



# intermediate rent

**Funding to Deliver the Northern  
Ireland Intermediate Rent Housing  
Scheme: Application Guidance**

May 2024



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Any enquiries regarding this document should be sent to us at:

Intermediate Rent Competition  
Causeway Exchange  
1-7 Bedford Street  
Town Parks  
Belfast  
BT2 7EG

E-mail: [intermediaterent@communities-ni.gov.uk](mailto:intermediaterent@communities-ni.gov.uk)

This publication is also available to download from our website at  
<https://www.communities-ni.gov.uk/articles/intermediate-rent>

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# Introduction and purpose of application guidance document

1. The Northern Ireland (NI) Executive is committed to increasing the supply of affordable homes<sup>1</sup> and reducing housing stress. As an action flowing from the **draft Housing Supply Strategy**, the Department for Communities ('DfC' or 'the Department') wishes to help financially support the delivery of a new supply of intermediate housing for rent in locations across NI, and is now seeking to award that funding.
2. The funding aims to support a single Intermediate Rent Operator ("the Operator") in delivering<sup>2</sup> 300no Intermediate Rent dwellings to be let to eligible tenants commencing from 2026. The funding intends to address a market failure in the delivery of sufficient supply of affordable private rented housing on terms that meet the needs of lower-moderate income households here.
3. The Department is prepared to offer funding by way of Financial Transactions Capital (FTC) loan to a maximum value of 85% of the cost of developing or acquiring the units. The terms "funding" and "scheme" are used throughout the document to refer to that offer of FTC loan. The term of the loan will be up to 25 years from the date the loan agreement is signed, and the properties developed using this funding must remain available as intermediate housing for rent for at least that 25 year term. The Operator will contribute the remaining development costs via private finance and will also be responsible for meeting operating costs.
4. The Department is therefore inviting interested parties to submit proposals to act as the Intermediate Rent Operator, who will develop and let a new supply of Intermediate Rent homes. A separate application form has been prepared which provides high-level background to the Intermediate Rent scheme. To request an application form please contact the Department at [intermediaterent@communities-ni.gov.uk](mailto:intermediaterent@communities-ni.gov.uk) in accordance with paragraph 128 of this document. Further details on the Intermediate Rent policy and required design standards are provided on the DfC website at: <https://www.communities-ni.gov.uk/publications/intermediate-rent-policy-and-homes-intermediate-rent-design-standards>.
5. The Strategic Investment Board (SIB) has been commissioned to assist the Department to undertake this Intermediate Rent competition.

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1 <https://www.communities-ni.gov.uk/articles/definition-affordable-housing>

2 Delivery may be in the form of any of the development routes outlined in the policy and design standards guide, including acquisition and construction subject to meeting the delivery requirements.

6. This funding Application Guidance document aims to provide the detailed information that potential applications for the role of Operator would need to know prior to applying for funding. This document provides a guide as to DfC's delivery expectations of the preferred Operator over the length of the control period. The funding "control period" is the period over which the Operator must comply with the conditions of funding, expected to be 25 years. The rules in place in this document are binding on participants.

## Background to Intermediate Rent

7. The Intermediate Rent policy, and the funding envisaged under the scheme, supports the creation of a new supply of Intermediate Rent homes. Homes can be delivered via a range of delivery routes including new build, acquisition (e.g. Off The Shelf (OTS)), conversion or rehabilitation. Homes should not be vacated in order to be re-purposed for use as intermediate housing for rent. Rents must be set with reference to prevailing local market conditions, with at least a 20% discount on open market private rents for a similar property type and size within a locality.
8. Intermediate Rent, as a form of private tenancy, is subject to all the requirements set out in private tenancies legislation<sup>3</sup>. Models of this kind have been operational across the UK and Ireland for some time, and the publication of the policy in March 2023 provides a formal way for delivery within the Northern Ireland housing market. Independent research<sup>4</sup> and extensive engagement with a range of stakeholders has been conducted to establish the level of interest and need in the market here, which has confirmed that there is strong demand for such a product.
9. Funding<sup>5</sup> will be made available by the Department via this open competition for funding. The Department is now seeking to receive proposals from interested parties as to how they would propose to deliver on the objectives and outcomes associated with the funding. The Department wishes to offer funding to a single organisation (which could be multiple organisations operating together as one for that purpose) who will act as Operator. Any organisation seeking to partner with one or more other organisations or sub-contractors for the purposes of applying for this funding should consult Annex A of this document for further information. All homes offered as Intermediate for Rent must adhere to the "**Intermediate Rent Policy**" (the policy) which sets out how Intermediate Rent should operate here.

3 Private tenancies legislation includes the **Private Tenancies (Northern Ireland) Order 2006** and the **Private Tenancies Act (Northern Ireland) 2022**. Work is underway to bring forward the necessary regulations and guidance to give effect to certain provisions set down in this Act. Regulations associated with the Order and the Act are also relevant.

4 Ulster University: "**Exploring the Provision of an Intermediate Rent Product for Northern Ireland**" (2022), and UK Collaborative Centre for Housing Evidence (CaCHE): "**Establishing an evidence base for the development of a viable intermediate rent model for the Northern Ireland housing market**" (2021)

5 Creating a supply of Intermediate housing for Rent (Intermediate Rent) may be delivered in two ways. The primary way is expected to be through the Operator supported by the Department via this competition. There is also potential for delivery as a result of development beyond the Operator which may arise from planning obligations or may be delivered by housing providers with a social purpose.

10. The Operator will be bound by the terms and conditions of funding which will be agreed with the Department.

## **Legislative Basis for Intermediate Rent Funding**

11. The Department has the power to provide financial assistance for the provision of housing under Article 3 of the **Social Need (Northern Ireland) Order 1986**. The Department also has the powers necessary to secure this financial assistance by creating a statutory charge registered in the Land Registry under Schedule 11 of the **Land Registration Act (Northern Ireland) 1970**, and **Article 4(1) of the Social Need (Northern Ireland) Order 1986**.
12. The Senior Responsible Owner (SRO) for this Funding Programme is the Department for Communities Director of Housing Supply Policy and Delivery.
13. This funding is considered a defensible and prudent use of public funding to meet the market failure in the provision of affordable private rented accommodation. During the development of this scheme and the related processes the Department has complied with its statutory duties in respect of Section 75 of the Northern Ireland Act 1998 to promote equality of opportunity and good relations and other relevant statutory obligations including Article 2 of the Windsor Framework.

## **Role of the Department for Communities in the delivery of Intermediate Rent**

14. The Department has a central role in scoping the need for the delivery of Intermediate Rent in NI and in the production of key underpinning documents relating to the policy and design standards for Intermediate Rent housing.
15. DfC will oversee the competition process, award of funding, financial management and monitoring of Operator activities during the operational phase of Intermediate Rent and will in addition retain oversight of the policy and design standards. DfC will also initiate regular evaluation of delivery, with the first such evaluation taking place after year three of the funding.

## Who can apply for funding?

16. DfC wishes to work with a prospective Operator, a private sector entity of suitable standing and credibility with the necessary skill, capacity, and experience to deliver affordable housing. DfC can accept applications from the following:
  - Community or voluntary organisations
  - Private subsidiaries of Housing Associations
  - Private individuals
  - Private organisations
17. For the purposes of this scheme, the term ‘private sector’ is defined by ONS Classification guidance and is determined by where control lies, rather than by ownership or whether or not the entity is publicly financed. FTC funds can only be deployed by the public sector as a loan to, or equity investment in, a private sector entity.
18. The separate application form sets out the information and documentation required to ensure that applicant organisations are eligible to act as the Operator. Anyone seeking to offer Intermediate Rent homes must be able, under the law, to comply with all elements of the policy and design standards. At present certain organisations, including Registered Housing Associations (RHA), are unable to operate Intermediate Rent homes as part of their core business as they may not offer private rented tenancies on dwellings which are part of their estate<sup>6</sup>. Although an RHA cannot directly act as Operator, any private subsidiary associated with an RHA is not bound by this limitation and may act as Operator. An RHA interested in applying but which does not yet have a subsidiary may apply and if selected as the highest scoring applicant must commence the process to establish the subsidiary company in parallel with the required due diligence. The Department must be assured that the necessary skills transfer between the parent (the RHA) and subsidiary will take place in line with the eligibility criteria requirements for the role of Operator. Other private sector organisations may also wish to set up subsidiary organisations for the purposes of delivery if successful in the competition.
19. The delivery vehicle and associated funding and service arrangements will be compliant with FTC eligibility requirements, legislative restrictions and subsidy control rules.

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<sup>6</sup> Private tenancies cannot be offered on any dwelling under which the estate of the landlord belongs to a registered housing association under Article 3 of the Private Tenancies (Northern Ireland) Order 2006. Legislation may change in the future.

20. Those interested in acting as the Operator are expected to self-assess against the stated eligibility criteria and to consider the feasibility of meeting the delivery requirements prior to considering making an application. Applicants must also be aware that the funding arrangements will involve the Operator making a long-term commitment for a period expected to be at least 25 years from funding award. For at least the full duration of this period they must make homes available to tenants within eligible income criteria which are of high quality and professionally managed and maintained in keeping with the policy and design standards.

## Eligibility Criteria

21. In order to undertake the role of Operator an organisation must be able to meet the following criteria:
- Be a formally constituted organisation<sup>7</sup> (e.g. whether by way of a limited company, registered charity or otherwise) and able to provide a company number or charity number and UK VAT Registration or HMRC Self-assessment number if currently operating in the UK. If not currently constituted in this way they must be formally constituted prior to the award of funding if successful.
  - Be classified in the private sector (under the European System of Accounts 2010) and its status will remain unchanged by being involved in this scheme.
  - Be in a position to demonstrate that they are a suitable organisation to undertake the role of the Intermediate Rent Operator. Further information on the requirements of this declaration is provided within the application form. This test establishes if the key personnel within the organisation have been convicted of certain criminal offences, omitted to pay tax or Social Security benefits, undertaken unlawful discriminatory practice, contravened housing laws or if there are any potential financial issues within the organisation etc. Checks will be undertaken to confirm applicants' declarations in relation to this test as part of due diligence.
  - Be able to demonstrate that they are of adequate financial standing to secure the requisite Operator's contribution and to enter into legal and financial agreements with the Department. The prospective Operator must be willing and able to engage collaboratively and on an open and transparent basis.

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<sup>7</sup> Where an application is made by multiple organisations acting as one, applications must list all project partners details, Companies House and Company Numbers where applicable.

- Hold or have access<sup>8</sup> to the requisite skill, experience, and capacity to undertake the following requirements:
  - Engage with relevant organisations including the Housing Executive and local property experts in their assessment of affordable housing need and the role that Intermediate Rent may play in achieving affordable housing development priorities.
  - Raise, work with, and manage funding and investment (including the Operator's contribution) from a range of sources.
  - Ensure successful acquisition of units and of site(s).
  - Ensure completion of development and units to the required design standard; and
  - Thereafter ensure effective and efficient long-term<sup>9</sup> marketing, management, and maintenance of homes and of the tenancies associated with these homes in line with the policy.
- **Track Record:** It will be important that the Operator has an established track record of delivering housing, both in terms of delivering properties to an acceptable standard and in relation to acting as a landlord and all that entails. Information required in the application includes evidence of how the organisation is constituted, audited accounts, and details of track record of delivering and managing housing in relation to NI housing market<sup>10</sup>.
- **Reserves:** Any organisation applying will be expected to hold unrestricted reserves up to the level equivalent to at least six months operating costs (estimated). Where an organisation holds less than this amount this should not adversely affect any funding application as long as there is a clearly documented reserves policy and this is considered to reflect the organisational needs. A reserves policy should be based on a realistic assessment of need and should cover as a minimum, the need for a reserve, level of reserves, steps the organisation is going to take to establish or maintain reserves at the agreed level and arrangements for monitoring and reviewing the policy. Applicants who plan to establish a subsidiary / partnership etc only if selected must hold or demonstrate access to sufficient funds to enable a transfer of at least six months operating costs (estimated) to the subsidiary company and if successful must transfer the required level of reserves to their subsidiary / partnership etc as a condition of award.
- The Department would welcome the delivery of the first Intermediate Rent tenancies within 12 months of award of funding.

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8 Via procurement or working in partnership with another organisation

9 The duration of the term will be based on the control period of the FTC loan available from DfC.

10 An organisation with no direct experience of delivering housing in the NI housing market may meet this by e.g. partnering with an organisation with experience of delivering housing within the NI market.

22. **Desirable Criteria** - It would be desirable if the organisation has a pipeline via which it intends to deliver the required dwellings. The availability of suitable pipeline can help create homes and tenancies as expediently as possible. Pipeline may be via ownership or control over sites which are suitable for Intermediate Rent housing development, and / or a plan for any further suitable acquisitions (whether that be further units or sites).
23. Only applicants who meet the eligibility criteria in addition to meeting other submission criteria will progress to scoring by the assessment panel. At that stage the panel will assess how the proposals demonstrate that the eligibility criteria have been met. Further due diligence checks will be undertaken regarding the highest scoring application. Applicants who are found to have not met the eligibility criteria at any stage will be rejected.

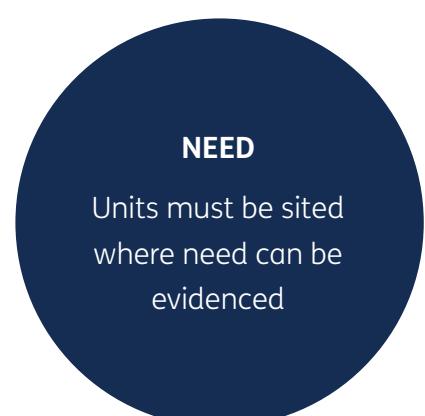
### **Criteria to be met post-competition prior to award of funding**

24. It is acknowledged that, in making an application, applicants may not already have in place all the criteria to be awarded funding. The application process seeks to draw attention to the requirements which the Operator will need to fulfil before funding can be awarded. Applicants must, in their application, commit to fulfilling the following criteria which will be required of the Operator before the award of funding is made:
  - Have a UK bank or building society account in the name of the organisation (for the exclusive use and ringfencing of Intermediate Rent funding), which requires two signatures on each cheque or withdrawal
  - Contact details of a designated post-holder and named individual to whom all DfC correspondence will be addressed including postal address, email address and telephone number, in Northern Ireland
  - Can demonstrate financial viability and financial capacity to deliver schemes, (please note, a credit check may be carried out as part of due diligence. Award may not be made to the preferred applicant should any such credit check state ‘high risk’ indicating a risk in the applicant’s ability in managing funds)

- Can sign the Letter of Offer and Loan Agreement documents and provide copies of the following policies / procedures:
  - complaints procedure;
  - quality assurance procedures;
  - health and safety policy and risk assessment procedures;
  - data protection / GDPR policy;
  - customer care / customer service policy (and / or training staff have undertaken / will undertake);
  - safeguarding policy;
  - equality, diversity, and inclusion policy;
  - fraud policy and fraud response plan, including a statement of zero tolerance to fraud;
  - fair, open and transparent Intermediate Rent lettings (application and selection) policy;
  - procurement policy (where required).
- Can declare any conflicts of interest alongside proposed mitigating actions
- Will commit to self-identify where they have been in breach of any laws and regulations and / or where they have had a contract terminated for breach, failure, or negligence etc on their part
- Must have at least one member of staff who is suitably qualified, having a minimum qualification of accounting technician, who will have oversight and who will be responsible for signing off the monthly financial reporting and requests for funding draw down.

## Delivery requirements

25. The Operator is expected to provide 300 homes<sup>11</sup> and to let the homes and manage the associated tenancies within these homes over a 25-year control period, adhering to the policy, design standards, funding conditions, and governance arrangements. The Operator may also evolve to have a wider role, advising or assisting other Intermediate Rent landlords / developers regarding practical operational matters. The Operator will not be obliged to undertake this role.
26. Applicants who plan to partner with another organisation or sub-contractor to meet the delivery requirements should prepare for such arrangements before applying. The Department will not have a role in matching organisations together to provide elements of the delivery.
27. Applicants must submit their proposed housing mix and locations to deliver the required units across a five-year period from the date of award of funding ('the development period'). The Department would particularly welcome proposals which will include some delivery of tenanted units to take place within year one.
28. Intermediate Rent units must be located in more than one Local Government District (LGD) in NI and involve multiple sites. Units can be delivered in any suitable location where homes offered at discounted market rent will be viable and there is a demonstrable need. It will not be suited to every location due to the varying cost to develop dwellings across different locations, and prevailing rental market conditions.
29. The rental income and demand for proposed units need to be sufficient to be viable, enable a return on investment, but also to remain affordable in relation to market rents. The Operator will be expected to carry out their own research into the market and consult multiple sources of information.



<sup>11</sup> Applicants may have some flexibility to increase the number of units in the future subject to negotiation between the preferred applicant and the Department, variations may not attract additional funding and may be contingent on an increase in the proportion of match funding to FTC loan.

Priority should be given to providing units in locations where the cost of open market private rents is high, and where the gap between open market private rents and housing association rents is greatest.

30. The Operator should consider Intermediate Rent housing need and provide evidence of this when determining locations. This may include using their own evidence of need collected through various sources such as information provided by local property experts and / or through discussion with the Housing Executive. The Housing Executive, as statutory authority responsible for assessing housing need, undertakes activities including housing need assessments, latent demand testing and so on which can inform decision making around the siting of new Intermediate Rent homes. The Housing Executive publishes **data** on its website on an annual basis reflecting average weekly private rented market rents which may be of assistance in considering rent setting and identifying suitable locations. Other sources of information on market rent levels are publicly available.
31. Delivery must increase the supply of affordable housing and development routes may comprise a combination of acquisition, rehabilitation / conversion, and build. Existing occupied dwellings must not be repurposed as Intermediate Rent, nor can existing occupants be moved on to make properties unoccupied for this purpose. Conversion of non-residential property to deliver homes in areas of Intermediate Rent need which can meet the design standard is permitted.
32. All Intermediate Rent properties must, in addition to meeting planning requirements and Building Regulations, meet the published “Homes for Intermediate Rent Design Standards”. Inspections will be carried out on behalf of DfC to confirm that the required standards have been met.

#### SUPPLY

Delivery should add to affordable housing supply

#### DESIGN STANDARDS

Published standards should be met

#### HOUSING MIX

A mix of housing, including 1, 2, and 3 bed units of various types, should be delivered

33. The housing developed is expected to be a mix of 1, 2 and 3-bedroom general needs apartments and houses, and can be detached, semi-detached, or townhouse, single or multi-storey. The proposer should outline a mix of dwelling types and sizes and may determine the split between these based on their experience of demand and cost considerations.
34. The Operator will act as landlord, offering tenancies to eligible tenants. The Operator must provide tenancies within the Intermediate Rent homes across the duration of the 25-year control period and in compliance with all aspects of the policy. The Operator will be required to undertake certain checks and make certain provisions to do this including:
  - providing longer tenancies (up to five years at a time) with the option to renew
  - provision of tenancy support services
  - rent set at least 20% below market rents for a similar property type and size within a locality and review rents in line with the arrangements described in the policy
  - alleviation of some up-front barriers to accessing a rented home (e.g. by allowing tenants to build up a deposit, by accepting personal references, by limiting the need for tenants to provide a guarantor)
  - targeted towards eligible lower to moderate income households within the income eligibility set out in the ‘Tenancy Eligibility’ section (below) and in the policy.
35. The advertising and marketing of dwellings, processing of applications, and selection of tenants must be conducted in a clear and transparent manner. Applicants should carefully consider how they plan to conduct these processes in line with the Intermediate Rent policy, including (for example) the processes to confirm income eligibility, a method to assess applicant tenant’s ability to pay rent, whether tenancy deposits / references / guarantors would be required. The Operator will also need to put in place arrangements to manage the volume of applications it may receive in respect of the supply of dwellings available.
36. The applicant should detail if pipeline arrangements can be offered in terms of acquisitions or planning applications already in train / granted where an element can become Intermediate Rent homes. Properties which are already developed / in development by the Operator (and are therefore already financed by the Operator) would not be considered as pipeline.



## Environmental and climate impact considerations

37. Applicants must demonstrate a commitment to sustainable development objectives, environmental promotion, and decarbonisation objectives within their proposal. Applicants should consider environmental impacts both as part of the construction phase and on the ongoing operation of the homes and detail in their application how environmental sustainability will be incorporated into the scheme delivery. Homes should be developed in a sustainable way, mitigating negative environmental impacts and promoting sustainable and environmentally friendly practices. The need to decarbonise, become more energy efficient, and to promote environmentally sustainable practices, as a result of the implementation of the Climate Change Act, are likely to require the Operator to put in place and plan for requirements flowing from that Act.

## Social value

38. Social value refers to wider financial and non-financial impacts on the wellbeing of individuals, communities and the environment. It is important to incorporate social benefits and outcomes into public expenditure.
39. The outcomes based framework for Social Value has four broad themes:
  - Increasing secure employment and skills;
  - Building ethical and resilient supply chains;
  - Delivering zero carbon; and
  - Promoting well-being.

A list of indicators which fall under each of these themes may be accessed [here](#).

The Operator should seek to deliver Social Value outcomes in the construction and / or operational phases regardless of whether or not they are required to abide by public procurement requirements.

40. The **Social Value website** provides information on delivering Social Value obligations on public contracts and provides contractors with resources to help connect them with broker organisations who may be able to assist in the delivery of their social consideration obligation. The site also **provides information** for suppliers of the public sector covering how Social Value can be scored in relevant service and construction contracts.

41. The Social Value benefits and outcomes relevant to the Intermediate Rent funding are those that apply to the delivery of construction and the delivery of services within the construction phase and the subsequent letting phase of the funding arrangement. Applicants for the role of Operator should outline within their proposal the Social Value benefits and outcomes they may deliver within the construction and / or letting phases of the funding.

## Public procurement requirements

42. As a condition of the use of public money the Operator may be required to comply with Northern Ireland Public Procurement Policy (NIPPP). If applicable the Operator and their agents must adopt good practice by conducting a transparent, competitive procurement process on each occasion in full compliance with **the Procurement Act 2023** and any applicable supplementary or supporting legislation thereof.
43. The Operator will be expected to seek its own legal advice regarding any implications arising from the introduction of the Procurement Act 2023.

## Finance Arrangements

### Intermediate Rent public finance (DfC funding package)

44. **Funding Value:** In line with the requirements set out in **HM Treasury Green Book** and guidance contained in the **HM Treasury Guide to Developing the Project Business Case**, the amount of public funding necessary to deliver the required outputs should represent the minimum level of public funding required for delivery.
45. The value of the funding package will be based on the minimum amount required to deliver the Intermediate Rent delivery requirements and objectives, and to ensure the project is both affordable and viable. This amount will be subject to refinement or adjustment, influenced by:
  - the outcome of this competition i.e. the funding requirement outlined in the proposal of the highest scoring applicant
  - any increase (or decrease) in DfC construction cost estimates to deliver each housing type / size
  - a maximum funding cap based on the Department's assessment of estimated development costs and value for money
  - budget availability at the date of award and continued availability of finance while operating under 12 monthly budget cycles.

46. An amount of funding equal to not more than 85% of the total funding requirement for the development and / or acquisition of a minimum of 300 Intermediate Rent units will be made available by the Department via an FTC loan with interest charged between 0.5% and 1%. The level of interest applicable must be sufficient to meet the Department's costs in administering the loan. The remaining funding is to be provided by the Operator through match funding from the eligible sources set out in paragraph 50 (below).
47. The funding is expected to be released in tranches to allow the commencement of work in stages over the development period from the date of award, when agreed triggers have been met (e.g. a business case<sup>12</sup> for yearly acquisition activity or build project has been agreed). DfC will require a charge to be placed on the assets supported through this funding. Payment is expected to be in more than one tranche for developments and acquisitions spanning multiple financial years. Actual spend must be subsequently evidenced and any under / overpayments reconciled. This is expected to include provision of documentary evidence and a physical inspection of sites / units. It will be important that the Operator has sufficient available finances to ensure adequate cashflow and to cover elements of the development prior to engaging the Department's draw down process for incurred eligible expenditure. Applicants should advise the Department of their preferred arrangements for draw-down within the financial projections section of the application form, this is to inform the arrangements the Department will put in place and; the draw-down proposal will not inform the scoring of applications.
48. Any payment of funding during construction or rehabilitation or refurbishment / making ready for rent of the proposed units will be subject to suitable security arrangements and insurance being put in place by the Operator to protect the investment.
49. Continued funding drawdown for further acquisition and continued development are contingent on the Operator fully meeting the evidence requirements for completed projects / stages, Post Project Evaluation requirements, and the reconciliation requirements for any under / over payments.

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<sup>12</sup> Business cases would be expected to cover multi-unit delivery, for example all acquisition activity planned in that year or the delivery of build projects commencing in the forthcoming year.

## Match funding arrangements (Operator contribution)

50. The Operator will be expected to contribute at least 15% towards the overall costs to develop the units, and to cover the operating costs in full. Therefore, it will be required to raise other sources of funding, alongside investment from DfC. The maximum amount of public funding which can be used is expected to be 85%. The Operator's contribution must not come from any other source of public funds however, the following are eligible sources of match funding:
  - Reserves of the applicant organisation(s)
  - Commercial lenders
  - Charitable sources
  - National Lottery funders
  - Social investors
  - Other lenders
51. Match funding acquired for the purposes of acquisition and development costs should not, when added to the funding requested from the Department, exceed 100% of the total estimated acquisition and development costs except where this results in a cost saving for the tenant. The Operator will require a source(s) of funding for the purposes of set-up and ongoing operational costs, and rental income is expected to be used for this purpose.
52. Applicants should be in a position to access the revenue required to deliver the agreed outcomes. Applicants are not required to have all match funding in place at the time of application but will need to set out the total funding already secured and plans to raise any additional funding needed. Successful applicants will need to demonstrate that they are able to access the full project funds within 6 months of being notified they are the highest scoring applicant. If applicants are not able to demonstrate reasonable progress towards securing these funds, the Department reserves the right to withdraw any provisional offer of funding. As part of due diligence, assessors will review a range of evidence in consideration of the applicant organisation's financial resilience, including the conditions of any other sources of funding taken out by the organisation. The proposed match funding must not involve making direct donations, granting endowments or mortgages to individuals, groups or charities in return for funding.
53. The Operator will also be responsible for meeting operating costs, including any necessary set-up costs, for delivery of both the development and the letting phases. As applicant Operators are expected to be established entities, the set-up costs associated may be limited / minimal, however applicants must factor in these costs. Ongoing operating costs may be met through reserves / borrowing until rental income and any other revenue begins to flow.

54. In planning for the match funding required, applicants may wish to note that the Operator will, at the conclusion of the control period (i.e. 25 years from funding award), legally retain ownership of the assets (the units developed) and the Operator is strongly encouraged to retain these as affordable housing beyond that term. The Department welcomes information, as part of applications, regarding the applicants' proposed retention / exit strategy.
55. The funding available from the Department is to be used for the costs associated with development or acquisition of Intermediate Rent homes. It may not be used in combination with any other source of public funding for the delivery of the Intermediate Rent, this includes but is not limited to:
  - Construction / acquisition costs,
  - Administration costs associated with letting and tenancy management, and
  - Repairs and maintenance.

## Qualifying costs

56. Intermediate Rent funding is intended to contribute towards the qualifying development costs for Intermediate Rent units. Development costs cover three key elements: Acquisition, Works, and On-costs associated with development. The list below provides a breakdown of capital development cost component elements under these three headings which qualify for Intermediate Rent funding<sup>13</sup>. Non-qualifying costs are listed at Annex B.

### Acquisition

- Purchase price of land / property
- Developer contributions i.e. levy on development land required by statutory bodies to finance essential infrastructure works, e.g. major road improvements

### Works

- Main works contract costs including where applicable adjustments for additional claims and fluctuations, but excluding any costs defined as on-costs below.
- Major site development works where applicable. These include, soil stabilisation and decontamination, piling, road and sewer construction, major demolition works etc.

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<sup>13</sup> Note: this list may be subject to review and amendment

- Major pre-works (Rehabilitation only) where applicable
- Statutory agreements and associated charges e.g., Road Bond, Connection Charges, testing etc
- Additional costs associated with archaeological investigations and studies, where applicable (including all fees, charges and claims arising)
- VAT on the above where applicable (Note: VAT qualifies for funding only where the Operator cannot reclaim it from HM Customs and Excise.)

### **On-Costs for the development phase**

- Legal fees, disbursements, and expenses
- Stamp Duty and Land Tax
- Bank, Building Society, or other valuation and associated administration fees
- Fees for building control and planning permission
- In-house or external consultants' fees, disbursements, and expenses.<sup>14</sup>
- The on-costs must also be used for other non-works costs such as fees for planning permission, building warranty and defects / liability insurance, contract performance bond, and energy rating of dwellings
- Insurance premiums including Building Warranty and Defects / Liability insurance (except contract insurance included in works costs)
- Contract performance bond premiums
- Borrowing administration charges including associated legal and valuation fees
- An appropriate proportion of the Operator's development and administration costs up to the point where a property is first tenanted
- Furnishings including loose fittings limited to those items outlined in the “Homes for Intermediate Rent Design Standards”

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<sup>14</sup> Note: Where the development contract is new build, the on-costs include the builders design fee element of the contract sum.

- Preliminary minor site development works including soil investigation reports (new build), pre-works (rehabilitation) and minor works in connection with off-the-shelf (OTS) or existing satisfactory purchases (ESP)
  - Fees and charges associated with tendering procedures including compliance with EU / UK Procurement Directives
  - Compliance with the **Construction (Design and Management) Regulations (Northern Ireland) 2016**
  - Certification of energy rating of dwelling units e.g. SAP, EPC, and initial gas, electrical, and fire certification of homes etc.
  - All fees, charges and expenses in connection with the environmental rating for homes - Code for Sustainable Homes or BREEAM award including the provision of energy saving light bulbs, external storage etc
  - VAT on the above where applicable (only where the Operator cannot reclaim it from HM Customs and Excise)
57. The Department will not fund any non-development related costs incurred by the Operator including for example administration costs, overheads, bank interest and charges, fines and penalties, notional charges etc.

## Funding Arrangements

58. Affordability and viability are critical factors in considering any funding competition and when considering options for how Intermediate Rent homes will be delivered by the Operator. The Department has sought to develop a funding model which:
- addresses the identified market failure for tenants,
  - increases the supply of affordable housing,
  - is attractive and viable for an operator to deliver,
  - delivers homes that people wish to live in,
  - is compliant with UK Subsidy Control Act requirements, and
  - is funded in a manner which does not compromise the delivery of social housing.

59. The Department intends to award funding in the form of secured FTC<sup>15</sup> loan, which is funding allocated to the NI Executive by HM Treasury. The Executive has discretion over FTC allocation to projects. However, FTC can be deployed only as a loan to or equity investment in a capital project delivered by a private sector entity ('private sector' is defined here using the ONS classification and includes charities and universities). The private sector must use FTC to invest in related infrastructure. FTC schemes are required to comply with all the **following conditions**:
  - The capital project must deliver policy objectives and be suitable for delivery by the private sector.
  - There is (or will be) a private sector entity for the Department to invest in.
  - The Operator must have the legislative authority to enter into this type of transaction.
60. The Department anticipates making a single funding award to one Operator to deliver Intermediate Rent in the form of a low interest FTC loan which will be drawn down in tranches. The Operator must implement and operate processes and controls that are proportionate and commensurate to the value of the funding.
61. This document sets out how the award of funding to the Operator will be taken forward under a competitive application process. The Operator will, subject to conditions, use that funding alongside their own contribution for the purpose of fulfilling the delivery requirements.

## Repayment Arrangements

### Loan duration and control period

62. The Operator will agree the loan duration and funding control period with the Department as part of their proposal and subsequent acceptance of the Offer<sup>16</sup>. The Department is agreeable to a loan term of up to 25 years and a control period of a minimum of 25 years. The Operator is required to retain the units as Intermediate housing for rent for a minimum of 25 years and is strongly encouraged to retain the units as affordable housing thereafter. The 'control period' relates to the period over which the units delivered should remain as affordable housing which can extend beyond the period while the FTC loan is outstanding. Should the Operator wish to repay the loan within a shorter period than initially agreed there shall be no financial penalty for doing so. However, the homes developed must be retained as intermediate housing for rent for the duration of the control period. Applicants should detail their assumptions regarding their intentions for the units delivered following the control period.

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<sup>15</sup> Further reading on Financial Transactions Capital loan can be viewed at <https://www.finance-ni.gov.uk/publications/financial-transactions-capital-guidance>

<sup>16</sup> "The Offer" refers to any Letter of Offer, Loan Agreement, Funding Award Agreement or other documentation between the Department as funder and the Operator as recipient.

Applicants should note that it may be necessary or desirable to dispose of the units at the end of the control period and that any profit arising from such a disposal may be shared with the Department. Any such arrangements will be considered and agreed prior to an award of funding.

### **Repayment of loan principal and interest**

63. The loan funding will accrue simple interest at a rate of between 0.5% and 1% per annum, to be repaid annually in arrears. Repayment will occur at an agreed frequency, with interest repayments expected on an annual basis. Loan principal repayment may be repaid throughout the loan term or towards the end of the loan term, an applicant should indicate their repayment preferences within their financial projections proposals. On completion of the loan repayment conditions the Department will remove the charge(s).
64. The applicant should detail within their proposal whether they propose to make payments of interest from year 1 or wish for an alternative arrangement to be considered. Consideration may be given to, for example, deferment of interest due in the development period (i.e. years 1 to 5) and repayment of any such deferred interest into a) the interest payments made from year 6 onwards or b) repayment with the loan principal towards the end of the loan term. Alternative proposals will be considered subject to a maximum 5 year deferment of interest. Applicants should also detail their proposed approach to the repayment of loan principal via yearly repayments from year 1, from a specific year, or via bullet repayment up to 25 years from the date of award<sup>17</sup>.
65. Applicants' proposals for the payment of interest and repayment of loan principal will not feature separately as part of the assessment of the application however the assessment will consider the total costs of the scheme which will be impacted to a degree by the approach to the payment of interest and loan principal.

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<sup>17</sup> Date of award relates to the date both parties formally sign any Offer, Loan Agreement etc.

## Loan security

66. It is anticipated that DfC will require:
- Charges (fixed or floating) over the land and properties developed using DfC funding
  - Parent Company guarantee(s) where required e.g. in the instance where a new entity is being formed as either a subsidiary or joint venture between multiple partners for the purposes of this application
67. The Department expects to secure the FTC loan funding advanced to the Operator by placing a statutory charge on the land or property acquired<sup>18</sup>. Unless by mutual agreement the charge will remain for the longer of the duration of the control period i.e. 25 years or, the period until all the loan conditions are met.
68. The Department may use the powers available to it to place a statutory charge registered in the Land Registry. A statutory charge is a restriction that can be placed on registered and unregistered land providing a means to secure the loans provided for properties / land.
69. Land and Property Services maintains the centralised Register of Statutory Charges. These charges use a map-based system and are registered against the property regardless of the owners / occupants. Statutory charges obtain priority (in terms of recovery) from the date of their registration.
70. DfC may, where a breach of contract occurs or the property ceases to be available for Intermediate Rent, for whatever reason, whether due to enforcement action being taken (over the property or over the Operator), change in law, breach / default by the owner, or extrinsic events (e.g. fire or other damage to the property) exercise clawback of funding including exercising its rights under the charge by seeking an order of the court for possession of the lands and thereafter sale. Alternatively, DfC may decide to award funding to an alternative Operator for the scheme within those properties it has funded, subject to discussion.

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<sup>18</sup> The Department has the appropriate vires in enabling legislation to create the charge and to enable registration in Land Registry under the Schedule 11 of the Land Registration Act (Northern Ireland) 1970, and Articles 4(1) and 4(8) of the Social Need (Northern Ireland) Order 1986.

71. The Department would in all cases seek to secure first priority charge. If there is any commercial lender providing finance to the Operator to assist it in financing the scheme the Department may seek a pari passu arrangement. Alternatively, it may permit that lender to have a first ranking charge instead and the Department will take a second ranking charge, subject to the lender agreeing with the Department certain intercreditor arrangements in the event of enforcement action being taken by such a lender, or by the Department. The terms of such intercreditor arrangements will be agreed between the Department and the Operator's lender.
72. Any changes proposed by the Operator to the ownership of the properties or refinancing agreement must be agreed by the Department and would be subject to conditions which secure the Department's investment.

## Affordability and tenant eligibility

73. The Department is committed to openness and transparency in its decision making in relation to funding expenditure and to ensuring that the outcomes delivered represent value for money and maximise the benefits achieved from the public funds provided.
74. The Department is committed to the highest standards of regularity, propriety, and value for money and to the achievement of compliance with relevant guidance including **Managing Public Money NI (MPMNI), NI Public Procurement Policy (NIPPP)** and other legal and policy obligations.
75. Applicants should consider how they can demonstrate value for money within their proposal and should note that the proposed funding requirement will be a key consideration for the assessment panel when scoring proposals (in addition to other factors).
76. The Intermediate Rent **policy** has been designed to address market failure for a particular demographic as set out in the section titled tenant eligibility, and in the section below. Given the income thresholds set for eligibility for a tenancy, applicants should consider affordability issues when designing the provision of properties and housing services on offer. It would not be appropriate, for example, to include costly service charges for the provision of facilities or services which a tenant may not wish to use / or cannot afford. The avoidance of service charges where possible and restriction of these charges to those which are essential should be considered from the outset of the design of proposals, and in particular when considering acquisition of dwellings (particularly apartments). The policy states that 'A household should not normally pay more than 30% of their net income on rent costs (including service charges)'.

## Tenant eligibility

77. The policy sets out the eligibility criteria<sup>19</sup> for these tenancies stating the household's net income<sup>20</sup> must not exceed £30,000 for a single adult household and £40,000 for a two or more adult household. Savings of up to £30,000 per household are permitted, with only the interest arising from such savings being considered as part of an income calculation. The source of the income can be from earned income, pensions (including private and state pensions) and social security benefits. The Operator would be expected to verify applicant tenants' income and confirm eligibility before making any tenancy offer.
78. The Operator will be responsible for the marketing of properties to eligible tenants and the assessment of tenancy applications against the eligibility criteria to ensure that tenancies are awarded in line with the policy. The processes and procedures developed around advertising properties, assessing applications, and offering tenancies should be fair, clear, and transparent, and be publicly available for review.
79. The Operator will be required to undertake an 'Ability to Pay Rent' assessment prior to offering a tenancy to confirm an applicant tenant's ability to sustain their rental payments. The Operator should devise and make available the process they intend to use to undertake this assessment and the Department can provide some indicators of what these assessments consider in other comparable schemes.
80. Further detail on the eligibility criteria for tenants, advertising, and applications for Intermediate Rent tenancies are set out in the policy.
81. The policy also provides details on the requirements for setting intermediate rents, uprating of rents, and tenancy duration. In conducting all of these activities, the Operator will need to have an open, fair, and transparent policy on lettings, in line with the Intermediate Rent policy. This will be agreed with the Department, and the Operator should consider publishing information on how they will conduct the advertising, application, and letting processes.

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19 The full details of Intermediate Rent eligibility criteria are available within the [policy](#).

20 The Department will keep the income eligibility criteria under review.

## Repairs and Maintenance

82. It is important that both tenants and their landlords have clarity on what would be expected in relation to repairs and maintenance, both in terms of timescales and who is responsible for costs and works. A tenant handbook should be developed and provided to tenants. The Operator must make information regarding repairs and maintenance arrangements readily available to their tenants and include details within the tenant handbook of responsibilities, target timescales, and who to contact.
83. The Operator will be required to make provision for prompt and effective repairs which they are responsible for and should agree in advance, and with reasonable notice, with the tenant how the property will be accessed and when, in order to facilitate repairs and maintenance. Target response times for repairs should be guided by the response times set out in the Housing Association Guide<sup>21</sup> which sets out appropriate response times for emergency, urgent, or routine works. The Operator will need to determine how they will deal with emergency, urgent and routine repairs.
84. Applicants should indicate their plans and costings regarding repair and maintenance response arrangements and the anticipated minimum standard the dwellings developed should meet as part of their application proposal.
85. The Operator must adopt the statutory electrical safety, gas safety, smoke, and carbon monoxide detection measures required for private rented properties. These are set out in the Private Tenancies Act (Northern Ireland) 2022<sup>22</sup> and Private Tenancies (Northern Ireland) Order 2006<sup>23</sup>.
86. Further detail on repairs and maintenance, and requirements in relation to **tenancy support** and the provision of a tenant handbook are set out in the policy.

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21 <https://www.communities-ni.gov.uk/housing-maintenance>

22 <https://www.legislation.gov.uk/nia/2022/20/contents/enacted>

23 <https://www.legislation.gov.uk/nisi/2006/1459>

## Cost Assumptions

87. Applicants should attempt to quantify all of their costs which would be incurred in meeting the delivery requirements over a 25 year period. Costs and the assumptions underpinning them should be documented in the application.
88. Applicants should at a minimum consider costs and revenue associated with the following list:
  - i. Scheme design
  - ii. Capital cost of the dwellings (the total cost of acquiring or constructing the dwellings including fit-out costs to make them ready for letting)
  - iii. Scheme marketing, letting (letting agents costs, re-letting costs), online presence and publications
  - iv. Legal and professional services
  - v. Surveying and inspection
  - vi. Repairs and maintenance costs (response maintenance, cyclical maintenance and life cycle maintenance costs) for the proposed dwellings
  - vii. Management costs (staff (including staff recruitment, training, and provision of tenancy support) and overheads (including office accommodation and IT) attributable to the dwellings, insurance, Rates etc.)
  - viii. Funding costs, including costs for servicing and repaying debt
  - ix. Assumptions regarding vacancy / void levels (periods where units will not generate rental income), cost inflation and rental income inflation figures used over the period and any other variables (subject to policy requirements)
  - x. Project governance resourcing including Planning, Business Cases and Post Project Evaluations of acquisitions / developments
  - xi. Procurement costs (where relevant)
  - xii. Monitoring, evaluation (including customer surveys) and reporting
  - xiii. Taxation
  - xiv. Contingency costs and inflation on works and acquisition costs
  - xv. Rental income

89. It should be noted that not all of the development / acquisition costs listed above are qualifying costs for the funding made available by the Department (see paragraph 56).
90. The Department has provided a summary of some of the financial assumptions which underpin the funding at Annex C of this document to assist applicants to understand the Department's consideration of the financial sections of proposals received.

## **Revenue**

91. All revenue derived from the letting of the proposed Intermediate Rent units should be estimated and taken into consideration within the proposal.

## **Investment return**

92. The Operator will be entitled to make a reasonable level of operating return in relation to delivering the scheme commensurate with their investment of effort and time and taking into account the level of risk. The level of return on equity and any other returns or profits being sought by applicants should be expressed as an Internal Rate of Return (IRR)%. This will be considered by the assessment panel against the level of return considered sufficient to meet the current cost of their capital as well as provide a modest return which would be in keeping with an enterprise operating with a social ethos or purpose.

## **Payment of DfC Intermediate Rent loan funding**

93. Funding will be paid to the Operator delivering Intermediate Rent using the following method:
  - The Operator will provide the Department with a delivery plan and overarching programme business case for the completion of the 300 Intermediate Rent units over the development period for approval. This will establish the cost per unit by LGD based on unit type and size and permit outline approval for the funding package.
  - The Operator will apply to the Department for approval for the delivery of multiple Intermediate Units grouped by scheme type. For example, ESP, OTS and rehabilitation which does not require planning permission may be approved by submitting a single business case for yearly activity under the acquisition route. New Build, Conversion and Rehabilitation projects which require planning permission may be approved by submitting a single business case for activity commencing in the forthcoming year under the Build route. This approval will be based on more refined details of the planned development / acquisition. Documentation required for submission will vary by scheme type but will always include business case based on an annual plan (so for example an average of 1-2 business cases per year).

- If approved the Operator may draw down funding for acquisition route projects in one tranche to cover planned expenditure within a financial year or in multiple tranches where works extend into the next financial year. Funding for Build route projects (new build, conversion, or major rehabilitation) will be drawn down in two tranches, the first to enable site / premises purchase and start on site and the second to cover practical completion. The Operator may request funding is split into additional tranches where this is agreeable to the Department.
  - Evidence in support of the funding drawn down must be submitted in stages, following acquisition and after practical completion; the timeframe for evidence submission will vary by delivery route. Failure to provide the required evidence to the required standard within the required timeframe may result in the delay or cessation of drawdown of any further funding until resolved and clawback of unevidenced spend where necessary.
  - Any underspend must be notified to the Department, as must any unspent funding. The Department will require the Operator to use this funding on other approved projects or surrender any such underspends and may require the operator to repay any interest earned on unspent funding.
  - Payment of funding will be supported by reporting and monitoring arrangements described in the ‘Scheme reporting’ section (below).
94. There is no cost overrun facility for Intermediate Rent delivery to adjust costs upwards. There will not normally be a recalculation or adjustment to the amount of funding paid at project completion with this funding route except where:
- Development costs are lower than anticipated.
  - The requirement to deliver a proportion of Intermediate Rent homes as wheelchair accessible is specified as a condition of planning for new build<sup>24</sup> and DfC has determined that additional loan funding is available to cover the increased costs.
  - Unforeseeable and extraordinary circumstances put the Department’s investment at risk<sup>25</sup>.
95. The Operator will be solely responsible for the accuracy of the information contained in payment claims submitted.

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<sup>24</sup> DfC may, at its discretion and subject to funding availability, increase the level of funding by the difference in its assessment of development costs between a general needs home and a wheelchair accessible home for the house type, size and location.

<sup>25</sup> The Operator must demonstrate to DfC’s satisfaction that any additional costs have not resulted from their deliberate actions and that they were unforeseeable. The costs must be both significant nature and affecting the deliverability of the project.

## Naming of the scheme, use of the DfC logo and communication activity

96. The Operator must decide upon a brand name for their Intermediate Rent scheme which they will deliver and agree this with DfC prior to use. The brand name nominated should differ from any brand names currently in use within the NI housing market, and any brand name associated with an intermediate rental product operational in the UK and Ireland.
97. The DfC logo should normally be used on scheme documentation to reflect the Department's contribution. Where the DfC logo has been used, the Operator must follow specific **guidelines** on the colour, size, and placement of the DfC logo in accordance with branding guidelines which will be provided. Drafts of documents with the DfC logo must be submitted to DfC for approval.
98. The Department will require the Operator to participate in communication and media activities about matters including the award of funding, sod cutting, topping out and handover of Intermediate Rent homes. The Operator should also reference the role of the DfC as relevant in any press releases / media activity relating to the funded Intermediate Rent scheme. Draft press releases must be submitted to the Department in advance for approval.

## Retention of units beyond the control period

99. The Operator will agree with the Department a retention plan which sets out what will happen to the units developed by the Operator once:
  - i. the development phase is complete and DfC funding has been drawn-down, and
  - ii. the control period ends (25 years after award of funding)

It is acknowledged that there may be uncertainty as to what circumstances will be over such a protracted period. At application stage the applicant's proposal for the long-term retention, or otherwise, of the units should be brief, illustrating how funding recipients intend to operate the units, how they will maintain the units over the control period and plans to maintain or wind-down the funded development activities. Any such winding down in the future may be by either ceasing development (or scaling back) to focus on the Intermediate Rent landlord function or continuing expansion by identifying new sources of funding or income to fund further development of Intermediate Rent units or other forms of rental accommodation. Any of these approaches may be used where appropriate, subject to the Operator continuing to abide by the policy and conditions of the award of funding for the units established with DfC funding.

100. Once the loan has been fully repaid and the control period ends the Operator may determine what they wish to do with the assets. The Operator will be expected to have agreed a retention plan which should document the Operator's intentions for the Intermediate Rent units once this stage has been reached. This could include for example maintaining the units as Intermediate Rent (the Department's preferred option), transferring them to an organisation within the same group, offering the units as an alternative form of affordable housing (for example social rented tenancies or shared ownership), sale of the properties outright, or offering as private rentals. Should the Operator decide to sell the units they may wish to consider offering the properties for sale in single or multiple lots to registered Housing Associations and the Housing Executive. The Department may, where the Operator disposes of or transfers some or all the properties developed with funding, require a share in any profits arising.
101. The Department acknowledges it is not possible for an applicant to make firm commitments in relation to their plans for these properties in 25 years' time, however the applicant will be expected to consider the options available, how these align with their organisation's ethos and which of these options are viable, desirable and are forecast to enable the repayment of the FTC loan. The Department and the Operator will agree, in due course, the detail of any retention / exit strategy as appropriate.

## **Competition requirements**

102. Proposers shall bear all costs associated with the preparation, submission, and clarification of their application. The Department will not be responsible and / or liable for any costs, expenses or losses which may be incurred by an applicant in the preparation, submission or clarification of its proposal, regardless of the conduct or outcome of the process.
103. No contractual rights will exist unless and until a formal written agreement has been executed by the Department with an applicant. Following the completion of the final stage of due diligence and subject to the satisfaction of the Department, the successful applicant will be required to accept specified terms and conditions. The proposal will be incorporated by reference into the agreement between the Department and the successful applicant.

## **Personal and commercially sensitive data**

104. No personal data should be submitted as part of an application. Any personal information submitted in applications will be removed and will not be retained by DfC.
105. The application form requires the collection a significant amount of commercial data, some of which may be sensitive. DfC will only collect the data necessary to make the application assessment and will only process this data to the extent necessary to assess the application form through the competition stages.

106. A data sharing agreement between DfC and the Department of Finance (DoF) representatives on the assessment panel will allow for the sharing and disposal of application forms for the assessment process.
107. The Department will treat all applications as confidential, any information provided will not be shared more widely than is necessary for the purposes of assessment and due diligence.
108. The Department will share the information submitted by an applicant with other parties involved in assessment of applications and drafting of legal documents this may include the Departmental Solicitor (DoF) and external legal services (where required), the Strategic Investment Board, and Construction and Procurement Division of DoF.
109. The Department reserves the right to share information submitted by an applicant in response to this competition with other public entities and bodies involved in the delivery of housing. The Department will contact you should it plan to share the information to discuss that with you and will put in place appropriate data sharing arrangements as required.
110. The Department will retain and keep available information pertaining to the Intermediate Rent Scheme for at least 10 years from the end of the control period. Such data may be used for research and reporting purposes. The sensitivity of commercially sensitive data will be respected, and such data anonymised where appropriate.
111. Applicants must undertake to provide any information held by them which is reasonably necessary for the Department (and / or other State bodies) to respond to enquiries or complaints.

## **Freedom of Information Act 2000 and the Data Protection Act 2018**

112. The Department is subject to the requirements of the Freedom of Information Act 2000 and the Data Protection Act 2018 and will manage any information which applicants provide to us in accordance with this legislation.
113. Please note that an applicant's proposal in relation to this competition and any subsequent discussions with the Department will be treated in the strictest confidence but may be subject to disclosure under the Freedom of Information Act. Accordingly, applicants should indicate clearly in their responses any information contained therein that should be considered as commercially sensitive and must specify the reasons for its confidentiality or commercial sensitivity. The Department will, where necessary, make applicants aware about information which may be released in response to a request received. Please note that a blanket statement stating all information is commercially sensitive is not sufficient.
114. The Department's Privacy notice can be viewed [here](#).

## Equality impacts

115. The Department has reviewed the equality impacts associated with Intermediate Rent on an ongoing basis during policy development. Further equality screening relating to the conduct of this competition can be viewed on the DfC website [here](#).
116. The equality screening identified no adverse impacts on any of the Section 75 categories. For some categories, such as younger people, older people, as well as households which include dependent children, a potential minor positive impact has been identified and they may be more likely to derive most benefit from access to an Intermediate Rent home.

## Due diligence considerations

117. It is important that office bearers exercise appropriate due diligence when providing funding. Due diligence refers to the processes that seek to appraise the performance, eligibility, financial checks, past track record, and background of the applicant. To ensure proper governance and accountability for the proposed expenditure, and to protect the investment of FTC loan funding, appropriate and proportionate due diligence will be required in respect of the preferred applicant before an offer of funding is made. Experts from SIB and / or Departmental Solicitors will assist the Department in completing due diligence. There will be two stages of due diligence, the information and evidence requirements of these stages are set out below. Due diligence is an iterative process and could take several months to complete. The highest scoring applicant should ensure that appropriate arrangements are made for engagement and cooperation during this period.

### 1st stage due diligence

118. The first stage of due diligence will involve preliminary checks on the following:
- Confirmation that an applicant meets the eligibility criteria including:
    - Suitable Organisation Declaration check
    - Evidence of skills, experience, financial standing, and track record
    - Classified in the private sector
    - Experience of or access to experience of operating within the NI housing market, relevant legislation, and statutory duties
  - Evidence, in the form of a bank statement, of reserves equivalent to 6 months Operating costs or, where not available, the organisation's reserves policy

- Companies House / Charities Commission website checks (as applicable)
- Management Accounts and cashflow statement / Statement of Accounts checks
- Copy of the organisation's constitution and / or Memorandum and Articles of Association to confirm details of structure of organisation(s)
- Review of any policies submitted or statements of assurance that policy will be put in place
- DfC may have a credit check undertaken and will inform the highest scoring applicant should this occur.

The highest scoring applicant may be approached to provide additional information to confirm statements and declarations contained within their application. This may include provision of a letter from Finance Officer or Treasurer or Director of Finance (or equivalent) confirming funds held for all bank / investment account balances, including current, general, investment, reserves, earmarked reserves and other accounts at a recent date. All applicants must provide the financial information requested on the application form necessary to underpin and inform sound decision-making regarding the financial standing of applicant organisations and availability of match funding.

## Funding risk assessment

119. Following the first stage of due diligence a risk assessment for the funding will be documented by the Department which must be approved by the SRO to enable the process to award funding to proceed. This risk assessment will include the following details:

- Funding to revenue ratio
- Track record
- Financial viability
- High rate of turnover of Board members
- Late financial reporting (for example to Companies House)
- Late payments of statutory liabilities
- Consequences of funding recipient failure to achieve outcomes
- Amount of funding
- Length of agreement
- Nature of the sector

## 2nd stage due diligence

120. The second stage of due diligence will commence if the 1st stage of due diligence is successfully passed, the SRO approves the funding risk assessment, and the applicant wishes to proceed towards the award of funding.
121. The highest scoring applicant, whose application has been successfully assessed against the first stage due diligence criteria (above) will be advised that they are the preferred applicant. The second stage of due diligence will involve confirmation of the preferred applicant's statements within the application in relation to financial and operational experience and skills and capacity to deliver and manage these homes. The effectiveness of these arrangements for existing tenants will form part of the assessment.
122. During this stage a more thorough assessment of the organisation's financial position and the funding proposals, including the review of a range of evidence in consideration of the applicant organisation's financial resilience. Evidence of the proposed match funding set out within their application will be considered as part of this assessment. A letter(s) from any proposed funders confirming that they are prepared, subject to lender's terms and conditions, to support the proposal will be required at this stage.
123. Applicants must provide the Department with copies of all of the required policies and procedures listed at paragraph 24 to successfully complete this stage.
124. Applicants must be able to produce evidence of their tax compliance as part of the second stage of the due diligence process.

## Application process

125. A single application should be made by completing the application form available on request from DfC and submitting this along with the required supplementary information.

## Funding competition timeframe

126. A high-level timetable is set out below:

Action	Date
Applications can be submitted from	01 Jun 2024
Closing date for applications	23 Aug 2024
Assessment panel decisions will be notified to applicants by	End 2024
Due diligence completed	Estimated mid-2025
Completion and execution of legal agreement	Estimated Feb 2026
Delivery of Intermediate Rent commences	Estimated Apr 2026

## Requesting an application pack

127. A call for applications was issued online on 15 May 2024. Organisations who have indicated previously that they may be interested in applying for funding or who generally have an interest in the scheme may also have been notified that the competition is launching by email. Publicity for the competition launch has been undertaken through DfC press and social media channels.

128. Applicants seeking funding must register their interest by requesting an application pack from [intermediaterent@communities-ni.gov.uk](mailto:intermediaterent@communities-ni.gov.uk) providing the name of their organisation(s) and email address for issue of the competition application pack. Requests for application packs must be received no later than 16 August 2024 (5 working days prior to the closing date for applications). The application pack will normally be issued within 1 business day.

## Submitting an application

129. Only applications submitted using the Intermediate Rent competition for funding application form will be accepted. This form will be issued on request by emailing [intermediaterent@communities-ni.gov.uk](mailto:intermediaterent@communities-ni.gov.uk). Applications received in any other manner will not be accepted.

130. The information provided at submission stage must be accurate and complete at the time of submission and be in compliance with this Application Guidance.

131. Applicants who have indicated their interest in applying and been issued an application form may seek clarification in relation to completion of the application form, financial information to be provided or provision of the accompanying documents. Requests for clarification must be made by email. Emails will normally be acknowledged within 1 business day and a response issued in due course. The information provided will be restricted to the requirements of the submission process to ensure that those seeking clarification are not provided any advantage in the competition. DfC reserves the right to publish any such anonymised clarifications on its website.
132. Applicants should complete the application form in all its parts and provide all supplementary documentation requested. Revised applications may be submitted but these must be received before the competition closing date in order to be considered.
133. Applicants are required to complete and send signed electronic copies of each submission. Applications from parties in a Joint Venture must be signed by both parties. **Final and complete** scheme submissions must include:
  - an unsigned version of the completed application form in MS Word
  - a scan of a hard copy signed by the Chairperson / Head of the organisation or of each organisation involved in a Joint Venture (or other signatory of equal standing previously agreed with the Department)
  - the required supporting documentsThese documents must be emailed to the **Intermediate Rent Competition** from the email address of the Chairperson / head of the organisation (or other signatory of equal standing previously agreed with the Department) by the closing date, **4pm 23 August 2024 at the latest**. Applications can be submitted from 01 Jun 2024.
134. To be fair to all applicants, the Department will not accept or consider incomplete applications, applications received outside the submission process outlined, or applications received after the closing date. The Department may, where applications are received in advance of the closing date and time allows, notify applicants that their application is incomplete, is of insufficient quality, or does not meet the criteria for funding.
135. There will be no opportunity to resubmit applications for assessment after the closing date.
136. Any financial spreadsheets should be sent in MS Excel format. Applicants are encouraged to password protect their files before issue to the Department and to send the password by separate email.

## Receipting applications

137. The Department will normally acknowledge that an application has been received within 1 business day of receipt. This acknowledgement does not confirm that the application has been scrutinised in any way beyond confirmation of the documents received. The email acknowledgement will note the documents received by the Department. Applicants should carefully check this email against the list of submitted documents to ensure that all of the submitted documentation has been received. Applicants are therefore encouraged to avoid last minute submissions as resubmitted or missing documents received after the deadline must be rejected.
138. DfC officials will subsequently review applications for completeness, that applicants have self-certified that they meet the eligibility requirements and supplied the requisite evidence and supporting documents, and that the application has been appropriately signed.
139. No applications or additional or supplementary information will be accepted after the closing date in any circumstances.

## Application rejection

140. Following the closing date for applications, DfC will conduct the required checks to ensure all necessary information, declarations and supporting documents have been received and confirm whether applications meet the eligibility criteria and have been completed within the limitations set out in the application form. Applications which do not meet the required eligibility / standard will be rejected and applicants will be informed of this outcome in due course. The reasons for rejection will be communicated to the applicant. Those who are dissatisfied with the outcome of the application process can complain using the Department's **two stage complaints process**.
141. Applications will be rejected due to incompleteness, failure to provide supporting documentation or significant errors. This will be defined as any error which could reasonably be said to result in incorrect or misleading information being used to evaluate applications. This will include but may not be limited to the following applications submitted which / where:
  - the number of units to be delivered does not meet the minimum requirement of 300 units.
  - the proposed delivery does not add to affordable housing supply.
  - do not achieve the minimum delivery requirements within the Development term (5 years from funding award date).
  - required supporting documentation is not submitted by the closing date.

- there are errors in cost calculations.
  - no supporting information has been provided to verify costs.
  - do not demonstrate how the eligibility requirements are fully met.
  - require the panel to seek clarification on significant pieces of information or numerous minor points of clarification to permit scoring.
  - any of the required fields have been incorrectly completed or left blank.
  - have been submitted after the closing date / time.
142. Applications will not be rejected for minor errors or typographical errors where the applicant's meaning is clear, or for inaccuracies in information which is not material to the assessment of the proposal. DfC reserves the right to clarify any such presumed errors prior to the scoring of any application.
- ## Competition scoring and assessment
143. After an initial review of both the application and supporting documentation (and clarification exercise if necessary), eligible applications will progress to scoring by a panel of officials, independent of the Intermediate Rent administration team, who will carry out a detailed assessment and scoring. All applicants will be assessed on an equal basis. Panel scoring is expected to complete before end 2024, allowing all applicants to be informed of the competition outcome to that same timescale.
144. If clarification is required by the assessment panel on minor points within an application, then DfC will contact the applicant. However, the applicant will not be able to resubmit their application to make changes to their application. If clarification would be required on significant pieces of information or on a large number of minor points to facilitate scoring this would be indicative of a poorly composed application which would require an application to be rejected.
145. The panel will assess applications against weighted criteria (set out in the application form) and those that meet the minimum requirements will be placed in merit order. The Department reserves the right not to proceed to make an offer of funding to the highest scoring or any applicant.
146. Those organisations whose application was assessed by the panel as not meeting the eligibility requirements or not meeting the minimum scoring requirement will be notified in writing that their application cannot be progressed.

147. The panel will make a final recommendation in relation to the highest scoring applicant to the project SRO or explain why a preferred applicant has not been selected.
148. The SRO shall, at that point, make a decision as to whether to proceed. The highest scoring applicant will be notified as soon as is practical following the panel scoring and second stage due diligence will commence. Applicants who are placed highest in the merit order will need to successfully complete two stages of due diligence before formal award. Following award, they must comply with any funding Letter of Offer, Loan Agreement and Terms and Conditions of Funding to enable funding in principle which can be drawn down in tranches. The Department will prepare detailed Terms and Conditions of Funding which will be agreed with the Operator and be tailored to reflect the requirements of Intermediate Rent Funding.
149. Subject to the satisfactory completion of initial checks, the highest scoring applicant will be contacted in writing to notify them of their place in the merit order and that the Department may, subject to their agreement to move forward with the actions required as part of a second phase of due diligence prior to any award. This notification will include the issue of a provisional (non-binding) offer, detailing next steps and the amount of funding the Department would intend to provide should sufficient budget become available over the 5-year development term. There will be an iterative process which will result in the production of a Letter of Offer and Loan Agreement, as well as any supplementary documents, which will be signed by DfC and the applicant.
150. The highest scoring applicant must not incur expenditure in respect of the scheme until the Letter of Offer, Loan Agreement, and any other relevant documents have been agreed to and signed by both the Department and the applicant. Any expenditure incurred before this time may be deemed ineligible.
151. If an application is approved on the basis of inaccurate or inappropriately compiled information identified following competition scoring, due diligence, and prior to formal award, the Department reserves the right to reject the application and move to the next organisation on the merit order list.
152. Any false declaration made as part of application submission which comes to light at any stage may constitute evidence of fraud and will be dealt with accordingly. This is expected to result in the rejection of the application.

153. Those whose applications placed lower in the merit order will be notified in writing setting out the decision as soon as is practical following panel scoring to advise that their applications are not being progressed at this time. Should the Department not proceed to award funding to the preferred applicant for any reason, the next applicant in the merit order may be contacted in writing by the Department regarding a possible award.

## **Application form**

154. The application form intends to provide the assessment panel with confirmation that the policy requirements and the delivery requirements set out in this Application Guidance document will be met. It is important to be very clear and give solid examples of how the proposal meets the requirements and must remain within the page limits indicated on the application form. Failure to provide sufficient evidence or adhere to the page limits specified may result in an application being rejected. The criteria and scoring matrix are set out in the application form.

155. Funding is expected to cover the period of five years from the date of award acceptance by both parties, referred to as ‘the development phase’. This is broadly expected to be the period from April 2026 to March 2031, although the Department welcomes delivery of the required units as soon as is practical.

## **Retention Plan**

156. Applicants should set out in brief their provisional plans for the funded organisation once 1) the development phase is complete and funding ends, and 2) the control period ends (25 years after award of funding). This should illustrate how development activities will be maintained or wound down after the development period and the Operator’s intentions for the Intermediate Rent units once the control period ends.

## **Pipeline**

157. The Department is keen for the Operator to be able to bring forward Intermediate Rent tenancies as quickly as possible after the award of funding so that the benefits associated with the funding intervention are available to those in need of these tenancies swiftly. In order to meet the requirements of the policy any residential properties brought forward as part of pipeline proposals must be unoccupied, existing occupied residential dwellings should not be repurposed for Intermediate Rent. The costs to bring forward pipeline projects (where known) should be separately identified and included in the financial costs. The Department acknowledges that some flexibility around the “Homes for Intermediate Rent Design Standards” may be necessary to onboard pipeline projects into the Intermediate Rent scheme.

158. Two types of pipeline are eligible for funding:

- a. **Sites and planning applications:** Applications should provide details of ownership of sites or planning applications in train on sites on which they have an option to purchase which would be suitable for Intermediate Rent. Details should include the site address and postcode. The status of the site acquisition and / or planning application should be provided along with the applicant's relationship to the site(s), for e.g. if the site is owned by the applicant, if the applicant has an exclusive agreement to purchase the site or any other arrangement that exists between the applicant and the site(s).
- b. **Properties in construction by a 3rd party:** Applications should detail any arrangement for the acquisitions of properties from a third party. Details should include the property address and postcode (where available). The status of acquisition and / or construction should be provided along with the applicant's relationship to the properties, for e.g. if the applicant has an exclusive agreement to purchase the properties or any other arrangement that exists between the applicant and the properties.

## **Terms and conditions of loan**

159. The Terms and Conditions for funding will be established following agreement between the Operator and the Department and the acceptance of Heads of Terms.

## **Withdrawal of funding offer**

160. An offer of funding may be withdrawn by the Department at any time for any reason, including failure to observe timelines agreed for completion of stages of due diligence, submission of documents, submission of evidence or the delivery of units.

## **Scheme reporting**

### **Performance monitoring and assurance**

161. The Operator must appoint an Accountable Officer. This may be the same person as the Lead Applicant who submits the application for funding or may be another officer nominated by the Operator. In completing the application, the Lead Applicant will check the application form to confirm that the information contained within the application form is correct. The signatory on the application form confirms, on behalf of the application organisation that it accepts that the role of the Intermediate Rent Operator for which they are applying comes with responsibilities to deliver homes and tenancies in compliance with the policy, design standards, private tenancies legislation and the regulatory and governance arrangements which will be agreed with the Operator and set out in the contract prior to the award of funding.

162. The Accountable Officer within the Operator organisation will be responsible for the following activities in relation to scheme monitoring and assurance, including (but not limited to) the following:
- Monitoring the implementation of the loan funded project throughout delivery.
  - Signing, and submitting to DfC, any performance and expenditure monitoring returns which are used to monitor delivery against the pre-agreed Outputs, Outcomes, and Key Performance Indicators and Performance Targets.
  - Alerting DfC to any issues or events which will impact on the ability of the organisation to deliver the outcomes and objectives and timescales as set out in the project application.

## Progress reporting

163. **Information reporting requirements:** the Operator shall be required to maintain records for the period set out in the Offer. Any such records must be made available for examination by the DfC (and others including the Comptroller and Auditor General (C&AG)). The Operator will also use the records it keeps to provide DfC with regular reporting information, which will be used to monitor performance against agreed Objectives, Outputs, Outcomes, and Key Performance Indicators, as appropriate.
164. **Frequency of reporting:** it is expected that, during the development phase, the Operator will report information on actual spend and revised forecast spend to the Department on a monthly basis. Information in relation to objectives, outputs, outcomes, and Key Performance Indicators will be reported quarterly and the Operator shall meet with the Department on the same frequency to discuss progress and highlight any issues. Once development is complete monthly financial reporting shall cease, the Operator will provide a finance update as part of Quarterly reporting from that point forward.
165. **Ad hoc requests for information:** The Department may make ad hoc requests for information from time to time to answer queries including requests generated by e.g. Assembly Questions or Freedom of Information requests. The Operator must, on request, provide the Department with information on schemes using multiple geographical references including Parliamentary Constituency, Broad Rental Market Area (BRMA), LGD, and by Unique Property Reference Numbers (UPRNs). This will also help to facilitate the Department to maintain GIS mapping for Intermediate Rent homes.

# Development phase: scheme completion reporting

## Landlord function reporting

### Inspections

166. The Department will agree the processes around the inspection arrangements relevant to the Intermediate Rent Operator in advance of the development stage.
167. Inspection, both documentary and technical, is a central form of assurance for the Department, as funder, and the Operator must put in place systems to provide for appropriate record keeping and must acquire / develop units in line with the conditions of funding (including compliance with the “Homes for Intermediate Rent Design Standards”). The Operator will be required to provide the Department and the C&AG access to any documentation for verification purposes on request.
168. The “Homes for Intermediate Rent Design Standards” sets out the build standard, processes and procedures that an Intermediate Rent landlord (including a funded Operator) should follow when delivering intermediate housing for rent. The document indicates the circumstances where a provider must seek independent inspection and verification and where they must produce and hold records and reports for verification by the Department (and others as required).
169. The Department or their representative will also carry out inspections (with and without notice<sup>26</sup>) on Intermediate Rent units as appropriate during the development / acquisition phase and during the control period. The inspection process will assist in verifying that the scheme has met the required design standard and statutory minimum fitness standard and agreed conditions and, depending on the development route, the inspection will take place at different times and may (in some cases) act as a trigger to release funding, or may be used to evidence funding already released.

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<sup>26</sup> If the Department considers it necessary for a tenanted property to be inspected this will be subject to the tenant agreeing to an inspection being conducted at a suitable time and with sufficient notice.

170. **Approval of units and funding draw down:** Where an alternative development route is used, that is either OTS / ESP / Conversion / Rehabilitation, it is expected that the property will be inspected by a suitably qualified (e.g. RICS certified) surveyor procured or employed by the Operator. In some cases (up to 100%) the Department will commission representatives from DoF Construction and Procurement Division to undertake an inspection, either prior to purchase, or once any works to make the property tenantable are complete. The Department may choose not to inspect every such property.
171. If inspections reveal schemes are not delivered in accordance with the requirements of the “Homes for Intermediate Rent Design Standards” and maintained according to the statutory minimum housing fitness standard in place for private tenancies in legislation the Operator will be responsible for the costs and completion of works to bring properties up to standard. Failure to bring properties up to standard will be a breach of contract and may result in clawback of funding.
172. Where significant quality issues are discovered, the Department reserves the right to withhold the payment of further funding until such issues are resolved. For clarity, significant quality issues are taken to mean:
- properties which do not meet
    - Building Control and Building Regulations requirements
    - planning requirements
    - the “Homes for Intermediate Rent Design Standards”
    - statutory safety requirements in relation to e.g. gas, fire safety or electrical safety for private tenancies
    - the statutory minimum housing fitness standard
  - where there are issues with the paperwork submitted in relation to funding draw down, evidence verification or reporting
  - where customer satisfaction rates are low and / or customer complaints remain outstanding (during the Development phase<sup>27</sup>)
  - where funding underspend, unspent funding or interest payments are not reported and / or paid to the Department as requested within the required timeframe.

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<sup>27</sup> Poor levels of customer satisfaction or poor resolution of customer complaints may impact funding draw down during the development term, however the Department may address such concerns through the exercise of clawback conditions in the Letter of Offer at any stage during the control period.

173. The Department may at any point in the future appoint an Intermediate Rent scheme regulator to oversee the detailed operation of the Intermediate Rent Operator. The role of regulator will be to oversee the delivery and reporting as set out in the conditions of the Operator Letter of Offer. The Operator will be consulted on the arrangements in advance of any future scheme regulator appointment.

## Scheme monitoring and audit

### Customer surveys and customer satisfaction monitoring

174. The Operator will be required to carry out longitudinal tenant surveys in years 1, 3 and 5 of the five-year development period, and at an agreed frequency in the letting phase. They should use the findings of these surveys to identify any gaps or issues in service provision and provide feedback to the Department on any matters they feel may be addressed through a review of the policy. The Operator will be required to share key findings from these surveys with the Department as part of the monitoring process.
175. The Department may separately conduct surveys in relation to Intermediate Rent with members of the public and Intermediate Rent tenants.

### Scheme audit

176. The Operator will be required to make their own arrangements for the completion of regular audits. The Department will separately arrange for the Intermediate Rent scheme to be audited for its own purposes. The Operator will be required to facilitate this process. The purpose of the audit will be to check that the scheme has been implemented in the manner approved by the Department, and that the funding has been used as reported by the Operator. Any such audits conducted by or on behalf of the Department will be supplementary to the audit arrangements undertaken by the Operator.
177. The Operator will be required to retain, for the period set out in the Offer, all paperwork relating to the scheme operation, application process, financial information including acquisition and development costs (qualifying and non-qualifying), procurement, monitoring and customer satisfaction and make it available for audit inspection.

178. The following information is likely to be reviewed during the Department's audit:

- **Scheme operation:** The audit will check that the delivery of Intermediate Rent and terms under which the scheme is offered to tenants is in line with that described in Policy. This will include the level of tenancy support provided to tenants, to include the provision of key tenancy documentation and information including signposting to support services and evidence of documented tenancy management policies. The Auditor will obtain supporting documentation from the Operator to confirm that staff interacting with tenants will have had appropriate training to engage with them and that the organisation has a safeguarding policy in place.
- **Application process:** The audit will check that the Operator has put in place a fair and transparent application process which is accessible for all interested applicants and that the Operator has correctly implemented the eligibility criteria set out in the policy.
- **Financial Information:** The scheme costs, including but not limited to, evidence of cost of acquisitions and construction works, both qualifying and non-qualifying. Rent collection and rent setting, service costs, repairs and maintenance costs and any sinking fund in operation, private finance contributions (checked against the required level of match funding). Invoices must be retained by the Operator and may be viewed to verify costs as part of the sample checking. The key aim will be to confirm the amount of Intermediate Rent funds spent by the Operator on qualifying costs and that the scheme is operating in compliance with the Policy.
- **Procurement:** The audit will check that, where required, procurement processes used to engage sub-contractors / acquire properties are designed to ensure best value use of Intermediate Rent funding and comply with NI Public Procurement Policy. The Operator will be required to retain an accurate record of their procurement process as appropriate.
- **Monitoring:** The audit will check the methodology the Operator puts in place for quality assurance with regard to works, repairs and maintenance, fitness standards and tenancy management including tenancy support. They will also check compliance of the Operator with the Department's monitoring requirements.
- **Customer satisfaction:** including the percentage of customers questioned and of those who responded how many were satisfied / dissatisfied. The audit will also check how dissatisfied customers were dealt with and that all issues have been resolved.

179. The Operator will have a responsibility during the audit to provide adequate and reasonable assurance in respect of the proper administration of the scheme.

## UK Subsidy Control / State Aid Compliance Assessment

180. From 1st January 2021 all subsidies provided by public authorities in NI are required to comply with either the EU State aid rules, or the Subsidy Control chapter of the **UK-EU Trade and Cooperation Agreement** (TCA) and any applicable subsidy control commitments in other trade agreements that the UK has agreed. The **Subsidy Control Act 2022**, which became fully operational in January 2023, formalised the UK's subsidy control arrangements.
181. DfC is a public funder and our funding is subject to the relevant rules. Funding is to be assessed to determine if it falls within the scope of:
- EU State Aid Rules (caught by Article 10 of the Northern Ireland Protocol)
  - UK-EU Trade and Cooperation Agreement (TCA)
  - Subsidy Control Act 2022
182. It is expected that the funding offered will be considered against the provisions set out in the Subsidy Control Act 2022. **Guidance** has been produced by the the UK Government to assist in considering whether subsidy is present. Until the competition is complete and final funding arrangements agreed with the preferred applicant it will not be possible to confirm the exact funding assistance arrangements, and therefore confirm whether or not subsidy may be present. This will be confirmed as part of a Full Business Case.

# Annex A:

## Joint ventures and sub-contractors

1. Multiple organisations operating as the Operator for the purposes of delivery is permissible. This could, for example, include a developer working with the long-term owner, operator and manager of the units or multiple subsidiaries of Housing Associations working as one. If the applicant wishes to partner with another organisation for the purposes of Intermediate Rent delivery they may establish a Joint Venture.
2. A partner refers to some other party who is a main contributor to the scheme in partnership with the applicant e.g. providing tenancy management services, providing property development services etc. A sub-contractor is defined as any individual or organisation undertaking Intermediate Rent works on behalf of the applicant who is not an employee of the applicant or their partner, this includes self-employed contractors. There will be no relationship between the Department and any sub-contractor. It is the responsibility of the applicant to sufficiently vet anyone they decide to partner with or any sub-contractor it may choose to work with and to ensure that they comply with all relevant laws and obligations.
3. The organisations entering into a multi party or joint venture should agree on who will undertake the role of Lead Applicant, this role should sit with the organisation who will invest most heavily in the scheme in terms of funding and management. Applications must list all project partners details, Companies House and Company or Charity Numbers where applicable.
4. It is the responsibility of the Lead Applicant to ensure that all Intermediate Rent funding is accounted for and appropriately spent in accordance with the conditions outlined within this Application Guidance document which will be incorporated into the loan agreement and the terms agreed through the scheme submission and approval processes for draw down of loan funding over the development term.
5. Contractual agreements between the applicant and partners must include a Conflict of Interest declaration. The applicant will be responsible for Conflicts of Interest of their partners and the management and mitigation of such. For the avoidance of doubt, while contractual and other arrangements between the applicant and partners are entirely the responsibility of the applicant and not the Department, the Department is entitled to full oversight of all commercial dealings relating to Intermediate Rent. Funding will only be released to the Operator (Lead Applicant).

6. The Lead Applicant will remain solely liable for the return of any Intermediate Rent funding allocated to it and not spent on approved projects in accordance with the provisions of the loan agreement and project approval. The scheme audits carried out by an auditor, on behalf of the Department, must be conducted with the applicant and not a partner or sub-contractor although they may be present at the audit.
7. Contractual or other arrangements between applicants and their partners and / or sub-contractors are entirely the responsibility of the applicant and not the Department. This includes ensuring that any work carried out conforms to the policy, Letter of Offer, best practice, customer satisfaction and quality standards, and includes appropriate guarantees and warranties where applicable.
8. As Intermediate Rent development / acquisition is part funded by public money, applicants seeking to partner with other organisations or acquire the services of sub-contractors during the development phase must ensure that where required procurement processes used to engage other organisations (such as sub-contractors (including those of a self-employed nature) are fair and ensure best value use of public funding. The nature of any contractual relationships must also meet this test. The applicant must declare in the application form the proposed delivery structure (e.g. scheme partner, managing agent, sub-contractors etc.) and if already appointed, name the participants.

# Annex B:

## Non-qualifying costs for Intermediate Rent funding

Non-qualifying capital costs include:

### **1. Inadmissible Items**

Excluded properties such as:

- Estate offices, factories, stores, letting offices;
- Doctors' surgeries, clinics;
- Police stations, public libraries, bus shelters;
- Shops, restaurants, public houses, offices;
- Buildings to house standard NIE Networks sub-station or transformer equipment;
- Maintenance depots, tools, plant and vehicles;
- Garages, carports (other than carports associated with wheelchair dwellings and adaptations);
- Separate laundry blocks and related equipment;
- Sport clubhouses and facilities;
- Places of worship;
- Education facilities;
- Public conveniences; and
- Housing for open market private rent or for sale including applicable element of communal / external areas in mixed tenure schemes.

Excluded works such as:

- Works to adjacent land or property not in the Operator's ownership (except making good as a result of demolition, building works, etc);
- Historical works connected to land banking e.g. temporary metal fencing.

Services such as:

- Commissions for site finding; and
- Management and external marketing costs linked to dwellings not supported by the funding offered by DfC.

## **2. Exceed the Department's requirements:**

- Floor area exceeding the Departmental area bands;
- Level of costs which exceed those normally expected for funding purposes e.g. exceptionally high construction / acquisition cost levels;
- High specification items unless adequately justified on a Value for Money basis over the structural life of the property or required to comply with a statutory obligation;
- Chimneys unless required to comply with a statutory obligation;
- Utility rooms and en-suites;
- Furniture (with the exception of those envisaged as part of turnkey finish);
- Garden sheds or stores;
- Facilities for care purposes rather than housing.

### **3. Not for the sole use of residents**

Items of work do not qualify for funding unless the Operator can clearly demonstrate that they are for the sole use of the residents.

Exceptions to the rule are where the cost of such works are shared on an equitable basis with other users or to comply with any statutory obligations which may have been imposed. In such instances prior approval, including cost apportionment, must be obtained by DfC in advance. For example:

- Works to any roads which do not exclusively serve the housing development;
- Landscaping to areas of land which lie outside the boundaries of the site;
- District heating systems;
- Sewers and sewage disposal works;
- Special refuse treatment buildings;
- Playparks including equipment;
- Community halls, clubrooms, recreation rooms.

Associated costs: if any non-qualifying costs are included in the construction costs a proportion of the following costs may not qualify for funding:

- Acquisition cost;
- Substructure and other superstructure elements;
- Cost of providing services and site development works;
- Fluctuations and / or variations to the works contract.

# Annex C: Funding package – financial assumptions

The Department is providing the information in this document to assist those interested in applying for funding to understand the Department's consideration of the financial sections of applications received. The information provided in this document constitutes the Department's understanding, at time of writing, of the potential delivery costs associated with acting as the Intermediate Rent Operator and is intended to assist applicants in understanding the Department's expectations regarding costs. The Department recognises that construction, development, and operating costs can vary over time and by location.

The Department is seeking the delivery of a good mix of dwelling types and sizes, in multiple locations across at least two Local Government Districts. Applicants are required to set out how they would plan to deliver the 300no units required. The Operator will have considerable latitude with regard to the housing mix (type / size) and location, however the Department wishes to see development subject to the following criteria:

- The 300 units can be a mix of general needs houses and apartments.
- The units must be delivered with a mix of at least 1, 2, and 3-bedroom unit sizes.
- All 300 units should be delivered in line with the “Homes for Intermediate Rent Design Standards”, or at an alternative standard only where agreed in advance with the Department.

## **Development Costs**

- The cost of development varies by development location, with an average cost per general needs dwelling type / size assumed based on observed development costs for similar property design and finish. The Department may consider any necessary additional sums for the provision of wheelchair accessible units where, for example, this is a condition of planning.
- Qualifying capital development costs which may be met via the Department's funding and the Operator's contribution are set out in the Application Guidance document. Non-qualifying costs are set out in Annex B of the application guidance, where such costs are incurred these should not be met using DfC funding or the Operators contribution.
- Units may be delivered via any of the delivery routes outlined within the “Homes for Intermediate Rent Design Standards” document.

## New Build

- The Operator may wish to design and build homes for the purpose of letting these as intermediate housing for rent ('build'). The Department has established a baseline cost for Intermediate Rent units of varying sizes and types delivered via this route. This methodology will allow the assessment panel, in determining a score for this element, to take into consideration the cost of delivery of the unit types in any application against the Department's estimates.
- The following represents the project's estimate of the average cost per unit, per unit size and type across Northern Ireland for 'new build' at the time of competition launch and can provide a guide to eligible development costs.

Dwelling Type	Dwelling size	Maximum floorspace sqm	Average Development Cost
House	3 person / 2 bedroom	75 sqm	£183,620
House	5 person / 3 bedroom	95 sqm	£213,000
Apartment	2 person / 1 bedroom	40 sqm	£134,860
Apartment	3 person / 2 bedroom	65 sqm	£174,430
Apartment	5 person / 3 bedroom	85 sqm	£200,150

## Alternative delivery routes

- As noted in the design standards document, Intermediate Rent units may be delivered via a range of delivery routes including OTS and ESP.
- It is anticipated that the cost of deploying alternative delivery routes can vary when compared with the 'new build' route, and the following average abatement values are applicable when estimating the cost of the Off the Shelf (OTS) and Existing Satisfactory Purchase (ESP). Units may also be delivered via conversion (of domestic and non-domestic properties) or rehabilitation of a vacant dwelling.

- The average new build development cost figures (set out above) are equal to the full cost of qualifying costs i.e. 1.00. The indicative average costs for alternative procurement routes are set by the use of Key Multipliers, which adjusts the costs for the different procurement delivery routes as follows:

<b>Delivery Route:</b>	<b>Key Multiplier:</b>
Rehabilitation / Conversion	1.03 (average)
OTS	0.83 (average)
ESP	0.73 (average)

### Other DfC Scheme Cost Assumptions

The Department has developed a financial model which estimates the full costs associated with delivery of the scheme, including costs which sit outside the qualifying development costs. The following provides an indication of some of the cost assumptions contained within that modeling:

- In addition to the Operating costs set out below, a sum of 2% is included in the costs set out above to allow for turnkey finish costs as described in the policy and design standards.
- A sum equating to 1% of the total estimated development costs may be added for the purpose of marketing and letting costs across the letting period. If an applicant estimates a higher level of costs necessary for these activities an explanation should be given.
- Corporation tax is expected to be applicable at a rate of 19%. Any applicant who benefits from an exemption from corporation tax should declare this as part of their application.
- The Department's financial model for Intermediate Rent makes an inflationary assumption of 2% per annum.
- The Operator will be permitted to collect and protect tenancy deposits from tenants equal to not more than one month's rent. Any such tenancy deposit must be protected in an approved scheme. Tenants may exercise the option to build up their deposit over the first 12 months of a tenancy.

## DfC Funding Offering:

### Financial Transactions Capital (FTC)<sup>28</sup> loan:

Up to a maximum of 85% of total qualifying development costs (including professional services, legal and other fees, development on-costs).

### Capital Grant:

Capital grant is not available to contribute to the costs of delivery.

### Rate of interest applicable:

Not more than 1% or less than 0.5%. At a minimum must equal the sum required to cover costs to Department of administration and evaluation over the control period). Interest will be applicable from the commencement of the loan, however the Operator can request to defer the interest repayments in years 1-5 of the loan period while rental revenue comes on stream. The terms of the loan agreement will set out when any deferral period would end.

### Operator contribution:

A minimum of 15% of qualifying development costs (via reserves or equity and / or debt finance). 100% operating costs including any set-up costs and any non-qualifying costs.

### Repayment Terms:

FTC loan available for a term of up to 25 years from the date of signed agreement.

Loan repayment based on bullet repayment of the capital principal at Year 25. The Operator may request alternative / regular repayments of loan principal throughout the loan term if preferred. Interest will be repaid annually in arrears. The Department may accept deferral of interest payments during the development phase.

### Operator's contribution

The Operator is expected to contribute at least 15% of qualifying development costs. The Operator's contribution cannot be derived from grant or loan from any other public sector source, and the Operator is liable for sourcing any such contribution, including the costs associated with any financing (e.g. fees and interest).

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<sup>28</sup> More information regarding Financial Transactions Capital can be accessed on the DoF website at <https://www.finance-ni.gov.uk/sites/default/files/publications/dfp/Financial%20Transactions%20Capital%20-%20Overview%20Paper.pdf>

## Operating costs

The costs associated with operating the 300 units (acting as landlord) are the responsibility of the Operator and should be met using rental income. The Operator will also be responsible for funding any set-up costs (accommodation, salaries, IT etc.) costs arising from this role.

The Operator will have running costs during the initial years following set-up which may be met using their contribution in the short-term but this short-fall must be replenished and used for qualifying development costs to enable delivery of units before the end of the development term.

A provisional sum equating to an average of c£2,600 per unit per annum<sup>29</sup> has been included in the Department's modelling of the estimated Intermediate Rent operating expenditure. The management costs estimated here are indicative only and are not included in the development costs estimates set out above. This sum has been calculated as an estimate of the Operator's annual management costs to cover emergency, urgent and routine repairs (including any buildings insurance or public liability insurance as required) and to provide for tenancy management and support costs and set-up costs. This also includes works to properties required between tenancies.

## Rental Income

The Operator will retain 100% of the rental revenue derived from letting the 300no units and is expected to use this revenue to meet its operating costs.

The Housing Executive publishes [an annual report](#) providing average weekly private sector rent levels in Northern Ireland by Broad Rental Market Area (BRMA) and size of property. The information contained within the annual report offers a snapshot of average rents at BRMA level and does not reflect actual market rents at every location within that area.

It is intended to act as a point of reference and is not a definitive indicator of market rental costs at every location. A prospective Operator may refer to this material and should additionally seek confirmation, at time of planning, development and letting, of local average market rents for similar type / size of units from a suitably qualified professional.

A sum equal to not more than 5% of rental income has been included in DfC financial calculations to cover the costs associated with voids and bad debt, and applicants should consider and articulate reasons why their proposal would vary from this. The Operating costs allowed for (above) should be adequate to cover the costs of works to properties resulting from a change of tenancy.

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<sup>29</sup> This average cost has been determined using actual costs of comparable housing providers.

## **Residual asset value**

The high-quality design standards and sums applicable for repairs and maintenance should ensure that the 300no units developed have a considerable asset value at the end of the control period. The asset value is likely to exceed the development value.

It is, however, anticipated that the Operator may have to either re-finance (using the assets as security) or to sell some or all of the 300 units in order to repay the FTC loan from the Department.

Where the Operator disposes of any units at the end of the control period, the Department may expect the Operator to share in any profit arising from the sale which will be agreed in advance of award. The sale value of the units should be independently verified at the expense of the Operator. A profit in this instance is the difference between the qualifying development cost and the sale value, less any reasonable fees associated with the sale (e.g. marketing, conveyancing, taxes etc.).

Where the Operator elects to retain all the properties and re-finances, the Department will waive any call on any such profits if the units are retained as affordable housing for an agreed period of following the end of the control period. Any sale / disposal within this agreed period could be subject to the same profit-sharing terms as set out above.

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