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The Regulation of Approved Housing Bodies (AHBs) in Ireland

2015 Annual Report and Sectoral Analysis

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Why regulation is important:

1. To ensure that the investment made by the State is managed and that homes provided are available for tenants into the future
 2. To build capacity of the sector to deliver more and better quality homes
 3. To build confidence of public and private funders to invest in the sector, through the presence of regulatory oversight.
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Foreword from the Chair

Jennie Donald

The last year has brought a number of positive developments for the regulation of Approved Housing Bodies (AHBs). Building on the progress made in embedding regulation across the sector, the 2014/15 assessments and ongoing work have further refined the regulatory standards, reporting by AHBs and Regulation Office processes.'

The Regulation Office has completed a second regulatory cycle of Annual Regulatory Returns and assessments, furthering our understanding of the sector and building on the progress of initial assessment and reporting in 2013/14. The 203 AHBs assessed account for 90% of the sector's stock, almost 27,000 homes that are subject to regulation, enabling the safeguarding of tenants and social housing assets. A further 34 AHBs have now signed up to the Code and will be making an annual return for the first time by the end of October 2016.

This sectoral analysis draws on assessment findings to present an overview of the AHB sector and emerging regulatory issues. The Regulation Office continues to develop its understanding of how the sector functions and is performing against key indicators. The information in this report benefits the Regulation Office, but also other stakeholders from AHBs themselves, to the State, local authorities, tenants and elected representatives.

Awareness of the regulatory standards has developed and there are signs that AHBs are seeking to proactively respond to the new standards on governance, financial viability and performance.

Governance remains a key priority for the Regulation Office. Scrutiny of the charitable sector in recent months has revealed troubling indications that the principles of good governance are not always adhered to. The Regulation Office takes seriously its responsibilities in seeking assurance from AHBs that core governance requirements are being met. In the coming months we will be developing and implementing a new Governance Standard to promote and monitor governance in the sector.

Over the past year, the Regulation Office has continued to prepare for the introduction of statutory regulation. The interim Regulatory Committee has an advisory role to the Minister for Housing, Planning, Community

“The 203 AHBs assessed account for 90% of the sector’s stock, almost 27,000 homes that are subject to regulation, enabling the safeguarding of tenants and social housing assets.”



and Local Government, supporting the development of legislation to establish a new regulator for AHBs and the statutory regulatory framework. We have engaged extensively with the Minister’s Department, based upon experience of regulatory practice to date and the responsibilities and powers that the regulator will need moving forward. This has been a constructive and collaborative process and I would like to note the Committee’s thanks to the Department.

The Minister’s commitment to regulation was reiterated in *Rebuilding Ireland: An Action Plan for Housing and Homelessness* and the Regulation Office will continue to work with the Department to support the establishment of a new regulator in 2017.

Rebuilding Ireland brings new challenges for the AHB sector and the Regulation Office. There will be increasing demands on AHBs, with greater exposure to private finance and risk and a need for robust and effective regulation to build confidence and provide assurance. At the heart of all that we do is our mission of safeguarding current and future tenants and social housing assets. There is much work to be done in preparing for the introduction of statutory regulation, but the foundations of the new system have been laid through the Voluntary Code and the significant response by the sector to the principles of regulation. The Regulation Office will work with the Department to support a smooth transition from the current system to statutory regulation.

I would like to thank my iRC colleagues for their expertise, commitment and energy in dealing with the

task at hand and planning for the future. My thanks also to Rosalind Carroll and Pat Fitzpatrick for their support and the Regulation Office team whose resolve and determination to deliver has taken the regulation of AHBs another step forward over the last year.

The Head of Regulation, Rosalind Carroll, left the Housing Agency in March to take up a new role as Director of the Residential Tenancies Board. Rosalind led the implementation of the new regulatory system and had established strong principles, relationships and processes supporting the regulation of AHBs. She has been ably succeeded by Pat Fitzpatrick, who has continued to embed the regulatory standards and successfully overseen the completion of the assessment of 203 organisations. As a result, the Regulation Office has been able to deliver its objectives and effectively regulate for a well-governed, financially viable and well-managed AHB sector.

We will continue to work with the sector and key stakeholders to further develop the existing regulatory framework and prepare for the new regulatory regime.

A handwritten signature in black ink that reads "Jennie Donald".

Jennie Donald
Chair of interim Regulatory Committee

Introduction by the Head of Regulation Pat Fitzpatrick

During this past year the AHB sector has continued to participate with the Code and, particularly in the case of those organisations undergoing a second assessment, their positive response to the regulatory framework is encouraging. This Annual Report and Sectoral Analysis provides an account of the work of the Office over the last year and also provides sector-wide analysis based on our regulatory assessment of 203 AHBs.

There are now 237 AHBs signed up to regulation, including 34 AHBs that have recently signed up to the Code and will be making an annual return for the first time by the end of October.

This represents an increase of 43 since our last report meaning that more than 90% of the 30,000 total estimated housing stock in the sector, and their tenants, are now protected through regulation.

We have carried out a second assessment on 141 AHBs along with first time assessments of a further 62 AHBs. The results of these assessments demonstrate the progress that has been made by AHBs in working towards achieving the regulatory standards. It also provided the 62 AHBs undergoing a first assessment

with feedback on the areas in which they will need to improve. The overall performance of the sector continues to be good but we have identified specific areas for improvement with a number of organisations and we are actively working with these AHBs as they work to meet the required standards.

The development of legislation has continued following the publication of the report of the Joint Committee on Environment, Culture and the Gaeltacht in February 2016. The Government's *Rebuilding Ireland Action Plan for Housing and Homelessness*, launched in July 2016, reaffirms the commitment to the introduction of statutory regulation in the first quarter of 2017.

“The Government’s *Rebuilding Ireland Action Plan for Housing and Homelessness*, launched in July 2016, reaffirms the commitment to the introduction of statutory regulation in the first quarter of 2017.”



The new government action plan has set a target to deliver 47,000 homes by 2021 and a significant portion of these are expected to be delivered by the AHB sector. This is very much in line with the significant role expected for the AHB sector as set out in the *Social Housing Strategy 2020 – Support, Supply, and Reform*. It is important that an appropriate regulatory framework is in place that will enable the sector to access the private funding required to deliver these much needed homes.

During the past year, nine of the larger AHBs participated in a pilot of the Financial Standard and this has now become part of the standards against which all Tier 3 AHBs will be assessed in the next cycle. I want to thank the representatives of the nine AHBs that participated in this pilot for their valuable contributions. We will review the experience from the pilot as we continue to develop and roll out this standard to the Tier 2 and Tier 1 organisations in a proportionate manner and in consultation with the sector, lenders and other key stakeholders.

Our next priority is to develop and implement a Governance Standard over the coming year that will further support the sector to achieve the standards of governance required in the not-for-profit sector. We will also work with the sector on developing appropriate responses to the issues that have emerged from the most recent assessment.

The Regulation Office has a small team of seven staff and, despite changes in personnel, the dedication and professionalism of the team has been maintained. I would like to acknowledge their hard work over this past year.

We are conscious of the need to ensure a smooth transition to statutory regulation and we will continue to work with the sector and other key stakeholders to ensure that the AHB sector can continue to make a difference to more and more people’s lives.

A handwritten signature in black ink, appearing to read 'Pat Fitzpatrick'.

Pat Fitzpatrick
Head of Regulation

Regulation at a glance



203 AHBs assessed

26,904 – AHB social homes under regulation

90% of Total AHB Stock is currently regulated

Three Tier 3 AHBs account for 42% of Regulated Stock

80% of stock owned by Regulated AHBs

Regulation is linked to eligibility for funding by the Department

Annual review meetings have been held or are scheduled with all Tier 3 AHBs

11 AHBs identified as requiring engagement, working collaboratively with the Regulation Office

1,663 Board members are involved in the governance of AHBs

Increased awareness of the importance of governance, financial and performance management

Development and enhancement of working relationships with key stakeholders

Nine Tier 3 AHBs completed a pilot of the Financial Standard, including 30 year plans

Focus on risk management framework in a growth environment

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Regulation

The Regulation Office

The Regulation Office remains focused on its key goal of protecting AHB assets and safeguarding the interests of current and future tenants. We do this by regulating for a well governed, well managed and financially viable AHB sector. Now in its third year of operation, the Regulation Office continues working to embed the principles of regulation across the AHB Sector and progress the regulatory framework in preparation for statutory regulation.

The **objectives** of regulation are to:

- Provide assurance to tenants, boards, government, and potential investors and demonstrate a stable and well-regulated sector
- Safeguard tenants and public investment in the sector

- Improve and encourage good governance and financial health across the sector
- Provide a framework for AHBs to manage risk effectively and to focus on achieving best outcomes for tenants
- Facilitate investment in social housing by growing confidence in the sector
- Contribute to the overall sustainability of the sector

The Regulation Office is part of the Housing Agency, a State body that supports the supply and delivery of housing and housing services. It is funded by the Department of Housing, Planning, Community and Local Government (Department).

“ Our mission is to protect AHB assets and safeguard the interests of their current and future tenants by regulating for a well-governed, well managed and financially viable sector.”

The Governance of the Regulation Office

The Regulation Office is led by an **interim Regulatory Committee** (iRC) of non-executive members. The Committee, appointed by the Minister for Housing and Planning in February 2014, is a committee under the Board of the Housing Agency, but has independent decision making powers.

The Committee sets the Regulation Office's strategic direction, within the following terms of reference:

- Oversee the assessment of AHBs in respect of their financial viability, governance and management, and that they are compliant with the regulatory framework
- Provide advice and recommendations on implementing the regulatory framework
- Provide guidance to participating AHBs to assist in their compliance
- Bring significant non-compliance issues to the attention of the Minister
- Advise the Minister on the development of a statutory regulatory framework

The Committee currently has 10 members with extensive experience ranging across regulation, law, finance and housing. The members of the Committee are:

Dr Jennie Donald (Chair)
Dr Oonagh Breen
Michael Cameron
Ronan Heavey
Gerry Hunt
Eddie Lewis
Donal McManus
Dr Mary Lee Rhodes
Anne Marie Farrelly (resigned November 2015)
Margaret Geraghty (appointed February 2016)
Damian Allen (resigned January 2016)
Philip Nugent (resigned June 2016)*

* A new departmental representative will be appointed to the iRC in November 2016. The Committee would like to thank Anne Marie Farrelly, Damian Allen and Philip Nugent for their service and commitment to the work of the Regulation Office.

The iRC is collectively responsible for leading and directing the Regulation Office activities. The Committee sets the goals, objectives and priorities for the Regulation Office and ensures that it is working to deliver its mandate. The Committee delegates the day-to-day responsibilities of the Regulation Office to the Head of Regulation.

The Committee meets regularly and as required, with five meetings in 2015 (six in 2014).

The Committee has overseen the assessment process for AHBs, and advises and approves on the appropriate action plans where engagement is required with individual AHBs.

The Committee is actively involved in an advisory capacity with the legislation for establishing an AHB regulator and statutory regulation, and provides advice to the Minister and the Department on the development and formulation of the legislative framework and setting of standards. It is committed to ensuring that any new regulatory body is fit for purpose, independent, has autonomous decision-making powers and an expectation of continuity for regulation of the AHB sector and its stakeholders.

The Committee is committed to ensuring the highest standards of governance are maintained and that it operates within a clear and transparent framework. The core values of the Regulation Office are independence, confidence, fairness and integrity. The Committee acts on an informed basis, in good faith, with due diligence and care.

The Chair provides the leadership of the Committee, ensuring its effectiveness including agenda setting, timely and efficient information flows to and from the Committee, active and challenging dialogue and engagement with key stakeholders.

On appointment, members receive comprehensive briefing documents providing clear visibility on the roles, duties and responsibilities of the Committee.

Interim Regulatory Committee Governance Framework

- Operates according to the Principles – Code of Practice for the Governance of State Bodies and established good practice
- Has adopted a Code of Conduct
- Has established and maintains a Register of Interests
- Has established a protocol between the Housing Agency, Regulation Office and the iRC
- Operates in a transparent manner for interested parties and the general public
- Minutes of all iRC meetings are published on the website

The Committee is currently reviewing the requirements of the *Code of Practice for Governance of State Bodies*, published in September 2016, under which regulatory bodies are governed. The Committee will review its existing structure in line with the updated requirements and ensure compliance with this Code of Practice.

The Executive team is led by Pat Fitzpatrick, and comprises of a Financial Regulation Manager, Governance and Assessment Manager, two Regulation Analysts and two support staff. This team carries out the work of the Regulation Office, including the annual assessment of AHBs signed up to the Code.

The Role of Regulation

Regulation and its Advancement

AHBs were placed at the heart of the Government's *Social Housing Strategy 2020 – Support, Supply and Reform* which envisaged a significant role for this sector in the delivery of over 35,000 new social homes.

In 2016, *Rebuilding Ireland Action Plan for Housing and Homelessness* reiterated the importance of AHBs within the overall objective of increasing the level and speed of delivery of social housing and other State supported housing with funding of €5.35bn to support the delivery of 47,000 units by 2021.

Regulation remains a critical step to support the provision and delivery of these homes, accompanied by capacity-building, increased private funding and new financing models to meet the ambitious targets. The *Rebuilding Ireland Action Plan* commits to the establishment of statutory regulation in 2017.

The strategic landscape for AHBs brings new challenges; increasing demands particularly in relation to supply, more debt-financing, greater levels of assurance for tenants, government and investors. Sustainable growth of housing supply, understanding and management of risk and a focus on performance and outcomes are critical in this context.

Regulation provides safeguards that are important at all times, but never more so than in a challenging and changing environment. The Regulation Office is mindful of emerging priorities while remaining focused on the oversight and assurance of AHBs and safeguarding of tenants, assets and investment.

Experience elsewhere has shown that robust and effective regulation can foster confidence in the sector and create an environment that encourages growth and innovation.

Regulation is important as it:

- Safeguards the significant investment made by the State for social housing
- Protects existing tenants
- Develops the capacity of the sector to grow
- Is an integral part of an effective housing system
- Is an enabler for investment and new supply
- Builds confidence of both public and private funders to invest in the sector

The Regulatory Framework

The regulatory framework in Ireland has advanced significantly over the past three years. 203 AHBs have now been assessed and have committed to the Code, working to improve, align and advance their governance, financial management and performance management objectives, in line with the principles of tenant focused delivery of quality services and accountability.

The regulatory framework is based on the Voluntary Regulation Code ‘Building for the Future’ (the Code), and is the stepping stone to statutory regulation, which is expected to be introduced in the first quarter of 2017. Those AHBs that have signed up to the Code, have committed to achieving the standards required. In line with the ‘comply or explain’ governance principle, AHBs have some flexibility where they do not comply with elements of the Code but need to provide a reasonable and acceptable explanation for any departure from the standard.

In 2016, the Department affirmed its commitment to regulation by changing its policy to link eligibility for future funding to a satisfactory regulatory assessment. It remains mandatory for all newly established AHBs to sign up to regulation prior to gaining ‘Approved Body’ status.

From 1st January 2017, only those AHBs that are able to demonstrate commitment to and engagement with both the VRC and the Financial Standard and Assessment Framework, having undergone a satisfactory assessment as part of the annual assessment process by the Regulation Office will be considered eligible for funding (Department Circular 15/2016)

The *Rebuilding Ireland* action plan commits to establishing a statutory regulator for the AHB sector in the first quarter of 2017. The stated objective is to safeguard public and private investment, rationalise and enable increased supply from the Voluntary and Co-operative housing sector.

The Regulation Office will work to ensure a smooth transition from voluntary to statutory regulation.

How are We Assessing AHBs?

The regulation framework is proportionate and risk-based and the Regulation Office assesses AHBs in line with their size, scope of activity and risk profile. Within the regulatory framework, those AHBs that have signed up to the Code, have committed to complying with specific requirements and meeting certain objectives in relation to governance, financial viability and performance management.

The Code sets out a three tier system which is used to categorise AHBs for regulatory purposes: Tier 3 (large AHBs), Tier 2 (medium sized AHBs), and Tier 1 (smaller AHBs).

The AHB Tier classification is outlined below:

AHB Tier Classification

Tier 1	0-50 units with no development plans or development plans that keep the total under 50 units
Tier 2	50-300 units or development plans that keep the total under 300 units, or the use of loan finance for development
Tier 3	>300 units or sizeable development plans, including the use of loan finance for development

The regulatory framework, with underlying principles of tenant focused delivery, proportionality, accountability and transparency is summarised below:

Regulatory Framework

Governance

- Fully Functioning Board
- Established Roles and Responsibilities
- Minimum 5 Board Members
- Minimum 4 Meetings per Year
- Board Policies and Procedures
- Compliance with Legislation



Performance Management

- Performance Indicators
- Tenant Service Policies
- Repairs and Maintenance
- Process and Procedures
- Regular and Effective
- Communication Processes

Financial Viability

- Financial Management'
- Audited Financial Statements
- Sinking Fund
- Risk Register
- Strategic Plans
- Financial Plans

The Regulation Office reviews each AHB against the Code requirements and assesses the organisation based on its Annual Regulatory Return. Depending on their Tier classification, AHBs provide varying levels of governance, financial and performance management data that outlines the individual AHBs board, financial management and operational structures.

The Regulation Office reviews in detail:

- **Governance** – that the organisation is well governed, with a fully functioning board, providing oversight, direction, control and challenge to the Executive. Review of the governance structure includes roles and responsibilities, delegation of duties to the Executive, number of meetings, policies, skills and expertise of the Board, compliance with legislation and that appropriate board governance structures are in place.
- **Financial Viability** – the Regulation Office completes a detailed review of the AHB's financial statements and, depending on their Tier level, annual reports, strategic plans and financial plans where appropriate. The Regulation Office reviews whether an AHB is operating a surplus or deficit (over two or more years), liquidity and operating cashflows. Tier 3 AHBs are now required to complete a more detailed financial return as part of the Financial Standard. Such requirements remain proportionate and risk-based in line with the principles of the regulatory framework.
- **Performance Management** – AHBs must be accountable to their tenants and the regulatory framework emphasises this by requiring AHBs to monitor and report on how they manage their operations including areas such as repairs, allocations, voids and arrears. This involves having an agreed set of performance management indicators and specific tenant service indicators.

Assessments, Communication, Engagement and Action Plans

All AHBs that have signed up to the Code and have submitted a Regulatory Return and appropriate data receive an Annual Regulatory Assessment report. The assessment evaluates the AHB against the Code requirements for their assigned Tier.

All assessments are risk-based and provide individual feedback to AHBs on their performance against the key regulatory areas of Governance, Financial Viability and Performance Management and provide detailed recommendations to the AHB, where necessary.

Where the Regulation Office has ascertained that an AHB has limited risk and the AHB has provided assurances that appropriate changes have been, or are in the process of being addressed by the organisation, the AHB is asked to implement any recommendations made over the coming year.

Where an organisation does not comply with the Code, the Regulation Office will seek additional information, in writing, within a specified time period. Where such clarification addresses the key concerns, the AHB is asked to ensure that the recommendations are implemented within a specified time period.

Those organisations that have substantial non-compliance issues that could pose potential risks, will be deemed to require engagement. The Regulation Office will request a formal engagement meeting with the Chair and Chief Executive of the organisation. AHBs are expected to work with the Regulation Office to develop and implement an appropriate action plan for each organisation to adjust, align and make appropriate changes to ensure compliance.

Where there are inadequate responses and action plans, the organisation may be removed from the listing of AHBs signed up to the Code. As noted previously, a satisfactory assessment will be required from the 1st January 2017 to ensure eligibility for funding from the Department.

The most recent assessment process has resulted in 11 AHBs being deemed to require engagement by the Regulation Office. Currently, these AHBs are working pro-actively with the Regulation Office in an effort to ensure compliance with regulatory standards.

In addition to engagement meetings, the Regulation Office meets all Tier 3 AHBs annually, reviewing the governance structures, strategic plans, risk management, financial planning, debt capacity, development plans, tenant performance data and organisational structures.

Advancement of the Framework

The regulatory framework will continue to evolve in line with the interim Regulatory Committee's strategy and direction, growth of the AHB sector and in conjunction with the transition from voluntary to statutory regulation.

Financial Standard

The Financial Standard was published in July 2015 and its implementation is on a phased basis following the principles of proportionality. While the competence and experience of Boards and Executives play a crucial role in ensuring sound financial management, the Financial Standard focuses on the financial viability of AHBs. The Standard reviews both short term and long term viability of AHBs, with detailed submissions required by Tier 3 AHBs in relation to a four-year plan and 30-year financial projections. A pilot for Tier 3 AHBs was conducted in 2015/16 with nine Tier 3 pilot members working directly with the Regulation Office to review and test the requirements set out. We continue to review and assess key outcomes from the Pilot. All Tier 3 organisations are required to be compliant with the Financial Standard in 2016. The information provided will support review and challenge by Tier 3 Boards of their business and financial strategies and support assurance required by the Regulation Office.

Governance Standard

The Regulation Office is committed to developing a Governance Standard for the AHB sector in line with the Financial Standard. Our objective under the Governance Standard will be to oversee and monitor the governance frameworks of AHBs under regulation. The Governance Standard will be developed in consultation with key stakeholders with a series of working groups and will be based on existing governance standards and best practice. This standard will detail what is expected of each AHB in relation to the systems and procedures by which AHBs are directed, controlled and managed by their boards.

Assessment Framework

Both the standards and the framework for assessing AHBs will continue to be strengthened and developed to ensure a fair, proportionate and transparent approach to the assessment process, as we continue to monitor the sector and deepen our understanding of its complexities.

The approach to regulation will remain flexible in order to keep pace with developments in the sector with a particular focus on risk management and private financing.

Local Authorities and AHB Regulation

Local authorities will continue to have an important role in relation to enabling AHBs deliver social housing. They are responsible for determining demand, suitability of development locations and, ultimately entering into contracts with AHBs that enable the delivery of social housing. They also have a key role in relation to nomination and allocation of applicants from their social housing waiting lists.



Local authorities also have certain legal and oversight responsibilities for the AHB and wider rental sector, including inspecting properties against the *Housing (Standards for Rented Houses) Regulations*. The Local Government Audit Service published *VFM Report 29 – The oversight role of local authorities in the provision of social housing by Approved Housing Bodies* in December 2015. This report set out the current obligations on local authorities in terms of their oversight of AHBs and also acknowledged that, with the advent of an independent statutory regulator, the role of local authorities in respect of AHBs will change.

The Regulation Office will liaise closely with the local authority sector to develop working arrangements to avoid duplication of oversight functions under statutory regulation.

Emerging Issues and Priorities

The Regulation Office has identified a number of emerging issues and priorities as a result of its detailed review of 203 AHBs. We will work with boards and executives of AHBs and all key stakeholders within the sector to address these issues, as appropriate.

Complexities of Sector

The AHB sector is diverse and complex, with a number of care and service organisations, of which housing provision is just one element of the overall organisation. These AHBs have multiple funding providers and complex organisational and legal entity structures. In some cases, there are issues aligning current organisational structures with the regulatory requirements. The Regulation Office will continue to work with these organisations to ensure appropriate compliance with the Code and, where applicable, liaise with other regulators and funders.

Group Structures and Related Parties

The assessment process, which includes a detailed review of financial statements, indicated a small number of AHBs that form some part of a group structure or have related parties. The assessment findings indicate complexities around the governance of individual entities and, in some cases, significant dependencies on a related party.

It is important that AHBs have relevant contractual agreements in place to govern all relationships and outsourcing arrangements. The Financial Standard and new Governance Standard will embed clear standards of practice in relation to group structures and related parties.

Size and Scale

The 203 AHBs assessed account for 90% of the total AHB stock. The assessment process indicated that 56 AHBs have 10 units or less, representing 28% of all regulated AHBs. The estimated 300 AHBs that have not yet signed up to the Code are likely to be similarly small organisations. This can present challenges in recruiting board members and ensuring that boards have the appropriate skills and expertise. A significant number of small AHBs also means a reliance on the availability of volunteers to run the organisation and they can find it difficult to meet governance, financial viability and performance management requirements.

CRA, Revenue, HSE and Other Key stakeholders

As noted above the AHB sector covers multiple entities with differing structures and services. The majority of AHBs signed up to the Code are charities, with a large number of entities reporting a service or care element to their organisation. The Regulation Office is aware that these entities are also under the jurisdiction of the Charities Regulatory Authority (CRA), Revenue (CHY status), Health Service Executive (HSE) and Health Information and Quality Authority (HIQA). The Regulation Office will continue to develop and enhance our working relationship with these key stakeholders to develop a shared understanding of the regulatory requirements.

Risk Management

The risks facing AHBs depends on the size, nature and complexity of the organisation and as such risk management should be tailored to the needs of the individual AHB. The Regulation Office will continue to seek assurance that boards understand and have effective strategies in place to mitigate the full range of risks to their businesses, particularly in the area of financial risk management. This may be evidenced through the development and application of debt and treasury management policies where appropriate.

“The risks facing AHBs depend on the size, nature and complexity of the organisation and risk management should be tailored to the needs of the individual AHB.”

Compliance

Whilst the Regulation Office is acting on an interim basis, pending enabling legislation, AHBs are required to ensure that they comply within existing legislation across a number of areas including but not limited to, the Housing (Miscellaneous Provisions) Act 1992, the Companies Act 2014, the Industrial and Provident Societies Acts 1893-1978, the Charities Act 2009, the Health Act 2004 and Revenue requirements for CHY status. It is the responsibility of the AHB boards to ensure that their entity meets the legal obligations under which they operate.

AHBs not signed up to Regulation

10% (approximately 3,100 units) of the housing stock and approximately 280 AHBs are not yet signed up to the Voluntary Code. We continue to work with the AHB sector and representative bodies to encourage those active AHBs to sign up to the Code and support their readiness for the statutory requirements due in 2017. The Regulation Office commissioned research on the reasons for AHBs not signing up to regulation. The findings indicated that a large number of AHBs were not active and, for those that were active, they are facing challenges in relation to housing stock management and organisational continuity. The Regulation Office encourages all active AHBs to sign up to regulation and will continue to work with the Department to ensure that 100% of housing stock in this sector is brought under regulation.

Board Succession Planning

Similar to the 2013 findings, the AHB sector has a high reliance on volunteers. Over 36% of Board Members are reported to be in place for more than 10 years. Additionally, AHBs report they are facing difficulties in terms of attracting and appointing new members to their boards. This issue is particularly acute in more rural areas.

Ensuring Appropriate Sinking Fund Provision and Methodology

Improving sinking fund provision and methodology, in order to safeguard social housing assets into the future. All AHBs should ensure that they have appropriate arrangements in place to fund long term capital repair requirements

Vulnerability of Funding for Care and Services

A number of AHBs have significant care and service elements which assist their residents and tenants. AHBs report that the funding for such services remains vulnerable to cuts, placing pressure on their financial resources and, in some cases, the social housing element of their business is subsidising other activities. The Regulation Office continues to work with these AHBs to promote a pro-active approach to financial management and the protection of tenants and housing assets.

Greater Focus on Financial Viability

As AHBs increasingly access private financing, they are required to understand the impact on the organisation in terms of profitability, risk appetite and their ability to meet debt repayments. AHBs and their boards will require skills and expertise to ensure appropriate challenge at board level to ensure that debt financing is actively managed and reviewed with increased focus on longer term financial viability of the organisation.

Regulation Moving Forward

The regulatory agenda for the year ahead is extensive and comprehensive. The Regulation Office will continue to robustly regulate the governance, financial viability and performance management of AHBs, under the existing regulatory framework. We will also develop this framework by fully implementing the Financial Standard and producing a Governance Standard. In line with the principles of the Code, this work will be underpinned by a collaborative approach with AHBs and other stakeholders.

The Regulation Office is preparing for the transition from the Code to statutory regulation. This will be informed by current processes and experience, but will also require the development of new approaches. Our priority is providing support to the Department in effecting a new statutory regulator for AHBs and ensuring that regulation continues effectively and efficiently while the new structures and processes are being established.

Part of that support involves developing and enhancing our working relationships with other regulatory bodies, including the Charities Regulatory Authority, Revenue and HIQA, to provide for sharing of information and joint working where appropriate.

In advance of statutory regulation, the Regulation Office will continue to assess AHBs and engage with them as appropriate. A key focus will be continuing to monitor the identified issues and complexities in the sector and seek assurance that AHBs are addressing them appropriately. We will develop our reporting system in preparation for the new statutory framework, whereby assessment reports can be made public. Understanding the sector and organisations operating within it is paramount to effective regulation and the Regulation Office will work with government and other stakeholders to enhance our knowledge and identify key risks.

Regulation to date has focused on governance and financial viability, the foundations for well performing AHBs. In pursuit of our objectives to safeguard the interests of tenants and housing assets, we will pay particular attention to the delivery of services to tenants and the management of housing stock in the sector.

The Regulation Office will continue to build relationships with stakeholders such as lenders, the Housing Finance Agency, the Irish Council for Social Housing (ICSH), local authorities and the Health Services Executive (HSE).

“ We will also develop this framework by fully implementing the Financial Standard and producing a Governance Standard. In line with the principles of the Code, this work will be underpinned by a collaborative approach with AHBs and other stakeholders.”

02

Sectoral Analysis

The Regulation Office has assessed 203 Approved Housing Bodies (AHBs) representing 90% of the overall AHB housing stock. An additional 34 AHBs that have subsequently signed up to regulation will be assessed in 2016.

Those AHBs who have signed up to the Code are listed on our website.

The sector consists of a diverse range of organisations, capturing single unit AHBs, large housing organisations and medium to large scale charities with specific care and service mandates that include a housing element.

The Annual Regulatory Return submitted by AHBs provides significant detail on their organisation structures, governance arrangements, financial management and service delivery to tenants and residents. The assessments enable the Regulation Office to carry out its oversight and assurance role, but they also provide a valuable source of information on the sector as a whole.

This chapter outlines in detail the consolidated findings from the assessments process. This includes housing stock profiles across local authority areas, staffing levels, governance, performance management, financial and business management and risk management in a growth environment.

The consolidated analysis that is captured here is from information reported by AHBs based on their returns for the 2014 year.

- 203 AHBs submitted Annual Returns
- Four AHBs were removed from the public listing due to non-submission
- Two of these AHBs have subsequently been reinstated onto the public listing

Key Results in Reported Performance of 203 AHBs for 2014

- 26,904 – AHB social homes under regulation
- 62 additional AHBs assessed in 2014
- 90% of Total AHB stock is currently regulated
- Three Tier 3 AHBs represent 42% of Regulated Stock
- 80% of stock owned by AHBs
- €1.7bn Government Grants
- 5.1% – Voids as a % of stock
- 9.2 Weeks (average length of Void)
- Development plans – All Tier 3 AHBs, 82% of Tier 2 and 39% of Tier 1

Overview of Performance

Overall, those AHBs in their second assessment cycle have demonstrated improvement over the course of the year. Where recommendations were made following the previous assessment cycle, the majority of organisations reported that these had been addressed or were in the process of making adjustments. Analysis of the 62 AHBs undergoing a first assessment highlighted areas for improvement and development. The majority of AHBs signed up to the Code are committed to ensuring their compliance with the regulatory requirements and to ensure their organisation is prepared for statutory regulation in 2017.

Overall, the Regulation Office deemed three Tier 3 and eight Tier 2 AHBs as requiring engagement. All of these organisations are actively engaging with the Office.

AHB Housing Stock Profile

Number of Social Homes Regulated

It is estimated that there are approximately 30,000 social housing units owned and managed by AHBs and the Department has indicated that there are 520 organisations with Approved status. The AHBs assessed account for a total of 26,904 homes which represents 90% of social housing units in the sector.

Figure 1 Regulated and unregulated units

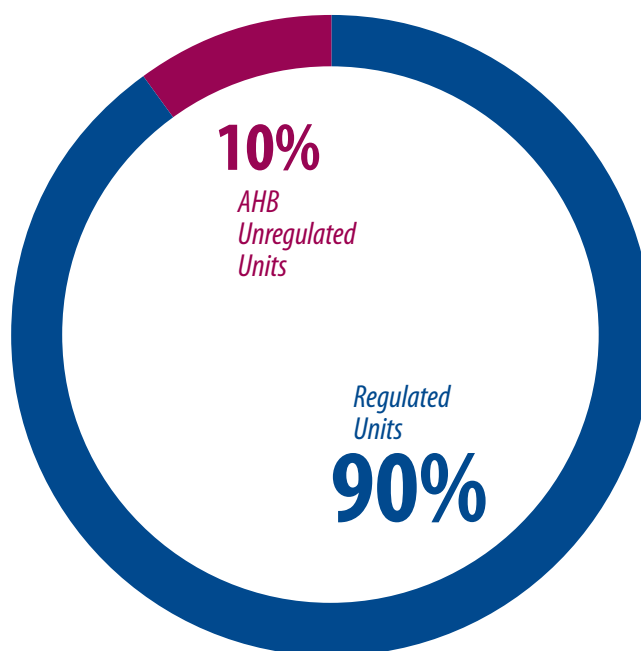
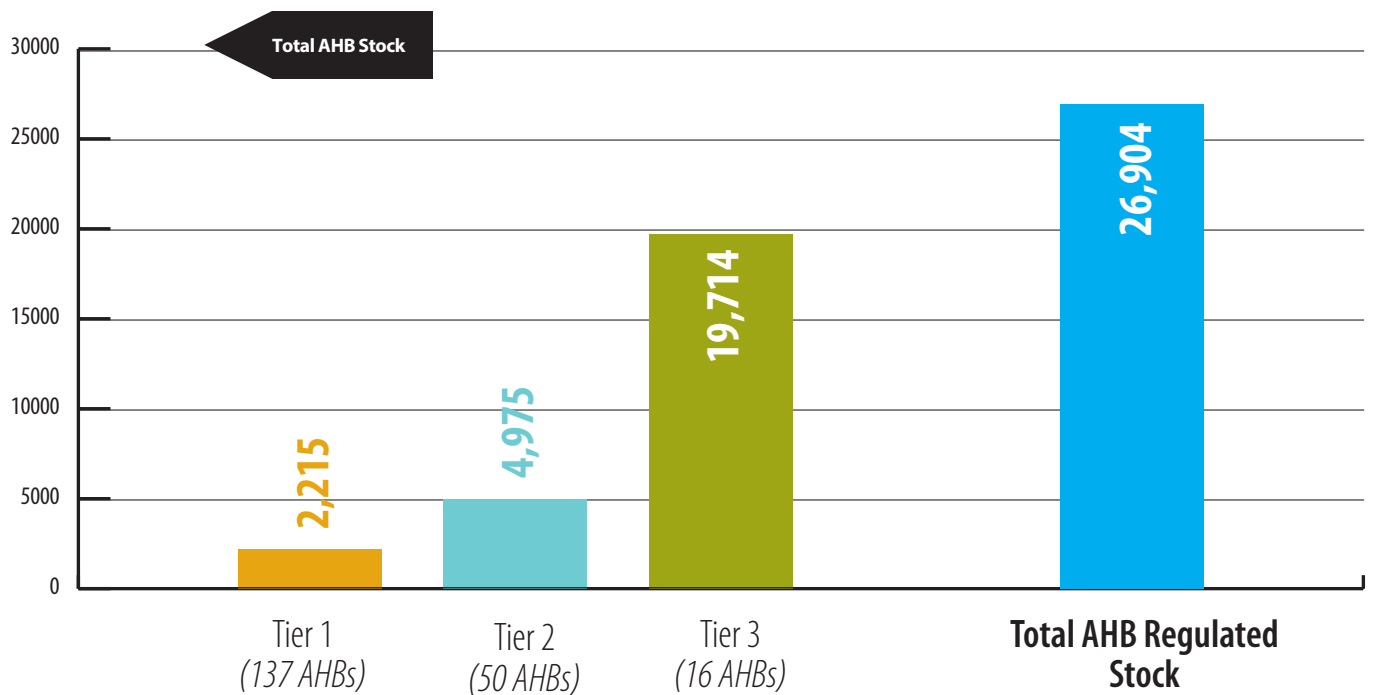


Figure 2 No. of units by Tier



Profile of AHB Stock by Tier

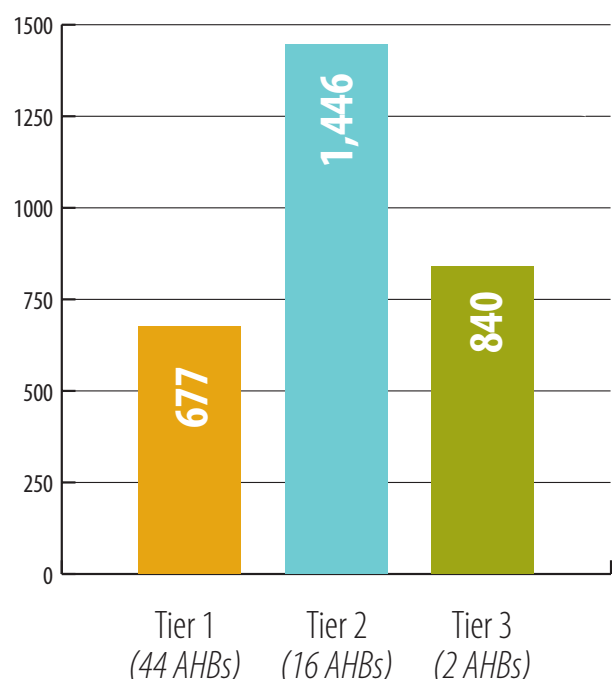
The AHB sector is diverse in size with a significant number of organisations relative to the total size of the sector.

- 16 Tier 3 AHBs account for 19,714 homes (73%) of the regulated stock:
 - The largest Tier 3 AHB manages over 5,000 homes
 - Three Tier 3 AHBs manage 11,233 homes (42% of the entire regulated stock)
- 50 Tier 2 AHBs account for 18% of the regulated stock or 4,975 homes
- 137 Tier 1 organisations manage 8% of the regulated stock or 2,215 homes in total

The findings indicate the variance within the sector in terms of scale. Tier 3 AHBs are responsible for, on average, 1,232 units, Tier 2 AHBs have an average of 100 units while Tier 1 AHBs have an average of 16 units. The majority of AHBs are Tier 1 and have been assessed as being relatively low risk within the overall sector profile.

In 2015, **62 additional AHBs** were assessed under the Code, representing an additional 2,963 homes now subject to regulation. This consisted of 44 Tier 1, 16 Tier 2 and two Tier 3 organisations.

Figure 3 No. of additional units under regulation in 2014

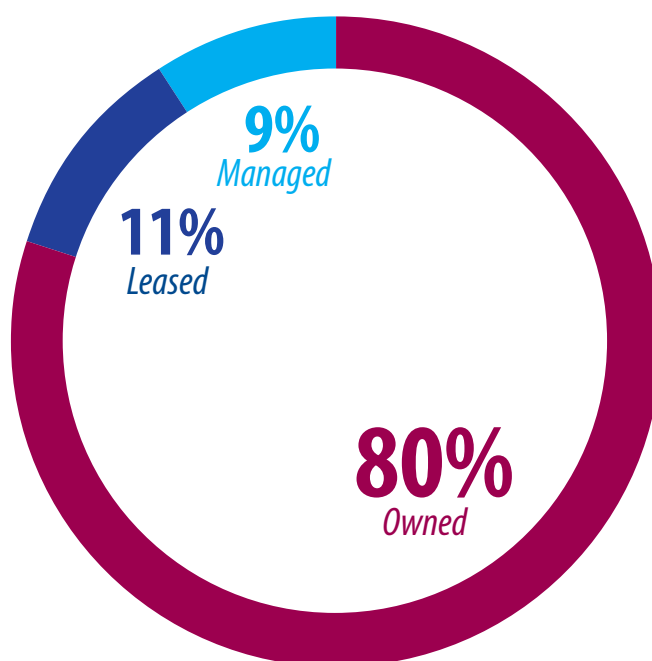


“ The sector has a strong asset base with 80% of the regulated stock reported as being owned. ”

Housing Stock Profiles

The sector has a strong asset base with 80% of the regulated stock reported as being owned. The remaining 20% is leased or managed on behalf of other organisations or local authorities as shown below.

Figure 4 % of AHB stock which is owned, leased or managed



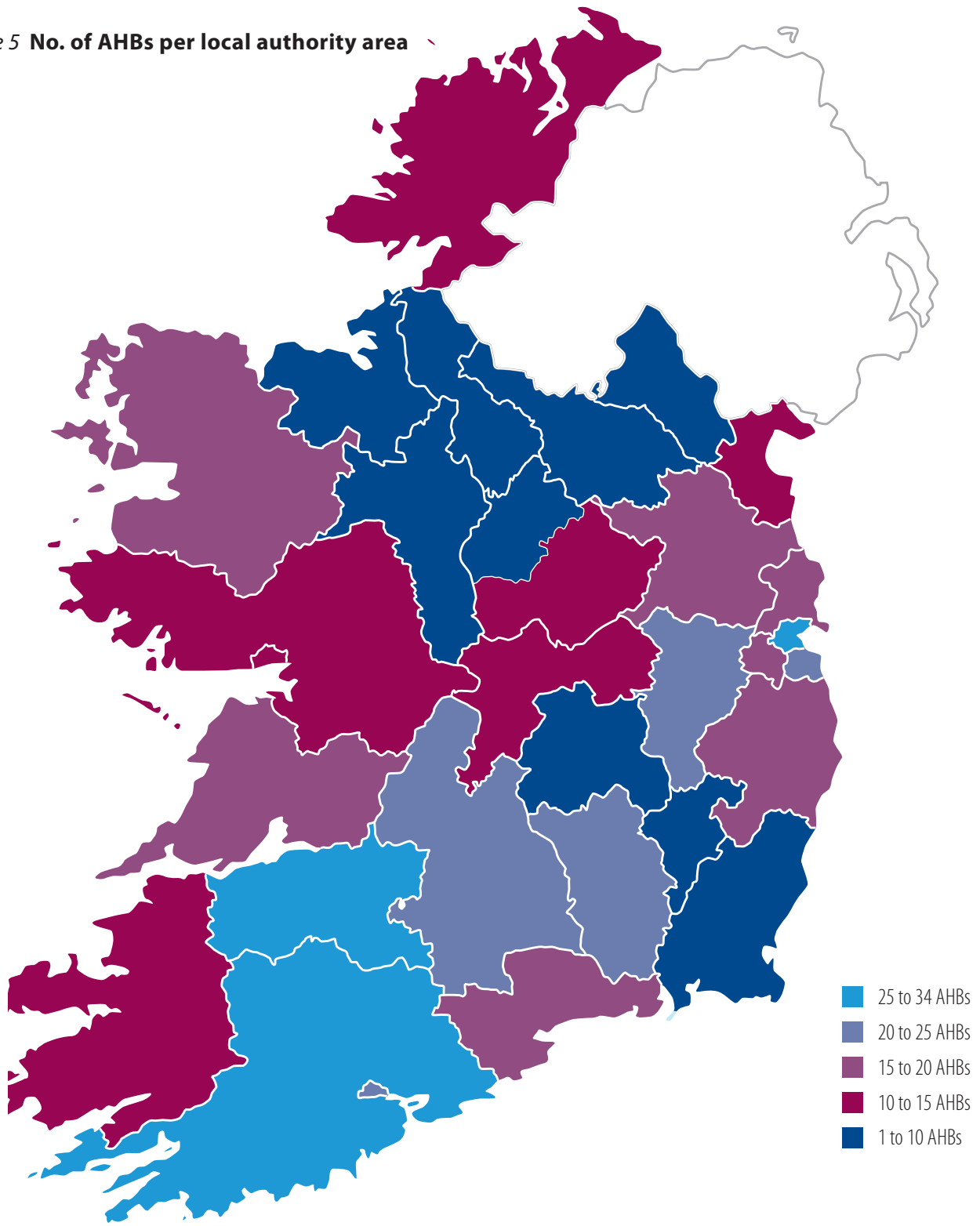
AHBs across Local Authority Areas

Of the AHBs assessed, the highest average number of units per AHB is 162 units in Dublin City Council's area (34 AHBs with a total of 5,516 units) and the lowest average number of units per AHB for any local authority is 11 in Wicklow County Council's area (16 AHBs with a total 177 units).

Dublin City, Limerick City and County, Cork County, Kilkenny, Dún Laoghaire-Rathdown, Tipperary and Kildare have 20 or more AHBs operating within their local authority areas.

The assessment highlights that there is significant variation in the average number of units managed by AHBs.

Figure 5 No. of AHBs per local authority area



The chart below shows the top 10 local authority areas by concentration of operating AHBs.

Local Authority	No. of Units	No. of AHBs in LA area	Average No. of Units per AHB per LA
Dublin City	5,516	34	162
Limerick City & County	1,205	31	39
Cork County	1,850	26	71
Kilkenny	509	22	23
Dún Laoghaire-Rathdown	1,149	21	55
Tipperary	1,042	21	50
Kildare	1,131	20	57
Cork City	1,097	19	58
South Dublin	1,916	18	106
Clare	400	18	22

Volunteers and Staffing of AHBs

Regulated AHBs reported that they employ approximately 6,500 staff. This number is significantly influenced by those AHBs whose operations are predominately care and service orientated, which have large numbers of employees. Currently, the split between those dedicated to housing and those to services is not available across all AHBs. The Regulation Office will continue to work with the larger service orientated AHBs to ensure greater visibility in the split between housing and other service staffing.

Tier 1 AHBs continue to report that a large percentage of these organisations are managed and run by volunteers, with 51% of Tier 1 AHBs reporting that they have no paid staff employed.

Tier 2 AHBs have the highest level of staffing, with an increase in staffing numbers year over year driven by newly assessed AHBs who specialise in care and services. For example, one of those organisations reported that it employs just under 1,000 employees.

Tier 3 AHBs reported that they are managed and operated by full time employees with few organisations reporting a reliance on volunteers to support their business operations.

Volunteers continue to be of significant importance to the overall AHB Sector. It is reported that approximately 6,700 people volunteer in the sector. The increase year over year in volunteers is due to volunteer profile of the newly assessed AHBs.

Governance and the AHB Sector

Governance

Good governance is essential to the effective operation of AHBs and the AHB sector ensuring that there are defined priorities and outcomes, with identified methodologies for achieving those priorities. The Board has the responsibility to ensure that the leadership of the organisation has the appropriate direction, oversight and control. It ensures best practices in transparency, reporting, communications, audit, and managing risks through robust control systems and effective performance management.

The Regulation Office completed a second assessment of 141 AHBs and a first assessment of 62 AHBs. The assessment process highlights a strengthening of the governance of AHBs on their second assessment cycle and indicates that newly regulated AHBs require additional development and improvement of their governance structures.

The Regulation Office reviews board governance across a number of elements including board membership, board tenure and succession planning, board meetings, sub-committees, and policies. Effective governance is underpinned by a fully functioning board, which takes responsibility for the direction and control of the AHB, ensuring plans are implemented by the Executive. The nature of governance is reflected in the diverse scale and scope of the AHBs and the Tiers within which they are assessed. The Code requires that AHB boards have five members or more and meet a minimum of four times per year. They must also have clearly defined decision making processes, with distinct purpose, roles and responsibilities aligned to both the Board and the Executive.

As noted by the Institute of Directors in *The Role of Directors and the Board in Charity and Not-For-Profit Organisations*, "even though a board may serve on a voluntary basis, legislation does not distinguish between those directors who are volunteers and those whom are remunerated. The same duties and responsibilities apply in

terms of compliance with governance requirements and legislation, such as the Companies Act 2014 and the Charities Act 2009".

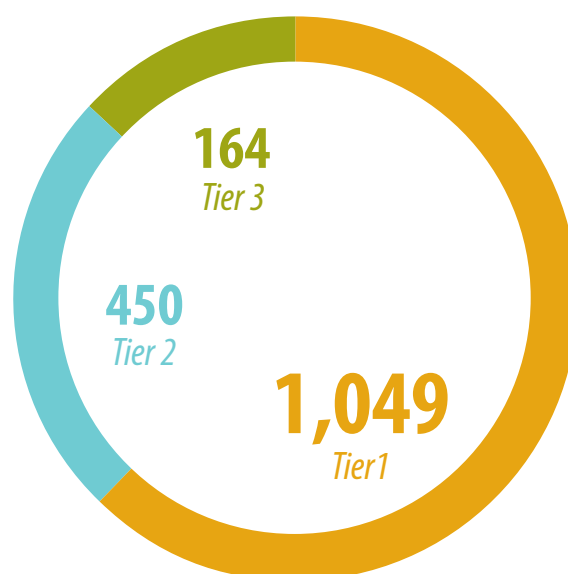
Board Membership

AHBs reported that there were 1,663 board members across the 203 organisations in 2014. The Code Requires that AHBs have in place a properly functioning board with at least five members. The AHB sector reported an average of eight board members which indicates acceptable governance structures within the sector.

92% of AHBs reported that they meet regulatory requirements, while just 16 AHBs reported that they do not currently meet the Code requirement for the number of board members.

The Regulation Office continues to work with all AHBs to ensure best practice and compliance with Code requirements. The sector reports that board membership and succession planning continues to be a challenge. AHBs reported a significant reliance on volunteers and that they face significant challenges in attracting new directors to their Boards, with succession planning being a risk area. As the sector grows and takes on additional finance and risk in a regulated environment, it will need Board members with relevant skills and experience.

Figure 6 No. of Board Members by Tier



Board Tenure and Succession Planning

AHBs reported that 36% of board members have been on a board for 10 years or more; 15% indicated that they have been in place for more than 16 years. The Regulation Office commends the time invested and dedication of these individuals. It is clear, however, from the regulatory returns, that the sector is facing challenges in terms of board renewal and succession planning.

AHBs reported that recruiting new board members has become more difficult in the context of increased regulation and legal responsibilities. AHBs in more rural areas reported a significant challenge to increasing and diversifying the membership of their boards.

Figure 7 Board Tenure

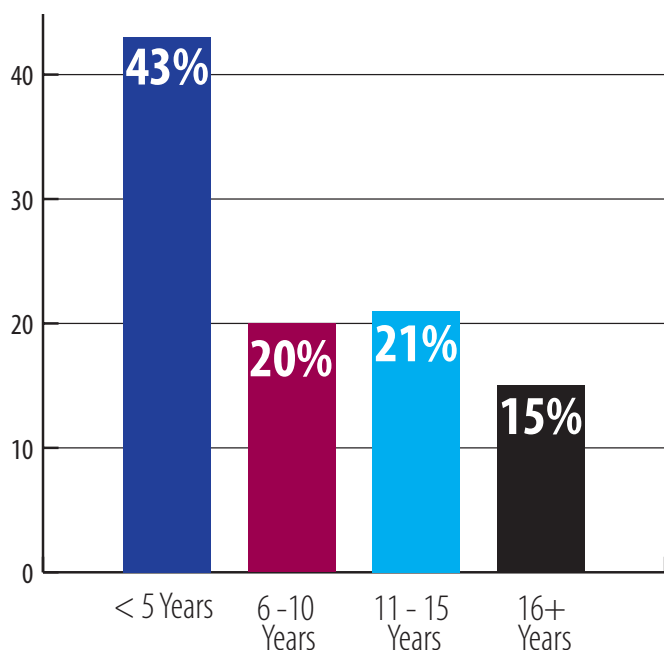
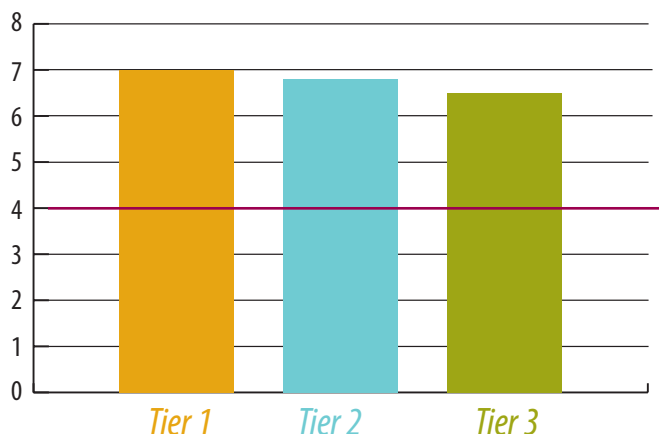


Figure 8 Average no. of board meetings by Tier



The Code requires that boards should meet at least four times per annum. The data collected by the Regulation Office indicates that boards meet on average seven times per year. This is almost double the requirement as set out in the Code.

Additional analysis indicates that, of the 203 AHBs assessed, 27 AHB's (13%) do not currently meet four or more times per annum. The Regulation Office will continue to work with those AHBs to ensure increasing awareness of governance requirements and best practice for active and effective boards.

Sub-Committees

Sub-committees are important to the functioning of the Board, providing detailed focus on specialist areas and knowledge to the Board. The sector reports a diverse range of sub-committees which is indicative of the range of activities undertaken by AHBs.

81% of Tier 3 AHBs and 62% of Tier 2 AHBs reported that they have sub-committees in place. The most common sub-committees include Finance, Allocations and Nominations, Maintenance and Repairs, Policy, Procedure and Governance and Health and Safety.

It is important that sub-committees have clear roles, purpose and terms of reference to ensure effective and efficient use of the committee structures.

A number of AHBs indicated that they have external expertise on committees which is a welcome addition to the governance of their operations. Audit and Risk Committees are discussed in detail under Risk Management later in this report.

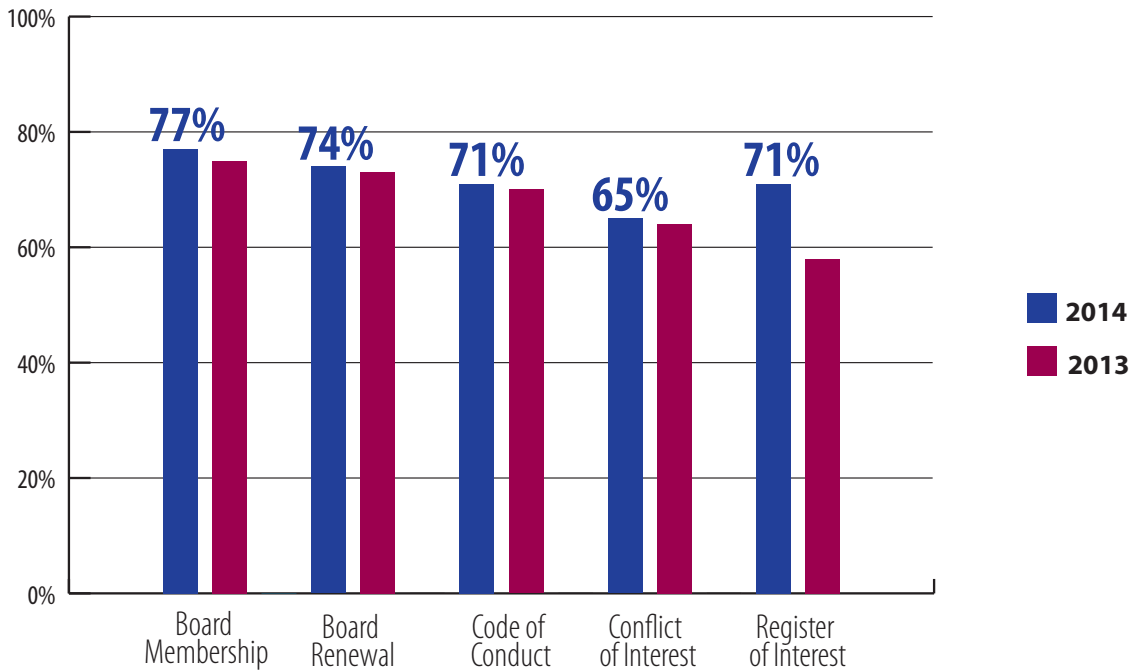
Governance Policies

Last year's Annual Report focused on the importance of the Register of Interests and the requirement of Boards to ensure they manage potential conflicts of interest.

The 141 AHBs on their second assessment reported an improvement in board policy compliance with established Registers of Interests increasing from 58% to 71% in 2014 and the remaining AHBs indicating that they are progressing with the implementation of these policies.

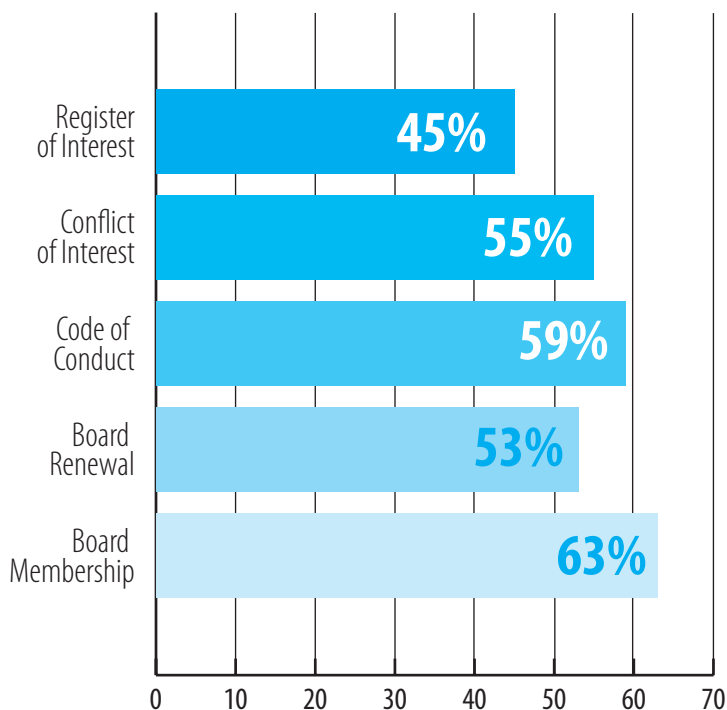
The chart below shows the comparison of board policies over two years for 141 AHBs which are in their second assessment cycle.

Figure 9 Board Policies – AHBs undergoing second assessment



The 62 AHBs that have undergone a first assessment highlight instances where board policies will need to be developed and strengthened. The Regulation Office will continue to work with the sector and ensure increasing awareness of governance requirements through the new Governance Standard and its implementation across all Tiers.

Figure 10 Board Policies – AHBs undergoing first assessment



Group Structures and Related Parties

It is evident from the assessments carried out by the Regulation Office that just under two thirds of Tier 3 AHBs form some part of a group structure or have a related party relationship. Of these 10 Tier 3 AHBs only 50% reported that they have a service level agreement in place for such a structure.

Half of Tier 2 AHBs have some form of a group structure or have a related party relationship in place. Typically, these organisations have a large service and care component which operates in parallel with the housing element.

The Regulation Office's focus is on the safeguarding of both the tenant and the social housing asset. It is the responsibility of each AHB to ensure that appropriate

service level agreements are in place between related parties and that contractual arrangements are in place covering all financial interdependencies between entities.

The Regulation Office requires that each individual legal entity has independent governance, with a fully functioning board, autonomous decision making powers and that there is clear separation of roles and duties between the AHB and any related party.

The Regulation Office will continue to seek assurance from individual organisations that there are appropriate contractual arrangements governing relationships, where there are related parties providing services and there are interdependent liabilities.

Strategy, Finance and Risk Management

AHBs are required to demonstrate that they are financially viable and have adequate resources to meet both current and future business and financial commitments. The Financial Standard sets out the detailed requirements and will be rolled out on a phased basis to all Tiers.

Sinking Fund Provision

All AHBs under regulation are required to demonstrate that adequate provision has been made for the longer term systematic repair and refurbishment of the housing stock.

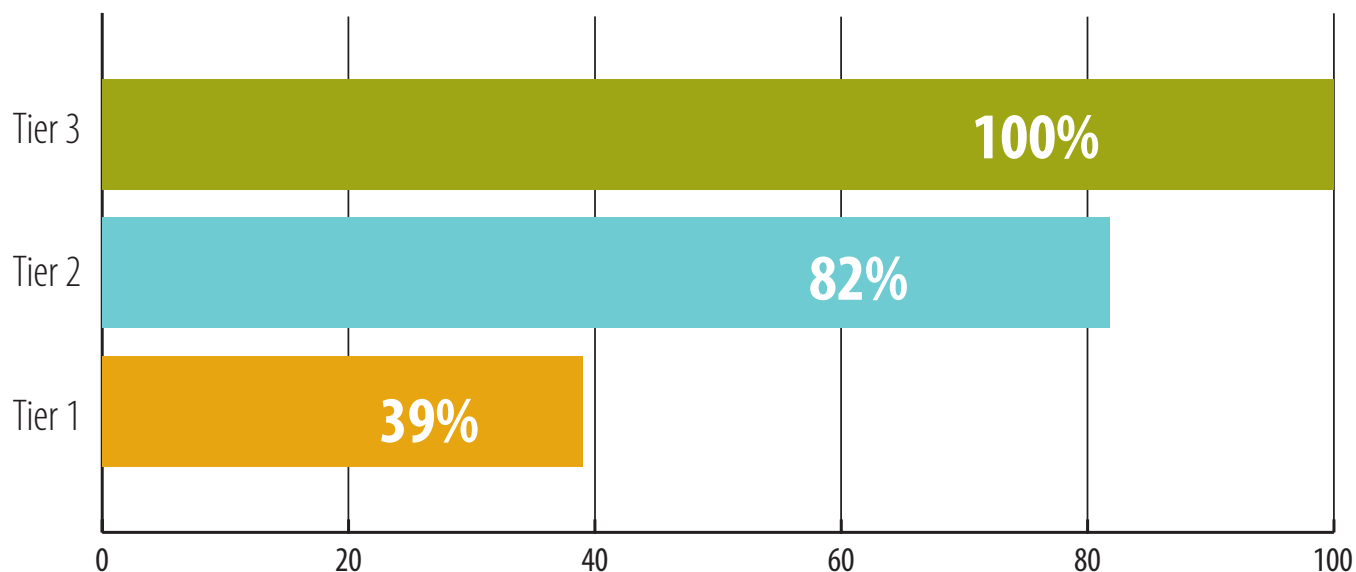
The sinking fund should not be provided for on the basis of a percentage of rental income as this does not ensure that the fund is adequate or sufficient for its

needs. It is recommended that the provision of a sinking fund should relate to the condition of the asset and the future works required.

The Regulation Office is cognisant of the changing accounting treatment for sinking funds in line with the accounting standard FRS 102. We will continue to work with the sector to ensure that all AHBs have the appropriate sinking funds in place, according to the size, nature and scope of their housing stock.

The Financial Standard requires that stock condition surveys are completed and externally validated by an independent third party. As noted earlier in this report, the Financial Standard will be rolled out on a phased basis. All Tier 3 AHBs are required to comply in 2016.

Figure 11 % of AHBs with development plans



Development Plans

The *Rebuilding Ireland* action plan targets the delivery of a significant number of social homes with 47,000 to be delivered by the end of 2021. Approved Housing Bodies are central to achieving this goal.

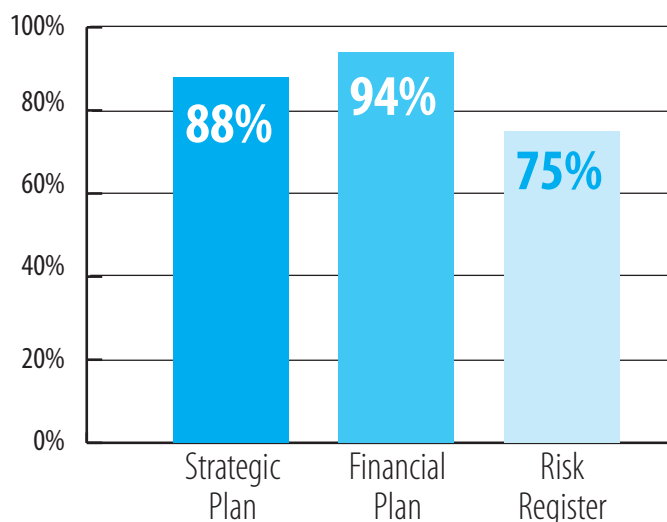
All Tier 3 AHBs reported that they have development plans in place to grow their stock size, including owned, managed and leased units. 82% of all Tier 2 AHBs reported that they are planning to develop and grow their existing asset base and 39% of Tier 1 AHBs reported that they have development aspirations. The Regulation Office recognises that growth brings both opportunity and risks to an organisation and that risk should be effectively managed rather than avoided. Individual organisations will need to ensure that growth is actively managed and sustainable to ensure the operational and financial health of the AHB.

Strategic and Financial Planning for Tier 3 AHBs

The larger AHBs reported that they are actively developing housing stock. The scale and nature of the growth differs amongst AHBs. Strategic and financial planning is important for the sector as it grows in response to the increasing demand for social housing. It is imperative that there are strategic plans in place, accompanied by detailed financial plans.

The Regulation Office will continue to work with AHBs on the full implementation of the Financial Standard and to seek assurance that growth, and risks associated with growth, are actively managed alongside the debt capacity of the sector.

Figure 12 % of Tier 3 AHBs with a Strategic Plan, a Financial Plan and a Risk Register



The Financial Standard was introduced in July 2015 and its implementation is on a phased basis following the principles of proportionality. The Financial Standard focuses on the financial management and viability aspects of AHB operations and their ability to generate sufficient income to meet operating payments and debt commitments as they fall due, while maintaining service levels.

A pilot for Tier 3 AHBs was conducted in 2015/16 with nine Tier 3 pilot members working with the Regulation

Office to review and test the requirements set out in the standard. The pilot is currently being evaluated by the Regulation Office and will then be rolled out across Tier 2 AHBs. Lessons learned during the piloting of the Financial Standard will be shared with the sector.

All Tier 3 organisations are required to be compliant with the Financial Standard in 2016, including financial planning, risk register, sinking funds and stock condition surveys, asset register, audit and risk committee and notifiable events.

Financial Standard Implementation Timelines

Implementation Year	Tier Level	Assessment
2016	All Tier 3 Bodies & Pilot Group Tier 2	Assessment relating to 2015 financial performance and data
2017	All Tier 2 Bodies & Pilot Group Tier 1	Assessment relating to 2016 financial performance and data
2018	All Tier 1 Bodies	Assessment relating to 2017 financial performance and data

Risk Management in a Growth Environment

AHBs have an important role to play in the delivery of social housing. The AHB sector continues to evolve from traditional grant funded models to increased use of loan financing. To date, 13 Tier 3 and two Tier 2 AHBs have been approved with certified borrower status from the Housing Finance Agency.

Risk management is an integral component of the governance of an organisation, most particularly in a growth environment. AHBs should ensure that they have an effective risk management framework in place. The Board and Executive should ensure that they regularly review and assess the risks faced by their

organisation and plan for the pro-active management of those risks. The Regulation Office will expect to see robust stress testing of business plans and financial plans for Tier 3 AHBs in particular, with clear and effective approaches to managing risk.

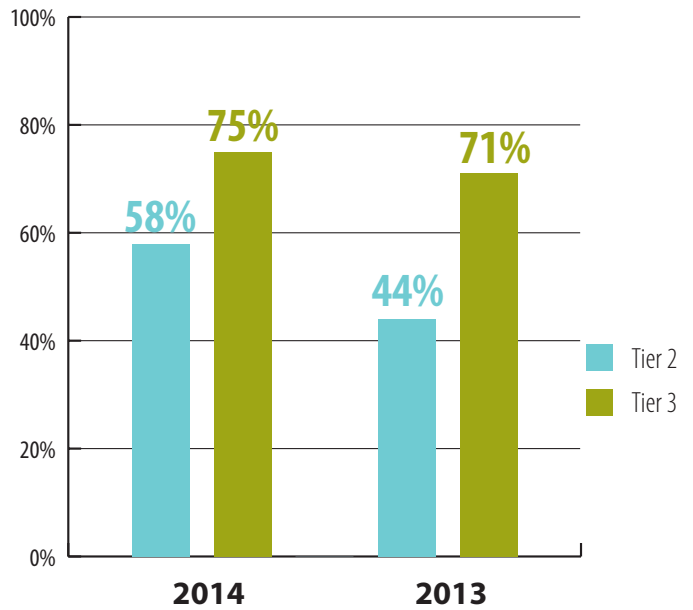
The assessment process indicates that risk management is becoming more pertinent to those AHBs in a growth environment, with an understanding of how to identify and manage risk.

Risk Register

A risk register is a requirement for Tier 2 and Tier 3 AHBs signed up to the regulatory framework.

Overall, 58% of all Tier 2 and 75% of Tier 3 AHBs reported they have a risk register in place. Those AHBs that do not currently have a risk register in place have indicated that they are implementing a risk register.

Figure 13 % of Tier 2 & Tier 3 AHBs with Risk Register

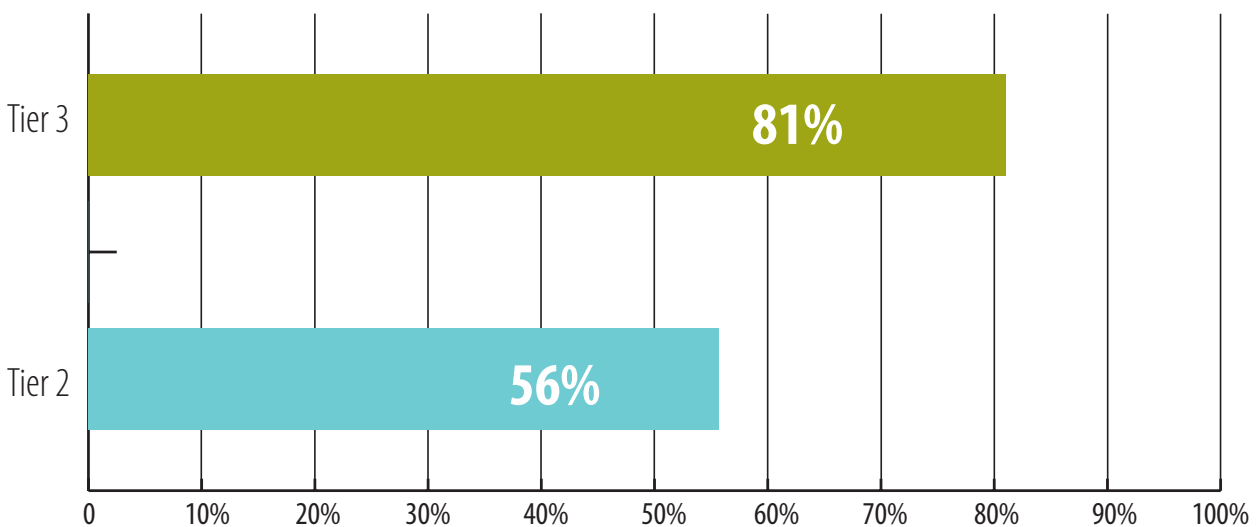


Audit and Risk Committees

In line with proportionate and risk-based regulation, the Financial Standard includes a requirement for Tier 3 and Tier 2 AHBs to have an Audit and Risk Committee. The Regulation Office sees the Audit and Risk Committee as a critical component of effective financial and risk management.

In line with the Financial Standard requirements, Tier 3 organisations are required to have an Audit and Risk Committee in place from 2016 onwards, Tier 2 organisations are required to have an Audit and Risk Committee in place from 2017 onwards.

Figure 14 Audit & Risk Committee



Performance Management

Performance standards are important to ensuring that AHBs deliver quality housing and housing services to tenants. In addition, performance standards encourage continuous improvements in how AHBs manage their operations.

Performance Management Structures

The Code requires that AHBs have appropriate performance management structures in place. The assessments indicated that approximately 75% of all AHBs reported that they have at least a basic performance management structure in place. The assessment is based on the performance management information provided by AHBs in their annual return in relation to rent payments and arrears, voids, repairs and maintenance. The Regulation Office will assess these areas with the interests of the tenants to the fore. While some information is presented below, there is still some way to go to get sufficient performance management data from all regulated AHBs. It is expected that a more detailed analysis of this information will be available in future reports.

Rental Income and Arrears

AHBs reported that approximately €52M of rental income was due in 2014. It is reported that arrears of approximately €3M (6.1%) were outstanding. AHBs reported that rental arrears are actively managed and write-offs are considerably lower than arrears.

	% of Rent Arrears
Tier 1	3.0%
Tier 2	4.1%
Tier 3	7.3%
TOTALS	6.1%

Tier 1 AHBs reported the lowest level of rent arrears. Overall, the current level of rent arrears in the sector is not considered to represent a serious risk. However, there are a number of individual AHBs where rent arrears are an issue due to other financial viability issues and we will continue to monitor these AHBs.

Voids

The Annual Regulatory Returns indicate that the average number of voids across the sector was eight properties during 2014.

- 5.1% of properties were void in 2014
- 9.2 weeks was the average length of a void

The average number of void units increased year over year. However, the average length of voids has reduced from 10.7 weeks to 9.2 weeks. AHBs reported multiple reasons for the length of voids with the most common reason reported as delays experienced with nominations from local authorities.

Pro-active management of voids is essential in housing management. Effective and efficient turnaround of housing units ensures that homes are readily available for letting and reduces negative impacts on income for the AHB.

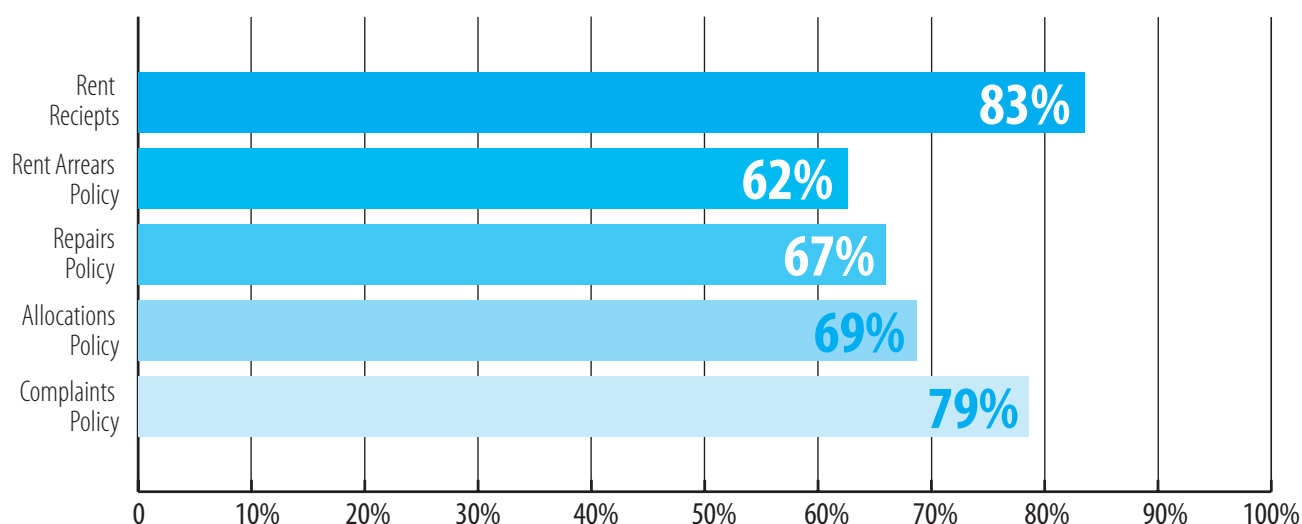
The Regulation Office will be seeking assurance that an allocations policy and void management procedures are in place to pre-empt any delays in letting properties. Additionally, it is important that AHBs and local authorities have effective arrangements in place to let properties quickly and efficiently.

Voids by Tier Level

	Average No. of Voids	Voids as a % of Stock	Average Length of Voids (in weeks)	No. of Units
Tier 1	1.8	9.44%	7.4	2,215
Tier 2	11.8	10.17%	13.9	4,975
Tier 3	50.7	3.34%	10.0	19,714
TOTAL	8.0	5.11%	9.2	26,904

Tenant Services

Figure 15 203 AHBs – Tenants Service Policies



Our assessment indicates that the 141 AHBs undergoing a second assessment demonstrated a considerable increase in the numbers having formal tenant service policies, specifically in the areas of Allocations policy (increasing from 65% in 2013 to 76% in 2014), Rent Arrears policy (increased from 60% in 2013 to 72% in 2014) and Repairs policy increasing from 65% to 76% in 2014.

Of the 62 AHBs being assessed for the first time, 86% reported that rent receipts are provided. However, there is further work to be completed in relation to Rent Arrears policies (42%), Repairs (48%) and Allocations policies (53%). We will continue to seek assurance from AHBs that the appropriate policies are in place.

03

Global Accounts of Tier 3 AHBs

These Global Accounts are based on an analysis of the regulatory returns and financial statements of Tier 3 AHB providers who own, lease or manage at least 300 social homes.

The following Global Accounts and analysis collates again key financial data in relation to Tier 3 AHBs who are signed up to regulation, providing visibility in relation to the:

- Income of the sector
- Operating expenses
- Asset base
- Level of government funding and
- Extent of borrowings

Tier 3 organisations are larger, more complex and have greater exposure to loan financing than other parts of the sector. In a risk-based approach, the Regulation Office requires greater assurance from these organisations and has invested significant time in developing our understanding of the financial context of Tier 3 AHBs.

Basis of Preparation of Global Accounts

These Global Accounts are based on an analysis of the regulatory returns and financial statements of the Tier 3 AHB providers who own, lease or manage at least 300 social homes. Overall Tier 3 AHBs account for 73% of the social housing units under regulation, amounting to almost 20,000 homes.

As these AHBs have different financial year ends and do not have standardised accounting policies, it has been necessary to make a number of assumptions and adjustments to the figures reported to facilitate consolidation. Accordingly, these figures should be used for reference and indicative purposes only, to provide an insight into the activity by AHBs in the sector. The implementation of the Financial Standard across the sector will facilitate greater visibility and allow for more accurate and consistent reporting in the global accounts. In 2017, the Regulation Office will also be considering the application of a housing Statement of Recommended Practice by the AHB sector.



For the purposes of this analysis, depreciation on housing assets and amortisation of capital grants have been excluded. This is due to the fact that AHBs can choose different accounting treatments and, therefore, it is deemed appropriate to standardise for consistency of reporting. Additionally, in the case of one Tier 3 AHB, the entire group financial position is not shown as only a minority of income relates directly to social housing. Accordingly, only an element of their income, expenditure and assets and liabilities are accounted for in the Global Accounts.

It should be noted that the consolidated accounts represent the data for 15 of the Tier 3 AHBs. Detailed financial information for one Tier 3 organisation was not available due to housing being a very small component of its operations and is not reported separately in the financial statements.

The data is presented under the same headings as in last year's report as follows:

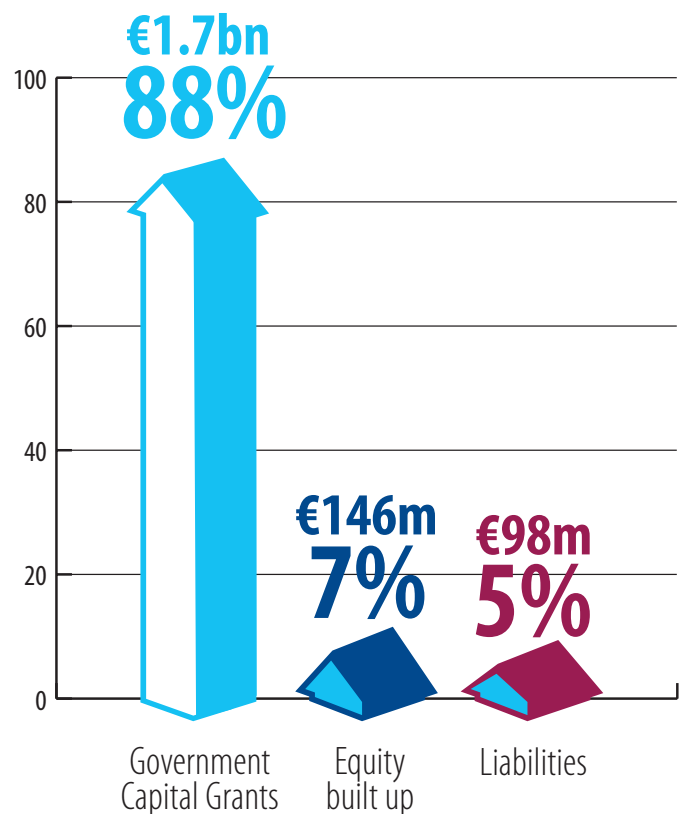
- Financial Data Highlights and Summary
- Global Financial Statements
- Key analysis and commentary of headline numbers and financial ratios

Asset Composition

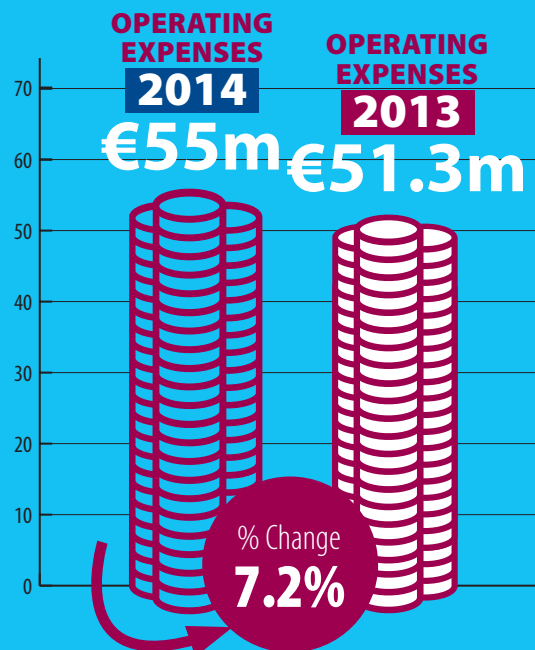
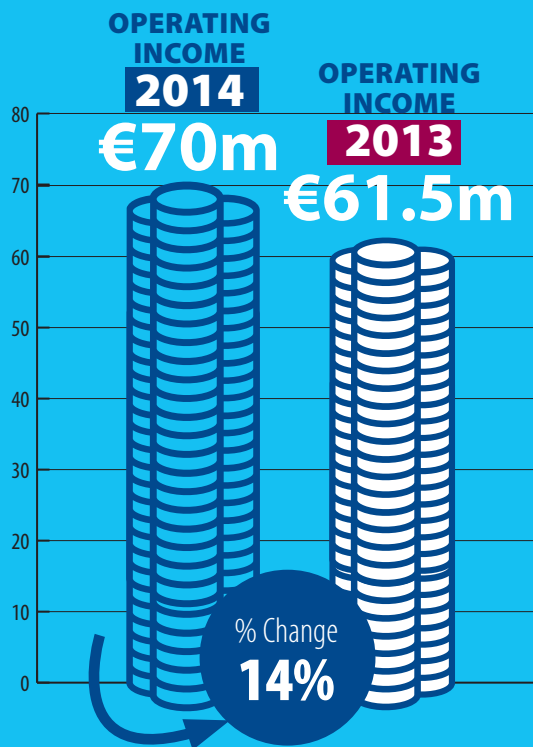
TOTAL ASSETS IN SECTOR ARE

€2bn

FINANCED BY:



Financial Data Highlights (Tier 3 only)



Loan to Value Ratio

3.8% - 2014

2.6% - 2013

Based on cost of housing assets



Sum of Government Capital Grants invested

€1.7bn

No increase in 2014

Financial Ratios	2014	2013
Operating Margin	22%	16.5%
Current Ratio (times)	3.4	3.4
Gearing Ratio*	3%	2.4%

* Where CALF funding is excluded from debt and Deferred Income Capital Government Grants included as equity

Global Income and Expenditure Account of Larger AHBs (Tier 3)

	Financial Year 2014 €'000	Financial Year 2013 €'000
Income	70,151	61,513
Operating Expenses	(55,044)	(51,326)
Operating Surplus	15,107	10,187
Interest Receivable	512	799
Interest Payable	(1,690)	(985)
Net Surplus for the financial year	13,929	10,001

Global Balance Sheet of Larger AHBs (Tier 3)

	Financial Year 2014 €'000	Financial Year 2013 €'000
Fixed Assets		
Social Housing Properties	1,894,496	1,812,844
Other Fixed Assets	5,264	4,597
	1,899,760	1,817,441
Current Assets		
Cash and Investments	67,485	54,294
Debtors	19,616	22,044
	87,101	76,338
Creditors: Amounts Falling Due Within One Year	(25,959)	(22,156)
Net Current Assets	61,142	54,182
Total Assets Less Current Liabilities	1,960,902	1,871,623
Creditors: Amounts Falling Due After One Year		
Long Term Loans	(67,087)	(43,938)
Deferred Income (government grants)	(1,742,286)	(1,713,782)
Other long term creditors and provisions	(5,291)	(3,260)
Total Net Assets	146,238	110,643
Reserves		
Income and Expenditure Account	88,309	61,668
Designated Reserves: Maintenance / Sinking Fund	57,929	48,975
	146,238	110,643

Summary

The sector has shown considerable improvement on its already solid financial performance in 2013/14, reporting an operating surplus of €15.1m, a €4.9m or 48% increase on the previous year. This represents an operating margin of 22%, up from 17% previously. This improvement in performance is explained by:

- The inclusion of an additional Tier 3 AHB for 2014
- Increased drawdown of payment and availability income stream
- Increased use of private finance and overall efficiency improvements

The AHBs have social housing assets of €1.9bn of which the State has invested €1.7bn in capital funding.

Total assets in the sector are €2bn financed by:

- €1.7bn (88%) in Government Capital Grants
- €146m (7%) in equity built up by the AHBs
- €98m (5%) in liabilities.

While borrowing for development has increased from €46m in 2013 to €71m in 2014, the gearing (the ratio of debt to equity) of the sector is still low, at just 3%, and accordingly there is significant balance sheet capacity for further growth in borrowing and development.

Key Analysis of Global Financial Accounts¹

Efficiency and Effectiveness

The income of Tier 3 AHBs exceeds operating expenses with the Tier as a whole operating at a margin² of 22% (2013:17%). There is an operating surplus per unit of €785 compared to €573 per unit in 2013. This is as a result of turnover increasing at a higher rate than corresponding expenses and represents increasing efficiencies.

Liquidity and Viability

Liquidity is measured in terms of the current ratio³. The average current ratio for the year was 3.36 times (2013:3.45 times), which indicates that short term commitments can be met. The current ratio is measured at a point in time; hence the ratio may vary periodically. In terms of cash per unit Tier 3 AHBs have €3,505 (2013: €3,052) per unit.

Protecting the Asset

The Global Accounts figure for maintenance/sinking funds has increased 18% from €49m in 2013 to €58m in 2014. On average, Tier 3 AHBs have provided €3,009 (2013: €2,753) per unit in a maintenance or sinking fund.

Government Capital Investment

Tier 3 AHBs have social housing property assets of €1.9bn (2013: €1.8bn) of which the State has invested €1.7bn in capital funding.

Expanding the Sector

Tier 3 AHBs have borrowed €71m, an increase of 54% on 2013, to finance investment in new social housing. Tier 3 AHBs have debt per unit of under €4k, indicating further capacity for debt financing to facilitate further development of social housing.

1. Per unit figures are based on Tier 3 total units at time of assessment of 19,253

2. Operating margin calculated as surplus divided by income where income is calculated before depreciation and amortisation of grants

3. Current Ratio = Current Assets divided by Current Liabilities.

Glossary

AHB

Approved Housing Bodies (AHBs) provide and manage social rented housing. They are also known as Housing Associations and include Co-operatives.

They are not for profit organisations formed for the purpose of managing and providing homes for those in housing need. Tenants are mainly sourced from the Record of Qualified Households (the social housing waiting list) which is managed by housing authorities.

Under Section 6 of the Housing (Miscellaneous Provisions) Act, 1992, bodies must obtain 'approved status' from the Department of Environment, Community and Local Government. Homes are provided at affordable rents to tenants.

Tier Classification

Regulatory standards apply to all AHBs, but vary depending on the size, scale and the level of financial risk associated with development plans of an individual AHB. A classification system has been designed to reflect this.

Tier 1	0-50 units 0-50 units with no development plans or development plans that keep the total under 50 units
Tier 2	50-300 units or development plans that keep the total under 300 units, or the use of loan finance for development
Tier 3	>300 units or sizeable development plans, including the use of loan finance for development

CAS Funding

Capital Assistance Scheme provides up to 100% capital grant funding to AHBs for provision of housing for people with specific categories of need. It is secured by way of mortgage and is only repayable if conditions of the grant provision are not adhered to.

CLSS Funding

Capital Loan and Subsidy Scheme provided 100% capital grant funding to AHBs to enable them to provide for general needs social housing for eligible families (this funding is no longer available.) It was secured by way of mortgage and is repayable if conditions of the grant provision are not adhered to.

CALF

Capital Advance Leasing Facility is a loan made available by the Department via local authorities to AHBs. The loan is only available as part of a leasing project where the AHB makes units available for social housing under a Payment and Availability (P&A) agreement. Loan repayments on this capital advance are not required during the term of the P&A agreement, but the amount owed remains outstanding at the end of the agreement.

DHPCLG

Department of Housing, Planning, Community and Local Government.

The Code

Regulation of the sector is based on the Voluntary Regulatory Code for Approved Housing Bodies – 'Building for the Future', launched in July 2013. It forms the foundation of the Regulatory Framework for AHBs and sets out the key principles that will apply to all AHBs depending on the size, scope and risk level of AHBs.

Regulator

The regulatory structure was established in February 2014.

The Housing Agency has been given responsibility, on an interim basis, for regulating Approved Housing Bodies (AHBs).

The Housing Agency has established a Regulation Office to support this work which is overseen by an interim Regulatory Committee appointed by the Minister.

Sinking funds

Designated reserves or other funds indicated on the balance sheet as set aside for longer term systematic repairs and refurbishment of housing stock e.g. roof replacement.

Voids

A void is determined as a property available for letting but not tenanted. A void period is defined from when the property is available for letting to the time a new tenancy commences and should be measured in weeks.

Appendix 1

The Regulated Sector

List of AHBs Assessed in relation to the 2014 Year and additional AHBs that subsequently signed up to regulation

203 AHBs Assessed in relation to the 2014 Year

Tier 3

Circle Voluntary Housing Association
Clanmil Housing Association Ireland
Clúid Housing Association
Co-Operative Housing Ireland (Formerly NABCO)
Daughters of Charity of St Vincent de Paul Service for Persons with a Mental Handicap Ltd
Focus Housing Association Ltd
Fold Housing Association Ireland Ltd
Housing Association for Integrated Living Ltd
North and East Housing Association
Oaklee Housing Trust
Respond!
Saint John of God Housing Association Ltd
Society of St. Vincent de Paul
Sophia Housing Association
The Iveagh Trust
Túath Housing Association

Tier 2

Ability West
Alexandra Guild Housing Association
Alone
Anvers Housing Association
Apex Housing Association (Ireland) Ltd
Ark Housing Association Ltd
Banner Housing Association

Belmont Park Housing Association
Camphill Communities of Ireland
Carriglea Cairde Services Ltd
Cill Dara Housing Company Ltd
Claremorris and District Integrated Resource Development Company Ltd
Claremorris Irish Centre for Housing (Clar I.C.H. Ltd)
Cluainin Voluntary Housing Ltd
Cope Foundation
Cope Galway (Cope (Crisis Housing Caring Support) Ltd)
Cork Mental Health Housing Association Ltd
Cork Simon Community
Cuan Mhuire Teoranta
Dublin Central Mission Ltd
Foscadh Housing Association
Galway Co-Operative Housing Development Society Ltd
Good Shepherd Services
Habinteg Housing Association (Ireland) Ltd
Hearth and Mind
Irish Wheelchair Association Ltd (I.W.A. Ltd)
Kare, Promoting Inclusion for People with Intellectual Disabilities
Kerry Mental Health Association
Kilkee Housing Association Ltd
Muiriosa Foundation
Muiriosa Housing Association
Newgrove Housing Association
Novas Initiatives (Arlington Novas Ireland)

Ó Cualann Co-housing Alliance
Oakdene House
Peter McVerry Trust
Praxis Housing Association
Roscara Housing Association
S.T.E.E.R. Housing Association Ltd
Simon Community: Dublin Simon
Simon Community: Dundalk Simon
Simon Community: North West Simon
Sonas Domestic Violence Charity Ltd
SOS Kilkenny Housing Association Ltd
Sue Ryder Foundation (Ireland)
The Peter Triest Housing Association
The Royal Hospital Donnybrook Voluntary Housing Association
Thomond Housing Association
Tintean (Carlow Voluntary Housing Association)
Western Care Association

Tier 1

Abbeyview Housing Association Ltd
Abode (Doorway to Life Ltd)
Adapt Kerry Ltd
Aghamore Voluntary Housing Association
Áras Mhuire Housing Association Ltd
Ardagh Voluntary Housing Association Ltd
Athea Voluntary Housing Association
Athlone and District Housing Association Ltd
Ballycastle and District Voluntary Housing Association Ltd
Ballyhooly Sheltered Housing Association
Ballymacarbry Elders Housing Association
Bandon Geriatric and Community Council
Bantry Care for the Aged Association Ltd
Beam Housing Association Ltd
Belcarra Community Co-Operative Society Ltd
Bergerie Trust Ltd
Bishopstown Senior Citizens Housing Association Ltd
Broadford Voluntary Housing Association and
Community Childcare Facility Ltd
Caherciveen Social Services (Housing) Ltd
Caislean Nua Voluntary Housing Association Ltd
Carbery Housing Association Ltd
Care Bright Ltd
Carracastle Voluntary Housing Association Ltd
Carraig Dubh Housing Association Ltd
Castlecomer Housing Association Ltd
Cena-Culturally Appropriate Homes Ltd
Charabanc Housing Association
Charleville and District Community Enterprise Ltd
Charleville Care Project Ltd
Clannway (Meath) Voluntary Housing Association Ltd

Clare Haven Services
Claregalway and District Day Care Centre
Coiste Tithe Uibh Laoire Teoranta
Colliery Christians Voluntary Housing Association
Conna Community Council Housing for the Elderly Association Ltd
Corran-Deel Voluntary Housing Association Ltd
County Donegal Parents and Friends Housing Association Ltd
Croom Voluntary Housing Association
Cross Kilbaha Community Housing Ltd
Cuan an Chlair Ltd
Cuan Saor Women's Refuge
Daisyhouse Housing Association
Disabled People of Longford Housing Association
Doon Community Housing Ltd
Douglas Old Folks Housing Association
Drogheda Homeless Aid Association Ltd
Drombanna Housing Association Ltd
Dromcollogher Community Housing Association Ltd
Dromcollogher Voluntary Family Housing Association Ltd
Dromin/Athlacca Housing Project Ltd
Dundalk Voluntary Housing Association Ltd
Embury Close Sheltered Housing Company Ltd
Enniscorthy Community Housing Ltd
Fergus Housing Association Ltd
Fermoy Geriatrics Association Ltd
FHIST Voluntary Housing Association Ltd
Galtan Ltd
Gleann Ealach Housing Association
Glenamoy Housing Association Ltd
Glin Homes for the Elderly
Gowran Community Housing for the Elderly Association
Grantstown Voluntary Housing Association
Home Again
Homeless Care Ltd
Homes for Dunmore
Hospital Voluntary Housing Association Ltd
Hugh Gore Institute Ltd
Inagh Housing Association Ltd
Inis Housing Association Ltd
Interaid
Kathleen and Micheal Connolly Foundation Ltd
Kerry Emigrant Support Housing Association
Kilanerin Sheltered Housing Association
Kilcorney Community Development Association Ltd
Kildorrery Voluntary Housing Association Ltd
Kilmihil Community Housing Association Ltd
Kilnaleck Sheltered Homes
Kilteely/Dromkeen Housing Association
Kingdom Voluntary Housing Association
Knocklong Glenbrohane Elton Voluntary Housing Association

Appendix 1 /continued

Macroom Senior Citizens Housing Development Ltd
Mayo Living (Mayo Living Housing Association Ltd)
Mayo Mental Health Association Ltd
Mid Offaly Housing Association
Moorehaven Centre (Tipperary) Ltd
Mount Carmel Community Trust Ltd
Mountbellew Voluntary Homes Association
Muff Sheltered Housing Association
Mullingar Housing Association
Mulranny Day Centre Housing Ltd
Murroe Community Housing
New Dawn Housing Association
New Hope Residential Centre
Oasis Housing Association Ltd
PACE Housing Association Ltd
Peachhaven Trust
Phibsboro Aid
Rathangan Senior Citizens Housing Association Ltd
Rights for the Elderly Voluntary Housing Association
Rosedale (Kilmacow) Voluntary Housing Association Ltd
Rosscarbery Social Housing Association
Senior Citizens Concern Ltd
Simon Community: Galway Simon
Simon Community: Midlands Simon
Simon Community: Mid-West Simon
Simon Community: South East Simon
Slí Eile Housing Association
Slieverue Community Housing Association
Sophie Barat Residence Ltd
St. Christopher's Housing Association (Longford) Ltd
St. Dominic's Mullingar Community Council
St. Ita's Voluntary Housing Association and Day Care Centre Ltd
St. John's Parish Homes for the Elderly
St. Kilian's Housing Association Ltd
St. Mary's (Kilkenny) VHA
St. Patrick's Dwellings for the Elderly Ltd (S.P.A.D.E.)
Stepping Stone
Tabor House Trust Ltd
Tarbert Community Services Ltd
Tearmann Eanna Teoranta
Tearmann Uí Cheallaigh Tithíocht Sóisialta
The AIDS Fund
The Brabazon Trust
The Good Shepherd Centre Kilkenny
The Skibbreen Geriatric Society
The Switsir Trust
Thomastown Voluntary Housing Association
Thurles Lions Trust Housing Association
Tramore Voluntary Housing Association Ltd
Tullamore Housing Association
Upton Cork Housing Association
Villiers Housing Association Ltd
Walkinstown Housing Association
Waterford Dove Housing Association
Westgate Foundation (Ballincollig Senior Citizens Club Ltd)
Wexford Mental Health Association Ltd
Youth for Peace Ltd

34 additional AHBs that subsequently signed up to Regulation

Tier 2

Gheel Autism Services
Goodwill Housing Co-operative Society
Holy Ghost Hospital
Nás Na Riogh Housing Association Ltd
Sunbeam House Services
Threshold

Tier 1

Achill Sheltered Housing Association
Adapt Domestic Abuse Services
ANEW Support Services
BallyDesmond Sheltered Housing Ltd
Ballyhaunis Social Housing Ltd.
Ballylanders Voluntary Housing Association Ltd
Brickens Housing Association
Cappamore Housing Association
Castleblaney Care Housing Association
Comhlacht Tithe Soisialta agus Forbairt an Tsulain Teoranta
Crochta na Greine Housing Association Ltd
Don Bosco Care Ltd
Finisklin Housing Association
Galway Mental Health Association
Le Chéile Housing Ltd.
Leim An Bhradain Housing Association Company Ltd
Line Projects Housing Association
Merrick House Ltd
Millstreet and District Housing Association
Mitchelstown Senior Citizens Project Ltd
Monasterevin Housing Association Ltd.
Moyne Voluntary Housing Association Ltd
Slinua Housing Association Ltd
St. Francis Housing Association
Tabor Lodge Addiction and Housing Services Ltd
The Sons of Divine Providence
Tiglin Challenge
Tuam Voluntary Housing Agency

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