

Consultation on Intermediate Rent Development of Policy and Model

This is a response to the consultation by the Department for Communities on intermediate rent development of policy and model

Comments

CIH Northern Ireland welcomes the opportunity to respond to the department's consultation on the introduction of intermediate rent in Northern Ireland (NI). Intermediate rent products have had considerable success in neighbouring jurisdictions; we believe the introduction of this model will bring similar success here by offering a viable rental option for low income households whose priority is not great enough to secure social housing and who find the private rental market unaffordable and home ownership unattainable.

The need to provide more affordable housing in NI is well-evidenced. Intermediate rent can help to alleviate the housing pressures faced across all tenures in NI and offer affordable homes to those who need them the most. As it stands, the undersupply of social housing means that many individuals and families cannot get access to a social home. For lower-income households, the financial demand of the private rental market can be burdensome, and it is for these households that we envision intermediate rent will be beneficial.

Q. To what extent do you agree there is a need for the introduction of a new intermediate rental product as described?

CIH strongly agrees that there is a need for the introduction of a new intermediate rental product in NI. We welcome the recognition by the department that intermediate rent, defined as affordable housing, has a role to play in meeting housing need and that any forthcoming product will be included in the Housing Supply Strategy.

As previously stated, it is well-evidenced that the need for affordable housing is growing across communities in NI; housing need is fast outstripping housing supply across all tenures plunging many households into rent arrears and putting them at

risk of homelessness. Therefore, we agree that an intermediate rental product will meet need for people where:

- Those whose priority is not great enough to secure social housing
- Homeownership, whether through shared ownership or otherwise, is unattainable
- They spend 25-40 per cent of their household income on rental costs.

Therefore, it is our view that rent provided outside of the general market will meet the needs of more people, particularly low-income households who have some need, such as financial need which is not afforded priority under the selection scheme rules for social housing.

Q. To what extent do you agree with the listed household descriptions which are likely to benefit most from Intermediate Rent homes?

CIH largely agrees with the listed household descriptions set out by the department which are likely to benefit from intermediate rent homes. The defining factor that many applicants will share and do share in other parts of the UK and Ireland is affordability barriers, and it is our view that need pertaining to affordability be prioritised above social factors, as social housing prioritises the latter. In Scotland, similar products, such as mid-market rental accommodation, have primarily benefitted single people and couples in work.¹ CIH envisages that similar households in NI will benefit from intermediate rent homes.

¹ <https://www.gov.scot/publications/rent-affordability-affordable-housing-sector-literature-review/pages/6/>

Q. Based on evidence and research it is proposed that Intermediate Rents are initially set at up to 80% of local market rents for similar types and sizes of properties. Do you agree this proposal would be reasonable and attractive?

Setting intermediate rents at 80 per cent of local market rents is reasonable for those tenants who currently spend anywhere between 25 and 40 per cent of their income on housing costs alone. It is vital that the department and operating partner establish a rent setting mechanism that ensures the viability and long-term sustainability of intermediate rental homes.

We are content that in locations where the differential between market and housing association rents is more pronounced, there may be merit in applying rent setting flexibilities to allow rent rates at less than 80 per cent of market rents. This will also ensure the even distribution of intermediate rental products across NI and offer a level of choice for tenants in deciding where they would like to live; it will also help to establish mixed-tenure communities where single tenure homes are dominant – it is our view that this can help to build sustainable communities.

It is important that intermediate rent products remain occupied by those who need them. However, we would not want to see a situation where tenants have improved finances during their tenancy agreement be encouraged out into the open market; this would undermine both the security of tenure ethos that is embedded in this product, and community sustainability objectives.

Q. To what extent do you agree with the proposed initial income bands for accessing an Intermediate Rent home?

The limited availability of intermediate rent products will mean that they should be targeted at those who need them the most. The department's proposal that includes an upper household gross annual income cap and a lower gross income floor to ensure affordability of the rent and financial viability of the model is entirely

appropriate. We are also content with the proposed income bands for intermediate rent, with eligibility being £18k to £30k for an individual applicant and £20k to £40k for a joint application.

It is our view that the department should consider secondary eligibility criteria that considers some social needs of the prospective tenant(s) while not seeking to replicate selection scheme rules. Suggested considerations could be as follows:

- Proximity to the tenants workplace and/or dependents education
- Family and support connections.

However, we would stress that these factors remain secondary, as the social market already provides housing based on social need. Nonetheless, given that demand is likely to exceed supply due to the expected limited availability of these products, additional eligibility criteria would need to be defined to ensure intermediate rent homes are occupied by those who need them the most.

CIH agrees that intermediate rent homes should not be allocated through a 'points-based' system for the reasons outlined above. Overall, it is important that any process is fair, open and provides an adequate timescale that gives all prospective applicants an opportunity to apply.

Despite the process being completely removed from that of the allocation process for social housing, we would nonetheless ask the department to explore if merit exists in advertising these products to those households who are currently on the waiting list for a social home but have little to no prospect of receiving an allocation due to insufficient need or high demand in their area of choice.

We note that similar products to that in Scotland, such a mid-market rent, allow tenants to remain on the social housing waiting list; however, we would caution against implementing a similar policy. It is our view that doing so would undermine the introduction of intermediate rent as a means of alleviating housing need. If

tenants are successful, it stands to reason that they do not remain on the social housing waiting list; this will not prevent them from reapplying for social housing in the future, but it is simply in line with the concept that the waiting list reflect an applicant's current needs. Removing successful intermediate rent applicants from the social housing waiting list poses no risk to tenants being able to re-apply in future.

Q. It is proposed that income can come from a variety of sources e.g., earned income, interest on savings, private pension income as well as housing related benefits. To what extent do you agree these, and other types of income should be considered when accessing an Intermediate Rent home?

It is the view of CIH that income from a variety of sources, as opposed to just earned income should be included when calculating whether an applicant's income places them in the correct band for eligibility.

Q. Do you think the level of savings held by prospective tenants should be considered as part of eligibility and / or an affordability assessment when applying for an Intermediate Rent home?

We would caution the department against considering the inclusion of savings as part of the eligibility criteria and/or an affordability assessment. If one of the intended purposes of intermediate rent is to provide those on lower incomes with an opportunity to pay lower rents while saving for a deposit to access market rent or home ownership, then including an applicants' savings would undermine this purpose.

Q. To what extent do you agree with the Department's proposal that Intermediate Rent tenancies should be subject to review with an opportunity to renew after the initial tenancy term?

CIH strongly agrees that intermediate rent tenancies should be subject to review to ensure that tenants of intermediate rent homes are those who need them the most. Providing tenants with the opportunity to renew after the initial tenancy term provides an element of housing choice, should they choose to renew or move on, but more importantly it offers secure tenancies.

Q. As an initial Intermediate Rent tenancy comes to an end, please rate your preferred option (1-3) around next steps from the following list:

- 1. Reapplication and eligibility checks if tenant wishes to remain in property**
- 2. Tenancy renewed without need for eligibility checks on agreement of tenant and landlord**
- 3. Option to have a rolling tenancy**
- 4. No option to extend the tenancy, tenant to leave property at end of initial tenancy**

Option 1 would be our first preference to ensure intermediate rent products are adequately meeting the needs of the tenant, and the product is meeting its intended policy objectives. Option 2 is our next preference for reasons of tenancy sustainability, followed by option 3 which may suit an individual tenant's needs, but product sustainability objectives would also need to be considered. Option 4 should be ruled out entirely, as it undermines security of tenure and adds pressure to an already fragile housing market.

Q. To what extent do you agree with the suggested approach of Intermediate Rent programme operators offering support services to tenants?

We agree with the department's proposal that intermediate rent tenants will be able to avail of a network of support services, provided either directly through the programme operator or through other organisations, to help support them to maintain their tenancy. It is important to note that there will be households who require a more intense level of support, households that will require support at varying times when it is needed, and households who will require no additional support. This should be ascertained through pre-tenancy assessment that will determine the level of support needed, if any. Pre-tenancy engagement that uncovers support needs at an early stage, can help ensure the sustainment of tenancies in the long run. In our *Rethinking Social Housing: The Next Steps* report, we recommend government should work with the housing sector to develop a selection scheme rule to support the delivery of pre-tenancy activity that prioritises supporting people into sustainable tenancies.² Although we would not recommend the same mandatory engagement in the case of intermediate rent products, a light touch level of engagement should nonetheless take place to ensure need is being met appropriately.

Any support being provided will have to be adequately funded. It should be straightforward to incorporate the cost of lighter touch services provided by the programme operator into the operating model. While recognising that the target group for intermediate rent is less likely to experience intensive needs, challenges remain of course in relation to funding of external services. For example, the freeze of Supporting People funding has had an adverse impact on services provided to households in the social sector.

² Chartered Institute of Housing, 2020. *Rethinking Social Housing: The Next Steps*. [online] p.13. Available at: <<https://www.cih.org/media/c1llh25j/next-steps-northern-ireland.pdf>> [Accessed 14 December 2021].

Q. What type of tenancy support services, if any, would you suggest are appropriate to be delivered to Intermediate Rent tenants?

We would argue that social security and financial advice services be made available for intermediate rent tenants given that the product is designed to support the needs of low-income households. Signposting to other support services should also take place including for those households in greater need of additional assistance to sustain their tenancy.

Q. Do you agree with the proposal that a single entity should be appointed with responsibility to act as Intermediate Rent programme operator in delivering Intermediate Rent homes?

CIH believes that the appointment of a single entity to act as an intermediate rent operator is preferable, at least in the first instance. A private subsidiary of a housing association operating in the market sector would be a natural first choice for a programme operator, due to the specialist skills they have already obtained in delivering services in a similar setting. Moving forward if more than one entity manages it to enable increased operational capacity, it can be made to work all the same.

Q. To what extent do you agree with the Department's analysis of the regulatory arrangements for an Intermediate Rent programme operator?

We agree with the department's analysis that specific regulatory arrangements, complementing the private rented sector regulatory regime, should be applicable to any intermediate rent programme operator to provide appropriate governance, and to provide confidence to attract private finance. Tenants often cite fears around the security of tenure within the private rental market; it is important that regulatory arrangements are in place to ensure this is avoided and that occupants of

intermediate rent products feel protected in a way that households in the social sector do. Providing robust regulatory arrangements will ensure the success of these products and help achieve buy-in from tenants previously weary of accepting a home outside of the social sector.

Q. Do you agree with the use of primarily Financial Transactions Capital loan funding to support the delivery of a supply of Intermediate Rent homes?

CIH strongly supports the minister's commitment that there be no need to choose between social and intermediate housing in respect of capital investment, and we would agree with the maximising of newer funding streams such as Financial Transactions Capital (FTC) investment, delivered by the Department of Finance, to deliver the supply of intermediate rent homes. We are satisfied that FTC could be used to help plug the funding gap without compromising the funding of the social housing development programme.

Q. It is the Department's view that all Intermediate Rent Homes will be required to meet the statutory building standards and statutory housing fitness standard as a minimum. Do you think that additional design and construction standards should apply to Intermediate Rent homes?

All intermediate rental products, like all new domestic properties, should meet the statutory building standards and statutory housing fitness standard as a minimum. Additional design and construction standards could be applied but thought should be given to how these requirements would work in the context of the mixed-tenure requirements of councils' local development plans. For example, off-the-shelf purchases may be desirable in some cases including medium and higher density developments in urban centres, where any design or standards differentials would need to be considered.

Nevertheless, the opportunity for intermediate rent homes to play their part in relation to the climate challenge should not be overlooked. We would urge the department, working alongside the Department of Finance and the Department for the Economy, to continue to pursue higher standards across the board so housing does not contribute to further carbon emissions.

Building new intermediate rental products provides the department with an opportunity to build net zero homes that operate at low running costs for the tenants who live in them. Failing to build to this standard will only store up future retrofitting costs for the department and delivery provider. The installation of any new renewable technologies should be considered with the financial needs of tenants in mind, as well as the property's contribution to carbon emissions.



About CIH

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple - to provide housing professionals and their organisations with the advice, support, and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world. Further information is available at: www.cih.org.

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