

## Consultation Response:

## Intermediate Rent Development of Policy and Model

*December 2021*

## 1.0 INTRODUCTION

Housing Rights is Northern Ireland's leading independent provider of specialist housing advice. For over 50 years we have been helping people to find and keep a home. We believe that prevention is better than the cure, and work to prevent homelessness wherever possible. Housing Rights' policy work is based on the views and experience of the people who contact us for advice and aims to support the identification of evidence based, user informed solutions.

A disproportionate number of the people who contact us for advice live in the private rented sector (PRS), with affordability being among their chief concerns.

### 1.1 HOUSING RIGHTS' POSITION

**Housing Rights welcomes the use of Financial Transactions Capital to develop an intermediate rent product which has the potential to increase the supply of housing and help people access accommodation in their area of choice, who might previously have been excluded from doing so as a result of unaffordable private rents. In our view this model may also be useful in creating more mixed tenure developments.**

**Housing Rights does not believe however that this intermediate rent product would be affordable for the majority of our PRS clients who are living on a low income, many of whom rely on social security benefits paid at the Local Housing Allowance (LHA) rate to meet their housing costs.**

**Housing Rights' support for the intermediate rent model is therefore contingent on this product adding to existing stock, primarily through new builds. In our view this is crucial in order to ensure that emergence of this intermediate rent product does not have an unintended consequence of displacing properties from an already limited supply of private rented properties, and further drive up rents for those with too low an income to access intermediate rent tenancies.**

## 2.0 OVERARCHING COMMENTS

### 2.1 INTERACTION WITH OTHER TENURES

In addition to Housing Rights' view that this product must not detract from the existing supply of private rented properties, we support the Departments' stated position throughout the consultation document that **it is also important that this model does not detrimentally impact the funding of new social homes.** The lack of social housing underpins the myriad of housing issues faced by our clients and we therefore strongly believe that increasing the supply of social housing should be prioritised in public spending.

### 2.2 TARGET GROUP

Housing Rights notes that the households which the Department seeks to assist with this product are described as "lower income households who are currently

paying in excess of 30% of their income on housing costs.” However, based on our client experience, Housing Rights does not believe that this product will meet the needs of many of the lowest income households, who will still be unable to afford to pay 80% of market rents as they rely on benefits calculated at the Local Housing Allowance rate which is set at the 30<sup>th</sup> percentile, and has been frozen since April 2021.

Furthermore, in our view the proposed upper income cap for an individual of £30,000 would, within the NI context, be more accurately described as a ‘moderate income’ rather than a ‘low-income’ household. **Housing Rights therefore recommends that it is stated that the model will assist those with ‘lower to moderate incomes.’**

Housing Rights recognises the challenge of designing a model which tackles affordability issues for the tenant while also being financially viable for the provider. However, in our view **it would be helpful to state explicitly that it is not envisaged that this product will address the affordability issues faced by most low-income households living in the PRS, and that continued policy focus is needed on addressing those issues.**

## 2.3 PROGRAMME OPERATOR

Housing Rights agrees that it would be preferable for the programme operator to be a single entity, and see it as important that they have experience in housing supply and management in Northern Ireland. We would welcome further information as to how the operator will be selected and view it as important that the assessment is based not only on financial considerations but that appropriate weighting is also given to other elements of the service which they can offer. For example, **we recommend that weighting is given to the operator’s experience in, and plans to, engage with tenants throughout the delivery of the product.**

## 2.4 REGULATION

Housing Rights appreciates the need for appropriate regulatory assurance to support lending. In our view it is essential that **the provider/product should be subject to the regulatory framework of the private rented sector.** Further regulation may also be relevant and necessary depending on the provider selected.

## 2.5 CO-DESIGN

Housing Rights believes that, not only is a structured programme of tenant engagement important during the delivery of the intermediate rent product, but also during the development and refinement of the product, in order to ensure the model is fit for purpose and meets the needs of the tenants it aims to assist. **To this end, we recommend that as well as the programme operator, the Department should continue to engage with tenants, and representatives of tenants in the development of the model.**

### 3.0 ELIGIBILITY AND ALLOCATION

#### 3.1 ELIGIBILITY

Housing Rights supports the policy intention behind the upper income thresholds for accessing Intermediate Rent in order to ensure support is directed at those in most need. However, in this vein, **we do not believe it is appropriate for there to be blanket exclusions linked to a minimum income as this could exclude households whose circumstances could be substantially improved by access to this sort of tenancy** (and their affordability issues lessened even if not fully addressed). To this end Housing Rights also views it as important that no blanket exclusions are made based on a households' income source, e.g. those in receipt of benefits, and we welcome the fact that the proposed model is open to this group.

Housing Rights welcomes the fact that in the proposed model people on the social housing waiting list will be able to stay on the list while in an intermediate rent tenancy. In our view it is important that all those who wish to move to another tenure in the future, whether social housing or homeownership, are able to avail of these tenancies as an interim medium-term option until their tenure of preference is accessible.

#### 3.2 ASSESSMENT AND ALLOCATION

Housing Rights would welcome further detail on the affordability assessment that would determine eligibility. We **recommend that financial inclusion support is incorporated into the operation of the assessment to ensure an applicant's income/the potential for tenancy sustainment is maximised at the outset.**

Housing Rights agrees that the intermediate rent model is not suitable for providing the support services required by people in the most vulnerable circumstances. However, we believe that it is important that the assessment of such need takes into consideration the individual circumstances of each applicant rather than having any blanket exclusions of certain groups, which may have the potential to be discriminatory.

Housing Rights agrees it would be appropriate for the assessment process to be carried out by the operator, and that the proposed 'first come first served' allocation process is appropriate for this product. We note that the Department is also considering the use of additional eligibility criteria to prioritise prospective tenants. **In our view, the most important factor will be ensuring that the allocation process operates to the principles of fairness, equity and non-discrimination.** It may be useful for the Department to consider operating a 'first come first served' allocation process during the pilot which could then be reviewed after the pilot period to consider whether prioritisation on the basis of additional criteria would help to address any issues that may have arisen.

**Housing Rights recommends that, those applicants who are unsuccessful in securing an Intermediate Rent tenancy whether due to lack of**

availability or failure to meet the eligibility criteria, are sign-posted to advice services to ensure they are informed about other housing options.

### 3.3 AWARENESS RAISING

Housing Rights agrees that the “Housing Solutions” team within NIHE will have an important role to play in promoting the intermediate rent options to those who could benefit from them. We believe other agencies involved in assisting clients to identify and access housing options will also have an important role to play in promoting intermediate rent and Housing Rights would be happy to support the Department with this.

### 4.0 AFFORDABILITY

In Housing Rights’ experience, it is important that the model seeks to address affordability issues in the PRS both at the beginning and throughout the duration of the tenancy. To this end we recommend that consideration be given to the following:

- **Deposits and Rent in Advance should be restricted to the equivalent of one months’ rent**

In our client experience the charging of multiple months’ deposit and rent in advance can be a significant barrier to accessing private tenancies. We note that a deposit limit has been included in the Private Tenancies Bill, which is currently passing through the assembly, but not a limit on the amount of rent in advance that can be charged. Nevertheless, we recommend that both of these limits are incorporated into the intermediate rent model. Housing Rights strongly supports the proposal in the document to enable a tenant to build up a deposit gradually over the first 6 – 12 months of their tenancy rather than paying it all at the outset. Housing Rights further welcomes the proposal to deem either the upfront or gradual payment of a deposit sufficient to negate the need for a guarantor (and we recommend that where a guarantor is deemed necessary such requirements are not prescriptive).

- **Any uprating formula for rents should be limited**

Housing Rights understands that there will be a need to review the rent during a 5-year tenancy, and we support the proposal to limit the amount that rents can be increased. We also particularly support the option for the provider not to raise the rent. **In our view, this decision should also take into account whether the Local Housing Allowance (LHA) rate remains frozen in the coming years, as a periodic increase in rent alongside a continued freeze on the LHA rate could lead to increased shortfalls for those relying on housing benefits.**

- **Information regarding rates liability should be clearly stated**  
Housing Rights recommends that any liability for rates, and the amount of rates owed, is clearly stated to ensure tenants have the information required when applying for rates rebate.
- **Service charges should be kept to a minimum**  
In Housing Rights' experience services charges can exacerbate affordability issues, which is a particular issue as tenants do not have the option of reducing costs by restricting use or changing provider. We therefore recommend that service charges are only charged where they cannot be avoided, and that the operator and Department should work to ensure such charges do not weaken the affordability of this product.

## 5.0 SECURITY, SUPPORT AND STANARDS

### 5.1 TENANCY SUPPORT

Housing Rights welcomes the proposal to ensure intermediate rent tenants have a network of support services to help them sustain their tenancy. **We recommend that the Housing Mediation Service is included in the support services available, to assist in the resolution of any disputes.** This service has been successfully used by landlords and letting agents, including Smartmove, to address issues which had arisen and were threatening the continuation of the tenancy. Similarly, we believe it could be of use to addressing any disputes that may arise between the programme operator and tenants before they escalate and threaten the tenancy.

### 5.2 SECURITY OF TENURE

Security of tenure is a key concern for many of our clients living in the PRS, particularly those on a periodic tenancy who can be asked to leave their homes in as little as 28 days (out with the welcome emergency COVID-19 protections currently in place). Housing Rights therefore sees the enhanced security of tenure afforded by the proposed intermediate rent model as key, and **in order to maximise this protection we recommend that tenancies should be offered for a minimum duration of 5 years.** Furthermore, **we recommend that the default after the initial 5-year term should be that the tenancy is renewed, irrespective of the income level of the tenant.** In our view this would best enable people to find a medium to long term home in this sector if they wish to do so.

Equally, Housing Rights welcomes the fact that tenants will not be compelled to stay for the full duration of their tenancy and can give the statutory notice to quit period should they wish to leave the tenancy earlier.

### 5.3 STANDARDS

Housing Rights recommends that the Department consider how the standards for intermediate rent properties could be maximised, whilst remaining affordable for tenants and financially viable for the programme operator, in order to model good practice and evidence the impact of improving standards in the PRS. For example, a more ambitious minimum energy efficiency rating than is required elsewhere in the PRS could be considered. This would not only ensure the properties are sustainable, but could further address affordability issues by reducing the amount of money tenants have to spend to adequately heat their homes, which we know to be a significant issue for many of our low income PRS clients. Setting a standard for intermediate rent properties which is higher than the current statutory fitness standard, would also assist in building an evidence base regarding the impact of improved standards, and how best to facilitate their improvement. In our view this could help to inform the Department's commitment to review the statutory fitness standard.

### 6.0 MONITORING AND EVALUATION

Housing Rights welcomes the outcomes-focused approach to evaluation proposed in the consultation document. However, **in our view it is important that the primary objectives of the intermediate rent model are clearly articulated and that a focused monitoring and evaluation framework is put in place in order to assess whether these objectives have been met.** Whilst we note the Department have listed the intentions behind the intermediate rent model at 4.26, in our view **a prioritised, focused list of the primary objectives is necessary for effective monitoring and evaluation.** For example, these primary objectives could include:

- Improving affordability for low to moderate income private renters
- Reducing housing stress
- Addressing barriers to accessing and sustaining tenancies in the PRS

We further recommend that the evaluation framework is designed not only to assess whether these objectives have been met but to also capture who has benefited (both in terms of numbers and demographic profile), how they have benefited, and what overall difference has this made (both on an individual level and to the overall housing market.)

In addition, Housing Rights would welcome further information regarding the proposed timing of the evaluation process and who will be responsible for overseeing the process. In our view it would be most appropriate for this to be the Department, rather than the programme operator.

Housing Rights are grateful for the opportunity to respond to this consultation and would welcome the opportunity to continue to be engaged in the development and implementation of this new rental product. For further information on this response please contact our Policy Co-ordinator Kerry Logan: [kerry@housingrights.org.uk](mailto:kerry@housingrights.org.uk)