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# The Regulation of Approved Housing Bodies in Ireland

2016 Annual Report and Sectoral Analysis

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## Our Mission

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.

### Why regulation is important:

1. To ensure the investment made by the State is well-managed and that homes provided are available for tenants into the future
2. To build capacity within the sector to deliver more and better-quality homes
3. To build confidence of public and private funders resulting in investment in the sector

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# Contents

Foreword from the Chair	4
Introduction from Head of Regulation	6
Key highlights and future focus	8
Chapter 1 / The Regulation Office – Mission, Structure and Governance	10
Chapter 2 / Sectoral Analysis	19
Chapter 3 / Tier 3 AHBs Aggregated Financials	44
Glossary	47
Appendix 1 / The Regulated Sector	48

# Foreword from the Chair

## Mary Lee Rhodes

The third year of operation of the Voluntary Regulation Code for Approved Housing Bodies (AHBs) has seen significant progress on the journey towards transparency and increased capacity in the not-for-profit housing sector.

The number of organisations signing up to the code continues to increase year by year, while governance, financial management and performance of these organisations strengthens as they actively engage with the Regulation Office. The 232 AHBs that have signed up to the code are well placed to transition to the anticipated statutory regulatory regime.

The sector is characterised by a large number of AHBs providing housing and support services to a small number of tenants with deep community roots. These organisations are part of a rich fabric of social capital and civic action across Ireland. The 159 Tier 1 organisations (69% of the all AHBs that have signed up to the voluntary regulatory code) each manage 17 homes on average for tenants, primarily with volunteer staffing. As these organisations come under statutory regulation, regulation will recognise and respond appropriately to safeguard assets and tenants without undermining the core community values and capacities that gave rise to them in the first place.

At the other end of the spectrum are the 17 Tier 3 AHBs, that manage anywhere from 300 to over 5,000 homes, accounting for a total of 21,128 units. Thirteen of these are collectively planning to add an additional 6,741 units. These AHBs are large scale housing developers and managers and it is imperative that they operate at the highest levels of financial and managerial prudence. It is notable that the planned increase in housing stock will increase debt levels of the Tier 3 organisations by an estimated 800%. Interest cover and gearing ratios are expected to remain within reasonable levels, but this trajectory supports the need for strong and transparent regulation of the sector.

Nearly a quarter of the AHBs signed up to the code are in between these two extremes and these Tier 2 organisations manage an average of 88 units. This group is characterised by a significant percentage of organisations that are care, support and service-oriented, with housing only one element of their range

of activities. We are sensitive to the fact that these organisations, in particular, have seen an unprecedented increase in regulation over the past few years and we are working with other regulatory bodies to minimise any duplication of reporting requirements.

Despite the strenuous efforts by the Regulation Office, circa 300 AHBs that were approved by the Department since 1992 remain outside the Code and in some cases, are unable to be reached. I would encourage those AHBs to sign up to the Code requirements, ensuring they are ready for statutory regulation.

Which brings me to the status of the proposed regulation. As reported in the introduction from the Head of Regulation, the relevant Bill is expected to be published by the end of 2017. The Department of Housing, Planning and Local Government has been progressing the drafting of this Bill throughout the year. It is noted that there has been uncertainty around the classification status of the sector due to questions raised by the CSO and Eurostat. The iRC will continue to provide advice on the proposed Bill on the assumption that the AHB sector operates independently, while we await the outcome of the review.

Having recently been appointed to the role of Chair, I wish to express the Committee's sincere thanks to the previous Chair, Jennie Donald, who led the Committee with energy, commitment and skill through the first three and a half years of its existence. I would also like to express my personal thanks for her professionalism and generosity throughout the handover process. I know I speak for the Committee and the Regulation Office staff in wishing her all the best in her next endeavour.

It has been a year of changes in the regulation team. Prior to my own appointment in June of 2017, Susanna Lyons took over the role of Head of Regulation from Pat Fitzpatrick and Earnán Ó Cléirigh replaced Philip Nugent as the representative to the Committee from the Department of Housing, Planning and Local Government. I welcome the new perspectives and energy brought by these individuals and am confident that together with the existing members of the iRC and the Regulation Office we will deliver on our core objectives in the coming year.

As ever, we will continue to work closely with key stakeholders to ensure that tenants and assets are protected as we transition to a fully regulated not-for-profit housing sector.



**Dr Mary Lee Rhodes**  
**Chair of interim Regulatory Committee**



“We will continue to work closely with key stakeholders to ensure that tenants and assets are protected as we transition to a fully regulated not-for-profit housing sector.”

# Introduction by the Head of Regulation

## Susanna Lyons

In 2016, the AHB sector continued to develop and implement key aspects of the Voluntary Regulatory Code. Now in its third year, regulation is firmly embedded within the sector. AHBs have shown a strong commitment to ensuring the sector is well-managed, well-governed and financially viable. Those organisations that have committed to the Code are well-positioned for the transition to a statutory regulatory framework.

This Annual Report and Sectoral Analysis provides a comprehensive overview of the work of the Regulation Office throughout 2016, alongside sector-wide analysis and detailed accounts of projected growth and financing. This is based on the regulatory and financial assessments of the 232 AHBs which were appraised during the year. Together, these organisations represent 95% of the estimated 30,000 housing units in the sector. It is reassuring that these homes, and the tenants living in them, are protected through regulation.

The sector showed evidence of strengthened governance, financial management and performance management, with 83% of AHBs demonstrating high levels of compliance. This includes advancements in relation to governance, risk management, sinking funds, stock condition surveys, financial management and strategic planning. These improvements represent an enhanced safeguarding of both tenants and social housing assets.

The Regulation Office acknowledges the extensive efforts made by AHBs of all sizes. My team and I would like to thank all those involved for their active support in embedding & strengthening the Regulatory Framework.

We continue to work with the boards and executives of AHBs where compliance issues have been identified. All AHBs are pro-actively engaging with the Regulation Office to ensure their governance and operational structures are regulatory ready and meet the Code requirements.

The Regulatory Framework continues to advance, supporting the pending legislation. During the past year, thirteen of the larger AHBs completed the Financial Standard requirements. This represents a substantial advancement and provided extensive insight into the projected growth and financial plans of these AHBs. This progression continues



with developing Tier 2 AHBs committing to meeting the Financial Standard in 2017. In last year's Annual Report, the Regulation Office pledged to develop a Governance Standard for the AHB sector. Through the committed efforts of key stakeholders, this standard will be launched in November 2017.

The Office continues to monitor a number of key watch items including the legislation, with emerging issues and priorities identified as the wider regulatory burden experienced by the AHB Sector, unit delivery risk, a eurostat decision, group structures and related parties, and AHBs not signed up to Regulation. In respect of the latter, the Regulation Office recognises that approximately 300 AHBs are not signed up to the Code. We actively encourage those AHBs to sign up, to review the requirements and work towards ensuring they are in a position to comply.

The coming year will see further significant developments for both the AHB sector and the Regulation Office with a move towards statutory regulation. The publication of the Housing (Regulation of Approved Housing Bodies) Bill will be a major milestone for the sector. It is expected that the Bill will be published in time for consideration for the winter Oireachtas session in 2017. Those AHBs signed up to the Code, are well placed to transition smoothly to a statutory regulatory framework. The Regulation Office will continue to work with all AHBs and key stakeholders to ensure that the Regulatory Framework is transparent, risk-based and proportionate.

Finally, I would like to acknowledge the hard work of the Regulation Team over the past year. The team's professionalism and commitment to the Voluntary Code and the AHB sector has been immense.



**Susanna Lyons**  
**Head of Regulation**



“The Regulation Office acknowledges the extensive efforts made by AHBs of all sizes. My team and I would like to thank all those involved for their active support in embedding & strengthening the Regulatory Framework.”

# Key highlights and future focus

The 2016 assessment process showed strong evidence of strengthened governance, financial management and performance management across the sector.

83% of AHBs demonstrated high levels of compliance with the Code. The advancement of the Regulatory Framework continued with the embedding of the Financial Standard across Tier 3 AHBs. Overall the sector is well placed to fulfil the upcoming Statutory Regulatory requirements and deliver a sustainable and well managed housing stock which meets the needs of its stakeholders and tenants.



28,781 AHB social homes under regulation



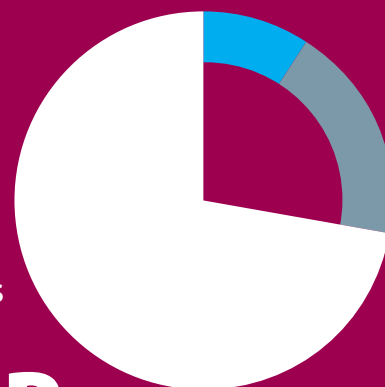
+ The most significant growth in the provision of housing units is set to come from 13 Tier 3 AHBs



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73% of the entire regulated stock is managed by just

17 AHBs



+ Tier 3 AHBs adopted and embedded the **Financial Standard**



+ AHBs compliant with the Voluntary Code are **well positioned to transition to a statutory environment**



+ 2016 saw a significant increase in **active risk management** by AHBs



+ **Regulatory Framework** continues to advance, supporting the pending legislation



+ Evidence of enhanced governance, financial and performance management across sector, **including sinking fund provision**

## Key Focus Areas

+ **Wider Regulatory Burden**

+ **Draft Legislation (late 2017)**

+ **300 AHBs that have not signed up to the Code and Regulatory**

+ **Regulatory Framework and Readiness for upcoming legislation**

## Chapter 1

# The Regulation Office – Mission, Structure and Governance

The Regulation Office remains focused on its primary goal of working to protect AHB assets and safeguard the interests of the sector's current and future tenants. Now in its third year, regulation is firmly embedded within the sector. Those organisations which have committed to the Voluntary Regulatory Code are well-positioned for the transition to a statutory regulatory framework.

# Our Mission

The Regulation Office's Mission is to protect AHB assets and safeguard the interests of the sector's current and future tenant by regulating for a well-governed, well-managed and financially viable sector. The Regulation Office works to fulfil this mission through a range of practical objectives which:

- Provide assurance to tenants, Boards, government, and potential investors that the AHB sector is stable and well-regulated
- Safeguard public investment in the sector.
- Encourage private investment into the sector
- Help AHBs to manage risk and to focus on achieving best outcome for tenants
- Protect existing and future AHB tenants by promoting openness and accountability
- Contribute to the overall sustainability of the sector

The Regulation Office conducts a Regulatory Assessment of each AHB signed up to the Code, based on the completed Annual Regulatory Return, Financial Statements and other information provided by the AHB or available in the public domain.

Regulatory Assessment Reports and Financial Assessment Reports are issued to individual AHBs where appropriate and in line with risk-based regulation.

Annual Regulatory Assessment Reports were issued to 232 AHBs over the course of the last year. The assessment process demonstrated high levels of compliance across the sector with 83% of AHBs considered to be satisfactory.

## What does the Regulation Office do?

The Regulation Office is responsible for managing the day-to-day implementation of the Voluntary Regulatory Code, including the detailed assessment of all AHBs signed-up to the Code.

The regulation framework remains 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 in relation to governance, financial viability, and performance management.



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“The regulation framework remains proportionate and risk-based and the Regulation Office assesses AHBs in line with their size, scope of activity and risk profile.”

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The Regulation Office is actively working with AHBs where compliance issues have been identified. These AHBs have demonstrated strong commitment to achieving full compliance. The Regulation Office is working with both the executive and boards of the AHBs while they work through action plans. It is noted that a number of compliance challenges are

a result of historical structural arrangements which involve complex changes to legal, operational and management arrangements. A number of AHBs have substantially completed their action plans and are expected to have fulfilled the necessary requirements by the end of 2017.

## Interim Regulatory Committee

The work of the Regulation Office is overseen by an **interim Regulatory Committee (iRC)** of ten non-executive members with extensive experience ranging across regulation, law, finance and housing. 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 delegates the day-to-day responsibilities to the Head of Regulation.

The Committee was appointed by the Minister for Housing, Planning and Local Government in February 2014. All Board members are voluntary and are not remunerated for their services. The interim Regulatory Committee has clearly established regulatory duties and functions, outlined in regulatory committee protocols and terms of reference including:

- Overseeing the assessment of participating AHBs in respect of their financial viability, governance, management and compliance with the Voluntary Regulatory Code
- Providing advice and recommendations on implementing the Voluntary Regulatory Code
- Providing guidance to participating AHBs to assist in the attainment of compliance
- Bringing significant non-compliance issues to the attention of the Minister
- Advising the Minister on the development of a statutory regulatory framework

The table set out on the next page details iRC meetings and members' attendance in the 2016 calendar year.

## Board Meetings & Attendance 2016

Board Member	4th February	21st April	23rd June	8th September	17th November
Jennie Donald (Chair)	✓	✓	✓	✓	✓
Dr Oonagh Breen	✓	X	✓	✓	X
Mary-Lee Rhodes	✓	✓	✓	✓	✓
Donal McManus	✓	✓	X	✓	✓
Michael Cameron	✓	✓	X	✓	✓
Ronan Heavey	✓	✓	✓	✓	✓
Eddie Lewis	✓	X	✓	✓	✓
Margaret Geraghty (appointed February 2016)	–	X	X	✓	✓
Philip Nugent* (resigned June 2016)	✓	✓	X	–	–
Gerry Hunt	✓	X	X	✓	X
Earnán Ó Cléirigh (appointed November 2016)	–	–	–	–	✓

\* Earnán ÓCléirigh replaced Philip Nugent as Department representative in November 2016.

In 2016, the iRC continued to be actively involved in its advisory capacity with the legislation for establishing an AHB Regulator and statutory Regulation. The Committee provided advice to the Minister and the Department on the formulation of the legislative framework and embedding standards. The Committee is committed to ensuring continuity in the move from Voluntary to Statutory Regulation. It has overseen the introduction of the Financial Standard and the upcoming Governance Standard. It remains dedicated to ensuring the new regulatory body is fit for purpose and has independent decision-making powers.

# The Regulatory Framework

## Legislation

The Housing (Regulation of Approved Housing Bodies) Bill seeks to establish a statutory regulator to oversee the effective governance, financial management and performance of AHBs. The Bill aims to safeguard public and private investment in the social housing sector, while also increasing efficiency and enabling increased housing supply. It seeks to ensure that the assets built through investment in the sector are managed in a sustainable manner. The statutory regulatory framework will provide further assurances to investors, tenants, the Government and to the sector itself that AHBs operate in a well-regulated and stable environment.

The Department of Housing, Planning and Local Government continues to work with the Office of the Parliamentary Counsel to finalise the text of the Bill. It is expected that the Bill will be published in time for early consideration in the 2017 Winter Oireachtas session.

The voluntary regulatory arrangements will remain in place and continue to progress until such time as the legislation is enacted and the statutory system of regulation is put in place.

## AHB Readiness for a Statutory Regulatory Framework

AHBs continue to embed and strengthen their Governance, Financial Management and Service Performance Management within the context of the Voluntary Regulatory Framework. In 2016, 232 AHBs committed to the Voluntary Regulation Code 'Building for the Future' (the Code), and the Financial Standard, with thirteen Tier 3 AHBs submitting extensive financial and strategic plans.

All AHBs signed-up to the Code should benefit significantly from the investment in their governance and operational structure and will transition to the statutory environment with relative ease.

The Regulation Office strongly recommends that those AHBs which are not currently signed up to the Code review the requirements and work towards ensuring they are in a position to comply. The Regulation Office welcomes all new sign-ups and will continue to work with organisations to ensure their regulatory readiness.

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**“All AHBs signed-up to the Code should benefit significantly from the investment in their governance and operational structure and will transition to the statutory environment with relative ease.”**

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# Advancing Regulatory Framework

## Draft Legislation Bill

Winter 2017



Draft Housing (Regulation of  
Approved Housing Bodies) Bill, 2017

*Mar a tionscnaíodh*

*As initiated*

### Three Key Regulatory Standards



**Financial Standard &  
Assessment Framework**

Launched July 2015



**Governance Standard &  
Assessment Framework**

2017



**Service Performance  
Standard**

2018

## **The Regulatory Standards**

Throughout 2016 a key focus of the Regulation Office was strengthening the Regulatory Framework, including the three key standards; the Financial Standard, Governance Standard and Performance Standard.

The Financial Standard continued to be embedded by the larger Tier 3 organisations throughout 2016. The Regulation Office committed to implementing a Governance Standard and following extensive workings with key stakeholders, this will be launched in fourth quarter of 2017. The third and Final Standard, the Service Performance Standard will be launched in 2018, thereby completing the Regulatory Framework.

### **Financial Standard**

The Financial Standard requires that AHBs manage their resources and risks effectively to ensure their viability is maintained at all times, and that social homes are protected in the interests of their tenants and not exposed to undue risk.

The roll out of the Financial Standard to Tier 3 AHBs in 2016/17 was a major milestone for both the Regulation Office and AHBs. A total of thirteen Tier 3 AHBs were assessed under the Financial Standard and each of those organisations was provided with an individual, comprehensive Financial Assessment Report.

The Regulation Office would like to acknowledge the active engagement of all participating AHBs in supporting and embedding the Financial Standard.

In overall terms, those AHBs which engaged with the Financial Standard demonstrated financial viability and good progress in the development of financial plans. This process will significantly aid them as they take on the challenge of increasing their housing stock with the support of private finance.

In 2017, developing Tier 2 AHBs will be required to report on the Financial Standard, further demonstrating the commitment of organisations in embedding this key standard.

### **Governance Standard**

The Governance Standard is currently being developed in consultation with the sector. It is scheduled for completion in the final quarter of 2017. The Standard will be tailored to best reflect the governance needs of AHBs. It will also be proportionate, risk-based and embrace the best practice included in governance codes from across the housing, charitable and community sectors. The Standard will be accompanied by detailed guidance on what is expected of each AHB in relation to the systems and procedures by which AHBs are directed, controlled, and governed by their boards.

### **Service Performance Standard**

The Service Performance Standard is scheduled for launch in late 2018. This Standard will detail what is expected of each AHB in relation to the asset management systems and policies and procedures by which tenants and their homes are protected. The Regulation Office will work alongside key stakeholders in the development and implementation of this Standard.

# Emerging Issues and Priorities

The Regulation Office identified a number of emerging issues and priorities as a result of its detailed review of 232 AHBs. We continue to work with boards and executives of AHBs and all key stakeholders within the sector to address these issues, as appropriate.

## Legislation

The publication of the Housing (Regulation of Approved Housing Bodies) Bill will be a major milestone for the AHB Sector in 2017. The move from a Voluntary Regulatory Framework to a Statutory Framework will provide further assurances to investors, tenants, the Government and to the sector itself that AHBs operate in a well-regulated and stable environment. The Regulation Office will work with the iRC, the Department, the AHB sector and key stakeholders to enable a smooth transition to the statutory framework.

## Eurostat, CSO & AHBs

In January 2017, the AHB sector was informed that Eurostat requested the CSO review the classification of AHBs. The Central Statistics Office (CSO) is responsible under EU law for the reporting of Government finance statistics. The CSO will apply a series of tests on behalf of Eurostat to determine the appropriate sectoral classification of AHBs, including government control; autonomy in decision making; and market or non-market status. The review is ongoing and the sector and representatives have made considerable contributions. The outcome is anticipated to be released by the end of 2017.

## Wider Regulatory Burden

The AHB sector represents a diverse and complex set of organisations providing, housing, care, services and supports. These AHBs have regulatory and compliance requirements relating to the Charities Regulatory Authority, the Residential Tenancies Act, compliance requirements of Revenue, the Companies Registration Office and from key funders including the HSE and HIQA.

The Regulation Office continues to develop and enhance its working relationship with all key stakeholders that impact the sector. The Regulation Office is engaging with other regulators and funders with the view to introducing Memorandums of Understanding with the key aim of reducing where possible duplicate data sets.

## Unit Delivery Risk

Several large AHBs have reported ambitious development plans to significantly increase the level of owned units over the coming years. The Regulation Office will pay particular attention to the risk management of these organisations to ensure that they have the resources and capacity to manage a considerable increase in the private debt portfolio over a short time, secure funding at the required levels and manage an on-going programme of such a size. In addition, organisations will need to manage the practical execution risk of bringing this amount of stock into management.

## **Group Structures & Related Parties**

As reported previously, the assessment process highlighted a number of AHBs operating within an organisational group structure or having related parties. Where organisations are part of group structures, have shared services and supports in place, these arrangements require the appropriate contractual oversight, such as service level agreements or memorandum of understanding outlining the roles and responsibilities of the independent legal entities. Additionally, where there are financial transactions in place between entities these are required to be governed by contractual arrangements. Many AHBs report they do not have such oversight arrangements in place and this remains a key focus of the Regulation Office.

## **AHBs not signed up to Regulation**

Approximately 300 AHBs, representing around 5% of entire housing stock, remain unengaged with the Voluntary Regulatory 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 regulatory readiness for the statutory requirements. The Regulation Office strongly encourages all active AHBs to sign up to regulation and will continue to work with the Department and other stakeholders to ensure that 100% of housing stock in this sector is brought under regulation.

## Chapter 2

# Sectoral Analysis

In this chapter, we outline the key findings from the assessment process, including total housing stock, strengthening of AHBs compliance with the Code, with focus on Governance, Financial management and Performance management. Additionally, this chapter provides detailed analysis on the growth plans of AHBs and the anticipated funding mechanisms.

The consolidated analysis represents submissions from 232 AHBs. This represents 95% of the overall AHB housing stock.

The development of the Regulatory Framework has allowed a greater understanding of the sector. The range and diversity of organisations operating in the sector remains apparent. A significant number of small, locally-based AHBs continue to operate alongside large, geographically-spread organisations and care, support and services-orientated entities whose operations contain an element of housing.

The Regulation Office has focused on those organisations proposing to deliver additional units and on the financial and strategic planning for the larger Tier 3 AHBs, in line with risk-based and proportionate regulation.

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“The consolidated analysis represents submissions from 232 AHBs, accounting for 95% of the overall AHB housing stock.”

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# 1. Housing Stock

## AHB Housing Stock Profile

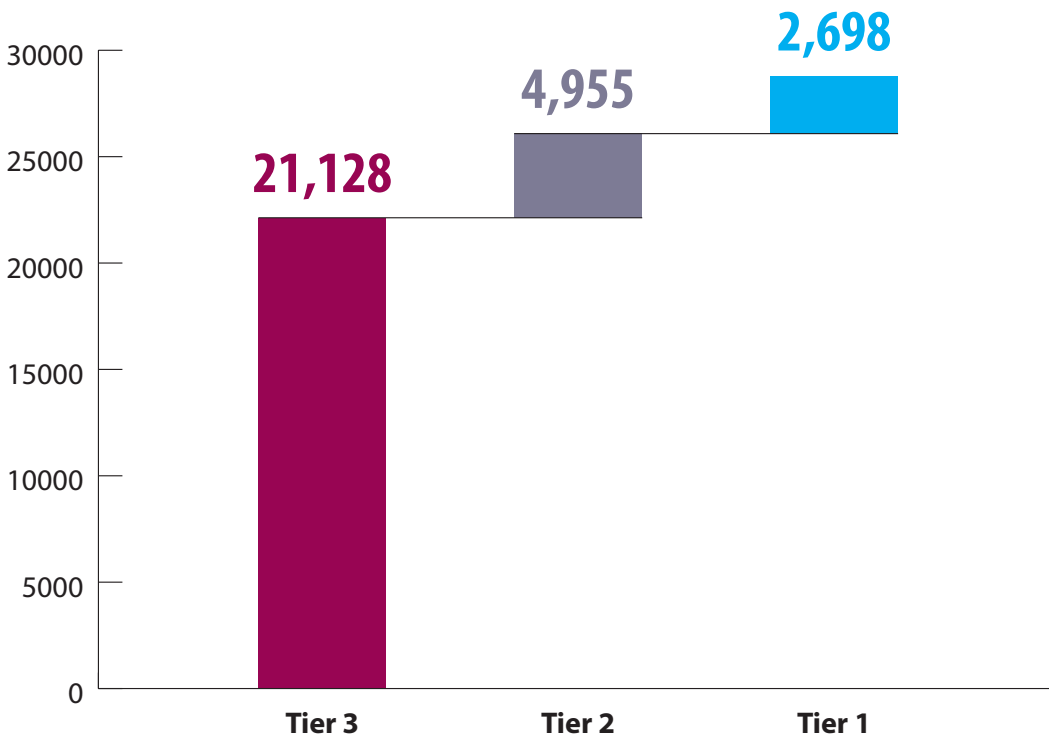
The 232 AHBs assessed account for a total of **28,781** homes (or **95%\*** of social housing units in the sector). 73% of the total number of regulated housing units are managed by 17 Tier 3 AHBs. Overall just 50 AHBs manage 90% of the regulated stock.

The unit stock profile reflects the diversity of the sector, with large scale organisations managing thousands of units across all counties, to AHBs that actively manage a small number of units in their locality.

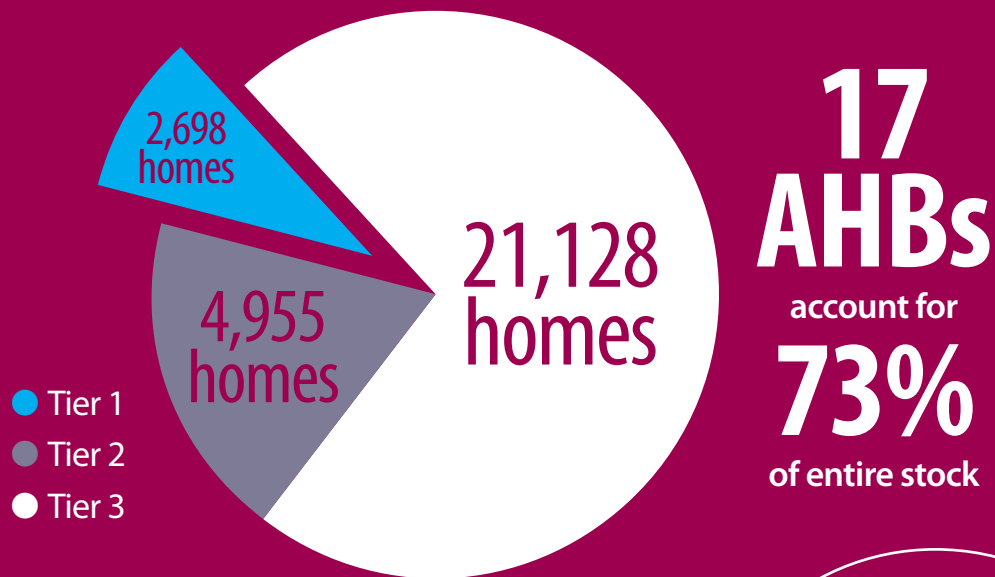
The diagram below sets out the total number of units owned, leased or managed by Tier 1, 2 and 3 AHBs.



## Units by tier



# Housing stock at a glance



+ On average, it is reported that **each Tier 3 AHB is responsible for managing and maintaining 1,243 units**

The largest Tier 3 AHB manages over **5,000** homes

The top five Tier 3 AHBs represent over **50%** of all regulated stock



+ Tier 2 AHBs have an **average of 88 units each**

**56**  
Tier 2 AHBs account for **17%** of the regulated stock

**159**  
Tier 1 AHBs account for **9%** of the regulated stock

+ Tier 1 AHBs have an **average of 17 units each**

AHBs reported that the tenure of their housing units did not change significantly when compared to previous years. The sector reported that approximately 78% of units are owned.

The chart sets out the percentage of units within the sector which are either owned, leased or managed.

The analysis of the housing stock in 2016 reflects the range and diversity of organisations operating in the sector. A significant number of small, locally-based AHBs continue to operate alongside large, geographically-spread organisations and care, support and services-orientated entities whose operations may only contain an element of housing.

### AHBs across Local Authority Areas

The Regulation Office notes the considerable variation in the concentration and spread of AHBs across local authority areas and the number of units managed by those organisations.

The analysis indicates that there are a large number of AHBs managing a low number of properties across a number of local authorities. This aligns with the high volume of community based AHBs managing a low volume of units. It is noted that there are 65 AHBs managing 10 units or less.

### Split of units



Local Authority	No. of Units	No. of AHBs in LA Area	Average Number of Units per AHB per LA
Dublin City	5,957	44	135
Limerick City & County	1,347	34	40
Cork County	2,007	26	77
Dun Laoghaire-Rathdown	1,232	25	49
Kildare	1,175	24	49
Tipperary	1,096	24	46
Kilkenny	580	24	24
Cork City	1,168	23	51
South Dublin	2,126	20	106
Fingal	1,410	19	74



## 2. Strengthening of AHBs in line with Code Requirements

Those AHBs signed up to the Code have shown a significant improvement in relation to their compliance, with notable progress across all areas. This includes improvements in relation to governance, risk, sinking funds and performance management policy requirements. These represent increased safeguarding of both tenants and the social housing asset.

Of significance is the increase in the number of organisations reporting that they have sinking funds in place for the longer term structural requirements of the housing assets. AHBs demonstrated greater transparency in relation to their sinking fund provision and have shown increased understanding of the importance of a sinking fund that reflects their organisation's housing stock profile. Many larger AHBs reported they have completed, or are in the process of completing, stock condition surveys. These surveys will provide valuable analysis for their individual organisations and inform the requirement for sinking fund provision.

Additionally, AHBs have demonstrated their commitment to strengthen their oversight, risk profiles, financial management and strategic management. A significant number of AHBs reported the implementation of risk registers, risk management policies, financial plans and strategic plans. This illustrates the sector's commitment to both Rebuilding Ireland and to the regulatory process.



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“Those AHBs signed up to the Code have shown a significant improvement in relation to their compliance, with notable progress across all areas.”

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# 3. Governance and the AHB Sector

## Why Governance Matters

Good governance is essential to the effective operation of AHBs, ensuring that each organisation has defined priorities and outcomes. It ensures that the organisation has appropriate methodologies for achieving those priorities. Boards have the responsibility to ensure that their organisation has the appropriate direction, oversight and control. They should be aware of and implement best practice in relation to transparency, reporting, communications, audit and the management of risk through robust control systems and effective performance management.

The Regulation Office seeks assurances that AHBs have fully functioning, independent boards and there is a clear separation of duties between the board and management, where applicable. It is expected that AHBs have clear terms of reference for their boards, sub-committees and, where appropriate, delegated authority to its management team. AHBs should provide the Regulation Office with full transparency in terms of its relationships with key stakeholders. They should also ensure they provide appropriate training for board members.

The analysis conducted indicates that 83% of AHBs have appropriate governance structures in place.

A number of areas do remain, however, where strengthening is required. These include the implementation of service level agreements between related parties where management, supports and other services are provided. Other issues, such as board tenure and succession planning in Tier 1 organisations, highlight the considerable challenges facing smaller organisations in the short to medium term.

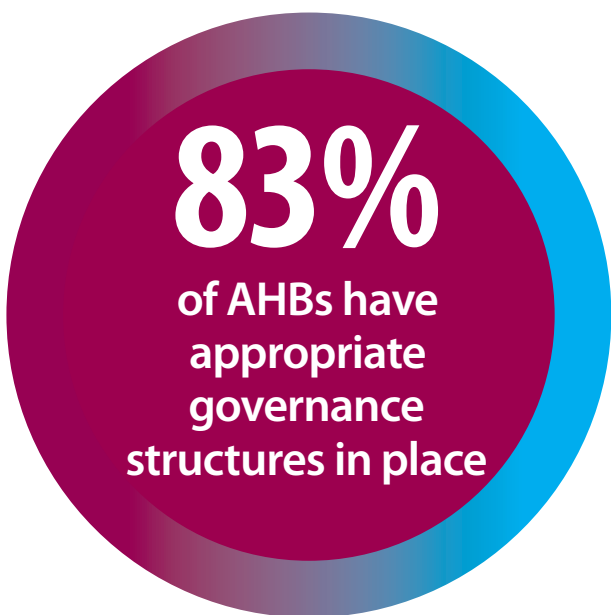
## Board Membership

AHBs reported a total of 1,891 board members across the 232 organisations. Of this figure, 159 Tier 1 organisations accounted for 1,231 board members, 56 Tier 2 AHBs reported 487 board members, while the remaining 173 board members represented the 17 Tier 3 AHBs. Overall, an average of eight board members per AHB was reported.

The Code requires that AHBs have in place a properly functioning board with at least five members. Approximately 95% of AHBs reported that they meet these requirements. Just 12 AHBs reported that they do not currently meet Code requirements. These organisations are required to recruit additional Board Members in an open and transparent manner to ensure they have a fully functioning board in place with the appropriate skills and expertise.

Tier 1 organisations report that they face challenges in attracting new directors to their Boards, with succession planning being a risk area. However, Tier 3 organisations reported strengthening of Board membership including key skill areas such as financial planning and risk management.

The analysis indicates that that one Board Member on a Tier 3 has oversight of on average 122 units. However, Tier 1 organisations this falls to 2 units per Board member. The sustainability of such a ratio is a risk factor for the sector.



Tier	No. of AHBs	No. of Board Members	No. of Units
Tier 1	159	1,231	2,698
Tier 2	56	487	4,955
Tier 3	17	173	21,128

### Board Tenure and Succession Planning

AHBs reported that 36% of board members have been on their board for 10 years or more. An additional 8% of board members were reported as being in place for more than 20 years.

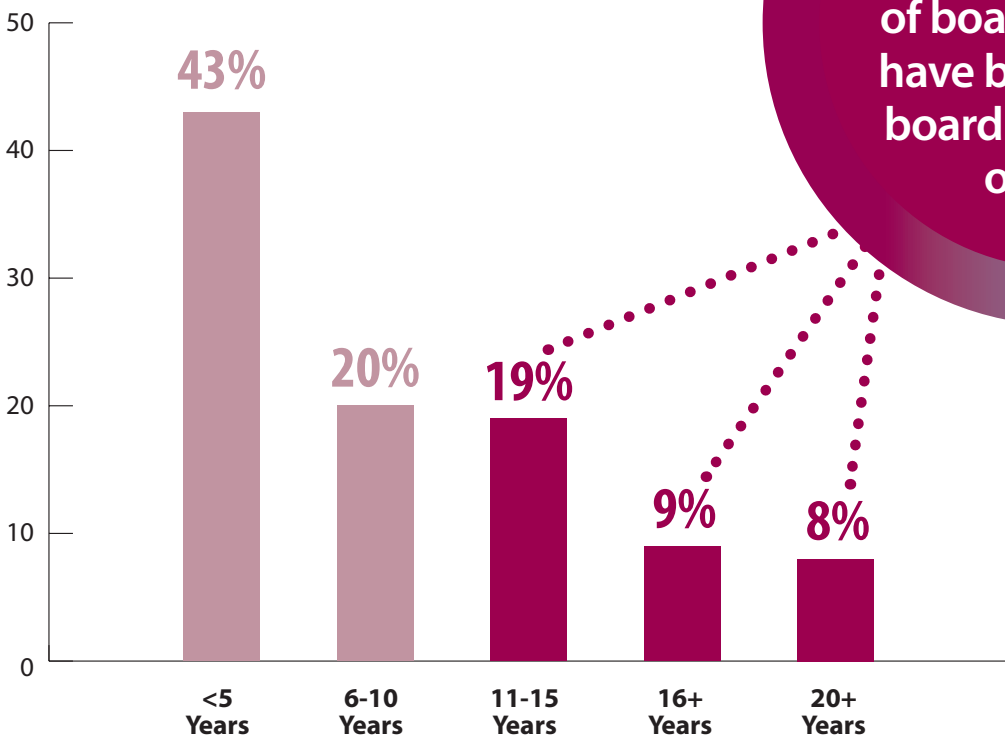
The Regulation Office acknowledges the commitment made by all Board members and commends their contribution to the sector. It remains clear from the annual regulatory submissions, and from discussions with the sector, that challenges remain in terms of board renewal and succession planning.

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

### Board Meetings

The Code requires that boards should meet at least four times per year. Approximately 91% of AHBs reported that their Board met four times a year or more, with the average number of Board meetings reported as seven. Twenty AHBs reported that they do not meet code requirements. Fourteen Tier 1 organisations, five Tier 2 AHBs and one Tier 3 AHBs reported that they met less than four times in the year.

### Board tenure

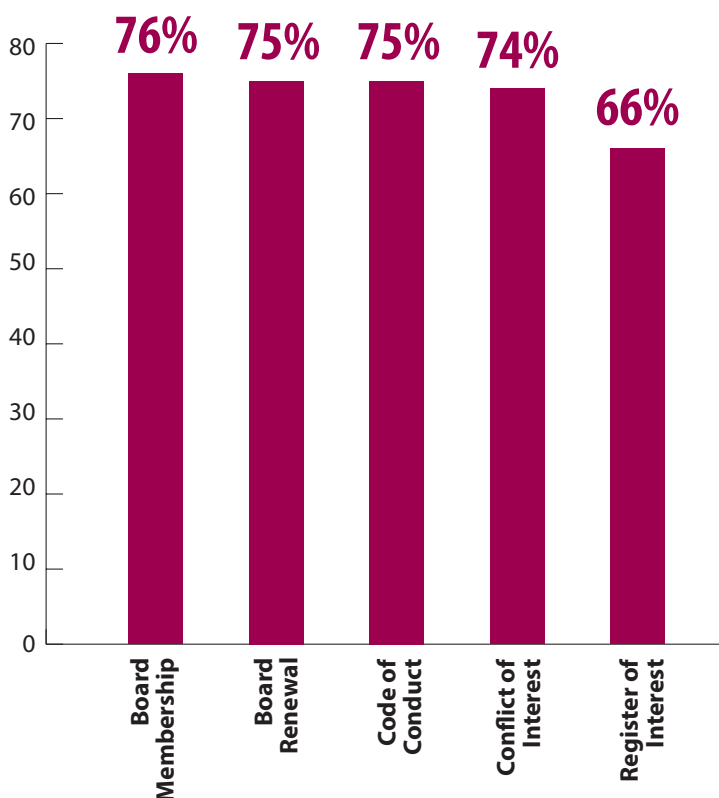


The Regulation Office actively engages with AHBs that reported they are not meeting requirements. It will continue to work with those AHBs to ensure increasing awareness of governance requirements and best practice for active and effective boards.

### Governance Policies

The number of organisations reporting appropriate board policies in place has shown an improvement from previous years. The table below outlines the percentage of AHBs reporting that board membership and renewal policies were in place, together with a Code of Conduct, Conflict of Interest, and Register of Interests. The Regulation Office continues to highlight the importance of Board policies to the overall governance of organisations. It is notable that 50 AHBs continue to report that they do not have board policies in place. This includes thirty-seven Tier 1 AHBs, ten Tier 2 AHBs and three Tier 3 AHBs.

### Board policies



**80%**  
of AHBs have  
all policies  
in place

## Sub-Committees

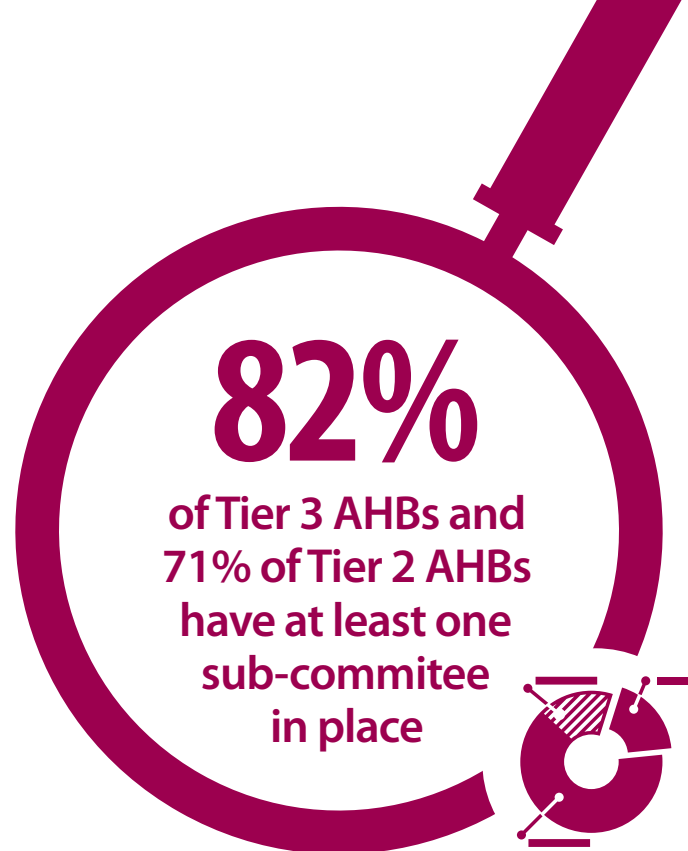
The data provided indicated that AHBs had a diverse range of sub-committees in place. This includes committees with responsibilities for audit & risk, maintenance, allocations and governance. Overall, 82% of Tier 3 AHBs, 71% of Tier 2 AHBs and 48% of Tier 1 AHBs reported that they had at least one sub-committee in place.

Boards are responsible for ensuring sub-committees have clear roles, purpose and terms of reference. In addition, they should ensure that each sub-committee has the appropriate skills and expertise to constructively challenge the executive. As in 2015, a number of AHBs indicated that they have external expertise on committees. This is a welcome addition to the governance of their operations.

Audit and Risk Committees are discussed further in the section relating to Risk Management.

## Group Structures and Related Parties

The Regulation Office has previously highlighted the complex relationships which exist between organisations in the sector. This year's Annual Regulatory Returns continued to highlight these complexities. The Regulation Office has emphasised to organisations the importance of having appropriate written agreements in place where they receive services or supports from a related party. Additionally, where there are financial transactions in place between entities these are required to be governed by contractual arrangements.



Eleven Tier 3 (64%) organisations reported that they have a related party relationship. A significant percentage of these AHBs reported that the organisations also shared common directors and that services and supports were provided between the related parties. Crucially, it was reported that **only 63%** of these services and supports were governed by service level agreements or a memorandum of understanding. Additionally, AHBs reported that where financial transactions were in place, **only 50%** reported that these are governed by contractual arrangements. A breakdown of data provided by Tier 2 AHBs pointed to similar issues although, in that group, only 28% of organisations confirmed that service level agreements or equivalent were in place.

	Tier 3 AHBs	Tier 2 AHBs
Related Party Relationship	64%	42%
Share Common Directors	91%	62%
Shared Services/Supports	73%	69%
Service Level Agreements or Memorandum of Understanding Governing Services & Supports	63%	28%
Financial Transactions between related parties	73%	73%
Contractual arrangements governing Financial transactions	50%	42%

The Regulation Office recognises the importance of related party relationships in the sector and the vital supports and services which they provide. All AHBs are actively engaging with the Regulation Office to ensure that they strengthen the governance arrangements in relation to this area.

## **Other Funders**

Ninety-four AHBs (41%) reported that they received funding from the Health Service Executive (HSE). A significant proportion of Tier 2 organisations, in particular, indicated this as a significant source of funding. Additionally, 56 AHBs (24%) reported that they received funding from other state agencies. These include DRHE, TUSLA, Department of Justice and the Department of Social Protection.

The Regulation Office is aware that such funding frequently requires AHBs to meet certain operational, governance and financial standards, as set out under service arrangements with such organisations. It is expected that AHBs meet all legal and compliance obligations in this respect.

## 4. Tier 3 and Tier 2 Projected Growth

The Regulation Office conducts a detailed review of both the financial management and financial oversight of each AHB, with a particular focus on developing AHBs. This focus on financial governance is exceptionally important where organisations are forecasting extensive growth accompanied by large increases in private financing.

The Regulation Office stresses that projected growth plans **are indicative only** and subject to a range of factors. In total, 13 Tier 3 organisations reported housing unit growth projections over a three-year period from 2015 to 2018 within the Annual Financial Return.

These organisations reported their units at the end of 2015 as 18,536, with projected growth plans of an additional 6,741 units by the end of 2018. This is equivalent to a projected growth of 36% over the three-year period.

It is anticipated the bulk of this growth (6,164 units or 91%) will be concentrated in the development or acquisition of owned units. Forecasts indicate an increase of 12% in leased Units and a small reduction in managed units over the same period.

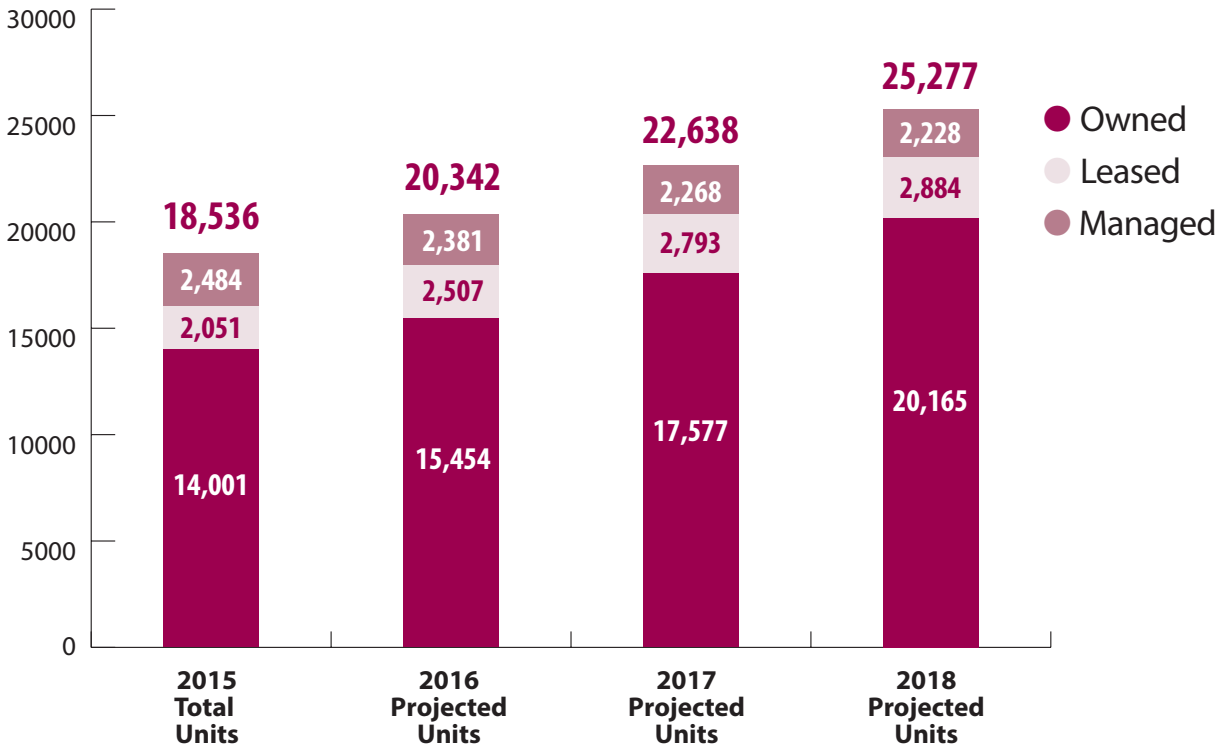
It is notable that four Tier 3 AHBs are forecast to account for around 17,722 or 70% of the total projected growth.



	Owned	Leased	Managed	Total Projected Units
2015 Total Units*	14,001	2,051	2,484	18,536
2016* Projected Units	15,454	2,507	2,381	20,342
2017* Projected Units	17,577	2,793	2,268	22,638
2018* Projected Units	20,165	2,884	2,228	25,277
<b>Unit Growth 3 Year Projection</b>	<b>6,164</b>	<b>833</b>	<b>-256</b>	<b>6,741</b>

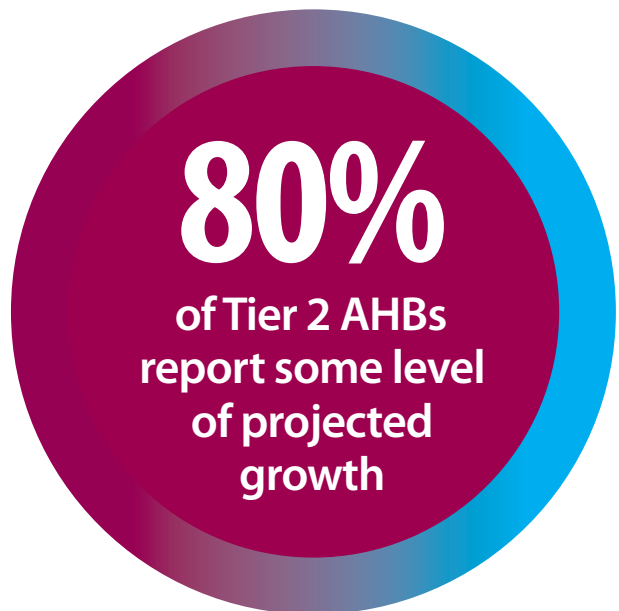
\*13 Tier 3 organisations only

## Projected unit growth 2015-2018 (13 T3 AHBs)



### Tier 2 AHBs Projected Growth

Tier 2 AHBs reported projected growth plans of an additional 2,078 units over the next three years, representing 42% growth. The analysis indicates that ten Tier 2 AHBs account for approximately 94% of these growth plans. The forecasted funding mechanism for these is evenly distributed between CAS, P&A and other funding. As noted previously, these developing Tier 2 AHBs have committed to alignment with the Financial Standard and it is anticipated that additional analysis will be available in relation to unit growth, funding, cashflow management and stress testing in the next assessment cycle.





## 5. Projected Loan Growth (13 Tier 3 AHBs)

The thirteen Tier 3 AHBs that outlined significant planned growth indicated that the anticipated primary funding model is based on a combination of CALF, private finance and supported with payment and availability agreements. This model is attractive to funders seeking long-term lending opportunities.

Based on the information submitted by the 13 Tier 3 AHBs the following key highlights emerged:

- Total loans are forecast to grow from €127m in 2015 to €1,149m by 2018 – growth of approximately 800%.
- The Housing Finance Agency is projected in the short term to be the dominant provider of long term private finance – increasing from €74m to €792m or over 970%, which indicates that the HFA would be financing 70% of the loan portfolio by 2018 for these entities.



Funding Type	Totals 2015 (€M)	Totals 2016* (€M)	Totals 2017* (€M)	Totals 2018* (€M)	% Growth
CALF	30	96	199	306	913%
HFA	74	232	512	792	971%
Other funders	23	36	44	51	120%
<b>Total Loans</b>	<b>127</b>	<b>364</b>	<b>755</b>	<b>1,149</b>	<b>803%</b>

\*Projected, in Millions

## “Debt-based funding will require greater awareness and management of funding risks and the development of customised Treasury Management Policies.”

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The Regulation Office believes that funding – on attractive terms – is not currently a major limiting factor to supporting unit delivery. Additional evidence is emerging that a new, innovative funding mechanism is under consideration which makes use of Special Purpose Vehicles (SPVs) to access both domestic and European funds. This external, off-balance sheet funding may be available on attractive/competitive terms from banks/funds who are natural, long-term funders with experience in funding social housing.

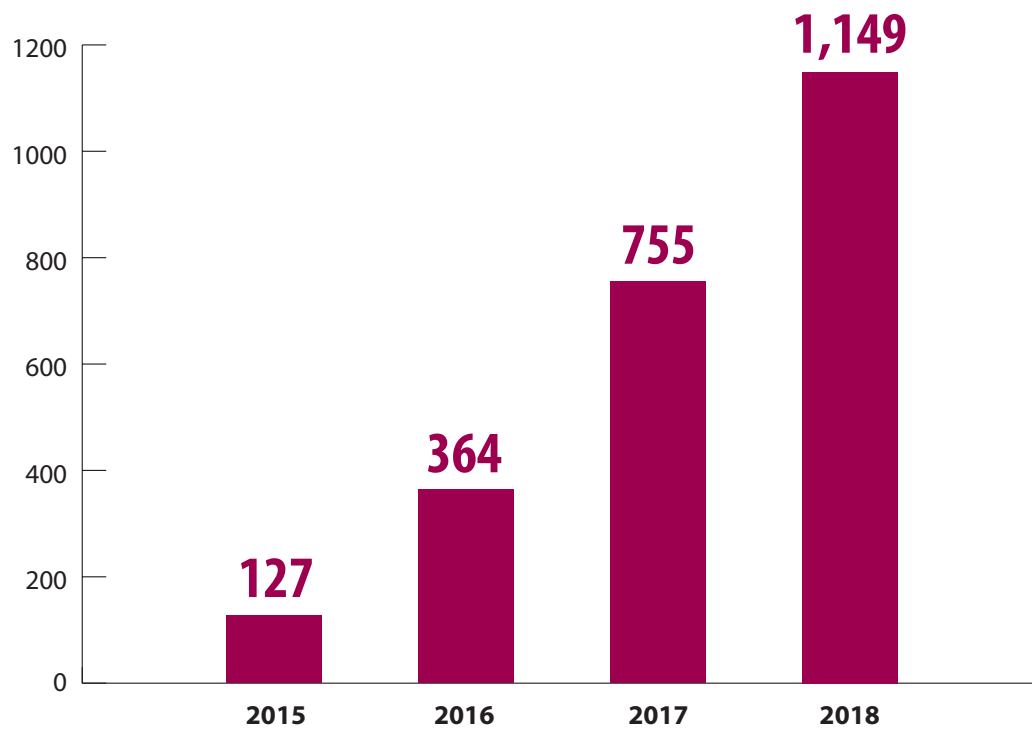
This important development will bring both opportunities and challenges for boards and senior executives of AHBs. Debt-based funding will require greater awareness and management of funding risks and the development of customised Treasury Management Policies to ensure safe and sustainable growth which is the key Regulatory objective. The Regulation Office will continue to place considerable emphasis on this aspect of financial governance into the future.

Further analysis of the loan data submitted indicated that a relatively small number of Tier 3 AHBs currently account for the majority of private finance loans within the sector. This is projected to continue into 2018.

Six Tier 3 AHBs accounted for 92% (€117m) of loans in 2015. By 2018, these six organisations will account for 84% of loans as the use of private finance funding broadens slightly to other Tier 3 AHBs. This concentration is further confirmed with one AHB expected to account for approximately 30% of total loans by 2018.



## Total loans 2015-2018 by year (€m)



## 6. Financial Governance

The Regulation Office reviews the financial management and financial governance of AHBs by analysing in detail their audited accounts, private finance, development plans, risk management structures, and Finance, Risk & Audit sub-committees. In line with appropriate risk-based criteria, the Regulation Office prioritises the review of those AHBs who are developing with projected use of private finance.

### Risk Management

The Regulation Office continues to focus on the development and strengthening of risk management across the AHB sector. Risk management is a vital component of financial governance, particularly where AHBs forecast large unit growth via private financing. Growth cannot be attained without some level of risk and Boards are actively encouraged to ensure they are fully risk aware.

Tier 2 AHBs reported a large increase in actively managed risk registers, increasing from 58% to 71% year over year. Additionally, of the 40 Tier 2 AHBs that reported having a risk register, 90% indicated that the risk register is accompanied by a risk management policy.

In line with the phased introduction of the Financial Standard, Tier 3 AHBs reported enhanced risk frameworks in the same period. The Regulation Office welcomes the improvement and embedding of risk management across the sector.

The table outlines the results for both Tier 3 and Tier 2 AHBs.

Tier	Tier 3 AHBs	Tier 2 AHBs
No. of AHBs	17	56
Risk Framework	88%	n/a
Risk Register	100%	71%
Risk Policy	87%	90%
Risk linked to Strategy	92%	n/a

The strengthening of risk frameworks is a welcome development particularly for those AHBs reporting substantial growth plans to be achieved via private financing. These AHBs have shown a considerable commitment to the regulatory standards and to strengthening their risk management frameworks. This includes the recruitment of risk expertise onto boards and management teams.

### Financial Management

The Regulation Office requires a full set of audited accounts to be submitted annually. The provision of these accounts is a vital input to enable the Regulation Office to undertake a detailed evaluation of the financial viability of the AHB.

Tier 3 and 2 AHBs are overwhelmingly compliant in relation to submitting fully audited accounts. However, only 82% of Tier 1 AHBs submitted audited accounts, providing the Regulation Office limited ability to complete full and accurate financial assessments for 28 Tier 1 AHBs. We continue to work with these organisations to ensure that a full set of audited accounts are made available to the Regulation Office.

The Regulation Office completed a detailed analysis of AHBs Audited Financial Statements, where available. All Tier 3 AHBs, 75% of Tier 2 AHBs and 69% of Tier 1 AHBs reported an operating surplus.

The Regulation Office reviews trends and requests further background information and where appropriate recommends that the Board undertake a financial review with a view to addressing the underlying causes.

## Financial Standard Advancement

The Financial Standard requires that a Board-approved Business Plan references and links the organisations strategic objectives, financial plans & projections, clear economic assumptions, and forecast income & expenditure. The plan is expected to scenario tested with appropriate risks and mitigates identified.

The Regulation Office acknowledges the enormous commitment made by Tier 3 AHBs in delivering on the Financial Standard requirements. This investment in financial governance by Tier 3 organisations provides a solid platform to support sustainable, well-managed growth.

From the Regulation Offices perspective, key sectoral risks identified during assessment cycle centre around plan execution risk and cash flow management associated with the quantum leap anticipated in unit delivery. These risks were relayed in individual Financial Assessment Reports and discussed at review meetings with Chairs, CEOs and Finance Directors. It is likely that these risks will remain into the foreseeable future and the Regulation Office will pay particular attention to AHB management and mitigation of these risks through appropriate stress testing of variables and strong oversight.

This is the first year that Tier 3 AHBs were assessed under the Financial Standard. Approximately 80% completed all the above requirements, however a number organisations were not in a position to complete due to inadequate line of sight on direct housing assets and the financial information associated with these assets. These organisations are committed to complying with the Standard and are working closely with the Regulation Office in this regard.

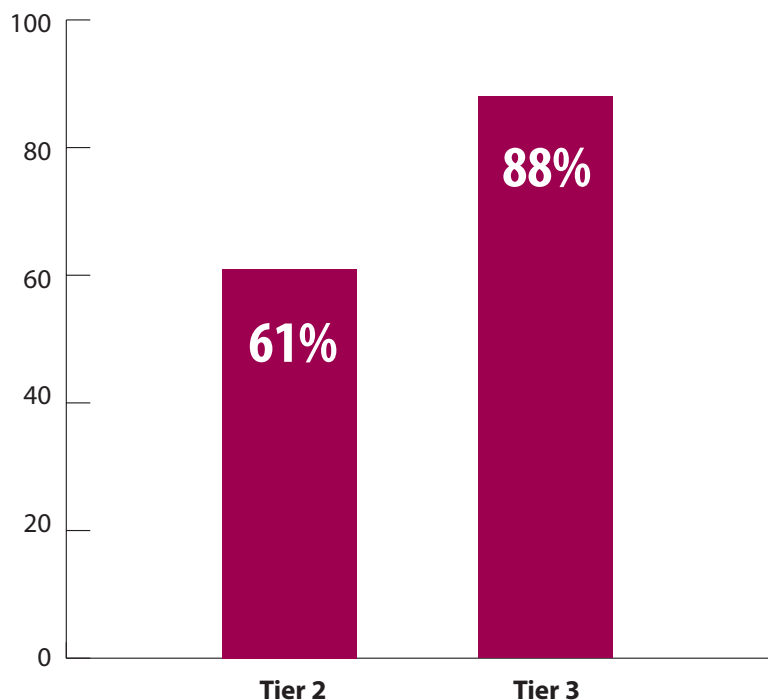
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“The strengthening of risk frameworks is a welcome development particularly for those AHBs reporting substantial growth plans to be achieved via private financing.”

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## Audit and Risk Committees



## Audit and Risk Committees

In line with the Financial Standard requirements, Tier 3 organisations are required to have an Audit and Risk Committee in place. The Regulation Office views the Audit and Risk Committee as a critical component of effective financial and risk management.

Tier 3 and Tier 2 AHBs reported that 88% and 61% respectively of organisations have an audit & risk committee in place.

# 7. Asset & Performance Management

Performance standards are fundamental to ensuring that AHBs deliver quality affordable housing and housing services to tenants. Performance standards encourage continuous improvement in how AHBs manage their operations and ensure that quality, safe, well maintained and managed homes, which meet their tenants' needs, are delivered to the sector.

The assessment process and analysis focused on tenant service policies, rent records, voids, communication with tenants, rental income and arrears management, repairs, asset registers, sinking funds and stock condition surveys.

The Regulation Office appointed a Service Performance Manager in 2017, and will work closely with all AHBs in relation to performance management. It is anticipated that a Service Performance Standard will be developed in 2018 in consultation with key stakeholders. This standard will detail what is expected of each AHB in relation to the asset management systems and policies and procedures by which tenants and their homes are protected.

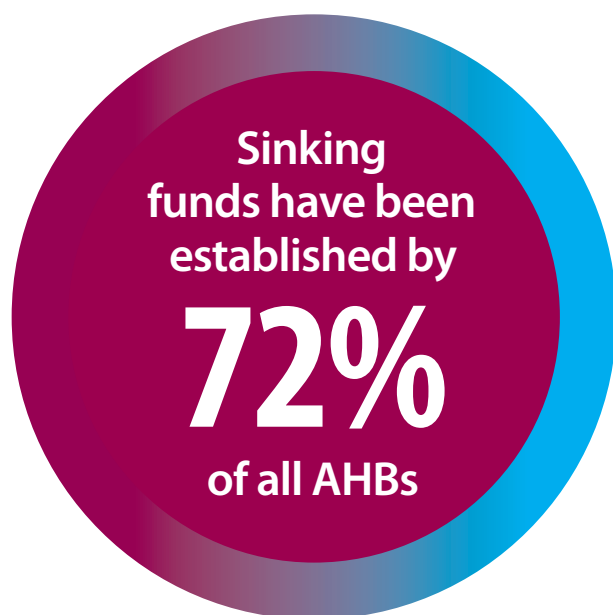
## Sinking Funds

Sinking funds have been established by 72% of all AHBs. However, a number of AHBs have been identified where sinking fund resources were not in place or were inadequate.

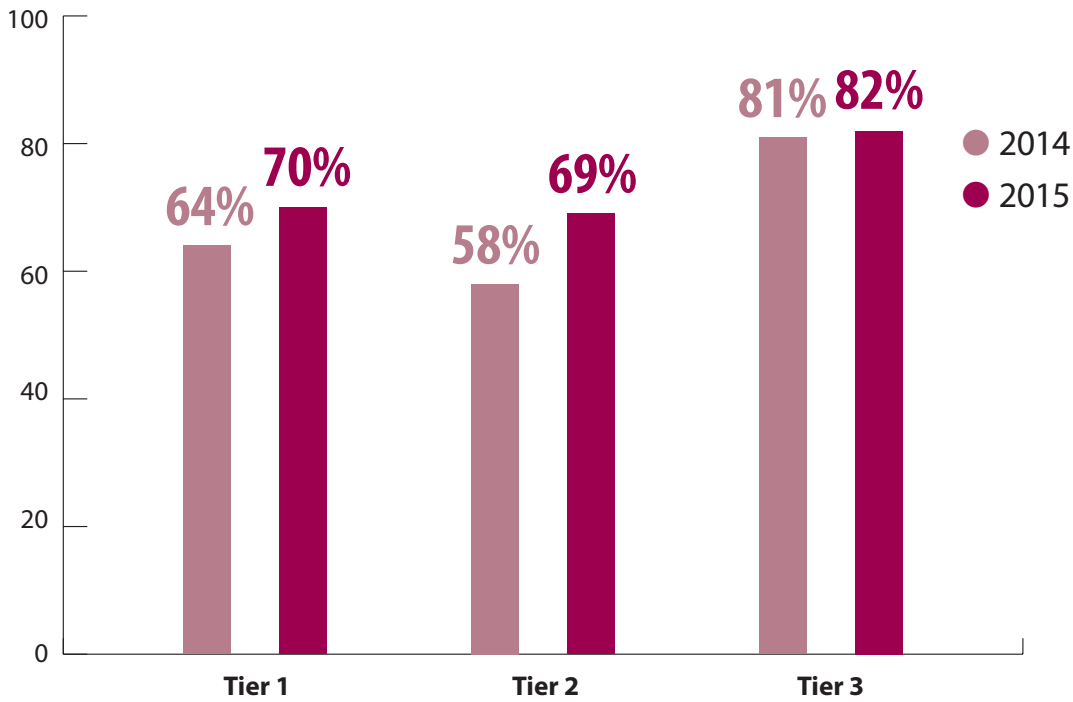
Sinking funds and the provision of funds for the longer term structural requirements of the housing assets continues to be a key focus area. AHBs have provided greater transparency and demonstrated increased understanding as to the importance of a sinking fund that reflects the organisation's housing stock profile.

The provision of a sinking fund should relate to the condition of the asset and the future works required. This will be informed and directed by an appropriate asset management strategy and by the undertaking of stock condition surveys. The Regulation Office notes the progress made in developing asset management plans and stock condition surveys, particularly with larger AHBs.

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 provision for sinking funds in place, according to the size, nature and scope of their housing stock.



## Sinking Funds Year on Year



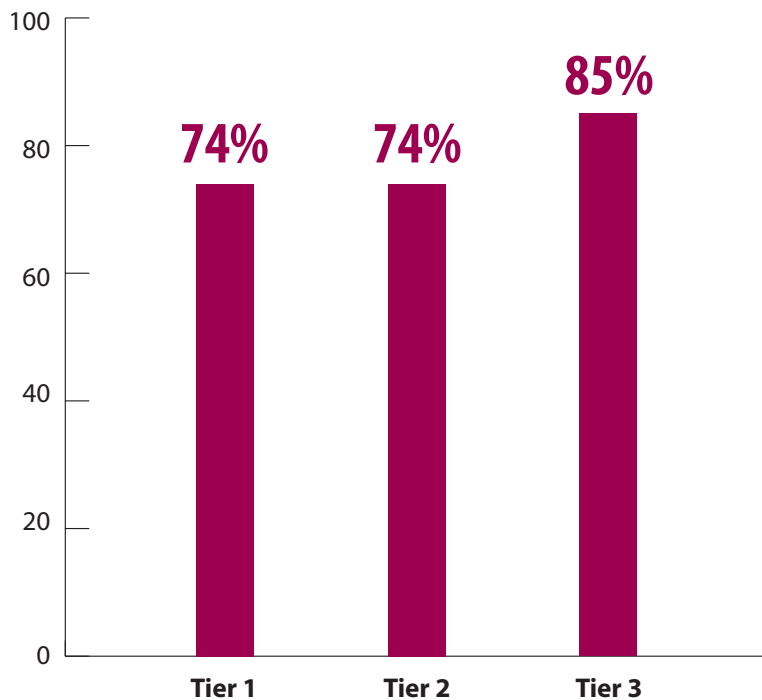
## Stock Condition Surveys

In line with the Financial Standard, Tier 3 AHBs reported that they are currently completing stock condition surveys. It is anticipated that the stock condition survey results will be utilised to inform organisations as to the level of sinking fund required relating specifically to their housing stock. Stock condition surveys have been conducted by 83% of Tier 3 AHBs with 71% having completed an external validation of results, as is a requirement of the Code.

Stock condition surveys have been conducted by **82%** of Tier 3 AHBs



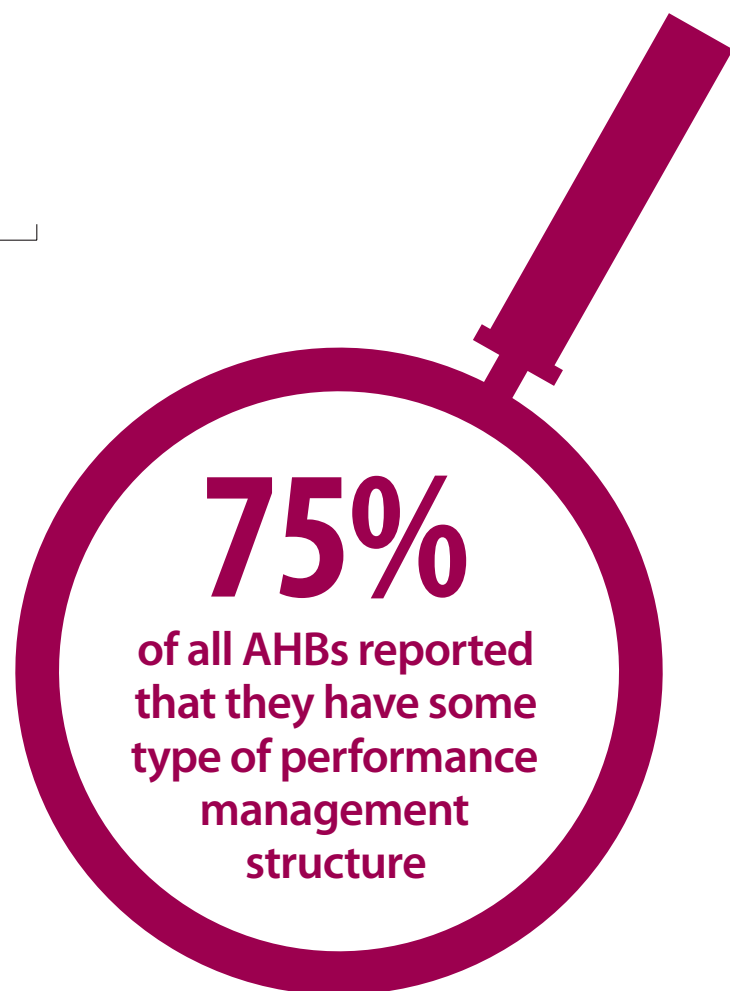
## % of AHBs with a Performance Management



### Service Performance Management

The Code requires that AHBs have appropriate performance management structures. Approximately 75% of all AHBs reported that they have some type of performance management structure in place, providing the ability to report and analyse the number of voids, length of voids, rental income due, amount of rent collected, rental arrears and emergency, urgent and routine repairs.

The analysis conducted indicated varying levels of performance management structures, reflecting the differences in AHBs both across Tiers and within Tiers. Generally, Tier 3 organisations demonstrated a strengthening of their performance management structures when compared year over year. However, evidence indicates that several smaller AHBs do not have appropriate performance management structures in place. The Regulation Office will work with all Tier levels to ensure that AHBs have strong performance management structures to protect the interests of the tenant and the social housing unit and to ensure the most effective and efficient management of the housing asset.

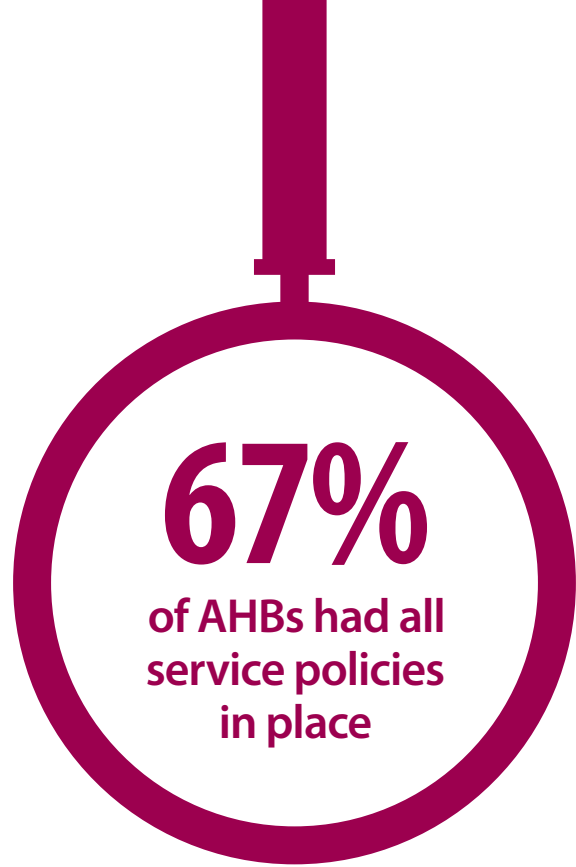


### Tenant Services Policies

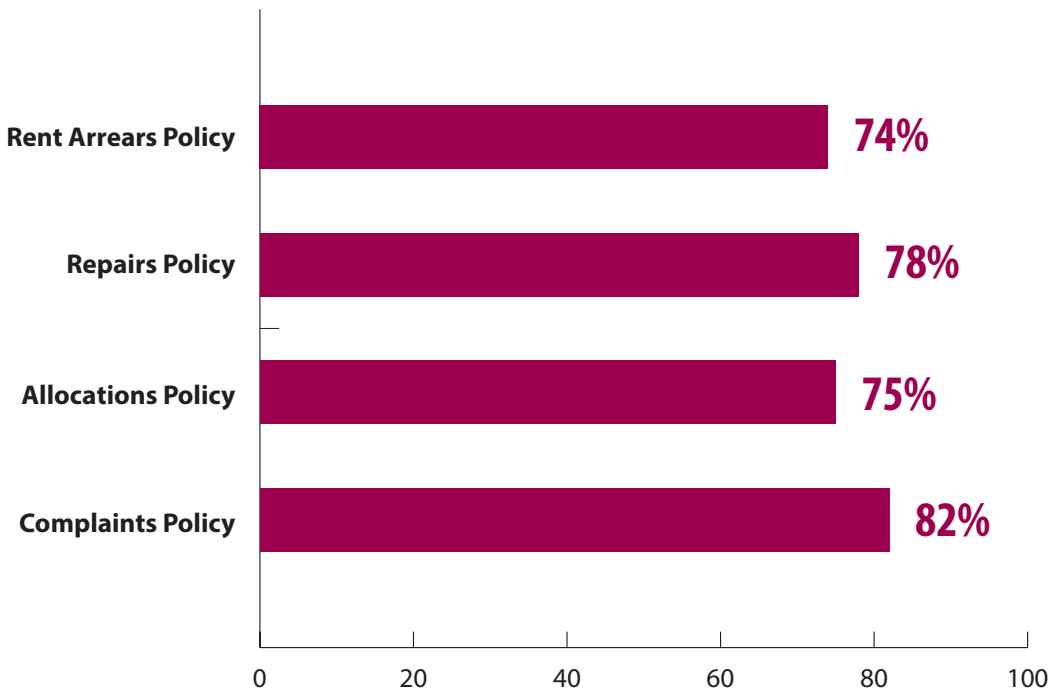
Approximately 67% of AHBs reported they had all service policies in place. The Voluntary Regulatory Code requires AHBs to have key policies in place ensuring appropriate tenant management, including complaint, allocations, repair and rent arrears policies. Tenant Service Policies allow the AHB to operate in an open, transparent, and accountable manner for the benefit of the social housing tenant. AHBs should have corresponding procedures relating to individual policies outlining the mechanism for addressing and resolving tenant service issues, in line with best practice.

The analysis conducted indicates that Tier 1 and Tier 2 AHBs show strengthening of oversight with increases in organisations reporting allocations, repairs, and arrears policies in place year over year.

It is notable that 30 AHBs (14%) reported that they have no service policies in place. This represents a significant number of homes and tenants that are impacted. The Regulation Office will work with AHBs to ensure that they have appropriate processes, procedures, and policies in place relating to the tenant and the housing asset.



### % of AHBs with Service Policies

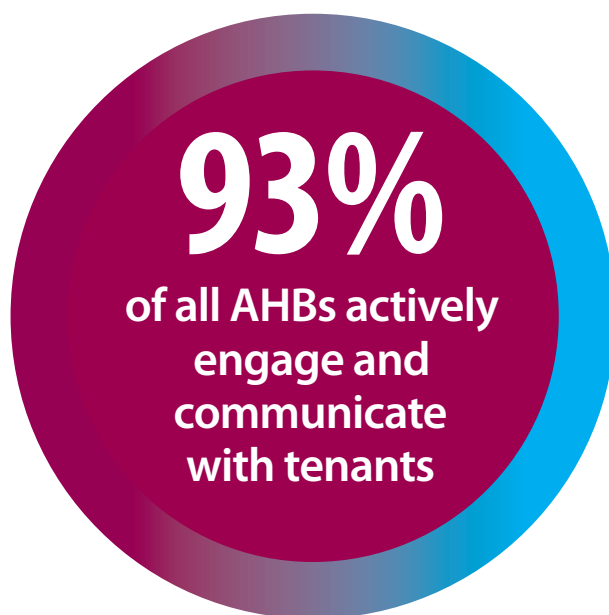


## Tenant Communications

Over 93% of all AHBs reported that they actively engage and communicate with tenants. Reported methods of communication include meetings, visits, letters, newsletters, phone calls and surveys.

The analysis conducted indicates that only 52% of AHBs reported they provide pre-tenancy training, with 59% of AHBs reporting that tenant handbooks are in place and 87% of all AHBs reporting they provide rent records to their tenants.

The Regulation Office will work with all AHBs to strengthen this important area of tenant communications and tenancy management. It is important that tenant engagement is in place from the start of tenancies, and that these are actively managed, with both the tenant and the landlord aware of their obligations. We are aware that multiple organisations state that they have informal processes in place managing tenancies, however it is expected that where AHBs are in receipt of rental income, that more formal arrangements are implemented to protect the tenants, the housing assets and AHBs.



Tier Level	Tenant Communications	Pre-tenancy Training	Tenant Handbooks	Rent Records
Tier 1	94%	47%	53%	89%
Tier 2	87%	58%	65%	84%
Tier 3	100%	82%	88%	82%
<b>Totals</b>	<b>93%</b>	<b>52%</b>	<b>59%</b>	<b>87%</b>

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“The Regulation Office will work with all AHBs to strengthen this important area of tenant communications and tenant management.”

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## Voids

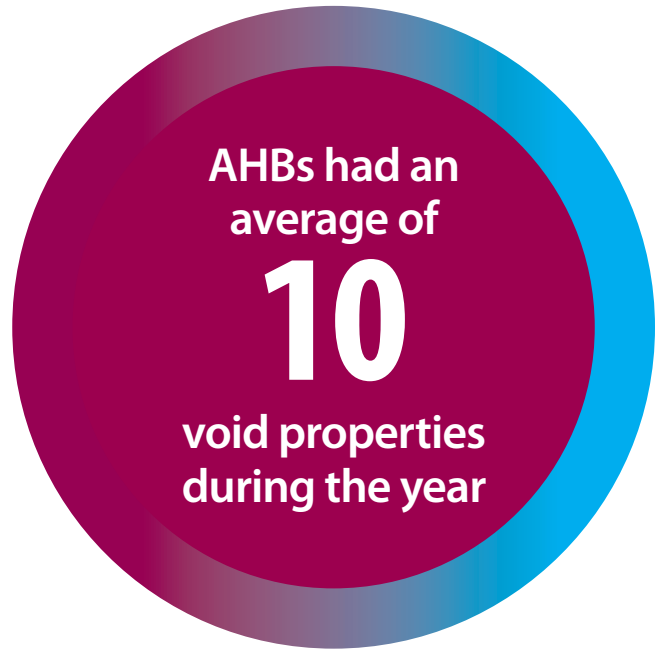
Overall, AHBs had an average of 10 void properties during the year. The average length of a void was 11 weeks. The below table outlines the voids by Tier, length of voids and voids as a % of stock.

Tier Level	Average No. of Voids	Voids as a % of Stock	Average Length of Void
Tier 1	1.5	8%	9
Tier 2	7.8	9%	17
Tier 3	100.5	7%	13
<b>Total</b>	<b>10</b>	<b>8%</b>	<b>11</b>

AHBs report various reasons for the length of voids with the most common reasons reported as delays experienced with nominations from local authorities and the need to carry out repairs between tenancies.

The Regulation Office considers that 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. Pro-active void management is particularly important in a growth environment.

The Regulation Office continues to work with AHBs, seeking assurances that an allocations policy and void management procedures are in place to pre-empt any delays in letting properties. It is important that AHBs and local authorities have effective arrangements in place to let properties quickly and efficiently.



## Rent Arrears

AHBs reported arrears of approximately €4M or 5% of total rent due. Many AHBs reported that rent arrears are actively managed and write-offs are, as expected, considerably lower than arrears.

### Arrears as a % of Total Rent Due

Tier 1	7%
Tier 2	5%
Tier 3	6%
<b>Total</b>	<b>5%</b>

Tier 2 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.

“The current level of rent arrears in the sector is not considered to represent a serious risk.”

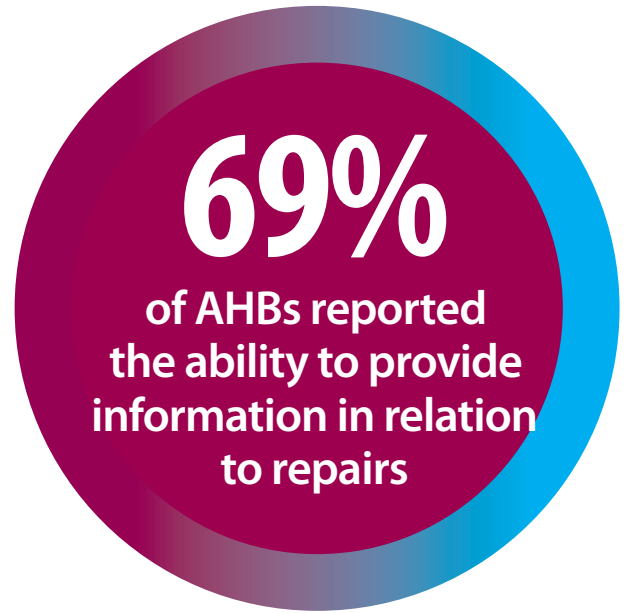
## Asset Registers

In line with the Financial Standard, Tier 3 AHBs provided data in relation to asset management. Approximately 94% of Tier 3 AHBs reported they have an asset register in place. This means that nearly 21,000 units (or 99% of stock) are protected and visible within organisations and the sector as a whole.

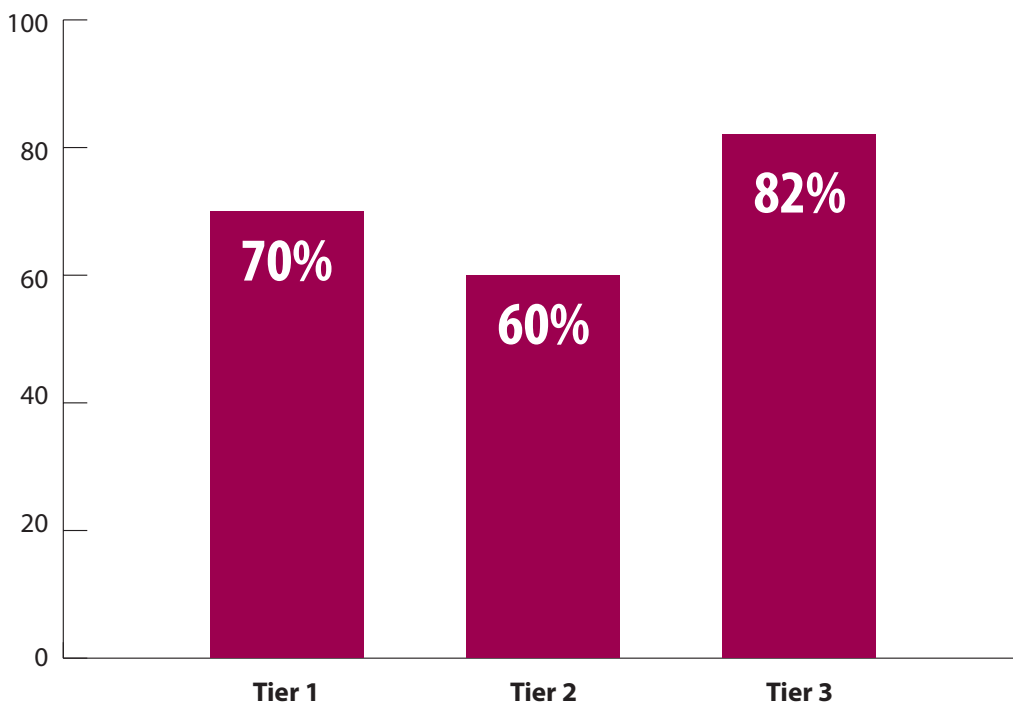
## Repairs

AHBs are asked to provide details on repairs within their Annual Regulatory Returns, including the number of repairs categorised as emergency, urgent and routine. Approximately 69% of AHBs reported the ability to provide information in relation to repairs. Sixty-eight AHBs (31%) were unable to provide information in relation to repairs.

It is expected that all AHBs would be able to provide data in relation to repairs, providing AHBs themselves with valuable information in relation to the condition, costs, repairs scheduling and maintenance of their housing stock. We will work with the sector to enhance and improve the active management and reporting of repairs.



## % of AHBs Reporting on Repairs



## Chapter 3

# Tier 3 AHBs Aggregated Financials

The following aggregated financials represent 13 Tier 3 AHBs and associated analysis. Tier 3 organisations are larger, more complex and have greater exposure to loan financing than other parts of the sector.

As part of its risk-based approach, the Regulation Office requires greater assurance from these organisations and has invested significant time in developing our understanding of the the financial context within which Tier 3 AHBs operate.

### **Basis of preparation of Aggregated Financials**

The Aggregated Financials are based on the information submitted by 13 Tier 3 AHBs for the 2015 year. They are compared to the information submitted by the same organisations in the previous financial year.

It should be noted that detailed financial information was not available for four Tier 3 AHBs. This was due to housing being a very small component of their operations.

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 aggregated accounts. In 2018, the Regulation Office will also be considering the application by AHBs of a housing Statement of Recommended Practice and its implications for the AHB sector.

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

- Income and Expenditure Account
- Balance Sheet
- Key Ratios
- Analysis and commentary of headline numbers and financial ratios

## Aggregated Income and Expenditure Account

	2014 €M	2015 €M
<b>Income</b>	<b>67.5</b>	<b>122.4</b>
Operating Expenses	(53.2)	(91.6)
<b>Operating Surplus</b>	<b>14.3</b>	<b>30.9</b>
Interest Receivable	0.5	0.8
Interest Payable	(1.7)	(3.3)
<b>Net Surplus</b>	<b>13.1</b>	<b>28.3</b>

## Aggregated Balance Sheet – 13 Tier 3 AHBs

	2014 €M	2015 €M
Social Housing Properties net book value	1,852	1,722
Other Fixed Assets	5	7
	<b>1,857</b>	<b>1,728</b>
<b>Current Assets</b>		
Cash	65	45
Debtors	18	39
	<b>83</b>	<b>85</b>
<b>Creditors</b> falling due within 1 year	(17)	(23)
<b>Net Current Assets</b>	66	61
<b>Total Assets Less Current Liabilities</b>	1,923	1,789
Long Term Loans	(67)	(121)
Deferred Income (Government Grants)	(1,702)	(1,375)
Other Long Term Creditors/Provisions	(10)	(12)
<b>Total Net Assets</b>	<b>144</b>	<b>282</b>
Income and Expenditure Account	86	242
Designated Reserves (Sinking Fund)	58	39
	<b>144</b>	<b>282</b>

# Key Highlights – Tier 3 AHBs Aggregated Accounts

**Income** increased by some 81% during 2015. This was largely due to a change in accounting treatment under FRS102. The new treatment required capital grants to be amortised over the lifetime of the asset, resulting in €82m of amortisation being included in the 2015 Turnover figure. Previously, AHBs adopted differing accounting treatments and the reported figure for 2014 was adjusted to exclude amortisation. We have included amortisation to allow consistent reporting from 2015 onwards.

**Operating expenditure** increased by 72%. This was also largely due to a change in accounting treatment under FRS102. This required housing properties to be depreciated over the lifetime of the asset, with €27m of depreciation being included in the 2015 Operating expenses figure. Previously, most AHBs did not depreciate housing properties and the reported figure for 2014 was adjusted to exclude depreciation. We have now included depreciation to allow consistent reporting from 2015 onwards.

**Operating Margin** increased from 21% to 25%. The changes in accounting treatment outlined above are the main reasons behind this increase. If these were reversed, the operating margin would be consistent with 2014 at 21%.

**Housing Properties** were shown at cost in 2014. For 2015, as required under FRS 102, they are shown at Net Book Value after the deduction of depreciation. We will report at Net Book Value to allow for consistent reporting from 2015 onwards. The underlying trend shows an increase in properties by €130m due to the expansion of development programmes.

**Debtors and cash:** Debtors increased by 215% whilst cash decreased by 30%. This reflects the increased development programmes of AHBs, with cash being utilised to fund development. A number of AHBs were also required to make deposits in the early stages of developments. These are shown as debtors.

**Short term creditors and long term loans** increased by 36% and 80% respectively. This is due to the increased use of private finance to fund development programmes.

**Deferred income and grants** have decreased by 19% due to the impact of greatly reduced grant levels under the new funding regime and the impact of the amortisation of the grants over the life of the relevant assets under FRS102.

**Reserves** have also been impacted by changes to accounting policies. Under FRS102, AHBs are not permitted to retain a designated Major Repairs Sinking Fund but must budget for expenditure year on year based on their business plan and stock condition survey. Major Repairs Reserves have therefore been transferred to general reserves. General reserves have also been boosted by the cumulative amortisation of grants to date and reduced by the cumulative depreciation of properties to date.

**EBITDA interest cover** has fallen considerably due to the introduction of private finance where very little existed in 2014, but still shows extensive further borrowing capacity at 685%.





# 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 Housing, Planning, 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.

<b>Tier 1</b>	<b>0-50 units</b> with no development plans or development plans that keep the total under 50 units
<b>Tier 2</b>	<b>50-300 units</b> or development plans that keep the total under 300 units, or the use of loan finance for development
<b>Tier 3</b>	<b>&gt;300 units</b> 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.

## DHPLG

Department of Housing, Planning 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 2015 Year and additional AHBs that subsequently signed-up to regulation

#### 232 AHBs Assessed in relation to the 2015 Year

##### Tier 3

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

##### Tier 2

Ability West  
Alexandra Guild Housing Association Ltd.  
Alone  
Anvers Housing Association  
Apex Housing Association (Ireland) Ltd.  
Ark Housing Association Ltd.  
Arlington Novas Ireland CLG  
Banner Housing Association CLG  
Belmont Park Housing Association Ltd  
Caphill Communities of Ireland  
Carbery Housing Association Ltd.  
Carlow Voluntary Housing Association LTD t/a Tinteán  
Carriglea Cairde Services Ltd.  
Cill Dara Housing Company Ltd.  
CLAR I.C.H Ltd.  
Claremorris and District Integrated Resource Development Company 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 DAC  
Dublin Simon Community  
Foscadh Housing Association Ltd.  
Galtan Limited  
Galway Co-Operative Housing Development Society Limited  
Gheel Autism Services CLG

Good Shepherd Services  
 Habinteg Housing Association (Ireland) Ltd.  
 Hearth and Mind  
 I.W.A Company Limited By Guarantee  
 Inagh Housing Association Ltd.  
 Kare Promoting Inclusion for People with Intellectual Disability  
 Kerry Mental Health Association  
 Kilkee Housing Association CLG  
 Muiriosa Foundation CLG  
 Muiriosa Housing Association CLG  
 Nás Na Riogh Housing Association Ltd.  
 North West Simon Community  
 Ó Cualann Co-housing Alliance CLG  
 Oakdene House  
 Peter McVerry Trust Ltd.  
 Praxis Housing Association  
 Roscara Housing Association  
 S.T.E.E.R. Housing Association Ltd.  
 Simon Community: Galway Simon  
 Sonas Domestic Violence Charity Ltd.  
 SOS Kilkenny Housing Association CLG  
 Sue Ryder Foundation (Ireland) Ltd.  
 Sunbeam House Services CLG  
 The Peter Triest Housing Association CLG  
 The Royal Hospital Donnybrook Voluntary Housing Association Ltd.  
 Thomond Housing Association  
 Threshold  
 Western Care Association

## Tier 1

Abbeyview Housing Association Ltd.  
 Achill Sheltered Housing Association  
 Adapt Domestic Abuse Services  
 Adapt Kerry CLG  
 Aghamore Voluntary Housing Association Ltd.  
 ANEW Support Services CLG  
 Áras Mhuire Housing Association Ltd.  
 Ardagh Voluntary Housing Association CLG  
 Athea Voluntary Housing Association CLG  
 Athlone and District Housing Association Ltd.  
 Ballincollig Senior Citizens Club Ltd.  
 Ballycastle and District Voluntary Housing Association Ltd  
 Ballyhaunis Social Housing Ltd.  
 Ballyhooly Sheltered Housing Association  
 Ballylanders Voluntary Housing Association Ltd.  
 Ballymacarbry Elders Housing Association Ltd  
 Bandon Geriatric and Community Council Ltd.  
 Bantry Care for the Aged Association Ltd.  
 Beam Housing Association Limited.  
 Belcarra Community Co-Operative Society Ltd.  
 Bergerie Trust CLG  
 Bishopstown Senior Citizens Housing Association Ltd.  
 Brickens Logboy Tulrahan Housing Association  
 Broadford Voluntary Housing Association and Community Childcare Facility Ltd.  
 Cahirciveen Social Services (Housing) Ltd.  
 Caislean Nua Voluntary Housing Association Ltd.  
 Cappamore Housing Association Limited  
 Care Bright Ltd.  
 Carracastle Voluntary Housing Association Ltd.  
 Carraig Dubh Housing Association  
 Castleblaney Care Housing Association  
 Castlecomer Housing Association Ltd.  
 Cena Culturally Appropriate Homes Ltd.  
 Charabanc Housing Association CLG  
 Charleville and District Community Enterprise Ltd.  
 Charleville Care Project CLG  
 Clannway (Meath) Voluntary Housing Association Ltd.  
 Clare Haven Services Ltd  
 Claregalway and District Day Care Centre CLG  
 Coiste Tithe Uibh Laoire Teoranta  
 Colliery Christians Voluntary Housing Association  
 Comhlacht Tithe Soisialta agus Forbairt an tSulain Teo  
 Conna Community Housing for the Elderly Association Ltd  
 Corran-Deel Voluntary Housing Association Ltd.  
 County Donegal Parents and Friends Housing Association Ltd  
 Crochta na Greine Housing Association CLG  
 Croom Voluntary Housing Association Ltd.  
 Cross Kilbaha Community Housing

Cuan an Chlair Ltd.  
 Cuan Saor Women's Refuge  
 Daisyhouse Housing Association CLG  
 Disabled People of Longford Housing Association  
 Don Bosco Care Housing Association Ltd.  
 Doon Community Housing Ltd.  
 Doorway to Life CLG  
 Douglas Old Folks Housing Association Limited  
 Drogheda Homeless Aid Association Ltd.  
 Drombanna Housing Association Ltd.  
 Dromcollogher Community Housing Association Ltd.  
 Dromcollogher Voluntary Family Housing Association Ltd  
 Dromin/Athlacca Housing Project CLG  
 Dundalk Simon Community CLG  
 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.  
 Finisklin Housing Association Limited  
 Galway Mental Health Association Ltd.  
 Gleann Ealach Housing Association  
 Glenamoy Housing Association Ltd.  
 Glin Homes for the Elderly CLG  
 Goodwill Housing Co-operative Society Ltd  
 Gowran Community Housing for the Elderly Association  
 Grantstown Voluntary Housing Association Ltd  
 Home Again  
 Homeless Care CLG  
 Homes for Dunmore  
 Hospital Voluntary Housing Association Ltd.  
 Hugh Gore Institute Ltd.  
 Inis Housing Association Ltd.  
 Interaid  
 Kerry Emigrants Support Housing Association Ltd  
 Kilanerin Sheltered Housing Association  
 Kilcorney Community Development Association Ltd.  
 Kildorrery Voluntary Housing Association CLG  
 Kilmihil Community Housing Association Ltd.  
 Kilnaleck Sheltered Homes  
 Killeely Dromkeen Housing Association  
 Kingdom Voluntary Housing Association Ltd  
 Knocklong Glenbrohane Elton Voluntary Housing Association CLG  
 Le Chéile Housing Company CLG  
 Leim An Bhradain Housing Association Company Ltd.  
 Line Projects Housing Association  
 Macroom Senior Citizens Housing Development Ltd.  
 Mayo Living Housing Association Ltd.  
 Mayo Mental Health Association Ltd.  
 Merrick House DAC  
 Mid Offaly Housing Association  
 Millstreet and District Housing Association Ltd  
 Mitchelstown Senior Citizens Project Ltd.  
 Monasterevin Housing Association CLG  
 Moorehaven Centre (Tipperary) Ltd.  
 Mount Carmel Community Trust Ltd.  
 Mountbellew Voluntary Homes Association Ltd.  
 Moyne Voluntary Housing Association Ltd.  
 Muff Sheltered Housing Association Ltd.  
 Mullingar Housing Association Limited  
 Mulranny Day Centre Housing CLG  
 Murroe Community Housing  
 New Hope Residential Centre  
 Oasis Housing Association Ltd.  
 PACE Housing Association Ltd.  
 Peacehaven Trust Ltd  
 Phibsboro Aid  
 Rathangan Senior Citizens Housing Association Ltd.  
 Rights for the Elderly Voluntary Housing Association CLG  
 Rosedale (Kilmacow) Voluntary Housing Association Ltd  
 Rosscarbery Social Housing Association Ltd  
 Senior Citizens Concern Ltd.  
 Simon Communities (Midlands) Limited  
 Simon Community: Mid-West Simon  
 Simon Community:( South East) Ltd.  
 Slí Eile Housing Association Ltd  
 Slieverue Community Housing Association Ltd.  
 Slinua Housing Association CLG  
 Sophie Barat Residence Ltd.  
 St. Christopher's Housing Association (Longford) Ltd.  
 St. Dominic's Mullingar Community Council  
 St. Francis Housing Association Ltd.  
 St. Ita's Voluntary Housing Association and Day Care Centre Ltd  
 St. John's Homes for the Elderly  
 St. Kilian's Housing Association Ltd.  
 St. Mary's Voluntary Housing Association Ltd.  
 St. Patrick's Dwellings for the Elderly Ltd.  
 Stepping Stone Accommodation Ltd  
 Tabor House Trust Limited  
 Tabor Lodge Addiction and Housing Services Ltd.  
 Tearmann Éanna Teo  
 Tearmann Uí Cheallaigh Tithíocht Sóisialta Teoranta  
 The AIDS Fund  
 The Brabazon Trust  
 The Good Shepherd Centre Kilkenny  
 The Skibbereen Geriatric Society Ltd.  
 The Sons of Divine Providence  
 The Switsir Trust Limited

Thomastown Voluntary Housing Association CLG  
Thurles Lions Trust Housing Association Ltd.  
Tiglin Challenge Ltd.  
Tramore Voluntary Housing Association Ltd.  
Tuam Voluntary Housing Agency Ltd  
Tullamore Housing Association Ltd.  
Upton Cork Housing Association Ltd  
Villiers Housing Association  
Walkinstown Housing Association  
Waterford Dove Housing Association Ltd  
Wexford Mental Health Association Ltd.  
White Oaks Housing Association Ltd.

### **14 additional AHBs that subsequently signed-up to Regulation**

#### **Tier 2**

Aoibhneas CLG  
ICare Housing

#### **Tier 1**

DePaul Ireland  
Friends of Coaction  
Foras Voluntary Housing Association  
Irish Society for Autism  
Irishtown Housing Association  
Kingsriver Housing Association Limited  
Prosper Fingal Housing Association  
Social Action Group Rathmore  
St. Andrews Voluntary Housing Association  
Tintean Housing Association  
Tullaherin Bennettsbridge VHA  
Women's Aid Dundalk Limited





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