

AHB Regulation Overview

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Susanna Lyons *Head Of Regulation*Housing Agency, Regulation Office

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Overview



- Regulatory Background/Context
- Housing Agency, Regulation Office
- Evolution of Regulation
- Sector Analysis
- The Standards
- Summary

Regulatory Background/Context

AHB Sector



- 549 Approved Housing Bodies
- Estimated Assessed housing stock* = 33,945 units
- 262 AHBs assessed 2018/19 Regulatory Cycle
- Historically grant funded
- Diverse organisations
- 5,000+ homes down to 0 homes
- 19 Tier 3 AHB account for 75% of entire stock
- July 2019: 272 AHBs signed up to the Code, with 277 AHBs not signed up to VRC

AHBs central to the delivery of social housing

The Regulation Office



 Regulation of the sector was originally based on a <u>Voluntary</u> Regulation Code (VRC 2013)

 Regulation Office established as interim Regulator for Approved Housing Bodies (AHBs) in 2014.

 The Regulation Office is part of the Housing Agency, but reports to an interim Regulatory Committee (iRC) appointed by the Minister

Regulation Landscape



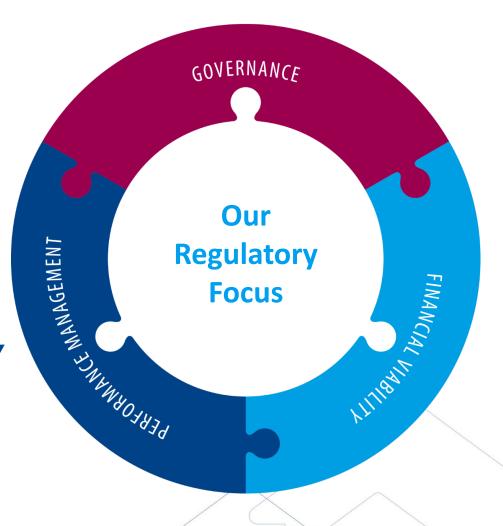


Housing Agency, Regulation Office

Regulatory Focus



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.



Role of Regulation



- Provide Assurance to Tenants, Boards, Government & Potential investors & the AHB Sector
- Demonstrate, a stable and well-regulated Sector
- Safeguard tenants and public investments
- Facilitate investment in Social Housing by growing confidence in the Sector
- Contribute to the overall sustainability of the Sector

Proportionate Regulation



The Code provides for a Tier based approach defined by:

- Stock Level
- Development plans

Tier 1	Tier 2	Tier 3
AHBs with up to 50 Units and no development plans	AHBs with between 50 and 300 units; and/or development plans to provide more units, or AHBs in receipt of loans from HFA or private finance	AHBs with more than 300 units or with development plans that are particularly sizeable

AHBs....are NOT restricted by Tier....they can move up or down as appropriate

'Comply or Explain' Approach



- The 'comply or explain' approach is widely used within regulation.
- The approach requires organisations either to comply with the regulatory standard or to explain what alternative arrangements are in place where they do not comply.
- It recognises and acknowledges that there may be good reasons for non-compliance, such as the local context and individual circumstances in which the organisation is working.

Evolution of Regulation

Evolution of Regulation



• Voluntary Regulatory Code: July 2013

• iRC & Regulation Office established: Feb 2014

• Financial Standard: July 2015

• Funding Eligibility: Circular 15/2016

Governance Standard: Dec 2017

Performance Standard: Dec 2018



Funding is linked to Regulation



Circular 15/2016

'From 1 January 2017, in addition to the requirement to have signed up to the Code, 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 under the above schemes'

Local Authority oversight is crucial....Commissioning V Regulation

Regulatory Framework: VRC +



Proportionate

Transparent

Risk Based

Comply or Explain

Financial Standard

Financial Viability

- Surplus/Deficit
- Liquidity
- Cashflow

L-T Viability

- Strategy
- Business Planning
- Annual Financial Return
- 30-year Extrapolated Financials
- Stress Testing & Mitigations
- Key Financial Ratios
- Asset Management
- Risk Management

Governance Standard

Fully Functioning Board

Oversight, Direction & Control

Strategy/Leadership

Outcomes Focused

Transparency

Skills, Expertise & Diversity

Financial Governance & Risk Management

Performance Standard

- People
 - Tenant Policies
 - Allocations
 - Income Mgmt.
 - Communication
- Property
 - Voids
 - H&S
 - Sinking Fund
 - Stock Condition Surveys
 - Repairs & Maintenance
 - Asset Mgmt.
- Performance
 - KPI
 - VFM
 - Management & Maintenance Costs
 - Planning & Oversight

Standards are NOT standalone, they are significantly interlinked

What do we look for...



- ✓ Good Governance
 - Fully functioning Boards
 - Skills, expertise & diversity
 - Strategic direction & oversight
 - Risk Management
- √ Financial Management
 - Financial Viability
 - Strategic & Business Planning
 - Detailed Financials & Forecasting
- ✓ Performance Management
 - People
 - Property
 - Performance



What are AHBs Committing to



- ✓ Good Governance
- ✓ Financial Viability
- ✓ Performance Management
- ✓ Risk Management
- ✓ Tenant Service Best Practice for Housing Management
- ✓ Business & Financial Planning
- ✓ Larger & developing AHBs Financial Standard Requirements

The Regulation Office

Sector Analysis

5th Year of VRC - Findings



- 262 AHBs Assessed, 33,945 homes regulated
- High levels of reported compliance against the VRC
- Evidence of Strengthening & Embedding of Code
 - Polices: Board & Tenant
 - Sinking Fund Provision & Stock Condition Survey's
 - Governance
 - Increased understanding of risk management







Stock





- Small number of AHBs own/manage majority of stock.
- Complex & diverse sector encompassing housing, supports and services.
- Growth envisaged from small number of AHBs.

19 Tier 3 AHBs

account for

75% of Entire Stock



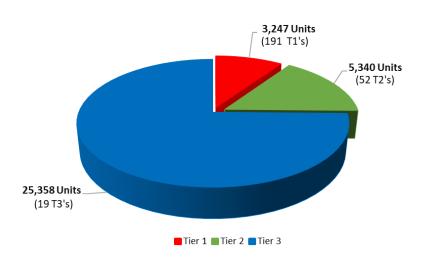
Owned 26,248 Leased 4,213 Managed 3,483

Totals 33,945

Stock - Split



Units Split Across Tier



Stock profile:

- 199 AHBs Own, Lease & Manage just 10% of stock.
- 63 AHBs account for 90% of the regulated stock

262 AHBs = 33,945 units across the Sector.

High Volume of Tier 1 AHBs

Diversification of Sector	No. of Units	No. of AHBs	% of Units
Less than 20 Units	1,109	125	3%
Between 20 - 50 Units	2,239	74	7%
Between 50 - 100 Units	1,651	25	5%
Between 100 -300 Units	4,414	23	13%
Between 300 - 1000 Units	4,352	8	13%
Greater than 1000 Units	20,180	7	59%
Total	33,945	262	100%

Advancement of Regulation

The Standards

Financial Standard – July '15



- Plans that are Outcomes focused
- Strong disciplined financial governance
- Relevant financial & risk expertise
- Existing & future asset costs & funding
- Plans that are realistic and integrated



Financial Oversight



Financial Viability

- Surplus/Deficit
- Liquidity
- Operating Cashflow

Financial Standard

- Strategic and Business Plans
- Annual Financial Return
- 30 year projections
- Sinking Fund, linking to SCS

Financial Governance

- Controls
- Audit & Risk Committees
- Cash Management
- Debt Oversight
- Skills & Competencies

- Development Plans & Debt Profiles – a proportionate approach
 - Planned Growth, with & without existing debt
 - No planned growth, existing debt
 - Regulatory Readiness
- Visibility of the Financial Management of Housing
- Risk & Treasury Management for Debt Financed Entities
- Comprehensive Financial
 Assessment Reports

Governance Standard - Nov '17



- Understanding your organisation
- Governance
 - Robust Discussion
 - Clear Objectives Short & Long Term
 - Skills, expertise & composition
- Evidence of Collective Decision Making
- Policies who is responsible for what, when, where, membership, conflict
- Reporting capabilities
- Transparency, accountability & Consistency
- Understanding your Risks what are they?
- Understanding legal & compliance obligations

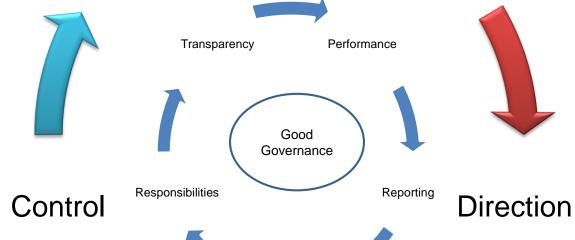








Outcomes Strategy









Governance



- Fully Functioning Board
- Clearly defined mission & objectives
- Skills, expertise & composition
- Governance Structure....Policies, Sub-Committees
- Decision Making
- Oversight, Direction & Control
- Strong Financial & Risk Management
- Understanding legal & compliance requirements of Directors

Risk Management





- Have we identified the right risks?
- What are operational assurances and internal controls?
- What's our Risk Appetite?
- Is our Risk Management?
 - Strategic
 - Organisation specific
 - Manageable
 - Proportional
 - Integrated
 - Rigorous
 - Relevant & Updated

It's about being Risk AWARE not Risk Averse.....

Risk Framework



- Horizon Scanning
- Emerging Risks
- Mitigated Risks
- Change in Strategy/purpose

Identify

- Risk Categorisation
- Owners
- Controllable/Non Controllable

Prioritise

- Communicate
- Rank
- Standardisation
- Observation V action risk

Monitor & Report

Mitigate

Quantify & Assess

- Impact
- Likelihood
- Inherent Risk
- Prioritisation

Residual Risk*

- Tolerate
- Treat
- Substitute
- Terminate
- · Consider re-assessment

Challenge & Evaluate Controls

- Controls
- Process & Procedure
- Frequency
- Accountability & Responsibility
- Control Effectiveness

Performance Standard



It all about:



PEOPLE



PROPERTY





PERFORMANCE

Performance Standard – Dec '18



PEOPLE	PROPERTY	PERFORMANCE
Policies	Health & Safety	Performance Management Indicators
Income Management	Repairs & Maintenance	Value for Money
Communication	Void Management	Management & Maintenance Costs
Allocations & Lettings	Stock Condition Surveys	Integrated Operational & Financial Planning
	Sinking Fund Provision	
	Asset Register	
	Asset Management	

Tenant & Property Management is underpinned by existing Legislation

Holistic Asset Management





In Summary

Regulation looks for:



- ☐ Organisations with clearly defined Strategy & Objectives
- Boards that have strong disciplined governance
- □ Robust Risk Management
- AHB's that are Tenant focused
- □ Plans that are realistic and integrated
- Boards with relevant expertise

Key Takeaways:



- ☐ AHBs are expected to have:
 - Strong disciplined Governance
 - Financial oversight & planning
 - Strong Tenant & Asset Performance Management
- □ Regulation is expected to:
 - Ensure the sector is well managed, well governed and financially viable
 - Provide Regulatory Framework which supports confidence in the sector for key stakeholders
 - Ensure long term sustainability of the Sector

THANK YOU



E: regulation@housingagency.ie Ph. 01 656 4170

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