



**housing  
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# The Financial Standard

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**The Financial Standard and  
Assessment Framework for  
the Regulation of Approved  
Housing Bodies in Ireland**



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**Contact Details**

Regulation Office,  
Housing Agency,  
53 Mount Street Upper,  
Dublin 2.

01 656 4170  
[regulation@housing.ie](mailto:regulation@housing.ie)

For further information on  
the regulation of Approved  
Housing Bodies, please visit  
**[www.housing.ie/regulation](http://www.housing.ie/regulation)**

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# 01

## Introduction

**T**he landscape of the social housing sector in Ireland is changing. The Government's 'Social Housing Strategy 2020 - Support, Supply and Reform' envisages a significant role for Approved Housing Bodies (AHBs), as not-for-profit housing providers, in the delivery of social housing for Ireland.

This new Financial Standard and Assessment Framework develops the regulatory framework for the AHB sector, and should support and assist in building the capacity of AHBs to deliver more homes.

The Framework further develops the Voluntary Regulation Code for AHBs published by the Department of Environment, Community and Local Government (DECLG) in July 2013, in which there was a commitment to develop financial regulation and oversight of the sector.

The Irish Government has invested and is continuing to invest in AHBs to provide social housing for those who need it and therefore, it is important that we ensure that this investment is managed effectively and that the social housing provided is available well into the future.

The way that social housing is being delivered is changing. The AHB sector is becoming less reliant on capital grants

from the government and increasingly, borrowing private finance to support the development of social and affordable housing. This will make more effective use of monies and enable the delivery of more homes. However, it also requires AHBs to change how they do business and take on more risk, and it is important this is managed effectively. Regulation, and in particular this new Financial Standard and Assessment framework, is critical in the context of the enhanced role and importance of AHBs to the delivery of future social housing.

It is our role under this new Financial Standard (the Standard) to oversee and monitor the financial viability of AHBs signed up to Regulation. Our purpose in the first instance is to protect existing assets and thereby tenants, and also to build the confidence of funders (lending institutions) to invest in social housing. This is important in terms of the supply of new social housing and in AHBs being able to access funds at affordable costs to provide these new homes. The new regulatory framework, along with the commitment by Government to provide statutory underpinning to this regulatory framework by 2016, should allow both public and private investors have confidence in our system of regulation and the reputation and credit worthiness of our AHBs.

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“The Financial Standard is part of the Regulation Code, and details the standard expected of each AHB in relation to financial viability. It outlines our approach to monitoring and assessing the financial health of AHBs.”

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This Standard has been developed with the assistance of Campbell Tickell, a UK consultancy firm with specific expertise in housing regulation, and in consultation with a series of working groups. These working groups included the Financial Capacity group and sub group, the working groups for each of the Tier levels and also, the representative bodies - the Irish Council for Social Housing (ICSH) and the National Association of Building Cooperatives (NABCO), and the DECLG.

The Standard details the standard expected of each AHB in relation to financial viability. This is to ensure that the AHB is viable into the future, that the housing assets for which it is responsible are safeguarded in the long term, and accordingly that the tenants to whom it provides a service are protected.

In order for the Regulation Office to assess viability, certain information is required from each AHB. The document sets out the details of the information required, and importantly explains why the information is necessary. The collation and examination of this information will be a useful management tool in assessing performance, as well as allowing each AHB to examine the robustness, or otherwise, of its own financial model. It will also give AHBs confidence in their own financial viability and sustainability in the future by providing a framework by which to measure viability.

The Standard is underpinned by the guiding principles of the Voluntary Regulation Code, which include proportionality, accountability and transparency. Therefore, the requirements will differ dependent on the size and Tier level of an individual AHB. The Appendices in this document contain the specific requirements of each Tier level. It is important that all AHBs familiarise themselves with the overall document, as it sets out the implementation timeline, the viability standard, notifiable events and the assessment framework.

The Regulatory Framework and the Financial Standard will evolve as both the sector and the Regulator grow and develop. Given the maturity of both the sector and the Regulator, it is important that we test our systems to ensure that they are fit for purpose and work as intended. To facilitate further strengthening and the development of the Standard, we have provided for a

pilot with a number of the larger AHBs as the first phase of the implementation. This pilot will be initiated in 2015 (in respect of the 2014 financial year). Recommendations arising from completion of the Pilot will be considered in the further roll-out and implementation of the Standard. Learnings from the pilot will also support the development of a user guide for the sector, which will provide more detail to practitioners as to some of the more technical aspects of the Standard.

In addition, given that we are at the early stages of regulation in Ireland, the role of the Regulation Office will not solely be to monitor and evaluate returns. Within a system that is embryonic and evolving, our remit must be broader and more supportive than this. We will seek to work with AHBs and their Boards to provide education, guidance, and support in meeting these new regulatory commitments.

# 02

## Background: The Voluntary Regulation Code

**A**pproved Housing Bodies, which are private not-for-profit providers of social housing, have a strong track record in the provision of social housing with over 30,000 homes provided to date. The Government's housing policy sees a greater role for AHBs in the provision of social housing.

Better regulation of the sector is a key aspect of this increasing role, and is necessary to access non-exchequer funding (non-government funding) as well as to ensure that AHBs are providing the best services possible to tenants. It is within this context that the Voluntary Regulation Code ('the Code') was published in July 2013. The Code sets out key governance, financial and performance management principles that all AHBs signed up to the Code are required to adhere to.

The Code is an evolving document and will develop further over the next year to allow for a smooth transition to statutory-based regulation.

### 2.1 Proportionality

The Code is both proportionate and risk-based, meaning the extent of regulation and what is required by an AHB is dependent on the size, scale and level of risk of each individual AHB. Larger scale AHBs and AHBs with significant development plans will be subject to more rigorous regulation. A three tier level system is used to categorise AHBs for regulatory purposes: Tier 1 refers to smaller AHBs, Tier 2 to medium sized AHBs, and Tier 3 refers to larger AHBs.

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“The Code sets out key governance, financial and performance management principles that all AHBs signed up to the Code are required to adhere to.”

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## AHB Tier Classification

<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.

## 2.2 Voluntary nature of regulation

The initial sign up to the Code is based on a voluntary sign-up by the AHB. However, once an AHB has signed up to the Code, they should be aware that this signifies that they have committed to adhere to the Code's provisions in relation to governance, financial and business management, performance management and tenant service best practice. The Code operates on a "comply or explain" principle, which allows some flexibility for organisations where they do not comply with elements of the Code but provide a reasonable and acceptable explanation for departure from the Code. It should be noted also that while sign up to the Code is voluntary, funding from the DECLG will be prioritised to those signed up to and compliant with the Code. A full listing of all AHBs signed up to Regulation is available on our website. The Government's Housing Strategy has committed to introducing statutory based regulation for AHBs by 2016.

## 2.3 Role of the Regulation Office

The Regulation Office, operating within the Housing Agency has been designated by the DECLG as the interim Regulator of AHBs. The Office reports to the interim Regulatory Committee (IRC) which is a non-statutory independent committee established by the Minister in February 2014 to oversee the implementation of the Code and to advise on the development of statutory regulation.

## 2.4 Application of the Financial Standard

This Financial Standard is now part of the Code, and as such is applicable to all AHBs who sign up to the Code. However, it will be implemented on a phased basis as set out on **page 9** and will not apply to Tier 1 (smaller AHBs), for example, until 2018.



# 03

## Implementation Phase and Timeline

**T**he implementation of this Financial Standard is on a phased basis and follows the principle of proportionality, initially applying only to Tier 3 bodies (larger AHBs). All AHBs are expected to be compliant with their particular elements of the Code and Standard by 2018.

A pilot will be initiated in 2015 with a select group of Tier 3 AHBs in respect of the 2014 financial year. By 2016, all Tier 3 AHBs will come under the provisions of the Financial Standard and will be required to return financial information relating to their 2015 accounts in accordance with these provisions.

By 2017, all Tier 2 AHBs will be required to adhere to the provisions of the Financial Standard (relating to their Tier level) in respect of the 2016 financial year. This will have been preceded by a Tier 2 Pilot Group adapting the Financial Standard in 2016 in relation to their 2015 return.

By 2018, all Tier 1 AHBs will be required to adhere to the provisions of the Financial Standard relating to their Tier

level and make a return in respect of the 2017 year. This will have been preceded by a Tier 1 Pilot Group adapting the Financial Standard in 2017 in relation to their 2016 return.

The table below provides a summary of the timescales involved.

AHBs are welcome to fulfil the requirements of the Code, including the Financial Standard in advance of the official compulsory compliance dates. A summary of the requirements of the consolidated Code (including the Financial Standard) are set out in Appendices B – D. Appendix B refers to Tier 3s, Appendix C refers to Tier 2s and Appendix D refers to Tier 1s.

AHBs who have signed up to the Code continue to complete an Annual Return Form. As the Financial Standard is phased in, (according to Tier level as per Table below) AHBs will be required to provide additional information and adhere to the requirements of the Standard in order to be viewed as meeting the regulation requirements.

Implementation Year	Tier Level	Assessment
<b>2015</b>	<b>Pilot Group of Tier 3s</b>	Assessment relating to 2014 financial performance and data
<b>2016</b>	<b>All Tier 3 bodies &amp; Pilot Group of Tier 2s</b>	Assessment relating to 2015 financial performance and data
<b>2017</b>	<b>All Tier 2 bodies &amp; Pilot Group of Tier 1s</b>	Assessment relating to 2016 financial performance and data
<b>2018</b>	<b>All Tier 1 bodies</b>	Assessment relating to 2017 financial performance and data



# 04

## Objectives

**T**he overall purpose of this Financial Standard is to define and set a standard for financial viability for the sector. Financial viability is crucial to ensure the safeguarding of social housing assets into the future and, ultimately, to protect the long-term interest of tenants.

Accordingly, this Financial Standard has been developed with six key objectives in mind:

- a. To provide the Regulation Office and AHBs with the earliest possible warnings of emerging risks which may cause financial problems for AHBs and put the social housing asset at risk**
- b. To detail the financial governance and management disciplines which will support AHBs in delivering their services and in potentially engaging in development and loan finance**
- c. To monitor key financial ratios such as current ratios, interest cover, gearing etc. which should be maintained where borrowings have been undertaken**
- d. To provide a basis from which summarised aggregated data for the sector can be developed which will result in important sector-wide information**
- e. To build the confidence of funders and other stakeholders that the Regulatory process has the visibility and tools to provide appropriate oversight and act where issues arise**
- f. To safeguard long-term viability of housing assets in the interest of tenants and residents**

Consequently, the key issues for the Regulator are viability, governance, and good consumer management practices (to the extent that they affect viability and governance).

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“Financial Viability is crucial to ensure the safeguarding of social housing assets into the future and to protecting the long term interests of tenants.”

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# 05

## The Financial Standard Viability Requirement

### **What does the Financial Standard require of AHBs?**

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 are not put at undue risk.



# 06

## What is Viability?

**F**inancial viability is about being able to generate sufficient income to meet operating payments and debt commitments as they fall due, while maintaining service levels.

The Code requires that AHBs be financially viable and have adequate resources to meet both current and future business and financial commitments. The Irish State has invested and is continuing to invest in the growth of social and affordable housing for those who need it. We must ensure this investment is managed effectively and that homes are safeguarded. Once AHBs have signed up to the Regulation Code, they have committed to demonstrating financial viability. The detail of how the Regulation Office assesses financial viability (both short term and longer term viability), what information is required from AHBs, and the purpose of gathering this information is outlined below.

### 6.1 Short-term viability

In assessing short-term viability, the Regulator is establishing whether an AHB has access to sufficient cash as required. This is assessed by monitoring liquidity and cash flow which we do by reviewing the following:

- Audited financial statements of the AHB for the year just ended, as well as auditor's management letter (and where necessary the AHBs response to the management letter)
- Annual Financial Returns (AFR). For Tier 3 AHBs, the full AFR requires 4 years information, being the latest audited financial statements (historic), the current year's information and two years forecasted. For Tier 2 AHBs the AFR requires details of latest audited financial statements. Tier 1 AHBs will not be required to complete an Annual Financial Return but rather will submit detailed audited accounts containing comprehensive income and expenditure account, balance sheet and cash flow
- Cash from operations (it is expected each AHB should be cash-generative and it is a cause for concern if this is marginal or negative)
- Sources of income, including level of reliance on fundraising
- Liquidity – i.e. measuring the funds readily available to meet current liabilities
- Uses of cash as per Cash Flow Statements
- Whether there is a reliance on an overdraft

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“ Financial viability is about being able to generate sufficient income to meet operating payments and debt commitments as they fall due, while maintaining service levels.”

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- Interest cover (where applicable) to examine how easily the AHB can meet interest payments on its debt commitments.

As part of the analysis, the Regulation Office assesses trends and overall performance and compares results with budget or prior year projections. Forecasts (where available) are analysed to ensure the AHB remains viable into the future.

## 6.2 Long-term viability

The long-term viability of asset-based organisations hinges on the balance of assets and liabilities, the existence of realisable positive value at any point in the future, and the continued generation of cash surpluses over the long-term.

Accordingly we monitor:

- Cash from operations over the long-term as per 30-year financial projections
- The profitability of the AHB in particular looking at operating margins and financial efficiency
- The level of debt to equity (the gearing ratio)
- Sinking fund and capacity to meet future maintenance needs which is fundamental to long-term viability
- Stock condition surveys, where we consider how current the survey is, the sample size used and the underlying assumptions

It is not possible to adequately assess any organisation purely by financial data. While ratios can illuminate some key financial relationships, they do have limitations - they do not explain underlying causal factors and whether they will continue. Therefore, we also review the AHBs business and strategic plans, and familiarise ourselves with each organisations history and management structure, as well as their perspective on their business. We also consider their plans for growth and their understanding of the risk environment in which they operate. Further details are provided in **Section 10 - "Our Assessment Process"**.

## 6.3 Business Plans and 30-year Financial Projections

All Tier 3 (large) AHBs and some Tier 2 (medium) AHBs exceeding a debt threshold<sup>1</sup> are required to prepare a business plan (3 -5 years) with accompanying **30-year financial projections** consisting of income and expenditure account, balance sheet and cash flow with accompanying underlying assumptions and core data. The projections should also include adequate sinking fund provision, based on the results of stock condition surveys.

The Business Plan should provide further detail pertaining to each AHB's Strategic Plan and should include details of its Development Plan.

The 30-year financial projection will then set out the results and consequences of the 3-5 year Business Plan into the long term. It serves to highlight and reiterate that a decision taken today impacts into the future. It allows AHBs to anticipate and avoid problems that may build into the long-term due to decisions made today. As AHBs are custodians of long-term social housing assets, all decisions have to be made with the future in mind.

The 30-year financial projections should take into account current stock and current commitments, future investment requirements in existing stock, and development plans and funding plans into the future. Additionally, the underlying economic assumptions should be clearly set out.

The Business Plan should be reviewed by the AHB where there are any changes to external environmental factors that may affect it, such as interest rate movements, inflation and any changes to the development plan and existing stock. Please note that, although an organisation might review its Business Plan more than once a year, it is only required to be submitted to the Regulation Office on an annual basis.

The plans should be tested by applying appropriate sensitivity analysis variables as detailed below.

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1. Guideline threshold: If borrowings exceed €1.5M or loan financed stock exceeds ¼ of total stock, a full business plan and accompanying 30 Year Financial Projections will be required.



## 6.4 Financial Plans and Sensitivity Analysis

The capacity of an individual AHB to understand the effect of various changes on its Business Plan is an important contributor to its ability to manage the risks inherent within its business. The adopted Business Plan model used by the AHB should therefore be capable of varying its assumptions and provide a series of outputs that can be used to test the plan's ability to withstand shocks.

A typical minimum set of variables to be sensitivity tested would include:

- Levels of inflation
- Interest rates
- Void and bad debt loss
- Management costs, including staffing
- Development programme
- Maintenance costs
- Variations on market rent and their impact on Payment and Availability Agreements
- Changes in rental income from tenants

The above list should not be taken as exhaustive. It is not appropriate for the Regulator to advise on the variables for testing as they are unique to each AHB based on that organisations' activities and historic experience. It is the prime responsibility of any governing body to identify and manage the risks of its own business.

## 6.5 Sinking Fund & Stock Surveys – required by all AHB Tiers

It is critical that AHBs maintain the housing stock appropriately to enhance the life of the housing asset and to ensure that it is in good lettable condition throughout its life. AHBs are aware of the importance of regular repairs and maintenance, and AHBs incur regular expenditure in this regard. However, a sinking fund is not related to current expenditure. It is a fund required for the longer term systematic repair and refurbishment of housing stock e.g. roof replacement. Accordingly, it is not expected that there would be frequent use of the sinking fund as it is designed to provide for major repairs and longer term expenditure items only.

The sinking fund should not be provided for on the basis of a percentage of rents as this does not ensure that the fund is sufficient or adequate for its needs. Rather, the level of provision in the sinking fund should relate to the condition and required works of the stock. The adequacy of the sinking fund provision can only be judged by the AHB through stock condition surveys. A stock condition survey looks at all parts of a building to assess the condition and state of repair and plan for immediate and long-term future works.

The Regulation Office needs assurance that the methodology followed by the AHB in its stock condition survey is appropriate and that the AHB adequately identifies the investment required over the longer term. It is therefore necessary that there is external validation by an appropriately qualified and independent third party of the methodology used, both in terms of the sample size used and in the quality and accuracy of its assessment of stock.

The Regulator is cognisant of the need for this regulatory requirement to be both practical and cost effective. However, the sinking fund provision is a vital component of the Code as it safeguards the social housing asset and accordingly, the verification of the sinking fund is a critical issue for the Regulation Office. It is expected that stock condition surveys will be carried out on a regular basis.

## **6.6 Importance of Governance to Viability**

Regulatory experience in other markets and jurisdictions shows that there is a strong link between viability and governance, and with that a recognition that the competence and experience of Governing Boards and Executives play a crucial role in ensuring good financial management. Therefore, it is expected that Board and management teams have the necessary expertise and skills appropriate to the level of business and financial complexity of the AHB. Risk assessment and risk management is critical to good governance and it is important that the board is fully aware of the risks facing the AHB, can anticipate risks and manage them. This is not about having a 'tick-box' approach, but rather generating meaningful risk reports which identify the key risks faced, explain which risks are critical and how to mitigate them. It is also important that the Board have approved the control measures in place to mitigate risk.

It is also necessary that there are clear segregation of duties and reporting lines between the Board and executive management. The Board should take ultimate responsibility for the AHBs strategic direction, its policies and performance; while the executive management implement these policies on a day-to-day basis on an operational level. The quality of the relationship between the Board and management have an important impact on the good functioning of an AHB. An AHB does not have to adapt a specific form of governance or management, rather how it is governed should reflect good practice.

In recognition of the importance of risk management, this Financial Standard has a requirement for Tier 2 and Tier 3 AHBs to have an Audit and Risk Committee. This replaces the requirement for a Finance Committee as set out in the original Code. It is expected that there be sufficient competence on the Board to review financial affairs of the AHB. An Audit and Risk Committee performs a different function to a Finance Committee and this focus on risk fulfils a vitally important function.

The Audit and Risk Committee is an oversight committee, which on behalf of the Board, works to ensure the effectiveness of the AHB's internal controls and risk management systems. This includes having an active and evolving Risk Register. The Audit and Risk Committee provides assurances to the Board that it is meeting its legal and regulatory responsibilities and that it can rely on the information presented. The Regulator sees the Audit and Risk Committee as a critical component of Tier 2 & 3 AHBs effective management and control.

# 07

## Risks

**A**n AHB's financial position and ongoing viability are influenced by its operating environment, history and planned future activities. We take account of these in our risk-based approach.

The Regulator has adopted a risk-based approach to regulation as is demonstrated in the Tier classification system. However, there are risks to AHBs irrespective of the Tier in which they operate, and these risks can be sector-wide or individual to a particular organisation.

We require all AHBs to be cognisant of risks which could jeopardise their effective management and long-term safeguarding of social housing assets. This Standard includes a section on sector risks and business risk. This list of risks is not exhaustive, as it is not the role of the Regulator to manage the AHBs risk and nor is this possible. Each AHB must review its own unique set of circumstances and carry out its own risk assessment. Nonetheless, it is useful to briefly highlight some of the common sector and business risks.

In highlighting risks, it is not the intention of the Regulator to imply that all risks should be avoided or activities not undertaken because they may incur risk.

The Regulator recognises that risk is an inherent part of all business. For AHBs that seek to grow and develop in order to provide much needed additional social housing, there will inevitably be risk. The Regulator is concerned only with excessive risk, or risk that has not been anticipated when it could have been, had there been appropriate risk management systems in place. The Regulation Office wants to ensure that there is an appropriate level of risk awareness in the sector, and that risk management and mitigation is an inherent part of AHBs operations. We do not see this as being incompatible with development but rather a fundamental inherent part of it.

### 7.1 Sector Risks

Some of the key sector risks which AHBs should be aware of include:

- a. Reputational risk caused by the default on bank loans or leasing arrangements. It is important that the treasury, governance, and business skills of the AHBs are appropriate particularly where there are aspirations for growth and availing of new private finance

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“ An AHB's financial position and ongoing viability are influenced by its operating environment, history and planned future activities. We take account of these in our risk-based approach.”

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- b. Reputational risk to the sector caused by failure of AHBs to comply with regulations including health and safety, property standards, and landlord and tenant legislation
- c. It is important that AHBs are aware of the impact that macroeconomic issues may have on AHBs activities (such as movements in CPI, changes in Government policy).

## 7.2 Individual AHB Business Risks

Individual business risks may include some of the following.

- a. As the revenue contributions are not fixed over the long-term and are subject to periodic review, medium and long-term financial planning with stress testing and scenario testing is important
- b. Some AHBs may be reliant on fundraising income that, whilst there is evidence of historic support, cannot be fully relied on for robust planning of debt servicing capacity
- c. Loss of income through voids and rent loss due to non-occupancy is another risk area for AHBs. Certainty of demand and of funding for any required support services are critical factors in mitigating this risk. In addition, ensuring that nominations (where required) from local authorities are made in a timely fashion is also critical
- d. The fact that there is a requirement to maintain property for the life of the building, means that the AHB should have an adequate mechanism for the forward assessment and provision for asset maintenance (including reactive, servicing, cyclical and planned improvements/replacements of construction elements). AHB's may not have adequately provided for long-term maintenance requirements
- e. Many AHBs have a strong voluntary sector culture and style of Board membership. The sector is reliant on the goodwill and significant effort of volunteers who are committed to the provision and management of social housing. However, where AHBs take the decision to provide housing through private finance or commercial loan, this brings new risk and Board members may not have much experience of borrowing significant sums or of the changed operating dynamic beyond full grant funding. The scaling-up to accessing private finance involves greater risk-taking and risk management from Boards, and the skills and understanding of Board members will need to be developed to meet those new challenges. The Regulator recommends that AHBs bear this in mind when making new appointments to the Board
- f. Many AHBs offer ancillary support services to their tenants such as childcare, meals, health related services; the funding for which may be insecure or may not adequately cover expenses incurred. This may result in a risk that funding for the long-term housing assets may effectively subsidise other activities, and in the long-term this could jeopardise the integrity of the housing asset. AHBs should be cognisant of this issue

# 08

## Notifiable Events

**A**s stated previously, it is the individual AHB that is responsible for managing its own risks and not the Regulator. The Regulator expects the AHB to demonstrate a cooperative approach to regulation and to be forthcoming with information that it regards as important, such as identifying risks to be managed.

Indeed, all AHBs (irrespective of Tier classification) will be required to inform the Regulation Office of certain notifiable events (events or key risks that in the AHBs opinion give serious cause for concern), the purpose of which is so that the Regulation Office has a knowledge of any new risks which arise. The governing Board should be cognisant of these requirements.

Notifiable events are events which may be seen to bring the AHB into disrepute, threaten the organisation's stability, efficient operations and viability. Events where the AHB would be expected to contact the Regulation Office include, but are not limited to:

- Resignation of a Chair, CEO or Finance Director
- Resignation of internal or external auditors
- Before entering into loan finance for development purposes (only where loan finance for development purposes has not previously been used by the AHB)
- Discovery of serious fraud
- Potential litigation/material third party claim which would have a significant impact on business
- Material breaches of health and safety which present significant risk to life or serious threat to safety

- Significant liquidity issues. In the case of Tier 2 and Tier 3 AHBs with development finance, the Regulator expects the Board of the AHB to regularly review (at least quarterly) the financial information pertaining and to notify the Regulator, if over a period of time, key liquidity ratios (as set out in Appendix C4 and B5) are being breached. If liquidity issues are identified as having been breached, there should be an onus on the management team to notify the Board of this occurrence, where the Board is not meeting on a monthly basis. Liquidity is an organisation's ability to pay its immediate debts as they fall due and it can be monitored by reviewing ratios, such as the Current Ratio i.e. Current Assets divided by Current Liabilities, Cash from Operation and Interest Cover. (Full details are set out in **Appendix C4 and B5**)

- Material fall in income which may affect liquidity
- Proposed mergers or acquisitions with other AHBs
- Guarantees given by group companies which could significantly impact the AHB
- Any other events which could give serious cause for concern

Any of the above information should prompt a dialogue between the Regulation Office and the AHB. Assurances can be sought/obtained by the Regulator regarding the impact of the event. These assurances should not impact on the day-to-day running of the AHB's business and it is not our intention to be involved in the general management of any AHB's business.



# Group Structures and Ancillary Housing Activities

**A** number of AHBs are part of larger group structures or operate subsidiary companies. It is important that AHBs manage relationship and performance within a group structure so that any risk to the AHB and to tenants' and other stakeholders' interests are managed effectively.

## 9.1 Group Structures

While we require AHBs to submit financial reports at an individual level, some AHBs may be a subsidiary of a larger parent company, or may be a parent company itself with subsidiaries whose business activities have the potential to affect the AHBs own business. In these instances, the Regulator will need to know the governance arrangements and where responsibility and control lie within the group, particularly in relation to the housing assets.

The Regulator expects there to be some type of an inter-group agreement in place which defines all aspects of the parent / subsidiary relationship and how the group operates. Where relevant, the Regulator requires financial statements related to the parent company and the consolidated group entity. Our primary concern is the viability of the AHB and to understand if there are risks to the AHB from a group structure. In this context, the Regulator requires to be notified if a member of the group structure is providing guarantees that could potentially impact on the AHBs business (as stated in Notifiable Events at Section 8).

The Regulator expects the AHB to have a sufficiently robust model in its own right and not to be overly reliant on another group company.

## 9.2 Ancillary Activities

We recognise that many AHBs carry out ancillary activities, typically in education, training, health, care and/or support areas. Indeed for some, the provision of social housing forms a minor part of their operations. It is necessary for the Regulation Office to collect data relating to the whole of the business in its entirety. It would be inappropriate to focus only on the housing element of an organisation's activities for several reasons, including the following:

- A severe financial crisis would affect the whole legal entity, not just the housing element
- The financial performance of the non-housing activities has the potential to impact on the housing assets, and
- Funders will assess the financial strength of the whole entity when taking lending decisions.





# 10

## Our Assessment Process

Once an AHB has signed up to regulation, we assess them annually. If a significant event occurs in an AHB's business, assessment may come earlier than the next scheduled assessment of the AHB, or become more frequent.

In relation to Tier 3 bodies, our assessment is informed by review of their strategic business plan and from attendance at an annual meeting with the Regulation Office to discuss the AHB's business generally and to consider the annual return and matters arising.

### 10.1 How we assess AHBs

We review all of the submitted data including the Annual Return Form, the Annual Financial Return (where applicable) and audited accounts. In addition to this quantitative data, and in conjunction with it, we will consider:

- the history and management of each AHB
- the markets the AHB works in, and consequently the risks it faces, and
- how management responds and adapts strategically to markets and risk.

In forming our assessment opinion, we are concerned with both short term and longer term viability, and we will also consider key indicators including, but not limited to those set out on the following page (*see over*).

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“ In assessing Financial Viability we are concerned with both short term and long term viability.”

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## Financial Health and Management Indicators

Indicator	What it indicates
1. Net cash flow generated from Operations	A positive cash flow indicates the AHB's ability to generate cash and can correspond to good business management.
2. Operating Surpluses and Margins	Over time this can provide an insight into the stability of earnings, the AHB's ability to generate surpluses on an ongoing basis, and its efficiency and effectiveness.
3. Liquidity – extent that Current Assets exceed Current Liabilities	Assesses if AHB has readily available funds to meet its short term commitments.
4. Gearing	Considers the extent of debt compared to equity and whether the AHB has capacity for development and loan finance.
5. Sinking funds	Indicates that adequate provision has been made for long-term safeguarding of social housing assets and indicates whether management of AHB are cognisant of long-term nature of its business and consequent risks.
6. Overdraft	The reliance on an overdraft in a long-term property business can be an indicator of potential viability issues.
7. Interest cover	Where debt has been undertaken this can give an indication as to whether the level of debt is appropriate and sustainable.
8. Performance Ratios including arrears, bad debts, and voids	Provides insight into AHB's performance in respect to housing management.

# 11

## Assessment Reports and Addressing Issues Arising

**W**e give feedback to AHBs on their viability, governance and performance via an Assessment Report.

We assess compliance with the Code and Financial Standard under the headings of Governance, Financial Viability and Performance Management. A summary of our financial viability assessment and recommendation will be included in the overall annual assessment report issued to each AHB following review of their annual return submission. At the end of the phased implementation period, it is envisaged that in addition to a narrative assessment report, the Regulation Office will issue an additional determination solely in relation to Financial Viability, with a clear pass or fail rating. In determining a pass or fail rating, the office will consider and assess the issues highlighted in Section 6, Viability, and follow an assessment process detailed in Section 10. In due course, it is expected that Regulatory Assessments or a summary of the assessment in relation to larger AHBs will be published.

AHBs will have a period of time to review the issued assessment reports and to contact the Regulation Office to correct factual inaccuracies or interpretations.

AHBs will usually have until the next annual return date to work on any particular recommendations provided by the Regulation Office. There may however be some issues identified in assessments that will require a more immediate response and engagement with the Regulation Office.

### 11.1 Addressing issues arising from assessment

Where the Regulation Office has identified issues during the assessment process, it engages with the AHB to ensure they are addressed in an appropriate time frame. If issues are not adequately addressed or appropriately explained, the Regulation Office takes this seriously and will take further action.

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“ Where the Regulation Office has identified issues during the assessment process, it engages with the AHB to ensure they are addressed in an appropriate time frame. ”

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The consequences for an AHB of failing to comply with any element of the regulatory framework will be strengthened by statute in due course. The use of regulatory powers will be proportionate, progressive, and accountable with a gradual approach to escalation depending on the issue identified. An example of a stepped escalatory approach is as follows, with any steps beyond the issuing of a formal assessment only being taken if the previous answers do not provide sufficient assurance:

- a. Normal regulatory returns
- b. Assessment by Regulator
- c. Discussions with the AHB, including the opportunity to comment on the draft assessment
- d. Formal assessment issued to AHB
- e. Where issue(s) identified, further data and reassurance sought
- f. Request AHB take specific corrective action within an agreed timetable, which may include commissioning external advice
- g. Further access to development funding, land and other forms of state subsidy may be suspended
- h. Recommend appointing co-optees to the Board
- i. Recommend appointing a special manager
- j. Liaise with Local Authorities and DECLG to take action on any breaches in terms and conditions with Payment & Availability agreements and mortgage agreements which AHB are obliged to comply with
- k. Recommend directing transfer of assets to another AHB

# 12

## Further Developments and Conclusion

**T**his is the first time a framework has been developed to oversee and monitor the financial viability of AHBs. The regulatory framework for the not for profit housing sector in Ireland is still evolving and will be further developed as regulation is bedded in and as the sector and the risks it faces evolve.

### 12.1 Information requirements

Currently, there is no single universal standard for the presentation of annual financial statements. Therefore, the usefulness of published accounts is reduced, and it is difficult to interpret information accurately and consistently. The Regulator is involved in the Working Group to develop the next iteration of a universal housing Standard of Recommended Practice (SORP). However, it is not appropriate at this early point in regulation to issue a standardised accounting directive, although this will be reviewed in time. Accordingly, the Regulator will rely on AHBs providing information in a required form (The Annual Financial Return). It is not

expected that this will place undue burden on the AHB, as the information sought should be readily available within the AHBs management and financial systems.

The appendices set out in detail the information to be collected via the Annual Financial Return (AFR) for all AHBs. In addition for Tier 2 and Tier 3 AHBs further information will be required in the Annual Financial Return component and that is also detailed in the appendices. Throughout the appendices references are made to income and expenditure accounts and balance sheets notwithstanding that FRS102 uses terminology of Statement of Comprehensive Income and Statement of Financial Position. A 'User Guidance Manual' for the Annual Financial Return is currently under development with a pilot group to provide further guidance and direction, and this will be issued in due course.

In due course we also expect that the information provided by AHBs to the regulator will be submitted electronically, using a standard form.

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“ Good financial health is critical. It is a critical step in developing the capacity of the sector and building the confidence of both public and private funders to invest in the sector.”

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### 12.2 Conclusion

Regulation is an integral part of an effective housing system and an enabler for investment and new supply. Regulation is important in terms of safeguarding the significant investment that has been made by the State in providing social housing, as well as protecting existing tenants. Good financial health is critical. It is a critical step in developing the capacity of the sector and building confidence of both public and private funders to invest in the sector. This Financial Standard and Assessment Framework provides specifically for more robust financial regulation and narrows the gap between the current regulation position and the shift to a statutory framework in 2016.

We have developed a thorough approach to assessing and monitoring AHBs financial health and viability. The work and support that the sector has put in to developing this framework is acknowledged in particular the contribution of the Financial Capacity group and sub group, the working groups for each of the Tier levels and the representative bodies, the ICSH and NABCO. We believe the framework will support the sector's continued growth and strengthen its capacity to manage social housing, while providing assurance to tenants, Government and investors that investment is being well managed.

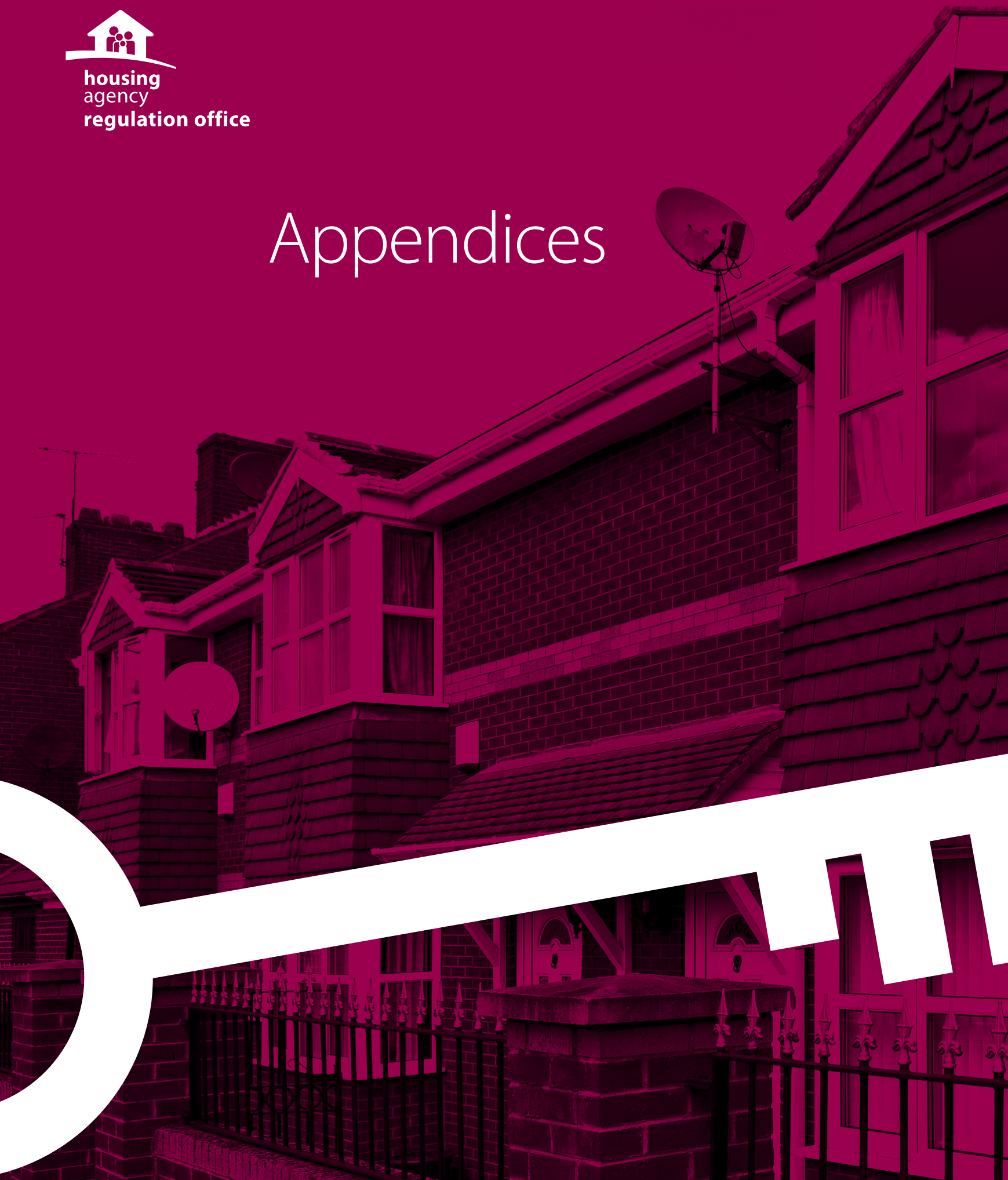
Regulation of the sector is still relatively new and the evolving framework will be challenging for some AHBs to implement. The phasing in of the requirements over the three year timeframe will allow time, particularly for smaller AHBs to adapt to the new requirements. The Framework has also followed the Code's principle of proportionality and therefore the requirements are proportionate to each Tier level. The role of the Regulation Office will be more than just about assessing and evaluating returns. We want to continue to work with and support the sector in meeting the new regulatory requirements. We are conscious also of the many other competing regulatory requirements that the sector has and will focus on trying to achieve any efficiencies we can in this regard.

The pilot with a number of Tier 3 AHBs gives us an opportunity to test the framework before full roll-out and to develop a User Guide, which will assist the sector further in their implementation. The following appendices are divided into tabulated sections according to each Tier level and provide further detail of the individual Tier requirements.

The Regulation Office looks forward to working with the Sector on the continued strengthening and evolution of the Regulatory Framework for social housing provision in Ireland.



# Appendices



<b>Tier 3</b>	See <b>Appendix B</b>
	<b>B1 Information Requirements</b>
	<b>B2 Consolidated Code and Financial Standard</b>
	<b>B3 Annual Financial Return Data Requirements</b>
	<b>B4 Business Stream Analysis</b>
	<b>B5 Liquidity Ratio Covenants</b>
<b>Tier 2</b>	See <b>Appendix C</b>
	<b>C1 Information Requirements</b>
	<b>C2 Consolidated Code and Financial Standard</b>
	<b>C3 Annual Financial Return Data Requirements</b>
	<b>C4 Liquidity Ratio Covenants</b>
<b>Tier 1</b>	See <b>Appendix D</b>
	<b>D1 Information Requirements</b>
	<b>D2 Consolidated Code and Financial Standard</b>



# Appendix A

## Classification Of AHBs

Tier classification is based on the following:

- Level of housing stock, both current and future
- Extent of loan finance for development
- Extent of business complexity based on regulatory judgement during the assessment process

Please be aware that the existence of any Housing Finance Agency (HFA) or private sector borrowing triggers reclassification to Tier 2.

Additionally, if the Regulator's view is that the business of the AHB is sufficiently complex, or the income especially large due to increased ancillary elements, the Regulator may assess the AHB in a higher Tier than set out in the parameters below.

A summary of the Tier categorisation is provided below. Each of the parameters under the individual Tier categorisation should be read in order to determine the relevant level.

	Criteria	Tier 3	Tier 2	Tier 1
1	Size	More than 300 units	50-300 units	Less than 50 units
2	Development Programme	If Development plans brings total stock >300 units	<b>Any</b> development plan resulting in total stock <300 units	<b>No</b> development plans or development plan resulting in total stock remaining <50 units
3	Borrowing from HFA or private funders	<b>Any borrowing where total stock is / will be &gt; 300 units</b>	Any borrowing where total stock is / will be <300 units ( <i>otherwise Tier 3</i> )	No long-term development loan finance ( <i>otherwise Tier 2</i> )



# Appendix B **Tier 3 Requirements**





# Appendix B1

## Tier 3 Information Requirements

**The following are the information requirements under the provisions of the Financial Standard for Tier 3 AHBs.** They are, where possible, based on usual business requirements but there are areas that will require the AHB to evolve its response over the transition period.

In line with the principles of the Voluntary Regulation Code, there is a “comply or explain” policy. Some organisations will need to explain how they are working to deliver on a particular element of the Financial Standard, and we expect this to be particularly relevant for the transition phase. For Tier 3s, full compliance will be expected by 2016 as per phased implementation as set out in Chapter 3.

### Information Requirements of Financial Standard

	Information Requirement	Details/Comments
1	Financial Statements	Submit Audited Financial Statements signed by the Board within 9 months of their year-end.
2	Audit Management Letter	Submit Audit Management Letter with management responses within 9 months of their year-end.
3	Asset Register	All AHBs are required to have an asset register recording its housing stock and capable of reconciliation to audited financial statements and Regulation Office Annual Return Form.
4	<b>Business Plan with 30-year Financial Projections</b>	<p>Each Tier 3 AHB must submit a Board-approved Business Plan annually.</p> <p>This Business Plan is a written document, complemented by tables and charts where appropriate, and must contain the following:</p> <ol style="list-style-type: none"><li>1) The organisation’s strategic objectives.</li><li>2) Annual financial projections over 30 years including clear economic assumptions underlying the forecast income and expenditure, balance sheets and cash flows.</li><li>3) Demonstrate a clear understanding of future investment requirements in all owned, leased and managed stock.</li></ol> <p><i>continued over</i></p>

	Information Requirement	Details/Comments
		<p>4) Development plans including committed and unidentified projects.</p> <p>5) Funding plans including committed and unidentified future funding.</p> <p>6) Scenario testing and sensitivity analysis of the forecast income and expenditure, balance sheets and cash flows.</p> <p>7) Strategic risk register set out in a suitable format including assessment of impact, probability and a hierarchy of risk.</p>
5	<b>Annual Financial Return (Full)</b>	Each Tier 3 AHB must submit an Annual Financial Return <sup>2</sup> that contains 4 years information, being the latest audited accounts (historic), the current year's information and 2 years forecasted projections.
6	<b>Tax Clearance Certificate</b>	Each AHB must submit a Tax Clearance Certificate with their Annual Return Form
7	<b>Notification of Issues Arising</b>	<p>All AHBs should notify the regulator immediately of issues arising which in its opinion give 'cause for concern' and represents 'a potential impact on viability'. Notifiable events are listed within Chapter 8. This list is not exhaustive.</p> <p>The Boards of Tier 3 AHBs are required to monitor key liquidity ratios (as per Appendix B5) and notify the Regulation Office of breaches over a period.</p>

	Other Requirements	Details/Comments
	<b>Tenancy Performance Management Indicators</b>	All AHBs should be able to provide basic data each year on its management performance under a number of headings such as rent payment/arrears, voids, repairs and management and maintenance costs per unit.
	<b>A sinking fund</b>	All AHBs are required to have a sinking fund for the longer term systematic repair and refurbishment of housing stock. The level of provision must relate to the condition of the stock.
	<b>Stock Condition Surveys</b>	All AHBs are required to perform stock condition surveys to ensure appropriate level of provision is being made to a sinking fund.
	<b>External validation of stock condition survey</b>	All AHBs are required to have external validation by an appropriately qualified and independent third party of the stock condition survey both in terms of the sample size used and in the quality and accuracy of its assessment of its stock. The User Guide to the Financial Standard will include more detail.
	<b>Audit and Risk Committee</b>	In recognition of the critically important issue of risk assessment and risk awareness Tier 3 AHBs are required to have an Audit and Risk Committee.
	<b>Meeting with Regulation Office</b>	Tier 3s are required to attend an annual meeting with the Regulation Office to discuss the AHBs business generally and to consider the Annual Return Form and Financial Return that was submitted and matters arising.

2. This Annual Financial Return will be in electronic format in due course.

# Appendix B2

## Tier 3 Consolidated Code and Financial Standard

The following table collates and summarises the requirements of the current Code and the Financial Standard.

	Current Code Requirement	Additional Financial Standard Requirements from 2016 <sup>3</sup>
<b>Governance</b>		
Functioning Board or Management Committee (in the case of co-operative housing societies)	✓	
Board must have clearly defined roles and responsibilities	✓	
Board and Management have a good working relationship where strategic guidance results in agreed goals being achieved	✓	
Board has at least 5 members.	✓	
At least 5 members of the board should be resident in the State	✓	
The chairperson and secretary shall be resident within the State	✓	
No member should serve more than 2 consecutive 5 year terms (1st year of service is deemed to be from July 2013 for board members already appointed at that date)	✓	
Expectation that members have appropriate skills and experience.	✓	
Board has an annual general meeting and should meet at least 4 times a year.	✓	
No employee should act as chair of the Board	✓	
AHB complies with existing companies law	✓	

3. In the 2016 calendar year the Annual Return Form relating to the 2015 Financial Year will issue and will have to be completed in accordance with the Combined Code and Financial Standard provisions.

	Current Code Requirement	Additional Financial Standard Requirements from 2016 <sup>4</sup>
AHB complies with charities requirements	✓	
AHB complies with conditions of Approved Body Status	✓	
AHB has a number of Board policies in place including membership, membership renewal, code of conduct, conflict of interest and a register of interests	✓	
No individual may be elected or appointed as director / trustee or senior employee of an AHB where they have a material interest / benefit arising from the AHBs operations.	✓	
Maintenance of a risk register identifying key risks, likelihood of them occurring and proposed actions to mitigate risk	✓	
Alert Regulation Office of Notifiable events		✓
Meeting with Regulation Office annually	✓	

## Financial and Business Management

Have a Finance Committee	✓ to be phased out	No longer required
Have an Audit and Risk Committee		✓
Have a tax clearance certificate	✓	
Have a sinking fund	✓	
Perform regular stock condition surveys and ensure they are externally validated		✓
Submit the Annual Report (if available) and Financial Statements (with Directors Report) / accounts	✓	
Have an external audit process in place	✓	
Submit audit management letter and management responses		✓
Have an asset register		✓
Have a strategic plan	✓	
Have a 3 year financial plan in place	✓ to be phased out	No longer required
Have a board approved business plan with 30-year financial projections		✓

4. In the 2016 calendar year the Annual Return Form relating to the 2015 Financial Year will issue and will have to be completed in accordance with the Combined Code and Financial Standard provisions.



	Current Code Requirement	Additional Financial Standard Requirements from 2016
Complete an Annual Financial Return with 4 years data, 1 year historic, current year and 2 forecasted years		✓

## Performance Management

Have an agreed set of performance management indicators in relation to rent payments and rent arrears, voids, repairs, management and maintenance costs per unit	✓	
Submit data on performance management including rent payments and arrears, voids, repairs, management and maintenance costs per unit	✓	
Have a written allocations policy explaining eligibility criteria and the application process	✓	
Liaise with local authorities to let properties quickly and efficiently	✓	
Provide tenants with information and statements on rents and service charges	✓	
Have a rent arrears policy and procedure and make it available to tenants	✓	
Have a repairs policy in place which commits to dealing with planned, cyclical and responsive repairs within agreed timescales and make it available to tenants	✓	
Have a statement on communication with tenants, regularly communicate with tenants and monitor feedback	✓	
Provide pre-tenancy training for all new tenants	✓	
Provide a tenants handbook detailing policies and procedures	✓	



# Appendix B3

## Tier 3 Annual Financial Return

Currently, there is no uniform way in which AHBs report income, assets and liabilities. It is not proposed at this stage to require a standardised set of accounts for the sector. Instead, it is proposed that key data from the annual accounts is restated in a standard format in an Annual Financial Return to the Regulation Office. This will be used as the basis for regulatory assessment and sector-wide aggregation of data.

The Annual Financial Return for Tier 3 AHBs will also require some additional financial information and require two year financial projections i.e. the Tier 3 Return will then be in respect of the previous financial year consistent with the latest published financial statements, the current year actuals and two-year projections, so four years in total. The Tier 2 Return will only be 1 year's data, being the latest set of audited financial statements.

	Information Requirement	Details/Comments (to be completed by the AHB)
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### Number of units

1	Owned	
2	Leased	
3	Managed	Managed only, including SLA agreements

### Income & Expenditure (as in Financial Statements)

4	Turnover	Including rents, fundraising, grants, contract fees, and service charges
5	Rental income	
6	Operating Surplus	
7	Net Interest payable	
8	Profit/(loss) from sales	
9	Sinking Fund Transfers	
10	Surplus /(deficit) for year	
11	Depreciation of housing properties	Any amounts charged/(credited) to the income and expenditure account in the period

	Information Requirement	Details/Comments (to be completed by the AHB)
12	Amortisation of grants	Any amounts charged/(credited) to the income and expenditure account in the period
13	Capitalised repairs	See definitions
14	Proceeds from sales of assets	
15	Cash flow from operations	Surplus adjusted for non-cash items

### Balance Sheet (as in Financial Statements)

16	Housing Properties	Cost
17	Housing Properties	Depreciation
18	Grants Received	Total of all Capital Grants Received from inception to date – classified by Category ( <i>see definitions</i> )
19	Grants Amortised	Details of grants amortised and released to Income & Expenditure (I&E) account / reserves from inception to date. Additionally disclose sum released to I&E account in the year
20	Grants Balance	Balance of grants not yet amortised
21	Non-Housing fixed assets and investments	Other fixed assets and investments that are not included in housing properties
22	Debtors	Arrears plus other debtors
23	Current liabilities	Excluding the current portfolio of loans repayable within 12 months
24	Loans	See definitions and also including the current portfolio of loans
25	Cash/(overdrafts)	Cash plus Overdraft
26	Provisions	AHBs latest Financial Statements for that year
27	Reserves including Designated Reserves	AHBs latest Financial Statements for that year

### Sinking Funds

	Provision (€)	
	Last external review	..... explain the date, scope and extent of the review such as sample size and assumptions regarding the lifetime of major components
	Sufficiency of funding	..... certify that this sum represents sufficient funds to meet current and future obligations

### Funding

	Loans – CALF	
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	Information Requirement	Details/Comments (to be completed by the AHB)
	Loans – HFA	
	Loans –other funders	..... <i>explain amount and nature of loans and lenders</i>
	Loans – current funding	..... <i>explain current funding and requirements and plans</i>
	Undrawn committed funds	..... <i>explain any restrictions on how the undrawn funds can be used</i>
	Fixed and Variable	<i>Provide % of fixed rate debt (fixed for longer than 5 years) as a % of total debt</i>
	Derivatives	..... <i>explain nature of derivatives and any covenants</i>

### Interest Cover Type Covenant

	Most exacting requirement	..... describe the nature of the covenants
	Interest Cover	(Surplus before Interest and Tax) divided by / Interest Payable

### Gearing Type Covenants

	Most exacting requirement	..... <i>describe the nature of the covenants</i>
	Gearing	Ratio of Loans to Reserves including Capital Grants (note – while CALF is a loan for the purposes of this gearing ratio it can be excluded)

### Asset Cover Type Covenants

	Most exacting requirement	..... <i>describe the nature of the covenants</i>
	Asset Cover	Total assets less current liabilities (excl. short term debt obligations) / divided by total debt

### Unencumbered Land and Property

	Number	Number of unencumbered housing properties
	Value	Estimate of security value of unencumbered housing properties, other properties and undeveloped land

### Development Programme

	Programme	..... <i>set out the number of units and mix of development programme by size and type (rented, sale, market rent, etc.) and whether fully approved or not</i>
	Owned Pipeline	At the current date set out future pipeline
	Leased Pipeline	At the current date set out future pipeline
	Managed Pipeline	At the current date set out future pipeline

Information Requirement	Details/Comments (to be completed by the AHB)
-------------------------	---

### Funding for Development Programme (€)

Grant	
New debt	
Own resource	
Lease payments to landlords	

### Housing Leasing Commitments by Remaining Length of Lease (€)

1 year	
2-5 years	
6-10 years	
Thereafter	

### Other

Current and former tenant arrears as % rent roll	
Current and former tenant arrears as % rent roll	After deducting provisions for bad debts on these arrears
Arrears Provisioning Policy	..... set out arrears provision policy
Management costs per unit	
Maintenance costs per unit	
Operating costs per unit	
Average void turnaround - General needs unit (days)	..... set out void period due to maintenance and letting
Average void turnaround – Supported Housing (days)	
Void loss in year (€)	

# Appendix B4

## Tier 3 Business Stream Analysis

The Annual Financial Return (AFR) for Tier 3 AHBs also includes business stream analysis. This is to take account that income of AHBs can be derived from a number of activities. As the variable nature and collectability of income can be a risk factor, this table sets out the composition of revenue and expenditure in more detail. This business stream analysis needs to cover the four years covered by the AFR.

		Social Housing Lettings	Other Lettings	Fund Raising	Care, Support, Health	Other	TOTAL
<b>Income</b>							
1	Rents						
2	Service Charges						
3	Void Loss						
4	Revenue Grants and Availability Payments						
5	Other Income						
<b>Expenditure</b>							
6	Management						
7	Service Charge payments to superior landlords such as management companies						
8	Bad debts						
9	Planned maintenance						
10	Reactive maintenance						
11	Direct Labour						
12	<b>Operating Surplus</b>						





# Appendix B5

## Tier 3 Liquidity Ratio Covenants

Where an AHB has debt finance it is critical that short term and long-term viability are maintained. The Boards of Tier 3 AHBs are required to regularly review their financial position and to notify the Regulation Office if over a period key liquidity ratios are being breached. The key liquidity ratios and their recommended levels are as follows:

Key Ratio	How it is calculated	Recommended Level	What it indicates
<b>Current Ratio</b>	Current Assets (i.e. cash + debtors) divided by Current Liabilities	At least 1:1	Readily available funds to meet current liabilities
<b>Cash from Operations</b>	Net Income adjusted for non-cash items. (i.e. net income + depreciation – amortisation + decrease in current assets + increase in current liabilities – increase in current assets – decrease in current liabilities)	At least a positive figure.	Indicates good business management
<b>Interest Cover</b>	Surplus before interest divided by interest expense	At least 1.5 times	Indicates how easily an organisation can pay the interest expense on outstanding debt



# Appendix C Tier 2 Requirements





# Appendix C1

## Tier 2 Liquidity Ratio Covenants

**The following are the information requirements under the provisions of the Financial Standard for Tier 2 AHBs.** They are, where possible, based on usual business requirements but there are areas that will require the AHB to evolve its response over the transition period.

In line with the principles of the Voluntary Regulation Code, there is a “comply or explain” policy. Some organisations will need to explain how they are working to deliver on a particular element of the Financial Standard, and we expect this to be particularly relevant for the transition phase. For Tier 2s, full compliance will be expected by 2017 as per phased implementation as set out in Chapter 3.

### Information Requirements of Financial Standard

	Information Requirement	Details/Comments
1	<b>Financial Statements</b>	Submit Audited Financial Statements signed by the Board within 9 months of their year-end.
2	<b>Audit Management Letter</b>	Submit Audit Management Letter with management responses within 9 months of their year-end.
3	<b>Asset Register</b>	All AHBs are required to have an asset register recording its housing stock and capable of reconciliation to audited Financial Statements and Regulation Office Annual Return Form.
4	<b>Business Plan with 30-year Financial Projections</b>	<p>If Tier 2 AHB has:</p> <ol style="list-style-type: none"> <li>1. No development finance – Business Plan not required</li> <li>2. Development loan finance below a threshold level<sup>5</sup> – will only be required to provide loan repayment schedules and cash flows directly relating to the projects being financed for the full term of the borrowings.</li> <li>3. Development loan finance above threshold level<sup>5</sup> – full business plans and accompanying 30-year financial projections will be required as per Tier 3 requirements.</li> </ol>

5. Guideline threshold: If Borrowings exceed €1.5M or loan finance stock exceeds 1/4 of total stock, then a full business plan and accompanying 30 Year Financial Projections will be required.

	Information Requirement	Details/Comments
5	<b>Annual Financial Return</b>	Each Tier 2 AHB must submit an Annual Financial Return <b>with just 1 years data</b> based on the latest audited Financial Statements.  This information will be required in the format set out in <b>Appendix C3</b> .
6	<b>Tax Clearance Certificate</b>	Each AHB must submit a Tax Clearance Certificate with their Annual Return Form.
7	<b>Notification of Issues Arising</b>	All AHBs should notify the Regulator immediately of issues arising which in its opinion give 'cause for concern' and represents 'a potential impact on viability'. Notifiable events are listed within Chapter 8. This list is not exhaustive.  The Boards of Tier 2 AHBs who have development loan finance over a threshold level <sup>6</sup> are required to monitor key liquidity ratios ( <i>as per Appendix C4</i> ) and notify the Regulation Office of breaches over a period.

	Other Requirements	Details/Comments
	<b>Performance Management Indicators</b>	All AHBs should be able to provide basic data each year on its performance management under a number of headings such as rent payment/ arrears, voids, repairs and management and maintenance costs per unit.
	<b>A sinking fund</b>	All AHBs are required to have a sinking fund for the longer term systematic repair and refurbishment of housing stock. The level of provision must relate to the condition of the stock.
	<b>Stock Condition Surveys</b>	All AHBs are required to perform stock condition surveys to ensure appropriate level of provision is being made to a sinking fund.
	<b>External Validation of Stock Condition Survey</b>	All AHBs are required to have external validation by an appropriately qualified and independent third-party of the stock condition survey both in terms of the sample size used and in the quality and accuracy of its assessment of its stock. The User Guide to the Financial Standard will contain more detail.
	<b>Audit and Risk Committee</b>	In recognition of the critically important issue of risk assessment and risk awareness Tier 2 bodies are required to have an Audit and Risk Committee.
	<b>Meeting with Regulation Office</b>	Not required every year for Tier 2 AHBs.  However, some Tier 2 AHBs may be required to engage with the Regulation Office in relation to issues arising from either the assessment process or notifiable events.  Additionally, others may be invited to meet with the Regulation Office to facilitate enhanced cooperation and mutual understanding within the sector.

6. Guideline threshold; If Borrowings exceed €1.5M or loan financed stock exceeds ¼ of total stock, a full business plan and accompanying 30 Year Financial Projections will be required.



# Appendix C2

## Tier 2 Consolidated Code and Financial Standard

The following table collates and summarises the requirements of the current Code and the Financial Standard.

	Current Code Requirement	Additional Financial Standard Requirements from 2017 <sup>7</sup>
<b>Governance</b>		
Functioning Board or Management Committee (in the case of co-operative housing societies)	✓	
Board must have clearly defined roles and responsibilities	✓	
Board and Management have a good working relationship where strategic guidance results in agreed goals being achieved	✓	
Board has at least 5 members.	✓	
At least 5 members of the board should be resident in the State	✓	
The chairperson and secretary shall be resident within the State	✓	
No member should serve more than 2 consecutive 5 year terms (1st year of service is deemed to be from July 2013 for board members already appointed at that date)	✓	
Expectation that members have appropriate skills and experience.	✓	
Board has an annual general meeting and should meet at least 4 times a year.	✓	
No employee should act as chair of the Board	✓	
AHB complies with existing companies law	✓	

7. In the 2017 calendar year the Annual Return Form relating to the 2016 Financial Year will issue and will have to be completed in accordance with the Combined Code and Financial Standard provisions.

	Current Code Requirement	Additional Financial Standard Requirements from 2017 <sup>8</sup>
AHB complies with charities requirements	✓	
AHB complies with conditions of approved body status	✓	
AHB has a number of Board policies in place including membership, membership renewal, code of conduct, conflict of interest and a register of interests	✓	
No individual may be elected or appointed as director / trustee or senior employee of an AHB where they have a material interest / benefit arising from AHBs operations.	✓	
Maintenance of a Risk Register identifying key risks, likelihood of them occurring and proposed actions to mitigate risk	✓	
Alert Regulation Office of Notifiable events		✓
Meeting with Regulation Office annually on request		✓

### Financial and Business Management

Have a Finance Committee	✓ to be phased out	No longer required
Have an Audit and Risk Committee		✓
Have a tax clearance certificate	✓	
Have a sinking fund	✓	
Perform regular stock condition surveys and ensure they are externally validated		✓
Submit the Annual Report (if available) and Financial Statements (with Directors Report) / accounts	✓	
Have an external audit process in place	✓	
Submit audit management letter and management responses		✓
Have an asset register		✓
Have a strategic direction	✓	
Cash flow projections where loan finance does not exceed a certain threshold <sup>9</sup>		✓

8. In the 2017 calendar year the Annual Return Form relating to the 2016 Financial Year will issue and will have to be completed in accordance with the Combined Code and Financial Standard provisions.

9. Guideline threshold; If Borrowings exceed €1.5M or loan financed stock exceeds ¼ of total stock, then a full business plan and accompanying 30 Year Financial Projections will be required.



	Current Code Requirement	Additional Financial Standard Requirements from 2017
Where loan finance exceeds threshold level, there is a requirement to have Board approved business plan with 30-year financial projections		✓
Complete an Annual Financial Return with 1 year historic data (being latest audited accounts data)		✓

## Performance Management

Have an agreed set of performance management indicators in relation to rent payments and rent arrears, voids, repairs, management and maintenance costs per unit	✓	
Submit data on performance management including rent payments and arrears, voids, repairs, management and maintenance costs per unit	✓	
Have a written allocations policy explaining eligibility criteria and the application process	✓	
Liaise with local authorities to let properties quickly and efficiently	✓	
Provide tenants with information and statements on rents and service charges	✓	
Have a rent arrears policy and procedure and make it available to tenants	✓	
Have a repairs policy in place which commits to dealing with planned, cyclical and responsive repairs within agreed timescales and make it available to tenants	✓	
Have a statement on communication with tenants, regularly communicate with tenants and monitor feedback	✓	
Provide pre-tenancy training for all new tenants	✓	
Provide a tenants handbook detailing policies and procedures	✓	



# Appendix C3

## Tier 2 Annual Financial Return

Currently, there is no uniform way in which AHBs report income, assets and liabilities. It is not proposed at this stage to require a standardised set of accounts for the sector. Instead, it is proposed that key data from the annual accounts is restated in a standard format in an Annual Financial Return to the Regulation Office. This will be used as the basis for regulatory assessment and sector-wide aggregation of data.

The Annual Financial Return for Tier 2 AHBs will also require some additional financial information and 1 year's data, being the latest set of audited financial statements.

	Information Requirement	Details/Comments (to be completed by the AHB)
<b>Number of units</b>		
1	Owned	
2	Leased	
3	Managed	Managed only, including SLA agreements
<b>Income &amp; Expenditure (as in Financial Statements)</b>		
4	Turnover	Including rents, fundraising, grants, contract fees, and service charges
5	Rental Income	
6	Operating Surplus	
7	Net Interest payable	
8	Profit/(loss) from sales	
9	Sinking Fund Transfers	
10	Surplus /(deficit) for year	
11	Depreciation of housing properties	Any amounts charged/(credited) to the income and expenditure account in the period
12	Amortisation of grants	Any amounts charged/(credited) to the income and expenditure account in the period

	Information Requirement	Details/Comments (to be completed by the AHB)
13	Capitalised repairs	See definitions
14	Proceeds from sales of assets	
15	Cash flow from operations	Surplus adjusted for non-cash items

### Balance Sheet (as in Financial Statements)

16	Housing Properties	At cost
17	Housing Properties	Depreciation
18	Grants Received	Total of all Capital Grants Received from inception to date – classified by Category ( <i>see definitions</i> )
19	Grants Amortised	Details of grants amortised and released to Income & Expenditure (I&E) account / reserves from inception to date. Additionally disclose sum released to I&E account in the year
20	Grants Balance	Balance of grants not yet amortised
21	Non-Housing fixed assets and investments	Other fixed assets and investments that are not included in housing properties
22	Debtors	Arrears plus other debtors
23	Current liabilities	Excluding the current portfolio of loans repayable within 12 months
24	Loans	See definitions and also including the current portfolio of loans
25	Cash/(overdrafts)	Cash plus Overdraft
26	Provisions	AHBs latest Financial Statements for that year
27	Reserves including Designated Reserves	AHBs latest Financial Statements for that year

### Sinking Funds

	Provision (€)	
	Last external review	..... explain the date, scope and extent of the review such as sample size and assumptions regarding the lifetime of major components
	Sufficiency of funding	..... certify that this sum represents sufficient funds to meet current and future obligations

### Funding

	Loans – CALF	
	Loans – HFA	
	Loans – other funders	..... explain amount and nature of loans and lenders
	Loans – current funding	..... explain current funding and requirements and plans

	Information Requirement	Details/Comments (to be completed by the AHB)
	Undrawn committed funds	.....explain any restrictions on how the undrawn funds can be used
	Fixed and Variable	Provide % of fixed rate debt (fixed for longer than 5 years) as a % of total debt
	Derivatives	.....explain nature of derivatives and any covenants

### Interest Cover Type Covenant

	Most exacting requirement	..... describe the nature of the covenants
	Interest Cover	(Surplus before Interest and Tax) divided by / Interest Payable

### Gearing Type Covenants

	Most exacting requirement	.....describe the nature of the covenants
	Gearing	Ratio of Loans to Reserves including Capital Grants (note – while CALF is a loan for the purposes of this gearing ratio it can be excluded)

### Asset Cover Type Covenants

	Most exacting requirement	.....describe the nature of the covenants
	Asset Cover	Total assets less current liabilities (excl. short term debt obligations) / divided by total debt

### Unencumbered Land and Property

	Number	Number of unencumbered housing properties
	Value	Estimate of security value of unencumbered housing properties, other properties and undeveloped land

### Development Programme

	Programme	..... set out the number of units and mix of development programme by size and type (rented, sale, market rent, etc.) and whether fully approved or not
	Owned Pipeline	At the current date set out future pipeline
	Leased Pipeline	At the current date set out future pipeline
	Managed Pipeline	At the current date set out future pipeline

### Funding for Development Programme (€)

	Grant	
	New debt	
	Own resource	
	Lease payments to landlords	

Information Requirement	Details/Comments (to be completed by the AHB)
-------------------------	---

### Housing Leasing Commitments by Remaining Length of Lease (€)

1 year	
2-5 years	
6-10 years	
Thereafter	

### Other

Current and former tenant arrears as % rent roll	
Current and former tenant arrears as % rent roll	After deducting provisions for bad debts on these arrears
Arrears Policy	..... set out arrears provision policy
Management costs per unit	
Maintenance costs per unit	
Operating costs per unit	
Average void turnaround - General needs units (days)	
Average void turnaround – Supported Housing Units (days)	
Void loss in year (€)	

# Appendix C4

## Tier 2 Liquidity Ratio Covenants

Where an AHB has debt finance, it is critical that short-term and long-term viability are maintained. The Boards of Tier 2 AHBs who have development loan finance over a certain threshold <sup>10</sup> are required to regularly review their financial position and to notify the Regulation Office if over a period key liquidity ratios are being breached. The key liquidity ratios and their recommended levels are as follows:

Key Ratio	How it is calculated	Recommended Level	What it indicates
<b>Current Ratio</b>	Current Assets (i.e. cash + debtors) divided by Current Liabilities	At least 1:1	Readily available funds to meet current liabilities
<b>Cash from Operations</b>	Net Income adjusted for non-cash items. (i.e. net income + depreciation – amortisation + decrease in current assets + increase in current liabilities – increase in current assets – decrease in current liabilities)	At least a positive figure.	Indicates good business management
<b>Interest Cover</b>	Surplus before interest divided by interest expense	At least 1.5 times	Indicates how easily an organisation can pay the interest expense on outstanding debt

10. Guideline threshold; If borrowings exceed €1.5M or loan financed stock exceeds ¼ of total stock, a full business plan and accompanying 30 Year Financial Projections will be required.





# Appendix D Tier 1 Requirements



# Appendix D1

## Tier 1 Information Requirements

The following are the information requirements under the provisions of the Financial Standard for Tier 1 AHBs. They are, where possible, based on usual business requirements - but there are areas that will require the AHB to evolve its response over the transition period.

In line with the principles of the Voluntary Regulation Code, there is a “comply or explain” policy. Some organisations will need to explain how they are working to deliver on a particular element of the Financial Standard, and we expect this to be particularly relevant for the transition phase. For Tier 1 AHBs, full compliance will be expected by 2018 as per the phased implementation table on as set out in Chapter 3.

### Information Requirements of Financial Standard

	Information Requirement	Details/Comments
1	<b>Financial Statements</b>	Submit Audited Financial Statements signed by the Board within 9 months of their year-end.
2	<b>Audit Management Letter</b>	Submit Audit Management Letter with management responses within 9 months of their year-end.
3	<b>Asset Register</b>	All AHBs are required to have an Asset Register recording its housing stock and capable of reconciliation to audited financial statements and Regulation Office Annual Return Form.
4	<b>Business Plan with 30-year Financial Projections</b>	<u>Not required</u>
5	<b>Annual Financial Return</b>	<u>Not required</u>  Rather a detailed income and expenditure account, informative notes balance sheet and a cash flow are to form part of the financial statements as per item 1 above.
6	<b>Tax Clearance Certificate</b>	Each AHB must submit a Tax Clearance Certificate with their Annual Return Form.
7	<b>Notification of Issues Arising</b>	All AHBs should notify the regulator immediately of issues arising which in its opinion give ‘cause for concern’ and represents ‘a potential impact on viability’. Notifiable events are listed on within Chapter 8. This list is not exhaustive.

	Other Requirements	Details/Comments
	<b>Performance Management Indicators</b>	All AHBs should be able to provide basic data each year on its performance management under a number of headings such as rent payment/arrears, voids, repairs and management and maintenance costs per unit.
	<b>A sinking fund</b>	All AHBs are required to have a sinking fund for the longer term systematic repair and refurbishment of housing stock. The level of provision must relate to the condition of the stock.
	<b>Stock Condition Surveys</b>	All AHBs are required to perform stock condition surveys to ensure appropriate level of provision is being made to a sinking fund.
	<b>External Validation of Stock Condition Survey</b>	All AHBs are required to have external validation by an appropriately qualified and independent third party of its stock condition survey both in terms of the sample size used and in the quality and accuracy of its assessment of its stock. The User Guide to the Financial Standard will provide further detail.
	<b>Audit and Risk Committee</b>	While it is not a regulatory requirement for Tier 1 AHBs, the establishment of an audit and risk committee for Tier 1 AHBs is a matter for the governing body to consider, depending on the scope and needs of the organisation.
	<b>Meeting with Regulation Office</b>	<p>Not required every year for Tier 1 AHBs.</p> <p>However some Tier 1 AHBs may be required to engage with the Regulation Office in relation to issues arising from the assessment process or notifiable events.</p> <p>Additionally, others may be invited to meet with the Regulation Office to facilitate enhanced co-operation and mutual understanding within the sector.</p>

# Appendix D2

## Tier 1 Consolidated Code and Financial Standard

The following table collates and summarises the requirements of the current Code and the Financial Standard.

	Current Code Requirement	Additional Financial Standard Requirements from 2018 <sup>11</sup>
<b>Governance</b>		
Functioning Board or Management Committee (in the case of co-operative housing societies)	✓	
Board must have clearly defined roles and responsibilities	✓	
Board and Management have a good working relationship where strategic guidance results in agreed goals being achieved	✓	
Board has at least 5 members.	✓	
At least 5 members of the board should be resident in the State	✓	
The chairperson and secretary shall be resident within the State	✓	
No member should serve more than 2 consecutive 5 year terms (1st year of service is deemed to be from July 2013 for board members already appointed at that date)	✓	
Expectation that members have appropriate skills and experience.	✓	
Board has an annual general meeting and should meet at least 4 times a year.	✓	
No employee should act as chair of the Board	✓	
AHB complies with existing companies law	✓	

11. In the 2018 calendar year the Annual Return Form relating to the 2017 Financial Year will issue and will have to be completed in accordance with the Combined Code and Financial Standard provisions.

	Current Code Requirement	Additional Financial Standard Requirements from 2018 <sup>12</sup>
AHB complies with charities requirements	✓	
AHB complies with conditions of approved body status	✓	
AHB has a number of board policies in place including membership, membership renewal, code of conduct, conflict of interest and a register of interests	✓	
No individual may be elected or appointed as director / trustee or senior employee of an AHB where they have a material interest / benefit arising from AHBs operations.	✓	
Maintenance of a risk register identifying key risks, likelihood of them occurring and proposed actions to mitigate risk	✓	
Alert Regulation Office of Notifiable events		✓
Meeting with Regulation Office as requested		✓

## Financial and Business Management

Have an Audit and Risk Committee		Recommended
Have a tax clearance certificate	✓	
Have a sinking fund	✓	
Perform regular stock condition surveys and ensure they are externally validated		✓
Submit the Annual Report (if available) and Financial Statements (with Directors Report) / accounts	✓	
Audited accounts to include detailed income and expenditure account with analysis of key income streams, larger expenses including staffing, maintenance costs etc. Additionally balance sheet to include detailed notes particularly on assets and grants. Cash flow also to comprise part of audited accounts.		✓
Have an external audit process in place	✓	
Submit audit management letter and management responses		✓
Have an asset register		✓
Have a strategic direction	✓	

12. In the 2018 calendar year the Annual Return Form relating to the 2017 Financial Year will issue and will have to be completed in accordance with the Combined Code and Financial Standard provisions.

	Current Code Requirement	Additional Financial Standard Requirements from 2018
<b>Performance Management</b>		
Have an agreed set of performance management indicators in relation to rent payments and rent arrears, voids, repairs, management and maintenance costs per unit	✓	
Submit data on performance management including rent payments and arrears, voids, repairs, management and maintenance costs per unit	✓	
Have a written allocations policy explaining eligibility criteria and the application process	✓	
Liaise with local authorities to let properties quickly and efficiently	✓	
Provide tenants with information and statements on rents and service charges	✓	
Have a rent arrears policy and procedure and make it available to tenants	✓	
Have a repairs policy in place which commits to dealing with planned, cyclical and responsive repairs within agreed timescales and make it available to tenants	✓	
Have a statement on communication with tenants, regularly communicate with tenants and monitor feedback	✓	
Provide pre-tenancy training for all new tenants	✓	
Provide a tenants handbook detailing policies and procedures	✓	





# Glossary

## AHB

Approved Housing Bodies (AHB) 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 List) which is managed by housing authorities.

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

## AHB Tier Classification

Regulatory standards apply to all AHBs, but vary depending on the size, scale and the level of financial risk associated with the 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.

## CALF Funding

A capital advance loan made available from the DECLG via Local Authorities to AHBs to assist AHBs accessing finance from financial institutions. It is not repayable until the end of the term with a nominal interest rate accrued.

## 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 provided by way of mortgage and is only repayable if conditions of the grant provision are not adhered to.

## Cash from Operations

This is the Net Income as per the income and expenditure account but adjusted for non-cash items. (I.e. net income + depreciation – amortisation + decrease in current assets & increase in current liabilities – increase in current assets & decrease in current liabilities).

## Capitalised repairs

Improvements to existing housing properties that increase the value or extend the life beyond that originally envisaged and have been added to the costs of the assets.

## CLSS Funding

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

## 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.

## DECLG

Department of Environment, Community and Local Government

**Designated Reserves**

Amounts set aside by AHBs for specific future commitments and these include sinking funds for future maintenance requirements.

**Differential rent**

The amount of rent paid by a tenant based on household income. This varies depending on the Local Authority area, e.g. it could be 15% of the tenant's household net income.

**Gearing**

Gearing is calculated as the total of loans divided by Reserves and Grants. It is the ratio of Loans to Reserves including Capital Grants.

(note – while CALF Loans are a loan due for repayment for the purposes of this gearing ratio, they can be excluded)

**Grants**

Amounts provided by the State and Local Authorities to fund the provision of social housing. These amounts are not repayable whilst the housing use remains as envisaged. For the purposes of the Annual Financial Return all amounts received under the capital grant funding regime should be included. All revenue related grants including Availability Payments should be excluded.

**Liquidity**

Liquidity is a measure of the ability to pay debts as they fall due and of how readily assets can be converted to cash. The Quick Ratio gives an indication of the extent of liquidity of an organisation.

**Loans**

Monies borrowed to fund the development of housing properties and other assets and repayable over a period of time to the HFA, banks or other institutions. (Includes CALF Loans).

**Net Interest Payable**

Interest payable less interest received from return on investments

**P&A Payment and Availability Agreements**

In return for making a property available for social housing for a period of 10-30 years the DECLG makes an availability payment based on market rent to the AHB. In addition the AHB is entitled to "differential rent" from the tenant.

**Quick Ratio**

The Quick Ratio can be used as an indicator of liquidity. It is calculated as (Debtors + cash + secured undrawn loan facilities) divided by (current liabilities) expressed as a ratio.

**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. The Office reports to 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.

**Social Housing Units**

Units that have been or are funded by capital or revenue grants from the State or Local Authorities to provide rents at below market levels.





[www.housing.ie/regulation](http://www.housing.ie/regulation)