

# AHB Regulation Overview

Housing Practitioners Conference

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# Regulatory Focus

*Our mission is to protect AHB assets and safeguard the interests of their current and future tenants by regulating for a **well governed, well managed and financially viable** sector.*





# Role of Regulation

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



# What do we look for...

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







**33,945**

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

**19 Tier 3 AHBs**  
account for  
**75% of Entire  
Stock**



Owned	26,248
Leased	4,213
Managed	3,483
<b>Totals</b>	<b>33,945</b>



# Evolution of Regulation



# Evolution of Regulation

- **Voluntary Regulatory Code:** July 2013
- **iRC & Regulation Office established:** Feb 2014
- **Financial Standard:** July 2015
- **Funding Eligibility:** Circular 15/2016
- **Governance Standard:** Dec 2017
- **Performance Standard:** Dec 2018





# Funding is linked to Regulation

## Circular 15/2016

*‘From 1 January 2017, in addition to the requirement to have signed up to the Code, those AHBs that are able to demonstrate commitment to and engagement with both the VRC and the Financial Standard and Assessment Framework, having undergone a satisfactory assessment as part of the annual assessment process by the Regulation Office will be considered eligible for funding under the above schemes’*

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



# Regulatory Framework: VRC +

Proportionate

## Financial Standard

### Financial Viability

- Surplus/Deficit
- Liquidity
- Cashflow

Transparent

Risk Based

### L-T Viability

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

Comply or Explain

## Governance Standard

Fully Functioning Board

Oversight, Direction & Control

Strategy/Leadership

Outcomes Focused

Transparency

Skills, Expertise & Diversity

Financial Governance & Risk Management

## Performance Standard

### • People

- Tenant Policies
- Allocations
- Income Mgmt.
- Communication

### • Property

- Voids
- H&S
- Sinking Fund
- Stock Condition Surveys
- Repairs & Maintenance
- Asset Mgmt.

### • Performance

- KPI
- VFM
- Management & Maintenance Costs
- Planning & Oversight

*Standards are NOT standalone, they are significantly interlinked*

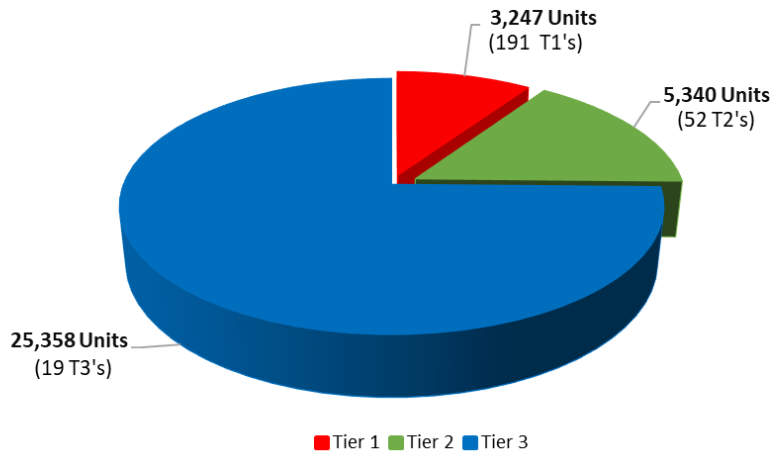


# **Risk Based Regulation: Sector Context**



# Stock – Split

Units Split Across Tier



## Stock profile:

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

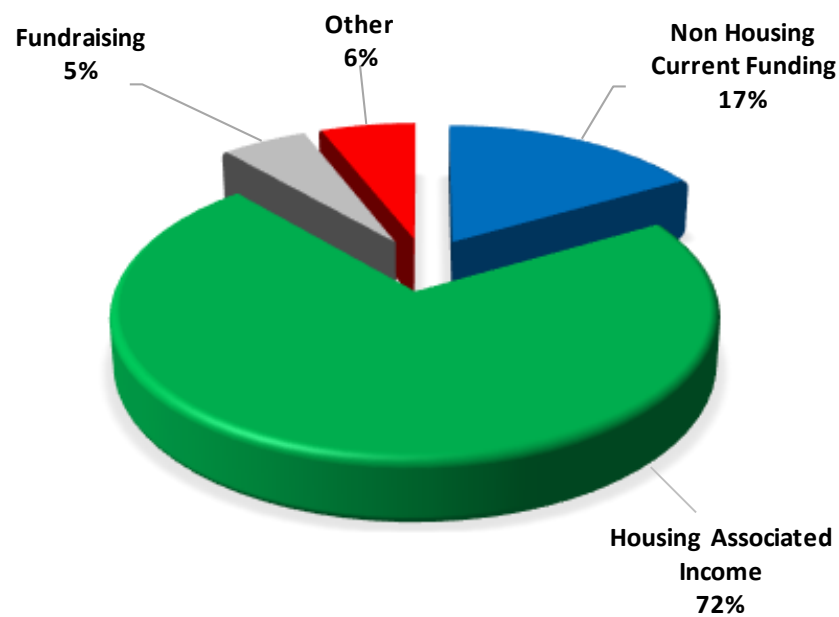
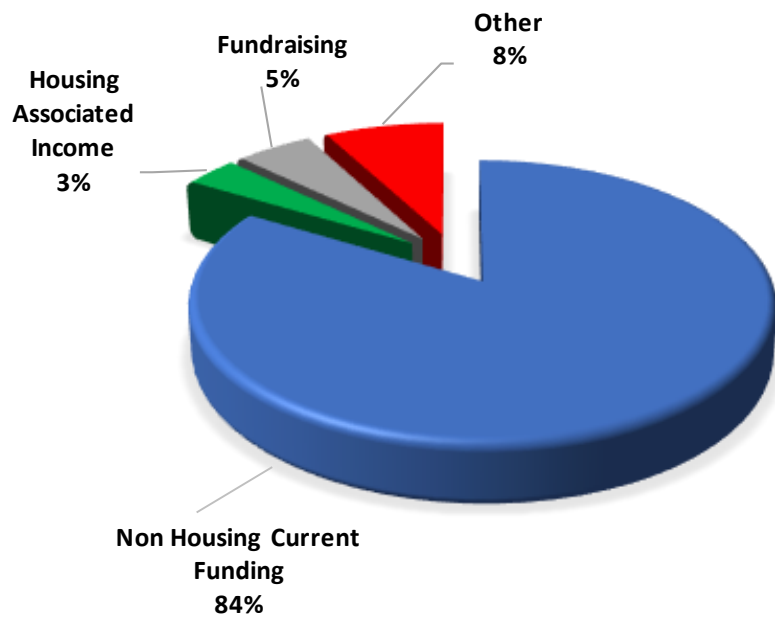
**262 AHBs = 33,945 units across the Sector.**

High Volume of Tier 1 AHBs

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



# Diverse Sector



## T2 AHBs – 5,340 Units

**€433M Income, 84% Non Housing**

15 AHBs – account for 96% of Non Housing Income  
**€4M-€58M in Non Housing Income**

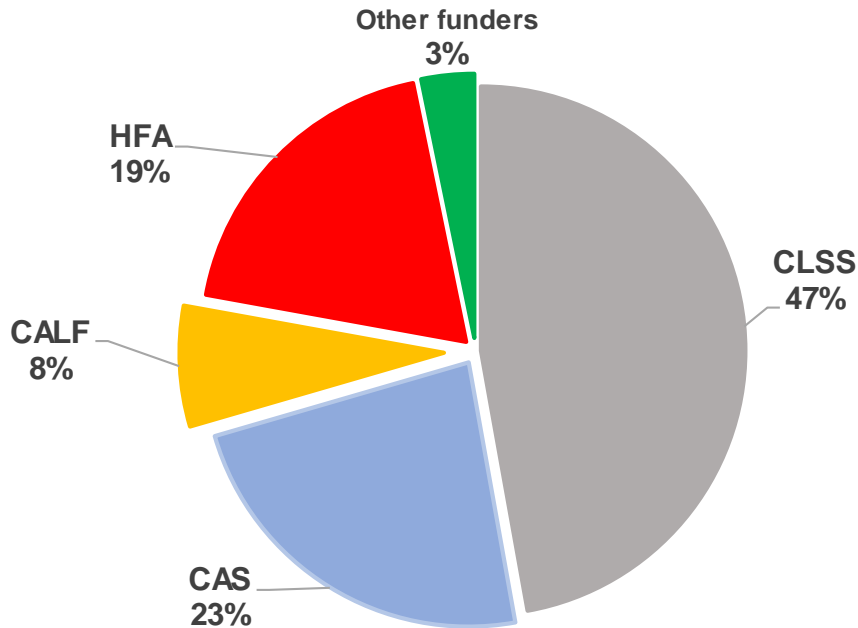
## T3 AHBs – 24,991 Units

**€160M Income, 72% Housing**

Concept of Tiers within Tiers



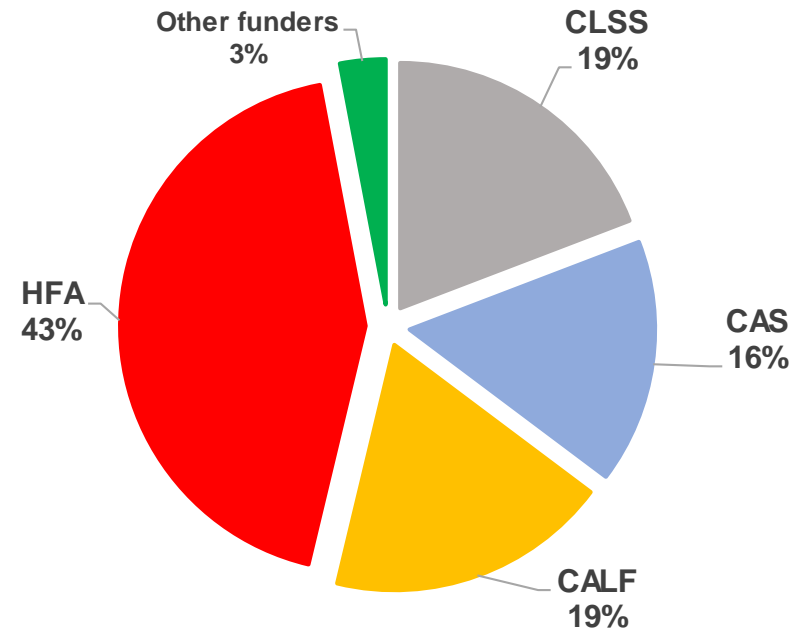
# Growth & Funding – 17 T3 AHBs



2017

**24,991 Units**

**€1.8BN Debt**



2020

**34,923 Units**

**€4BN Debt**

*Change in debt composition and risk profile*

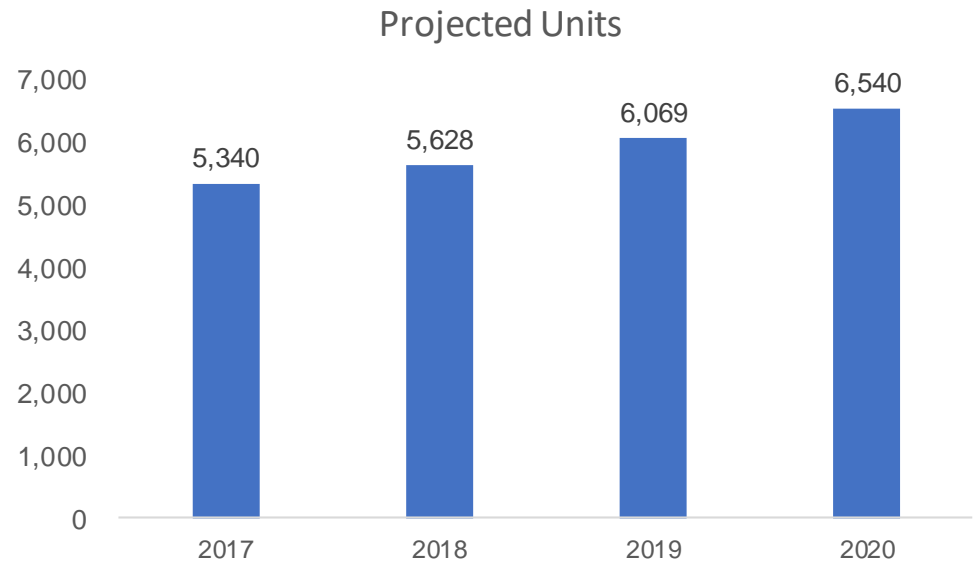


# Projected Growth- T2 AHBs



2018	2019	2020
288	441	471
		1,200

- Modest growth forecasted
- Growth concentrated small number of AHBs
- CAS and loan financing
- Debt profile of BS not changing significantly



*Figures are not audited, consolidation for directional purposes only*



**What does the Regulator look  
for?**



# Governance

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









# A Risk Framework

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

Identify

- *Risk Categorisation*
- *Owners*
- *Controllable/Non Controllable*

Monitor &  
Report

- *Prioritise*
- *Communicate*
- *Rank*
- *Standardisation*
- *Observation V  
action risk*

Quantify &  
Assess

- *Impact*
- *Likelihood*
- *Inherent Risk*
- *Prioritisation*

Mitigate

- *Residual Risk\**
  - *Tolerate*
  - *Treat*
  - *Substitute*
  - *Terminate*
- *Consider re-assessment*

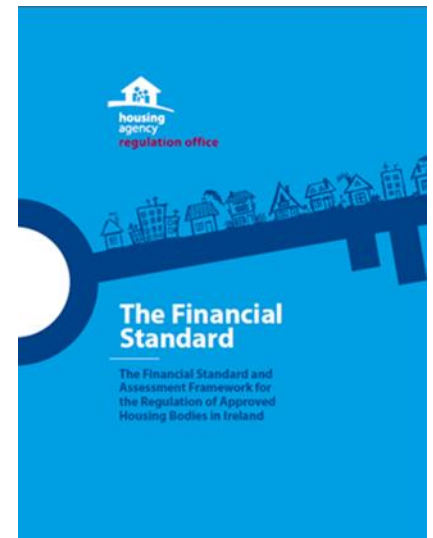
Challenge &  
Evaluate  
Controls

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



# Financial Standard – July ‘15

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



Under Review



# Performance Standard

It all about:



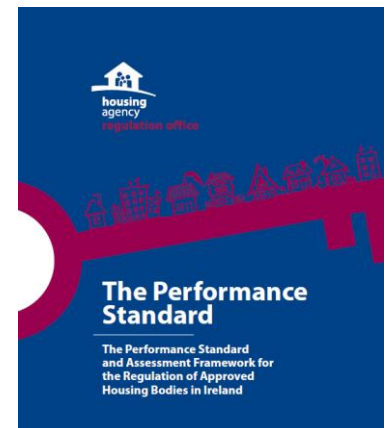
***PEOPLE***



***PROPERTY***



***PERFORMANCE***





# Performance Standard – Dec '18

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

Tenant & Property Management is underpinned by existing Legislation



# Risks profile in Growth Environment

## INTERNAL RISK

- Delivery & Execution
- Purchase V Build
- Capacity
- Infrastructure
- BAU V Growth V Transition
- Managing Change Environment
- Liquidity/Cash/Debt Profiling
- Tenant Management
- Asset Management
- Development Management
- Alternative Funding

## EXTERNAL RISK

- Local Authority Policy
- Classification
- Funding
- Government Policy
- Housing & Land: Availability
- Economic & Market Risk
- Legislation
- Inflationary Pressures
- Concentration Risk
- Alternative Funding
- Regulatory Environment



**In Summary**



# In Summary

- ❑ AHBs are central to delivery of Housing
- ❑ Relationships with Local Authorities crucial
- ❑ Growth is concentrated in a small number of AHBs
- ❑ Sector is complex and layered
- ❑ Risk-based Regulatory Approach
- ❑ Delivery in sustainable manner is key to success
- ❑ Risk Management key in growth environment



# THANK YOU

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