisations met include:

- John Hills: Centre for Analysis of Social Exclusion
- Shane Brownie: Department for Communities and Local Government
- David Ireland: Empty Homes Agency
- Tony Boland: Department of Environment, Local Government and Heritage
- John McCarthy: Department of Environment, Local Government and Heritage
- Brendan Kenny: Dublin City Council
- John O'Connor: Affordable Homes Partnership
- Alan Carty: Fingal County Council

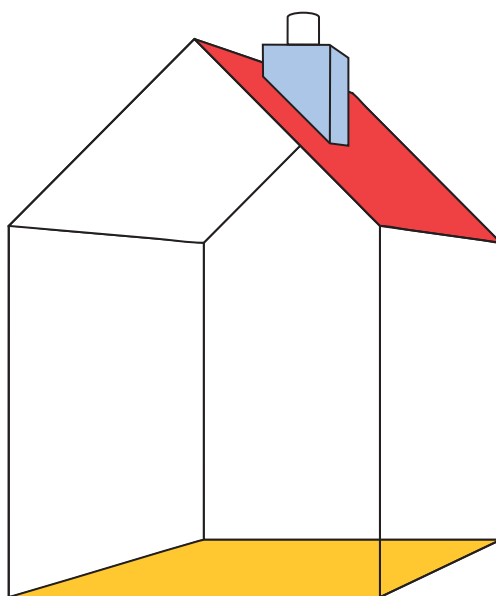
## Interim Comments

Following the publication of the Interim Report, Sir John Semple and the Review team carried out further consultation with key stakeholders, through a series of meetings. The Review is grateful to those individuals and organisations that offered written contributions in response to the issues identified in the Interim Report published in December 2006. Sir John Semple and the Review team received numerous useful and interesting comments. Individuals and organisations that submitted a response included:

1. Antrim Borough Council
2. Ards Borough Council
3. Armagh City & District Council
4. Ballynaveigh Community Development Association
5. Banbridge District Council
6. Belfast City Council
7. Belfast Community Housing Association
8. Belfast Healthy Cities
9. Belfast Metropolitan Residents Group
10. Causeway Coast Communities Consortium
11. Chartered Institute of Housing
12. Cllr Tom Elliott MLA
13. Coleraine Borough Council
14. Community Technical Aid
15. Construction Employers Federation
16. Cookstown District Council
17. Council for the Homeless (NI)
18. Council of Mortgage Lenders
19. Down District Council
20. Dungannon & South Tyrone Borough Council
21. East Down Rural Community Network
22. First Housing Aid & Support Services
23. Fold Housing Association
24. Glenarm Village Committee
25. Greater Falls Neighbourhood Renewal Partnership
26. Greater Village Regeneration Trust
27. Habinteg Housing Association
28. Habitat for Humanity
29. Housing Community Network
30. Housing Community Network Panel (NIHE District 5 - Shankhill)
31. Housing Rights Service
32. Irish Auctioneers & Valuers Institute
33. K E Caswell
34. Newry & Mourne District Council
35. Northern Ireland Co-ownership Housing Association Ltd
36. Northern Ireland Environment Link
37. Northern Ireland Housing Council
38. Northern Ireland Housing Executive - Northern Ireland Federation of Housing Associations Joint Response
39. Northern Ireland Rural Development Council
40. Northern Ireland Tenants Action Project
41. Omagh District Council
42. Omagh Forum for Rural Associations
43. Open Door Housing Association
44. Paddy Gray
45. Planning Appeals Commission
46. Planning Service
47. Portballintrae Residents Association
48. Portstewart Community Vision
49. Professor Paddy Hillyard
50. Regional Planning and Transportation Division, DRD
51. Rent Officer for Northern Ireland
52. Royal Institution of Chartered Surveyors
53. Rural Community Network

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54. SDLP
  55. SHAC Housing Association
  56. Shelter NI
  57. Simon Community NI
  58. Sinn Féin
  59. The Mortgage Shop
  60. Turley Associates
  61. Ulster Architectural Heritage Society
  62. Valuation & Lands Agency
  63. Voluntary Sector Housing Policy Forum
  64. West Belfast Partnership Board

In addition, a number of individual responses were received that we have kept anonymous. We have endeavoured to ensure that all individuals and organisations that have made representations to the Review are included here. However, if we have inadvertently left anyone or any organisation out of this list, please accept our apologies: it was not intentional.



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