



Northern Ireland
Assembly

Committee for Social Development

OFFICIAL REPORT (Hansard)

Housing Supply Forum: DSD Briefing

6 February 2014

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:

Mr Alex Maskey (Chairperson)
Mr Mickey Brady (Deputy Chairperson)
Mr Jim Allister
Ms Paula Bradley
Mr Gregory Campbell
Mr Trevor Clarke
Mr Stewart Dickson
Mr Fra McCann
Mr Sammy Wilson

Witnesses:

Mr Stephen Martin	Department for Social Development
Ms Frances Rushe	Department for Social Development
Mr Gerard Rushe	Department for Social Development

The Chairperson: I welcome Stephen Martin, Frances Rushe and Gerard Rushe. I was going to say that you should not all rush to the table. Obviously, you have a briefing. Are you happy enough just to present to the Committee?

Mr Stephen Martin (Department for Social Development): Yes, Chairman, thank you very much for this opportunity. I will just give you a little bit of context, and Frances will give you a bit more detail about the forum and what it is designed to do. The forum had its first meeting last week. It is chaired by John Armstrong of the Construction Employers Federation, and its aim is essentially to try to find viable ways to increase new housing supply in Northern Ireland, especially in the private rented sector. There has been a significant drop-off in housing supply since the housing bubble burst and the economic downturn in 2008. Only around 50% of the supply that is needed in the private sector is being built and has been built since 2008. I think that it is recognised quite broadly that those levels are unsustainably low and that, without some sort of corrective action in the medium to long term, we are storing up problems for families and individuals in Northern Ireland who want to access good-quality housing at a price that they can afford.

It is safe to say that, over a number of years, DSD has seen its main role in rented housing. For the first time, the housing strategy last year signalled that DSD and government more widely see a role for themselves as enablers for creating and maintaining a sustainable housing market that supports, rather than detracts from, economic growth. It is fair to say that many of the Government's levers really reside in London with the UK Government through macroeconomic policy, fiscal policy, setting interest rates and taxation policy, etc. However, there are some levers that we have here in the devolved context through the regulatory framework, such as planning. There are issues in land

supply, which the public sector can have a role in, and job creation and the economic development strategy for Northern Ireland will have a positive role to play. So, there are things that can be influenced locally.

In the housing supply forum, the Minister has drawn together expertise from a range of bodies in the public and private sectors and from academia to try to identify viable solutions over the next year to increase housing supply in the medium to longer term, particularly in the private sector. The Minister has challenged the forum not to limit itself to state interventions, because there are obviously a number of key actors in the housing market. Although he has given the housing supply forum a year to do its job, he has clearly said to it that, if there are things that can be implemented in the meantime, he wants to hear about them to see what can be done. Frances, if you would just give a little bit more detail.

Ms Frances Rushe (Department for Social Development): Thank you. As Stephen said, the forum's first meeting was held last Thursday. The group's terms of reference were discussed and agreed at that meeting. The key objectives are to try to focus on tangible outcomes. So, the main high-level objectives that the forum hopes to achieve are to look at the housing market-related issues that affect housing supply in Northern Ireland. For example, it will look at the demographics and at the cultural and construction issues. The group is also going to look at the supply gap that exists and possibly project that gap in the medium to long term. It also wants to look at the practical challenges and constraints that are faced in housing supply and again, where possible, to come up with viable solutions for that. The group will also analyse the policy and regulatory environment that housing supply exists in. Finally, as Stephen said, it will produce a report, hopefully in around a year or so — this time next year — that will contain some recommendations.

Again, as Stephen outlined, the Department is very pleased with the breadth of expertise that we have gained in the group and the time and commitment that those involved have given. To give you a cross-section of the group, I can tell you that John Armstrong will chair it, and we have representation from government, the Construction Employers Federation, the Housing Executive, the Northern Ireland Federation of Housing Associations, the Council of Mortgage Lenders, academics and the National House Building Council. So, there is a broad spread, and we feel that the right, key people are around the table.

In setting up the forum and for the Department to decide how best to take it forward, it did some very informal consultation across about 30 key stakeholder groups. One of the key messages that we heard was that the forum should not become a talking shop and that it should be a very results-focused group that looks at issues and is instrumental in taking those forward. So, from that, we felt that the best approach was to have a core group of key stakeholders who would then be supported by practitioners from different areas who will meet in a focus-group scenario to look at particular issues and report back to the core group on them.

To give you an example of that, following the initial meeting last week, access to land is the first issue that the forum will look at. The core group felt that that was a key area that needed to be examined, so we will now set up a group of practitioners in that area to look at it and to report back to the main group in roughly a month to six weeks.

Finally, to summarise, as Stephen said, in all likelihood, there will be things that the Government can do to help to increase the housing supply, but the forum has been directed not to limit thinking to state interventions. There are many key players in the housing market. The Minister is keen, therefore, to see recommendations on constraints and solutions to those, wherever they might arise.

I am happy to take any questions that the Committee might have.

The Chairperson: OK, Frances and Stephen, thank you.

Mr Dickson: Thank you for the information. Obviously, you are dealing with a difficult and critical issue in the supply of housing in the market here in Northern Ireland. I note that the first line of your key objectives states that you aim:

"To identify the most important demographic, cultural, construction and housing market related issues".

How will you address shared space and shared housing? Who in the list of people will be the driver for that? Perhaps it could be done through some of your focus groups, but I would have thought that the Equality Commission should have been a key player in your list of actors. I am keen to understand how, through identifying demographic and cultural issues as a high-level key objective, you will address shared space and the existing separation of housing that we face in Northern Ireland, which is the "one for me, one for you" type of housing programmes that we have often seen.

Mr Martin: This is very much dedicated to supply. However, through the Together: Building a United Community process, DSD is committed to developing 10 new shared neighbourhoods, so there is a dedicated programme of work.

Through the figures on the private sector that we have, we see that issues of sharing are less significant in that sector. Generally, in Northern Ireland a lot of private housing is shared. I do not think that that is generally understood, but our understanding from a range of different localities is that private sector housing is generally shared. Through the Together: Building a United Community process, we are also looking at a review of housing to increase and improve sharing, and we will be commissioning a piece of research throughout that work. So, we are not losing sight of it, but this is not the forum through which to have a dedicated focus on that. This is very much about supporting families' and individuals' aspirations to have a house and about supporting the Executive's economic development strategies by making sure that there is a stable housing market and that we do not have another bubble and so on. So, we are looking at shared housing in a different context.

Mr Dickson: You set out demographic and cultural issues in the first line of your key objectives. For example, if you are going to look at what land is available, the very location of that land is important in that context. So, it is important that the voices of the people who need to be heard on sharing and integration can be dealt with in that context. I am somewhat concerned that that voice is not clearly identified in the list of people who you have advising you.

Mr Gerard Rushe (Department for Social Development): The membership of the focus groups that we intend to set up to support the main forum is yet to be established. We are currently asking members of the forum who should sit on the subgroups and who should contribute to the individual items that are highlighted there. So, we are waiting to see on that. The Equality Commission will obviously be a consideration, and by no means is it excluded. We have actively asked who should sit on the subgroups and who should inform the decisions.

Mr Dickson: Hopefully, this discussion today will help.

Ms F Rushe: Yes; we will take that away.

Mr F McCann: I agree somewhat with what Stewart is saying. However, I also realise that, in many areas and communities, especially in Belfast, there are some difficulties with a shared future, in that communities need to be taken through the consequences of it before any decision is made. I think that that is an important marker. I remind the Department that the 'Facing the Future' document is the ministerial vision and that it does not have Executive approval. That needs to be taken into consideration. I take that it this Committee will be kept informed of who the people are on the subgroups and of how far they have got in making recommendations.

Mr Martin: Yes, if the Committee wants, we can brief you again or provide you with briefing papers during the process of the forum.

Mr F McCann: I am pleased to hear that a group is concentrating on land usage and availability. This Committee has taken that up over many years, and I think that opportunities to deal with that have been lost over the past six or seven years.

Can you expand on paragraph 5 of your briefing paper? What shape did the informal consultation take? Who did you consult with? How informal was it? Were minutes of the meetings kept, and what was discussed at the meetings? Was the Minister kept informed about what discussions had taken place and the direction that they were going in?

Mr G Rushe: The pre-consultation exercise was very informal. We went out to the people that you would expect to see in the housing sector to ask them what shape this housing supply forum should take and, as part of that, what the terms of reference etc should look like. As part of that, we also

asked them who else they thought should be involved. So, to gather a wide breadth of knowledge, we consulted over 30 groups. I do not have the full list in front of me, but it consisted of all the community and voluntary groups that you would normally expect to see in the housing sector. Based on that, we were able to draw the terms of reference together to go out to the housing supply forum, which was agreed at the previous meeting. The terms of reference were drawn together and then agreed at the first meeting as appropriate.

Mr F McCann: In the previous debate, we said that there is a list of usual suspects that these exercises go to. Although those people reflect an opinion at a level, they do not reflect a wide community opinion on how these things should be dealt with. We need to get into the habit of widening that out.

Mr Martin: To come back on that point, I think that Mr McCann raised a valid issue. As I said before, traditionally, DSD has been focused on the rented sector, and we have a group of the usual suspects, as they have been referred to. In this, we have been very much engaging with people who we traditionally have not engaged with, such as lenders. We have talked to the banks, which we do not have a track record of talking to. We have also talked to developers, both small and large, and to representative organisations, such as the Federation of Master Builders. So, because this has very much focused on private sector supply, we have been dealing with the key actors in the sector. That means that we have very much widened our brief from what would normally be seen as our usual consultees to look at broader range of people. However, if there are other people with solutions, we are very willing to talk to them. So, if the Committee identifies particular individuals who it feels there is merit in us talking to on behalf of the supply forum, we are very willing to do that.

Mr F McCann: It would probably be easier if we were given a list of the 30 people who were asked to take part in the consultation.

Ms F Rushe: Yes. That could be done.

Mr F McCann: Again, in paragraph 5, it says that you:

"looked at good practice from elsewhere"

and that there was:

"Feedback and outworkings from that".

Where did you find good practice?

Mr G Rushe: We found that the Welsh have done something similar, and we looked at the Scottish Housing Supply Task Force. The Scottish supply task force was the model that we felt was most appropriate to use. We looked at the structure and decided on a relatively small core group to keep it focused. That is because there are over 30 suppliers, and housing supply is a wide area that bleeds into several other areas. We were conscious that we should not end up as a talking shop with 30 or 40 participants. So, there is a small core group with a subgroup structure, which is what is done in Scotland. That subgroup structure will bring in the expertise and expert domains from across the sector to provide a wide breadth. In the original terms, it allows us to "tap into the expertise" that exists.

Mr F McCann: I have just one final point to make. This issue was certainly laboured for quite a while, and it concerns the whole question of developers' contributions. This morning, I looked at figures in the 'Housing Bulletin', and I found that something like 57,000 houses have been built in the past seven years in the private sector. Had we enacted developers' contributions, we would have seen that a considerable number of houses would have been directed towards the social housing sector. I do not see anywhere in the document where it says that that will form the basis of any discussion on a move towards legislation to allow that to happen.

Mr Martin: I will start to answer that. In the past couple of days, the Minister of the Environment released for public consultation a single planning policy statement. We are engaging with the Department of the Environment on a further consultation on developer contributions. However, I think that it is fair to say that we recognise that, although we are going to do the work to facilitate developer contributions, it has to be introduced when the time is right for the market. The market is very

vulnerable at this point, and, in a lot of areas, build costs in housing are below the market price. So, adding another financial burden to developers at this stage is probably likely to lead to further reductions in supply. We are certainly doing the preparatory work, and we hope to be in a position to go out to consultation with the Department of the Environment in the coming months. However, the introduction of developer contributions has to be done at a time when the market is able to sustain and support it. That is because, in essence, it is an additional financial burden on developers —

The Chairperson: Let me say, with respect, Stephen, that that is an opinion. It is not necessarily a given or a starting point. That is an opinion that you are expressing, and it may well be valid, but others might take a different view. So, that should not be taken as a given or a starting point in any policy decision.

Mr Martin: I acknowledge that, Chair.

Mr F McCann: Can I just ask one more question? Who decides when the time is right?

The Chairperson: That is why I am saying this, Fra. You are straying into what is essentially a political discussion. We do not need to have that here this morning.

Mr Wilson: I have just a couple of questions to ask. Where your last remark is concerned, I have no doubt that the figures that are shown in the regional development strategy have some firm basis. However, the market does not seem to indicate that there is more than a 50% shortfall between the number of houses that are being built and the demand. As you pointed out, new house costs are sometimes lower than the build cost at present. That indicates a situation of oversupply, rather than a shortfall in supply. That may well be a temporary phenomenon, but I am always a wee bit wary of some of those figures, because I know that the construction industry likes to inflate that as well. We should maybe be careful about them. I am just looking at the forum, and I notice you mentioned some other names that are not on the list. You have the Council of Mortgage Lenders, but there is no evidence of the banks being there. The Construction Employers Federation deals with those construction firms that are more involved with large civil contracts than the house-building end of the market. While John is a lovely man, I doubt very much if any group chaired by him will come up with any solution other than that the government should do everything.

Look at the list of things that the private sector needs to address. I hope that some of these will be addressed. The feedback that I am getting is that, even where builders feel confident that there is a market, they cannot get the finance. There are plenty of planning permissions about at the moment that have not been used — they are not always in the right place — yet there is a land issue. Banks hold immense amounts of land, and the National Asset Management Agency (NAMA) is the same. However, there does not seem to be any desire to release land where it is quite clear that there may well be opportunities to develop it. There is an underdeveloped resource.

There is also the issue — again, it is a banking issue — of the number of personal guarantees that are still hanging over a lot of the major builders. Whether you like it or not, many of them say, "Why would I work to develop a site when there is nothing in it for me?" I do not know how we get around that issue, but it is not a government issue. It is a private sector issue. It is the same with some of the insolvency decisions. Damocles's sword is hanging over people who could create some of the additional houses or, if the decisions were made, release some land. The capacity of the local industry has been much reduced.

All of those are private sector issues and not public sector issues. I hope that we do not get a round of, "government must make finance available" or "government must do this." I notice that the Planning Service and Roads Service are on the list. That is good, because there are still difficulties even with planning permissions.

Those are the only things that I would say. First, some of the players who could have some input into these private sector issues are not there, or at least not in a formal way. Secondly, I hope that we will not get another list of all the things that government should do. A lot of the issues that still cause problems in the housing sector are private sector issues.

Mr Martin: The chair of the Council of Mortgage Lenders, who is the head of mortgages in Allied Irish Bank, made exactly the same point that Mr Wilson made: that there is nobody from development finance. The supply forum has identified an issue around access to finance and development finance. At that point we clearly need to get people from the banking sector who have a role in development

finance, and those linked to the bond markets, to come and engage in the process. That is a really valid point.

On your second point, the Minister challenged the forum very clearly at the first meeting that this is not, and cannot be, just about state solutions. We recognise that there are capacity issues in the private sector here. A number of the larger builders became insolvent because they overextended themselves in the crisis. There are capacity issues. One of the challenges that we have given the private sector is to look at build costs. In Northern Ireland, there has been a real reluctance to look at modern methods of construction. There is still a very traditional tie to bricks and mortar, which is very labour-intensive but very expensive. Through the forum, we have issued a challenge to the private sector to look at and promote modern methods of construction — which will potentially have a really positive impact on the Northern Ireland economy. There are some suppliers of prefabricated homes in Northern Ireland. Building and developing that industry has some export potential for Northern Ireland. So, there is a potential win-win situation. I sense some reluctance in the private sector to even consider that, but that is a challenge that we will continue to reiterate, and it is a bit of a personal crusade of mine, so I will continue that challenge. There are some key issues there that we need to address, but it cannot just be about state solutions.

Mr Brady: Thanks for the presentation. I have a question about the demographic and cultural issues that have been contained in paragraph 8. One of the key findings in a study by Queen's law school stated that, in order to comply with human rights obligations, government needs to provide more social housing. Do you think that the forum can deal with that, or that more expertise is needed to be included in that?

The other thing is about unmet need. The United Nations Committee on Economic, Social and Cultural Rights had expressed concerns about the unmet need in certain poor areas, as had the European Commissioner for Human Rights. The other thing is that the Minister made an interesting statement the other day about dealing with housing need in north Belfast and the two communities involved. I wonder whether you can throw any light on that. First, how is the need being assessed, and has there been a significant change in criteria and data? Is it possible that you could explain how that sudden change has come about? He said that there was more need in one community, and that seems to have changed. The dynamics or the demographics seem to have changed on that

Mr Martin: If I can start with the first point, the particular purpose of the forum is to look at private housing supply, because that is where the biggest gap is. There are other streams of work looking at social supply, but some of the answers that might come through will have a positive impact — for example, access to land. Problems in accessing land are problems for developers whether they are in the social or private sector, so some of the solutions will be similar.

The Housing Executive has statutory responsibility for housing need. I could not pretend to know the ins and outs of how it does that, but there are, in broad terms, two ways. There is a top-down process, which looks at the demographics and what is called the net stock model, and that estimates a need of around 1,200 units for next year. But then the Housing Executive takes a bottom-up approach, which looks at the waiting list in particular areas and then adds some figures from that to the 1,200, and that makes, for next year, a target of 2,000.

I do not have the detail of individual areas. The Committee might need to talk to the Housing Executive, which has that particular statutory responsibility. At a Northern Ireland level, that is broadly how the system of identifying need operates.

Mr Brady: The Department seems to have put together the need for social housing provision with their projection with the provision of housing in the private sector, and that may cause confusion or a mismatch. Is there any particular reason for doing that?

Mr Martin: The overarching need is identified in the regional development strategy. The figures that we have quoted of around 11,300 housing units across both sectors comes from that strategy. It was previously 12,000-plus, but it has been revised in line with changes in household projections from the census and so on.

The process for identifying the social need within that is done through this thing called the net stock model. That identifies the social need. The detail around individual areas is projected by the Housing Executive.

Mr Brady: The regional development strategy 2035 figure of 11,000 houses: is that per year?

Mr Martin: Per year, yes. I cannot remember the figure, but it is one hundred and sixty-something thousand over the period. Essentially, it is looking at household projections and household formation. One of the interesting things from the downturn is that there were fewer households forming. We do not quite understand why that should be, but we think that there is some pent-up demand there because older children are returning home and are not able to access their own housing. There is some evidence that couples are staying together when perhaps, when times were good, they might have gone their separate ways. There is some evidence, anecdotal though it may be, that there is some pent up demand there, but there are difficulties then in accessing the market.

Mr Brady: I will just finish by asking — obviously I sit on the Health Committee as well, and there are overarching issues concerning DSD and Health and, indeed, other Departments. The ethos of Transforming Your Care is to retain people in the community. That, surely, by definition, will increase the need for social housing and particular types of housing, such as supported housing. In June, the Minister admitted that the target for supported housing simply had not been met. Is all of that to do with the projections for supported housing being factored in to the forum? Transforming Your Care could be considered to be aspirational, and obviously we have an aging population that will have doubled by 2020. All of that needs to be factored in when considering the provision of particular types of housing.

Mr Martin: That is a good point. On identifying need, the regional development strategy and the housing projections are revised on an ongoing basis, and there are clear links between the Housing Executive, which has statutory responsibility for identifying need, and DRD, which has responsibility for the strategy. On supported housing, Mr Brady has raised a really good point. There are blockages in the system, and we are currently working with the health trusts, the Health and Social Care Board, the Department of Health and housing associations to identify what those blockages are and to try to unblock them. For Transforming Your Care and all of that agenda to be delivered, appropriate levels of social housing are needed for people leaving institutions. At this stage, there are not. We are certainly aware of the issue. I am chairing a series of discussions with the various stakeholders over the next two weeks to try to identify what the blockages are and what we can do in the short-to-medium term to start to unblock some of that.

Mr F McCann: I have a point in and around land. You were talking about the cost of bricks and mortar, but what is the biggest cost? Is it land itself to build on? A number of years ago, you were talking about needing Monopoly money to even buy a piece of land to build a house on. At that time there were a number of suggestions that, if there was land in the ownership of Departments, especially DSD, that could be used as a lever to try to build cheaper houses. The other thing is examples from elsewhere, where there seems to be different types of build, such as wooden structures and others, that can also be built to high environmental standards. Has that been included in the discussions that are being held with the forum?

Mr Martin: I will take those three points. Land cost as a proportion of a development cost has come down from around 50% at the height of the market to a much lower level. I am not quite sure what that is at the moment, but land is not the most significant aspect. It is the build itself that is the most significant.

The last point was on the energy efficiency of prefabricated homes. It is very high, and some houses that were built by Habitat for Humanity in Madrid Street in east Belfast are built to a very high environmental standard. They are prefabricated and are timber-framed. They were built by a company in Tyrone.

The second point was on public sector land. The access-to-land focus group that Frances mentioned will be chaired by Scott Wilson, who is the head of asset management at the Strategic Investment Board. That is recognition of the fact that there is a lot of public sector land, and public sector land could, potentially, act as a lever for investment in particular areas. That is a really valid point.

Mr F McCann: Sorry for hogging this, Chair. On that, one of the other things is that a piece of land, say, becomes available from another Department, say the Department of Health. It is surplus to requirements. The trawl is done and there is an interest put on the land. Land and Property Services (LPS) values the land at 150 grand, and the valuation done by the housing association is for 50 grand. There is a huge gap in there, and I wonder how it could be that wide. I have also been told that it is now on the open market and that, if there is no big interest, someone could offer 40 grand and LPS

could say, "Well, there is no other use for it so we will give it to you". That does not seem to represent working towards a mechanism to allow land to be got for social housing.

Mr Martin: Yes, that is a valid point, and part of the work of the access-for-land focus group will be on how surplus public land is dealt with and whether there is a better process than the current one for dealing with that.

The Chairperson: OK, thank you. No other members have indicated that they wish to speak; just a final point from me, actually. A moment ago, you addressed part of it, in terms of another issue of affordability. We have had a lot of controversies, to say the least, around care homes, and there have been issues with a lack of supply in some supported housing or housing for people with learning difficulties. There are some good examples of where people are able to provide that, but, for me, there is a problem in identifying need and in then providing housing on the basis of affordability. I would like some assurances on that. I think you said that you are chairing a discussion with Health and others. The issues of need and affordability must be factored into any discussions in the longer run. I am not looking for every organisation to be consulted, but key organisations such as the Housing Rights Service, which, if I remember correctly, is part funded by DSD to help people to manage mortgage difficulties and so on, need to be involved in those discussions, because they could shed light on other problems that need to be addressed.

Thank you for your presentation this morning. We look forward to hearing an update, since it is at least a year's project.

Mr Martin: Thank you, Chair.

The Chairperson: Thank you.