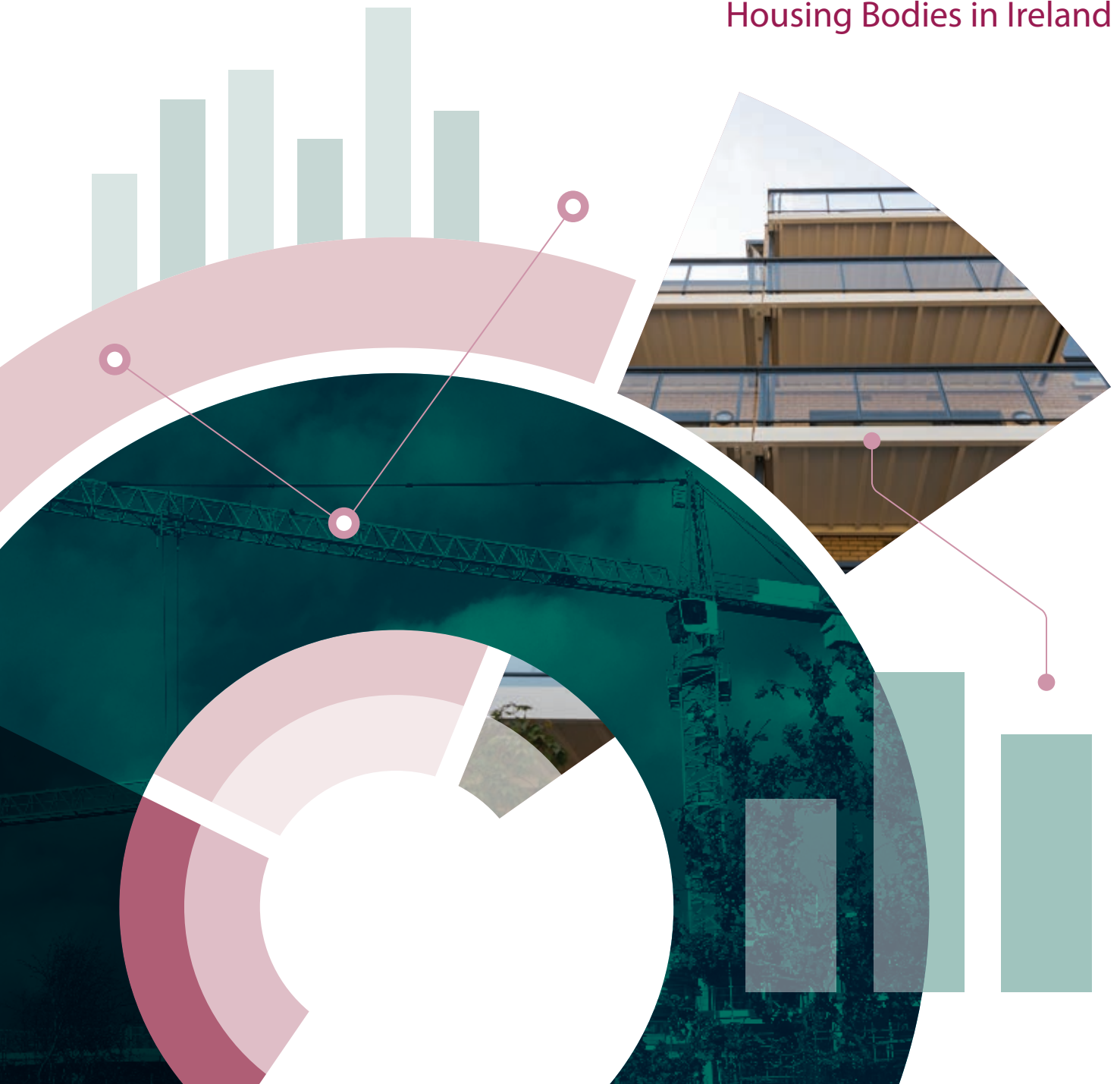




housing
agency
regulation office

2020 Annual Report & Sectoral Analysis

The Regulation of Approved
Housing Bodies in Ireland





Published by: Regulation Office, The Housing Agency

Publication date: June 2021

ISBN 978-1-903848-74-6

Contents

Foreword from the Chair	02
Introduction from the Head of Regulation	03
1 / About Us	04
Mission	05
Governance	06
Regulatory Framework	07
Assessment Framework	10
Overview of the Assessment Process	10
2 / Story of Voluntary Regulation	11
Key Highlights from Voluntary Regulation	13
Journey of Voluntary Regulation	14
3 / Risk Profile and Covid-19 Impacts	16
Risk Overview	17
Impact of Covid-19	18
4 / Approved Housing Bodies Regulatory Authority (AHBRA)	20
Regulatory Functions of AHBRA	22
Key Deliverables for 2021	23
How to Prepare your Approved Housing Body	24
5 / Sectoral Analysis	26
Housing Stock	27
Assessment Findings	32
Forecasted Growth	34
6 / Compliance Against the Standards	36
Governance	37
Finance	38
Performance	40

Foreword

from the Chair

This is the last annual report of the interim Regulatory Committee [iRC] which was set up in 2014 to oversee the voluntary regulation of Approved Housing Bodies (AHBs). It serves as a natural transition as we move from voluntary to statutory regulation. It is also a record of the progress that has been made over the past seven years in preparing the sector for this new phase in its development.



When the system of voluntary regulation was first introduced, it was generally thought that it would have a relatively short life and that it would be replaced fairly speedily by a statutory body. It is probably fair to say that it has been a longer journey than most on the iRC expected. But the time has been well spent and much has been learnt, both in the Regulation Office and also by the AHBs themselves.

In challenging times, the importance of AHBs has continued to grow. In the period since the Global Financial Crash the sector has transformed itself. It has responded to the higher output demands placed on it by

successive governments. This is reflected in the near doubling of the coverage of voluntary regulation – from 23,000 to 43,000 social tenancies since 2014. A new funding regime has been taken on board and now the bulk of new dwellings are financed through the Housing Finance Agency or by private investment. Finally, it has had to cope with major regulatory changes as it has been brought first under the remit of the Residential Tenancies Board and now a new sector specific regulator, the Approved Housing Bodies Regulatory Authority (AHBRA). AHBs have shown themselves to be resilient and resourceful when faced with a rapid pace of change.

They have taken on board the higher standards asked of them in governance, financial planning and performance management and for the most part are well prepared for the challenges ahead under a new statutory regulatory regime.

Finally, I would like to thank my predecessors as Chair of the iRC, the members who have served on the Committee, especially those who have been there from the start, and the staff of the Housing Agency who have provided us with excellent support throughout. I am glad to say that many of the staff members have transferred to the new regulatory body where their experience gained over several years will be of great value.

AHBs have shown themselves to be resilient and resourceful when faced with a rapid pace of change. They have taken on board the higher standards asked of them in governance, financial planning and performance management

A handwritten signature in black ink, appearing to read 'E Lewis'.

Edward Lewis
Chair, interim Regulatory
Committee

Introduction

from the Head of Regulation

This is the final Annual Report and Sectoral Analysis from the Regulation Office. It provides an overview of the work conducted throughout 2020 and 2021, together with sector wide analysis and details of projected growth over the coming years. It also notes some of the key milestones since the introduction of Voluntary Regulation in 2013.



The establishment of the Approved Housing Bodies Regulatory Authority (AHBRA) in February 2021 will see a winding down of Voluntary Regulation throughout the remainder of 2021 with AHBRA expected to begin to become operational in early 2022. This year's assessment cycle was the last to be conducted in a voluntary environment.

We continue to live in extraordinary times with the on-going effects of the Covid-19 pandemic. This has significantly changed our working environment in the short-term but more likely over the longer-term also as we embed new working practices into our operational approach. This year's approach to data collection removed the lagged environment which had previously been a feature of the assessment cycle. This allowed the Regulation Office to better understand the impacts of Covid-19 on the AHB sector.

The AHB sector continues to demonstrate great resilience in

The AHB sector continues to demonstrate great resilience in managing the impacts of Covid-19 not just in its ability to ensure the safety and well-being of their tenants but also in their delivery of new homes

managing the impacts of Covid-19 not just in its ability to ensure the safety and well-being of their tenants but also in their delivery of new homes. A significant challenge remains in understanding the longer-term impacts of Covid-19 and the specific risks that could affect the AHB sector.

As the role of the Regulation Office winds down with the introduction of AHBRA I wish to acknowledge the significant role of the interim Regulatory Committee in providing oversight and guidance to the Regulation Office over the past seven years. Similarly, I wish to recognise the commitment and dedication of all the staff who have played a vital role in the operation of the office over its lifetime.

Finally, I wish to acknowledge those AHBs who have signed up to Voluntary Regulation over the past number of years. They have demonstrated great commitment to meeting the Voluntary Code and Regulatory Standards and provided support and co-operation to the Regulation Office in the operation of its duties. Those AHBs should now be well placed to make the transition to Statutory regulation.

A handwritten signature in black ink that reads "Steven Sheridan". The signature is written in a cursive, flowing style.

Steven Sheridan
Head of Regulation

1 / About Us



The Regulation Office was established in 2014 as the voluntary regulatory body for Approved Housing Bodies in Ireland. The Office was created on an interim basis pending the introduction of enabling legislation for the statutory regulation of the sector.

The enactment of the Housing (Regulation of Approved Housing Bodies) Act 2019 has led to the establishment of the Approved Housing Bodies Regulatory Authority (AHBRA) on 1st February 2021. This allows for the

winding down of the Voluntary Regulation Office during the remainder of 2021 in preparation for Statutory Regulation.



The mission of the Regulation Office is to protect AHB assets and safeguard the interests of current and future tenants.

It does this by regulating for a well-managed and financially viable sector. Regulation provides assurances to key stakeholders that the sector is well governed and that it provides a framework for AHBs to manage risk effectively. It safeguards public investment in the sector.

The Regulation Office has focused on embedding the key principles of governance, financial viability, and performance management.

As the final assessment cycle has evidenced, the Regulation Office has successfully advanced the regulatory framework across the AHB sector in readiness for statutory regulation.

Governance

Since it was established, the Regulation Office has been governed by an interim Regulatory Committee (iRC) comprised of non-executive members with extensive experience ranging across regulation, law, finance, and housing.

The iRC is collectively responsible for overseeing and directing Regulation Office activities. The Committee sets goals, objectives and priorities for the Regulation Office and delegates day-to-day responsibilities to the Head of Regulation. The Committee was appointed by the Minister for Housing and Planning. All members serve in a voluntary capacity and are not remunerated for their services.

The iRC has established regulatory duties and functions, outlined by its terms of reference, approved by the Minister. It has been providing oversight, direction, and control to the Regulation Office for over seven years, has

overseen the considerable advancement of the regulatory framework and provided significant input in its advisory capacity, to the formation of the Housing (Regulation of Approved Housing Bodies) Act 2019.

The iRC has remained committed to supporting the transition of regulatory duties and functions to the newly established AHBRA as the Regulation Office winds down its role over the remainder of 2021.

Since it was established, the Regulation Office has been governed by an interim Regulatory Committee (iRC) comprised of non-executive members with extensive experience ranging across regulation, law, finance, and housing

Our interim Regulatory Committee Members

Eddie Lewis (Chair)

Eddie is a lecturer, author and former Principal Officer with the Department of the Environment, Community and Local Government.

Paul Lemass

Paul is Assistant Secretary in the Department of Housing, Local Government and Heritage, with responsibility for Housing Policy, Governance and Legislation.

Dr. Oonagh Breen

Oonagh is Professor of Law, University College Dublin where her teaching includes comparative charity law and policy.

Michael Cameron

Michael is Chief Executive of the Scottish Housing Regulator, the regulator of Registered Social Landlords (RSLs) and local authority housing services in Scotland.

Ronan Heavey

Ronan is a Banking Analyst in the Shareholding Management Unit of the Department of Finance.

Dr. Donal McManus

Donal is the CEO of the Irish Council for Social Housing (ICSH). He previously worked in the housing sector in Scotland and Northern Ireland.

Margaret Geraghty

Margaret is Director of Services, Housing and Community Department Fingal County Council (re-appointed June 2019).



Regulatory Framework

The Voluntary Regulatory Code and the Regulatory Standards have provided a clear framework on the key principles of regulation, including governance, financial viability, and performance management. In addition, the standards provided a support and management tool for AHBs. In line with risk-based regulation, depending on their size, scale, and debt profiles, AHBs are assessed against the standards providing evidence and assurances in relation to their governance, financial viability, and performance management. AHBs are expected to demonstrate that they have the appropriate governance arrangements in place, clear financial oversight, controls and monitoring, and a strong focus on tenants and housing management.


The final assessment cycle was assessed against the following standards.

Governance Standard

The Board is responsible for ensuring that the leadership of the AHB has the appropriate direction, oversight, and control. The Board is required to ensure the organisation implements best practice with regards to transparency, reporting, communications, audit and managing risks through robust control systems and effective performance management.

The Governance Standard sets out six core principles of good governance:

- Ensuring that Boards provide effective leadership and direction to deliver good outcomes.
- Providing clarity around roles and responsibilities in governance structures and arrangements.
- Building and strengthening Board effectiveness.
- Conducting affairs with honesty and integrity, and with a commitment to openness and accountability.
- Ensuring effective financial and risk management.
- Complying with legal and statutory requirements.



**AHBs are assessed
against the standards
providing evidence and
assurances in relation to
their governance, financial
viability, and performance
management**

Financial Standard

The revised Financial Standard clearly sets out the requirements for all AHBs, together with additional requirements depending on the size, scale, development plans, debt profiles and organisational risks of individual AHBs. The Financial Standard promotes a set of requirements for financial management, financial control, oversight, financial viability, risk management and financial forecasting for the sector. Larger and growth AHBs are required to complete detailed Annual Financial Returns, based on key financial and growth assumptions. A matrix has been developed enabling AHBs to determine which category they fall into and the specific financial regulatory requirements for their organisation.

The seven key principles of the Financial Standard are:

- To detail the financial management, governance and control disciplines which support AHBs in delivering their services and ensuring appropriate oversight.
- To ensure that all AHBs have appropriate assurance frameworks including financial management, controls, reporting and monitoring in place.
- To safeguard short, medium, and long-term viability of housing assets in the interests of tenants and service users.
- To ensure that all AHBs are financially viable, properly managed and perform their functions effectively while providing value for money.
- To identify warning signs of emerging risks which may cause financial difficulties for AHBs and potentially put assets and tenants at risk.
- Establish and monitor key financial ratios such as current ratios, interest cover and gearing which should be met or maintained where borrowings have been undertaken.
- To enable the Regulation Office to produce aggregated data for the sector.

Performance Standard

AHBs should have appropriate arrangements in place for the delivery of tenancy, housing management, asset management and other tenant facing services. The Performance Standard incorporates the most important aspects of the relationship between the AHB and the tenant. AHBs must be able to demonstrate to tenants, the Board, and key stakeholders that they have considered all the matters that apply to the operation of an AHB.

They are expected to:

- Have measurable outcomes for key objectives and service delivery areas.
- Comply with all relevant statutory and regulatory requirements.
- Have appropriate document and housing management services to provide good customer service and operate the organisation effectively and efficiently.
- Demonstrate clear and consistent communication with all tenants.
- Demonstrate that services are fair, transparent, and consistent.
- Create sustainable and balanced communities and work in partnership with other relevant organisations.
- Evidence continuous monitoring and improvement in service delivery.

AHBs should have appropriate arrangements in place for the delivery of tenancy, housing management, asset management and other tenant facing services

91%

of units covered by Voluntary Regulation were included in this year's assessment cycle

Assessment Framework

The Regulatory Approach

This was the Regulation Office's final assessment cycle under the Voluntary Code. Each year the assessment cycle has continued to evolve with a greater focus on how AHB Boards receive assurance on their organisation's performance. The continued development of the assessment cycle has ensured that AHBs can demonstrate compliance with the Voluntary Code and standards of Governance, Performance and Financial Viability.

The annual review and engagement meetings also seek to ascertain the Board's view on the performance of the organisation, their understanding of the risks affecting the organisation, and how they confirm that their reporting structures and assurance frameworks are robust and operating effectively.

As we move towards statutory regulation it is vital that Boards fully understand the assurance frameworks that exist within their organisation and that information being provided to them can be fully relied upon.

Risk-based Regulation

A risk-based approach has been further embedded into our assessment framework in recent years. The selection of AHBs to assess continues to be based on several important risk factors.

The Regulation Office evaluated all AHBs against pre-determined risk factors, and in total 110 AHBs were assessed during the most recent assessment cycle, reflecting the prioritisation of resources within the Regulation Office in line with this risk-based approach. The assessment selection process has meant that 39,485 units were covered in the assessment cycle which represents 91% of total stock signed up to the Voluntary Code.

Overview of the Assessment Process

The impacts of the Covid-19 pandemic have continued to provide challenges to AHBs. Nonetheless, AHBs have demonstrated great resilience in dealing with all the issues that have affected their work. We are pleased to note a continued commitment by AHBs to ensuring that the regulatory standards are being fully embedded into their organisations despite all the external pressures faced.

The most recent assessment cycle covers 2019 and the period up to September 2020. Given the impact of Covid-19, it was essential that the Regulation Office was able to obtain up to date information and evidence of AHB performance during this period. It was also a major step in addressing the lagged environment that existed when relying solely on previous year's performance information.

The quality of information submitted to this office continues to improve each year and there is increasing evidence of improvements in Board oversight and monitoring of the organisation's activities. There has also been evidence of enhancements in financial forecasting and performance reporting, although improvements are still required in some areas and some progress has been interrupted due to the Covid-19 pandemic.

AHBs that have demonstrated non-compliance with the Code and Standards are determined to require Engagement under the regulatory framework. We have continued to work closely with these organisations in addressing identified areas for improvement and risks.

As this assessment cycle was the last under the Voluntary framework it also meant an end to the Engagement process. Over the last number of years many AHBs have successfully exited the Engagement process, demonstrating a significant improvement in governance, financial oversight and performance management.

The on-going assessment cycles together with the Engagement process have undoubtedly improved the level of performance across those AHBs who signed up to the Code. These organisations are now well placed to make the transition to statutory regulation.

2 / Story of Voluntary Regulation



The introduction of voluntary regulation was a hugely important step for the sector and created an environment where both AHBs and the Regulation Office could prepare for the introduction of statutory regulation.

In 2014 the Regulation Office stated its three main objectives were to:

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

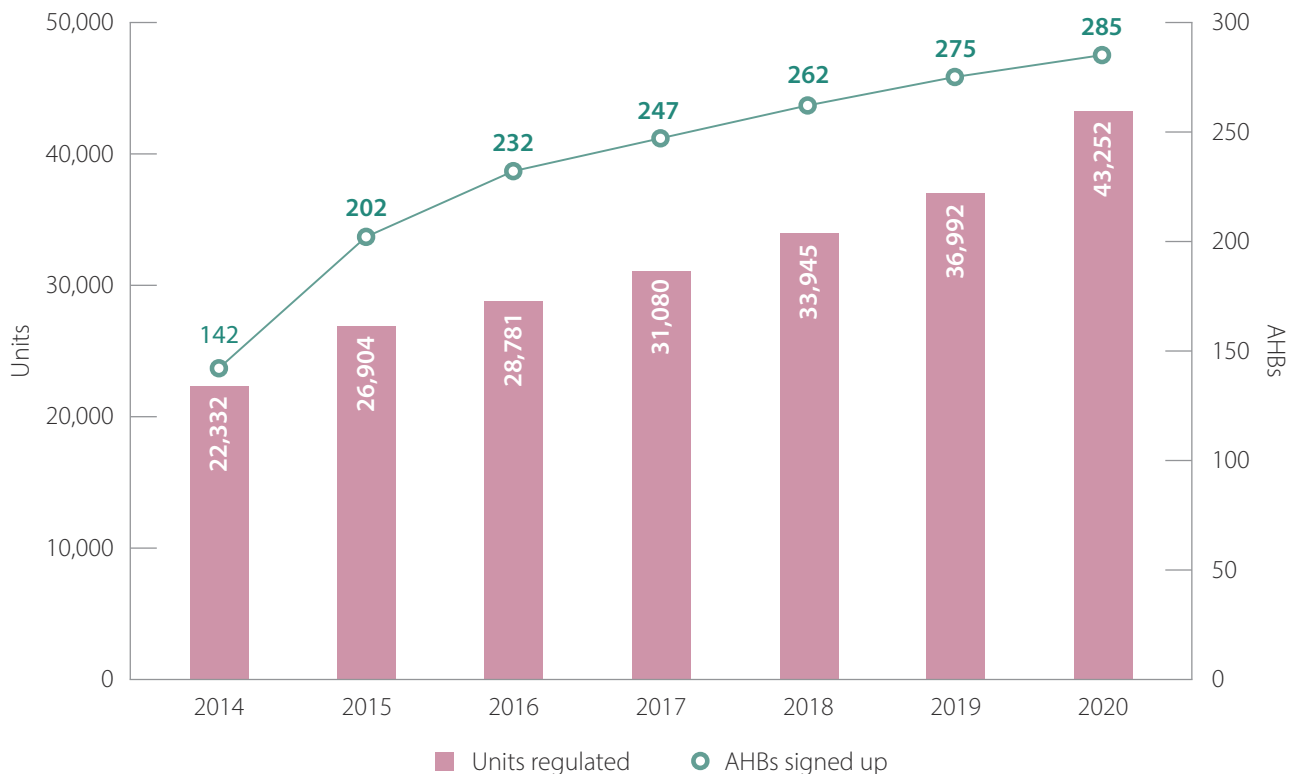
Seven years on and the sector has shown increased compliance with the Governance, Finance and Performance Standards. The majority of AHBs have continued to provide assurance that tenancies and assets are safeguarded for the long term. The number of AHBs signed up to voluntary regulation has continued to grow

year on year as illustrated below, bringing with it new supply, and thus more new homes for those who need it the most. Furthermore, the sector forecasts to deliver more than 20,000 new homes by 2024. The sector has also seen a steady increase in funding from private investors as well as state backed funding evidencing growing confidence in the sector.

The timeline below demonstrates just some of the achievements and challenges that the sector has experienced over the last seven years. The sector has seen the development of a regulatory framework including the Financial, Governance and Performance Standards and the introduction of the Housing (Regulation of Approved Housing Bodies) Act 2019.

The Regulation Office welcomes the significant advancements made and would like to acknowledge the commitment from AHBs, and their Boards, to meeting the requirements of the Voluntary Regulation Code.

Regulated Sector Growth



Key Highlights from Voluntary Regulation

285

AHBs signed up to
voluntary regulation



Improved
reporting of
performance data



43,252

homes covered by
the Voluntary Code

Greater quality
of **financial
oversight**

**Advice and
Guidance**

issued to the Sector

3

Regulatory
Standards published



Increased
assurance

on governance
arrangements

Prepared way for
**Statutory
Regulation**



Improved **Risk
Management**
arrangements



More robust
**financial
forecasting**



Range of
**training events
and webinars** held

Journey of Voluntary Regulation

February 2014
The **Regulation Office** and **iRC** was established, including the Regulatory framework and assessment structure



July 2015
First annual report was published



November 2017
Launch of the **Governance Standard**

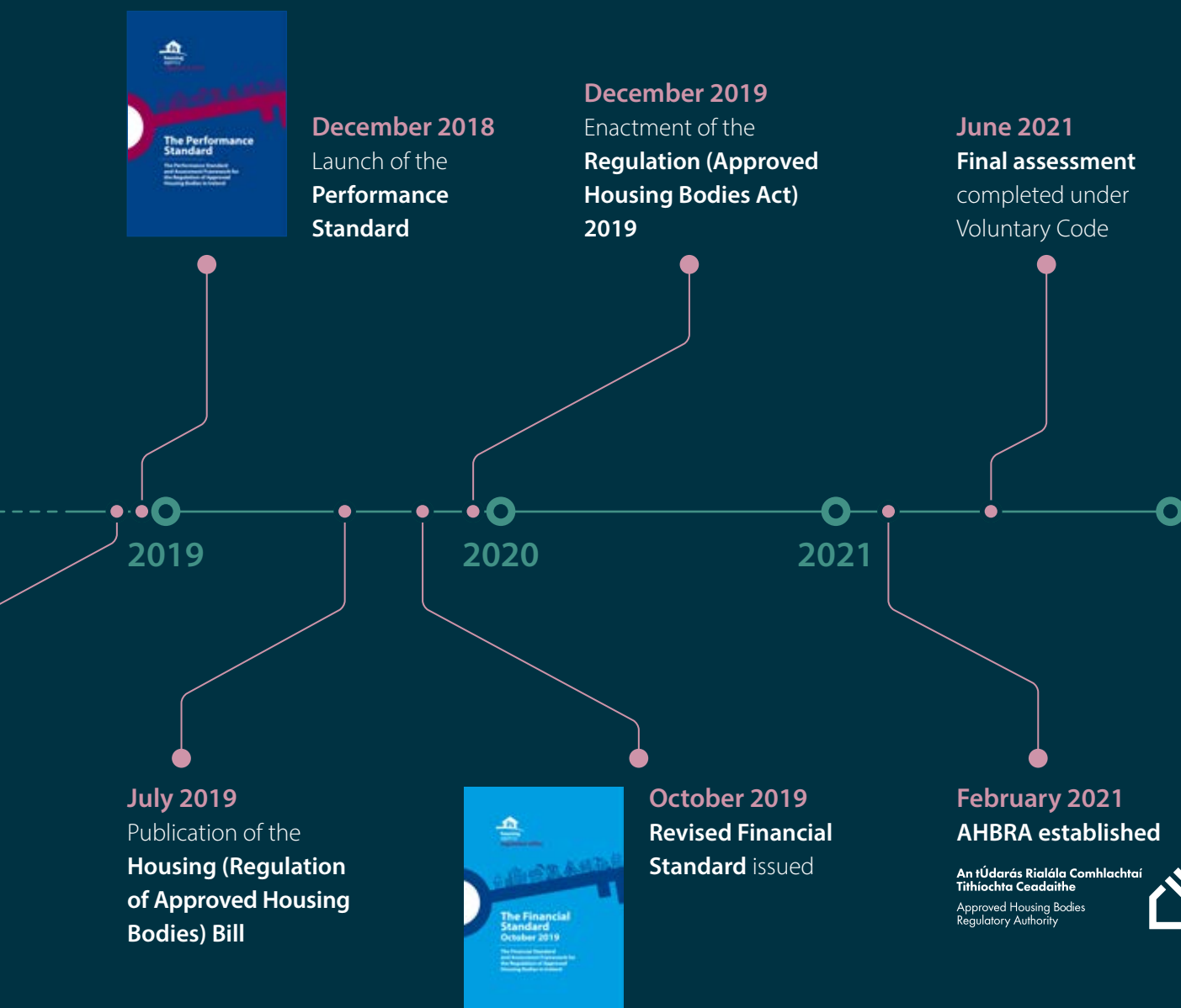


July 2013
The Regulation Framework and code **'Building for the Future'** was launched



July 2015
Launch of the **Financial Standard and Assessment Framework**

November 2018
Regulatory Framework issued





3 / Risk Profile and Covid-19 Impacts

Risk Overview

The on-going Covid-19 pandemic continues to impact how AHBs interact with tenants, provide their services and meet new housing delivery targets. Risk management is a crucial tool for Boards in how their organisation plans and manages the use of resources to mitigate the risks to their business.

AHBs need to have reliable processes established for the early identification and assessment of risks, that not only affect their organisation but also the wider AHB sector. Covid-19 continues to greatly influence the assessment of risk and Boards need to fully understand the longer-term impacts that Covid-19 could have on the sector. Some of the top risks affecting the sector have been described below:

Economic Landscape

There is reason to be optimistic of growth within the economy during 2021 with the easing of Covid-19 restrictions and roll-out of the vaccine programme. However, some uncertainty remains regarding the longer-term impacts on income levels.

Performance data collected has demonstrated that Covid-19 impacts have been felt in reduced income levels due to lower levels of new housing delivery, reduced

rents, increased rent arrears and reduced fundraising. The levels of future Government funding may also be uncertain given the increasing budget deficit in addressing the impacts of the pandemic.

Growth Concentration

Growth within the AHB sector remains focussed over a small number of large Tier 3 AHBs who continue to forecast significant and ambitious growth plans. While these organisations have continued to deliver growth the concentration risk reflects an over-reliance on a small number of AHBs to deliver the majority of new units across the sector. This will remain a challenge while the sector delivers on the growth required.

Stress testing is a tool which should be used by growth AHBs to assess the potential impacts of identified risks on the delivery of their objectives. The robustness of stress testing to demonstrate the impact on financial performance and future cash flows should be a focus of the Boards of larger and developing AHBs, when planning the delivery of new homes and future development pipelines.

Debt Profile and Diversification

Growth AHBs continue to forecast significant changes to their balance sheet and debt profile over the years ahead. There continues to be a significant increase in the level



Greater diversification in both loan financing and balance sheets will likely be required to ensure long-term sustainable growth across the sector

of loan finance being drawn down by the growth AHBs. In a number of cases the financial health indicators of organisations are demonstrating potential tightening of capacity where they continue to grow utilising debt only.

There also continues to be very limited diversification of loan financing within the sector, with the vast majority of loan financing being provided by the Housing Finance Agency (HFA). Greater diversification in both loan financing and balance sheets (through stock transfers and mergers) will likely be required to ensure long-term sustainable growth across the sector.

Cyber Risk

The recent cyber-attack on the HSE demonstrates the huge impacts that can be felt where an organisation is subject to such an attack. Therefore, it is vital that AHB Boards have tested their own ability to prevent such attacks and they are assured that robust Business Continuity or Disaster Recovery plans are in place should such an attack occur.

Requirements of Statutory Regulation

The transition from voluntary to statutory regulation should be an important focus for AHB Boards over the remainder of 2021 and into 2022. Whilst it is anticipated that those AHBs who signed up to the Voluntary Code will find the transition to a statutory environment relatively straight forward, there are still important factors that Boards need to consider, for example, the requirement to formally register with AHBRA over the coming years.

It is also acknowledged that over 200 AHBs chose not to engage with the voluntary environment. There is a heightened risk that those AHBs will struggle to comply with the statutory requirements as laid out in the new Act.

All AHBs should ensure that they are familiar with the requirements of the Housing (Regulation of Approved Housing Bodies) Act 2019 including the registration process and key functions of the new Regulatory Authority.

Impact of Covid-19

As indicated previously, the sector has demonstrated extraordinary resilience and a great ability to adapt and manage the emerging risks that the pandemic has presented. The required government response to the pandemic impacted a range of services including operations, housing management, housing delivery and care and support provision. We have seen AHBs adjust their procedures and fully embrace technology while continuing to look after tenants.

In September 2020, the Regulation Office issued an online Covid-19 questionnaire to the sector with the aim of gathering the opinions of the Boards and the Executives of AHBs in relation to the medium to long-term impacts of the pandemic.

Governance

Responses to the questionnaire reveal that most Boards continued to meet regularly during the emergency period, adopting electronic meeting programs including Zoom. A number of Boards created Covid-19 focused sub-committees/ task forces during this time.

Finance

The effect of Covid-19 on 2020 financials varied significantly depending on the delivery models used. The impact on income and expenditure in 2020 with larger and growth AHBs related more to delays in housing delivery. Rent saw the largest impact with 75% of AHBs reporting a reduction in rental income. Given the impact on employment during the pandemic, AHBs adopted new communication strategies with tenants to ensure they could continue to afford to pay rent during this difficult time with some AHBs reducing the rental cost for tenants affected financially by Covid-19.

Service Delivery

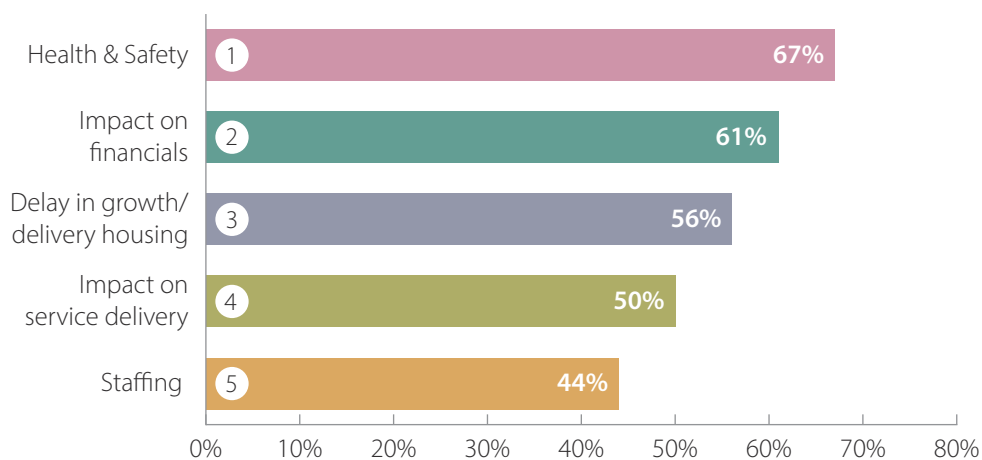
The pandemic caused many AHBs to make significant changes to housing management practices. Maintenance was reduced to essential/emergency repairs only. Additionally, changes were made to policies and procedures to ensure the safety of staff and communication was expanded to phone/video calls along with the introduction of text alert systems.

Risk

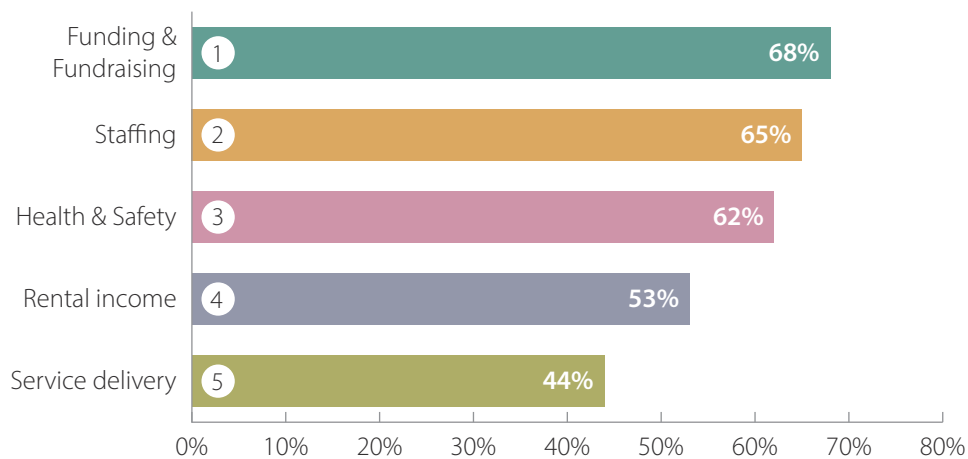
As stated above, a few key risks were highlighted by each AHB. Health and Safety and impact on finances were the most common risks identified. AHBs stated that they reviewed their internal controls and updated their risk registers to reflect any new risks presented by Covid-19.

The following tables summarise the top 5 risks identified within each Tier of AHB.

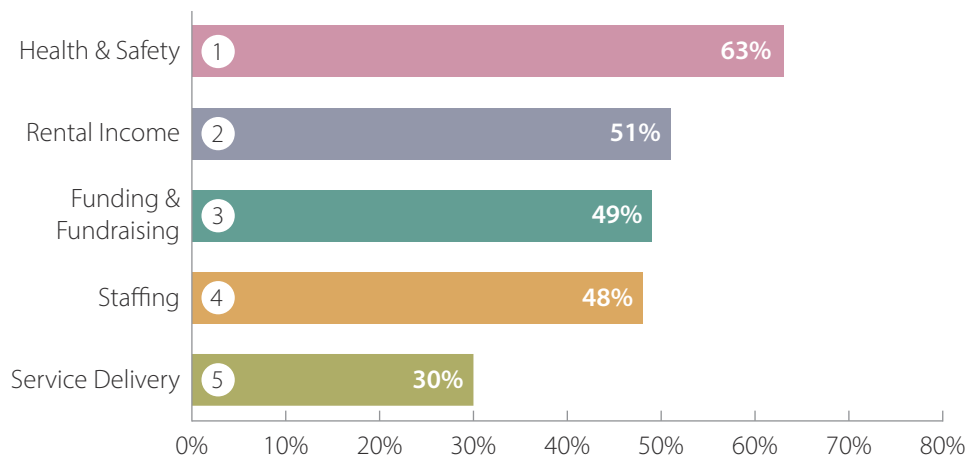
Tier 3 AHBs – Top Five Risks Identified %



Tier 2 AHBs – Top Five Risks Identified %



Tier 1 AHBs – Top Five Risks Identified %





4 / Approved Housing Bodies Regulatory Authority (AHBRA)

The Approved Housing Bodies Regulatory Authority (AHBRA) was established on 1 February 2021 by the Minister for Housing, Local Government and Heritage (DHLGH), Darragh O'Brien TD.

An tÚdarás Rialála Comhlachtaí Tithíochta Ceadaithe

Approved Housing Bodies
Regulatory Authority



AHBRA was established to oversee the effective governance, financial management and performance of all voluntary and co-operative housing bodies, in accordance with the legal framework set out in the **Housing (Regulation of Approved Housing Bodies) Act 2019** (the Act).

The powers and functions of AHBRA will be commenced on a phased basis throughout 2021 and 2022, with AHBRA anticipated to become operational in early 2022.

The Minister appointed nine-members to the Board of AHBRA in February 2021, with Mr. Edward Lewis appointed as Chairperson.

The remaining eight Board members are named below.

- Mr. John McCarthy
- Ms. Eileen Gleeson
- Ms. Jillian Mahon
- Mr. Michael Cameron
- Mr. Seamus Neely
- Ms. Geraldine Hynes
- Dr. Oonagh Breen
- Ms. Orla Coyne

The Board members have extensive experience in housing, finance, law and governance and were appointed following a process conducted by the Public Appointments Service. Detailed biographies of all Board Members are available on our website www.ahbregulator.ie.

Susanna Lyons was appointed as CEO of AHBRA by the Minister on establishment day.

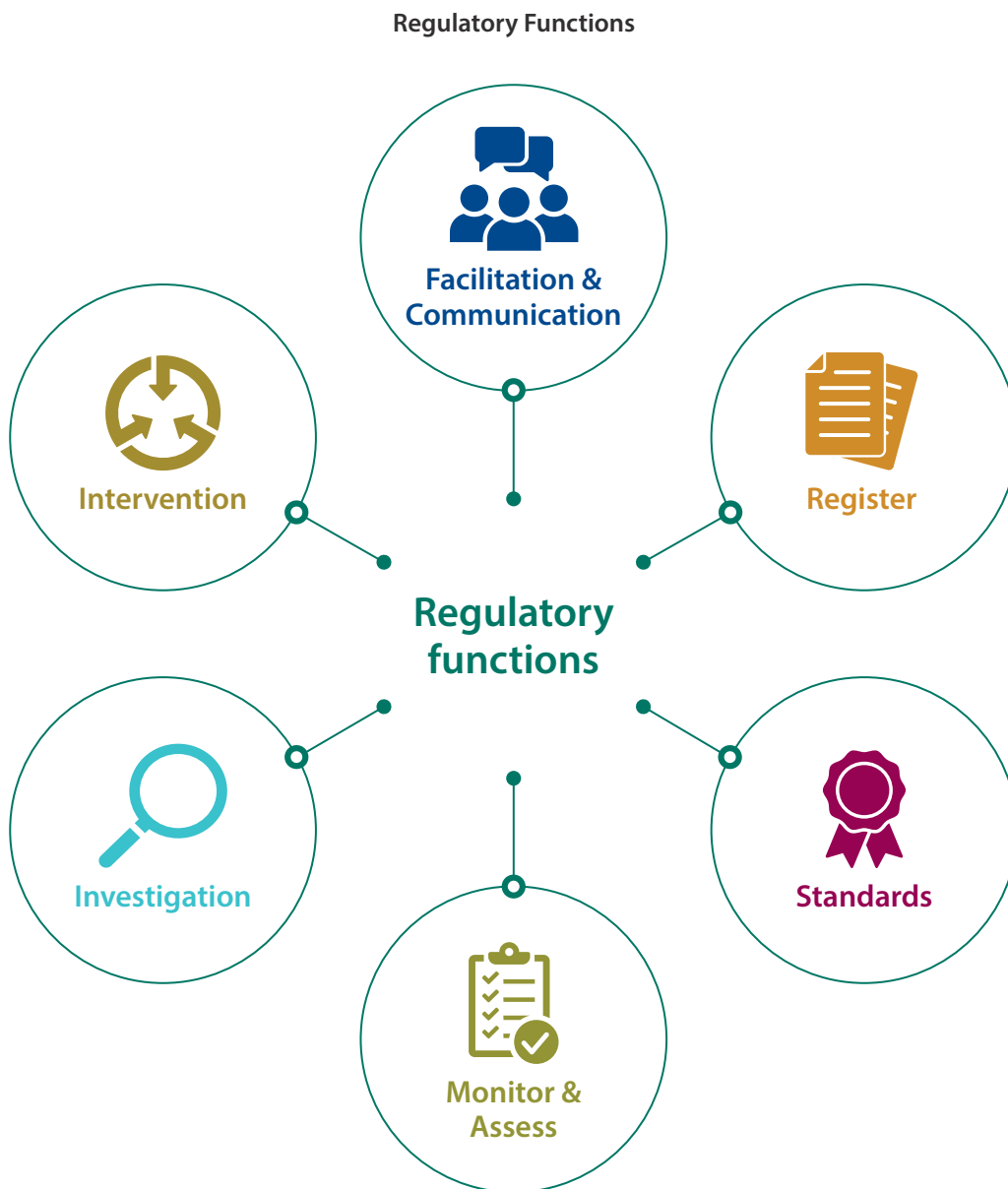
Now is the time to prepare your
AHB for Statutory Regulation



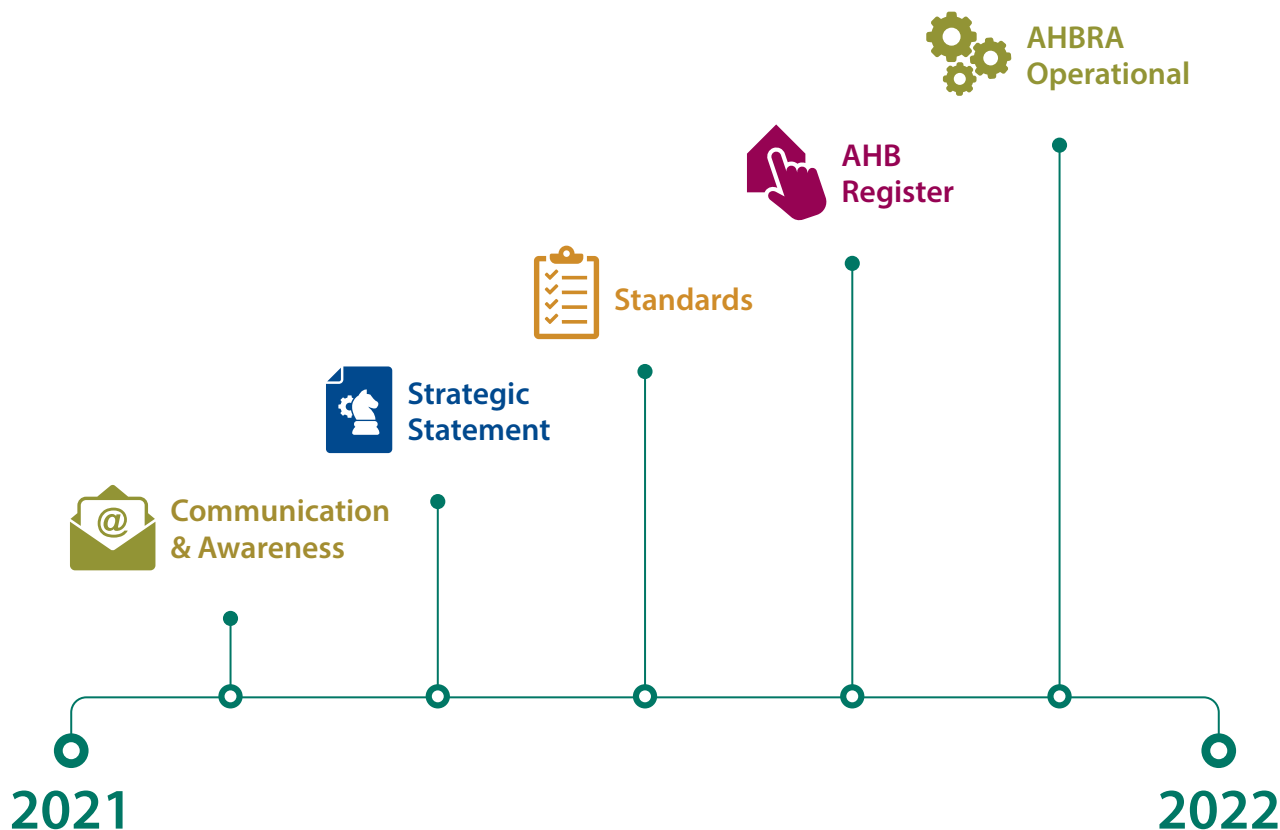
Regulatory Functions of AHBRA

The Regulator will have responsibility for establishing and maintaining a register of AHBs, preparing standards by which AHBs will be monitored and assessed, and encouraging and facilitating the better governance, administration and management, including corporate governance and financial management of AHBs. The Regulator will also have powers to carry out investigations and cancel the registration of AHBs. These functions will be introduced on a phased basis and the sector will be informed accordingly.

The 2021 year is seen largely as an implementation and build period, with AHBRA anticipated to be operational in 2022



A Phased Introduction to Statutory Regulation



Key Deliverables for 2021

The 2021 year is seen largely as an implementation and build period, with AHBRA anticipated to be operational in 2022.

A key function of the newly established AHBRA is to promote awareness and understanding of the Act. A new website ahbregulator.ie has been launched which provides useful information and guidance for the sector. A series of webinars for AHBs are planned, to provide further information on the role of the new Regulator and the requirements for AHBs. AHBRA recently issued a **Frequently Asked Questions** document that provides information about AHBRA and the Act. Further information will also be posted on social media and AHBs are recommended to connect on LinkedIn and Twitter (@AHBregulator).

All AHBs are strongly encouraged to join the mailing list to receive AHBRA information and invites to educational webinars by emailing communications@ahbregulator.ie

[All AHBs are strongly encouraged to join the mailing list to receive AHBRA information and invites to educational webinars by emailing \[communications@ahbregulator.ie\]\(mailto:communications@ahbregulator.ie\)](#)

A Strategy Statement is anticipated to be submitted to the Minister for approval in August 2021. This strategy statement will set out the mission, vision and values of AHBRA, together with its strategic objectives over the next three years.

An important function for the new Statutory Regulator will be to establish and maintain an AHB register. All AHBs will initially be deemed as registered once the relevant sections of the legislation have been commenced. This means that each AHB will be subject to all aspects of the regulatory requirements. As above, the functions will be introduced on a phased basis and the sector will be informed accordingly, when registration is commenced.

A new set of draft standards will be published which will cover matters relating to corporate governance, financial management and reporting, property and asset management and tenancy management. The legislation to allow for the drafting of standards will be commenced in July 2021. In accordance with the Act, AHBRA must prepare and submit draft standards to the Minister for approval within six months.

AHBRA will communicate with key stakeholders when the commencement of this section of the Act has been initiated. The Regulator will publish the draft Standards on its website to allow for representations to be made over a 28-day period. AHBRA will pro-actively engage with key stakeholders to ensure appropriate representations are facilitated. AHBRA will consider all representations and may amend the draft standards before they are submitted to the Minister.

[A new set of draft standards will be published which will cover matters relating to corporate governance, financial management and reporting, property and asset management and tenancy management](#)

[AHBRA particularly encourages AHBs who did not engage with the voluntary environment to actively participate in the guidance and education forums in 2021](#)

How to Prepare your Approved Housing Body


AHB Boards are actively encouraged to familiarise themselves with the **Housing (Regulation of Approved Housing Bodies) Act 2019** and the key requirements outlined within the Act. Understanding these requirements should be an essential objective for all AHBs during 2021.

Whilst the powers and functions of AHBRA will be commenced on a phased basis, it is crucial for AHBs to be prepared for regulation. All AHBs are encouraged to review all materials released by AHBRA in the coming months and participate in webinars that will be hosted by AHBRA throughout 2021.

A number of AHBs did not engage with the voluntary environment and therefore will be less familiar with the impacts of regulation on their organisations. AHBRA particularly encourages these organisations to contact AHBRA to ensure they have access to all relevant communications and events that will be held by AHBRA in 2021.

AHBRA will continue to roll-out a series of communications to the entire AHB Sector relating to the powers, functions and deliverables of AHBRA.

AHBRA particularly encourages AHBs who did not engage with the voluntary environment to actively participate in the guidance and education forums in 2021.



Whilst the powers and functions of AHBRA will be commenced on a phased basis, it is crucial for AHBs to be prepared for regulation



5 / Sectoral Analysis

The assessment cycle has highlighted the continued diversity, complexity, and resilience of the AHB sector during the ongoing pandemic. Some elements of the sector have been severely impacted by the pandemic, whilst still maintaining services within their communities to the best of their ability and providing support at the most crucial of times.

As the demand for housing continues, AHBs have delivered new housing supply, by continuing to look at new ways to deliver homes while also considering value for money.

Housing Stock

This year's assessment process has incorporated housing stock figures based on two separate points in time. The data presented represents the year ended December 2019 as well as performance data relating to September 2020. The capture of more recent housing stock data illustrates sector growth of 2,023 units from 41,229 in December 2019 to 43,252 units in September 2020.

The sector profile remains dominated by a small number of large Tier 3 AHBs who own, manage and lease 80% of total homes in the sector. In contrast, of the overall 285 AHBs signed up to the Voluntary Code, 73% or 207 AHBs are Tier 1 organisations which are responsible for a smaller number of units.

43,252

homes represented
across all Tiers


285

AHBs signed up to the
Voluntary Regulatory Code

80%

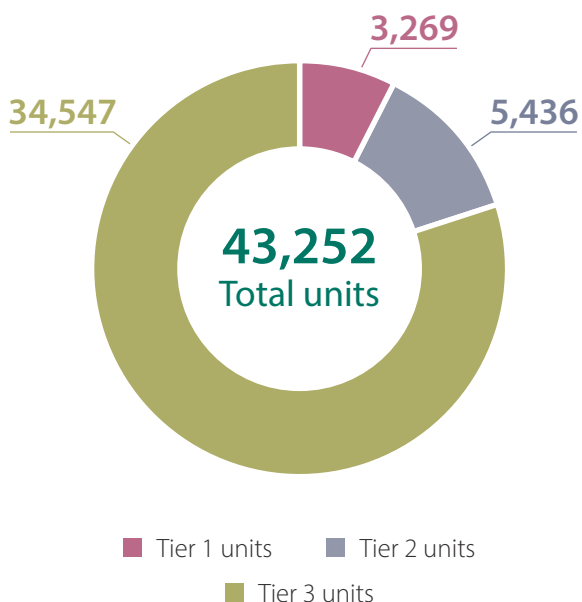
of total homes in the
sector held by Tier 3 AHBs



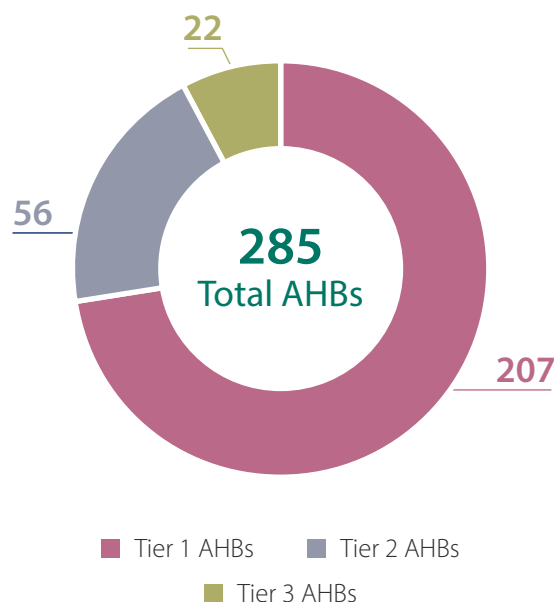


The sector profile remains dominated by a small number of large Tier 3 AHBs who own, manage and lease 80% of total homes

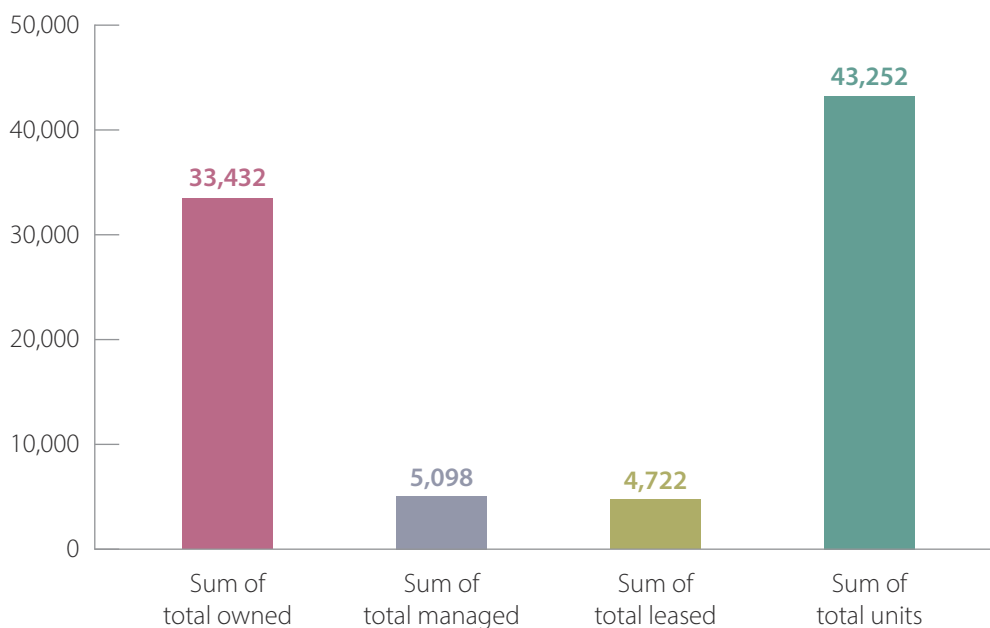
Units Split by Tier (September 2020)



Number of AHBs in Each Tier



Units Split by Owned, Leased and Managed Across all Tiers (September 2020)



The graph above illustrates that of the 43,252 homes, the majority of units are owned by AHBs, with only 23% of units leased and managed. This is largely in line with previous years.

AHBS across Local Authority Areas

The following table and map reflect the geographical spread of AHBs operating across Local Authorities, including the number of AHB units in each Local Authority area. This data has been derived from the Annual Regulatory Returns and is only available in this detail for the period up to December 2019. The map reflects a concentration of units within the Dublin Local Authority areas and a high volume of locally based AHBs managing low levels of housing stock.

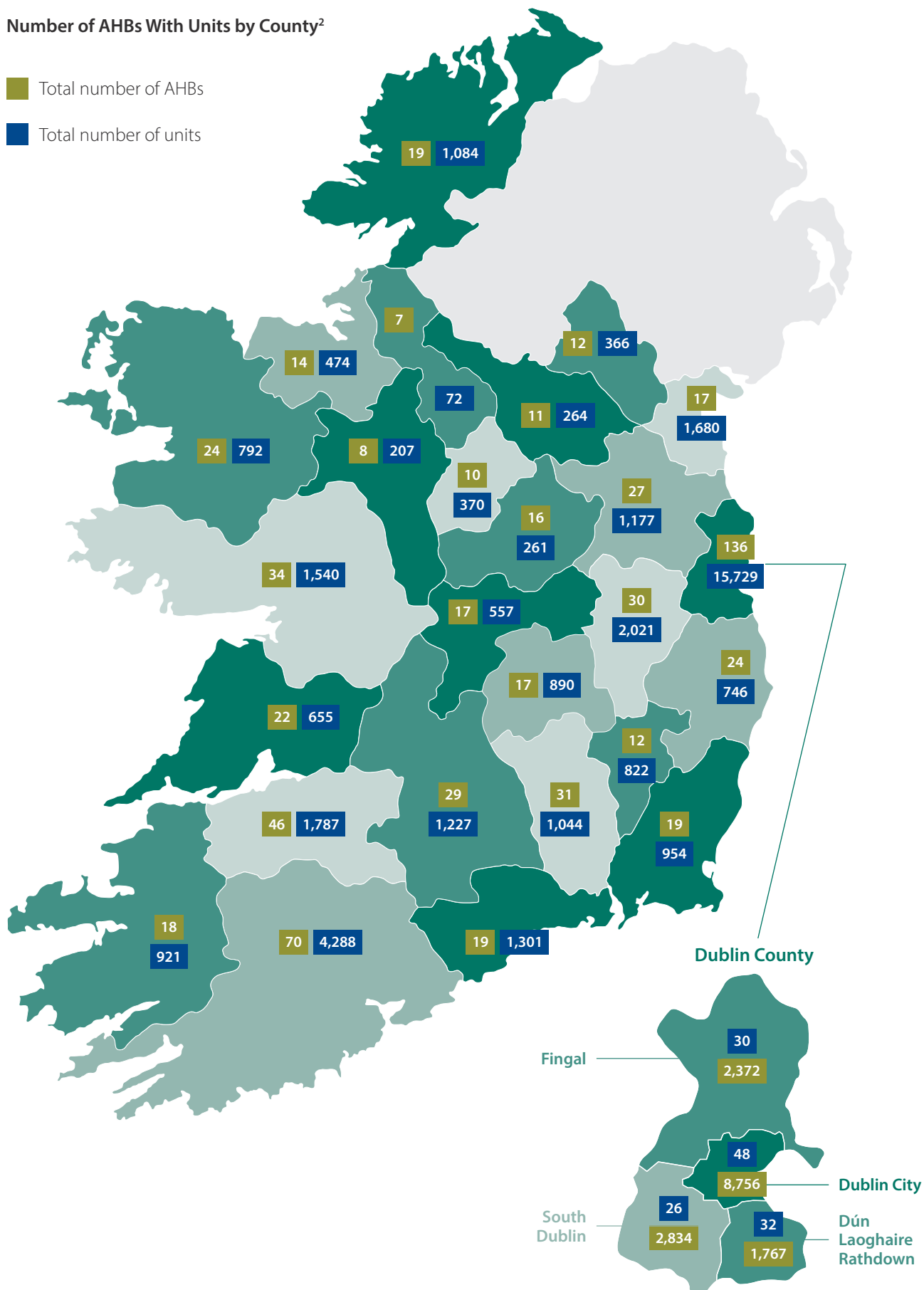
Local Authority	No. of AHBs operating in Local Authority ¹	No. of units
Dublin City	48	8,756
Limerick City & County	46	1,787
Cork County	40	2,414
Dun Laoghaire – Rathdown	32	1,767
Kilkenny	31	1,044
Cork City	30	1,874
Kildare	30	2,021
Fingal	30	2,372
Tipperary	29	1,227
Meath	27	1,177
South Dublin	26	2,834
Mayo	24	792
Wicklow	24	746
Clare	22	655
Donegal	19	1,084
Waterford City & County	19	1,301
Wexford	19	954
Kerry	18	921
Galway City	17	865
Galway County	17	675
Offaly	17	557
Louth	17	1,680
Laois	17	890
Westmeath	16	261
Sligo	14	474
Monaghan	12	366
Carlow	12	822
Cavan	11	264
Longford	10	370
Roscommon	8	207
Leitrim	7	72
Total		41,229

¹ Based on AHBs signed up to the Voluntary Code

² Based on December 2019 data

Number of AHBs With Units by County²

- Total number of AHBs
- Total number of units



[Tier 3 AHBs have continued to build on their ability to evidence compliance with the Voluntary Regulatory Code](#)

Assessment Findings

The final regulatory assessment cycle has highlighted the strengths and improvements made across the sector. This demonstrates how far the sector has come in understanding and managing the risks presented by their operating environment and wider economy and the delivery of essential new supply whilst continuing to effectively manage operational activities.

Tier 3 – Overview

Tier 3 AHBs have continued to build on their ability to evidence compliance with the Voluntary Regulatory Framework. The good practice demonstrated over the last number of years under the Voluntary Code provides a sound footing for AHBs in the transfer to statutory regulation.

Tier 3 AHBs are organisations with over 300 housing units, with the majority forecasting growth at scale. It remains essential that capacity and resources are managed effectively to ensure that delivery of new units can continue in the short to medium term particularly given the new

challenges presented by the Covid-19 pandemic. Some AHBs have reported a high level of information being presented to their Boards in order to monitor delivery of objectives, which is crucial during this time.

It is likely that the future may see some consolidation of the sector. Merger and stock transfer opportunities should be considered with value for money at the heart of every decision made and with business continuity in mind. In an ever changing and challenging environment, such considerations may provide better economies of scale and reduced gearing levels through balance sheet diversification. For further information on stock transfers and mergers, please refer to the Housing Agency website where **Advice on Mergers and Stock Transfers** has been published.

Tier 3 AHBs reported a 36% increase of housing assets at cost, increasing to €4.1bn providing evidence of new supply. Rental income continues to increase in line with new supply and units are expected to increase by 14,428 units between 2020-2022.

[It remains essential that capacity and resources are managed effectively to ensure that delivery of new units can continue in the short to medium term](#)



Tier 3³ – Financial Overview



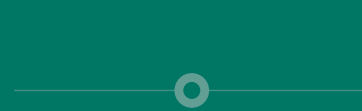
€88.3m

Rental income



€1.8bn

Total loan financing



€337m

Total income



€4.1bn

Housing assets –
cost



€1.4bn

Total Government
grants



14,428
units

3 year targeted
growth

³ Data is based on 19 Tier 3 AHBs who submitted an Annual Financial Return

Tier 2 – Overview

Tier 2 AHBs are organisations with housing stock between 50- 300 units. There are a small amount of Tier 2 organisations reporting moderate development plans, however the main differentiator of this Tier is the AHBs with predominantly Care and Support business models, where housing is not their primary function.

Whilst continuing to operate in difficult times due to the impacts of Covid-19, the assessment cycle has reflected an improvement in how risks are being managed. Some AHBs rely heavily on donations which have been severely impacted during Covid-19 with the potential to lead to financial viability and service deliverability difficulties if not monitored and managed effectively.

Many Tier 2 organisations receive much of their funding through revenue grants from government bodies such as the HSE, TUSLA and DRHE. The provision of funding comes with further regulatory oversight requiring additional compliance obligations to be managed. Therefore, there are increasing expectations on Tier 2 AHBs to ensure that strong governance structures are in place to provide robust management, control, and oversight.

Tier 1 – Overview

While Tier 1 AHBs remain the largest cohort of organisations they represent a small portion of the overall housing stock with 207 AHBs owning, managing, and leasing only 3,269 units.

Many Tier 1 organisations are small locally based charities that rely on volunteers as their main resource. Tier 1 AHBs have less resources when compared to their larger Tier 2 and Tier 3 counterparts but despite these limitations, most Tier 1 organisations have continually demonstrated compliance with the Voluntary Regulatory Code.

Like the Tier 2 AHBs, a significant amount of the funding received by many Tier 1 AHBs also comes from revenue grants from government bodies. A good internal control framework is necessary to ensure compliance against the additional regulatory obligations.

While Tier 1 AHBs remain the largest cohort of organisations they represent a small portion of the overall housing stock with 207 AHBs owning, managing, and leasing only 3,269 units

50%

of AHBs had plans to deliver new units as of December 2019

Since the inception of the Voluntary Regulatory Code, Tier 1 AHBs have demonstrated an improved position towards risk management. This was evidenced in the most recent assessment cycle with many Tier 1 AHBs submitting a risk register for the first time. The Regulation Office has also seen improvements in financial transparency among the Tier 1 AHBs with an increasing number of AHBs presenting audited financial statements for the first time. The continued compliance with the Performance Standard was also demonstrated in this year's assessment cycle, with improved tenant services and housing management.

Whilst we have seen significant progress towards compliance with the standards, including evidence of improvements in Board recruitment, and succession planning, some work remains in this area. Furthermore, the consideration of stock condition surveys and the development of asset management strategies to safeguard assets for the long term should be areas of focus for the future.

Forecasted Growth

As of December 2019, 50% of AHBs had plans to deliver new units. The graph below indicates that Tier 3 AHBs continue to forecast considerable growth through to 2022 demonstrating the continued concentration risk within the sector. Data analysis of the sector indicates housing unit growth of approximately 18,250 between the years 2019-2022, of which 14,428 (80%) relates to 19 Tier 3 AHBs.

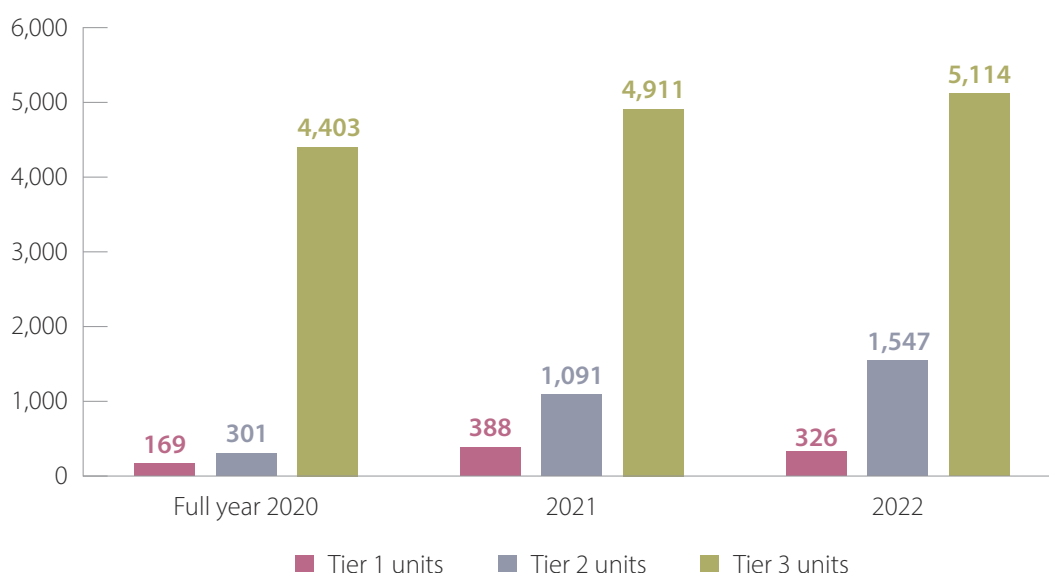
In addition to the Tier 3 AHBs, we are seeing some Tier 2 AHBs forecasting growth, increasing their housing stock, and moving into the Tier 3 category. In conjunction with this growth, Tier 2 AHBs are taking on increased levels of debt and loan financing, which will require appropriate oversight.

The AHB sector is becoming less reliant on capital grants from the Government. Growth across the sector is forecasted to be funded predominantly via loan financing (mainly utilising CALF and the Housing Finance Agency) with this figure increasing by 222% from €1.8 billion in 2019 to €5.9 billion in 2024. The chart below highlights the shift away from reliance on government loans towards a hybrid of loan financing.

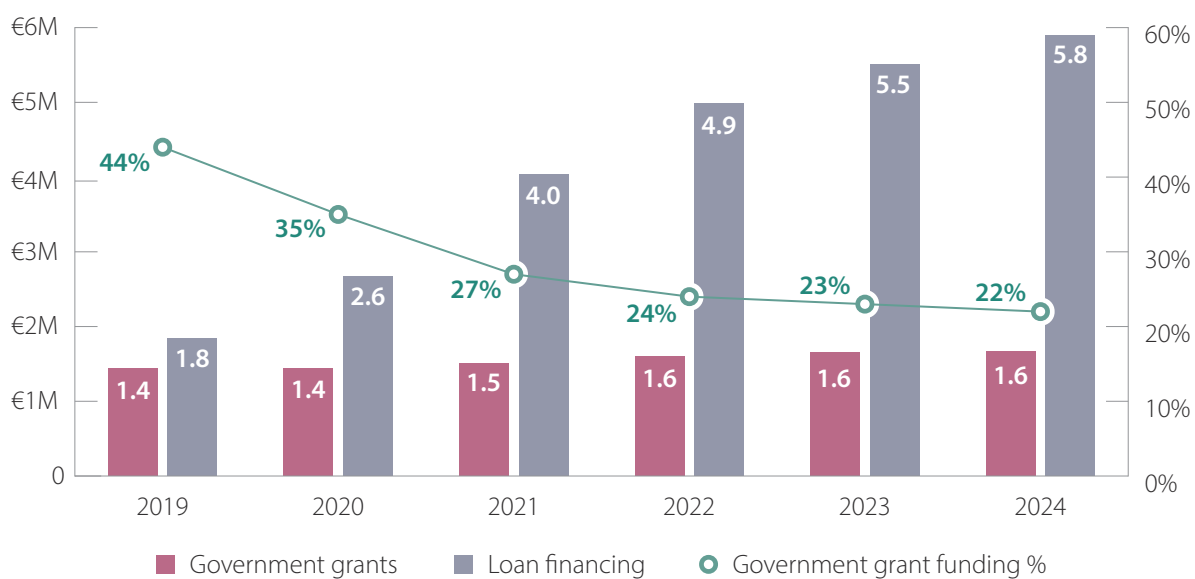
The level of loan financing commitments as well as the evident changes in debt profiles and balance sheet structures increases the risk profile across the sector. Management and oversight of increasing and complex debt portfolios will likely be a key focus for the statutory regulator.

The AHB sector is becoming less reliant on capital grants from the Government.
Growth across the sector is forecasted to be funded predominantly via loan financing

All Tiers Projected Growth



Projected debt profile*



* Tier 2 & Tier 3 AHBs who submitted an Annual Financial Return.



6 / Compliance Against the Standards

Governance

The Regulation Office works with all AHBs to ensure that they are meeting their compliance obligations and that good governance and best practice is embedded across the sector. AHBs have reported increased levels of compliance across all governance areas over the course of the Voluntary Regulatory environment. Improvements have been demonstrated through:

- An increase in the number of AHBs meeting the minimum Board membership requirement.
- The number of active Board members across the sector has increased each year.
- An increase in the average number of Board members across smaller organisations.
- Improved compliance among larger organisations in relation to the minimum number of Board meetings held.
- An increase in the average number of Board meetings for Tier 3 organisations.
- A significantly higher percentage of Tier 2 organisations reporting an Audit & Risk Committee in place.
- A steady increase each year across all Tiers in the percentage of AHBs reporting appropriate Board policies.
- Of the AHBs that reported related parties in place that provide supports and services, there has been an increase over time in the percentage of these organisations reporting Service Level Agreements in place.
- A reduction in the percentage of AHBs reporting common directors between related parties.

The Regulation Office works with all AHBs to ensure that they are meeting their compliance obligations and that good governance and best practice, is embedded across the sector

Risk Management

The AHB sector faces a number of key risks which will, of course, be further exacerbated by the ongoing Covid-19 pandemic. It is now more crucial than ever that AHBs ensure they have a fully functional and embedded risk management framework within their organisation.

AHBs have demonstrated improvements in risk awareness, identifying a proportionate risk approach and evidencing increased consideration of Board tolerance and risk appetite. All AHBs should have a risk register that reflects their size and growth plans and be able to demonstrate an understanding of the main risks affecting their organisation.

For larger growth AHBs there has been evidence of some improvement to stress testing, with some AHBs demonstrating a tailored approach to this exercise. The development of stress testing as well as the identification of mitigating strategies will play a fundamental part in strategic planning in these unprecedented and uncertain times. This will help those charged with governance to understand their organisational capacity and limiting factors in greater detail. The ability to understand the impact of individual risks on the short, medium, and long-term performance of the AHB is crucial for each organisation, no matter how big or small.

Finance

Since the introduction and revision of the Financial Standard, the sector has demonstrated notable improvements in compliance. AHBs have, in the main, evidenced the development of strong and effective financial management frameworks which are proportionate to the organisations, providing a greater level of confidence that AHBs are managing their resources and risks effectively.

Financial viability continues to remain strong across large parts of the sector, with organisations continuing to report operating surpluses, strong liquidity and positive operating cashflows. However, it continues to be the case that Care and Support organisations operate in a low margin environment with much of their funding provided through State Agencies.

AHBs have provided evidence of prudent planning and forecasting, demonstrating their ability to remain financially viable for the short, medium, and long term. This has been evidenced through:

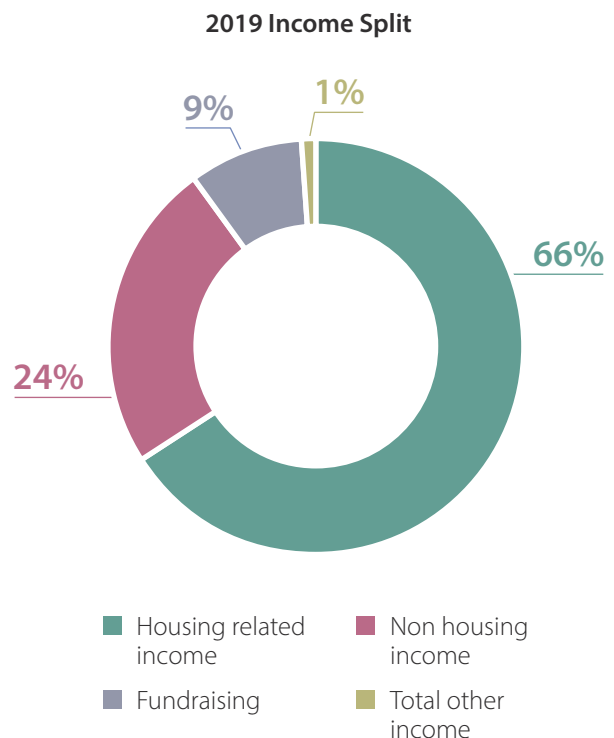
- Sufficient headroom against liquidity ratios showing AHB's ability to generate sufficient income to meet operating and financial commitments.
- The provision of prudent assumptions, forecasting and stress testing.
- Greater understanding of assets, providing a strong line of sight on repairs requirements to safeguard the assets and tenancies for the long term.
- Identifying, monitoring, and reporting financial performance against key performance indicators.
- Understanding and identifying early warning signs of emerging risks providing opportunities to implement mitigating strategies in a timely manner.
- Alignment of financial forecasts with Business and Strategic plans.

Based on information submitted to the regulator, 66% of total income generated across the sector comes from housing related income streams

Balance sheet diversification and increasing levels of debt will bring additional risk to AHBs in the main. AHBs have demonstrated improvements in monitoring and reporting financial performance against funder covenants as well as ensuring that they have the appropriate level of skills and expertise to manage the emerging financial complexities.

Based on information submitted to the regulator, 66% of total income generated across the sector comes from housing related income streams such as rental income and Payment & Availability income. 24% of income comes from government revenue grants such as HSE, TUSLA, and DRHE.

As of December 2019, AHBs reported that they received €25.5m from fundraising and donations which equates to 9% of total income received. It is forecast that income generation expected from fundraising will remain static over the next 5-years to 2024 reflecting a level of caution when planning within the sector.



A photograph of a modern, multi-story building with a facade of glass, wood, and metal. The building is viewed from a low angle, looking up. The sky is blue with a few white clouds. The bottom half of the image is overlaid with a dark teal color, and white text is centered in this area.

Financial viability continues to remain strong across large parts of the sector, with organisations continuing to report operating surpluses, strong liquidity and positive operating cashflows

Performance

The sector has continued to show notable improvements in both tenant services delivery and asset management. AHBs have provided increasing evidence in recent years of:

- Having systems in place that monitor, record and report on a range of performance management information, leading to a significant improvement in the quality and completeness of performance data provided by AHBs.
- Continued high levels of communication with tenants through a range of methods with increased use of tenant handbooks and pre-tenancy training being provided.
- Improved policies and procedures for rent charging, collection and reporting with evidence of a more proactive approach to reducing rent arrears.
- Improved reporting of voids and void performance including the length of voids and the reasons behind voids.
- Increased evidence of AHBs developing an Asset Management Strategy based on the outcomes of Stock Condition Surveys to support their future maintenance programmes.

Repairs and Maintenance

Many AHBs reported that in the year up to September 2020 only essential or emergency repairs and maintenance were carried out, due to the Covid-19

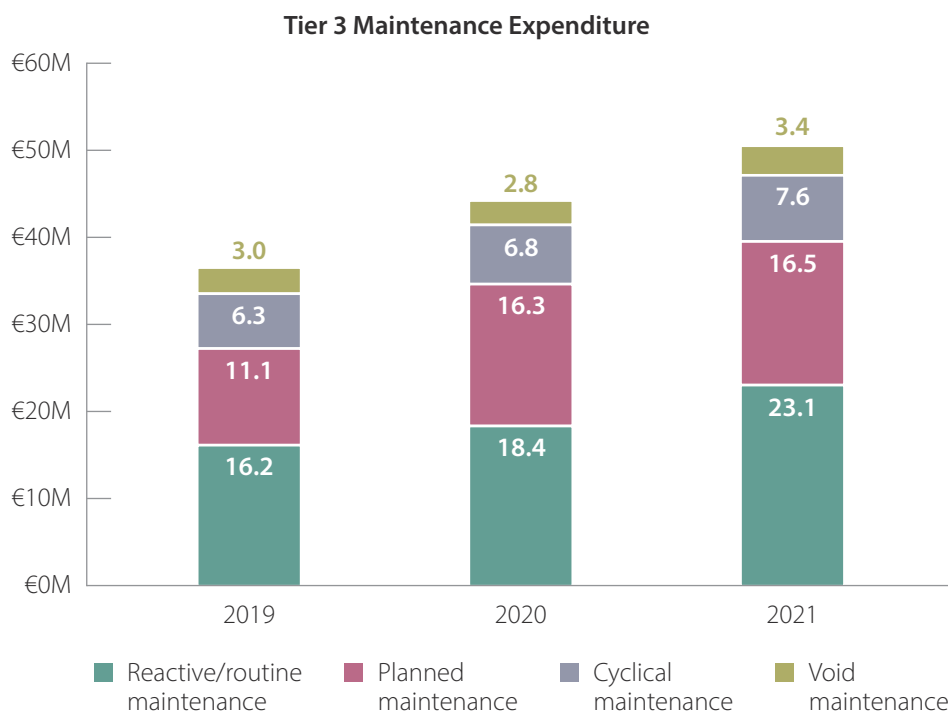
restrictions, resulting in a backlog in maintenance programs for many AHBs. Most organisations reporting a backlog highlighted the rescheduling of repairs and maintenance programs as a primary approach to addressing backlogs.

Larger AHBs have forecast increased spending in planned and cyclical maintenance during 2021 and 2022 to address any backlogs. Further details on Tier 3 maintenance expenditure are detailed in the table below:

Void Management

The Regulation Office has noted a steady increase in the average number of voids and time taken to fill void properties. AHBs have reported that this is in part due to the effects of Covid-19 and the additional protocols that they had to put in place to ensure the safety of tenants and staff. This has been a particular issue for those AHBs who operate predominantly in Care and Support housing rather than those providing general needs housing. AHBs also reported increased delays and/or suspension in allocations due to the impacts of Covid-19.

The average number of voids reported in the year up to September 2020 was 35 units, representing an average of 10% of the total units covered in the assessment cycle. The average duration of voids was reported as 13 weeks in 2019, increasing to 15 weeks in the year up to September 2020, reflecting the trend of increasing void durations.







Regulation Office

The Housing Agency
53 Mount Street Upper
Dublin 2
D02 KT73

Tel: 01 656 4170

Email: regulation@housingagency.ie

For further information about AHB Regulation,
please visit: www.housingagency.ie/regulation