

The Regulation of Approved
Housing Bodies in Ireland

Annual Report & Sectoral Analysis



2019



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Foreword

from the Chair

With the enactment of the Housing [Regulation of Approved Housing Bodies] Act 2019 the days of voluntary regulation and the oversight of the interim Regulatory Committee [iRC] are coming to an end. Voluntary regulation has been a learning experience for all and I believe that the sector is now well prepared for the introduction of a new regime of statutory regulation.

But there is still work to be done. It is anticipated that the establishment day of the new Approved Housing Bodies Regulatory Authority will be on 1st January 2021, with the statutory regulatory framework operational from January 2022. The legislation will be commenced on a phased basis to allow for preparatory work to be completed.

The voluntary regulatory environment has now entered a transition period, with 2020/21 representing the final assessment cycle under the existing Voluntary Code. For the remainder of its term the Regulation Office will continue to

ensure the sector is well-governed, well-managed, sustainable, and accountable to all stakeholders, whilst assisting the Department in the establishment of the new statutory body.

The most recent regulatory cycle was completed against the turbulent backdrop of Covid-19. It shows that Approved Housing Bodies continue to grow the sector and deliver services to their tenants while at the same time meeting the challenges of this very difficult period. This report once again provides detailed insight into the AHB sector, with particular focus on governance,

financial viability, and performance management.

In conclusion, I would like to thank my fellow iRC members for the commitment and expertise they brought to the oversight and direction of the scheme of voluntary regulation over the past six years.

A handwritten signature in black ink, appearing to read 'E Lewis'.

Edward Lewis
Chair

The most recent regulatory cycle was completed against the turbulent backdrop of Covid-19. It shows that Approved Housing Bodies continue to grow the sector and deliver services to their tenants while at the same time meeting the challenges of this very difficult period



Introduction

from the Head of Regulation

This Annual report and Sectoral Analysis provides an overview of the work of the Regulation Office throughout 2019/20, alongside sector-wide analysis, Covid-19 impacts, legislation and detailed accounts of projected growth and financing.

This report is released at a time of unprecedented change and uncertainty. We have witnessed the extraordinary efforts of staff, volunteers, and directors to ensure the safety and wellbeing of tenants across the sector. The AHB Sector demonstrated resilience and flexibility during the height of the crisis. The next significant challenge facing the sector is evaluating the medium to long-term impacts of Covid-19. These include human, operational, and economic impacts and implementing solutions to ensure business continuity and delivery of homes.

AHBs continued to improve, enhance, and embed their governance, financial and performance management. Such enhancement has and will enable AHBs to transition across to the statutory regime in a smooth manner.

A total of 275 AHBs signed up to the Voluntary Regulatory Code, representing 36,992 homes, the highest number of homes under the voluntary environment since the Code began. The following analysis provides key stakeholders with an insight into the sector, including its diversity, organisation's primary

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objectives, risk and growth profiles across the differing delivery models identified.

The Regulatory environment has entered a period of significant change. The 2020/21 assessment cycle will be the final assessment year under the voluntary environment. Historically, the assessment process has been conducted in a lagged environment. However, this lagged environment has been removed to ensure the regulatory approach captures all sectoral data for 2019 together with a key focus on existing governance, financial viability and performance as at September 2020. This provides greater assurance relating to the impact of Covid-19 alongside the ability of AHBs to demonstrate business continuity over the medium to long-term.

As we enter the final phases of the voluntary environment, I would like to acknowledge the excellent oversight and guidance provided by the interim Regulatory Committee and to acknowledge the dedication, patience and commitment of each member of the Regulation team both old and new.

Susanna Lyons

Susanna Lyons
Head of Regulation



Chapter 1 **Regulation**

Mission, Governance and Framework

The Regulation Office continued to focus on providing regulatory oversight to those Approved Housing Bodies (AHBs) signed up to the Voluntary Code and the associated standards. Our goals include ensuring that those organisations who have evidenced compliance with the standards will be well placed to make the transition to a statutory regulatory framework.

Following the enactment of the Housing (Regulation of Approved Housing Bodies) Act 2019, our focus will be on ensuring that the Regulation Office itself, is best placed to make the transition to a statutory regulatory body. This involves working closely with the Department of Housing, Local Government and Heritage in the creation of the Approved Housing Bodies Regulatory Authority.

Mission

The mission of the Regulation Office is to protect AHB assets and safeguard the interests of current and future tenants. It does this by regulating for a well-managed and financially viable sector. Regulation provides assurance to key stakeholders that the sector is well governed and that it provides a framework for AHBs to manage risk effectively. It also safeguards public investment in the sector.

The Regulation Office has continued to embed the key principles of governance, financial viability, and performance management. It has successfully advanced

the regulatory framework across the AHB sector in preparation for statutory regulation.

Governance

The Regulation Office is governed by an interim Regulatory Committee (iRC) comprised of non-executive members with extensive experience ranging across regulation, law, finance, and housing.

The iRC is collectively responsible for overseeing and directing the Regulation Office activities. The Committee sets the goals, objectives and priorities for the Regulation Office and delegates the day-to-day responsibilities to the Head of Regulation. The Committee was appointed by the Minister for Housing, Planning and Local Government. All members serve in a voluntary capacity and are not remunerated for their services.

The iRC has established regulatory duties and functions, outlined by its terms of reference, approved by the Minister. It has been providing oversight, direction, and control to the Regulation Office for over six years, has overseen the considerable advancement of the regulatory framework and provided significant input in its advisory capacity, to the formation of the Housing (Regulation of Approved Housing Bodies) Act 2019.

The iRC warmly welcomed the signing of the Housing (Regulation of Approved Housing Bodies) Act 2019 in December 2019. The Committee remains dedicated to ensuring the new regulatory body is fit for purpose and has independent decision-making powers.

Our interim Regulatory Committee Members

Eddie Lewis

(Chair) is a lecturer, author and former Principal Officer with the Department of the Environment, Community and Local Government.

Paul Lemass

is Assistant Secretary in the Department of Housing, Local Government and Heritage, with responsibility for Housing Policy, Governance and Legislation.

Dr. Oonagh Breen

is a Senior Lecturer at the School of Law, University College Dublin where her teaching includes comparative charity law and policy.

Michael Cameron

is Chief Executive of the Scottish Housing Regulator, the regulator of Registered Social Landlords (RSLs) and local authority housing services in Scotland.

Ronan Heavey

is a Banking Analyst in the Shareholding Management Unit of the Department of Finance.

Dr. Donal McManus

is the CEO of the Irish Council for Social Housing (ICSH). He previously worked in the housing sector in Scotland and Northern Ireland.

Margaret Geraghty

is Director of Services, Housing and Community Department in Fingal County Council (re-appointed June 2019).

Dr. Mary Lee Rhodes

– resigned June 2019.

David Smith

– resigned June 2019.

Regulatory Framework

The Voluntary Regulatory Code and the Regulatory Standards provide a clear framework on the key principles of regulation, including governance, financial viability, and performance management. In addition, the standards provide a support and management tool for AHBs. In line with risk-based regulation, depending on their size, scale, and debt profiles, AHBs are assessed against the standards providing assurances in relation to their governance, financial viability, and performance management.

AHBs are expected to demonstrate that they have the appropriate governance arrangements in place, clear financial oversight, controls and monitoring, and a strong focus on tenants and housing management.

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Performance Standard

AHBs should have appropriate arrangements in place for the delivery of tenancy, housing management, asset management and other tenant facing services. The Performance Standard incorporates the most important aspects of the relationship between the AHB and the tenant.

The Regulatory Standards

Governance Standard

The Board is responsible for ensuring that the leadership of the AHB has the appropriate direction, oversight, and control. The Board is required to ensure the organisation implements best practice with regards to transparency, reporting, communications, audit and managing risks through robust control systems and effective performance management.

The Governance Standard sets out six core principles of good governance:

- Ensuring that Boards provide effective leadership and direction to deliver good outcomes
- Providing clarity around roles and responsibilities in governance structures and arrangements
- Building and strengthening Board effectiveness
- Conducting affairs with honesty and integrity, and with a commitment to openness and accountability
- Ensuring effective financial and risk management
- Complying with legal and statutory requirements.

AHBs must be able to demonstrate to tenants, the Board, and key stakeholders that they have considered all the matters that apply to the operation of an AHB. They are expected to:

- Have measurable outcomes for key objectives and service delivery areas
- Comply with all relevant statutory and regulatory requirements
- Have appropriate document and housing management services to provide good customer service and operate the organisation effectively and efficiently
- Demonstrate clear and consistent communication with all tenants
- Demonstrate that services are fair, transparent, and consistent
- Create sustainable and balanced communities and work in partnership with other relevant organisations
- Evidence continuous monitoring and improvement in service delivery.

Financial Standard

The revised Financial Standard clearly sets out the requirements expected from all AHBs, together with additional requirements depending on the size, scale, development plans, debt profiles and organisational risks of individual AHBs.

The Financial Standard promotes a set of requirements for financial management, financial control, oversight, financial viability, risk management and financial forecasting for the sector.

Larger and growth AHBs are required to complete detailed Annual Financial Returns, based on key financial and growth assumptions. A matrix has been developed enabling AHBs to determine which category they fall into and the specific financial regulatory requirements for their organisation.

The seven key principles of the Financial Standard are:

- To detail the financial management, governance and control disciplines which support AHBs in delivering their services and ensuring appropriate oversight
- To ensure that all AHBs have appropriate assurance frameworks including financial management, controls, reporting and monitoring in place
- To safeguard short, medium, and long-term viability of housing assets in the interests of tenants and service users
- To ensure that all AHBs are financially viable, properly managed and perform their functions effectively while providing value for money
- To identify warning signs of emerging risks which may cause financial difficulties for AHBs and potentially put assets and tenants at risk
- To establish and monitor key financial ratios such as current ratios, interest cover and gearing which should be met or maintained where borrowings have been undertaken
- To enable the Regulation Office to produce aggregated data for the sector.

AHBs must...



Assessment Framework

Our Approach to Regulation

As we move towards statutory regulation the Regulation Office's assessment process has continued to evolve. There is a greater focus on evidence and assurance by AHBs and their Boards, on how they comply with the Voluntary Code and standards of Governance, Performance and Financial Viability. The regulatory standards have been in place for a number of years, providing AHBs with a clear framework on best practice and compliance requirements.

The regulatory assessment process has advanced beyond educational, with the outcomes clearly reflecting the requirements of the AHB to consider, implement and evidence. The onus remains with the AHB to demonstrate its compliance and assurance framework regarding governance arrangements, financial oversight and performance on tenant and housing management functions.

The annual review and engagement meetings form a vital part of the assessment framework and are an opportunity for organisations and Boards to further demonstrate and evidence the governance arrangements in place. The focus of these meetings is to ascertain the Board's view on the performance of the organisation, their understanding of the risks affecting the organisation, and how they confirm that their reporting structures and assurance frameworks are robust and operating effectively.

Risk-based Regulation

A further change to the assessment approach has been the embedding of a risk-based approach. The full application of risk-based regulation will be an important factor as we move towards statutory regulation

In line with pre-determined risk factors, the Regulation Office evaluates all AHBs against these factors in order to prioritise its resources. This is a vital element in determining the strategy for the annual assessment cycle.

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The annual review and engagement meetings form a vital part of the assessment framework and are an opportunity for organisations and Boards to further demonstrate and evidence the governance arrangements in place

In total 102 AHBs were assessed during the most recent assessment cycle. The assessment process covered 32,601 units or 88% of total units.

Overview of the Assessment Process

We are pleased to note an increasing commitment by AHBs to ensuring that the regulatory standards are being fully embedded into their organisations.

The quality of information submitted to this office continues to improve year-on-year and there is increasing evidence of improvements in Board oversight and monitoring of the organisation's activities. There has also been evidence of enhancements in financial forecasting and performance reporting, although, there are still improvements required in some areas.

The most recent assessment cycle is based on information and evidence which pre-dates the current Covid-19 pandemic and the associated impacts. The pandemic has highlighted an even greater need for AHBs to demonstrate:

- Effective governance arrangements, including robust risk management and assurance frameworks
- Robust financial management and oversight, with the ability to identify impacts on cashflow and liquidity due to the pandemic, and
- Enhanced housing management policies and procedures, including regular reporting of performance against key objectives.

AHBs demonstrating non-compliance with the Code and Standards are determined to require Engagement, under the regulatory framework. We work closely with these organisations in addressing identified weaknesses and risks.



AHBs who work closely with the Regulation Office to address deficiencies, have highlighted the benefits of co-operation and commitment to the voluntary environment. A number of these organisation evidenced improved governance, performance, and financial oversight. However, the Regulation Office recognises that there are limitations to the voluntary environment and the effectiveness of the engagement process is wholly dependent on the co-operation of the Approved Housing Body.

The quality of information submitted to this office continues to improve year-on-year and there is increasing evidence of improvements in Board oversight and monitoring of the organisation's activities



Chapter 2 **Legislation**

Statutory Regulation for Approved Housing Bodies

The Housing (Regulation of Approved Housing Bodies) Act 2019 was signed into law on December 23rd 2019. The new Act allows for the establishment of the Approved Housing Bodies Regulatory Authority to oversee the effective governance, financial management and performance of all Approved Housing Bodies.

The Regulator will consist of a Board of between 5 and 11 members appointed by the Minister for Housing, Local Government and Heritage, one of whom will be the chairperson. The establishment day of the new Approved Housing Bodies Regulatory Authority is anticipated to be on 1st January 2021, with the statutory regulatory framework operational from January 2022. The legislation

will be commenced on a phased basis to allow for preparatory work to be completed.

Regulatory Functions

The key functions for the Approved Housing Bodies Regulatory Authority will be

- Establish and maintain a register of AHBs
- Register persons as AHBs
- Publish standards
- Monitor and assess compliance by AHBs
- Carry out investigations
- Protect tenants and AHBs and cancel registration of AHBs
- Encourage and facilitate better governance, administration, and management, including corporate governance and financial management.



Overview

The transition from voluntary to statutory regulation will mean significant changes. All AHBs will be initially deemed as registered once the relevant sections of the legislation have been commenced. This means that all AHBs will be subject to all aspects of the regulatory requirements and the functions of the new Regulatory Body, regardless of whether they engaged with the voluntary environment. A new set of draft standards will be published which will cover matters relating to governance, financial management and reporting, property and asset management and tenancy management. These will be prepared in consultation with the sector and are subject to Ministerial approval.

Under a statutory footing the new AHB Regulator will look to develop administrative co-operation with other Regulators to ensure a cohesive approach to regulation. Finally, in contrast to the existing voluntary environment, the new statutory regulator will have powers of investigation and enforcement. The purpose of such powers is to

The new statutory regulator will have powers of investigation and enforcement.

The purpose of such powers is to ensure the protection of AHB tenants and/or public assets and would allow the AHB Regulator to intervene

ensure the protection of AHB tenants and/or public assets and would allow the AHB Regulator to intervene where there has been a significant breach of standards.

The Department of Housing, Local Government and Heritage (DHLGH) has embarked upon a series of communications with the entire AHB Sector relating to the establishment of the Approved Housing Bodies Regulatory Authority.





How to Prepare your AHB

As previously stated, the transition from voluntary to statutory regulation will mean a few significant changes. Boards are encouraged to familiarise themselves with the legislation and the key requirements.

All Boards should, as soon as is practical, consider the eligibility criteria as set out within the legislation to ensure that their organisation meets them. Where the organisation does not meet the criteria, the Board should:

- Consider the steps that need to be taken to align with the eligibility criteria in order that it may prepare for registration; or
- Where the Board considers that the primary objects listed are not in line with their overall purpose, it should consider whether registration as an AHB is the most appropriate approach for their organisation; or

All Boards should, as soon as is practical, consider the eligibility criteria as set out within the legislation to ensure that their organisation meets them

- Where organisations wish to rescind their AHB status, they should contact the DHLGH;
- Direct any queries on how the Act might impact their organisation to DHLGH.

Further information on how the Act affects your organisation can be found on the DHLGH website.

The new statutory Regulator will provide additional guidance at the appropriate time. A copy of the legislation can be found at irishstatutebook.ie/eli/2019/act/47/enacted/en/html



Chapter 3 **Risk Management**

Risk Overview

The Covid-19 pandemic has significantly impacted the way we live our lives and how AHBs deliver services to tenants and service users. Organisations have had to materially alter their service delivery models and adjust their operations. The pandemic demonstrated the importance of AHBs having robust risk management arrangements in place.

It is anticipated many of the risks faced by the AHB sector prior to the pandemic will be exacerbated as the impact of Covid-19 fully materialises

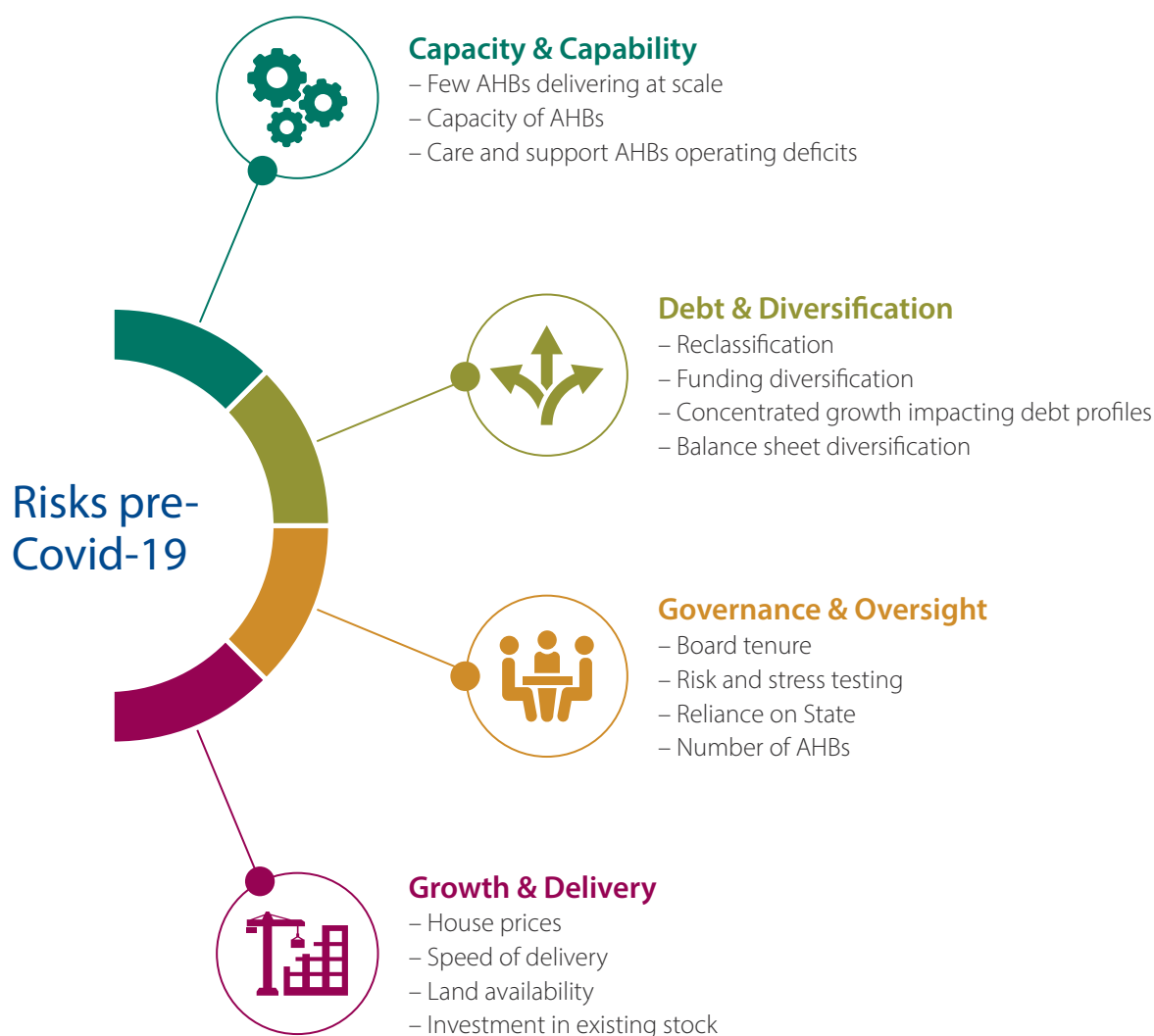
The AHB sector faced a number of key risks prior to the arrival of the pandemic. These organisations are now faced with managing those risks, alongside evaluating the impact of the pandemic on the organisation over the medium to long-term.

Boards need to ensure a dynamic and flexible approach to managing risk and analysing existing and emerging risks. Early identification and evaluation of emerging risks should allow AHBs to develop mitigating actions to reduce the impact of these risks.

The pandemic highlighted the importance of business continuity planning and the importance of Boards clearly establishing their risk appetite and tolerance levels.

It is anticipated many of the risks faced by the AHB sector prior to the pandemic will be exacerbated as the impact of Covid-19 fully materialises.

Risks facing the sector pre Covid 19



Covid-19 Initial Impact

AHBs have been at the forefront of the battle against Covid-19. The extraordinary efforts of all staff and volunteers within the sector is to be applauded. The sector has shown great ability to adapt to the changes required to ensure essential services were delivered.

The AHB sector implemented a number of short-term solutions in the immediate period of response to the crisis. The required government response to the pandemic impacted a range of services including operations, housing management, housing delivery and care and support provision.

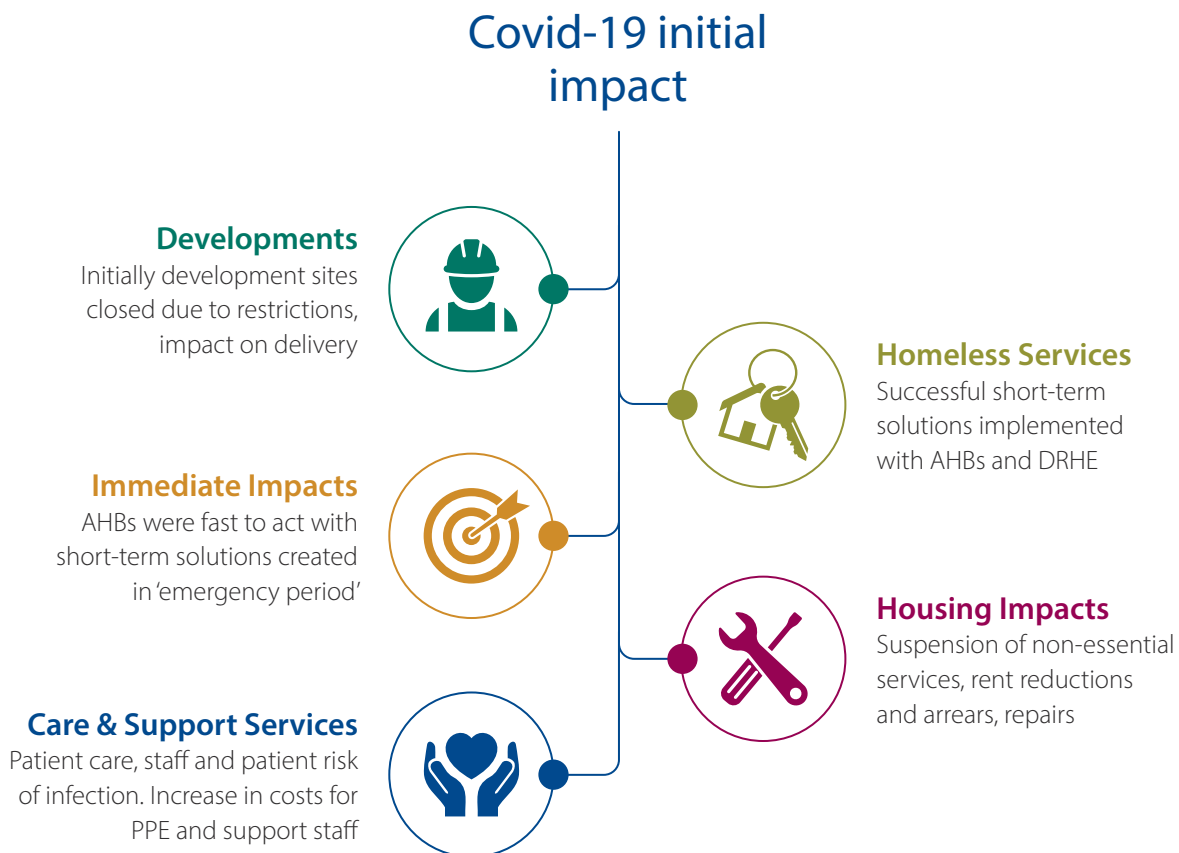
Covid-19 Potential Risks in the Medium to Long term

The medium to long-term impacts of the pandemic have yet to fully emerge, but it is anticipated that a number of operational, financial and 'fit for purpose' scenarios may

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materialise. Risk management and business continuity will be critical tools. Viability, operational capacity, liquidity, and cashflow will become key watch items post the emergency period.

As we move towards the 'new normal' it is more crucial than ever for organisations to identify, assess and manage the medium to longer-term risks of the pandemic. The types of risks that are significant for one type of AHB will differ from another type of AHB depending on the delivery model. Therefore, we need to review and consider the risks and impacts on the differing types of housing management across the diverse AHB Sector. These include large and growth AHBs, homelessness AHBs, care and support AHBs and small AHBs.



Potential Impacts on the AHB Sector

Information collected across the sector have indicated substantial changes to operational models in the short term. These include changes to tenant communication methodologies, impacts to housing delivery, backlogs in repairs and maintenance, impacts on rental income and a substantial hit to fundraising over the longer term. Similar to the rest of the economy the sector is facing a period of significant uncertainty regarding the operational, economic, and financial implications of the pandemic over the medium to long term.

Top Risks

Economy

One of the biggest impacts of the pandemic has been the sharp shock to the world economy which is anticipated to be followed by a severe global recession. There are a significant number of unknowns in relation to how the recession will materialise. However, it is anticipated that a number of fundamentals will be impacted including employment, construction, government deficit, liquidity, credit, and business continuity.

Potential impacts on the AHB sector



The economic impact is likely to be felt across the sector and may materialise in reduced income levels due to reduced rents, increased rent arrears and reduced fundraising. Government funding may be impacted with a significant increase in competing funding requirements.

The negative impact on AHBs who rely on fundraising income and donations has already been felt. The loss of this important income stream has and will continue to place additional demands on organisation's liquidity and cashflows.

Growth Concentration

Unit growth within the sector remains concentrated over a small number of AHBs with a number of these organisations forecasting significant and ambitious growth plans. Such concentration risk has the potential to be significantly heightened should a significant recession materialise.

Delivery of new housing units and development pipelines for AHBs have the potential to be impacted over the medium to long-term. Government housing policy and construction sector viability will remain key watch items.

Where AHBs may have over committed on delivery targets, this has the potential to impact on financial viability, particularly where investment in organisational structures have been made and there is a reliance on new income streams. It is vital that larger and developing AHBs continue to fully stress-test non-delivery of growth plans, including establishing appropriate mitigations where targets will not be met.

Debt Profile and Diversification

The balance sheets and debt profiles of some growth AHBs have and continue to forecast significant change over a relatively short period of time. The level of loan finance commitments has substantially increased. A number of AHB's financial health indicators are demonstrating squeeze and potential tightening of capacity to continue to grow utilising debt only. Additionally, the diversification of loan financing remains limited, with the majority of loan financing being provided by the Housing Finance Agency (HFA) highlighting a concentration and cyclical risk. Diversification of loan financing, balance sheets and considerations relating to alternative growth models is required to ensure sustainable growth and reduce concentration and contagion risk.

The economic impact is likely to be felt and may materialise in reduced income levels due to reduced rents, increased rent arrears and reduced fundraising

Transition to Statutory Regulation

The 2020/21 assessment cycle is anticipated to be the final assessment under the voluntary environment. The DHLGH and the Regulation Office are working on a number of projects in preparation for the new statutory body.

As stated in previous years, it is anticipated that those AHBs who signed up to the Voluntary Code and committed to complying with the standards during the past six years will find the transition to a statutory environment relatively straight forward. However, it is acknowledged that over 260 AHBs chose not to engage with the voluntary environment. There is a heightened risk that those AHBs will struggle to comply with the statutory requirements as laid out in the Act.

Control Environment

The move to the remote working environment has in many cases reduced the control environment due to the nature of remote working. There has been a significant increase in cyber related crimes and increased threats of fraud against organisations through the use of cloned invoices or bank details.

Executive teams and Boards should evaluate and ensure that their organisation has an appropriate assurance framework to assess the new control environment. This should reflect the changes in operating models and implement appropriate measures to protect their organisations.



4

Chapter 4

Sector Analysis

AHB Sector

The AHB Sector remains complex and diversified, with housing delivery models differing substantially across the sector. The risks presented during the pandemic highlighted the significant differences particularly in relation to operational requirements for AHBs specialising in homelessness or care and support. Whilst the Regulation Office continues to split the sector by size, scale, and debt, we are additionally segmenting the AHB sector via delivery models and risk profiling.

275

AHBs signed up to the
Voluntary Regulatory Code

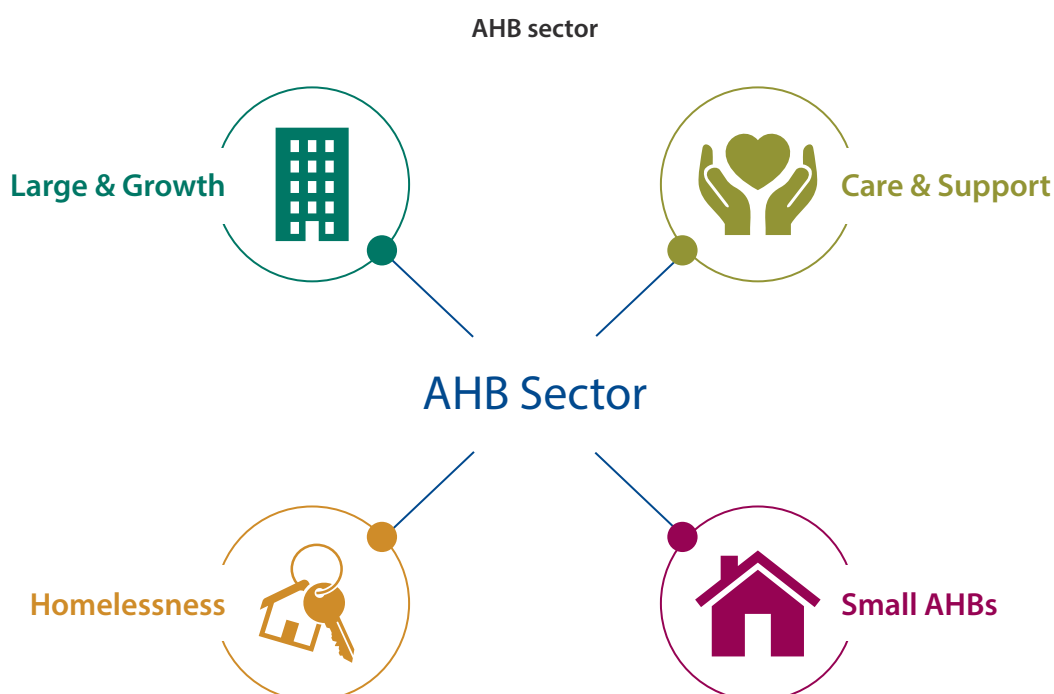
36,992

homes represented in total
across all Tiers

AHB Housing Stock Figures

The following section provides detail on the AHB sector, including a breakdown of AHB housing stock figures, alongside an overview of compliance with the Regulatory Standards across all three Tiers. It provides a detailed analysis of the forecasted unit growth plans and associated financials for larger and developing AHBs. A total of 275 AHBs signed up to the Voluntary Regulatory Code, representing 36,992 homes.

The split of AHBs across the different Tier groups remain similar to previous years, in that there remains a high volume of Tier 1 AHBs with only a small number of units. The majority of the AHB Sector housing stock is owned and managed by a small number of Tier 3 AHBs. A full breakdown is provided in the next section. The analysis conducted and presented represents AHBs signed up to the Voluntary Code.



Housing Stock

As noted above, 36,992 homes are captured under the voluntary environment. The vast majority of these homes are owned, leased, and managed by just 19 Tier 3 AHBs, representing 27,710 homes. The remaining 9,282 units are spread across some 256 organisations with varying delivery models, including 197 small Tier 1 AHBs, holding just 3,375 units (or 9%) of total stock.

Further analysis indicates that 130 Tier 1 AHBs hold less than 20 units each, accounting for just 3% of total stock. On the opposite end of the scale, the concentration of units amongst larger AHBs can also be clearly seen with just 9 AHBs holding 65% of all housing stock.

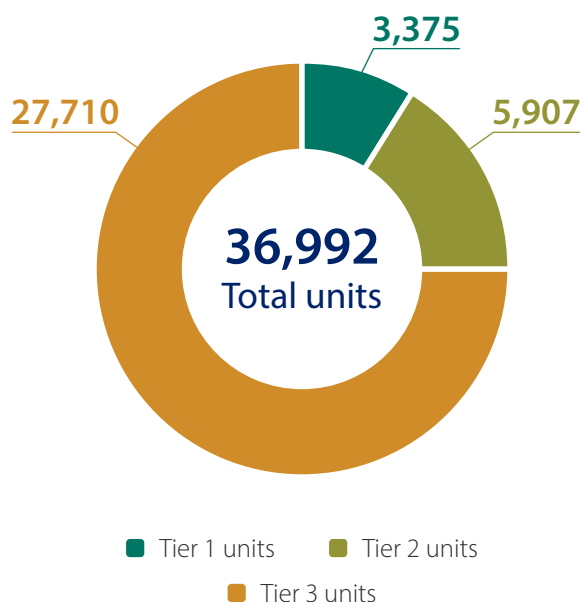
130

Tier 1 AHBs hold less than 20 units each accounting for just 3% of total stock

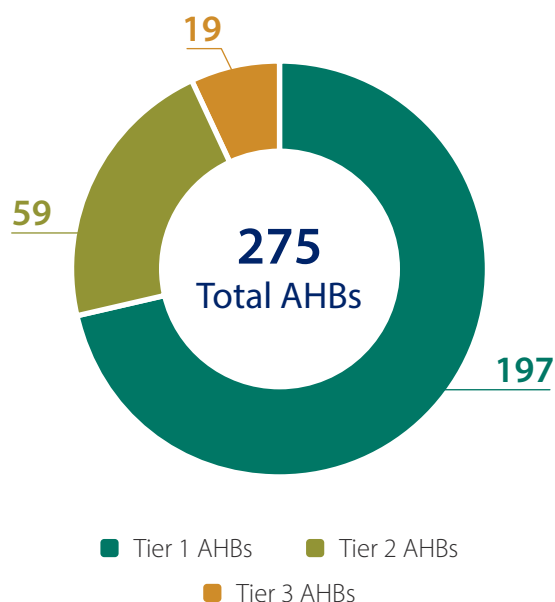
65%

of all housing stock is held by just 9 AHBs

Units split across tier



AHBs breakdown by tier



The table below provides a detailed split of AHBs and units beyond the Tier classifications.

Units by AHB

Sector Breakdown	No. of AHBs	No. of Units	% of Units
1. Less than 20 Units	130	1,172	3%
2. Between 20-50 Units	78	2,379	6%
3. Between 50-100 Units	28	1,840	5%
4. Between 100-300 Units	20	3,481	9%
5. Between 300-1,000 Units	10	3,974	11%
6. Greater than 1,000 Units	9	24,146	65%
Grand Total	275	36,992	

As in previous years, the majority of stock is owned by the AHBs, with managed and leased units comprising of a smaller percentage. The chart below details the split between units owned, managed, or leased by AHBs signed up to the Code.

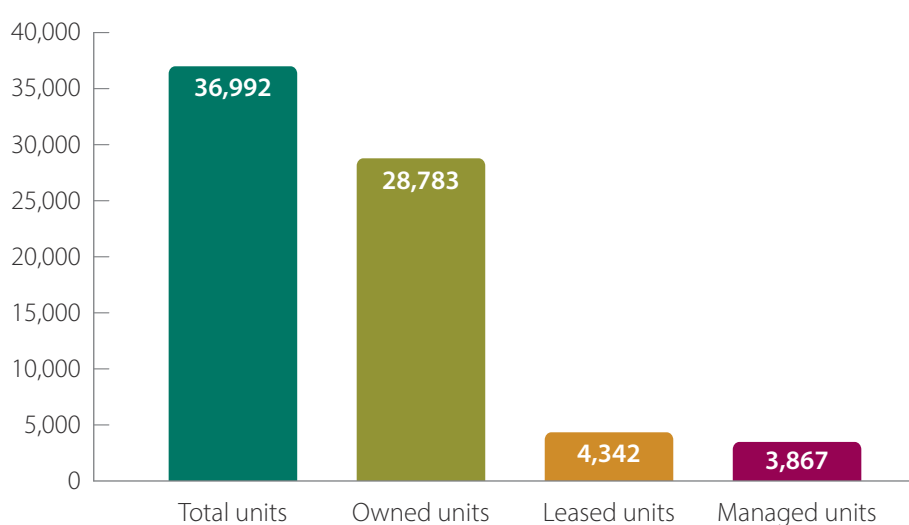
alongside the number of AHB units in each Local Authority area. As anticipated the highest volume of AHB housing is predominantly located across the four Dublin Local Authorities, including Dublin City, Dun Laoghaire-Rathdown, Fingal and South Dublin.

AHBs Across Local Authority Areas

The map and table overleaf reflect the geographical spread of AHBs operating across Local Authorities,

The data reflects that there is a high volume of locally based AHBs managing a small percentage of housing stock.

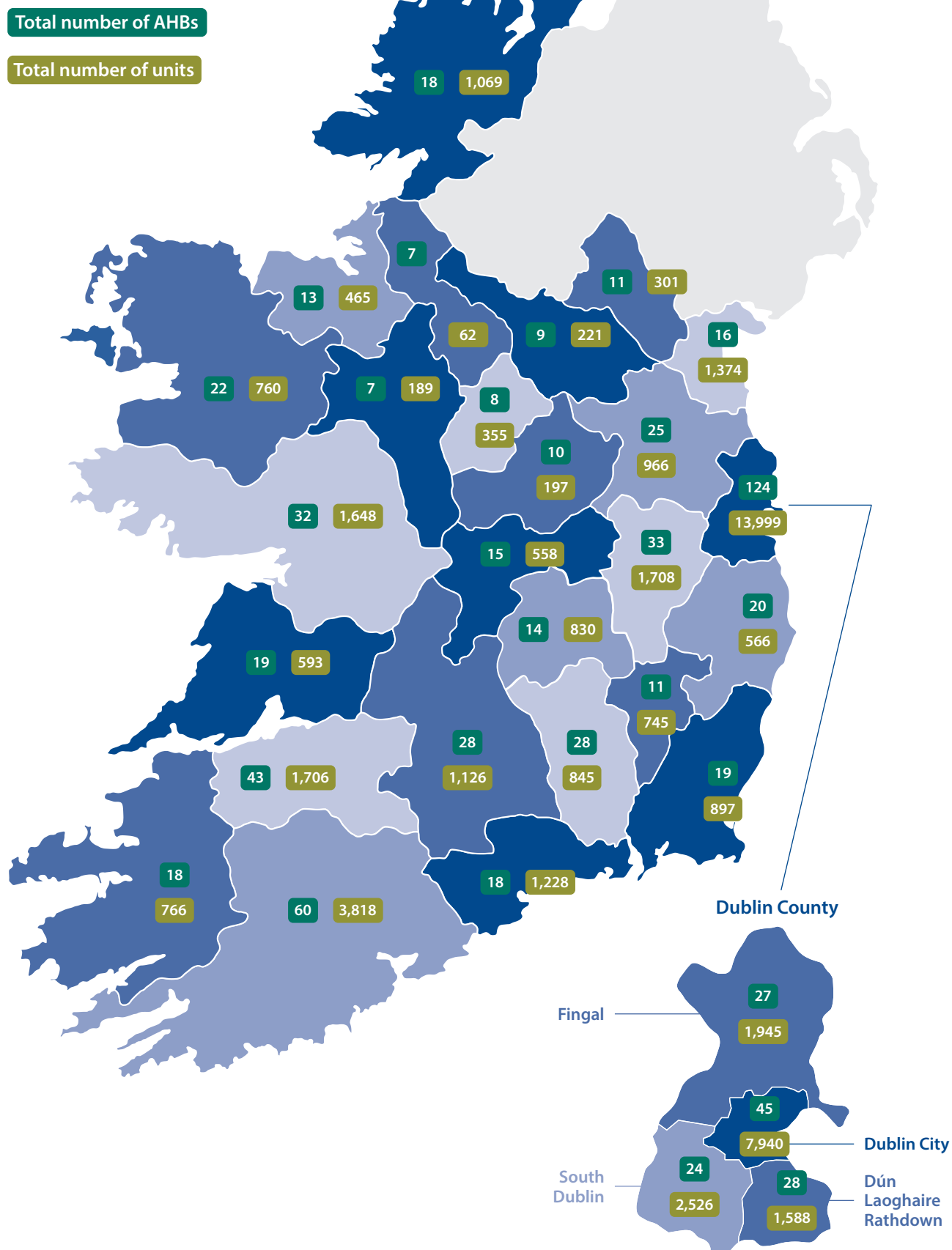
Units split by owned, leased and managed



Local Authority	No. of AHBs operating in Local Authority ¹	No. of Units
Dublin City	45	7,940
Limerick City & County	43	1,706
Cork County	35	2,497
Kildare	33	1,708
Kilkenny	28	845
Tipperary	28	1,126
Dun Laoghaire-Rathdown	28	1,588
Fingal	27	1,945
Meath	25	966
Cork City	25	1,321
South Dublin	24	2,526
Mayo	22	760
Wicklow	20	566
Clare	19	593
Wexford	19	897
Waterford City & County	18	1,228
Donegal	18	1,069
Kerry	18	766
Galway County	16	727
Galway City	16	921
Louth	16	1,374
Offaly	15	558
Laois	14	830
Sligo	13	465
Monaghan	11	301
Carlow	11	745
Westmeath	10	197
Cavan	9	221
Longford	8	355
Roscommon	7	189
Leitrim	7	62
Grand Total		36,992

¹ Based on AHBs signed up to the Voluntary Code

Number of AHBs With Units by County²



² Based on AHBs signed up to the Voluntary Code

Tier 3 AHBs – Key Assessment Findings

An overview of Tier 3 in figures³



€3BN+
Housing assets



€1BN
Total loan
financing



€1.4BN
Total Government
grants



€234M
Total income
generated



11,081 units
3-year targeted
growth



€74.8M
Rental income



4.6%
Rent arrears



8%
Average number
of voids



13 weeks
Average length
of voids

Assessment Overview

Overall, there has been a high level of commitment from Tier 3 AHBs to the Voluntary Code with clear evidence of continuous improvement across these organisations in their ability to evidence assurance frameworks. A key function of the assessment process is to identify areas for improvement or enhancement.

Growth at scale remains concentrated on just a few AHBs leading to concentration risk which will have to continue to be managed. The quality of operations, capacity and capability of these organisations will continue to be tested over the medium to long-term as the true nature the Covid-19 impacts materialise.

There are opportunities relating to mergers and stock transfers that should be examined particularly in areas of balance sheet diversification, value for money and business continuity

There are opportunities relating to mergers and stock transfers that should be examined particularly in areas of balance sheet diversification, value for money and business continuity.

³ This data refers to 17 Tier 3 AHBs who submitted an Annual Financial Return.

Key Findings

The most recent assessment cycle demonstrated high levels of compliance, alongside the identification of a number of areas for improvement and enhancement.

The chart below indicates that the most common area where recommendations were made by the Regulation office was in relation to Performance and covered both AHB tenancy management and asset management. Other common areas identified for improvement included business planning, risk management and governance issues.

Governance

The majority of Tier 3 AHBs continued to demonstrate significant commitment to the Voluntary Code and evidenced strengthened governance frameworks. However, a small number of larger AHBs have not been able to evidence further improvements in their governance structures.

The analysis conducted on Board appointments and resignations for Tier 3 AHBs showed evidence of Board renewal and the ability of Tier 3 AHBs to attract new Board members. A number of AHBs were able to demonstrate

that succession planning, board evaluation and skills audits formed part of their governance approach, highlighting areas where they required strengthening and/or rejuvenation.

However, some AHBs were still unable to evidence Board renewal, with several recommendations being made regarding Board tenure, size, and skills level. We shall continue to focus on governance best practices including board renewal, succession planning and skills gaps in line with the Governance Standard.

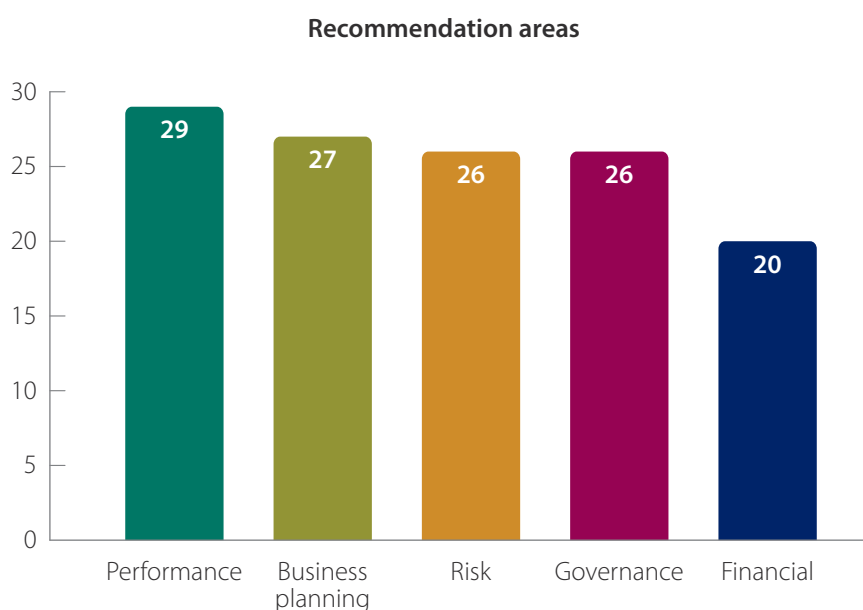
Several larger AHBs continue to evidence complex governance structures where there are links to related parties and/or the AHB operates as part of a group structure.

Whilst there has been evidence of some improvements relating to formal documenting of these relationships, significant enhancements and improvements remain outstanding, particularly relating to roles, responsibilities, charging for services, and appropriate evaluation of service level agreements. Additionally, weaknesses were identified relating to dispute resolution where related party and group structures exist.

Risk Management

Larger and growth AHBs are expected to have robust risk management arrangements including evidence that risk management is fully embedded within the organisation. The most recent assessment identified an overall improvement in risk awareness at Board level and there have been clear improvements in organisation's risk approach and risk frameworks.

The majority of Tier 3 AHBs continued to demonstrate significant commitment to the Voluntary Code and evidenced strengthened governance frameworks



However, there continues to be a wide variance in the effectiveness of risk management arrangements across the larger AHBs. The most common areas for improvement identified related to risk identification, risk appetite, risk tolerance and linking risk with business planning and stress testing.

Performance

The assessment cycle demonstrated further improvement in the ability of larger AHBs to collect and report performance data. Larger AHBs continue to implement and embed new IT based performance reporting systems that have the potential to enhance the reliability of data produced.

Void levels continue to be an area of focus for Boards. The Regulation Office has noted a steady increase in the average length of voids and time taken to fill void properties. There also appears to be a particular issue in relation to the allocation of new units. AHBs should continue to work closely with Local Authorities in addressing this issue.

Asset Management, Stock Condition and Sinking Fund Provision

Whilst all larger AHBs could demonstrate some level of sinking fund provision in their forecasting models there was a wide discrepancy in the quality of this data and the level of stock that had been subject to survey.

Although many large AHBs were able to demonstrate that an Asset Management Strategy (AMS) was in place or was in the process of being established, there was a wide variance in the level of details contained within the strategy. In some cases, the AMS did not clearly define the organisation's objectives regarding the long-term investment in their properties and wasn't fully aligned to their Corporate Strategy or Business Plan. The AMS should clearly document the organisation's approach to planned and cyclical maintenance programmes and consider the risks to the achievement of their asset investment objectives.

Finance

Financial viability was strong across the majority of larger AHBs, with many reporting surpluses, strong liquidity and positive cashflows.

Financial forecasts highlighted that a number of AHBs identified potential liquidity and cashflow issues materialising over the coming years. Monitoring cash and liquidity has become a vital component during the pandemic and will continue to require active monitoring over the medium to long-term by Boards.

Funding diversification remains limited across large AHBs, with growth AHBs remaining predominantly reliant on Housing Finance Agency funding for delivery

As noted previously, a number of larger AHBs have concentrated growth via debt only. The most recent assessment has highlighted a number of organisations forecasting high gearing and debt levels, which have the potential to limit growth capacity and significantly increase risk profiles. Boards will need to evaluate their growth strategies and evidence the Board's risk appetite regarding financial health indicators and alternative growth strategies.

Analysis of the types of recommendations made revealed that stress testing is the area where most improvement is required across the larger organisations. The medium to long-term impacts of Covid-19 will need to be suitably stress tested against AHB's revised business and financial plans.

Whilst most organisations demonstrated some level of stress testing, in many cases this required further enhancement, including perfect storm scenarios, alignment of stress testing to risk register and business planning and the consideration of mitigating actions.

Funding diversification remains limited across large AHBs, with growth AHBs remaining predominantly reliant on Housing Finance Agency funding for delivery.

Analysis of Forecasted Growth and Debt Profile

The AHB Sector has delivered a significant number of units over the past number of years. In the most recent assessment Tier 3 AHBs continue to forecast considerable growth through to 2023. Data analysis of 17 Tier 3 AHBs indicate housing unit growth of approximately 16,464 between the years 2019-2023. Similar to previous years, this growth is highly concentrated, with just five AHBs representing 75% of the growth forecasted. The impact of Covid-19 on housing delivery plans has yet to fully materialise, and this will remain a key watch item.

The unit growth is forecasted to be primarily funded via Capital Advance Leasing Facility (CALF), accompanied by Payment and Availability agreements.

75%

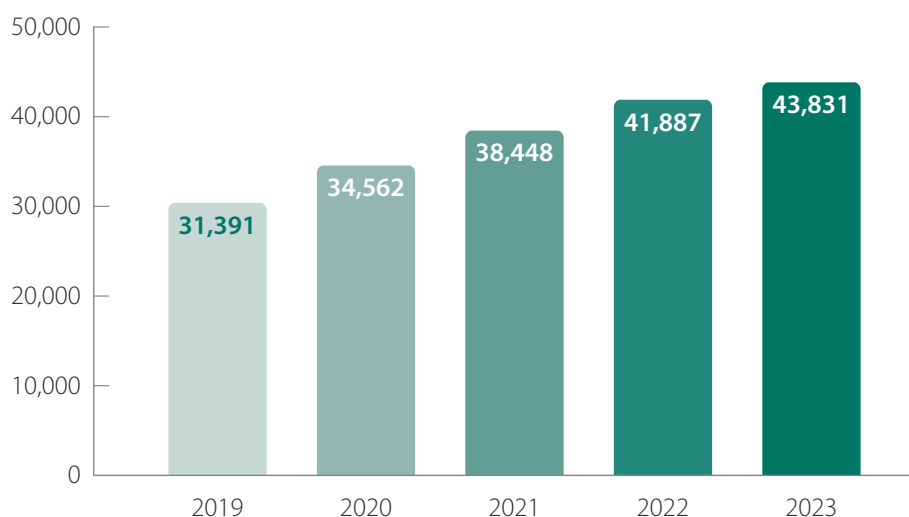
of forecasted growth is represented by just 5 AHBs

The analysis indicates that 17 Tier 3 AHBs forecasted an increase of €0.7 billion in CALF loans over the period alongside €2 billion increase in HFA funding. Other loan financing is forecast to increase by €0.1 billion over the period.

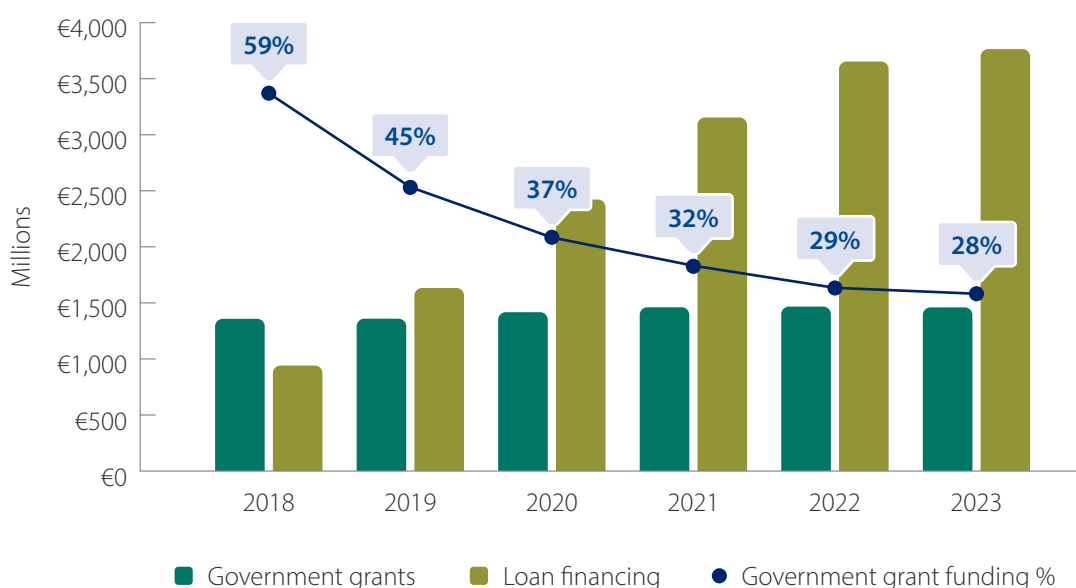
The extensive growth that the AHB sector has delivered in recent years is accompanied by significant changes in debt profiles and balance sheet fundamentals which increases the risk profile of growth AHBs. Increased risk demands pro-active financial oversight, risk management, stress testing and significantly enhanced governance structures. Additionally, loan financing requires increased levels of compliance and covenant requirements for funders.

Growth across Tier 3 AHBs are forecasted to be funded primarily via loan financing (predominantly CALF and Housing Finance Agency) with this figure increasing by

Tier 3 projected units 2019-2023



Tier 3 – Projected debt profile



*17 Tier 3 AHBs AFRs.

300% from €0.9 billion in 2018 to €3.8 billion in 2023. Whilst there has been a slight increase in the use of alternative sources of lending, diversification of funding still remains limited.

The previous chart clearly highlights the shift away from reliance on government loans towards a hybrid of loan financing. As noted previously, a number of AHBs are concentrating on growth via financing alone. There has been limited evidence of both funding diversification and balance sheet diversification. Evidence is emerging from financial health indicators, potentially leading to limiting growth via debt finance only and leading to increased concentration risk. Boards will be challenged with ensuring growth is on a sustainable basis with risk appetite clearly understood.

Tier 2 AHBs – Key Assessment Findings

Assessment Overview

Tier 2 AHB organisations comprise of organisations with housing stock between 50 and 300 units. However, the main differentiator of this Tier, is that these AHBs are predominantly care and support organisations with housing comprising only a small element of their overall purpose.

In most instances, these organisations are funded through revenue grants from government bodies including the HSE and TUSLA and are therefore subject to a range of funding and regulatory oversight.

Growth across the Tier 2 sector remains at a modest level with forecasted growth utilising CAS funding versus loan financing, meaning the debt profiles of these organisations are not changing as dramatically as the larger Tier 3 AHBs.

During the most recent assessment cycle Tier 2 AHBs evidenced further improvements by providing assurances and demonstrating compliance with the Regulatory Standards. The quality of information submitted by Tier 2 AHBs improved with enhanced levels of detail particularly relating to performance management.

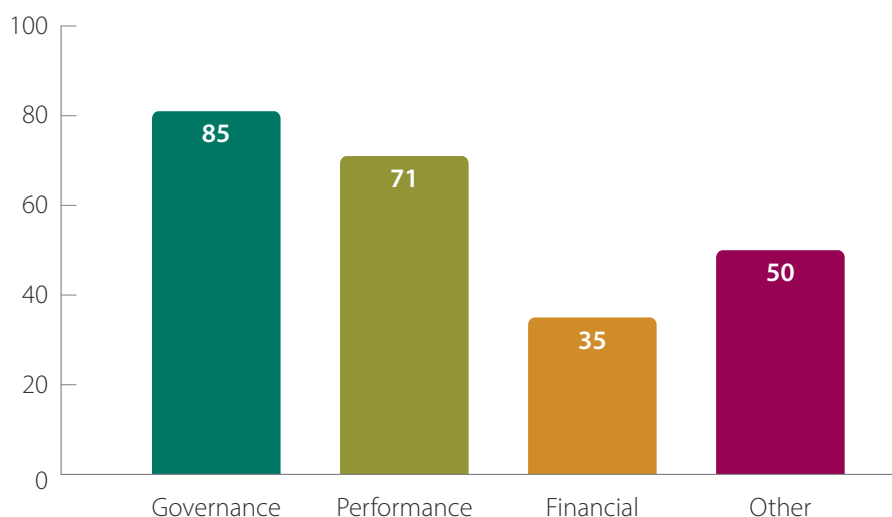
Key Findings

The most recent assessment cycle demonstrated relatively high levels of compliance with the Regulatory Standards by Tier 2 AHBs. A review of the recommendations made reflected that the most common issues related to AHBs ability to meet the requirements of the Governance Standard.

A breakdown of the areas where recommendations were made is included below.

Tier 2 AHBs are predominantly care and support organisations with housing comprising only a small element of their overall purpose

Top 4 recommendation areas





Governance

The majority of Tier 2 AHBs are primarily funded by the State, and a number of these organisations also demonstrate significant levels of dependency on fundraising. Due to the range of multi funding mechanisms in place, alongside care, support and housing requirements, these organisations are subject to oversight from a number of regulatory and funding bodies.

There has been some evidence of Board renewal across Tier 2 AHBs. However, Board tenure remains an issue, with 44% of Tier 2 AHBs assessed, having been identified as requiring improvement in Board tenure, renewal, and succession planning. Three Tier 2 organisations assessed did not meet the minimum requirement of five Board members, as required under the Code.

As previously stated, for a significant number of Tier 2 AHBs the majority of their activity is non-housing, and the housing function is often delivered utilising group structures or relationships with third parties.

The latest assessment cycle identified that 50% of Tier 2 AHBs assessed required improvements in their documented and contractual relationships with third parties. There was limited evidence of formal

Due to the Covid-19 pandemic, care and support organisations potentially face multiple risks regarding financial viability and service delivery due to increased costs, alongside reductions in fundraising

documentation in place governing both services and financial transactions between related parties.

Risk Management

Risk management remains a critical governance tool, which is proving extremely important during the Covid-19 pandemic. Tier 2 AHBs indicated levels of risk management relating to care and support, with gaps pertaining to housing, financial viability, and performance management. Due to the Covid-19 pandemic, care and support organisations potentially face multiple risks regarding financial viability and service delivery due to increased costs alongside reductions in fundraising. Boards will increasingly need to assess, evaluate, and understand these risks with mitigating actions clearly identified.

Performance, Stock Condition Survey and Sinking Funds

The ability of some Tier 2 AHBs to report on key performance indicators including rent collection, voids and repairs remains an issue. Only 72% of organisations reported having some type of performance management system in place.

The majority of Tier 2 AHBs assessed reported having a stock condition survey completed, with two-thirds confirming these results were externally validated.

Only 63% of Tier 2 AHBs assessed reported having a sinking fund provision in place. A number of Tier 2 AHBs stated that their funding arrangements mean it is very difficult to implement a sinking fund, with reliance on annual maintenance revenue grants to fund maintenance and repairs with no long-term investment in housing included.

All AHBs must be able to satisfy themselves that they will have sufficient financial resources and provisions in place to be meet the costs of maintaining their properties to an appropriate standard over the longer term.

Finance

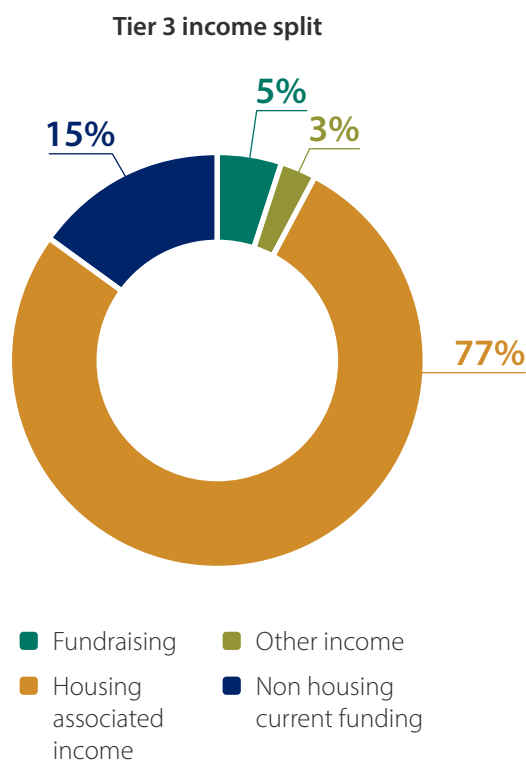
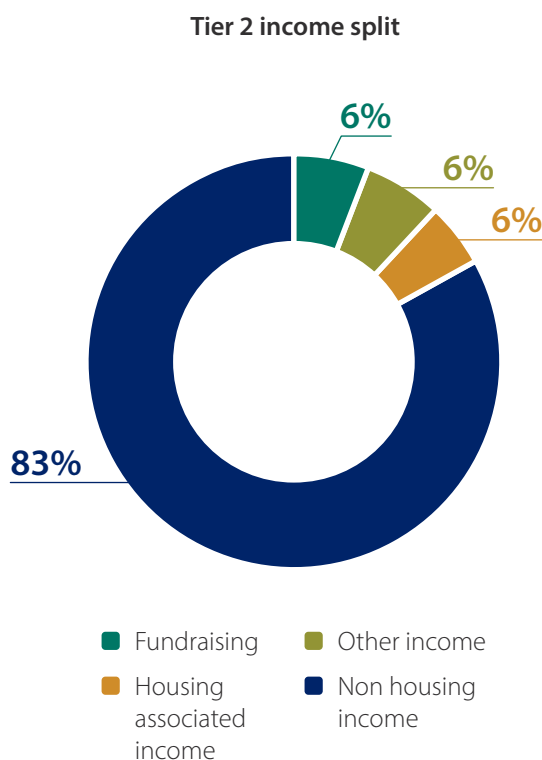
Overall, Tier 2 AHBs reported positive financial results for the year. However, a small number reported annual deficits indicating a risk to their financial viability. Such

deficits put additional pressure on cashflow, liquidity and reserves. The cyclical nature of the funding arrangements for these organisations impinge on their ability to deliver medium to long term financial forecasting and provide assurances relating to financial viability.

The financial deficits and viability identified within this Tier were complex and varied. A few AHBs have entered into action plans with key funders to enable improved viability. It is encouraging to see a number of Tier 2 AHBs increasing their housing stock with some organisations moving to Tier 3 level. Some Tier 2 growth organisations are at the early stages of acquiring loan financing in order to fund growth. Similar to their Tier 3 counterparts, growth AHB Boards will need to ensure that they have the appropriate oversight, financial forecasting, risk management and internal controls enabling growth in a sustainable manner.

As noted in previous years, the financial analysis conducted demonstrates clearly the differences relating to diversity, size, and scale across the AHB Sector, with the split between housing income and non-housing income showing to be substantial. Tier 2 AHBs recorded income of approximately €475 million of which only 5% is visible as Housing Income.

The charts below illustrates the income diversity of the Tier 3 and Tier 2 AHBs.



Tier 2 AHBs plan to grow by an additional 1,332 units over the years 2019 to 2021

Additionally, a number of Tier 2 AHBs are reliant on fundraising/donations, with approximately €30M of income identified as donations (6%). The analysis utilised financial statements only and therefore is reliant on their transparency in relation to housing and non-housing funding streams. Whilst the Regulation Office recognises that the financial analysis is representative only, without accounting reconciliation, the analysis does provide significant insight into the AHB sector. It highlights the diversity of organisations themselves and the complexity of the income and funding arrangements.

€30m

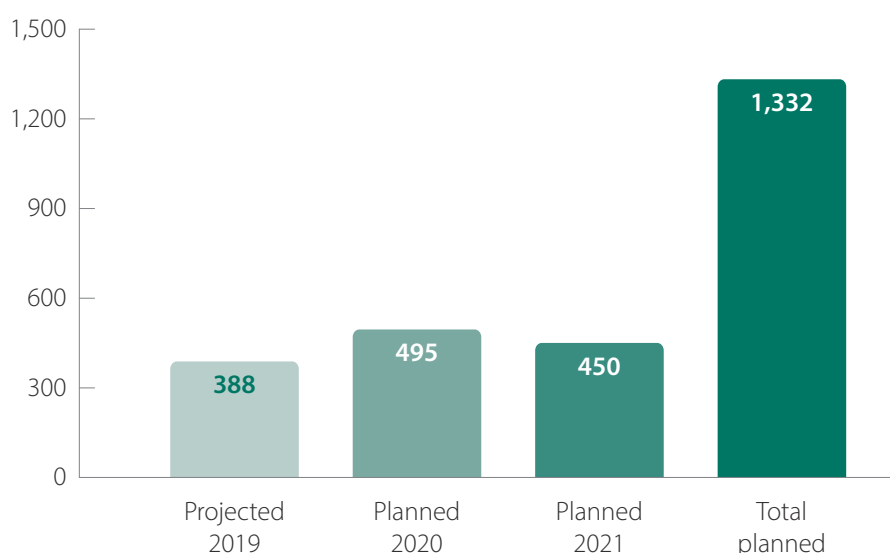
of Tier 2 AHBs income
identified as donations (6%)

Analysis of Forecasted Growth and Debt Profile

While the forecasted growth of Tier 2 AHBs is not considerable compared to larger organisations there are plans to grow by an additional 1,332 units over the years 2019 to 2021. Similar to Tier 3s, this growth is concentrated, with just four AHBs representing 42% of the growth forecasted.

The forecasted funding arrangements for this unit growth is split 50/50 between Government Capital Grants and loan financing arrangements including Capital Advance Leasing Facility (CALF).

Projected growth (56 Tier 2AHBs)



Tier 1 AHBs – Key Assessment Findings

Assessment Overview

Smaller AHBs (Tier 1s) represent the majority of organisations in the sector with 197 Tier 1 AHBs signed up to the Voluntary Code. Whilst the Tier 1 AHBs represent the highest volume of organisations, they represent the smallest number of units, with 197 Tier 1 AHBs owning, leasing and managing just 3,375 units (9%) of the 36,992 overseen under the voluntary Code. The majority of Tier 1 AHBs are small local, community-based, volunteer-led organisations with few or no staff in place.

During this assessment cycle Tier 1 AHBs continued to show improvement in the quality of information submitted to the Regulation Office.

Key Findings

The most recent assessment cycle demonstrated that smaller AHBs continue to improve their overall levels of compliance with the Regulatory Standards.

A review of recommendations made to Tier 1 AHBs indicated that compliance with the requirements of the Performance Standard was the area where the highest level of recommendations was made. Issues relating to Governance were also a significant area for improvement.

A breakdown of the areas where recommendations were made is included below.

Governance

As identified previously, smaller AHBs often rely on their Board members to run the organisation where there are no staff in place. 13 Tier 1 AHBs were assessed as not meeting the minimum requirement of five Board members.

Board tenure was the area where most recommendations were made for smaller AHBs. Analysis of Tier 1 Board membership has identified several key findings:

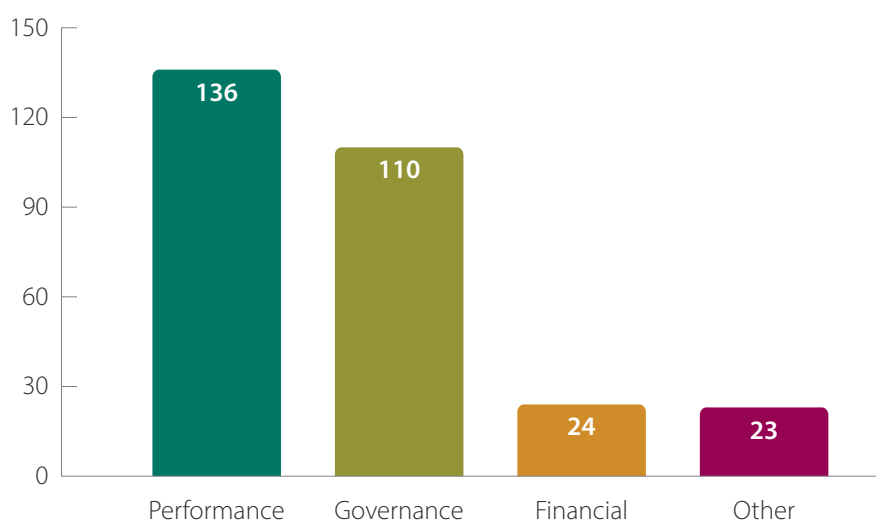
- 39% of Board members have been on the Board for less than 5 years which does provide some evidence that some smaller AHBs are able to attract new members
- 46% of Board members have a tenure beyond the 10-year term recommended in the Governance Standard, with 230 (or 5%) of members identified as being on Boards for over 20 years

A number of Tier 1 AHBs reported that they rely on relationships with third parties to deliver essential services on their behalf. In the latest assessment cycle,

46%

of Board members have a tenure beyond 10 years

Top 4 recommendation areas



recommendations on how those relationships were governed and managed were made to several AHBs. Boards should ensure that relationships with third parties are formally documented and that appropriate controls are in place to manage financial transactions between related parties.

Risk Management

During the recent assessment cycle, only 52% of Tier 1 AHBs reported having a risk register in place. The risk register is a key document in the identification, assessment and management of risks and should be regularly reviewed and discussed by the Board.

Performance

Whilst 85% of Tier 1 AHBs stated that they had some form of performance reporting system in place, significant improvements in the level of reporting were required, particularly in relation to the reporting of repairs information and voids performance.

The requirement to establish a sinking fund was the most common area for improvement related to the

The requirement to establish a sinking fund was the most common area for improvement related to the Performance Standard

Only **52%**

of Tier 1 AHBs reported having a risk register in place

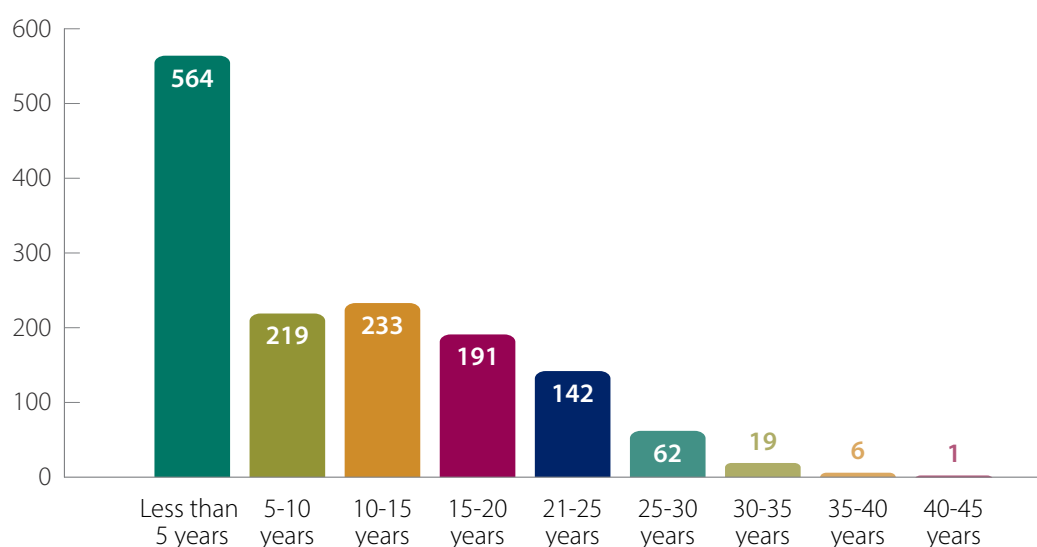
Performance Standard. The need for externally validated Stock Condition Surveys was also an area identified as requiring improvement across the assessed Tier 1 AHBs.

Finance

While the Financial Standard is proportional, with larger organisations being required to meet a greater number of requirements, all AHBs must meet a minimum standard. One requirement is to prepare and provide a copy of financial statements which have been externally audited. While the majority of Tier 1 AHBs did meet this requirement, 25% only provided abridged financial statements and a further 10% provided unaudited accounts.

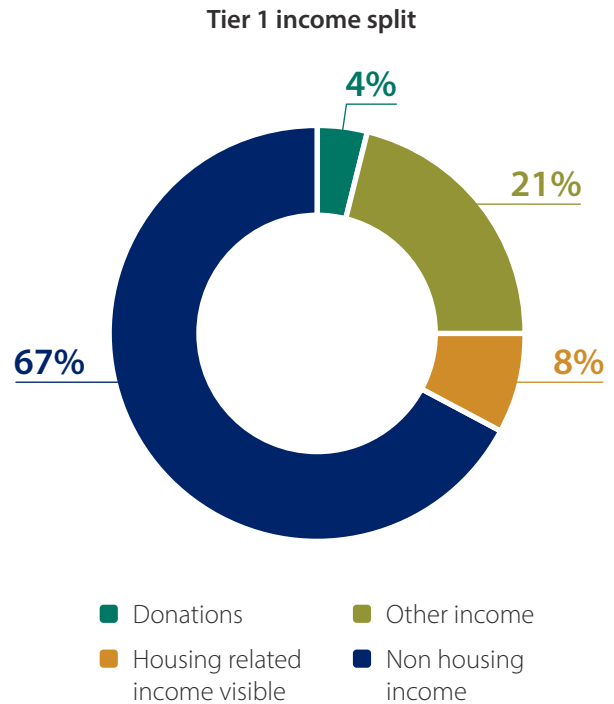
Another minimum requirement is ensuring financial viability which is crucial for the safeguarding of social housing assets. While the majority of Tier 1 AHBs reported an operating surplus 34% reported an operating deficit.

Board members tenure – Tier 1



Analysis of Financial Statements reflects a high level of diversity in both size and scale between organisations. For example 4% of Tier 1 AHBs have fixed assets of over €5M whereas 13% have fixed assets of less than €100,000. This diversity can also be seen in the income levels with 25% reporting income of €1,000 or less whilst 12% reported income levels of over €1M for the year.

Overall income is shown in the following chart with 67% of income deriving from non-housing sources, mainly government revenue grants. Other income is 21% due to limited visibility of the income type in many of the financial statements.







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