



# Housing Agency Annual Report 2011

Housing and Sustainable Communities Ltd  
Operating as the 'Housing Agency'



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## 1. Directors and Other Information

The Housing Agency is managed by a full time executive board consisting of a chairperson and five members:

| <b>Name</b>         | <b>Organisation</b>  |
|---------------------|--|
| Rich Howlin (Chair) | Independent  |
| Peter Carey         | Laois County Council   |
| Eddie Lewis         | Department of the Environment,<br>Community and Local Government |
| Ann McGuinness      | Independent  |
| Marie McLoughlin    | Department of Public Expenditure and<br>Reform                   |
| John O'Connor       | Housing Agency   |

**Secretary** Katherine Banks

**Company number** 488341

**Registered office** Cumberland House, Fenian Street, Dublin 2

**Auditors** PricewaterhouseCoopers,  
Chartered Accountants and Registered Auditors,  
One Spencer Dock, North Wall Quay, Dublin 1

**Bankers** AIB, Lower Baggot Street, Dublin 2  
Ulster Bank, 33 College Green, Dublin 2

## 2. Directors Report

for the period ended the 31<sup>st</sup> December 2011

The directors present their report and the audited financial statements for the period ended 31 December 2011.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Irish Law and generally accepted accounting practice in Ireland including the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

Irish Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper books of accounts which disclose the reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and with Irish statute comprising the Companies Act, 1963 to 2009. They are also responsible for safeguarding the assets of the company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### 2.1 Books of Account

The measures taken by the directors to ensure compliance with the requirements of Section 202, Companies Act 1990, regarding proper books of account are the implementation of necessary policies and procedures for recording transactions, the employment of competent accounting personnel with appropriate expertise and the

provision of adequate resources to the financial function. The books of account of the company are maintained at the Registered Office.

## **2.2 Incorporation of Housing and Sustainable Communities Limited**

The company Housing and Sustainable Communities Limited (Housing Agency) was established as a subsidiary company of the National Building Agency Limited (NBA) on 30 August 2010. This subsidiary was formed to assist the Department of Environment, Community and Local Government in its rationalisation of State Agencies, and in particular, to facilitate the Department in carrying out work in areas of Land Aggregation and Social Leasing.

The Company was incorporated on 30 August 2010 as Housing and Sustainable Communities Limited. The company commenced trade on 1 January 2011.

The Authorised Share Capital of the company is 10,000,000 Ordinary Shares of €1 each and Issued Share Capital is 100 Ordinary Shares of €1 each. The company is wholly owned by the National Building Agency Limited. The Housing Agency was established on a not for profit basis and is prohibited from employing staff directly under its Articles of Association.

The work of the NBA has been wound down and some of its workload was transferred to the Housing Agency together with a number of NBA staff. The NBA continues as an entity until such time as primary legislation fully establishing the Housing and Sustainable Communities Agency is passed by the Oireachtas and continues to employ the staff transferred to the Housing Agency.

## **2.3 Principal Activities and Review of the Business**

The principal activity of the company is to assist local authorities and the Department of the Environment, Community and Local Government (DoECLG) in policy implementation with particular reference to the current policy agenda of sustainable communities and to undertake such regulatory or other services as are requested by the Department. This includes the provision of services to support the delivery and management of social housing. The Agency also carries out specific projects and evaluations, studies information on housing matters and provides policy advice.

Consulting services for all aspects of housing regeneration and refurbishment are provided and work ranges from feasibility studies and brief formulation to complete project delivery services. Other works carried out include the refurbishment and retrofit of residential buildings.

A centralised service is also provided by the Agency for the following:-

- Land Aggregation Scheme – management of housing land bank.
- Loan Underwriting – house purchase loan underwriting service for all Local Authorities.
- Unfinished Housing Estates – support provided to Local Authorities and Department of the Environment, Community and Local Government.

## 2.4 Going Concern

The directors have considered the appropriate basis on which to prepare the accounts. Following the recent enactment of the Local Government (Miscellaneous Provisions) Act 2012, the Housing and Sustainable Communities Agency will be established on a statutory basis, by way of an Establishment Order. It is anticipated that this Order will be in place by mid-2012. It is envisaged that the Company will transfer from a number of its projects and assets to the Housing and Sustainable Communities Agency following its establishment. The Company will continue to manage and maintain the lands transferred from Local Authorities under the Land Aggregation Scheme together with the lands transferred from the NBA and the Company will continue to be funded by the Department of the Environment, Community and Local Government.

## 2.5 Results and Dividends

The results for the period are set out on page 27. The directors do not recommend payment of a final dividend.

## 2.6 Directors and Secretary and their Interests in Shares of the Company

The interests of the directors and secretary in office at the 31st December, 2011 in the share capital of the company are as stated below:

|                          | <b>Date of Appointment</b> | <b>Ordinary Shares</b> |
|--------------------------|----------------------------|------------------------|
| Peter Carey              | 18th November 2010         | 0%                     |
| Ann McGuinness           | 18th November 2010         | 0%                     |
| Eddie Lewis              | 10th October 2010          | 0%                     |
| Gordon Richards          | 30th August 2010           | 0%                     |
| Marie McLoughlin         | 18th November 2010         | 0%                     |
| John O'Connor            | 10th October 2010          | 0%                     |
| Richard Howlin           | 30th August 2010           | 0%                     |
| <b>Company Secretary</b> |                            |                        |
| Katherine Banks          | 30th August 2010           | 0%                     |

There were no changes in shareholding between 31 December 2011 and the date of signing the financial statements.

John McCloskey served as director of the company from 18 November 2010 to 16 September 2011. Gordon Richard ceased to act as a director on 1 January 2012.

Peter Carey, Ann McGuinness, Eddie Lewis, Gordon Richards, Marie McLoughlin, John O'Connor and Richard Howlin each had a non-beneficial interest at 31 December 2011 in 1 ordinary share each in the company's parent company, National Building Agency Limited.

## **2.7 Subsequent Events**

Apart from the establishment of the Housing and Sustainable Communities Agency on a statutory basis, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of the affairs of the company in the financial years subsequent to the financial year ended 31 December 2011.

## **2.8 Auditors**

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office in accordance with the provisions of Section 160(2) of the Companies Act, 1963.

## **2.9 Details of Fees paid to Directors and Expenses paid to the Board**

The Housing Agency as a subsidiary of the National Building Agency (NBA) has the same Board members. The Board meetings for both bodies were on the same dates throughout 2011 and the meetings were held consecutively. A single fee was paid to the Board members in respect of both Boards and this was paid by the NBA in 2011. Three of the eight board members were in receipt of a fee. No fees were paid to the members by the Housing Agency.



### 2.10 Board Attendance at Meetings

A total of 10 board meetings were held throughout 2011. The following table outlines the attendance of each board member at same:

| Board Member   | Attendance |
|--|------------|
| Peter Carey  | 90%        |
| Ann McGuinness                                       | 100%       |
| Eddie Lewis  | 100%       |
| Gordon Richards                                      | 100%       |
| Marie McLaughlin                                     | 90%        |
| John O'Connor  | 100%       |
| Richard Howlin                                       | 100%       |
| John McCloskey (Resigned 16 <sup>th</sup> Sept 2011) | 100%       |

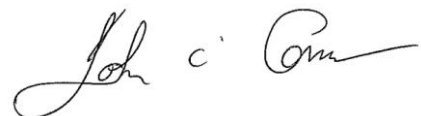
### 2.11 Salary of the Chief Executive

The Chief Executive’s salary for 2011 was €125,655. This is based on the scale for Manager Level 5, plus 7.5% expenses which amounted to €9,423. This also reflects the reduction in salary by 8% under the Financial Emergency Measures in the Public Interest (No. 2) Act 2009, and as directed by the Department of Environment, Community and Local Government. The Chief Executive is part of a Local Government model public sector defined benefit superannuation scheme.

This report was approved by the Board on and signed on its behalf by



**Richard Howlin**  
Director



**John O' Connor**  
Director

### 3. Statement of Directors' Responsibilities for the Shareholders' Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Irish law and generally accepted accounting practice in Ireland including the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

Irish Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

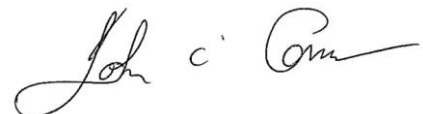
The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and with Irish statute comprising the Companies Acts, 1963 to 2009. They are also responsible for safeguarding the assets of the company and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the board



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**Richard Howlin**  
Director



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**John O' Connor**  
Director



## 4. Staff

The Housing Agency has a staff of 33 providing housing management, research and technical services.

### 4.1 Committees

#### 4.1.1 Audit & Risk Committee

The Housing Agency Audit and Risk Committee are comprised of 3 board members and the Internal Audit Officer, Katherine Banks, who is also the Chief Risk Officer.

## 5. Foreword by Chairperson

This is the first annual report of the Housing Agency. It was an active first year of operation for the Agency with, the transition from three separate bodies to one Agency and the transfer of some functions from these bodies. The rationalised bodies involved in the creation of the new Agency were the Affordable Homes Partnership, the Centre for Housing Research and the National Building Agency. The first year also saw the transfer of certain workload from the bodies and, importantly, the transfer of staff. It was quite a challenge to manage and oversee all these changes and I wish to compliment the staff for meeting these challenges so successfully.

The key areas of work for the Agency over the year included the provision of services to Local Authorities, Approved Housing Bodies and the Department of the Environment, Community and Local Government to support the delivery and management of social housing. This included support and advice on social leasing and policy implementation following the significant changes introduced by the 2009 Housing Act and the ongoing housing reform agenda.

The Agency provided consulting services for all aspects of housing regeneration and refurbishment and this work ranged from feasibility studies and preparation of briefs to complete project delivery services. Other works carried out in the last year included the refurbishment and retrofitting of social housing. The Agency continued the involvement in the Limerick regeneration projects and this work is expected to continue after the reorganisation of the Limerick Regeneration Agencies and the Limerick Councils. Work recommenced on the Wexford Library project and this work is near completion.

A number of research projects and evaluations were also undertaken by the Agency and studies were conducted on various housing matters along with the provision of policy advice.

The Agency also provided a number of shared centralised services, such as; management of the housing land bank under the Land Aggregation Scheme; an underwriting service for house purchase loans; and the provision of support to Local Authorities and the Department of the Environment, Community and Local Government on the resolution of the unfinished housing estates.

In closing, I wish to thank the Minister for the Environment, Phil Hogan, TD, Minister of State, Jan O'Sullivan TD, the Minister for Public Expenditure and Reform, Brendan

Howlin TD, and the former Minister Willie Penrose for their support to the new Agency during the year.

I would like to thank the Board members for all their contributions to the new Agency and the staff for all their excellent work in getting the Agency up and running in the last year.

The Agency is now a valuable resource for all its stakeholders and I have every confidence that it will continue and grow in the years ahead.



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**Rich Howlin**  
**Chairperson**

## 6. Chief Executive's Statement

### 6.1 Overview of the Year

The Housing Agency had a busy first year with the set-up of the new organisation. Three bodies were rationalised to create the new Agency including; the Affordable Homes Partnership, the Centre for Housing Research and the National Building Agency. The strategic plan and core work programme was developed, whilst providing a continuity of service on legacy work projects from the rationalised agencies. The Housing Agency was set-up on an administrative basis as an interim measure pending the introduction of legislation to establish the Agency on a statutory footing. As an administrative set-up it is limited in the range of activities which it can undertake in its own right; for example it cannot employ staff directly and some functions need to be formally prescribed in legislation. To provide a legal framework to undertake functions in the interim, a company was set up called Housing and Sustainable Communities Ltd.

The main achievements of the organisation throughout the year were:

- a) Set-up of the new Agency and the consolidation of functions in the new organisation.
- b) Ongoing management and completion of work on legacy projects from the three bodies.
- c) Formation of a strategy, core work programme and business plan for the Agency.

The transfer of staff to the new interim Agency was a considerable challenge in the absence of a company that could employ staff. Staff of all three agencies had to deal with significant change and adapt to the new working priorities and policies.

### 6.2 Work Programme

Progress was made across the year in the ongoing management of legacy projects and engagement in new initiatives to support the housing reform agenda such as the implementation of new policies and related procedures for local authorities. The Agency's services are outlined in the following section.

### 6.3 Shared and Centralised Services

The Agency provides a number of shared and centralised services as follows:

- **Land Aggregation Scheme** - Under the Land Aggregation Scheme, housing authorities may, transfer lands they bought for residential development to the Housing Agency where there are outstanding loans from the Housing Finance Agency and these are due for redemption. These transfers are subject to approval from the Department of the Environment, Community and Local Government (DECLG) on the basis that there are no short to medium term plans for their development. The Agency is managing the aggregation of these Local Authority lands.
- **Loan underwriting** – The agency provides a centralised shared underwriting service for local authority loans. Almost 530 applications were processed throughout the year.
- **Unfinished Estates** - The Agency helped to coordinate and contribute to the resolution of issues in the unfinished housing developments. A dedicated team in the Agency liaises regularly with the respective contacts in the local authorities to report on progress and raise issues. The Agency input includes coordinating stakeholders, providing, collating and disseminating information, drafting guidance on various topics relating to unfinished developments and carrying out appraisals on Public Safety Initiative funding with the DECLG.
- **Mortgage to Rent Scheme** – The Mortgage to Rent Scheme is a Government initiative to help home owners who are in mortgage arrears and are at risk of losing their homes. The scheme works by enabling the home owner to stay living in their home as a tenant of a housing association. Participation in the scheme involves a change in tenure from owner to tenant. The Agency was requested by the Department of the Environment, Community and Local Government to drive the pilot scheme in conjunction with the stakeholders, including a lender, a voluntary housing association and local authorities. The Agency had a project management role to develop the process and coordinate all stakeholders involved in the project in addition to preparing all communication materials.

### 6.4 Research Services

The Agency carries out specific research projects and evaluations, studies information on housing matters and provides policy advice.



The Agency published the following reports in 2011:

- a) Housing Needs Assessment 2011
- b) Good Practice Guidelines on Housing Minority Ethnic Communities
- c) Disability Strategy Research (three reports)
- d) Comparative Financial Appraisal of the Projected Long-Term Costs of Social Housing Delivery Mechanisms.

These reports are now available on the Agency's website.

#### 6.4.1 Additional Research undertaken

- **Value for Money and Policy Review: Rental Accommodation Scheme**

The Agency was asked by the DECLG to assist with the RAS Value for Money and Policy Review, which included statistical analysis, the collection of case study data and a survey of RAS tenants. A draft report on the review was completed by year end and the work is ongoing.

- **Housing Assistance Payment**

The Agency has undertaken work on the proposed transfer of rent supplement from the Department of Social Protection to the DECLG/local authorities. This work began in 2011 and is ongoing.

- **Regeneration**

The DECLG asked the Agency to begin work on indicators of regeneration to assist in the selection and evaluation of regeneration projects to improve the evidence base in this area. This work began in late 2011.

- **Research for the Private Residential Tenancies Board (PRTB)**

The Agency carries out and manages research on behalf of the Private Residential Tenancies Board. In 2011, the Agency undertook the following studies:

- i. The operational aspects of dispute resolution methods used in other countries.
- ii. The operational aspects of deposit retention schemes in other countries.
- iii. The implications of the inclusion of the voluntary and co-operative sector under the PRTB's registration and dispute resolution services.
- iv. The potential of outsourcing for the PRTB.

## 6.5 Advisory and Information Services

The Housing Agency provides services to support local authorities, approved housing bodies, and the DECLG in the delivery and management of social housing.

- a) Social Housing Supply Services provided for leasing and renting, including:
  - Development of standardised legal and contractual documentation for the delivery of social housing.
  - Engaging with various investors, banks and approved housing bodies to ensure additional finance is available to fund social housing delivery.
  - Supporting local authorities and approved housing bodies.
- b) Policy Implementation Services promoting consistency in the implementation of the significant changes introduced by the 2009 Housing Act by providing guidance to local authorities in the following areas:
  - Eligibility and Assessment of need for social housing support.
  - Key housing management issues, such as allocation and rent policy.
- c) Advice and Support Services provided for local authorities and approved housing bodies on all social housing related matters.
  - The Agency also provides assistance to the DECLG's policy development and legislation to support the sector to deliver housing solutions.

### 6.5.1 Engagement with Housing Practitioners

During the year the Agency established the National Housing Practitioner Forum to share information on new policy developments and to get feedback from practitioners on the implementation of policy. The Agency also provided the online Housing Manual, which is a comprehensive resource for housing practitioners with a range of information from basic overviews of housing issues to detailed references to relevant legislation, regulations, circulars and guidance.

### 6.5.2 Social Housing Leasing Scheme

The Agency supports the implementation of the Social Housing Leasing Scheme by preparing contract documentation and legal guidance; developing procedural arrangements; producing guidance documents; liaising with Local Authorities; Approved Housing Bodies and private sector investors; assisting the DECLG in assessing proposals and assisting in the sourcing of suitable properties. A total of 2,280 units were leased under the scheme in 2011.

The Capital Advance Leasing Facility (CALF) is a facility that has been created to support the acquisition or development of new homes by Approved Housing Bodies using funding from financial institutions. The Agency carried out a review of the CALF

Legal Framework to assess the feasibility of allowing for phased payments in respect of construction projects approved under CALF. The Agency also investigated the feasibility of Approved Housing Bodies accessing private finance for the acquisition and construction of units under the leasing initiative.

#### 6.5.3 Sourcing Accommodation for Homeless Persons – Project for Dublin City Council

The Agency sourced accommodation on behalf of Dublin City Council for the purpose of accommodating homeless persons. Almost 500 properties were investigated and the outcome was the acquisition of 61 properties by the City Council.

#### 6.5.4 Incremental Purchase Scheme

The Agency provided support for the implementation of the Incremental Purchase Scheme. This includes designing application forms, creating a communications strategy and drafting information leaflets.

#### 6.5.5 Housing Needs Assessments

The national application form for Housing Needs Assessment was reviewed by the Agency in consultation with the National Practitioners Forum.

#### 6.5.6 Allocation Schemes

The Agency carried out a review of local authority allocation schemes for the DECLG. The review confirmed that required new elements were incorporated into the current schemes and other contents was profiled to inform further reforms to allocation schemes, which the Department plan to introduce in 2012.

#### 6.5.7 Differential Rent

An examination of practical implications for housing authorities in applying the proposed new rent model was carried out.

#### 6.5.8 Tenant Purchase of Apartments

The Tenant Purchase of Apartments Scheme will enable tenants in certain circumstances to buy their local authority apartment.

The Agency prepared guidance documentation for tenants, councillors and local authorities. Financial templates were also prepared to inform potential buyers about their capacity to obtain a mortgage.

## 6.6 Technical Services

Technical services were provided by a team of experienced architects, engineers, planners and quantity surveyors. This team worked to provide practical advice and input on all aspects of regeneration and related projects, from feasibility studies and brief formulation to complete project delivery.

The scope of work in 2011 included providing full design services for new build projects and estate wide refurbishments, carrying out condition surveys, preparing capital appraisals, preparing planning studies, masterplanning and implementation documentation and assisting local authorities in dispute resolution. In addition the Housing Agency acted as Employer's Representative, Client Representative and PSDP (Project Supervisor Design Process) for local authorities on a number of construction projects.

The scale of work ranged from medium size one-off projects to involvement in significant national projects such as Limerick Regeneration.

### 6.6.1 Limerick Regeneration

The Housing Agency, worked closely with the DECLG, Limerick City Council and other Agencies in progressing work within the regeneration areas.

Housing Agency input includes the following:

- **Master Plans:** Preparing the masterplans and implementation reports for the four regeneration areas.
- **Capital Appraisals:** Preparing capital appraisals for both new build and refurbishment projects.
- **Cliona Park, Moyross:** Work commenced on the construction of 34 units at Cliona Park, Moyross. The Agency is acting as Employer's Representative, Client Design Advisors and clerk of works for the project.

### 6.6.2 Cork City Northwest Regeneration

The Agency provided technical support for the preparation of the Masterplan and Implementation Report.

### 6.6.3 Tralee Regeneration

In 2011 the Housing Agency provided full design services for two projects as part of the regeneration of Tralee:

- The conversion of an existing convent to provide HSE Day Care facilities and accommodation for elderly people; and
- construction of 18 dwellings, including 14 low-carbon dwellings, in Mitchel's Crescent, Tralee.

#### 6.6.4 Refurbishment Projects

On-going work on estate-wide refurbishment projects was carried out with Fingal County Council, Clonmel Borough Council, North Tipperary County Council and Monaghan County Council.

#### 6.6.5 Other Projects

Work continued throughout 2011 on a number of projects for Wexford County Council. The Housing Agency provided full design services, including acting as Employer's Representative and Project Supervisor Design Process for a senior citizens development at Bosheen Estate, for the construction and fit-out of a new county library for Wexford County Council and for the New Ross boardwalk. The Agency also managed a demolition project and acted as a client advisor on a design build contract for Monaghan County Council.

Other projects included carrying out condition surveys for local authorities in the Dublin area and the design of an extension to Muirhevnamor Sport's Centre.

#### 6.7 Prompt Payments

On behalf of the Board, I acknowledge our responsibility for ensuring compliance with the Prompt Payments of Accounts Act 1997.

The Housing Agency incurred late payments charges in respect of 4 payments in 2011 but these have not been charged to the Agency.

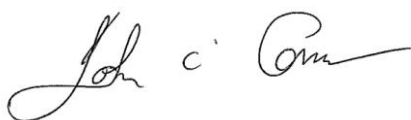
Under government decision in 2011, the Agency was required to make payment of all invoices within 15 days. The performance of the Agency from the implementation of this policy on the 1st July to the 31st December is outlined below.

| Details  | Number | Value (€)    | Percentage (%) of total invoices paid | Percentage (%) of the total amount paid |
|--|--------|--------------|---------------------------------------|---|
| <b>Total invoices paid in period</b>                     | 492    | 2,943,549.08 | 100%                                  | 100%                                    |
| <b>Number of invoices paid within 15 days</b>            | 476    | 2,917,804.44 | 96.75%                                | 99.1%                                   |
| <b>Number of invoices paid within 16 days to 30 days</b> | 12     | 21,554.91    | 2.44%                                 | 0.7%                                    |
| <b>Number of invoices paid in excess of 30 days</b>      | 4      | 4,189.73     | 0.81%                                 | 19.4%                                   |
| <b>Number of invoices disputed in the Quarter</b>        | 0      | 0            | 0%                                    | 0.0%                                    |

On behalf of the Board, I acknowledge our responsibility for ensuring full compliance with all Government Policy and Corporate Governance Guidance as set by Government. I am satisfied that the Housing Agency is compliant with the travel policy set by the Government, and I would like to affirm that all travel taken was in line with this policy.

I would like to take this opportunity to thank all of the staff of the Housing Agency for their work and commitment to the set-up of the new agency. I recognise that it has been a very challenging year in adapting to the changing priorities of the new organisation.

Finally, I wish to express my sincere thanks to my fellow board members and the Audit Committee. I wish to thank the Minister for the Environment, Community and Local Government, Mr. Phil Hogan T.D. and Minister of State at the Department of the Environment, Community and Local Government, Ms Jan O'Sullivan T.D. and officials of the Department for their support in the operation of the Housing Agency, along with all the local authorities for all their co-operation and assistance.



**Chief Executive**

## 7. Statement of Internal Financial Control

### 7.1 Responsibility for System of Internal Financial Control

On behalf of the Board, I acknowledge our responsibility for ensuring that an appropriate system of internal financial control is maintained and operated.

The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely period.

### 7.2 Key Control Procedures

The Board has taken steps to ensure an appropriate control environment by:

- Clearly defining management responsibilities where procuring services and goods to achieve the best value possible to the Housing Agency.
- Establishing controls and procedures to ensure compliance with national and EU procurement requirements.
- Establishing formal procedures for reporting significant control failures and ensuring appropriate corrective action.

The Board has established processes to identify and evaluate business risks by:

- Identifying the nature, extent and financial implication of risks facing the body including the extent and categories which it regards as acceptable.
- Assessing the likelihood of identified risks occurring.
- Assessing the body's ability to manage and mitigate the risks that do occur.
- Assessing the costs of operating particular controls relative to the benefit obtained.

The system of internal financial control is based on a framework of regular management information, administrative procedures including segregation of duties and a system of delegation and accountability. In particular it includes:

- A budgeting system with an annual budget which is reviewed and agreed by the Board.
- Reviews by the Board with periodic and annual financial reports, which indicate financial performance against forecasts.

- Setting targets to measure financial and other performance.

The Audit and Risk Committee met regularly under formal terms of reference. It reviewed the annual financial statements and accounting policies. The Housing Agency outsources its internal audit function, but also has an Internal Audit Officer to carry out smaller adhoc checks. The Committee may review any matters relating to the internal control systems and the Internal Audit Officer.

### 7.3 Review of Internal Financial Controls

I confirm that the Board carried out a review of the effectiveness of the system of internal financial controls in respect of 2011.

I am satisfied that the Housing Agency complied with all the relevant documentation that governs the Housing Agency, and that the Housing Agency adhered to all appropriate guidance set down by the Department of Finance in relation to governance and procurement.



25 February 2013

**Rich Howlin**  
**Chairman**

**Date**



## 8. Independent Auditors' Report

### **Independent Auditors' Report to the Shareholders of Housing and Sustainable Communities Limited**

We have audited the financial statements of the Housing and Sustainable Communities Limited for the year ended 31 December 2011 which comprise of the Profit and Loss Account, the Balance Sheet, the Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on pages 29 and 30.

### **Respective Responsibilities of Directors and Auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Directors' Responsibilities on page 9.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to convene an extraordinary general meeting; such a financial situation may exist if the net assets of the company, as stated in the balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of Audit Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the company's affairs at 31 December 2011 and of its results for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2009.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report on pages 4 to 8 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 28, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2011 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

**Billy Sweetman**

**for and on behalf of PricewaterhouseCoopers**

**Chartered Accountants and Statutory Audit Firm**

**Dublin**

**28 June 2012**

## 9. Profit and Loss Account

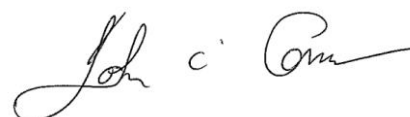
for the period from incorporation to the 31 December 2011

|   |              | 31 December 2011      |
|---|--------------|-----------------------|
|   | Notes        | €                     |
| <b>Income</b>   | <b>11.2</b>  | 3,491,561             |
| <b>Expenditure</b>                                    |              | (3,261,037)           |
| <b>Operating Surplus</b>                              | <b>11.3</b>  | <u>230,524</u>        |
| Other interest receivable and similar income          |              | 8,481                 |
| Interest payable and similar charges                  |              | <u>(342)</u>          |
| <b>Surplus on ordinary activities before taxation</b> |              | 238,663               |
| Tax on surplus on ordinary activities                 | <b>11.4</b>  | -                     |
| <b>Surplus for the period</b>                         | <b>11.12</b> | <u><u>238,663</u></u> |

On behalf of the board



**Richard Howlin**  
Director



**John O' Connor**  
Director

## 10. Balance Sheet

as at 31st December 2011


|   | Notes | 31 December 2011 |                |
|---|-------|------------------|----------------|
|   |       | €                | €              |
| <b>Fixed assets</b>                                   |       |                  |                |
| Tangible assets                                       | 11.7  |                  | 38,219         |
| <b>Current assets</b>                                 |       |                  |                |
| Work In Progress                                      | 11.8  | 78,052           |                |
| Debtors   | 11.9  | 431,773          |                |
| Cash at bank and in hand                              |       | 2,060,634        |                |
|   |       | <u>2,570,459</u> |                |
| <b>Creditors: amounts falling due within one year</b> | 11.10 | (1,997,356)      |                |
| <b>Net current assets</b>                             |       |                  | <u>573,103</u> |
| <b>Total assets less current liabilities</b>          |       |                  | <u>611,322</u> |
| <b>Capital and reserves</b>                           |       |                  |                |
| Called up share capital                               | 11.11 |                  | 100            |
| Capital Contribution                                  | 11.12 |                  | 372,559        |
| Revenue Reserves                                      | 11.12 |                  | 238,663        |
| <b>Total shareholders' funds</b>                      | 11.13 |                  | <u>611,322</u> |

These accounts have been prepared in accordance with section 156(1) of the Companies Act 1963 and the Financial Reporting Standard for Smaller Entities (effective April 2008) relating to small companies.

The financial statements were approved by the Board on and signed on its behalf by



**Richard Howlin**  
Director



**John O' Connor**  
Director

## 11. Notes to the Financial Statements

For the period ended 31 December 2011

### 11.1 Statement of Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### 11.1.1 Basis of Preparation

The audited financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention, and in accordance with applicable accounting standards, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

#### 11.1.2 Income Policy

Income represents Department of the Environment, Community and Local Government (DoECLG) grants, fees and other recoupments which are used to fund the agencies activities as it provides assistance to the Department and local authorities in the implementation of housing policy. Grant income is included in the income and expenditure account in line with the conditions of the grant agreement.

Income from professional fees represents income value, excluding value added tax, of work performed during the period.

#### 11.1.3 Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment loss. Cost includes all costs that are directly attributable to bringing the asset into working condition for its intended use.

#### 11.1.4 Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value, of each asset systematically over its expected useful life, as follows:

Fixtures, fittings and equipment      -20% Straight Line

Land acquired by the company under the Land Aggregation Scheme for nominal consideration is not held beneficially and therefore is included at nil value in these financial statements.

### 11.1.5 Going Concern

The directors have prepared the Financial Statements on a going concern basis as they have deemed it appropriate to continue to adopt this accounting policy.

### 11.1.6 Work in Progress

The value of the work in progress comprises direct costs incurred plus the appropriate portion of overhead together with profit recognised as a percentage of completion basis.

### 11.1.7 Land Aggregation Scheme

Properties transferred to the company under the Land Aggregation Scheme are held in trust on behalf of the housing authorities. The company is responsible for the management and maintenance of the lands transferred under the scheme.

### 11.1.8 Taxation

The yearly charge for taxation is based on the profit for the year and is calculated with reference to the tax rates applying at the balance sheet date.

### 11.1.9 Pensions

As the company has no obligation to fund pension arrangements for seconded staff over and above the level of contributions made on a periodic basis. Such contributions are treated on a defined contribution basis.

The pension costs charged in the financial statement represents the contribution payable by the company in respect of seconded employees.

## 11.2 Income

The total income of the company for the period has been derived from its principal activity wholly undertaken in Ireland.

|  | <b>2011</b>      |
|--|------------------|
| <b>Source of Income</b>  | <b>€</b>         |
| DoECLG State Grant *   | 1,800,000        |
| National Building Agency Limited – Professional Fee Income           | 251,465          |
| DoECLG Grant for National Building Agency Assigned Staff & Wind Down | 599,375          |
| Fee Income   | 217,872          |
| Recoupments of Legal, Professional and Associated costs              | 541,626          |
| Other Income   | 3,171            |
| Work in Progress – unbilled at period end                            | 78,052           |
|  | <u>3,244,846</u> |

**Geographical market**

|         |                  |
|---------|------------------|
| Ireland | 3,244,846        |
|         | <u>3,244,846</u> |

\* The Department of the Environment, Community and Local Government provided a State Grant of €1.8m to the Housing and Sustainable Communities Limited (interim Housing Agency) for the period 1<sup>st</sup> January 2011 to the 31<sup>st</sup> December 2011. The total sum of €1.8m was revenue funding. The financial activity of the Housing Agency is reported monthly to the Department.

**11.3 Operating Surplus**

|  |               |
|--|---------------|
|  | <b>2011</b>   |
|  | <b>€</b>      |
| Operating loss is stated after charging:                   |               |
| Depreciation and other amounts written off tangible assets | 4,616         |
| Auditors' remuneration                                     | <u>20,000</u> |

**11.4 Taxation 2011**

|                                       |          |
|---------------------------------------|----------|
|                                       | <b>€</b> |
| Corporation Tax                       | -        |
| Total Current Tax Charge              | <u>-</u> |
| Deferred Tax:                         |          |
| Timing Difference                     | -        |
| Total deferred tax                    | <u>-</u> |
| Tax on surplus of ordinary activities | <u>-</u> |

The current tax charge for the year is lower than the charge that would result from applying the standard rate of such corporation tax to the surplus on ordinary activities.

The differences are explained below:

|   |                |
|---|----------------|
|   | <b>2011</b>    |
|   | <b>€</b>       |
| Surplus on Ordinary Activities before Taxation  | <u>238,663</u> |
| Surplus on ordinary activities multiplied by the Standard rate of Irish corporation tax for the period of 12.5% | 29,832         |
| Effects of<br>Depreciation in excess of capital allowances  | (2,449)        |



|   |                 |
|---|-----------------|
| Passive income charges at higher rate                           | 1,060           |
| Grouping of losses incurred by National Building Agency Limited | <u>(28,443)</u> |
|   | <u>-</u>        |

### 11.5 Employees

Although the company does not have any direct employees, it incurs recharges for staff working in the company activities.

|   |             |
|---|-------------|
| <b>Number of employees</b>  | <b>2011</b> |
| The average monthly numbers of employees<br>(including the directors) during the period were: | <u>33</u>   |
|   | <u>33</u>   |

|  |                  |
|--|------------------|
| <b>Employment costs</b>  | <b>2011</b>      |
|  | €                |
| Wages and salaries   | 1,383,473        |
| Social welfare costs   | 119,011          |
| Other pension costs  | 32,512           |
| Salary - National Building Agency assigned staff               | 523,159          |
| Social Welfare Costs – National Building Agency assigned staff | <u>53,286</u>    |
|  | <u>2,111,441</u> |

### 11.6 Related Party Transactions

In the normal course of business the Company may enter into contractual arrangements with other government bodies in which the Company Board Members are employed or otherwise interested or which are connected with the Company's shareholdings. The Company adopted procedures in accordance with the Code of Practice for the Governance of State Bodies issued by the Department of Finance in relation to the disclosure of interests by Board members and these procedures have been adhered to by the Company during the year.

The Directors have no beneficial interests in these contracts. There was no related party transaction with the directors during the period.

### 11.7 Tangible Fixed Assets

During the period, Assets and a Net Book Value of €21,258 were transferred to the Housing and Sustainable Communities Ltd. from the Affordable Homes Partnership and the National Building Agency.

## 11.8 Work in Progress

|                  |               |
|------------------|---------------|
|                  | €             |
| Work in progress | 78,052        |
|                  | <u>78,052</u> |

Work in progress comprises work carried out but not yet invoiced for.

## 11.9 Debtors

|               |                |
|---------------|----------------|
|               | <b>2011</b>    |
|               | €              |
| Trade debtors | 426,340        |
| Other debtors | 3,309          |
| Prepayments   | 2,124          |
|               | <u>431,773</u> |

## 11.10 Creditors: amounts falling due within one year

|   |                  |
|---|------------------|
|   | <b>2011</b>      |
|   | €                |
| <b>Other Creditors</b>                    |                  |
| Trade Creditors                           | 15,573           |
| Other creditors (noted (1) below)         | 950,000          |
| Accruals                                  | 122,436          |
| <b>Taxation creditors</b>                 |                  |
| VAT                                       | 8,722            |
| <b>Deferred Income</b> (noted (ii) below) | <u>900,625</u>   |
|   | <u>1,997,356</u> |

### a) Other Creditors

Other creditors of €950,000 refers to a liability to the Department of the Environment, Community and Local Government, which was transferred to the company from the Affordable Homes Partnership on its dissolution at 31 December 2010 by direction of the Department of the Environment, Community and Local Government (DoECLG). The asset related to an Affordable Homes Partnership matter which is now the subject of High Court proceedings and the €950,000 will be paid at the request of the DoECLG as required. The company has no further liability in this regard.

**b) Deferred Income**

During the year, funding was received in the amount of €1.5m from the DoECLG to cover the cost of National Building Agency staff assigned and associated wind down costs by the Department of the Environment, Community and Local Government to Housing and Sustainable Communities Limited on a temporary basis. By year end, the following expenses had been incurred in relation to these staff members

|   |                |
|---|----------------|
| Salary costs (including employers PRSI Costs) to 31 December 2011 | 576,445        |
| Travel and other overheads  | <u>22,930</u>  |
|   | <u>599,375</u> |

**11.11 Share Capital**

|   |                   |
|---|-------------------|
|   | <b>2011</b>       |
|   | <b>€</b>          |
| <b>Authorised</b>                         |                   |
| 10,000,000 Ordinary shares of €1 each     | <u>10,000,000</u> |
| <b>Allotted, called up and fully paid</b> | <u>100</u>        |

100 Ordinary shares were issued at par value on incorporation

**11.12 Reserves**

|   | <b>Capital<br/>Contribution<br/>€</b> | <b>Revenue<br/>Reserve<br/>€</b> | <b>Total<br/>€</b> |
|---|---------------------------------------|----------------------------------|--------------------|
| Surplus Retained for the period                 | -                                     | 238,663                          | 238,663            |
| Net Assets Transferred for Nil<br>Consideration | <u>372,559</u>                        | -                                | <u>372,559</u>     |
| <b>At 31 December 2011</b>                      | <u>372,559</u>                        | <u>238,663</u>                   | <u>611,222</u>     |

The Capital Contribution relates to the transfer of net assets from the Affordable Homes Partnership to Housing and Sustainable Communities Limited for Nil consideration on the direction of the Department of the Environment, Community and Local Government.

**11.13 Reconciliation of movements in shareholders' funds**

|                                     |                |
|-------------------------------------|----------------|
|                                     | <b>2011</b>    |
|                                     | <b>€</b>       |
| Surplus for the period              | 238,663        |
| Net proceeds of equity share issue  | 100            |
| Capital contribution                | <u>372,559</u> |
| Net addition to shareholders' funds | <u>611,322</u> |

**11.14 Lands held under the Aggregation Scheme**

During the period three sites, listed below were transferred to the company under the Land Aggregation Scheme. The company holds these properties in trust on behalf of the housing authorities. The Land Aggregation Scheme provided that housing authorities national may transfer lands to Housing and Sustainable Communities Ltd, subject to approval from the Department of the Environment, Community and Local Government, following the redemption of the outstanding loans on the land from the Housing Finance Agency. Funding to pay the loan is made available to the housing authority by the Department of the Environment, Community and Local Government.

| Site          | County                 | Acres |
|---------------|------------------------|-------|
| Tubbercurry   | Co. Sligo              | 0.4   |
| Ballinatogher | Co. Sligo              | 3.2   |
| Lissywollen   | Athlone, Co. Westmeath | 13.6  |

**11.15 Ultimate parent undertaking**

Housing and Sustainable Communities Limited is a 100% owned subsidiary of the National Building Agency Limited, who in turn regards its ultimate controlling party to be the Department of Finance.

**11.16 Accounting Periods**

The current accounts are for a 16 month period ending 31 December 2011.

**11.17 Approval of Draft Financial Statements**

The board of directors approved these financial statements for issue on the 21 June 2012.

**11.18 Administrative Expenses**

For the period ended 31 December 2011

|   | <b>31 December 2011</b> |
|---|-------------------------|
| <b>Administrative Expenses</b>                                | <b>€</b>                |
| Wages and Salaries  | 1,383,473               |
| Employer's PRSI/NI contributions                              | 119,011                 |
| Salaries - Cost of Assigned NBA staff                         | 523,159                 |
| Employer's PRSI/NI contributions - Cost of Assigned NBA Staff | 53,286                  |
| Staff Costs - Superannuation                                  | 32,512                  |
| Staff Training  | 44,813                  |
| Rent Payable  | 151,313                 |
| Rates   | 31,374                  |
| Insurance   | 19,085                  |
| Light and Heat  | 11,763                  |
| Cleaning  | 26,742                  |
| Repair and Maintenance  | 12,514                  |
| Printing, postage and stationary                              | 26,751                  |
| Advertising   | 4,826                   |
| Information Communications Technology                         | 80,592                  |
| Travelling and Subsistence                                    | 49,273                  |
| Research  | 69,742                  |
| Legal and Professional  | 480,286                 |
| Consultancy Fees  | 33,513                  |
| Accountancy   | 28,486                  |
| Audit   | 20,000                  |
| Bank Charges  | 389                     |
| Bad Debts   | 7,523                   |
| Canteen   | 2,222                   |
| General Expenses  | 26,744                  |
| Professional Body Subscriptions                               | 17,029                  |
| Depreciation on FF & Equipment                                | 4,616                   |
|   | <b><u>3,261,037</u></b> |

