housing agency regulation office

The Regulation of Approved Housing Bodies in Ireland

2018 Annual Report and Sectoral Analysis

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

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Foreword
from the Chair

After five years of development and operation of the voluntary code, which provided extensive learnings to the interim Regulatory Committee, the Regulation Office, the AHB Sector and key stakeholders, the move to a Statutory Body is imminent.

The publication of the Bill marks a significant milestone for the AHB Sector and we commend the Department of Housing, Planning and Local Government and its officials on this landmark occasion

The interim Regulatory Committee warmly welcomed the approval of the text and publication of the Housing (Regulation of Approved Housing Bodies) Bill 2019, by the Minister for Housing, Planning and Local Government in July 2019.

The publication of the Bill marks a significant milestone for the AHB Sector and we commend the Department of Housing, Planning and Local Government and its officials on this landmark occasion.

The robust voluntary regulatory process for which a large number of AHBs signed up to will now start the transition to a statutory footing. This period of transformation will commence in the final quarter of 2019 and will involve engagement with multiple stakeholders in the coming years.

The accomplishments of the voluntary environment has been a testament to the commitment and co-operation of those AHBs that have signed up to the Voluntary Regulatory Code. It is anticipated that those organisations will benefit from a smooth transition to the statutory environment. During the transformation phase, the Regulation Office will remain committed to ensuring the sector is well-governed, well-managed, sustainable and accountable to all stakeholders.

The Regulation Office underwent a significant transformation in the first half of 2019, with the appointment of a number of key leadership posts. The expansion and enhancement of the organisational structure reflects the move to a statutory framework.
The most recent regulatory cycle (2018/19) once again provided significant insights into the AHB sector, its operating rhythms, size, scale, diversity, growth plans and the challenges and risks facing the sector. The AHB sector remains a significant partner in the delivery of social housing. The sector continues to expand, with a number of large AHBs delivering new homes and continuing to invest in their organisational and operational infrastructures to ensure continued and sustainable delivery. Growth of this scale is accompanied by a number of risks which are well documented throughout the Annual Report and Sectoral Analysis.

This report details key insights, learnings and provides enhanced transparency for all stakeholders.

Finally, I would like to thank my fellow members of the iRC whose commitment and contribution to the Voluntary Regulatory Code, the oversight and input into the draft legislation has been immense. I would particularly like to thank Mary Lee Rhodes for her stewardship as Chair over the previous two years.

Eddie Lewis
Chair, interim Regulatory Committee

Introduction
from the Head of Regulation

This Annual Report and Sectoral Analysis provides an overview of the work of the Regulation Office throughout 2018/19, alongside sector-wide analysis and detailed accounts of projected growth and financing.

The AHB sector continued to enhance and embed key aspects of the Voluntary Regulatory Framework. The improvements in governance, financial viability and performance management will significantly stand to those AHBs who signed up to the Voluntary Regulatory Code. This is more relevant now than at any other time, with the publication of the Housing (Regulation of Approved Housing Bodies) Bill in July 2019.

262 AHBs were appraised during the most recent assessment cycle, with 87% of AHBs demonstrating high levels of compliance. The AHBs assessed account for 33,945 homes under the Voluntary Regulatory Framework.

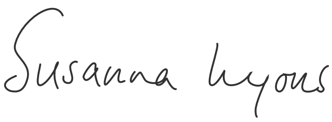
The move from a Voluntary Regulatory Framework to a Statutory Framework will provide assurances to tenants, investors, the Government and to the sector itself that AHBs operate in a well-regulated and stable environment.

The Regulation Office and the AHB sector will now progress towards a statutory environment. The advancement reflects the move throughout 2018/19 from an educational environment to an assurance-based framework, where AHBs are required to provide evidence and assurance regarding their compliance.

The next 18 months will be a period of significant transformation for both the Regulation Office and the AHB sector. The Regulation Office is committed to ensuring a smooth transition and will engage with the sector throughout the transformative process.

The publication of the Bill is a testament to the work of the interim Regulatory Committee. I would like to thank the iRC for their continuous guidance, oversight, direction and challenge throughout 2018/19. Their dedication and input has been of great benefit to the Regulation Office and the sector.

Finally, I wish to acknowledge the super work of the Regulation Team both old and new over the past year. The team embraced many changes and is now well placed to deliver on its key objectives in the coming years.



Susanna Lyons
Head of Regulation

The next 18 months will be a period of significant transformation for both the Regulation Office and the AHB sector. The Regulation Office is committed to ensuring a smooth transition

Chapter 1
Regulation

Chapter 1: **Regulation**

The Regulation Office – Mission, Governance and Framework

The mission of the Regulation Office is to protect AHB assets and safeguard the interests of their current and future tenants. It does this by regulating for a well-governed, well managed and financially viable sector.

Regulation provides assurances to key stakeholders that the sector is well governed, provides a framework for AHBs to manage risk effectively and it safeguards public investment in the sector.

The Regulation Office continues to embed the key principles of Governance, Financial Viability and Performance Management across the AHB sector and advance the Regulatory Framework in preparation for the upcoming statutory environment.

Governance of the Regulation Office

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

In 2018 and 2019, the iRC has continued to be actively involved in its advisory capacity regarding the legislation.

Our interim Regulatory Committee Members

Dr. Mary Lee Rhodes[1] is the Director of the Undergraduate Business programme and Associate Professor of Public Management at Trinity College, Dublin.

Eddie Lewis[2] (Chair) is a lecturer, author and former Principal Officer with the Department of the Environment, Community and Local Government.

David Smith was a Principal Officer in the Department of Housing, Planning and Local Government (resigned June 2019).

Dr. Oonagh Breen is a Senior Lecturer at the School of Law, University College Dublin, where her teaching includes comparative charity law and policy.

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

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

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

Paul Lemass is Assistant Secretary in the Department of Housing, Planning and Local Government (appointed June 2019).

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

1 In June 2019, Mary Lee Rhodes resigned from the interim Regulatory Committee.
2 In June 2019, Eddie Lewis was appointed as incoming Chair.

The iRC has been **providing oversight, direction and control** to the Regulation Office for over five years and has overseen the considerable advancement of the Regulatory Framework

The iRC welcomed the significant development in July 2019 of the publication of the Housing (Regulation of Approved Housing Bodies) Bill 2019. The Committee remains dedicated to ensuring the new regulatory body is fit for purpose and has independent decision-making powers. The iRC also oversaw the introduction of the Performance Standard which was launched in December 2018, having previously approved both the Financial and Governance Standards.

The iRC has established regulatory duties and functions, outlined by its terms of reference, approved by the Minister. The iRC has been providing oversight, direction and control to the Regulation Office for over five years and has overseen the considerable advancement of the Regulatory Framework.

In line with best practice, the iRC commissioned an independent review of its terms of reference, alongside the scheme of delegations in 2019, ensuring its governance arrangements remain appropriate and aligned to the Regulatory Framework.

Our mission

is to protect AHB assets and safeguard the interests of the sector's tenants

Assure

To provide assurance to tenants, boards, government and potential investors that the AHB sector is stable and well-regulated

Guide

Provide a framework for AHBs to manage risk effectively and to focus on achieving best outcomes for tenants

Protect

Protect existing and future AHB tenants by promoting openness and accountability

Contribute

Contribute to the overall sustainability of the sector

Safeguard

Safeguard public investment in the sector

Our Approach to Regulation

The Voluntary Regulatory Code and the Regulatory Standards provide a clear framework on the principles of regulation, including governance, financial viability and performance management. In addition, the standards provide a management tool for AHBs.

AHBs are assessed against the standards in line with risk-based regulation depending on their size, scale and debt profiles.

AHBs are expected to demonstrate that they have appropriate governance arrangements in place, clear financial oversight, controls and monitoring, and that they have a strong focus on tenants and housing management.

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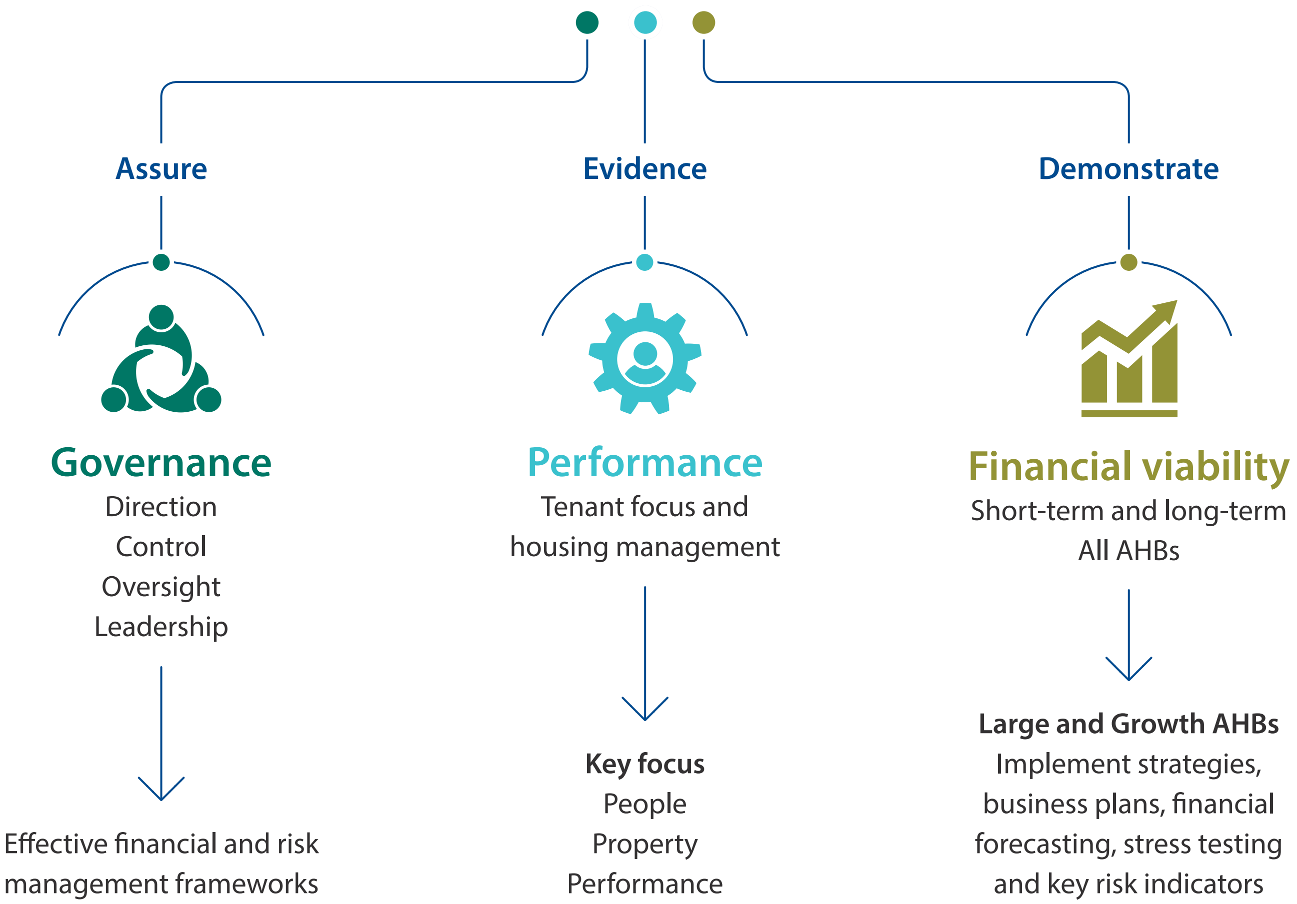
AHBs must...



Strengthening and enhancing the Regulatory Framework

The Voluntary Regulatory Framework has been in operation for over five years, which has provided a period of significant learning for both the AHBs and the Regulation Office. These key learnings and the strengthening and embedding of AHB's Governance, Financial and Performance Management Standards, should significantly benefit those AHBs who signed up to the Voluntary Regulatory Code, as we move towards a statutory environment.

The assessment cycle provided extensive insights into the sector, including the complexity and diversity of the sector, and the ambitious growth plans of a number of AHBs. There is evidence of changing debt profiles and balance sheets for a number of AHBs who have moved away from 100% grant funding towards loan financing.

The assessment cycle provided significant visibility on the predominantly voluntary nature of hundreds of Tier 1 AHBs who report one or no employees. Finally, the cycle provided enhanced visibility on the scale and number of AHBs whose primary objective is the delivery of supports and services, with housing featuring as only a secondary activity.

The Voluntary Regulatory Framework has advanced beyond an educational environment to an assurance-based framework, where AHBs are responsible for demonstrating and evidencing compliance with the Voluntary Regulatory Code and the key standards. This is in line with a statutory regulatory environment and again, should significantly benefit those AHBs who have fully engaged with the voluntary process.

Approach to Assessments

In order to assess whether AHBs are in compliance with the Code and Regulatory Standards, the Regulation Office completes a detailed review of each AHB. The Regulatory Assessment Reports and/or Outcome Statements are based on information provided within the Annual Regulatory Returns, audited Financial Statements, additional key information provided by the AHB and other publicly available information.

Risk-based regulation requires greater levels of supporting evidence from Tier 3 and growth Tier 2 AHBs, in order that full consideration is taken on whether the risks facing organisations are being managed effectively.

The regulatory assessment cycle is reinforced by annual review meetings held with larger and growth AHBs, allowing for increased transparency on the progress and advancements being made by AHBs. These review meetings provide for updates on how AHBs are communicating with tenants, assessing their performance against key targets and meeting their strategic objectives.

The three regulatory standards are now fully operational and provide AHBs with important management tools. AHBs have clear roadmaps as to how compliance with the standards can be achieved. The focus of Boards should not simply be to meet standards but to ensure the highest level of oversight, assurances and service delivery for their tenants and other service users.

The Voluntary Framework has **advanced beyond an educational environment** to an assurance based framework

The Standards

Governance

AHBs are required to demonstrate that the organisation is well governed, with a fully functioning board, providing oversight, direction and control, leadership, effective financial management and risk management frameworks. Good governance should reflect effective leadership and a clear understanding of objectives. Boards are expected to ensure that they have the capability to scrutinise, support and challenge the Executive.

Board membership should demonstrate a diverse range of skills and expertise with clearly defined roles and responsibilities and appropriate succession planning.

The Board has a duty to ensure that the organisation understands and manages its risks and meets its legal and compliance obligations.

Finance

AHBs should be able to evidence financial viability in the short, medium and long term. Organisations are required to ensure they have the appropriate financial management, budgeting, monitoring and internal controls in place.

AHBs are expected to pro-actively manage rental income, arrears, voids, repairs, maintenance budgets and demonstrate they have the ability to invest in their housing assets and fund any capital and loan repayments.

The Financial Standard has been in place since July 2015 and a number of key learnings have been identified in that period. The Regulation Office has embarked upon a detailed review of the requirements of the Financial Standard, including financial oversight, financial management, financial governance, internal controls and financial forecasting. It is anticipated that a revised Financial Standard will be issued in October 2019.

Performance

AHBs are expected to have a strong focus on tenants and housing management, with assurances that they have established outcomes in relation to People, Property and Performance.

AHBs are accountable to their tenants and the regulatory framework highlights this by requiring AHBs to monitor and report on how they manage their operations including areas such as tenant communication, income management, repairs, allocations and voids. This involves specific tenant service indicators, communication mechanisms and having an agreed set of performance management indicators.

A key element of the Performance Standard is the requirement to fully comply with all existing statutory and regulatory requirements regarding the safety of tenants in their homes and the protection of the AHB's assets. Boards need to be assured that their organisation is meeting these requirements.

Key Highlights

Publication of Bill (July 2019)

262 AHBs assessed

87% of AHBs demonstrated high levels of **compliance**

Over **10,000** **new homes** forecasted by 2020

33,945 **AHB homes** covered by the Voluntary Code

19 **Tier 3 AHBs** account for 75% of total stock

272 AHBs now **signed up to Regulation**

Evidence of **enhanced Governance**

Performance Standard launched Dec 2018

Educational Forums completed: **126 participants** representing 87 AHBs

Chapter 2
Overview

Chapter 2: **Overview**

The Regulation Office conducted detailed assessments of 262 AHBs in the 2018/19 assessment cycle. AHBs continue to report high levels of compliance with the Regulatory Framework. The latest assessment cycle evidenced an overall increase in compliance reported by AHBs year on year. 87% of AHBs demonstrated high levels of compliance.

The Regulation Office welcomes the high level of commitment by AHBs and their continued embedding of the key principles of regulation.

Overall, 230 AHBs demonstrated high levels of compliance. The Regulation Office determined that 14 AHBs required Engagement. These organisations demonstrated varying degrees of non-compliance, with risks identified requiring remedial action by those AHBs. A number of these organisations remain in engagement from previous assessment cycles, as they continue to address key concerns.

Assessments are conducted within a lagged environment and several AHBs successfully exited the engagement process in the past year, having worked closely with the Regulation Office to action on identified areas regarding governance, financial oversight and housing related performance management. The timeframe for remaining in engagement remains reliant on the AHB itself fully addressing key areas of risk and committing to the engagement process.

Engagement has proved to be very successful for the majority of organisations who have been involved.

Compliance and Regulation

AHBs are subject to a wide range of legislative and statutory requirements and Boards need to be fully aware of all of their statutory obligations and seek assurance that these are being fully complied with. The more diverse the activities of a particular AHB, the more statutory and regulatory requirements which must be adhered to. These include, but are not limited to health and safety, Minimum Standards for Rented Accommodation, Charities Regulator, RTB, HSE, HIQA and GDPR obligations.

A key compliance area for AHBs as landlords is the health and safety of tenants, families, visitors, contractors and AHB staff and it is therefore essential that compliance with health and safety requirements is given a priority by the Board.

Key Findings from the Assessment Cycle 2018/19

Governance

The AHB sector continues to report increased levels of compliance across all the key areas of governance. The Regulation Office welcomes the progress made in enhancing Board oversight, monitoring, control, membership and scrutiny. We would like to acknowledge the commitment from organisations, and particularly their Boards, in strengthening and embedding governance structures.

The number of AHBs who meet the requirements regarding Board membership and meetings remained high. The percentage of AHBs reporting that they did not have sufficient Board members in place was 5%, whilst 27 AHBs reported they had failed to meet the minimum requirement of four Board meetings to be held within a calendar year. The Regulation Office continues to work with these AHBs to ensure that they have properly constituted and fully functioning Boards, providing effective governance arrangements that deliver on the organisation's aims, objectives and intended outcomes.

Succession planning continues to be an area that requires further improvement particularly in the Tier 1 sector, with 30% of Board members recorded as having served on the Board for over 15 years. Smaller AHBs continue to report that succession planning is a key risk. The Regulation Office notes that Tier 3 and growth Tier 2 AHBs reported the recruitment of new members, with specific skills and expertise relating to risk and treasury.

AHBs continue to show improvements in relation to risk management, however there remains a significant variation in the quality of risk management structures and oversight. The Regulation Office continues to work with AHBs where there are concerns that Boards are not fully aware of risk and the importance of identifying, assessing and managing risk as part of their overall approach to governance.

Performance

The 2018/19 assessment cycle highlighted that several larger and developing AHBs are investing heavily in asset management, human resources and IT infrastructure systems, in order to strengthen and enhance their housing management functions and to meet their growth objectives.

Increased reporting by AHBs has improved visibility on rent collection and arrears and this area remains a key focus for the Regulation Office. It is crucial that Boards ensure that they are receiving and reviewing critical information regarding rental income management.

Larger and growth AHBs stated they are producing more robust management information for their Boards in relation to key performance indicators such as voids, rent and maintenance performance.

There was evidence of continued improvements in relation to the completion of Stock Condition Surveys and how these inform Sinking Fund provisions. However, there remain variations in the level of stock subject to survey amongst AHBs with some having completed a 100% survey of stock, whilst others have conducted less than 10% which cannot be considered as robust.

Improvements are still required in the development of an Asset Management Strategy which are clearly linked to an AHB's overall strategic and business plan. Additionally, there are mixed results in relation to setting clear annual maintenance budgets based on an Asset Management Strategy.

Increased reporting by AHBs has **improved visibility on rent collection and arrears** and this area remains a key focus for the Regulation Office

Finance

The AHB sector's Financial Statements remain non-standard. Financial transparency varies significantly between AHBs and within Tiers. Accounting treatments remain non-standard with depreciation, amortisation and grants recorded in multiple ways. Visibility on housing income and expenditure continues to be a factor for large care and support organisations. The AHB Sector would benefit significantly from a standardised financial reporting approach.

AHBs reported improvements in financial oversight and monitoring however, there remains a wide variance in approach and the level of financial information provided to the Boards in relation to key financial indicators,

AHBs are required to **demonstrate realistic growth assumptions** and provide assurances that identified risks are stress tested with appropriate mitigation actions

including rent, arrears, loss of income from voids, financial feasibility, repairs and maintenance expenditure and budgeting.

Financial viability remains strong across the majority of the sector, with organisations reporting operating surpluses, strong liquidity and positive operating cashflows. It is notable that large care and support organisations continue to operate in a low margin environment with funding provided by state agencies on an annual basis.

Tier 3 AHB's income grew significantly year on year, with operating margins remaining at a healthy 25%. Liquidity and cash management remains a key focus area for AHBs in significant growth phases and pro-active treasury management is critical within these environments.

Financial governance and assurance frameworks evidenced substantial differences relating to risk, internal controls and robust challenge at both Board and sub-committee level. The Regulation Office continues to seek assurances relating to financial management and control frameworks particularly for growth AHBs with changing debt profiles.

Debt profiles for a select number of growth AHBs continue to change. Forecasted growth reports that loan financing is predominantly provided by the Housing Finance Agency (HFA). There is some evidence of diversified funding arrangements being considered by a smaller number of AHBs.

Larger and growth AHBs evidenced improvement in aligning strategic and business plans to financial forecasting models. Financial forecasting, particularly cashflow management remains a key focus area. AHBs are required to demonstrate realistic growth assumptions and provide assurances that identified risks are stress tested with appropriate mitigating actions.

Growth organisations reported investment in IT infrastructure, human resources and operations. AHBs have demonstrated that they are currently managing growth and cost increases. However, with substantial growth forecasted for a select number of AHBs cost containment alongside sustainable delivery remains key.

Identified Risks and Emerging Issues

The regulatory assessment cycle, educational forums, annual review and engagement meetings provided the Regulation Office with additional insight into the key risks facing the AHB sector.

The Regulation Office expects that AHBs actively manage and monitor all identified risks and that they ensure their organisations are risk enabled.

An analysis of the assessment cycle has identified a number of key risk areas facing the AHB sector. These include but are not limited to:

Growth

Unit growth is concentrated over a small number of AHBs who have forecasted significant increases in units over the next few years. A key area of risk relates to these AHBs delivering on these ambitious targets, whilst maintaining "business as usual" and ensuring there is no negative impact to existing tenants. There is potential risk in a period of significant growth to focus on development, at the expense of the management of existing tenancies. AHBs committing to significant growth must be fully aware of the risks to the future viability of the organisation where that growth is not managed in a controlled and sustainable manner.

Debt Profile

A select number of AHBs have and are forecasting to significantly increase their levels of loan financing, thereby substantially altering their debt profiles and balance sheets. There is a risk that some AHBs may overextend the organisation by taking on high levels of loan financing, potentially impacting the long-term financial viability of the AHB.

AHBs and their Boards need to fully understand the risks associated with loan financing, to ensure appropriate financial governance and compliance with loan covenants. AHBs must ensure that they can manage

Key Risk Areas

AHBs and their Boards need to **fully understand the risks associated with loan financing,** to ensure appropriate financial governance and compliance with loan covenants

the changes to their balance sheet, liquidity and cashflow profiling, alongside the increased covenant and reporting requirements from funders.

Availability and Development

Current market conditions have been identified as a key risk where it is increasingly difficult to acquire land and housing at affordable prices. Boards and Executives have a crucial role in ensuring that all decisions to acquire land/ houses are based on robust appraisals, financial feasibility and detailed risk assessments.

Investment and Delivery

Several AHBs have reported significant investment in asset management, IT infrastructure and human resources. Where AHBs are substantially increasing their cost base, delivery becomes a key factor. Any shortfall in delivery impacts associated unit income and potentially exposes the organisation to decreasing operating margins, liquidity risk and cashflow issues and has the potential to impact on both short and long-term financial viability.

Board Recruitment and Succession Planning

The length of board tenure and the recruitment of new Board members has been reported as a key risk area for smaller AHBs. Boards need to establish formal succession plans where they have identified this risk and ensure that Board membership is effectively managed. The Regulation Office recognises the valuable contribution that voluntary Board members make to the sector. However, it is vital that Boards continue to refresh their membership ensuring appropriate governance of their organisations.

Group Structures and Related Parties

A number of organisations have reported complex structures and relationships, with related parties providing a range of supports, services and housing management activities. There is a risk that Boards do not have adequate line of sight on direct housing assets within their financial reporting; are not actively challenging performance against service level agreements; or reviewing financial transactions and contractual arrangements between related parties. Where the AHB is part of a group structure there is also a risk that the Board are unable to demonstrate that they are acting as a fully independent entity. The governance structure should be clearly defined to ensure clarity regarding responsibility and accountability for decision making. It is important that AHBs ensure there is appropriate balance between the strategic control of a parent and the operational independence of a subsidiary.

Classification

The classification of a number of Tier 3 AHBs as 'on-balance sheet' in December 2017 has continued to provide uncertainty in the AHB sector. The impact on the medium and long-term funding arrangements for AHBs with significant growth plans requires greater clarity.

AHBs not signed up to Regulation

Approximatively 270 AHBs remain unengaged with the Voluntary Regulatory Code. The Regulation Office strongly encourages all active AHBs to review the requirements as laid out under the published Bill.

Publication of Housing (Regulation of Approved Housing Bodies) Bill 2019

In July 2019, the Minister for Housing, Planning and Local Government announced that the Government approved the text and publication of the Housing (Regulation of Approved Housing Bodies) Bill 2019.

The Bill provides for the regulation of AHBs for the purposes of ensuring the proper governance and the financial viability of the sector.

Additionally, the Bill provides for the establishment of the independent Approved Housing Bodies Regulatory Authority (the Regulator) and assigns the following key functions to it:

- the registration of AHBs
- setting standards for AHBs
- monitoring and assessing compliance by AHBs
- undertaking investigations into AHBs
- the cancellation of registration of AHBs where appropriate; and
- the right to seek court orders to protect the assets of AHBs in certain circumstances.

The Bill also provides for an appeals system for AHBs to appeal against certain decisions of the Approved Housing Bodies Regulator.

The publication of the Bill marks a significant milestone for the Regulation Office and the AHB sector. The Regulation Office anticipates a significant change to its operations with focus on ensuring regulatory readiness for both itself and the AHB sector.

The Regulation Office is committed to a smooth transition between the voluntary and statutory environments. As noted previously, it is anticipated that AHBs who signed up to and committed to the voluntary environment will significantly benefit from that experience.

The publication of the Bill marks a significant **milestone for the Regulation Office and the AHB sector.** The Regulation Office anticipates a significant change to its operations with focus on ensuring regulatory readiness for both itself and the AHB sector

Chapter 3
Sectoral Analysis

Chapter 3: **Sectoral Analysis**

During the most recent assessment process, the Regulation Office assessed 262 AHBs. In this section we examine the findings, including total housing stock figures, levels of compliance with the Code and provide oversight on whether the key standards of governance, financial management and performance management are being embedded. The chapter also provides detailed analysis on the growth plans of AHBs and the forecasted funding mechanisms.

262 AHBs were assessed in the recent regulatory assessment cycle. The split of Tiers remains similar to previous years, with smaller Tier 1 AHBs, accounting for the highest portion of AHBs and Tier 3 AHBs (organisations with the largest number of units) accounting for the smallest percentage. The breakdown of AHBs by Tier is shown below.

Housing Stock

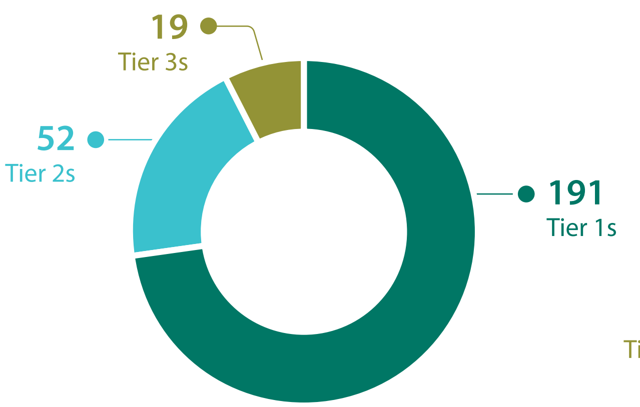
There are 33,945 AHB units signed up to regulation. Tier 3 AHBs account for the majority of housing units within the sector with 25,358 units.

There are a significant number of small Tier 1 AHBs (191) accounting for just under 10% of the total regulated stock.

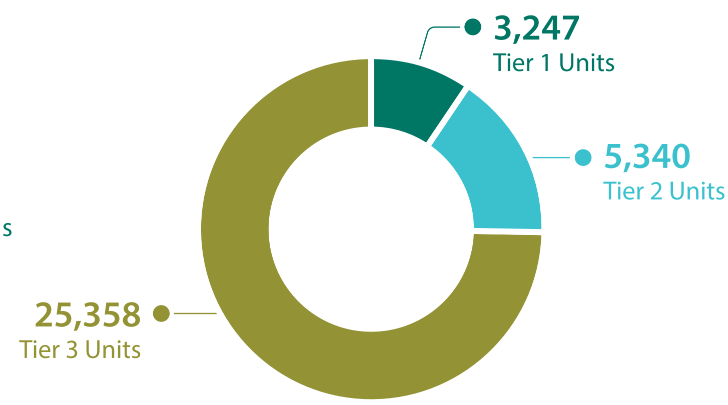
A significant proportion of AHBs are small, locally-based organisations managing a small number of units, alongside a small number of large AHBs who are managing substantial housing portfolios.

19 AHBs account for 75% of total housing stock

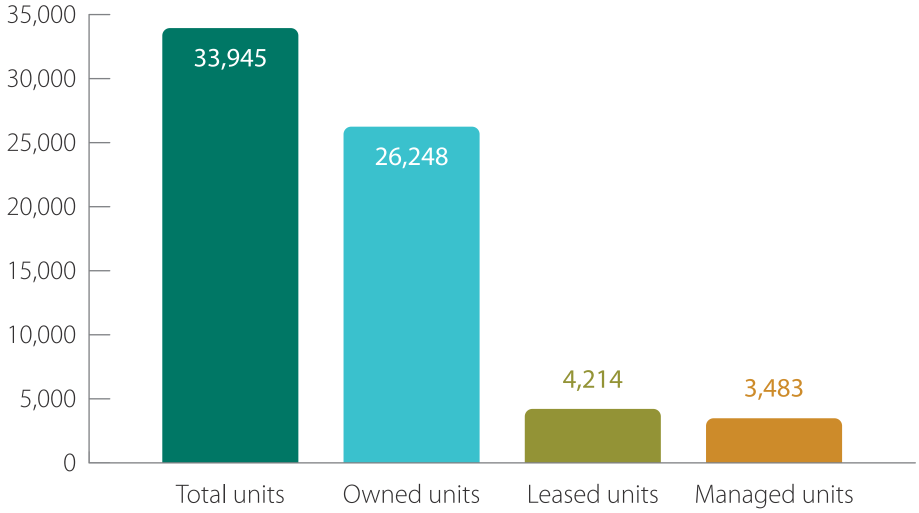
AHBs Breakdown by Tier



Units Split Across Tier



Units Split by Owned, Leased and Managed



The chart above sets out the total number of units within the sector which are either owned, leased or managed.

AHBs reported that approximately **77% of units** are owned

Governance

Governance Overview

- **95% of AHBs meet the Code** requirements regarding Board membership
- **100% of all Tier 3 AHBs** reported having an Audit and Risk Committee in place
- **90% of AHBs** held at least 4 board meetings during the year
- **77% of all AHBs** have a full set of Board policies in place
- **13 AHB Boards** do not have the minimum of 5 members in place
- **30% of Tier 1 Board members** have been in place for over 15 years
- **Improvements** in formal succession planning required
- **Wide variance** in risk register formats identified

Assessment Focus

In assessing each AHB the Regulation Office focuses on a number of key areas of governance, including Boards, Board membership, sub-committees, Board policies and procedures, succession planning, risk management and related party relationships.

AHBs should be able to demonstrate that the organisation is well governed, with a fully functioning board, providing oversight, direction and control. AHBs should have effective leadership with the Board clearly understanding the key objectives. Board membership should reflect a diverse range of skills and expertise, with Board roles and responsibilities clearly defined and with appropriate succession plans in place.

Boards have a duty to ensure that the organisation understands and manages its risks and meets its legal and compliance obligations. AHBs are required to provide assurances that they have the appropriate governance in place, including effective leadership, appropriate financial controls and risk management frameworks.

AHBs who are unable to demonstrate established policies and procedures outlining their terms of reference, roles and responsibilities, key objectives and associated risks, are unable to provide appropriate assurances regarding their governance.

As illustrated in the diagram, good governance is a continuous process, from setting the strategy and direction of the organisation, to providing oversight of the control framework, to ensure outcomes are achieved.

Boards have a duty to ensure that the organisation **understands and manages its risks** and meets its legal and compliance obligations

Good Governance

Board Membership, Policies and Meetings

AHBs reported a total of 1,988 Board members across the 262 organisations. These break down as:

- 191 Tier 1 AHBs reported 1,377 Board Members
- 52 Tier 2 AHBs reported 441 Board Members
- 19 Tier 3 AHBs reported 170 Board Members

Analysis of the information submitted by AHBs has shown that 95% of AHBs reported that they meet Board membership requirements. However, 13 AHBs (5%) reported that they had less than five members and are therefore not compliant with the Code. The average number of Board Members across all tiers was 8.

The majority of AHBs (90%) reported that the Board held at least four Board meetings per annum, with an average of seven meetings reported. However, 27 AHBs reported that they did not meet the Code requirements, with 24 Tier 1s, 2 Tier 2s and 1 Tier 3 reporting that they met less than four times in the year. AHBs who do not meet a sufficient number of times are unable to provide appropriate assurances relating to Governance.

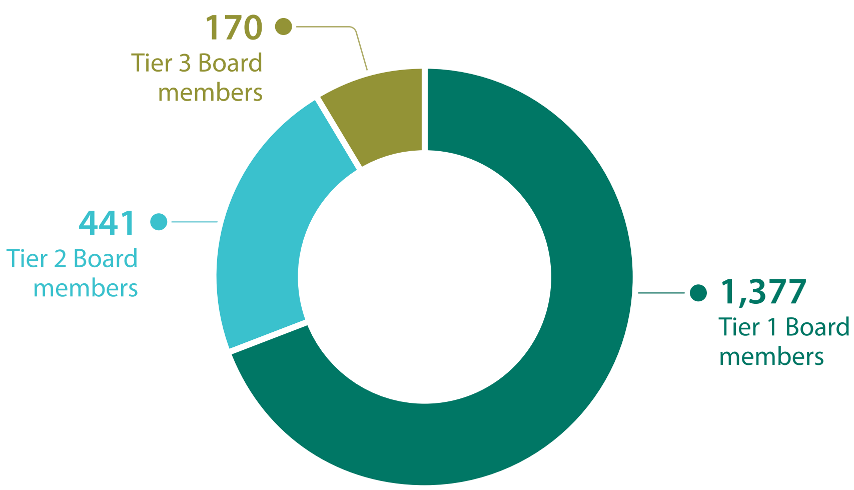
The average number of Board Members **across all tiers is 8**

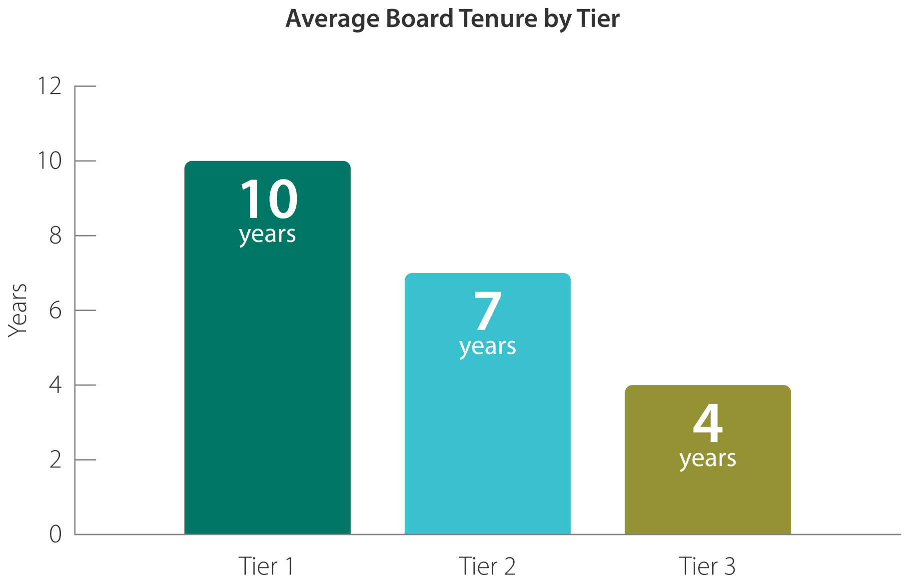
The sector continued to report an increase in compliance with the required Board policies year on year. 77% of all AHBs reported that they have policies in place for Board membership, Board renewal, Code of Conduct and Conflict of Interest. This figure rises to 95% for Tier 3 AHBs. However, despite the improvement, there are still a number of AHBs who reported that they remain without key policies in place.

Whilst the Regulation Office welcomes AHBs having appropriate policies in place, this in itself, is not considered sufficient. Boards need to be able to demonstrate that there is an appropriate assurance framework in place that evidences whether policies established are operating effectively.

77% of all AHBs reported that they have **policies in place** for Board membership, Board renewal, Code of Conduct and Conflict of Interest

Number of Board Members





Smaller AHBs reported that **succession planning and board recruitment is a key risk**

Board Tenure and Succession Planning

The length of board tenure and the recruitment of new Board members has been reported as a key risk area for AHBs. Our assessment has shown that larger AHBs have been successful in identifying new Board members, greatly increasing the range of skills and expertise on their Board in recent years. This has been particularly successful where it is linked to a formal succession plan which has included a skills gap analysis. However, as mentioned previously, there remains a concern regarding Board membership, tenure and recruitment for Tier 1 AHBs.

An analysis of Board tenure has indicated that there are significant number of Board members who have served beyond 10 years (which equates to two 5-year terms). This is a particular issue for Tier 1 AHBs where 45% of Board members have been on the Board for over 10 years.

The average tenure length based on current information is four years for Tier 3, seven years for Tier 2 and ten years for Tier 1 AHBs. Smaller AHBs reported that succession planning and board recruitment is a key risk.

Group Structures and Related Parties

The AHB sector is complex with a variety of non-housing activities being undertaken either directly within the AHB, through the use of group structures or in relationships with third parties. Through the assessment cycle it was not always clear how specific relationships operated or indeed how independent the AHB was when part of a large group structure or had a significant related party(s).

The Regulation Office notes that clarification around these relationships is improving. AHBs evidenced advancements in documented procedures, including service level agreements and contractual financial arrangements ensuring more appropriate governance structures are in place. The AHB sector continues to report high levels of related party relationships, with 63% of Tier 3 AHBs and 56% of Tier 2 AHBs reporting that they had some form of related party.

By their nature group structures and related parties can be inherently risky to an AHB seeking to demonstrate independence and robust governance arrangements. Where entities have related parties, the relationship and

45% of Tier 1 Board Members have been **on the Board for over 10 years**

arrangements between the parties must be formally recorded. The Board is expected to ensure that there are contractual agreements in place which define all aspects of the relationship and how the relationship operates.

AHBs are required to evidence independent governance, clear separation of roles and duties, formal documented arrangements and 'at arms-length' decision making between themselves and any related party(s).

Risk Management

Risk Management should be an integral element of an AHB's Governance Framework with risk being fully owned by the Board. The diagram below reflects that risk identification, assessment, mitigation and monitoring should be a continuous process. Risks that impact on an AHB will continue to evolve and the Boards approach to risk should allow for on-going assessment of the risk environment.

Risk Framework

The assessment cycle identified that, overall, there had been an improvement in risk awareness within the AHB sector. However, there is a wide variance in the level of effective risk management arrangements in place. Whilst a significant number of AHBs had established a risk policy and a risk register it wasn't always clear whether this was being fully utilised in the identification, assessment and management of risks by the Board. There was often a mis-alignment between the risk policy and how risk management operated in practice.

It is vital that Boards consider and understand the risks associated with the provision and management of housing and the impact that these could have on the AHB ensuring sustained tenancies and delivering on strategic objectives.

Risk Management should be an **integral element of an AHB's Governance Framework** with risk being fully owned by the board

Risk Management

Identify
- Horizon scanning
- Emerging risks
- Mitigated risks
- Change in strategy/purpose
- Risk categorisation
- Owners
- Controllable/ non-controllable

Quantify and assess
- Impact
- Likelihood
- Inherent risk
- Prioiritsation

Challenge and evaluate controls
- Controls
- Process and Procedure
- Frequency
- Accountability and responsibility
- Control effectiveness

Mitigate
- Residual risk
  – Tolerate
  – Treat
  – Substitute
  – Terminate
- Consider re-assessment

Monitor and report
- Prioritise
- Communicate
- Rank
- Standardisation
- Observation vs action risk

Boards should ensure their organisations are **Risk Aware and Risk Enabled**

Risk management is not static and should be a continuous process with Boards regularly reviewing and re-assessing the risks affecting their organisation and identifying new risks where they occur. Holistic risk management practices are not fully evident in the sector and assurances continue to be sought from large and growth AHBs. Boards should ensure their organisations are Risk Aware and Risk Enabled.

Audit and Risk Committees

Larger and developing organisations are required to have an Audit and Risk Committee in place. An increasing number of AHBs, 95% of Tier 3 AHBs and 75% of Tier 2 AHBs reported they had an Audit and Risk Committee in place.

The Audit and Risk Committee play a key role assisting the Board in monitoring the internal control environment, risk management, financial reporting and both internal and external audit functions. It is a key link in the assurance framework for an AHB. Their role in oversight of these areas is vital, but ultimate responsibility remains with the Board.

While Tier 1 AHBs are not required to have an Audit and Risk Committee, it is a matter for the governing body of each individual organisation to consider.

Governance: Key Areas of Focus

The Regulation Office have identified a number of areas that will form part of its Governance focus in the coming year. These are:

- **Fully functioning Boards**
- **Board composition and tenure**
- **Board skills matrix and evaluation**
- Evidence that **risk management** is truly embedded
- **Formal succession planning** is in place and that Board recruitment is supported by appropriate skills gap analysis
- **Delegation of authority** to sub-committees
- **Financial feasibility and risk evaluation** at Board level
- Greater evidence that where group structures exist the AHB Board can **demonstrate that it is independent**
- AHB regulatory **readiness for statutory regulation**

Performance Management

Performance Overview

- **Significant investment** by growth AHBs in their performance structures
- 87% of AHBs reported having a **performance management system in place**
- Total rent due **reported €100M**
- Rent Arrears were **5% of rent due**
- **Voids average 8%** of AHB stock across the sector

96% of all AHBs reported that they **actively engage and communicate** with tenants

Assessment Focus

In assessing each AHB the Regulation Office focuses on a number of key areas of performance including tenant management and communication, rent, arrears, void management, stock condition surveys, sinking fund provision and asset management strategies. AHBs are expected to have a strong focus on tenants and housing management, with assurances that they have established outcomes in relation to People, Property and Performance.

AHBs are accountable to their tenants and are required to monitor and report on how they manage their operations. This involves having an agreed set of performance management indicators, specific tenant service indicators and communication mechanisms.

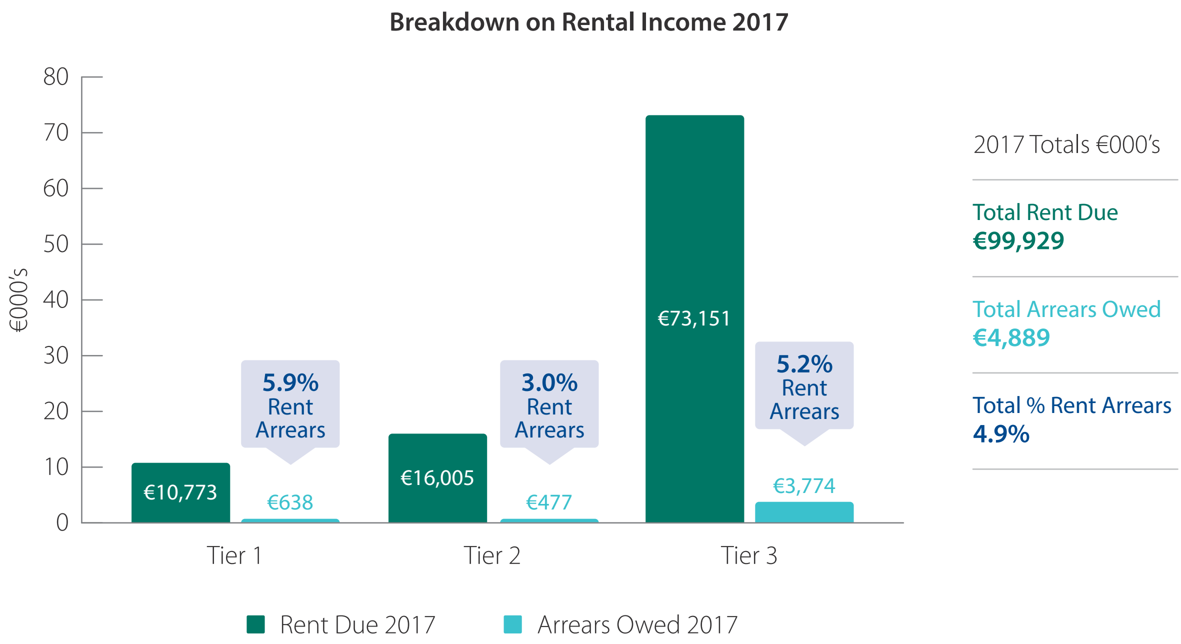
A key element of the Performance Standard is the requirement to fully comply with all relevant statutory and regulatory requirements regarding the safety of tenants in their homes and the protection of the AHB's assets. Boards need to be assured that their organisation is meeting these requirements.

Tenant Policies and Communication

A total of 94% of AHBs reported that they had a complaints policy in place and 87% of AHBs also reported having an allocations policy in place. The Regulation Office was pleased to note that 96% of all AHBs reported that they actively engage and communicate with tenants.

Tier 3 AHBs evidenced high levels of engagement with new tenants with 94% confirming both pre-tenancy training and tenant handbooks. However, this was less evident with smaller AHBs with 73% of Tier 2 and only 62% of Tier 1 AHBs providing pre-tenancy training. A small number of AHBs indicated that they still remain without these essential housing management tools.

83% of AHBs reported having a **rent arrears policy** in place



Rental Collection and Arrears

Rental income is the primary source of income for a social landlord and should be a vital element of any landlord's performance management reporting. There has been an improvement in income management information being provided by AHBs, particularly on rent due versus rent collected, and the level of arrears that exist. 83% of AHBs reported having a rent arrears policy in place.

95% of Tier 3 AHBs reported they conducted a **stock condition survey**

Despite this, a few AHBs remain with limited visibility on how much rent is due, what rent is collected and the variance between both. Discussions with AHBs highlighted some concerns that not all Boards have sufficient levels of detailed reporting in this area, which is considered a basic requirement of any housing management reporting system.

Based on the information reported, AHBs identified arrears of approximately €4.9M or 5% of total rent due.

Void Management

Voids can represent a significant loss of rental income to an AHB, therefore, pro-active management of voids is essential.

The average number of voids reported was 11 units, representing an average of 8% of stock across the sector. The average duration of voids was reported as 10 weeks. It is noted that those AHBs who operate predominantly in care and support housing report higher levels of voids than those AHBs who predominantly provide general needs housing.

The Regulation Office looks at void performance when considering the growth plans of an AHB. Where AHBs are reporting high levels of voids alongside high forecasted growth, Boards should be able to demonstrate that they have fully evaluated the financial feasibility and operational management of such units in line with existing void performance. It is expected this should form part of the appraisal process for any new developments and include an appropriate evaluation and assessment that all new units can be successfully allocated.

Stock Condition Surveys

The main assets of an AHB are its homes and AHBs should ensure they have the appropriate mechanisms in place to maintain these properties over the longer term.

Stock Condition Surveys are considered the best method for an AHB to ensure it fully understands the quality and condition of its homes and the long-term costs associated with maintaining these.

A total of 95% of Tier 3 AHBs reported they conducted a stock condition survey, with 89% of those surveys externally validated.

Asset Management

It was reported that 79% of Tier 2 AHBs had carried out a stock condition survey, with 62% of those reporting the results were externally validated.

However only 40% of Tier 1 AHBs indicated the completion of a stock condition survey which reflects further work is required by smaller AHBs in fully understanding the condition of their properties and the cost of maintaining these in the longer term.

There were varied results in relation to the percentage of overall stock that had been subject to survey. AHBs should aim to have full data on all stock over time to ensure that their sinking fund provision is as robust as possible. Where the number of units subject to survey is only a small percentage of total stock the estimates on expected sinking fund provision is less reliable and the risk of unexpected maintenance costs are significantly higher.

Sinking Fund Provision

AHBs reported a marked improvement in sinking fund provision. 95% of Tier 3 AHBs, 75% of Tier 2 AHBs and 73% of Tier 1 AHBs evidenced a sinking fund provision.

A sinking fund provision is required for the repair, long-term planned maintenance and refurbishment of housing stock. Through our annual review meetings the Regulation Office found an increased awareness amongst Boards on the need to link their Stock Condition Survey results with their sinking fund provision. This ensures that those provisions are being set at an appropriate value based on the level of investment required to maintain their housing assets in the longer term.

86% of AHBs reported the **ability to provide information** in relation to repairs

Further improvement is required by AHBs in the development of formal Asset Management strategies to ensure that a strategic approach for all planned maintenance activities are in place.

Repairs and Maintenance

A significant proportion of an AHB's annual expenditure is its spend on repairs and maintenance. Understanding and planning for the current and future costs of repairs and maintenance is essential for ongoing business viability, identifying risk, determining future capacity for growth and for ensuring value for money. 86% of AHBs reported the ability to provide information in relation to repairs.

Performance Reporting

The 2018/19 cycle indicated that 87% of the AHB sector reported that they had some type of performance management structure in place, which provides the AHB with the ability to report and analyse on key performance indicators. These include:

- the number of voids and the length of voids
- rental income due, rental income collected, rental arrears
- emergency, urgent and routine repairs.

Performance: Key Areas of Focus

The Regulation Office have identified a number of areas that will form part of its Performance Management focus in the coming year. These are:

- **Alignment to requirements** of the Performance Standard
- Evidence that Boards are assured that they are **in compliance with all their existing legal,** statutory and regulatory obligations
- Evidence that **sinking fund provision** is clearly linked to the AHB's Stock Condition Survey and Asset Management Strategy
- Evidence that an AHB's **Asset Management Strategy** is linked to their strategic plan
- **Regular reporting to the Board** on Key Performance Indicators

Finance Management, Viability and Forecasting

Finance Overview across Tier 3 AHBs

- **Housing assets €2.2BN**
- **Loan financing €508M**
- **Government grants €1.8BN**
- **Income €206M**
- **92% increase in interest payable**
- **81% increase in long-term loans**
- **39% growth in core income** due largely to increase in development activity
- **Improved visibility of housing assets** in AHBs who provide a range of services

AHBs are required to **demonstrate that their organisations are financially viable,** providing assurance that they can generate sufficient income to meet operating expenditure and debt commitments

Assessment Focus

In assessing each AHB the Regulation Office focuses on a number of key areas of financial management, including viability, oversight, monitoring, internal controls, governance, income and expenditure, surplus/deficits, liquidity, operating cashflows, visibility on housing income and expenditure, sinking fund provision, financial forecasting and stress testing. In line with risk-based regulation, the financial assessments relate to the size, scale and debt profiles of the AHBs.

Financial Visibility and Management

AHBs are required to demonstrate that their organisations are financially viable, providing assurance that they can generate sufficient income to meet operating expenditure and debt commitments as they fall due, while maintaining service levels both in the short and long-term. AHBs are required to ensure they have the appropriate financial management, budgeting, monitoring and internal controls in place.

In order to appropriately assess AHB's financial viability, the Regulation Office requires visibility of full audited financial statements. Whilst the majority of AHBs comply with this requirement, there continues to be a number of smaller organisations availing of an exemption under the Companies Act, permitting the publication of abridged financial statements. The view of the Regulation Office is that abridged accounts do not provide the level of transparency required of AHBs.

AHB's financial statements remain non-standard, with financial transparency varying significantly between AHBs. Application of accounting treatments differ with depreciation, amortisation and grants recorded in multiple ways. Visibility on housing income and

Financial viability remains strong across the majority of the sector, with organisations reporting surpluses, strong liquidity and positive operating cashflows

expenditure continues to be a factor for large care and support organisations. The AHB sector would benefit significantly from a standardised financial reporting approach.

Financial viability remains strong across the majority of the sector, with organisations reporting surpluses, strong liquidity and positive operating cashflows. It is notable that large care and support organisations continue to operate in a low margin environment with funding provided by State agencies on an annual basis.

Financial Governance

AHBs showed improvements in financial oversight and monitoring however, there remains a wide variance in approach and the level of financial information provided to the Boards in relation to key financial indicators, including rent, arrears, loss of income from voids, financial feasibility, repairs, maintenance expenditure and budgeting.

The assessment cycle evidenced substantial differences in financial governance and assurance frameworks relating to financial oversight, risk, internal controls and robust challenge at both Board and sub-committee level. The Regulation Office continues to seek assurances relating to financial management and control frameworks particularly from growth AHBs.

AHBs are required to provide assurances that they have proportionate, effective and transparent reporting, communications, audit and risk management through controls systems and effective financial management structures.

Internal audit functions provide organisations with additional assurances relating to financial controls, policies, processes and procedures to determine if these are operating effectively and in line with AHBs objectives. Tier 3 AHBs reported improved use and accessibility to Internal Audit services, however, there remains room for improvement particularly in ensuring that Internal Audit plans are linked to the AHB's risk register.

Financial Forecasting

Larger and growth AHBs evidenced improvement in aligning strategic and business plans to financial forecasting models. Financial forecasting, particularly liquidity and cashflow management remains a key focus area. AHBs are required to demonstrate realistic growth assumptions and provide assurances that identified risks are stress tested with appropriate mitigating actions.

The debt profile of the larger AHBs is changing, with higher levels of loan financing being acquired, with a move away from a complete reliance on Government capital grants. The impact of this change in Tier 3 AHBs is evident from the changes in costs which have reflected a 92% increase in the interest payable from €6.2M to €11.8M.

Forecasted growth reports that loan financing remains predominantly funded via the Housing Finance Agency (HFA). There is some evidence of diversified funding being progressed by a number of AHBs, which is expected to materialise in the latter part of 2019 and into 2020.

The Regulation Office has seen improvements in the quality of information provided by Tier 3 and growth Tier 2s. However, there remains considerable variation in financial planning and forecasting capacity and capability across organisations. It is anticipated that the revised Financial Standard will enable greater standardisation and application of financial planning and forecasting for AHBs.

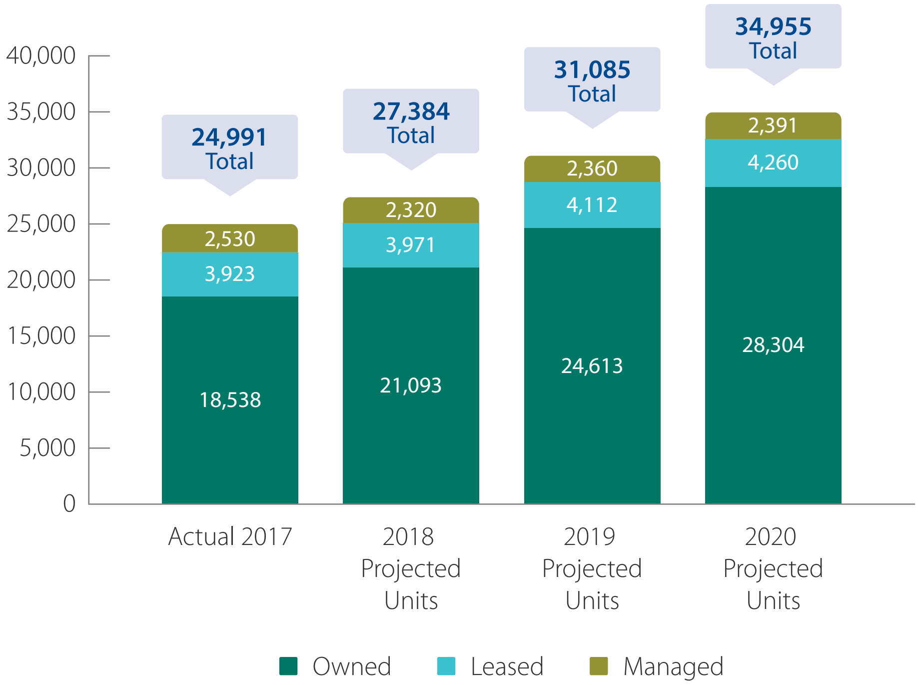
Planned Unit and Loan Growth

Tier 3 AHBs continue to forecast considerable growth through to 2020. 17 Tier 3 AHBs forecast unit growth of 9,932 over the period. Similar to previous years, just five AHBs represent 74% of the growth forecasted for Tier 3 organisations.

The unit growth is forecasted to be primarily funded via Capital Assistance Loan Financing (CALF), accompanied by Payment and Availability payments. AHBs forecasted €0.6 billion increase in CALF loans over the period alongside €1.5 billion increase in HFA funding.

AHBs have delivered significant unit growth in recent years. This continued forecasting of growth is welcomed

Projected Unit Growth



Loan financing requires **increased levels of compliance and covenant requirements for funders.** AHBs need to demonstrate they have the capacity to meet key funder requirements

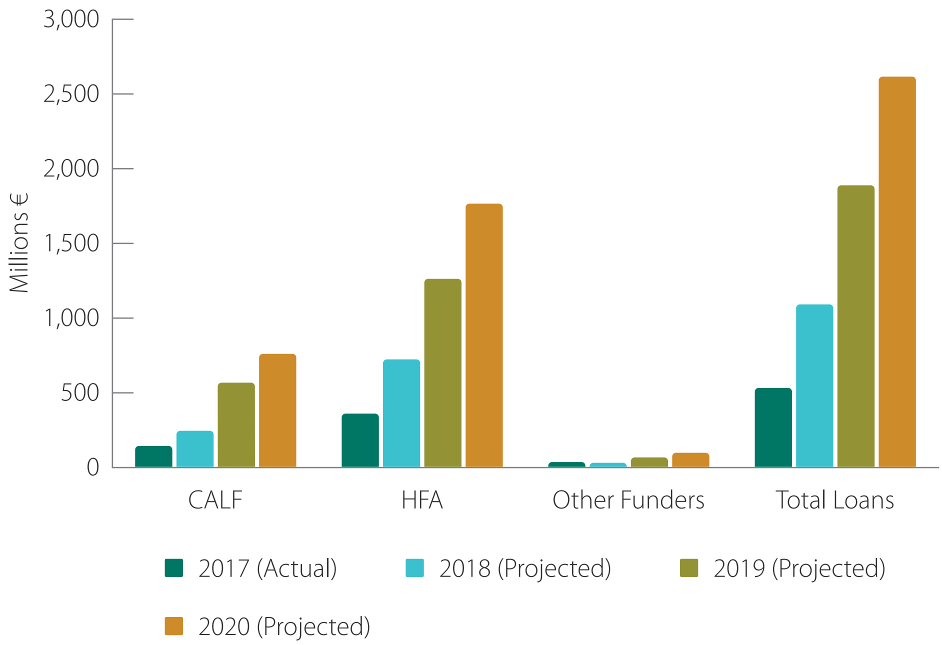
by the sector and the State. However, extensive growth accompanied by significant changes in debt profiles and balance sheet fundamentals demands pro-active financial feasibility testing, risk management, stress testing and significantly enhanced governance structures. Additionally, loan financing requires increased levels of compliance and covenant requirements for funders. AHBs need to demonstrate they have the capacity to meet key funder requirements.

Growth in the Tier 3 group of AHBs will be funded primarily through taking on loan financing (predominantly using CALF and Housing Finance Agency loans) with this figure increasing by 395% from €0.5 billion in 2017 to €2.6 billion in 2020. Whilst other sources of loan finance have shown an increase this still reflects the current limited diversity in funding sources across the sector.

Across the 52 Tier 2 AHBs there is planned unit growth of 28%. Similar to their Tier 3 counterparts, this growth is significantly concentrated, with 34% of growth provided by just four Tier 2 AHBs. However, the funding of these units is different to Tier 3, with a much larger dependence on Government capital grants.

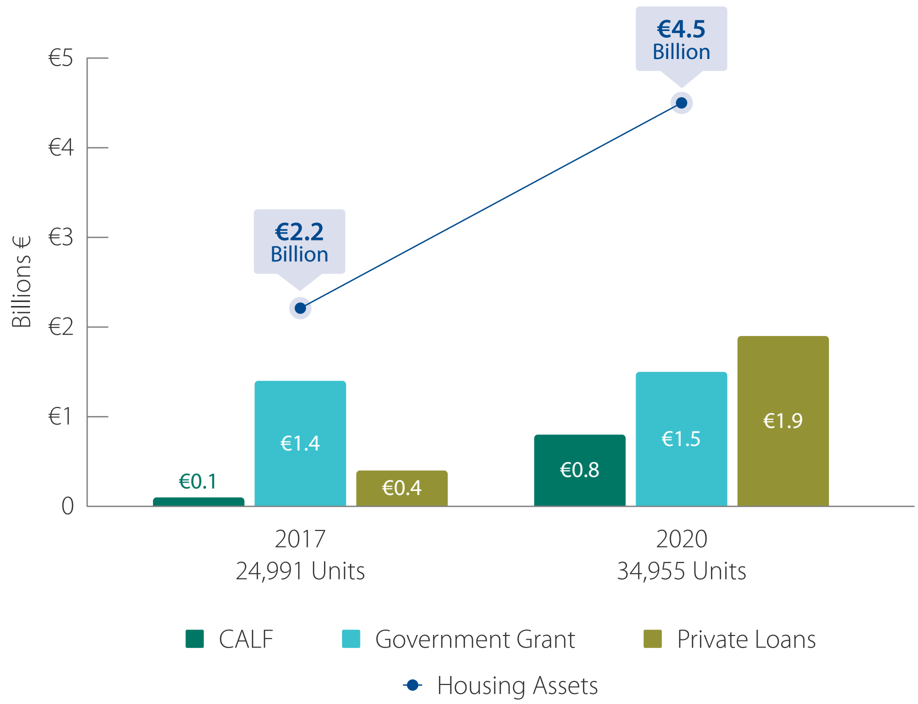
5 AHBs represent 74% of the growth forecasted for Tier 3 organisations

Projected Loan Growth



Forecasted Unit Growth and Financing – Projected Growth Tier 3s

*Projected growth figures are indicative only and could be subject to change



Financial Standard Review

The Financial Standard is currently being revised and updated by the Regulation Office in order to align it with the Governance and Performance Standards. The original Financial Standard was developed in July 2015 and the current review takes into consideration the key findings over the past four years. The revised Financial Standard will look to reflect the diversity within the sector and allow for more robust risk-based regulation.

Finance: Key Areas of Focus

The Regulation Office have identified a number of areas that will form part of its financial management focus in the coming year. These are:

- **Visibility of housing income** across all AHBs
- **Evidence of an independent assurance framework** in place
- **Evidence of budget setting** and regular monitoring
- **Evidence of monitoring and reporting** of significant events
- **Review of covenant requirements** for key funders
- **Improvements in the quality** and level of stress testing

Chapter 4
Tier 3 AHBs Aggregated Accounts

Chapter 4: **Tier 3 AHBs Aggregated Accounts**

The following aggregated financials represent sixteen Tier 3 AHBs and associated analysis. Tier 3 AHBs represent the larger, more complex organisations. These organisations demonstrate higher exposure to loan financing and forecasted growth than other parts of the sector.

Three Tier 3 AHBs were not in a position to complete the Financial Standard requirements in full, due to inadequate line of sight on direct housing assets and the financial information associated. A number of key highlights are as follows[3]:

- Income (excluding grant amortisation) increased by 43%
- Operating expenditure increased by 31%
- Costs increased at a lower rate than income
- Net Book Value of Housing Assets increased by €256M (13%)
- Debtors increased by 20% reflecting growth in rental income
- Cash balances increased by 14%
- Total creditors increased by 71% with long term loans (including CALF) having increased by 81%
- EBITDA interest cover fallen from 476% to 338% due to further debt finance.

Aggregated Income and Expenditure Account 16 Tier 3 AHBs

Tier	2016[4] €M	2017 €M
Total Income	159.6	205.7
Total Operating Costs	-118.3	-154.7
Operating Surplus	41.4	50.9
Interest receivable	0.7	0.4
Interest payable	-6.2	-11.8
Surplus on ordinary activities	**35.9**	**39.5**

3 These figures are for reference and indicative purposes only.
4 2016 data refers to 15 AHBs whilst current data refers to 16 AHBs.

Aggregated Balance Sheet – 16 Tier 3 AHBs

	2016[2] €M	2017 €M
Social Housing Properties at Net Book Value	1,921	2,177
Other Fixed Assets	11	12
	1,931	**2,189**
Current Assets		
Cash	60	68
Debtors	44	53
	104	**121**
Creditors		
Falling Due Within One Year	-42	-56
Net Current Assets	**62**	**65**
Total Assets less Current Liabilities	**1,994**	**2,254**
Long Term Loans (including CALF)	-281	-508
Deferred Income (Government Grants)	-1,739	-1,816
Amortisation of Grants	420	520
Other Long Term Creditors and Provisions	-30	-31
Total Net Assets	**365**	**418**
Income and Expenditure Account	308	375
Designated Reserves: Maintenance/ Sinking Fund	57	43
	365	**418**

Key Highlights Aggregated Financials

Income (excluding grant amortisation) increased by 43% in 2017. Of this growth, 4% relates to the inclusion of an additional AHB, with 39% representing a significant growth in core income due largely to the increase in development activity in the year. Income after grant amortisation increased by 29% with grant amortisation only increasing by 1%.

Operating expenditure increased by 31% in total and by 30% after adjusting for the new AHB. This shows that, overall, AHBs have managed growth, containing cost increases at a level below the increased income generated.

Operating Margin has decreased slightly from 26% to 25%. While income has grown at a higher rate than expenditure, amortization income has grown more slowly (1%) than depreciation charges (28%). This reflects the move in the sector away from a 100% grant funded development program. As the accounting basis is consistent between the two years this illustrates the impact of slightly reduced performance and that the inclusion of the additional AHB for the year has not impacted on the overall performance reported for the sector.

Housing Properties are shown at Net Book Value consistent with the reporting basis in 2016. Net Book Values have increased by €256m (13%) to €2.2bn, of which €11m relates to the additional AHB. The level of growth illustrates the significant impact of AHB development programmes over the year.

Debtors and cash: Debtors increased by 20% reflecting the growth in rental income and hence rental debtors and deposits in the early stages of developments. Cash has increased by 14% of which 3% is accounted for through inclusion of the additional AHB. The balance reflects the increased development activity, with a degree of funds being secured in advance of expenditure incurred.

Creditors: Total creditors (short and long-term) have increased by 71% with long term loans including CALF having increased by 81% as a result of AHBs gearing up borrowing to fund the greatly increased development programmes. The inclusion of the additional AHB has had no impact on this figure as the AHB has no borrowings.

Deferred income and grants have decreased by 2%. This is due to the impact of greatly reduced grant levels under the new funding regime and the impact of the amortisation of the proportionally higher historic grants over the life of the relevant assets under FRS102.

Reserves have been reported consistently with last year and include Income and Expenditure Reserves and Capital Grant Amortisation reserves. Although Major Repairs Reserves should be transferred to general reserves in accordance with FRS102 a number of AHBs continue to operate designated Major Repairs Reserves which are shown in the aggregated accounts. General reserves have been boosted by the cumulative amortisation of grants to date and reduced by the cumulative depreciation of properties to date.

EBITDA interest cover has fallen from 476% to 338% due to the introduction of further debt finance. The ratio indicates that the sector still has access to considerable additional borrowing capacity.

housing agency
regulation office

Regulation Office
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**