

Local Government Audit Service

Report No. 29

The oversight role of local authorities in the provision of social housing by Approved Housing Bodies



Local Government Audit Service

The Local Government Audit Service (LGAS), incorporating the Value for Money (VFM) Unit, being an external audit service, provides independent scrutiny of the financial stewardship of local authorities.

The sectoral goals of the LGAS are to:

- carry out the audits of local authorities and other bodies in accordance with the Code of Local Government Audit Practice thereby fostering the highest standards of financial stewardship and public accountability.
- promote the achievement of value for money in local authorities by undertaking Value for Money audits and publishing reports thereon.

It is the responsibility of local authority management to ensure that value for money is achieved by establishing and maintaining sound arrangements including procedures for planning, appraisal, authorisation and control of resources.

This report was prepared on the basis of information, documentation and explanations obtained from the public bodies referred to in the report. The draft report was sent to the local authorities that participated in the study. Where appropriate the comments received were incorporated in the final version of the report.

The website of the Department of the Environment, Community and Local Government is the primary means of publishing reports of the Value for Money Unit of the Local Government Audit Service.

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**Department of the Environment,
Community and
Local Government**

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Foreword

Approved Housing Bodies (AHBs) have a key role in the delivery of the Social Housing Strategy 2020. Acknowledging the capacity and the proven track record of the voluntary and cooperative housing sector, AHBs are central to the Government's vision for housing provision.

AHBs are increasingly delivering social housing funded through a mixture of public and private finance. Strong financial oversight is essential to achieving this investment, as it builds the confidence of both public and private funders to invest in the sector.

Local authorities have worked closely with AHBs in the provision of housing under various capital funding schemes and leasing arrangements but the oversight of AHBs is in the process of change. Recognizing the need for strong regulatory oversight of the AHB sector, my Department established an interim Regulation Office in 2014 to oversee the implementation of a Voluntary Regulation Code (VRC), as well as to advise on the development of a statutory framework. The primary purpose of statutory regulation will be to support financial viability and good governance in the AHB sector and to safeguard public investment in the sector, providing assurance to Government, investors and tenants that the sector is well managed.

With the advent of an independent statutory regulator, the role of local authorities in respect of AHBs will change. What is clear, however, is that local authorities will continue to play an important role including ensuring compliance with funding schemes; entering into payment and availability agreements and capital advance leasing facility agreements; enforcing conditions of mortgage agreements; and tenant nomination and allocation policies. The recommendations in this report will assist the local authorities in this work. I am confident that this VFM Study will be of significant assistance to the local authorities in strengthening their oversight of AHBs in the years ahead and in contributing to the development of statutory regulation of the AHB sector.



Minister for the Environment, Community, and Local Government.
30 December, 2015

Glossary

AHB	Approved Housing Body
CAS	Capital Assistance Scheme
CALF	Capital Advance Leasing Facility
CLSS	Capital Loan and Subsidy Scheme
CRO	Company Registration Office
HFA	Housing Finance Agency
Housing Agency	Housing and Sustainable Communities Agency
LGAS	Local Government Audit Service
LA	Local Authority
M&M	Management and Maintenance payment
MTR	Mortgage to rent
NAMA	National Asset Management Agency
PAA	Payment and Availability Agreement
SHLI	Social Housing Leasing Initiative
SHCEP	Social Housing Current Expenditure Programme
RAS	Rental Accommodation Scheme
VFMU	Value for Money Unit
VRC	Voluntary Regulatory Code

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Summary

Overview

Approved Housing Bodies (AHBs), known as Housing Associations or Voluntary/Co-operative housing associations, are non-profit organisations whose purpose is the provision and management of housing for people with a housing need. They are subject to the conditions set out in the Housing (Miscellaneous Provisions) Act, 1992, and can be limited companies, societies or trusts (incorporated under the Charities Act). They are funded for the delivery of housing units and related services, by the Department of the Environment, Community and Local Government (the Department) through local authorities who have an administrative/enabling and oversight role under the social housing funding schemes of the Department.

The Social Housing Strategy¹ provides for an enhanced role for the AHBs in the provision of new supply of social housing. Traditionally the sector relied 100% on State grant funding. While there has been steady growth in the uptake of new revenue based financing arrangements and delivery of units attached to this, there is a recognition that some capacity building in the AHB sector will be required to allow AHBs to borrow external funding to undertake large-scale development projects. The strategy has committed to multi-annual funding to AHBs for projects, and encourages collaboration at local and regional level between local authorities and AHBs in delivering this programme. In the context of enhancing the AHB sectors capacity to secure external financing, the Strategy crucially provides for the regulation of the sector, overseen by an independent regulator, which should give assurance to financial institutions that there are robust oversight systems in place, to safeguard public investment and encourage private investment.

The initial step towards regulation of the AHB sector was the introduction of the Voluntary Regulatory Code² in 2013. An interim regulatory committee was appointed in 2014 to advise on a statutory regulatory framework. The work of the interim regulatory committee is supported by a dedicated staff in the Regulation Office of the Housing Agency.

Housing (Regulation of Approved Housing Bodies) Bill 2015

On 11 July, 2014, Government approved the drafting of the Heads of Bill to regulate the AHB sector. The introduction of statutory regulation for the sector is an important element in the Government's overall housing policy.

The main provisions of the Bill will include the following:

- The establishment of an AHB Regulator is a specific commitment of the Housing Strategy 2020 and involves a suite of regulatory powers being vested in a regulator to ensure effective governance and financial management of the AHB Sector.
- It is envisaged that the regulator will be responsible for establishing and maintaining a Register of AHBs and will be responsible for setting, monitoring, assessing and reporting on standards in relation to the governance, financial management and performance of AHBs and intervening where appropriate.
- The AHB Regulator's role will be one of stewardship and enforcement through regulatory engagement based on the assessment of risk.

It is the intention that all AHBs will be subject to regulation under the new provisions once enacted. The Government has committed to statutory regulation by 2016.

¹ Social Housing Strategy 2020, Support, Supply, Reform. Published by the Department on 26 November, 2014.

² Building for the Future, A Voluntary Regulation Code for Approved Housing Bodies in Ireland, July 2013.

Study

The Value for Money Unit (VFMU) of the Local Government Audit Service undertook a study on the oversight role of the local authorities in the provision of social housing by AHBs under the main funding schemes outlined in Table 1 page 5. There are over 520 AHBs in Ireland with a housing stock of approximately 30,000³ units.

Eight local authorities were selected to participate in the study. These eight deal with approximately 270 AHBs (Table 2 page 15). The total number of units provided by AHBs through the eight participating authorities (as at 30 June 2014) was 13,916, with an estimated total cost of €1,443,710,639 (Table 3 page 16).

The study included:

- Visits to eight local authorities including consultation with Housing Officers and their personnel
- Consultation with management in the Department dealing with social housing capital funding schemes and regulation
- Meeting with management of the Housing Agency and the interim regulator
- A survey of the current oversight role of local authorities in the provision of social housing through Approved Housing Bodies in the local authorities visited
- A review of provision of accommodation under the capital funding schemes and best practice in the area of the management and oversight role of local authorities vis a vis Approved Housing Bodies.

This report concentrated on the oversight role of the local authorities for the provision of social housing projects under the three main funding schemes available to the AHBs and the related expenditure outlined in Table 1.

³ Latest figures from Irish Council for Social Housing (ICSH) Website.

Table 1: Summary of schemes and expenditure (2008-2014) funded by the Department through local authorities for AHB housing projects

Department scheme	Funding and Security	Expenditure Type	Cumulative Expenditure (2008 – 2014)
Capital Assistance Scheme (CAS) (provision of accommodation for special needs, elderly, homeless, travellers etc.)	Grant type funding under a 20 or 30 year mortgage agreement with AHB and local authority (waived repayments as long as AHB complies with the terms of the scheme).	Capital funds paid to AHBs by local authorities:-	€595,525,535 (Table 5 page 19)
Capital Loan Subsidy Scheme (CLSS) (provision of general purpose accommodation – this scheme has been wound-up since 2011)	Loan and subsidy, with a 20 or 30 year mortgage agreement with AHB and local authority (effectively a grant – local authority draws down a HFA loan for the project, makes repayments to the HFA and the Department reimburse it).	Outstanding loan balances to the HFA extracted from unaudited accounts 2014 :-	€1.1 bn balance at 31/12/2014 (Appendix 4 page 43)
	An annual management and maintenance payment is also made to the AHB.	Reimbursement of HFA loan charges to local authorities :-	€411,879,608 (Table 6 page 20)
		Management and maintenance payments to AHBs recouped to local authorities:-	€ 34,916,581 (Table 6 page 20)
			Cumulative to 2014
Social Housing Current Expenditure Programme (2015): Funding mechanisms are PAA and CALF (provision of general purpose accommodation –Introduced in 2009 then known as the Social Housing Leasing Initiative. The scheme was extended in 2011 for CALF)	CALF :Repayable loan for a term of up to 30 years with 2% simple interest p.a.to be repaid at the end of the agreement term. The loan is an unsecured contract debt.	Loan capital advanced to AHBs by local authorities:-	€ 17,620,995 (Table 7 page 24)
	Property owned by AHB and made available to local authority for social housing under Payment and Availability Agreements (PAA) (PAA payments to the AHBs by the local authorities are recouped from the Department).	Annual PAA payments recouped to local authorities (this figure related to all PAA arrangements with AHBs including under CALF):-	€19,491,949 (Table 7 page 24)

Survey of Local Authorities

The following is a summary of the findings and recommendations from the survey. It is recommended that Department guidance and circulars should be updated to reflect these recommendations where applicable. The implementation of these recommendations will require adequate resources within the local authorities, and may require stronger links with the Housing Agency. Comments from the members of the Advisory Committee and participating authorities have been incorporated where appropriate.

Registration of Mortgage

Ownership of property funded by the Exchequer under CAS and CLSS schemes is vested in the Approved Housing Bodies, under a mortgage agreement between the AHB and the local authority. At the end of the mortgage period the local authority no longer has an oversight role in the property.

Funding for properties provided under the CAS is grant type funding from the Department and paid over to the AHB for each project, which during the period 2008-2014 totalled €595,525,535 (Appendix 1 and Table 5 page 19).

Funding for the AHB projects under the CLSS scheme is obtained by loans from the HFA to the local authority. These loan balances outstanding to the HFA total €1.1bn as at 31 December 2014 (Appendix 4 – extract from unaudited Annual Financial Statements of local authorities). In 2014, some €50m was paid by the local authorities to the HFA in loan charges, which were reimbursed to them by the Department (Appendix 3 and Table 6 page 20).

The AHB does not have to make any repayments on the mortgage, provided that they continue to comply with the mortgage conditions of these schemes. When the mortgage period expires the properties are fully owned by the AHB for their own use. However, six of the eight participating authorities had several properties where the mortgages had not been fully executed for various reasons, such as outstanding legal issues, legal title not finalised by their solicitors etc.

Recommendation 1:

Local authorities should conduct a review to ensure that all mortgages have been properly registered, reconciled with the mortgage amount drawn down from the Housing Finance Agency (HFA) where applicable, and that the project approved amount is in agreement with their financial records. Details of the mortgage, maturity date and folio documentation should be maintained on a comprehensive register, which will help expedite discharge⁴ and release of mortgage deeds on maturity. On the rare occasion that there is a sale of any property by the AHB, prior approval should be given by the local authority, who should also seek Department approval. For new projects, final payments should not be released by the local authority to the AHB, until the registration of the mortgage charge on the property has been finalised.

⁴ Circular: Housing 19/2014 issued 11 April 2014 covers (1) Approved Housing Body Mortgage Agreements – procedures for the discharge of mortgage deeds where the mortgage term has expired (2) Interim Regulatory Committee (iRC) (3) Publication of the Register of Approved Housing Bodies.

Nominations and Statement of Occupancy

Nominations for occupation of the units are generally on an agreed basis between the local authority and the AHB for most of the schemes, and the nominees should be on the local authority housing list. However, in relation to CAS, the AHB may have specific percentage exclusive nomination rights (usually 25%, depending on the level of funding provided) and the local authority rely on the AHB to inform them of vacancies for re-lets and their nomination rights as they arise.

Generally there was a lack of a comprehensive management information system to record details of properties and their tenants, nomination rights, vacancies, rent schemes etc. Currently the Private Residential Tenancies Board (PRTB) hold a register of tenancies which details the name of tenants, and landlord, address of property, rent paid and name of relevant local authority. Following enactment of the Residential Tenancies (Amendment) (No2) Bill 2012, AHB landlords will be obliged to register their tenancies with the PRTB. There are data exchange provisions between local authorities and the PRTB, which may assist local authorities in the implementation of the recommendation below.

Recommendation 2:

The local authorities need to operate a management information system which maintains details of all properties provided by the AHBs (whether purchased/built or leased units), and should be agreed periodically with the Department. Details of the tenants of each property, nomination details, and rent scheme details should also be maintained. The system should also track details of voids, length of time for re-lets, details of property inspections etc.

The survey showed that statements of occupancy under the various schemes were received by approximately half of the local authorities. There is on-going funding by the Department through the local authorities relating to two schemes. Firstly for CLSS properties, total annual maintenance payments made were almost €35m (2008-2014) of which €4.7m related to 2014 (Appendix 2). Secondly for properties where there are Payment and Availability Agreements in place, payments of approximately €10.1m were made in 2014. Payments of all claims should be supported by statements of occupancy.

Recommendation 3:

Annual statements of occupancy should be obtained from each AHB for all their properties funded by the local authorities. This would ensure that the tenant information is up-to-date and that the properties are correctly occupied. It could also be used by the local authority to verify with their records, before making payments for any associated claims relating to the properties, and that the correct rent schemes are in place, and inspect as appropriate.

Two local authorities outlined disagreements with two AHBs about the levels of rent charges relating to new CAS properties, which led to delays in accommodating pre-approved tenants. The Capital Assistance Scheme 'Call for Proposals'⁵ 2015, requires that as part of the appraisal process by local authorities, that AHB proposals must ensure that an economic rent is put in place, and this must be agreed prior to the completion of the project.

⁵ Circular Housing 15 of 2015, Capital Assistance Scheme 'Call for Proposals' (March 2015)

Recommendation 4:

At project development stage details of proposed rents should be agreed in advance of Department project approval, having regards to mortgage agreement and current legislation. Final payments on projects should be withheld until nomination and rents have been agreed. A formal resolution mechanism should be put in place in collaboration with the Housing Agency Regulation Office, to resolve disagreements between the local authority and the AHB on the proposed levels of rent and associated costs.

Inspections

The local authorities usually perform property inspections only at the initial purchase/build of units and when taking on a leasing arrangement with an AHB. However, on-going funding is provided through leasing payments or management and maintenance fees, and in some cases rental assistance payments provided to the AHBs by the local authorities.

The Housing (Standards for Rented Houses) Regulations 2008 (S.I. 534/2008) which were updated by the Housing (Standards for Rented Houses) Regulations 2009 (S.I. 462/2009) specifies requirements in relation to a range of matters in rented accommodation such as structural repair, sanitary facilities, heating, ventilation, light and the safety of gas and electrical supply. All landlords including AHBs have a legal obligation to ensure that their rented properties comply with these regulations and responsibility for the enforcement of the regulations rests with each local authority.

Recommendation 5:

A periodical inspection regime of properties funded under the schemes should be carried out under the local authorities enforcement strategy and inspection arrangements for rented accommodation.

Record of meetings

Whilst local authorities indicated that they have a close working relationship with many of the AHBs which operate on a national basis, this is not always the case with more local based or one-off housing associations. Many of these were established in the past, and they may now have little or no formal contact with the local authority.

Recommendation 6:

The local authority should have an established contact point with each AHB to ensure that they are operating under the terms and conditions of each scheme as intended. Regular formal meetings should be held with AHBs, and these could be co-ordinated on a county or regional basis.

Corporate Governance

The Voluntary Regulatory Code (VRC) which was introduced in July 2013, provides a regulatory framework for the corporate governance, financial viability and performance of AHBs. It is overseen by an interim regulatory committee operating under the auspices of the Housing Agency, pending establishment on a statutory basis. To date, approximately 40% of the AHBs have signed-up to the code, which oversees the corporate governance and management arrangements in place with the AHBs on a proportional basis with the size and operations of each AHB. Instances of poor governance, found within some of the AHBs where projects had been funded by the participating authorities, are outlined in section 4 of this report and generally related to the breakdown in the correct functioning of the Boards of the AHBs.

Recommendation 7:

The roll-out of and encouraging AHBs to sign-up to the VRC is in process. The local authority should encourage all AHBs to engage with the interim regulatory process by signing up to the Code. Where AHBs have not or do not intend to sign-up to the Code, the local authority should work with each AHB to ensure that good corporate governance arrangements, financial and management structures, together with the registration of proper legal title is in operation. Financial Statements⁶ (audited where required) should be provided by the AHB to the local authority to ensure accountability in the management of public money.

The regulation section (covering rental market and AHBs) within the Department, commented that while providing annual audited accounts to the local authority will prove that the accounts have been audited, each of these bodies are already obliged to provide these accounts to the CRO (Chapter 13 Part 6 of the Companies Act 2014). In addition, many AHBs provide services for several local authorities and to provide accounts to each would be a duplication of effort. There have been considerable regulatory developments in the past year in terms of the role of the VRC and Assessments by the Regulation Office. The fact that all AHBs will be subject to new regulatory requirements under legislation by 2016, the local authorities role in terms of regulation should be one of facilitation, and their oversight as such should be focused on the terms and conditions of funding arrangements.

Recommendation 8:

Where instances of poor governance or management cannot be resolved with the AHB, the local authority should facilitate the takeover of the units by another AHB.

Financial Matters

Only half of the eight participating local authorities indicated that they provided details of loans outstanding to the AHBs on request of their auditors. Details of loans were in some cases recorded on the financial system and/or spread sheets. Local authorities have now received guidelines from the Department for the accounting treatment of CALF loan balances outstanding, which at the time of this survey was approximately €4.7m in the case of six local authorities.

Recommendation 9:

All loans outstanding, together with annual interest charges, should be recorded on the financial system and reconciled annually with statements from the HFA where applicable. The Department guidance, which issued in December 2014, for the accounting arrangements for CALF loan balances and annual interest within the local authorities will facilitate issuing annual loan balance statements to the AHBs.

⁶ VHU 2/02 Part 2.8 Details of audited income and expenditure accounts and the balance sheet of an approved housing body shall be provided on request to the Department, or to any housing authority holding a mortgage or other charge in respect of an approved housing body's dwellings or issuing other forms of subsidy, allowances or grants to the body.

Leasing arrangements

Seven local authorities had unsold affordable units leased to AHBs, and three of these advertised publicly for expressions of interest for the management and maintenance of these properties by AHBs. Four local authorities allocated the units on a geographical basis or where AHBs had other properties in close proximity. In all cases the AHBs collect differential rent from the tenants. One local authority, following a tender process, receives an annual payment of €1,200 per unit from the AHB.

Recommendation 10:

Local authorities should demonstrate, through a transparent process, that the best value for money was obtained in the allocation of unsold affordable social housing units to the AHBs.

Capital Projects

Half the local authorities indicated they had a reorganisation process, due to amalgamation and abolition of councils. It takes time to assimilate these legacy AHB social housing projects into their workload, especially as for the most part, there is no detailed database of projects, and the information is held on paper-based project files. All the participating authorities indicated some cases with outstanding project final accounts, while some related to more recent projects; others were due to outstanding legal issues and disputes.

Recommendation 11:

A review of legacy AHB project files is required to ensure that final project accounts and post project reviews have been completed, and that balances are correctly shown in the local authority accounts. Local authorities should continue to review outstanding final project accounts in dispute or which require reconciliation with Department figures in order to close-off these accounts and clear remaining balances.

10

Two authorities indicated that they make staged payments for capital projects based on architect certificates submitted by the professional staff engaged by the AHBs.

Recommendation 12:

It is recommended that for capital projects, certificates for payments are verified and inspected by local authority staff who are suitably qualified to ensure that they are correctly quantified, valued and approved for payment.

Half the local authorities stated that their staff had received formal training in the Public Spending Code, procurement requirements and capital projects appraisal and management. However, all local authorities indicated that they were aware of the requirements of capital appraisal and management guidelines and national and EU procurement requirements.

Recommendation 13:

Appropriate training should be given to relevant staff to ensure that they are aware of capital appraisal and management guidelines, EU and national procurement requirements and the Public Spending Code (2013).

1. INTRODUCTION

The Value for Money Unit (VFMU) of the Local Government Audit Service undertook a study into the oversight role of the local authorities in the provision of social housing by Approved Housing Bodies.

The study entailed:

- Visits to eight local authorities including consultation with Housing Officers and their personnel
- Consultation with management in the Department of the Environment, Community and Local Government (the Department) dealing with social housing capital funding schemes and regulation of the sector
- Meeting with management of the Housing Agency and staff of the interim regulator
- A survey of the current oversight role of local authorities in the provision of social housing through Approved Housing Bodies in the local authorities visited
- A review of provision of accommodation under the capital funding schemes and best practice in the area of the management and oversight by local authorities of the AHBs

2. APPROVED HOUSING BODIES

There are over 520 Approved Housing Bodies (AHBs) in Ireland which manage approximately 30,000 units. As the local authorities own 112,000⁷ units, the AHB units represent approximately 21% of housing units funded by the State. This figure is due to increase as AHBs are seen as key social housing providers into the future, and therefore the role of the local authorities needs to be re-enforced in this regard. AHBs are non-profit organisations whose purpose is the provision and management of social housing provided for families on low-income, the elderly, travellers, people with special needs and the homeless. In addition, some AHBs provide supported accommodation for the elderly or people with special needs such as ancillary care services, communal facilities etc.

AHBs are governed by a Board of Management, comprising members with various skills and expertise, usually acting in a voluntary capacity. Provided they meet certain criteria, they can apply to the Minister for the Environment, Community and Local Government to become an Approved Housing Body.

2.1 Housing (Miscellaneous Provisions) Act, 1992

Section 6 of the Housing (Miscellaneous Provisions) Act, 1992 enables Housing Authorities to provide financial assistance to the AHBs for the provision of housing. This Act also empowers the Minister to grant approved status to a housing association provided they meet the following criteria:

- Have as primary objectives, the relief of housing needs, or poverty or hardship or the welfare of travellers, and the provision and management of housing
- Have in its memorandum of association or registered rules, provisions prohibiting the distribution of any surplus, profit, bonus or dividend to members and requiring that the assets of the body are applied solely towards its objects

⁷ Social Housing Strategy 2020, Support, Supply, Reform. Published by the Department on 26 November, 2014 Page 8.

The following bodies may be considered for approval:

- Limited Companies formed by guarantee of their members and not having a shareholding, registered under the Companies Acts, 1963-2001
- Societies registered under the Industrial & Provident Societies Acts, 1893-1978
- Trusts incorporated under the Charities Acts

Applications for approval must be supported by:

- The memorandum and articles of association, rules or constitution of the body seeking approval, together with a copy of its certificate of incorporation or registration
- The names and addresses of its officers and of all the members of its governing body or board of directors or trustees, the address of its registered office and the address of the secretary, if different from the registered office
- A description of its existing and/or proposed activities, plans or programmes
- Information on its current financial position, including latest statements of audited accounts, if available

The Housing Agency Regulation Office publish on their website a Register of Approved Housing Bodies, who have signed up to the Voluntary Regulation Code (VRC)⁸. As at November 2015, there were 208 AHBs signed up to the VRC. This represents approximately 40% of the 520 organisations which had approved housing body status from the Department, at that time.

2.2 Representative Bodies

There are two main representative bodies namely the Irish Council for Social Housing (ICSH) and the National Association of Building Co-operatives (NABCo), who provides an advisory, co-ordination, information and training role for voluntary housing associations. They also act as a representative body for affiliated members with Government, statutory agencies, banks and other stakeholders. They promote and facilitate best practice amongst members in relation to planning, provision and management of social housing. They give advice and guidance, education, training and research to support the work of the housing associations they represent. They liaise with the Department to develop measures for the delivery of housing in the sector and with local authorities in developing social housing in their areas.

2.3 Main Findings of Grant Thornton (2009) review of the Voluntary and Co-Operative Housing Sector

A study was carried out for the Department by consultants Grant Thornton⁹ who undertook a comprehensive survey of the 728 approved housing bodies operating at that time. The response rate was 18% (128 bodies); however, this represented 54% of the housing stock provided by the sector. The poor response rate may be due to the fact that over 50% of the bodies rely on voluntary effort, with no paid staff. Appendix 7 outlines a summary of what the survey examined and the main recommendations.

A summary of the findings of the report were:

- The traditional approach to social housing delivery, where the Exchequer provides 100% funding is not sustainable in the economic climate

⁸ Building for the Future, A Voluntary Regulation Code for Approved Housing Bodies in Ireland, July 2013.

⁹ Strategic Review of the Capital Finding Schemes for Voluntary and Co-operative Housing

- A shift from capital funding of new construction/ acquisition to revenue funding of market based delivery mechanisms, mainly around long term leasing of properties and use of private finances to fund acquisitions/new builds
- There are no significant advantages to the provision of units under the CLSS over units provided directly by the local authorities, therefore the scheme should be terminated and substituted by alternative approaches using private finance and leasing
- Under a VFM model Net Present Value calculations showed that long term leasing is more cost effective than capital funding or mortgage funding.

Following on from these recommendations the CLSS has been wound-down and a new leasing model has been introduced. There has also been an emphasis on AHBs gaining access to funding through the markets by the use of their own resources. A regulatory framework has been introduced to have oversight and provide assurance to the funds markets that the voluntary housing sector operates within good corporate governance standards.

2.4. Sources of funding to the AHBs from the Exchequer

This report concentrated on the operation of the three main funding schemes for the provision of accommodation by AHBs:

- Capital Assistance Scheme (CAS)
- Capital Loan Subsidy Scheme (CLSS – now being wound down)
- Social Housing Current Expenditure Programme (SHCEP 2015 – introduced in 2009 and extended to incorporate the Capital Advance Leasing Facility (CALF) in 2011)

Until 2009, there were two schemes providing almost 100% capital funding support for the purchase/construction of accommodation. These schemes are administered on behalf of the Department by the local authorities who provide the funding (on a recoupment basis from the Department) and have an enabling/administrative and oversight role in their operation to the AHBs. The units provided under the CAS and CLSS are owned by the AHBs, with a mortgage charge in place with the local authority to ensure that they comply with the terms and conditions of the schemes.

The CAS provided capital funds to purchase/construct accommodation for people with special needs, elderly etc. The tenants pay economic rent as agreed with the local authority and the AHB. AHBs should fix rent at levels which are reasonable having regard to tenants' incomes and the outlay of the AHB on the accommodation including the ongoing costs of management¹⁰. In some cases CAS tenants circumstances may mean that they qualify for the RAS payment from the local authority (which is then recouped from the Department who in turn receive funding from the Department of Social Protection). Extra facilities such as meals on wheels, care services, caretakers etc, may give rise to additional charges. During the period 2002 to 2013 there were 8,317¹¹ dwellings provided under this scheme. In 2014, €34.3m was paid to the AHBs by the local authorities for capital projects (Appendix 1).

¹⁰ VHU 2/02 Capital Funding Schemes for the provision of rental accommodation by Approved Housing Bodies (The Green Book) Paragraph 9.6.Fixing Rents for Dwellings Provided under the Capital Assistance Schemes.

¹¹ Social Housing Strategy 2020, Support, Supply, Reform. Published by the Department on 26 November, 2014 Page 9.

Under the CLSS, AHBs provided accommodation for people on the local authority housing lists and the tenants pay differential rent to the AHB. The AHB also receive an annual management and maintenance payment for each unit of €436 or €543 pa, depending on the area¹², which is paid by the local authority and recouped from the Department. During the period 2002 to 2013 there were 6,823¹³ dwellings provided under this scheme. This scheme is now closed to new capital projects. In 2014, annual maintenance of €4.7m was paid to AHBs by the local authorities (Appendix 2). In 2014, annual loan charges paid to the HFA by the local authorities and recouped from the Department were €50m (Appendix 3). These payments relate to the HFA loans outstanding for capital funding under the CLSS schemes, the balances outstanding in 2014 amounted to €1.1bn and are shown in Appendix 4.

The Social Housing Current Expenditure Programme (SHCEP- 2015) facilitates AHBs to provide general needs social housing units from a number of sources e.g. the purchase/ construction of units, leasing arrangements (through Payment and Availability Agreements – PAA) and from other sources such as NAMA and Mortgage to rent etc. The origins of the programme began in 2009, under the Social Housing Leasing Initiative allowing local authorities to lease privately owned properties and this was expanded to allow AHBs to lease properties and for the use of unsold affordable units for social housing. This was extended in 2011 with the introduction of CALF – Capital Advance Leasing Facility. CALF funding provides AHBs with a small amount of capital funding from the Exchequer (by way of a long term preferential loan) which will enable the AHB to raise the rest of the capital funding from their own resources or through private finance from the HFA or commercial banks. The units are then made available to the local authority under a Payments and Availability Agreement (PAA) at 92% (or 95% in the case of apartments) of the market rent (which is recouped by the local authority from the Department). Under the PAA arrangement a start-up payment of 5% is made to cover legal costs as a once-off payment, not repayable by the AHB. The tenants pay the AHB a differential rent. CALF funding payments for the purchase or construction of units may not necessarily be made in the same year that units become operational, but under this scheme €17.6m (Appendix 5) has been provided towards social housing projects. There were annual PAA payments made to AHBs of approximately €10.1m in 2014 (Appendix 6).

A summary of the schemes/ programme and funding provided by local authorities to the AHBs is shown in Table 4 page 17.

2.5. Key statistics for the number of units and estimated total costs

As part of this study eight participating local authorities were selected based on the levels of activity in the sector, a regional spread throughout the country and a mix of large/ small local authorities. Local authorities involved in current mergers were not selected. The eight selected local authorities were circulated with a survey/ questionnaire (Appendix 11) and were asked to provide the numbers of units and estimated costs associated with housing provided under each scheme/ property provided under the CAS, CLSS, CALF or leasing arrangements where appropriate. These are summarised in the following tables.

¹² Circular Housing 14/2014 for the subsidy year ending 30 June 2014 the allowance is €436 per house in areas to which the general cost limit applies and €543 per house in administrative area of the city councils, counties of Fingal, Dun Laoghaire-Rathdown, South Dublin, Kildare, Meath, Wicklow and specified Islands where higher cost limits apply.

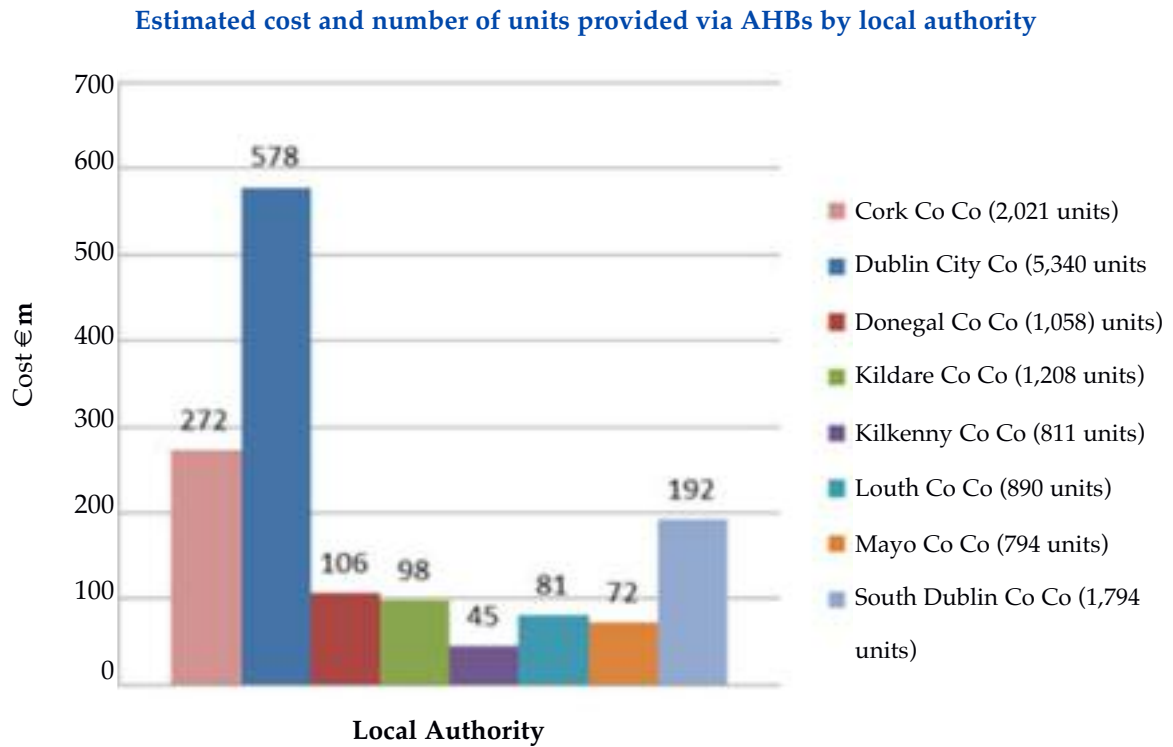
¹³ Social Housing Strategy 2020, Support, Supply, Reform. Published by the Department on 26 November, 2014 Page 9.

Table 2: The number of AHBs dealt with by each local authority and what percentage of the total housing stock is represented by the units provided by the AHBs.

Participating local authority	Approximate number of AHBs	Percentage housing stock operated by AHB of total local authority housing stock
Cork County Council	50	22%
Dublin City Council	61	21%
Donegal County Council	24	22%
Kildare County Council	33	25%
Kilkenny County Council	39	27%
Louth County Council	13	19%
Mayo County Council	29	28%
South Dublin County Council	21	14%

Source: Local Government Audit Service from information provided by the participating authorities

Table 3: Summary of the number of units (13,916) and the estimated costs (€1,443,710,639) provided by AHBs, by local authority (see Appendix 9 for full details).



Source: Local Government Audit Service, VFM Unit questionnaire issued to the eight participating authorities which requested best available data of units and estimated costs as at 30/6/14 and compiled for the purpose of this report.

Table 4: Summary of schemes/programme and funding provided by Local Authorities to Approved Housing Bodies

Scheme Type	Funding	Security	Capital Funding from Department	Rent charged to tenant by AHB	On-going funding from Department	Expenditure
CAS (provision of accommodation for special needs, elderly, homeless, traveller etc.)	Grant type funding (waived repayments as long as AHB complies with the scheme).	20/30 year mortgage, then property is owned by AHB when mortgage matures. Note 17% of loan book maturing by 2018.	100% capital funded (except where AHB retains nomination rights of 25% then 95% funded).	Economic rent Generally tenants from LA housing list but with special assessments for their needs. AHB have nomination rights.	No on-going funding (However, some residents entitled to RAS funding depending on their social welfare entitlements).	2008-2014 €596m paid to LAs for AHBs of which €34m related to 2014 capital funding.
CLSS (provision of general purpose accommodation – this scheme has been wound-up since 2011)	Loan and subsidy (effectively a grant – local authority draws down a HFA loan for the project, makes repayments to the HFA and the Department reimburse it).	20/30 year mortgage, then property is owned by AHB when mortgage matures. Earliest maturity date on loan book is 2023.	100% capital funded.	Differential rent scheme of the AHB. Tenants must come from local authority housing waiting list	Management and maintenance annual payment approximately €500 per unit p.a.	2008-2014 €412m paid to LAs for AHBs recoupment of loan charges, of which €50m annual loan recoupment charges to LAs in 2014. €4.6m CLSS M&M recouped to LAs in 2014.
SHCEP: Main funding mechanisms are PAA and CALF (provision of general purpose accommodation – introduced in 2009 and scheme extended in 2011)	CALF: Repayable Loan for a term of up to 30 years with 2% simple interest p.a. to be repaid at the end of the agreement term.	Unsecured Contract Debt. Property is owned by AHB and made available to the local authority under Payment and Availability Agreements (PAA) (payments recouped from Department).	Up to 30% capital funded on loan basis up to 30 years duration. Note AHB may provide own capital funding as determined by financial assessment.	Differential rent scheme of the local authority. Tenants from housing list. LAs 100% nomination rights. If the properties vacant for more than 3 months the PAA is suspended.	Department pays 92%-95% of market rent under a PAA by the local authority to the AHB.	Unaudited 2014 Note 8 Loans Payable – Voluntary Housing approximately €1.1bn (matched by Debtors Note 3). 2011-2014 total figures - €17.6m capital element paid to LAs under the CALF. €10.1m paid under PAA agreements in 2014.

3. FUNDING MECHANISMS AND FRAMEWORK

There were traditionally two capital schemes available for funding the voluntary and co-operative housing sector or approved housing bodies (AHBs). These were the Capital Assistance Scheme (CAS) and the Capital Loan and Subsidy Scheme (CLSS). The CLSS, provided capital funding for the purchase or construction of family type accommodation and this scheme has been wound down in recent years. A new leasing funding mechanism began in 2011, under the Capital Advance Leasing Facility (CALF).

Under the CAS, capital projects were either 100% government funded or 95% funded (where the AHB retains 25% nomination rights for occupants). The CLSS capital projects were 100% government funded and all nominations for occupants came from the social housing waiting lists. Under the terms of the schemes, a waiver was provided for repayment of the capital amounts (which were provided under a mortgage agreement). At the end of the mortgage period, the properties would become fully owned by the AHB.

3.1 Capital Assistance Scheme

The CAS is aimed at providing housing for the elderly, homeless and people with special needs. Under the scheme, loans (effectively non-repayable grants) are advanced to the AHB and they actually provide, build, maintain and retain ownership of the houses. A grant is paid by the Department to the local authority, who then lend this money to the AHB (under a 20/30 year annuity mortgage loan). The terms of the scheme provides that the repayments and interest charges may be fully waived provided the AHB continues to comply with the terms of the scheme, most importantly the letting requirements.

Funding of up to 100% of the approved cost of a project can be provided under the terms of the scheme, in cases where all prospective tenancies are taken from the local authority housing waiting list. Where the approved bodies retain 25% of tenancy nomination rights, funding of up to 95% of the approved cost of a project is available. Allocations are made by the approved housing body in consultation with the local authority. There is no annual maintenance payment made to the AHBs in relation to this type of accommodation. However, tenants are charged an economic rent based upon the costs of providing the accommodation and services.

The Department issues a 'Call for proposals' to the local authorities by way of a circular letter. This circular¹⁴ requests the local authorities to seek proposals from AHBs operating in their area, for new CAS constructions or acquisition projects. The local authorities should identify the nature and extent of the housing for people with specific requirements within their administrative area, and request AHBs to put forward cost-effective and sustainable proposals to meet these needs.

The local authority will assess these proposals and submit a short list in order of priority using the following criteria:

1. The extent to which the proposal addresses the housing need identified in the Housing Needs Assessment.

VFM – proposal should be cost effective and fit-for-purpose and be in compliance with the Public Spending Code and the Capital Works Management Framework.

¹⁴ Circular Housing 5/2014 CAS Programme 2014-2016 (current circular at time of field-work for this report). The most recent circular issued is Housing 15 of 2015 Capital Assistance Scheme 'Call for Proposals' (2015-2017).

2. Prioritised projects should be in a position to progress without delay once funding has been approved, with some expenditure recoupable within the year.
3. Part V agreements – proposals may relate to cases where a binding commitment is in place under Part V.

The prioritised list of projects should also identify if they are part of a Part V agreement, and if the AHB has signed up to the Voluntary Regulatory Code (VRC). It should also indicate the funds which will be drawn down in the years 2014-2016. The Department will consider the proposals and notify the local authority about which projects have been successful in receiving funding under the CAS programme (2014-2016).

The most recent circular issued in March 2015 outlined the criteria for projects from 2015- 2017, with a closing date for submissions to the Department of 29 April, 2015.

Table 5: Key statistics for CAS projects 2008-2014

Year	2008	2009	2010#	2011	2012	2013	2014	Total 2008-2014
Funds paid in year €	156,290,000	158,512,741	113,647,625	38,039,748	58,044,354	36,694,334	34,296,733	595,525,535
Funding approved for new projects in year €	71,437,562	109,031,200	119,659,549	37,334,409	33,694,727	14,739,037	24,058,063	
No. new projects approved in year	83	71	193	22	72	54	42	537
No. new housing units approved in year	500	572	963	361	339	120	140	2,995
No. of units completed	914	1,076	392	587	454	204	330	3,957

Special Call for proposals in 2010 issued by the Department to the local authorities for AHB projects

Source: Department of the Environment, Community and Local Government, Social Housing, Ballina

3.2 Capital Loan Subsidy Scheme

The CLSS was designed to assist the AHBs provide general purpose housing to meet the needs of low-income families who are on the local authority housing waiting lists. The financing of the accommodation was by way of loan and subsidy. Under the CLSS a (20 or 30 year) loan is borrowed from the HFA and paid by the local authority to the AHB. The local authorities have drawn down loans from the HFA of almost €540m in 2008-2014 under this scheme (see Table 6). The local authority repays the loan and interest to the HFA, and fully recoups this amount (twice yearly) from the Department. Appendix 3 shows details of the annual loan charges recouped by

local authority, which amounted to some €50m in 2014. An annual summary of loan charges recouped to the local authorities is shown in Table 6.

The AHB is entitled to an annual management and maintenance payment on the accommodation funded under the CLSS of €436 or €543 per unit, depending on location. This is paid to the AHB by the local authority and recouped from the Department. Appendix 2 shows details of annual maintenance payments recouped by the local authorities from the Department and amounted to some €4.7m in 2014. An annual summary of management and maintenance charges recouped to the local authorities is shown in Table 6.

Table 6: Key statistics for CLSS projects 2008-2014

Year	2008	2009	2010	2011	2012	2013	2014	Total 2008-2014
Recoupment of HFA Loan Charges €	55,037,086	64,488,495	57,143,686	56,397,851	64,177,272	64,532,900	50,102,318	411,879,608
Recoupment of management and maintenance payments €	6,956,057	5,407,782	4,201,178	4,542,516	4,503,065	4,611,654	4,694,329	34,916,581
HFA Loan drawn down amounts €	239,849,271	139,046,820	92,036,935	44,635,857	8,875,193	8,706,988	6,807,374	539,958,438
No. of units approved each year	647	375	87	34	–	–	–	1,143
No. of units completed	982	935	349	158	223	7	27	2,681

Source: Department of the Environment, Community and Local Government, Social Housing, Ballina

The AHB have ownership of the properties but must ensure that they continue to comply with the scheme and have let to 75% of tenants qualified from the local authority housing list, in the case of 95% capital funding for the project. Projects fully funded by the local authority should be 100% occupied by people from the local authority housing list. Tenants are charged differential rents based on their household earnings and circumstances, which they pay directly to the AHB. The capital funding through this scheme has been wound-up since 2011. HFA draw down amounts from 2011 onwards relates to projects approved from previous years, coming to completion.

Appendix 4 is an extract from the 2014 AFS Note 8, showing the loan amounts outstanding to the HFA under these mortgage arrangements by local authority for CLSS projects.

3.3 Social Housing Current Expenditure Programme (2015)

The programme originated with the Social Housing Leasing Initiative (SHLI) in 2009, for local authorities to lease privately owned properties. It was expanded to allow AHBs to engage in leasing private property for social housing purposes, and to utilise unsold affordable properties for social housing. In 2011 the Capital Advance Leasing Facility (CALF) was introduced, and in 2012 initiatives involving NAMA and Mortgage to Rent schemes were introduced to provide units for social housing.

The SHLI was rebranded as the Social Housing Current Expenditure Programme (SHCEP) in June 2015, and provides both local authorities and AHBs with a variety of arrangements through which social housing units can be delivered.

There are two main funding mechanisms for social housing under the SHCEP. For lease-type arrangements for social housing, an on-going funding agreement is entered into with the local authority and the AHB, known as a Payment and Availability Agreement (PAA). For some projects involving purchase or construction, there may also be an element of capital funding provided, under a repayable loan known as a Capital Advance Leasing Facility (CALF).

Sources of units under the SHCEP

Under the SHCEP local authorities are involved in leasing arrangements with private landlords or leasing vacant accommodation from developers/property owners for periods between 10 and 20 years, for the purpose of providing accommodation to people on the social housing waiting lists.

The main types of arrangements which involve the AHBs under SHCEP are as follows:

- AHBs can purchase or construct units and make them available as social housing for periods of 10-30 years. They can use a CALF advance to finance the purchase or construction costs. The units are then made available to the local authority under a PAA agreement generally at market rent less 5-8%.
- AHBs lease properties from private owners/ developers and then enter into a PAA agreement with the local authority for a long term lease agreement¹⁵. The PAA is expected to be 80% of the market rent in a leasing arrangement.
- AHBs manage the unsold affordable properties for the local authorities for medium term lettings (usually five to ten years). The Department recoups the interest on the loans associated with these units to the local authorities.
- AHB lease properties from the NAMA special purpose vehicle and then enter into a PAA agreement with the local authority for a long term lease agreement.
- Mortgage to rent scheme whereby the homeowners who can no longer afford to sustain their mortgage, agree with their lender to sell their home to an AHB and become tenants in the property.

The role of local authorities in these leasing initiatives is to assist with the project appraisal, liaise with the AHBs in allocation of units and nominations and to monitor compliance with the PAA between the AHB and the Department.

The AHB will submit a proposal to the Department indicating that it wishes to enter into a PAA to provide social housing with details of the type of property, location and proposed payment terms. The Department will review the proposals and forward to the local authority for

¹⁵ Circular SHIP 2009/05 Social Housing Leasing Initiative: Approved Housing Bodies

comments on the housing need in the area, if the property is suitable, and comment on the comparative market rents and the payments sought by the AHB. Based on the local authority report, the Department will make a decision on funding the project under the programme. Where approval is given, the local authority will enter into a PAA for periods of between 10-20 years with payments recouped by the local authority from the Department.

The local authority determines the allocation of the units to people on their housing list, homeless or in receipt of rent supplement for more than 18 months. The local authority has 100% nomination rights under the SHCEP. The local authority also has a monitoring role to ensure dwellings are kept in a rentable condition and inspected in accordance with their obligations under the Housing (Standards for Rented Housing) Regulations 2008. The local authority must ensure that they are occupied and that the differential rent scheme (of the local authority) is being properly applied. An administrative fee of 1% of the yearly leasing cost is paid by the Department to the local authority on commencement of the lease.

Unsold Affordable Units

Measures were announced in 2009¹⁶ to deal with the unsold affordable units held by the local authorities. As part of this initiative, due to the poor market conditions where sales of the units were impossible, an AHB could be engaged under a service level agreement, to manage and maintain some of these properties for social housing purposes on leases of no longer than 5 years. The circular states that local authorities would be responsible for payment of management and service charges associated with the properties, and that they should engage in a competitive tendering process prior to engaging a body to provide management and maintenance services. The AHBs charge the tenants rent under the differential rent scheme of the local authority. In 2014, there were 2,064 unsold affordable units under the SHCEP, and the cost in recouping annual interest charges to the local authorities was €9,686,904.

National Asset Management Agency (NAMA)

Properties identified by NAMA are offered to local authorities for their consideration as to their suitability, by reference to sustainable planning and housing policy, or are located in areas where there is demand. To streamline delivery, NAMA has established a special purpose vehicle (National Asset Residential Property Services Limited NARPSL) to take ownership of properties once demand has been established, and then lease them long-term to the AHB or local authority. Where there is an AHB involvement, the local authority liaises with the Housing Agency and the AHB to enter into agreements for purchase by a CAS proposal or a leasing arrangement by a PAA agreement. The VFM questionnaire issued to the participating authorities, requested the details of properties owned/leased or managed by the AHBs as at 30 June 2014, but no details were returned for NAMA properties. However, on discussions with one large urban authority, 20 units had been acquired under a CAS proposal and 28 units under a leasing arrangement, and had been returned on the questionnaire in these categories. More units were due to come on stream at a later date. Another local authority had entered into leasing arrangements for 72 units facilitated by the Housing Agency.

Mortgage to Rent (MTR)

The Mortgage to Rent Process¹⁷ is a new initiative introduced for homeowners who have serious difficulties in paying their mortgage, and are unlikely to ever make full repayments in the future. The Housing Agency is the manager and main driver of this scheme. It is an option for people who have been through the Mortgage Arrears Resolution Process (MARP) with their

¹⁶ Circular AHS 1 2009 Measures to deal with unsold affordable homes and related issues.

¹⁷ Protocol to Govern the delivery of the mortgage to rent process :June 2014

lender due to their mortgage being deemed unsustainable. Agreement must be reached between the homeowner, their bank and the AHB for the house to be sold to the AHB, following an independent valuation. The occupiers then stay in their home and pay a differential rent to the AHB, in accordance with the differential rent scheme of the local authority in whose functional area the property is located. The purchase is funded by the Department to the AHB under the CALF scheme, with a PAA in place for the tenants who pay a differential rent to the AHB. The property must be in negative equity, and of a value no more than €350,000 for a house and €300,000 for an apartment or townhouse in the greater Dublin area, and €250,000 for a house and €190,000 for an apartment or townhouse in the rest of the country.

The individuals must be eligible for social housing support, and comply with income and capital assets limits. The survey showed that three of the eight participating authorities had taken on 10 units in total under the MTR scheme, and had included them in their leasing arrangements.

Funding mechanisms - Capital Advance Leasing Facility (CALF) and Payment and Availability Agreements (PAA).

In 2011, under the Social Housing Leasing Initiative (SHLI)¹⁸, the Capital Advance Leasing Facility¹⁹ (CALF) was introduced as a new funding mechanism. This initiative combines an element of capital advanced together with an on-going payment and availability agreement (PAA) between the AHB and the local authority for social housing. Funding is provided to the AHB (by the local authority) by way of loan finance up to 30% of the value of the capital project for the purchase or build of units. This money is paid as an unsecured loan accruing simple interest at 2% pa and to be repaid at the end of the agreement term. However, if at the end of the term, it was decided to renew the agreement, the repayment of the loan could be offset against future on-going PAA payments. The remaining finance can be arranged for the project by the AHB from private or HFA loan arrangements.

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The local authority and the AHB may enter into two agreements:

- Capital Advance Agreement –outlining the terms and conditions of the loan. This is not a mortgage agreement but a legal contract and the local authorities will be free to pursue any monies owed or breach of contract through the courts. Appendix 5 shows by local authority the capital amounts advanced, since the scheme commenced, under the CALF totalled €17.6m up to 2014. Details are summarised in Table 7.
- Payment and Availability Agreement (PAA) – this covers the availability arrangements (terms usually between 10 and 30 years) of the properties by the local authority from the AHB. PAA payments are set at the standard of 92% of market rent (80% of market rent plus 12% for management and maintenance costs). In some instances this can be negotiated up to 95% of market rent e.g. where management fees are payable on a property, usually in relation to apartments. Property standards, occupancy requirements, nomination procedures and filling of vacancies are also covered under this agreement. Appendix 6 shows annual payments made to AHBs and reimbursed to local authorities, under these agreements from 2010-2014 totalling €19.5m. Details are summarised in Table 7.

¹⁸ SHLI has been rebranded to the Social Housing Current Expenditure Programme (SHCEP - since June 2015)

¹⁹ Capital Advance Leasing Facility (CALF) Circular Reference: Housing 31/2011

Both the capital advanced sum and the amounts paid under the PAA are paid by the local authority to the AHB, and recouped by the local authority from the Department. The AHB is obliged to charge the tenants rent in accordance with the local authority's differential rent scheme. In cases where the AHB provides or raises all the capital funding themselves, then only a PAA to cover the availability arrangement is signed between the local authority and the AHB, and no CALF funds are advanced. AHBs may also enter leasing arrangements with private property owners under PAA agreements with the local authorities.

Table 7: Key statistics for AHB units owned or leased including CALF projects under the SCHEP 2010-2014

Year	2010		2011		2012		2013		2014		Total 2010-2014	
Expenditure Recouped to LA for units provided under PAA made with AHBs €	€408,825		€1,475,041		€2,364,268		€5,080,155		€10,163,660		€19,491,949	
Cumulative Units	82		195		405		682		1,222		1,222	
Full year costs of units delivered in the year	€643,917		€904,636		€1,707,521		€2,448,894		€4,430,556		€10,135,524	
# Overall units delivered in the year	82		113		210		277		540		1,222	
	CALF units	Non-CALF units	CALF units	Non-CALF units	CALF units	Non-CALF units	CALF units	Non-CALF units	CALF units	Non-CALF units	CALF units	Non-CALF units
	5	77	6	107	76	134	184	93	331	209	602	620
Year	2010		2011		2012		2013		2014		Total 2010-2014	
*CALF Capital Payments €	-		€401,850		€7,955,646		€4,816,600		€4,446,899		€17,620,995	

Source: Department of the Environment, Community and Local Government, Social Housing, Custom House

Notes: Not all units delivered under PAA received capital funding under the CALF, these are shown as non-CALF units in this table.

*CALF payments are not necessarily made in the same year that units are delivered, especially construction projects with staged payments made over a number of years.

Approval of a SCHEP proposal involves the following steps:

- An AHB submits a proposal to the Department for the lease, purchase or construction of a social housing project, for which it is willing to enter an availability agreement with the relevant housing authority. The proposal should include the details of the properties and the proposed payment terms and the amount of capital contribution required, if any.
- The Department reviews the proposal based on an initial assessment as to its suitability, and availability of funding. The proposal is forwarded to the local authority for their comments in respect of demand, sustainability, and market comparison. Where a proposal includes an element of CALF funding, the Department also requests the

Housing Agency to review the proposal and carry out a financial assessment, using a model which examines cash flow projections, interest rates assumptions etc. to determine if and what level of CALF funding would be appropriate.

- The local authority will comment on the proposal in terms of it complying with the housing needs and objectives of sustainable communities being met and the market rents on similar properties in that area. The local authority is requested to confirm their willingness to enter into a PAA for the units, for a period of between 10 to 30 years.
- Following the report from the Housing Agency, the Department will make a decision on the funding of the project. Monies paid by the local authority under the PAA are recouped from the Department.

The terms of the scheme provides that the local authority determines the allocation of units, which must be offered to people on the housing waiting list, are homeless or in receipt of rent supplement for more than 18 months. The tenants pay rent to the AHB under the terms of the local authority differential rent scheme. The PAA agreement can be suspended and payment stopped if a unit remains unoccupied for more than 3 months. The AHB must make an annual report to the local authority in relation to occupancy and condition of the units and confirm that they are rentable and being used for eligible tenants.

3.4 Capital Funding Schemes for the Provision of Rental Accommodation by Approved Housing Bodies (Voluntary & Co-Operative Housing VHU 2/02, May 2002 (commonly known as the Green Book))

This guidance document, issued by the Department, outlines the local authority's key 'enabling' and administrative role in the operation of the CAS and CLSS capital funding schemes to assist the AHBs and to streamline the approach in conjunction with the Department in the approval and issue of funds for capital projects. It states that the role of the local authority includes the following:

1. The appointment of a senior administrator in the local authority to maximise contribution of AHBs, co-ordinate arrangements and have regular personal liaison to ensure speedy commencement of housing projects, including dealing with planning approval, processing of funding applications, access to building sites, infrastructure/utility services and legal documentation.
2. Maintain contact with respective voluntary associations to keep abreast of trends in the sector, good housing association management practices and related guidance.
3. Liaise with bodies to encourage/facilitate in the provision or management of social housing in their area.
4. Provide information on how to obtain Approved Status. The requirements include having adequate financial accounting and control procedures to monitor capital income and expenditure in respect of development projects, and on-going current income (including accounts of rental income and other revenue) and expenditure in respect of each project undertaken. Audited Financial Statements of an AHB shall be provided on request to the Department or housing authority holding a mortgage or other charges in respect of AHBs dwellings or issuing other forms of subsidy, allowances or grants to the body.

5. General terms and conditions of capital funding schemes for the AHBs. Section 6 of the Housing (Misc) Provisions provides that assistance to AHB is given on terms and conditions determined by the authority of the resolution of the elected members. Once the terms and conditions have been adopted by the elected members, it is an executive function of the Manager in the case of each individual scheme and AHB.
 - Housing authorities should encourage and assist efforts of the AHB including the provision of sites where possible
 - Designated officers should streamline functions e.g. planning permissions, preparation of legal documents for site transfers, processing of applications and issues of funds to finance construction and related costs to AHB.
6. Each AHB must have a properly functioning Board of Directors or Trustees, responsible for commissioning projects and services, and the ownership, management and maintenance of the dwellings.
7. There should be early consultation for the purpose of each project, especially in relation to meeting accommodation needs, management and letting policies etc. The local authority may provide guarantees to an AHB in respect of borrowings, having regard to the profile of the AHB, its capacity and expertise (relating to special needs, provisions for the elderly etc.), and the desired level of operation in the area.

Where services are also to be provided in conjunction with the Health Services Executive, early consultation and agreement should be in place with them regarding services.
8. There should be no overlap of funding of CAS and CLSS for the same units.
9. Loans can include costs of sites, construction, refurbishment, legal and professional fees, utility connections and bridging loans.
10. Mortgage terms and conditions include the following:
 - Must enter into a legal agreement of a mortgage charge on the property
 - Terms and conditions include consultation on letting and nomination rights for certain percentage
 - Dwellings must be managed and maintained and insured by the AHBs
 - Any disposals must be approved of by the housing authority
 - Payment of loans and interest can be waived (re CAS) and subsidy paid (re CLSS)
 - Under CAS at least 75% of lettings should be to meet housing needs of the area (where 95% funded)
 - Once per annum the AHB should receive a copy of their Statement of Loan account.

In 2015, the Department established a group to review this main circular underpinning the Capital Assistance Scheme, particularly with regard to technical aspects of the Capital Works Management Framework and the Public Spending Code.

New arrangements for the administration and other costs associated with new social housing build projects²⁰ were issued by the Department in October 2015. These arrangements are to support the delivery of targets under the Social Housing Strategy 2020 by the local authorities in their social housing programmes. Support will be given in the following three areas:

- New temporary arrangements whereby the Department will contribute directly to administration costs associated with such projects
- New proposals to be introduced in respect of costs incurred by professional and technical staff in local authorities assigned to the delivery of new social housing build projects in respect of rates for apartments
- New arrangements are to be introduced whereby the Department will contribute directly to the cost of local authority administration and technical work associated with projects under the Capital Assistance Scheme.

Appendix 10 gives a list of Department Circulars and Guidance since the issue of the Green Book.

3.6 Voluntary Regulatory Code for AHBs

As a first step towards a statutory regulatory framework the Voluntary Regulatory Code (VRC) was introduced for AHBs in 2013. Appendix 8 shows an extract from the VRC – Charter of Commitments. Further details of the development of the VRC and the work of the interim regulator are discussed at section 5 – Current Developments.

²⁰ Circular: Housing 35/2015 New arrangements for administration and other costs associated with new social housing build projects. Published by the Department on 29 October 2015.

4. SURVEY AND FINDINGS

4.1 Survey of Local Authorities

The following eight local authorities were issued with the questionnaire (Appendix 11) and their Housing Officers and staff were interviewed during the course of the study:

Cork County Council
Dublin City Council
Donegal County Council
Kildare County Council
Kilkenny County Council
Louth County Council
Mayo County Council
South Dublin County Council

4.2 Findings and recommendations from survey

The questionnaire sought information from the local authorities on the AHBs they engage with for social housing projects, and information relating to the property details, mortgage details, nomination rights and inspections, governance arrangements, financial matters, leasing arrangements and the managing of capital projects. The following is a summary of the findings and recommendations from the responses.

Registration of Mortgage

The eight participating authorities were asked to provide a listing of all properties provided under the CAS and CLSS schemes along with confirmation that mortgages were in place for each property, and to provide property folio reference numbers and details of where mortgage title documents were held. Seven authorities responded that not all mortgages were in place. One participating authority responded that all mortgages were in place, but was unable to provide a listing of all CAS and CLSS properties provided by AHB, as they had not completed the exercise undertaken to compile a full and comprehensive list of AHBs, their units and related details at the time of the survey.

Reasons given as to why mortgages had not been registered included:

- ownership and title issues
- issues discovered on retirement of the county solicitor
- mortgages not executed or finalised
- The new mortgage deed not acceptable to the AHB

Some of the ownership and title issues are complex and will take a number of years to resolve e.g. where the local authority must register the title of the land with the Property Registration Authority through adverse possession.

The eight participating authorities were asked for details of properties where the mortgages had matured or been discharged.

- three local authorities gave the details where mortgages had matured and if they had been sold or if tenants were still in residence
- two local authorities responded that none had yet matured
- two local authorities did not respond to the question
- one local authority stated that the figures were currently under review.

Prior approval for the disposal of a property had not been sought in all instances but all outstanding elements of the mortgages had been repaid by the AHBs.

Recommendation:

- Local Authorities should conduct a look back exercise to ensure that all mortgages are properly registered relating to properties funded by AHBs. This exercise may involve a reconciliation of the loan approval with the amounts drawn down from the HFA where applicable, and the amounts paid by way of funding to the AHBs for each individual project
- Where registration of mortgages remain outstanding due to on-going legal issues etc. follow-up action should be taken to resolve these matters and complete the mortgage registration
- A comprehensive register should be maintained of all mortgage agreements with property details, mortgage registration details (folio number and dates) and location of mortgage deed documents
- For new projects, it is recommended that final payments on capital projects should not be made until the mortgage charge on the property has been finalised
- Prior approval should be given for any sale of property by the AHB and details of matured mortgages should be maintained on a register
- Upon mortgage maturing the local authority should be able to expedite the discharge and release of mortgage deed, in accordance with Circular Housing 19/2014.

Nominations

Under the CAS and CLSS, the nomination process for tenants should be agreed between the local authority and the AHB. This is a straight forward process for CLSS properties as all the nominees must be from the local authorities housing waiting list. No issues were reported for the nomination of tenants relating to CALF properties, as this is a relatively new scheme and many original tenants are still in situ, and are subject to on-going claims from the AHBs to the local authority, who in turn recoup rent payments from the Department.

For CAS funded projects, the local authority nomination rights depend on the original funding of the scheme. It is generally 25% nomination rights to the AHB where the project was funded 95%, and the remaining 75% nominations must be to persons eligible for the local authority housing list. CAS properties are for specific categories of people such as the elderly, special needs, homeless etc. and therefore the potential occupiers may be subject to a medical assessment to determine the suitability of their needs to the accommodation available.

Two local authorities stated that when a development is completed, the final capital payment on the project is not made until the tenant allocations have been agreed. Other local authorities stated that a list of candidates suitable to the type of property, who have expressed an interest in voluntary accommodation, is provided to the AHB, who then interview the prospective tenants and check their applications including income details. In order to avoid delays in the nomination process, the local authority should administer the Garda clearance procedures for prospective tenants to the AHB properties.

The local authorities rely on the AHB to notify them about subsequent vacancies. They are usually informed either by email or phone call from the AHB, and some record details of the vacancies on a spread sheet/file. Four of the participating authorities gave details of 11 units which had been vacant in excess of three months. The reasons given were; property with water ingress, awaiting Garda clearance and other reports, property only recently accepted on the

third offer, units no longer suitable for residents (as their medical needs had changed) being housed in the community from a HSE facility.

One Dublin local authority gave a demonstration of their in-house developed online facility, which advertises social housing stock available weekly, including certain AHB properties. The system allows people on the housing list (to login with their unique PIN) to view available properties and make an expression of interest. The person who is the highest on the housing list and has expressed an interest will be contacted for interview with the AHB. This system records the vacancy periods and has reduced the average letting times by a number of weeks, and reduced the number of refusals of offers for properties. Some other local authorities are interested in using this system, once they can develop compatibility with their housing waiting list database.

One local authority has commenced recording the details of each tenancy on iHouse²¹. However, from discussions with the local authorities, generally there is no database or system for recording details of units or tenancy occupancy details, and instead they are recorded on individual files relating to the AHBs. Only one local authority had developed an Access Database recording details of AHB properties which they also reconciled to the financial system. Another local authority recorded details on a spreadsheet. One of the Dublin based local authorities indicated that they are awaiting a national system to be developed to record and track all AHB properties and tenants. This lack of database makes it difficult to monitor and track details of properties and their tenants, and especially where the local authority has nomination rights due, relating to older properties.

From meetings with two of the local authorities, they outlined disagreements with two separate AHBs over the level of rent charges for new CAS properties. This has meant delays in accommodating pre-approved tenants to these properties. There is no formal mechanism in place to resolve these disputes, although the Housing Agency Regulation Office has taken a role, when requested, to resolve these issues.

Recommendation:

- Local authorities should maintain a management information system/database of all AHB properties, which have been funded under the CAS, CLSS and CALF and other leasing arrangements. Details on the local authority system should be periodically agreed with the Department records. For CAS properties a record of the nominee (whether AHB or local authority) should be maintained, in order to track future nomination rights for the local authorities for each unit.
- All vacancies should be notified to the local authority as soon as possible by the AHB, and these vacancies should be systematically tracked and monitored to ensure that voids and void periods are minimised.
- Garda clearance procedures should be administered by the local authority, as delays were encountered when clearance was requested by the AHBs.
- At project development stage, the details of the rents which are proposed should be clearly stated and agreed in advance. Final payments on capital projects should be held until the allocation process and rent levels have all been agreed.
- A formal resolution mechanism, or default rent amount should be implemented where there are disagreements on the levels of rents charged by the AHBs for CAS properties.

²¹ This is a housing system operated in most local authorities recording details of their housing stock and tenants.

Annual Statements of occupancy

For the CLSS, five local authorities stated that they receive an annual statement of occupancy; this may be submitted with the annual claim for the management and maintenance payments, or in relation to AHBs who receive funding under homelessness services. Two local authorities stated that no statement of occupancy is received, and one local authority gave no response.

For the CAS, one local authority stated that they received a statement of occupancy when a claim is submitted for funding under RAS. Five local authorities stated that no statement of occupancy is received and two local authorities did not reply to the question.

For the CALF, two local authorities replied that they received an annual statement of occupancy and two stated that they did not receive an annual statement. Two authorities replied that it was not applicable, as in one case the CALF projects had only commenced in 2014 and the other local authority had no CALF projects, the remainder did not reply to the question.

Recommendation:

It is recommended that an annual statement of occupancy should be submitted by the AHBs to the local authority for all properties funded by the local authorities. This would ensure that the tenant information is up-to-date and that the properties are correctly occupied. It could also be used by the local authority to verify with their records any associated claims relating to the properties and that correct rent schemes are in place. However, this recommendation may not be applicable to units used for transient or temporary occupation such as addiction treatment centres, women's shelters etc. as it may not be feasible to monitor the temporary short-term occupation of these units.

Inspections

There is a low level of inspection of AHB properties funded through the local authorities. One local authority replied that there were no inspections taking place. Three local authorities stated that inspections are performed prior to the start of a lease or the purchase of a property. Otherwise inspections take place following complaints or where there has been an issue which warrants follow-up by the local authority.

Under the terms of the Green Book, it is a requirement that the local authority should be notified by the insurance company that the property is insured, and that the local authority are named as an interested party. Two local authorities stated that this would be checked by their solicitor at the initial stage of signing the mortgage documents. The other local authorities stated that there is no formal arrangement in place confirming that the AHBs are maintaining the insurance cover on their properties, and may lead to liability on the local authority.

Also, under the terms of the Green Book, it is a requirement that the local authorities confirm by inspection that certain accounts and records are maintained. These include; a capital income and expenditure account, a housing management and maintenance account and a special needs housing support service account. The questionnaire returns for all eight local authorities showed that there are no inspections taking place for any of these accounts being maintained by the AHBs.

Recommendation:

- It is recommended that a periodical inspection regime of properties funded under the schemes should be carried out under the local authorities enforcement strategy and inspection arrangements for rented accommodation.

- The inspections should verify details of the occupants, along with condition of the property and general condition and management of the estate, where applicable.

Record of meetings

Half of the local authorities stated that they have formal meetings on a regular basis with the AHBs. Senior housing staff, usually the Senior Executive Officer (SEO) and their staff attend, depending on the items on the agenda. However, not all stated that minutes were maintained of these meetings. The more regular meetings tended to be with the larger AHBs which have a national presence. The other local authorities stated that there are no formal meeting processes in place, and that meetings occur on an adhoc basis where a particular issue or difficulty arises with a property or a tenant.

In one local authority meetings are held regularly with all the representatives from the AHBs in their county. The local authority use this as a forum to present on topical issues such as new circulars issued by the Department, calls for proposals, procurement procedures, leasing arrangements, rent schemes, allocation procedures, frameworks etc.

Recommendation:

- It is recommended that meetings be held with all AHBs on a regular and formal basis, perhaps quarterly for larger AHBs, and annually for smaller bodies. All meetings should be formally minuted.
- Meetings with the AHBs who have not signed-up to the VRC should be at least once a year. This is to maintain contact with the management, review policies and procedures, and also to ensure they are maintaining proper board membership, records and succession planning for the on-going management of the AHB, as required in the VRC.

Governance and other matters

The Voluntary Regulatory Code encourages AHBs to sign up to the requirements for voluntary regulation and oversight. Six of the eight local authorities surveyed indicated that they check the Housing Agency Regulation Office website details to ensure that an AHB have signed up to the VRC.

Four local authorities stated that they receive an Annual Report from the AHB. Two indicated that they received copies of annual accounts where they are providing funding towards homeless services to the AHBs. Two authorities indicated that they do not receive copies of accounts or other performance information from the AHBs that they deal with.

Three local authorities sited cases on the completed VFM questionnaire where there were inappropriate governance arrangements, such as the AHB had become inactive, defunct or had been struck-off by the Company Registration Office (CRO). The local authorities are working to resolve or have resolved these cases as outlined below:

Case study one:

In one of these local authorities there were three cases of inappropriate governance arrangements as follows:

- One AHB (operating 12 units) was struck-off by the CRO, there has been no board in place for 12 years and the tenants are not paying rent. In fact in one instance the tenant had sublet the property. There are legal issues to be resolved regarding ownership and a national AHB has indicated their willingness to take-over the operation.
- A second AHB (operating 32 units) was referred to the Office of the Director of Corporate Enforcement. There were conflicts of interest between the board made up of family members and a maintenance contractor. Additional conflict arose when a new board pursued residents for rent arrears and gave them notice to quit. These issues have been resolved and a new board put in place.
- A third AHB (operating 28 units) was recently in the media where an alleged fraud has taken place. The matter was under garda investigation at the time of this survey.

Case study two:

In a second local authority two governance issues arose:

- The first case involved 4 units, where problems arose with tenants and the board members decided to resign. This scheme has been taken over by another AHB and legal issues are now being resolved.
- In the second, an AHB complex with 50 units shared a common entrance and there were issues with right of way. Other legal issues also had to be completed in order to register the mortgage. It has been agreed another AHB will take over this operation.

Case study three:

In the third local authority, an AHB with 24 units had problems with maintenance, estate management and rent issues. The Board were no longer functioning and it was decided to take the units back into social housing stock and management by the local authority.

Recommendation:

- Where the AHB do not provide a copy of their annual report to the local authority, a set of financial statements (audited where required) should be submitted to the local authority
- All these governance issues arose in small/medium sized, locally based AHBs. Due to their structure, nature and capacity within the sector, these AHBs should have extra oversight and support by the local authority, as they are closer to and have a more detailed knowledge of these organisations. Where necessary the local authority should facilitate the takeover of units by another AHB. As the VRC is rolled-out in the future, and the oversight role of the regulator progresses to have all AHB organisations signed-up to the code, then issues concerning governance arrangements can be referred to the regulator.

Financial Matters

Four local authorities indicated that they provided an annual statement of the loan balances outstanding to the AHBs on request of their auditors. One local authority indicated that they provide details of the balance of loans outstanding annually to the AHBs for CLSS projects only. Three local authorities do not provide an annual statement of the loan outstanding to the AHB.

Four local authorities indicated that they recorded the details of the loans on their financial systems (Agresso/Integra), and four indicated that they were recorded on spreadsheets.

For details relating to CALF loans, outstanding balances and interest due, six local authorities (who had CALF projects) indicated that they were awaiting a guideline from the Department as to how they are to be accounted for, and recorded the balances on these projects mainly on a spreadsheet, in the case of four authorities, and two authorities are recording them on the financial system. The amount of CALF loans issued in the case of the six local authorities at the time of the survey was approximately €4.7m.

CLSS properties receive an annual management and maintenance fee²² of €436 or €543 depending on location. Five of the eight local authorities indicated that all the fees had been claimed by the AHBs. Three local authorities were awaiting claims from the AHB. Some authorities stated that they do not make the payment until they receive a statement of occupancy report for each property. Delays may occur in the payments, where the Department had not yet notified the local authority of the level of fees to be paid, until sometime during the current year. These payments are to fund the general upkeep and management of the properties. However, there are no details provided by the AHB on planned maintenance programmes or report on works carried out when making the annual claim. However, copies of Tax Clearance Certificates are received before processing all payments.

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The survey sought information whether the local authority received confirmation that the correct rents were charged, whether they were assessed on a yearly basis, and what was the date of the last revision. Only two local authorities indicated that they received these details and one stated that they had commenced requesting details in this area but were encountering resistance. No local authority received details of rents collected for the last financial year, although some stated they were in the annual reports of the AHB.

Recommendation:

- It is recommended that all loans, outstanding balances and annual interest charges should be recorded on the financial system and reconciled annually with statements received from the HFA, which will assist the local authority in issuing statements annually to the AHBs with details of outstanding loan balances
- Guidance issued from the Department (December 2014) for the accounting arrangements for the recording of CALF loans and calculation of annual interest within the local authorities will facilitate the issuing of annual loan balance statements to the AHBs
- It is recommended that payments of CLSS management and maintenance fees and other lease payments should only be made upon receipt of statements of occupancy relating to the units which should be checked by the local authority to their records
- In accordance with the framework document relating to CAS and CLSS programmes details of the rents schemes in place should be notified to the local authority.

²² Circular Housing 14/2014 for the subsidy year ending 30 June 2014 the allowance is €436 per house in areas to which the general cost limit applies and €543 per house in administrative area of the city councils, counties of Fingal, Dun Laoghaire-Rathdown, South Dublin, Kildare, Meath, Wicklow and specified Islands where higher cost limits apply.

Leasing arrangements

The survey sought details of leasing arrangements in place in the eight participating authorities. These included unsold affordable units, units leased from private landlords and NAMA leased units, by an AHB. There are also units owned by the AHBs which are then leased by the local authority under PAAs. The rent payable to the owner, by the local authority for these long term leases, is at a discount on the market rent and is recouped by the local authority from the Department; the occupants pay a differential rent to the AHB. At the time of the survey one participating authority had leased NAMA units and this was facilitated by the Housing Agency.

Seven of the eight participating authorities had unsold affordable units which they have leased for 5 year periods to the AHB. Many of these leases expire in 2015. Three local authorities had a public advertisement inviting expressions of interest and bids for the management and maintenance of the unsold affordable units. In the other four participating authorities the units were allocated on a geographical basis, or where an AHB had other properties in the same location or nearby, and on the basis that they were willing to take on the management and maintenance of these units. Where management companies are in place the local authority may be charged a management fee. Following a tender process, in one of the local authorities the AHBs are paying the local authority approximately €1,200 per unit annually for the unsold affordable units in their management. One local authority has a protocol in place where they do not want AHBs engaged in bidding against each other for units. The AHB charges the tenants the local authority differential rent. Some CAS units occupied by social welfare recipients may attract RAS payments where the tenant is in receipt of supplementary welfare allowance as appropriate. The payment is made by the local authority to the AHB and recouped from the Department. The eight local authorities paid AHBs under the RAS scheme, in respect of 1,632 CAS units, approximately €4.3m in 2013. These units were funded in their purchase/build by the Exchequer and the ownership is vested in the AHBs. The Exchequer is now contributing to the rent charged by the AHB under the RAS scheme.

Recommendation:

- It is recommended that the local authority should demonstrate through a transparent process that the best value for money is being obtained in allocating unsold affordable units to AHBs.

Capital Projects

Each of the eight participating authorities indicated that a senior person, usually a Senior Executive Officer, is responsible for dealing with the capital programme and the AHBs. Along with their administrative staff, technical assistance is received from engineers and architects. Half of the local authorities surveyed have taken over the role previously carried out by borough and town councils. Their respective AHB projects are still in the process of being assimilated into the local authority workload and reorganised structures. Due to staff retirements and reassignments knowledge of older projects may be lost, although project files are transferred to the local authority.

Half of the participating authorities indicated that their staff had received formal training in the Public Spending Code, procurement requirements and capital projects appraisal and management, whilst the others indicated that no formal training has been provided. However, all local authorities indicated that they are aware of and follow capital appraisal and management guidelines and national and EU procurement requirements.

The level of technical support provided by the local authorities varied from providing full design and construction management services for some projects, to carrying out inspections in

order to draw down payments from the Department for capital projects. Two local authorities indicated that they make payments based on the AHBs architects certificates, onsite inspections are only carried out where an issue arises.

There were no details provided of any outstanding post project reviews, as most local authorities stated that none were outstanding or that they were not aware of any outstanding cases where a number of local authorities had amalgamated and taken over historical projects.

All participating authorities had some cases of outstanding final project accounts. Two local authorities had eleven projects each dating from 1996-2013 with outstanding final project accounts.

Recommendation:

- All staff involved in AHB capital projects should receive appropriate training in capital appraisal and management guidelines, EU and national procurement requirements and the Public Spending Code issued by Department of Public Expenditure and Reform (DPER) in 2013
- Payments made on foot of architect certificates should be verified and inspected by suitably qualified local authority staff to ensure that they are correctly quantified, valued and authorised for payment in accordance with the work performed
- In taking over historical AHB projects from merged authorities, a review of these files should be carried out in order to ensure that post project reviews and final project accounts are submitted, and that balances are correctly shown in the local authority accounts. Details of all these properties should be recorded on a database in order to track their capital projects milestones and costs, claims to the local authority and details of occupation, rents etc
- The local authorities must continue to review the outstanding final accounts which are in dispute, or which must be reconciled with the Department's figures in order to close-off these accounts, and clear remaining balances.

5 CURRENT DEVELOPMENTS

5.1 Developments in Corporate Governance Agenda for AHBs

Governance and Regulation

In July 2013 a Voluntary Regulation Code (VRC) for Approved Housing Bodies in Ireland was launched by the Department. The content will be refined to produce the optimal regulatory framework for Statutory Regulation of the sector, hoped to be in place in 2016. It sets out key governance, management, measurement and financial principles that will apply to all AHBs depending on their operations. The Regulation Office was established in 2014, (on an interim basis pending enabling legislation) as the Regulator for the AHB sector and is part of the Housing Agency.

All AHBs signed up to the Code are expected to:

- submit annually a signed Charter of Commitments
- complete and submit an Annual Regulatory Return to the Regulation Office
- attend an Annual Review meeting with the Regulatory Office if required.

The Charter is to be signed by the Chairperson and the Secretary of the Board, stating that they comply with the principles of the Code or where it does not, attach an explanation. A draft regulatory assessment report based on the information from the Annual Regulatory Return, will be given by the Regulation Office to the AHB, with a six week period to respond. Then a final assessment report is issued to the AHB, and if requested issued to third parties. Failure to submit a completed Annual Regulatory Return may result in the AHB being removed from the 'Public Listing of AHBs Signed Up to Regulation' which is available at www.housing.ie/regulation.

Better regulation of the sector is seen as a key element in enhancing the role of the AHBs, and is necessary to facilitate them accessing non-Exchequer funding by investment and borrowings from the private financial sector.

The Code operates a proportional approach by a three tier system depending on the size and level of risk associated with each AHB. AHBs in tier 2 and 3 are automatically subject to all the commitments set out for tier 1. The Charter of Commitments for each tier is shown in Appendix 8.

The role of the local authorities in the eventual statutory framework remains to be defined, although they have a regulatory presence in ensuring compliance with the terms of capital funding schemes, including conditions of mortgage agreements, managing waiting lists and inspecting standards of accommodation.

5.2 Establishment of an Interim Regulator

In March 2014 the Department established a non-statutory, ad-hoc interim regulatory committee²³ (iRC) for the Approved Housing Body sector to oversee the implementation of the VRC, and to advise on the development of statutory regulation. The iRC is chaired by the Deputy Chief Executive of the Northern Ireland Federation of Housing Associations and includes experts in regulation, housing, law and finance. It is an independent committee operating within and supported by staff within the Regulation Office of the Housing Agency, pending establishment of a statutory regulator. They meet every two months and work is on-going to bring the Code to a statutory basis in 2016.

²³ Circular: Housing 19/2014, 11 April 2014.

The Regulation Office circulated an Annual Regulatory Return during 2014, to the AHBs who had signed up to the Code and the deadline for completion was extended to December 2014. By May 2015, 142 bodies had made their return and 16 AHBs were delisted (ten of which then complied and were re-listed). All AHBs had their individual assessments sent to them by the end of April 2015, and were given a six week period to respond to the Regulation Office with any corrections. An analysis of the returns was published in their Annual Report²⁴ in July 2015. There are now 208 bodies signed up to the VRC (November 2015), and according to the Regulation Office this represents approximately 82% of the housing stock with the AHBs. Those AHBs which have not signed-up to the Code have no development plans for the future, and in any case would not be considered a priority for future funding with the local authorities.

The Regulation Office launched the Financial Standard and Assessment Framework for AHBs²⁵, in July 2015. This is being piloted with a group of 9 Tier 3 AHBs in 2015, and is scheduled for full roll-out by 2018. The financial standard has the following objectives:

- To provide the Regulation Office with early warnings of risks which may cause financial problems or put social housing assets at risk
- To give details of financial governance and management disciplines
- To monitor key financial ratios such as current ratios, interest cover, gearing which should be maintained where borrowings have been undertaken
- To provide summarised aggregate data on the AHB sector
- To build confidence of funders and other stakeholders in the sector that the regulatory process is providing appropriate oversight and act on issues arising
- To safeguard long-term viability of housing assets for the tenants and residents.

This extends the regulatory framework to provide for robust financial regulation and oversight of the sector and will be an important component in enabling the sector to access borrowings to help provide more social housing.

5.3 Private Residential Tenancies Board

The Residential Tenancies (Amendment) (No.2) Bill 2012, which is currently before the Oireachtas, provides for the extension of the provisions of the 2004 Act to the AHB sector. Following enactment, tenants and landlords in the AHB sector will be able to refer disputes to the Private Residential Tenancies Board (PRTB) for resolution thus providing them with an accessible and independent means of resolving disputes.

²⁴ One Year On – The Regulation of Approved Housing Bodies in Ireland. Regulation Office 2014 Annual Report and Sectoral Analysis, launched in July 2015.

²⁵ The Financial Standard and Assessment Framework for the Regulation of AHBs in Ireland, Launched July 2015.

6. IMPLEMENTATION OF RECOMMENDATIONS

The VFMU will, in due course, review the actions taken by local authority management in implementing the recommendations in Section 4 of this report.

7. ACKNOWLEDGEMENT

The LGAS would like to thank the following for their co-operation and advice during the course of the VFM study:

- The local authorities visited and the personnel consulted
- The Housing Agency - Regulation Office personnel consulted
- Department of the Environment, Community and Local Government Housing Division and personnel consulted
- The VFM Advisory Committee established for this study.

Appendix 1

Capital Assistance Scheme payments to local authority

Capital Assistance Scheme payments to local authority		
* amalgamated bodies in 2014	2013 €	2014 €
Carlow County Council	2,168,748	238,815
Cavan County Council	348,563	102,150
Clare County Council	2,827,788	1,391,867
Cork County Council	1,628,254	209,827
Donegal County Council	448,236	619,430
Dún Laoghaire/Rathdown County Council	457,141	853,650
Fingal County Council	1,625,163	2,695,161
South Dublin County Council	1,229,114	1,258,566
Galway County Council	229,188	389,512
Kerry County Council	63,308	
Kildare County Council	842,708	448,598
Kilkenny County Council	1,028,692	116,381
Laois County Council	142,447	321,516
Leitrim County Council	10,000	10,000
Limerick City & County Council*	2,715,696	1,266,626
Longford County Council	212,308	118,349
Louth County Council	760,433	305,457
Mayo County Council	2,499,474	358,101
Meath County Council	961,298	554,782
Monaghan County Council	1,191,568	1,434,736
Offaly County Council	539,520	389,980
Roscommon County Council	511,376	106,961
Sligo County Council*	251,134	801,380
Tipperary County Council*	531,864	84,439
Waterford City & County Council*	1,294,568	1,756,794
Westmeath County Council	118,647	16,431
Wexford County Council	229,384	1,404,917
Wicklow County Council	1,180,675	21,703
Cork City Council	844,687	
Dublin City Council	9,327,326	16,999,920
Galway City Council	475,026	20,684
Total	36,694,334	34,296,733

Source: Department of the Environment, Community and Local Government Housing Division

Appendix 2

Capital Loan Subsidy Scheme - annual maintenance payments recouped to local authority

CLSS annual maintenance payments recouped to local authority		
* amalgamated bodies in 2014	2013 €	2014 €
Carlow County Council	110,744	110,744
Cavan County Council	18,667	16,663
Clare County Council	55,372	55,372
Cork County Council	241,108	241,108
Donegal County Council	211,242	239,364
Dún Laoghaire/Rathdown County Council	198,195	198,195
Fingal County Council	356,512	310,295
South Dublin County Council	475,418	420,825
Galway County Council	74,120	75,900
Kerry County Council	72,376	108,000
Kildare County Council	250,866	208,512
Kilkenny County Council	59,732	59,732
Laois County Council	118,156	118,156
Leitrim County Council	19,184	19,184
Limerick City & County Council*	93,433	93,433
Longford County Council	78,353	86,328
Louth County Council*	247,648	282,092
Mayo County Council	39,676	119,900
Meath County Council	97,740	97,740
Monaghan County Council	33,136	33,136
Offaly County Council	118,156	118,156
Roscommon County Council	10,900	10,900
Sligo County Council*	116,412	89,816
Tipperary County Council*	227,156	266,757
Waterford City & County Council*	198,312	197,769
Wexford County Council	64,964	91,996
Cork City Council	127,040	103,668
Dublin City Council	800,925	824,477
Galway City Council	96,111	96,111
Total	4,611,654	4,694,329

Source: Department of the Environment, Community and Local Government Housing Division

Appendix 3

Capital Loan Subsidy Scheme payments – annual loan charges recouped to local authority

CLSS Payments – annual loan charges recouped to Local Authority		
* amalgamated bodies in 2014	2013 €	2014 €
Carlow County Council	1,206,452	1,201,208
Cavan County Council	476,798	339,801
Clare County Council	636,993	317,333
Cork County Council	3,823,818	1,964,148
Donegal County Council	2,265,703	2,261,723
Dún Laoghaire - Rathdown County Council	3,955,193	1,977,795
Fingal County Council	2,943,442	6,574,597
South Dublin County Council	6,550,807	3,200,606
Galway County Council	900,024	942,471
Kerry County Council	1,085,776	1,092,495
Kildare County Council	2,389,376	1,240,024
Kilkenny County Council	485,884	484,077
Laois County Council	1,899,733	1,889,807
Leitrim County Council	226,683	225,655
Limerick City & County Council*	953,060	948,635
Longford County Council	1,362,025	1,301,769
Louth County Council*	3,758,303	3,749,650
Mayo County Council	1,122,863	1,138,577
Meath County Council	986,889	882,680
Monaghan County Council	436,800	434,578
Offaly County Council	1,290,286	645,234
Roscommon County Council	131,809	131,219
Sligo County Council*	488,713	1,382,177
Tipperary County Council*	3,498,101	3,481,381
Waterford City & County Council*	1,938,320	1,930,025
Wexford County Council	1,238,797	1,149,122
Wicklow County Council	572,520	373,908
Cork City Council	1,685,209	843,082
Dublin City Council	15,337,093	7,110,746
Galway City Council	885,430	887,795
Total	64,532,900	50,102,318

Source: Department of the Environment, Community and Local Government Housing Division

Appendix 4

Capital Loan Subsidy Scheme - outstanding loan balances

Loans Payable - Voluntary Housing				
Local Authority	2014	2013	2012	2011
	€	€	€	€
County Councils				
Carlow	17,473,634	18,312,881	19,135,359	19,912,988
Cavan	6,236,194	6,443,083	6,650,830	6,596,183
Clare	9,973,705	10,402,540	10,809,827	11,192,794
Cork	69,066,974	71,576,375	74,035,755	76,241,316
Donegal	36,324,291	37,836,991	39,319,512	40,317,862
Dún Laoghaire - Rathdown	72,618,575	74,756,254	77,178,806	79,445,294
Fingal	88,919,864	88,808,873	86,617,006	87,197,869
Galway	15,233,080	15,861,529	16,477,439	15,854,572
Kerry	19,132,860	19,832,270	20,214,178	20,850,218
Kildare	40,531,255	41,752,772	41,730,450	43,114,147
Kilkenny	6,108,294	6,464,906	6,814,377	7,146,375
Laois	33,617,466	34,606,282	37,169,167	38,257,169
Leitrim	5,079,757	5,202,474	5,322,259	5,552,656
Limerick City & County	16,172,420	16,811,872	17,490,949	18,131,065
Longford	23,210,884	23,840,047	24,606,465	22,781,105
Louth	64,601,792	11,134,201	11,469,325	11,781,989
Mayo	20,679,989	21,399,220	21,444,378	21,959,535
Meath	13,165,312	13,775,603	14,373,703	14,938,646
Monaghan	7,309,062	7,593,223	7,871,719	8,133,373
Tipperary	60,588,193	62,377,883	64,558,984	66,174,654
Offaly	20,165,100	20,725,229	21,588,045	21,591,272
Roscommon	1,965,264	2,055,829	2,144,586	2,228,392
Sligo	14,103,972	8,645,531	8,950,199	7,488,363
South Dublin	107,049,209	111,246,639	115,118,910	118,227,807
Waterford City & County	27,685,475	29,041,613	30,370,641	34,583,287
Westmeath	0	0	0	0
Wexford	17,512,082	15,648,673	16,389,155	17,090,293
Wicklow	5,469,081	5,729,731	5,985,169	6,226,701
City Councils				
Cork City	26,697,659	27,832,847	28,929,485	29,977,472
Dublin City	242,436,201	252,746,386	261,683,878	268,429,538
Galway City	13,715,729	14,321,980	14,811,807	15,198,238
Total City and County Councils	1,102,843,373	1,076,783,737	1,109,262,363	1,136,621,173

Source: Figures from unaudited Annual Financial Statements Note 8

Appendix 5

Social Housing Current Expenditure Programme

Capital Advance Leasing Facility - Capital Advanced					
Local Authority *amalgamated bodies in 2014	2011	2012	2013	2014`	Grand Total
	€	€	€	€	€
Carlow County Council				601,266	601,266
Clare County Council*				124,735	124,735
Cork City Council			159,000	212,174	371,174
Cork County Council				199,631	199,631
Dublin City Council		173,975	608,853	729,449	1,512,277
Dún Laoghaire -Rathdown Co Co		6,191,894	1,452,600	584,483	8,228,977
Fingal County Council				176,642	176,642
Galway County Council				59,800	59,800
Kildare County Council		303,816	792,575		1,096,391
Kilkenny County Council			55,603	319,965	375,568
Limerick City & County Council*				360,990	360,990
Louth County Council*		451,868	696,106	509,595	1,657,569
Meath County Council	401,850		39,690		441,540
South Dublin County Council			956,982	419,169	1,376,151
Tipperary County Council*			12,724		12,724
Waterford City & County Council*				69,000	69,000
Westmeath County Council*			33,204		33,204
Wexford County Council				80,000	80,000
Wicklow County Council*		834,093	9,263		843,356
Total	401,850	7,955,646	4,816,600	4,446,899	17,620,995

Source: Department of the Environment, Community and Local Government Housing Division

Appendix 6

Social Housing Current Expenditure Programme

PAA - annual amounts recouped to the local authority

Local Authority	2010	2011	2012	2013	2014`	Grand Total
	€	€	€	€	€	€
Carlow County Council					540,545	540,545
Clare County Council				32,964	159,672	192,636
Cork City Council	63,440	344,778	152,257	152,257	240,093	952,825
Cork County Council			6,015	31,540	395,426	432,981
Dún Laoghaire - Rathdown Co Co		6,203	329,078	1,219,202	1,241,614	2,796,097
Donegal County Council			36,585	66,706	122,738	226,029
Dublin City Council		551,616	790,993	1,297,049	2,539,391	5,179,049
Fingal County Council				4,404	228,784	233,188
South Dublin County Council				71,916	1,300,437	1,372,353
Galway City Council					53,521	53,521
Galway County Council					23,298	23,298
Kildare County Council	217,220	187,461	307,892	599,891	1,150,933	2,463,397
Kilkenny County Council	76,950	51,511	25,861	85,922	311,424	551,668
Laois County Council	16,320	147,096	166,972	314,538	323,605	968,531
Limerick City & County Council		70,115	31,643	162,295	201,328	465,381
Louth County Council			223,461	421,854	559,329	1,204,644
Meath County Council		63,632	183,907	238,078	305,390	791,007
Offaly County Council		29,698		72,372	39,455	141,525
Sligo County Council				9,397	11,760	21,157
Tipperary County Council				2,024	4,642	6,666
Waterford City and County Council			9,738	58,078	129,700	197,516
Westmeath County Council		22,931	9,735	42,677	75,303	150,646
Wexford County Council	34,895					34,895
Wicklow County Council			90,131	196,991	205,272	492,394
Total	408,825	1,475,041	2,364,268	5,080,155	10,163,660	19,491,949

Source: Department of the Environment, Community and Local Government Housing Division

Appendix 7

Summary Grant Thornton Review (2009) Review of the Voluntary and Co-Operative Housing Sector

A study was carried out for the Department by Grant Thornton who undertook a comprehensive survey of the 728 approved housing bodies.

The survey examined:

- Legal structure, Charity Status, Management and Corporate Governance structures of the organisation
- Staffing (numbers, paid or voluntary, type of activities engaged in, staff training and development plans etc.)
- Profile of housing stock (numbers of units under each scheme, sizes of units etc.)
- Profile of tenants (number of families, singles, special needs etc. Length of tenancies, waiting lists, % taken from local authority waiting lists etc.)
- Capital Funding (which funding schemes used, adequacy of funding etc.)
- Finance and financial management information (details of sources of income, fund raising activities, how income is collected etc.)
- Details of current expenditure (salaries, wages, overheads etc)
- Caretaking, repairs and maintenance costs (is there a sinking fund for maintenance costs, is there a management company)
- Policies practices and procedures for housing management (allocations, arrears, tenancy agreements, anti-social behaviour, evictions, support services etc)
- Are they a member of a Representative Housing Organisation
- Are there plans for new developments (how are they acquired, what stage are plans at, are public procurement procedures used for engagement of consultants, capital works, project management etc)

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The report contained the following main recommendations:

- The Department to obtain evidence of satisfactory governance from all approved housing bodies and funding should be conditional on this evidence being provided. Approved status to be reviewed in cases where no activity reported / detected
- Funding applications to be considered / approved only where identified local housing needs are proven to exist
- Local authorities to carry out an audit of all voluntary and co-operative housing organisations nationally, to be followed by a housing condition survey
- There should be greater co-operation and resource sharing between approved housing bodies and the representative bodies should oversee this. Mergers and amalgamations should also be considered
- Financial management within approved bodies to be tightened up. Funding applications to be backed up with audited accounts
- Approved housing bodies should pursue alternative sources of funding to boost housing provision for example pension funds, credit union funds, commercial banks. Overall, the report recommends a move from capital funding of new build to revenue funding to support delivery through market based mechanisms. Leasing is a cost-effective approach, represents optimum value for money and will have greatest impact on addressing housing needs
- Approved housing bodies should have greater involvement in local authority housing action planning and in determining / addressing housing need, especially in the area of special needs housing
- There should be a tighter focus on achieving an agreed inter-agency approach to the provision of supports, including care, in the case of special needs housing

Appendix 8

Voluntary Regulation Code for AHBs (July 2013)

Extract - Charter of Commitments

Tier	Commitments
<p>Tier 1: (Small AHB with 0-50 units without development plans for more units)</p>	<ul style="list-style-type: none"> • Have in place a proper Board with <ul style="list-style-type: none"> - clear roles and responsibilities - at least 5 members, none serving more than 2 consecutive 5 year terms - a general meeting at least once pa - no employee acting as Chairperson • Comply with existing companies law, charities requirements, conditions of approved status • Have Tax Clearance Certificate and sinking fund • Have an agreed set of performance management indicators • Submit Annual Report and Accounts, and a copy of filing to the CRO or to the Registrar of Friendly Societies, to the Department • Submit data on Tenant Services • Submit a signed copy of this Charter to the Department
<p>Tier 2: (AHBs between 50-300 units and/or with development plans in place to provide more units) (Tier 1 requirements, including -)</p>	<ul style="list-style-type: none"> • Have a Finance Committee, or equivalent in place • Annual Report to include details of fixed assets, liabilities, reserves, loans outstanding, capital repayments and evidence of risk register
<p>Tier 3: (All AHBs with more than 300 units) (Tier 1 and 2 requirements, including -)</p>	<ul style="list-style-type: none"> • Have an external audit process in place • Maintain an active strategic plan • 3 year financial plan in place • Have an agreed range of Tenant Services indicators in place • Submit a completed annual return as specified by the Department • Agree to be subject to an audit by the Department and/or it's agents if requested • Attend an annual review meeting with the Department and the Housing Agency if so requested

Note: There are additional requirements and expectations on AHBs in the Appendix of the Voluntary Regulatory Code. The regulatory framework has since been expanded with the launch of the Financial Standard and Assessment Framework for the Regulation of AHBs in Ireland (July 2015), tier definitions have been refined, and the financial standards are further developed for full roll-out to each tier of AHB by 2018.

Appendix 9

Summary information of AHB properties (units and estimated costs) provided by the eight participating authorities

Summary Table	Type of Property	Cork County Council		Dublin City Council		Donegal County Council		Mayo County Council		Kilkenny County Council		South Dublin County Council		Kildare County Council		Louth County Council		Total	
		Units	Estimated Cost €	Units	Estimated Cost €	Units	Estimated Cost €	Units	Estimated Cost €	Units	Estimated Cost €	Units	Estimated Cost €	Units	Estimated Cost €	Units	Estimated Cost €	Units	Estimated Cost €
Properties owned by AHB	CLSS	511	70,327,992	1,513	313,505,474	388	49,963,717	193	24,900,410	79	7,160,121	888	142,784,270	491	39,782,372	637	76,357,320	4,700	724,781,676
	CAS	667	64,021,887	2,009	240,530,751	620	55,812,000	575	46,768,821	633	36,033,165	290	47,720,260	470	42,338,613	75	3,771,502	5,339	536,996,999
	PAA (Capital element)	8	264,725	63	1,081,123					33	344,203.48	84	1,023,132	51	1,191,990	37	1,011,592	276	4,916,765
	PAA (No Capital element)	1		97												1		99	
	Other Properties (Where mortgage charge expired)			943	23,086,880					48	1,104,962	24	756,764	73	13,870,000			1,088	38,728,606
Properties leased by AHB	Unsold affordable	734	137,566,593	240		21		26								54		1,075	137,566,593
	Other Properties	72														25		97	
	Leased Private Landlords	5		28		29				15		16		119		39		251	
Properties Managed by AHB	Owned by local authority	23		329						3		82		4	720,000			441	720,000
	Owned by private property owners											161				22		183	
	Under RAS agreements			118								101						219	
	Used Affordables											148						148	
Totals		2,021	272,181,197	5,340	578,204,228	1,058	105,775,717	794	71,669,231	811	44,552,451	1,794	192,284,426	1,208	97,902,975	890	81,140,414	13,916	1,443,710,639

Source: Local Government Audit Service, VFM Unit questionnaire issued to the eight participating authorities which requested best available data of units and estimated costs as at 30/6/14 and compiled for the purpose of this report.

Appendix 10

List of Guidance Notes and Circulars issued by the Department

Document Title	Date Issued
Capital Funding Schemes for the provision of rental accommodation by Approved Housing Bodies (Voluntary & Co-Operative Housing) VHU 2/02	May 2002
Capital Assistance Scheme and Capital Loan and Subsidy Scheme VCH2/06	January 2006
Overview of procedures for the appraisal, management and review of capital schemes administered by the Department of the Environment, Heritage and Local Government	August 2007
Capital Funding Schemes – Voluntary and Co-operative Housing Revised arrangements for the Appraisal, Approval and Implementation of Voluntary and Co-Operative Housing Projects VCH 2/08	May 2008
Guidelines for local authorities regarding new leasing arrangements Circular N3/09 Circular SHIP 05/09 extended leasing arrangements to AHBs. Updated by Circular SHIP 2010.07	February 2009
Measures to deal with Unsold Affordable Homes and related issues Circular AHS 1 2009	April 2009
Social Housing Leasing Initiative: Approved Housing Bodies Circular SHIP 2009/05	November 2009
Report on Spot checks of capital projects funded by the Department of the Environment and Local Government by Ernst & Young Circular 2010.03	January 2010
Capital Loan and Subsidy Scheme Circular SHIP 2010.06	February 2010
Social Housing Investment Programme (SHIP) Management of project budgets and cost control procedures at the Implementation stage of a project, up to and including Final accounts and post project reviews	May 2010
Capital Assistance Scheme: Call for proposals for the provision of accommodation by Approved Housing Bodies for people with specific categories of housing need	June 2010

Circular SHIP 2010/13 CLSS Management and Maintenance Scheme Circular SHIP 2011/01	January 2011
CAS: Closing of complete or inactive projects SHIP 2011/09	April 2011
Capital Advance Leasing Facility (CALF) Circular Housing 31/2011	June 2011
CAS Work Programme 2012 Housing 20/2012	May 2012
Mortgage deed for capital funding schemes for the provision of rental accommodation by AHBs Housing 3/2012	January 2012
Voluntary Regulatory Code	July 2013
Capital Assistance Scheme (Programme) 2014-2016 Circular Housing 5/2014	January 2014
Capital Loan Subsidy Scheme Circular Housing 14/2014	March 2014
Approved Housing Body Mortgage Deed Agreements- Procedures for the discharge of mortgage deeds where mortgage term had expired. Interim Regulatory Committee. Publication of the Register of Approved Housing Bodies. Circular Housing 19/2014	April 2014
Protocol to Govern the delivery of the Mortgage to rent process	June 2014
Management and Accountability for Grants from Exchequer Funds (DPER) Circular 13/2014	September 2014
Social Housing Leasing – Approved Housing Bodies Circular Housing 14/2015	March 2015
Capital Assistance Scheme ‘Call for Proposals’ Circular 15/2015	March 2015
New arrangements for Administration and Other Costs Associated with New Social Housing Build Projects. Circular 35/2015	October 2015

Appendix 11: VFM Questionnaire/survey to eight participating local authorities



LOCAL GOVERNMENT AUDIT SERVICE

Value for Money Unit

Survey on the oversight role of local authorities in the funding of social housing via Approved Housing Bodies

(Please complete and return in WORD)



Comhshaol, Pobal agus Rialtas Áitiúil
Environment, Community and Local Government

A Value for Money Study into the oversight role of the local authority in the funding of social housing via Approved Housing Bodies

A. General:

The purpose of this section is to identify individual local authority data and to collate contact details.

1. Local Authority

2. Survey Completed by:

Name:

Job title:

Email Address:

Phone No:

3. Approved By: Chief Executive or Director of Service Housing or Head of Finance

Date:

4. Please provide the following summary information for each AHB dealt with by the local authority as at 30/6/14.
(Please copy and paste the table below as many times as required for each AHB in your county).

Name of the AHB		Number of units:	Estimated capital cost
Properties owned by the AHB:	CLSS (total should agree with B.1)		
	CAS (total should agree with B.1)		
	PAA (capital element advanced)		
	PAA (no capital element advanced)		N/A
	Other properties (where mortgage charge expired)		
Properties leased by the AHB:	Leased from the local authority: - unsold affordables - other - Leased private landlords - Leased from NAMA - any other (give details)		N/A
Properties managed by the AHB	Owned by the local authority		N/A
	Owned by private property owners (via local authority)		N/A
	Under RAS agreements		N/A
	Unsold affordables		N/A

B. Registration of Mortgage:

1. Please fully complete Appendix 1 showing a listing of properties provided via each AHB under the CAS and CLSS (totals for which should agree with Section A Q.4).

2. Are mortgages in place on all CAS and CLSS properties? Yes No.
If No please give details.

3. Give details of cases where land and/or property transfers of ownership to the AHB are outstanding or have not been properly completed:

- Name of the AHB
- Address of the p roperty and/or land
- Number of units
- Date of completion of project
- Outline the nature of the delay/problem with the title transfer

4. Give a listing of the AHB properties where the mortgage held by a local authority has matured. Has the charge been discharged and the AHB been notified?
(Copy and paste as many boxes as required)

Name of AHB and property details	Date of mortgage discharge	Date of Deed released to AHB	Does the local authority know if the property was subsequently sold?	Was property maintained for social housing purposes Yes/No.If Yes is there a new leasing arrangement in place (PAA)?	Local Authority do not know what happened to the property/tenants

5. Give details of disposals of any properties by the AHB (where the mortgage had not yet matured)

- Was prior approval of the housing authority sought? Yes No.
- Was the outstanding elements of the mortgage repaid? Yes No.

C. Details of nominations for occupation and performance information:

1. How does the local authority ensure that the correct nominations process is followed when units are first let and then re-let? Is there a formal process in place, and a mechanism to track each letting? Give details.

2. Is there an annual statement of occupancy received by the local authority from each AHB in their county for units provided under the:

- CLSS Yes No.
- CAS Yes No.
- CALF (PAA) Yes No.

How does the local authority maintain these records?

3. Is there a formal system in place with details of the current tenants, dates of occupation, financial circumstances (Part 9.4.ii, page 71 and Part 9.1 page 72 of Green Book) and whether they were selected from the housing list or other means to ensure that they comply with the nomination rights of each scheme? Give details of the system.

4. How are details of vacant properties notified to the local authority and how are vacancy periods recorded? (from what date and by what mechanism)?

5. Give details of properties which have been vacant in excess of 3 months and reasons as to why they are vacant for a prolonged period.
(Copy and paste as many boxes as required)

Property Type/ Name of AHB	Address	Size of units	Length of period of vacancy	Reason for vacancy	Action taken by local authority
CAS/AHB					
CLSS/AHB					
CALF/AHB					

6. What action is taken by the local authority to ensure that a nomination is accepted by the AHB on long-term vacant units?

Have there been any instances where units were taken back by the local authority due to the AHB not agreeing to nominees? Yes No.

7. How long does it take to re-occupy void properties under the CAS and CLSS, give details of the average (in weeks) void period of property by AHB for each scheme.

8. How many times has payment in respect of PAA leased units been stopped, because the unit was not re-let within the required three-months time period. Give details of the units and the related AHB and reasons for delay in re-let.

9. Is the three months period, a fixed time period from date of vacancy, or can this be a rolling three months from dates of offer/refusal of property? Give details.

10. How many nominees are sent to the AHB for interview relating to the selection process for a vacant property, and how are these selected?

11. Does the local authority use your consultation rights on rents under the CAS scheme? Yes No.

12. Are AHBs notifying the local authority of changes to rents in advance? Yes No.

13. Does the local authority inform the AHBs in relation to CLSS/social leasing of changes in their differential rent schemes? Yes No.

14. Does the AHB provide each local authority with any activity report or performance management information such as the HAPM (ICSH) Report, give details.

D. Details of inspections of properties (occupied or void properties):

1. What inspection process is in place of properties owned/managed/or leased via AHBs

- Is it a periodic inspection
- Is it a complaints based inspection process

Please give details of the number/type of inspection for the years 2009 to 2013 and the grade details of who performs the inspections.

2. What were the results from property inspections? Did any properties fail on inspection, have any enforcement orders issued against them, give details.

3. What arrangements are there whereby the local authority are notified by the Insurance Company that annual insurance has been put in place for each property and that they are named as an interested party (for the duration of the mortgage)

4. Has the local authority confirmed the operation by inspection that the following accounts are maintained by each AHB on a per project basis?

- | | | |
|--|------------------------------|------------------------------|
| • Capital Income and Expenditure Account | Yes <input type="checkbox"/> | No. <input type="checkbox"/> |
| • Housing Management and Maintenance Account | Yes <input type="checkbox"/> | No. <input type="checkbox"/> |
| • Special Needs Housing Support Services Account | Yes <input type="checkbox"/> | No. <input type="checkbox"/> |

E. Record of contacts/meeting with AHBs per annum:

1. Does the local authority have formal meetings on a regular basis with the AHBs in their county? Yes No.

2. How many meetings pa held with the bodies? Give details.

3. Who meets with the AHBs and are minutes held of meetings?

F. Governance and other matters:

1. Does the local authority check to the Department website that the AHB have signed up to the Voluntary Regulatory Code? Yes No.

2. What information does the local authority receive on an annual basis in relation to governance matters regarding AHBs? Give details.

3. Are there any particular cases where governance arrangements have been inappropriate e.g. AHB has become inactive/defunct, AHB has been taken-over by another, AHBs which have been struck off by the CRO etc. Give details.

- Name of the AHB
- Address of the property
- Number of units
- Approximate date issue arose
- Outline the nature of the issues
- How have the issues been resolved

4. Give details of any AHBs where the Board are in dispute or in dispute with the residents.

- Name of the AHB
- Address of the property
- Number of units
- Approximate date issue arose
- Outline the nature of the dispute
- How has it been resolved

5. Give details where any AHB have been referred to the Office of the Director of Corporate Enforcement.

- Name of the AHB
- Address of the property
- Number of units
- Approximate date issue arose

- Outline the nature of the dispute

- How has it been resolved

6. What powers/action does the local authority take in the cases where a Board have become defunct to take over the AHB management and put in place alternative arrangements (e.g. such as amalgamate with another AHB etc.)

G. Financial matters:

1. Does the local authority provide an annual statement of the loan balance outstanding on each property to the AHB? Yes No. Only on request of the Auditors

2. How are the loans recorded e.g. Agresso/Spreadsheets/Other system? Give details for CAS/CLSS.

3. Where/how is the record of the CALF loan kept and what is the system for adding interest each year?

4. What is the current total CALF loan balance amount outstanding as at 30/6/14, and how many AHBs and units does this relate to?

5. Give the following details for any AHB which has not received/claimed their annual management and maintenance allowance each year –

- AHB Name
- Number of units
- Amount due for management and maintenance (by year)
- Reason why management and maintenance has not been paid.

6. What percentage of management and maintenance allowances are paid to AHBs during each quarter of the calendar year for 2013?

7. Does the AHB provide details such as a Planned Maintenance Programme for the year or a report on works carried out on each property, when claiming the annual maintenance allowance? Yes No.

8. Has the local authority requested a copy of last audited accounts of the AHB and details of current financial position? Yes No.

9. Has the local authority received confirmation of Tax Clearance Status with the AHB? Yes No.

10. Has the local authority received confirmation that

• correct rents charged

• are they assessed on a yearly basis

• what was the date of last revision

• what rent scheme is in place (rents calculated in accordance with the funding for the property – CLSS (AHB determine own differential rent scheme), PAA (LA rent scheme), CAS (economic rent)

11. Did the local authority receive a schedule of rent collection for last financial year, and details of rents in arrears/dispute with the tenants

H. Leasing Arrangements:

1. Give details relating to Unsold Affordable Units:

- How was it decided to allocate the units to AHBs (e.g. contracts awarded following tender, geographically, according to area of expertise etc?)
- How many units are leased, and to which AHBs
- What are the leasing arrangements in place with the AHB
- What differential rent scheme is used
- Is there a sinking fund in place to restore units to good condition at the end of the lease period, and how is this funded?
- When is the 5 year lease period due to end and what plans are in place for the end of the lease term for these units?

2. Give details of the various type of leasing arrangements and length of term, in place with the AHBs for:

- Private units leased through AHBs
- NAMA leased units
- AHB owned and leased units
- Mortgage to rent
- Other
- (a) What are the financial arrangements for these leases?
- (b) Is the differential rent scheme of the local authority used to calculate rent payable by tenants in leased properties? Yes No.

3. Does the local authority check with other sections (e.g. homeless services) if funding is being provided by them for the same units?

4. How many CAS units are currently receiving funding under RAS arrangements, and to what annual value? Please give 2013 figures for the AHB, No. of units and amount paid under RAS.

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I. Capital Projects:

1. Is there a senior member of staff responsible in each authority for dealing with the capital programme? Please give their name and grade.

2. Have staff dealing with AHB capital projects been circulated with and given training in the requirements of the public spending code (2013) and the capital project appraisal, planning, implementation and post project requirements (previously outlined in VCH 2/08)?

3. What are the steps of approval involved with the Department, local authority and AHB for each type of capital project CAS/CLSS/CALF?

4. Give details of the technical support provided internally in the local authority for capital projects undertaken by AHBs.

5. What approval is required for the tendering / procurement processes?

6. What oversight role has the local authority over each project during the development and completion stages? Give details.

7. Please provide the following information of outstanding post project reviews:
AHB, Name of project, Is it a CAS/CLSS/CALF project, Date project completed, reason why
post project review is outstanding

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8. Please provide the following information of outstanding final accounts:
AHB, Name of project, Is it a CAS/CLSS/CALF project, Date project completed, reason why
final account still outstanding.

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