



Rialtas na hÉireann
Government of Ireland

Spending Review 2021

Analysis of Social Housing Current Expenditure Programme

HENRY GRIFFIN

HOUSING, LOCAL GOVERNMENT & HERITAGE VOTE
DEPARTMENT OF PUBLIC EXPENDITURE & REFORM

OCTOBER 2021

This paper has been prepared by IGEES staff in the Department of Public Expenditure and Reform. The views presented in this paper do not represent the official views of the Department or Minister for Public Expenditure and Reform.



Rialtas
na hÉireann
Government
of Ireland

IGEES
Seirbhís Eacnamaíoch agus Luachála Rialtas na hÉireann
Irish Government Economic and Evaluation Service

Executive Summary

Use of Social Housing Current Expenditure Programme (SHCEP) to Deliver/Provide Ongoing Support for Social Housing

- Social housing acts as a vital state support for many members of society, and the SHCEP is a major component in the delivery of units for social housing use
- Leasing and P&A-CALF, which are funded under SHCEP, as mechanisms for the delivery of social housing have grown substantially over the past number of years, particularly through the Capital Advanced Leasing Facility (CALF) scheme.
- Leased/P&A units make up 23% of the social housing units delivered in the period analysed. However, this varies significantly by LA (for example in Dublin City it is over 50%, but only 4% in Sligo).

SHCEP Expenditure

- Expenditure has increased by 495% since 2015, while output funded under the programme has increased by 230% (however, it is noted that output is not claimed in the same year for all projects so expenditure does not fully align with delivery). Expenditure is a product of costs and volume. The average lease/P&A cost per month for units agreed in 2016 was €920 compared to €1,085 in 2020, reflecting increasing market rents in the period.
- Units delivered under the CALF scheme makes up 65% of the output in terms of SHCEP funded units and approximately 70% of SHCEP expenditure.

Type of Units, Timing and Cost of Delivery

- The majority of units delivered were houses, with 3 bedrooms the most common of these. However, it must be noted that some schemes deliver comparatively more apartments.
- There is some concern around timing of delivery, with a large proportion of units being agreed towards the end of the year, having a significant effect on the expenditure dynamics related to new leases. This can make forecasting and budgetary estimates challenging.
- The average monthly payment (lease or P&A) varies significantly by region. The average in the Dublin LAs is above €1300 in all cases, while it is below €600 in the likes of Donegal, Leitrim and Sligo. This is unsurprising as the lease/P&A payments are linked to market rent.

Cost Efficiency and Market Interaction

- P&A-CALF units despite being the most common, also had the highest estimated Net Present Cost (NPC). The estimated NPC of the P&A-CALF units was relatively on par with the average cost of other delivery mechanisms (i.e. build and acquisition). However, it is of note that, in contrast to units delivered under LA build or acquisition, it is the AHB and not the State/LA who owns the asset at the end of the P&A agreement. Notwithstanding, it is evident that AHBs play a vital role in facilitating the delivery of social housing given their standing as independent, not-for-profit organisations, whose primary purpose is to provide social housing
- The interaction of SHCEP mechanisms with the wider housing market is also addressed. As was demonstrated in previous Spending Review papers, there is significant concentration of social housing in certain locations.

Summary and Further Issues

- The new Housing for All strategy places a focus on construction in social housing delivery and a move away from leasing. However, this increase in construction will be delivered by both the LAs directly and by AHBs through the CALF P&A. As such, it is anticipated that P&A-CALF units will become the predominant delivery mechanism funded under SHCEP in the future.

Table of Contents

1. Introduction and Context	4
Context for Analysis	4
2. Overview of the Social Housing Current Expenditure Programme	6
Rationale and Objectives for SHCEP	10
3. Expenditure and Output	12
4. Analysis	16
Use of Delivery Mechanism	16
Unit Type	19
Timing of Delivery	20
Location of Units	22
Cost Analysis	24
Cost Efficiency	29
Previous Analysis	29
Methodology and Approach	30
Results of Analysis	32
Interaction with Wider Market	36
5. Wider Policy Issues	38
Housing for All (HfA)	38
Approved Housing Bodies	38
Interaction with the Wider Market	39
Management of Housing Support and Policy	40
Sectoral Capacity and Land Availability	40
Data Availability	40
6. Conclusions	42
Appendix 1: Overview of Delivery Mechanisms	44
Appendix 2: Estimated NPC by LA	45
Appendix 3: Cost Efficiency Comparison Data	47
Source: DHLGH	47
Appendix 4: Spending Review Papers on Social Housing	47
Please see linked previous spending review papers published on different social housing topics.	47
2020: Analysis of Social Housing Build Programme	47
2019: Analysis of Social Housing Acquisitions	47
2018: Assessing the Split between Current and Capital Expenditure on Social Housing Delivery	47

1. Introduction and Context

The provision of housing assistance to those that are eligible is a key support provided by the State through the Department of Housing, Local Government and Heritage (DHLGH). Social housing supports accessibility to housing for the vulnerable in society and helps prevent homelessness. There are a range of delivery mechanisms in place to provide these supports utilising both capital and current expenditure including the construction and acquisition of units, long term leasing and supporting households to access the private rented market. In recent years, under the Rebuilding Ireland plan, there has been a significant increase in social housing output and related expenditure which is now at peak levels. Given the level of increased expenditure and the demand for supports, there has been an increased level of analysis in this area in recent years. This paper builds on a suite of research papers completed by the Department of Public Expenditure and Reform¹. This paper has been completed as part of the 2021 Spending Review process. The paper focuses on Social Current Expenditure Programme (SHCEP) mechanisms for social housing delivery and has the following objectives:

Provide an overview of the existing SHCEP funded delivery mechanisms, including an analysis of the level of expenditure and social housing output.

Assess the cost efficiency of delivering social housing through leasing/P&A-CALF mechanisms, examine the composition of delivery costs and provide analysis at a disaggregated level, across ten Local Authorities (LAs).

The analysis will place a particular focus on units delivered between 2016 and 2020.

Context for Analysis

To understand the context for this analysis of the social housing current expenditure programme it is useful to highlight the key elements at the outset. While the onset of the Covid-19 pandemic has led to increased uncertainty about future prospects for the housing market, the following is of note:

- There was significant renewed house price growth following the financial crisis and the fall in house prices. The Residential Property Price Index (RPPI) increased by 34.4% between 2015 and 2019². There was a degree of levelling off in 2019 but there was renewed growth in 2020 and 2021. The index at March 2021 was 2.4% above the 2019 peak.
- Rental prices have increased significantly in recent years, with average rental prices in Q2 2020 at peak levels, 27% higher than 2007³ and 40% higher in Dublin, as per the Residential Tenancies Board (RTB) index.

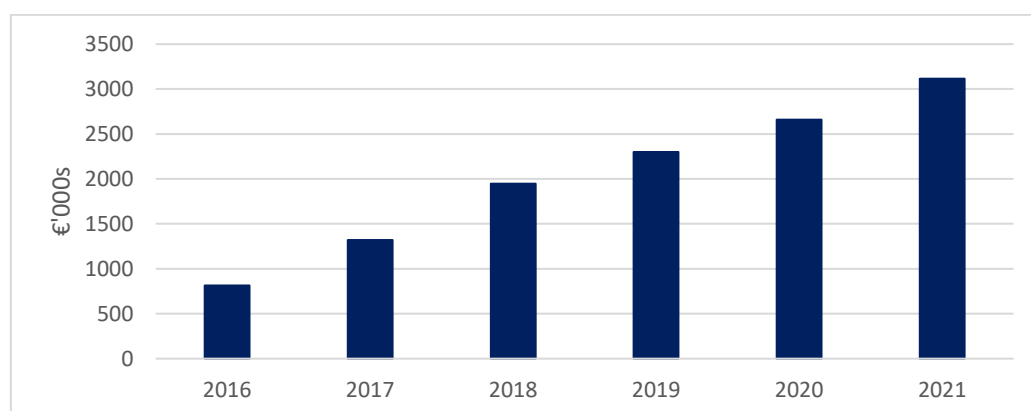
¹ O'Callaghan, D (2017) 'Analysis of Current Expenditure on Housing Supports'. Spending Review 2017; O'Callaghan, D and Kilkenny, P (2018) 'Current and Capital Expenditure on Social Housing Delivery Mechanisms'. Spending Review 2018; O'Callaghan, D, Kilkenny, P. and Farrell, C. (2018) 'Social Impact Assessment: Social Housing Supports'. Budget 2019. Kilkenny, P. (2019) 'Rebuilding Ireland – Patterns of Social Housing Construction (2016-2018)'. Farrell, C. and O'Callaghan, D. (2019) 'Analysis of Social Housing Acquisitions'. Spending Review 2019. Kilkenny, P. (2019) 'Housing Assistance Payment (2014-2019)'. Farrell, C. and O'Callaghan, D. (2020) 'Analysis of Social Build Programme'. Spending Review 2020.

² CSO (2020) Residential Property Price Index, February 2021

³ RTB (2020) Rent Index 2020, Quarter 4

- In recent years there also has been a significant level of households in need of housing support. However, the number of households on social housing waiting lists has reduced from 91,600 in 2016 to 61,880 in 2020, which is a reduction of 32% or 29,720 households⁴, although the impact of schemes such as RAS (Rental Accommodation Scheme) and HAP (Housing Assistance Payment) must also be considered here.
- In response to this level of need there has been a significant increase in Government intervention. Total expenditure related to housing⁵ has increased significantly (128%); from €1.2 billion in 2016 to a peak level of €3.1 billion in 2021.

Figure 1: Total Expenditure Related to Housing, 2016-2021



- Under Rebuilding Ireland 50,000 additional social housing units were targeted for delivery by 2021 and significant funding has been allocated through the National Development Plan (NDP) to deliver this.
- The new Housing for All strategy focuses on increasing supply across the housing sector, with an emphasis on direct build. As well as that the revised NDP increases DHLGH's capital programme from €2.76bn in 2021 to over €4bn in 2025.

It is within this context that the analysis of SHCEP delivery is being undertaken and it is necessary to be cognisant of these wider trends throughout. The rationale for the expansion of SHCEP over the previous decade was due to a lack of available capital funding post-financial crisis. Given the changing dynamics in exchequer spending in recent years, it therefore important to examine the cost efficiency and effectiveness of SHCEP.

⁴ Housing Agency (2020) 'Summary of Social Housing Assessments 2020'

⁵ DHLGH expenditure (includes LPT expenditure) and Rent Supplement expenditure by DEASP. See Section 3.

2. Overview of the Social Housing Current Expenditure Programme

Figure 2: Simplified Overview of Delivery Mechanisms



As shown in Figure 2, there various different mechanisms used to deliver social housing. Build refers to the LAs and AHBs purchasing or constructing new residential dwellings for the purposes of social housing provision. Acquisition involves bringing existing dwellings into the social housing stock from the private market. RAS & HAP support eligible candidates in accessing the private rental market. Units delivered under P&A-CALF are classified as build or acquisition by DHLGH, as CALF (Capital Advance Leasing Facility) is a capital loan provided to AHBs to build, acquire or refurbish a project. This paper will focus on the leasing and payment and availability (P&A) mechanisms. The Social Housing Current Expenditure Programme (SHCEP) (previously referred to as the Social Housing Leasing Initiative - SHLI) recoups to LAs the cost of dwellings sourced under SHCEP to be used for the purposes of providing social housing support. Long term lease arrangements, entered into by LAs and Approved Housing Bodies (AHBs), are secured at 80%-85% of the current market rent for a minimum of ten years. The level of discount on market rent that is agreed by the LA is a function of the amount of risk transferred to the LA who has responsibility for ongoing maintenance, (excluding structural) and responsibility for tenant management. Under the P&A-CALF agreements, units are secured by LAs with AHBs at up to 92%-95% of the current market rent. For these units, it is the AHB who cover all management and maintenance costs. All of the leasing and P&A agreements entered into by LAs are funded through SHCEP.

The units delivered under SHCEP come from a number of different sources. Firstly, the units can be leased directly from the private sector by either a LA or an AHB. These units are privately owned, including from institutional investors. These leases are typically classed as being either long term (typically 10-20 years, but up to 25) or short term (1-10 years). In addition an Enhanced Leasing Scheme⁶ was launched in January 2018 and is targeted at private investment and new build or new to the market properties to be delivered at scale. Secondly, units funded by for SHCEP can be built or

⁶ For further information see:

https://www.housingagency.ie/sites/default/files/HA19038_EnhancedLeasingScheme_Brochure%20v3%20FINAL_1.pdf

acquired by AHBs, with support available through CALF⁷. Finally, there are a number of other sources of units for SHCEP including units leased to LAs and AHBs from NARPS (NAMA SPV), unsold affordable dwellings managed by AHBs for LAs and the Mortgage to Rent Scheme (both AHB and private). Properties that are privately owned but vacant can be remediated and leased with support under the Repair and Leasing Scheme (RLS)⁸ and are also funded by SHCEP.

As such, units funded by SHCEP are delivered using a variety of streams, and as such the output falls under a number of different high level delivery streams as detailed in Table 3. SHCEP units can be subdivided into those that are built for leasing or P&A, those that have been acquired, built or refurbished for P&A and those that have been directly leased from the private market. In terms of targets and reporting, DHLGH do not classify P&A-CALF units as leases, but rather as build/acquisitions.

Table 1: SHCEP Delivery Mechanisms

Delivery Stream funded by SHCEP funding	
Build	CALF supported with a Payment and Availability agreement ⁹ (P&A)
Build	Part V Lease
Acquisition	CALF supported with P&A
Acquisition	Housing Agency Acquisitions (CALF supported with P&A)
Lease	Repair and Leasing Scheme (Capital input also)
Lease	Enhanced Leasing
Lease	AHB Mortgage to Rent (CALF supported with P&A)
Lease	Private Mortgage to Rent – Lease from Private Owner
Lease	Direct Lease from Private Owner
Lease	Direct Lease from NAMA/NARPS

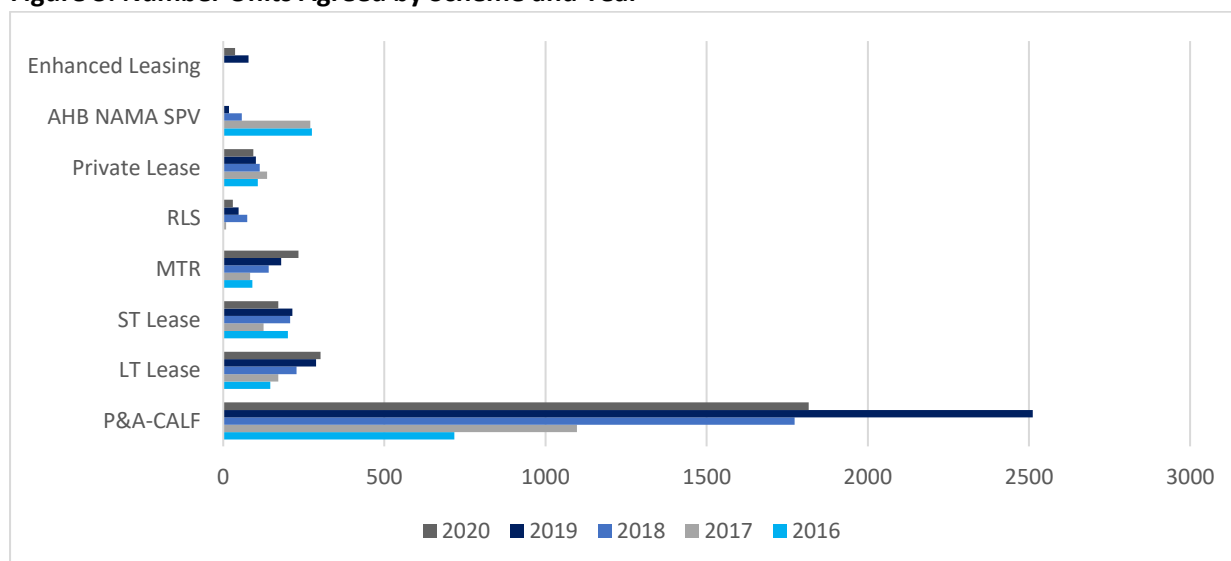
Source: DHLGH

⁷ The purpose of CALF is to provide financial support (capital) from LAs to AHBs via long term loan, to help with the purchase, construction or refurbishment of housing units. The LA provides up to a maximum of 30% of the capital cost. The remainder of the finance is then sourced from either the private lenders or the HFA. The AHB also enters into a P&A Agreement with the LA which makes to units available for social housing use

⁸ For further information see: <http://rebuildingireland.ie/repair-and-leasing-scheme/>

⁹ A Payment and Availability Agreement is the contractual agreement between an AHB and a local authority setting out the terms under which the AHBs make the property available to local authorities for the purposes of providing social housing

Figure 3: Number Units Agreed by Scheme and Year



Capital Advance Leasing Facility (CALF) – The CALF is a facility exclusively available to AHBs to assist them in accessing private or Housing Finance Agency (HFA) finance for the purchase, construction or refurbishment of units that are then made available for social housing purposes under a P&A agreement. The facility provides AHBs, with a small capital advance in the form of a low interest loan made available by DHLGH through LAs to AHBs. In the majority of cases, the CALF loan is supplemented by low cost State financing through the HFA. The facility is only made available as part of a project where the AHB makes units available for social housing use under a P&A agreement to nominees of the housing authority for a set period of time (10 to 30 years). Repayments on the loan (capital advance) are not required during the term of the P&A agreement but the amount (plus interest) remains outstanding at the end of the agreement. The purpose of this, and indeed the whole facility, is that the capital advance assists AHBs in securing finance to purchase/construct units and make projects more viable for AHBs from a liquidity or cash flow perspective in the initial years of the project. DHLGH do not classify this mechanism as leasing in their targets/statistics etc. but rather as build/acquisitions.

Housing Agency Acquisitions Fund (HAAF Programme) - The Housing Agency is operating an acquisition fund of €70 million which was established in 2017. The objective of the fund is to acquire vacant properties from banks and investment companies in areas with high levels of social housing demand. Units acquired by the Agency are offered for sale to AHBs who can access the funding support available under CALF and under a P&A agreement (through SHCEP) to match loan finance from the HFA and other private lenders. As the financing model for these units utilise CALF funding, the units are grouped with P&A-CALF in this paper.

Repair & Leasing Scheme (RLS) - The RLS involves a property requiring repairs to bring it up to the standard required for rented properties, where the RLS will pay for the repairs up-front in return for the property being made available to be used as social housing for a period of at least 5 years under either a direct lease or Rental Availability Arrangement with the local LA or AHB. Under the scheme, the cost of the repairs will be repaid by the owner by offsetting it against the rent due to the owner for the property over the period of the lease agreement.

Enhanced Leasing - The Enhanced Long Term Social Housing Leasing Scheme is a measure introduced in Rebuilding Ireland aimed at private investment in order to deliver social housing at scale. The Scheme provides the opportunity for LAs to lease from institutional developers and investors. The main features of the scheme are such that the lease term is a minimum of 25 years, the LA pays up to 95% of an agreed market rent at commencement of the lease to the lessor (owner of property), rent is reviewed every 3 years, linked to the Harmonised Index of Consumer Prices (HICP), the lessor is obliged to provide management services for the properties, the relevant LA is the landlord to the tenant and collects differential rent from them and each proposal should include a minimum of 20 properties in any LA area.

Mortgage to Rent (MTR) - Under the MTR scheme a household with mortgage arrears goes from being a homeowner to becoming a social housing tenant of an AHB or a private company. The borrower voluntarily surrenders their property to their lender who in turn sells the property to an AHB or a private company. The AHB or private company then becomes the landlord and the household gets to remain in the family home as social housing tenants paying a differential rent to the AHB or the LA. Where an AHB buys the property, they will receive approved monthly payments in accordance with the P&A Agreement from the LA for the length of the agreement. Where a private company buys the property, they will receive monthly lease payments (up to 95% market rent) in accordance with the terms of the lease for the property concerned for the duration of such lease agreement (25 years). Funding for AHB MTR units is provided through CALF, the AHBs own finance or private borrowings and a P&A Agreement executed between the AHB and LA.

Direct Lease from Private Owner - These are units which are sourced by LAs and AHBs directly from private owners and leased over a period of between 10 and 25 years. These leases are classified as long or short-term leases depending on the agreement for a particular unit. Along with MTR, they make up the majority of the reported leases. For the purposes of this paper units leased by AHBs directly from private owners are referred to as private leases, units leased directly by LAs for up to ten years are referred to as short-term (ST) leases, and those leased directly by LAs for over ten years are referred to as long-term (LT) leases).

Direct Lease from NAMA/NARPS – NAMA (National Asset Management Agency) established a special purpose vehicle (National Asset Residential Property Services or ‘NARPS’) to take direct ownership of properties where there was an established demand and to then lease these properties long-term to an AHB or LA. As part of this arrangement the AHB and the LA sign a P&A Agreement. This model also includes a Continuation Agreement, entered into by the AHB, the LA and NARPS

Rationale and Objectives for SHCEP

The overall rationale for SHCEP is to add to the social housing stock in an efficient manner. SR 2018 included a detailed analysis of the rationale and objectives across the social housing delivery mechanisms. This included considerations of value for money, speed and capacity, flexibility, appropriateness of accommodation, sustainable communities, use of funding mechanisms and the development of social housing stock. As with any of the mechanisms, the overall objective is to provide additional support which can appropriately meet the needs of those who require it. The relative rationale for the delivery of SHCEP vis-à-vis the other mechanisms is that it adds to the social housing stock in a time efficient manner and as such can help relieve waiting lists, whilst having lower upfront capital cost (particularly compared with both build and acquisition). The SHCEP initiatives aim to secure high quality properties for long-term social housing use from both the private market and by leveraging the AHB sector as well as low cost borrowing or institutional investment, with a minimal capital contribution, and supplements the overall LA stock.

Funding Mechanisms

The original rationale for leasing, using current funding, was that high quality properties could be obtained for long-term social housing use in a way that minimised capital expenditure, and impact on the General Government Balance (GGB) Sheet at a time when the State could least afford construction and acquisition. The mechanism also enabled the State to utilise the opportunities provided by the AHB sector to continue playing a significant role in the provision of social housing. New financial mechanisms for AHBs (P&A-CALF agreements) were introduced in 2011 to facilitate borrowing for the supply of new homes – traditionally the sector has relied on 100% state grants. However the availability of low cost debt financing to AHBs (as well as LAs) through the HFA and EIB is also a consideration. Through CALF funding, the AHB sector is facilitated to acquire and construct additional social housing that LAs can avail off through a P&A agreement. Repayment, void and development risk are all passed from the State to AHBs throughout the contractual CALF loan period which can range from 10-30 years.

In 2015, the DHLGH was tasked with identifying opportunities to harness the potential for private investment in social housing to complement the availability of exchequer capital and current funded

models. A critical requirement in the consideration of these proposals was that any new funding model would be off-balance sheet or neutral in respect of the General Government Balance. The examination of the proposals was a complex task and despite a high level of engagement with potential providers, none of the proposals met the criteria that would enable them to be considered off-balance sheet. DHLGH worked with the National Development Finance Agency (NDFA) to develop new standardised leasing agreements and a centralised arrangement for engaging with potential investors and housing providers, which resulted in the Enhanced Leasing Scheme (ELS). The scheme was attractive to investors (they would receive a state-backed income). However, with the lease costs being linked to market rent, initial ELS projects were very expensive. An example of this was in Herbert Hill, where Dún Laoghaire-Rathdown County Council entered into a 25 year lease with Real IS for 87 units. The average annual lease cost was €27k per unit (2.5 x higher than the average SHCEP rent), an annual cost of over €2m. Following political pressure to review, the Housing for All (HfA) strategy sets out to discontinue the scheme, along with long-term leasing more generally.

3. Expenditure and Output

The following section presents an overview of expenditure and output related to housing. At the outset, it is important to acknowledge that home delivery does not always arise in the same year as expenditure being incurred, and schemes delivered under phased programmes may cross a number of payment periods. Total Exchequer expenditure related to housing stands at €3.1 billion in 2021. This is comprised of funding through the DHLGH on capital programmes (such as construction and acquisition programmes) and current programmes (such as HAP, RAS and SHCEP). As shown in Figure 4, DHLGH funding (exchequer plus Local Property Tax (LPT) self-funding) has more than doubled since 2016 and is 40% above the previous peak level in 2008. Current expenditure accounted for 30% of expenditure in 2008. This rose to 70% in 2013. In 2021, current expenditure accounts for 41% of projected spend. Table 2 shows a breakdown of housing programme expenditure from 2016 to 2021. This includes additional funding through retained LPT. It shows that across the five years of Rebuilding Ireland, expenditure has increased significantly. Nearly €9.5 billion has been invested in DHLGH's housing policy over the five year period, with over half of this spent in the last two years. It should be noted that build and acquisition includes CALF units, which is the largest element of SHCEP.

Figure 4: Total Expenditure Related to Housing, 2006-2021

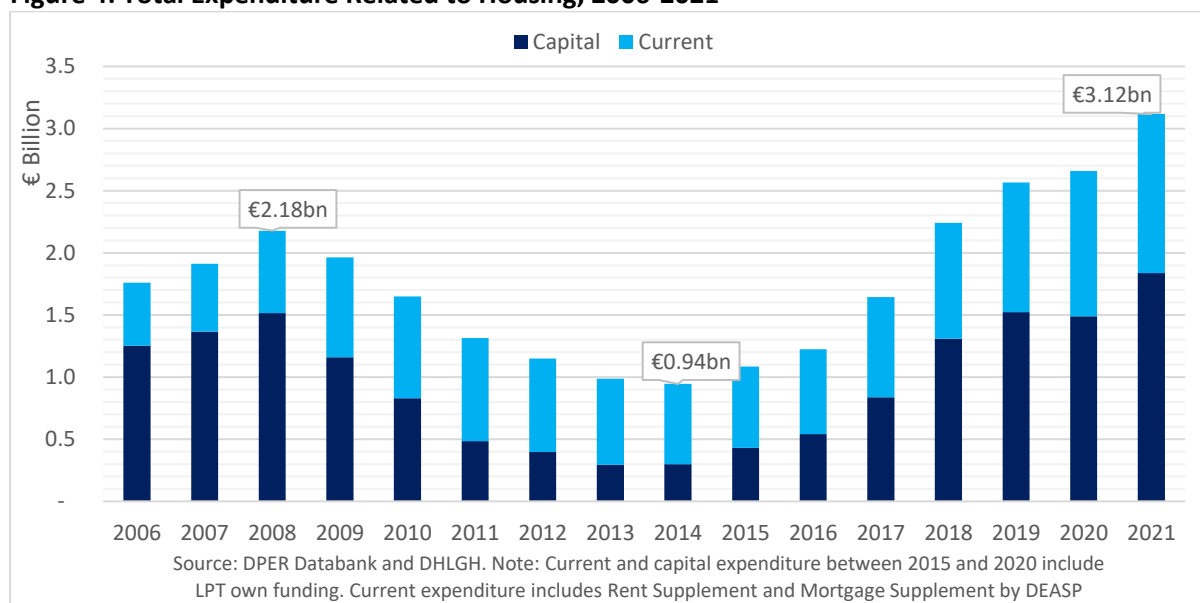


Table 2: Breakdown of Housing Programme Expenditure (€m), 2016-2020

Mechanism	2016	2017	2018	2019	2020	Total 16-20	Share 16-20
Build	172.9	337.2	744.9	836	1,032	3,123.00	31%
Acquisition	233.4	377.5	417.5	496	281	1,805.40	22%
Lease	55.8	87.3	106.4	149.9	207	606.40	6%
Sub-total	462	802	1,269	1,482	1,519	5,534.00	59%
RAS	131	142.8	143.3	134.3	133	684.40	8%
HAP	57.7	152.7	276.6	382.4	465	1,334.40	13%
Sub-total	189	296	420	517	598	2,020.00	21%
Homelessness	88.7	109.2	139	165	271	772.90	7%
Other Capital	133.8	118.3	140.6	180.2	147	719.90	8%
Other Current	69.7	83.4	92.5	95.8	97	438.40	5%
Total	943	1,409	2,061	2,440	2,633	9,486.00	100%

Note: Includes LPT self-funding.

Table 3 below shows the Rebuilding Ireland (RBI) targets and delivery for 2016-2021. The table highlights the Government's new focus on direct built as the primary mechanism for social housing delivery, which also ties in with the HfA strategy (where there is a focus on increasing the supply of new houses). However, the RBI targets also show that leasing remained a significant part of the strategy for social housing delivery, although output has remained significantly below these targets in recent years (P&A-CALF is not included in leasing targets/output but in build or acquisition depending on the unit). HfA commits to ending long-term leasing, which makes up the majority of the reported leases below. However, the strategy also states that there will be a review carried out of the CALF structure and operation by Q4 2022, to assess whether any refinements to the facility are required to support delivery of social housing by the AHB sector across a wider range of Local Authority areas. This indicates that despite a reduction in output of other leasing mechanisms, the pressure on the SHCEP budget may not necessarily be alleviated.

Table 3: Rebuilding Ireland Delivery Targets (2016-2021) and Outputs

Category	Output 2016	Output 2017	Output 2018	Output 2019	Output 2020	Output 16-20	Target 16-20	Target 2021	Overall Target 16-21
Build	2,965	4,054	4,811	6,074	5,073	22,977	24,710	9,500	34,210
Acquisition	1,957	2,214	2,610	2,772	1,314	10,867	6,030	800	6,830
Lease	792	827	1,001	1,161	1,440	5,221	7,586	2,450	10,036
Subtotal	5,714	7,095	8,422	10,007	7,827	39,065	38,326	12,750	51,076
RAS	1,256	890	755	1,043	913	4,857	3,800	800	4,600
HAP	12,075	17,916	17,926	17,025	15,885	80,828	76,510	15,000	91,510
Subtotal	13,331	18,806	18,681	18,068	16,798	85,684	80,310	15,800	96,110
Overall Total	19,045	25,901	27,103	28,075	24,625	124,749	118,636	28,550	147,186

Figures 5 and 6 show the growth of leasing and P&A-CALF as a social housing initiative over the past number of years. Expenditure has increased by 495% since 2015, while output has increased by just 230%. Expenditure is a product of costs and volume. The average lease/P&A cost per month for units agreed in 2016 was €920 compared to €1,085 in 2020. Furthermore the type of agreement will have an impact on the cost. The average cost of a P&A-CALF monthly payment for example in for units agreed in 2016 was €1,047 compared to a direct short or long term lease costing €815 per month (this is to be expected as P&A-CALF payments are can to be up to 95% while the monthly payment for long-term leasing is an average of 80%). For units agreed in 2020 the cost of a P&A-CALF monthly payment was €1,144 and a direct short or long term lease was €1,018. Further analysis on the location of units will also set out some of the drivers of the SHCEP spend. When you compare the below graphs to Table 3, it is evident that CALF build is the primary driver of growth and thus SHCEP spend.

Figure 5: Delivery to SHCEP Units, 2015-2021

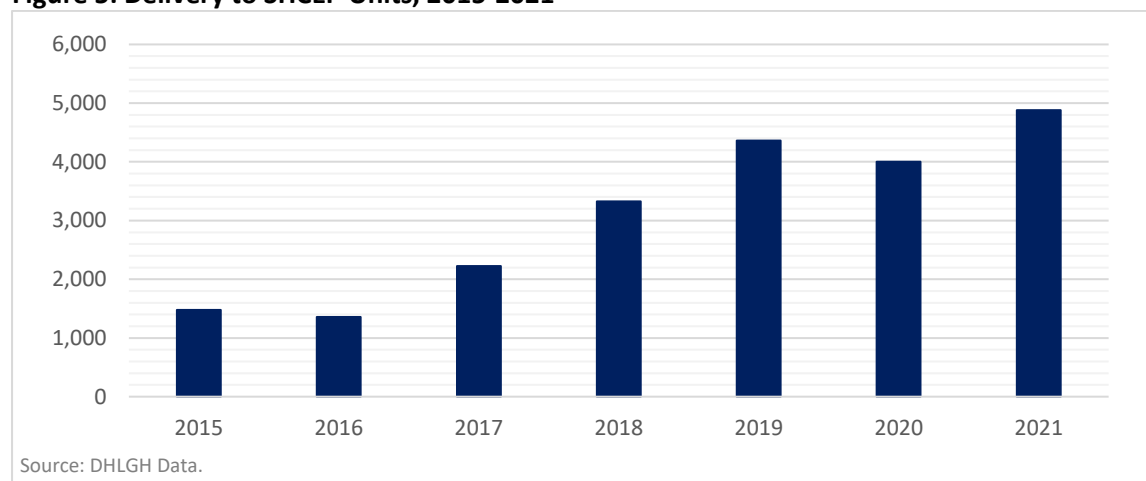
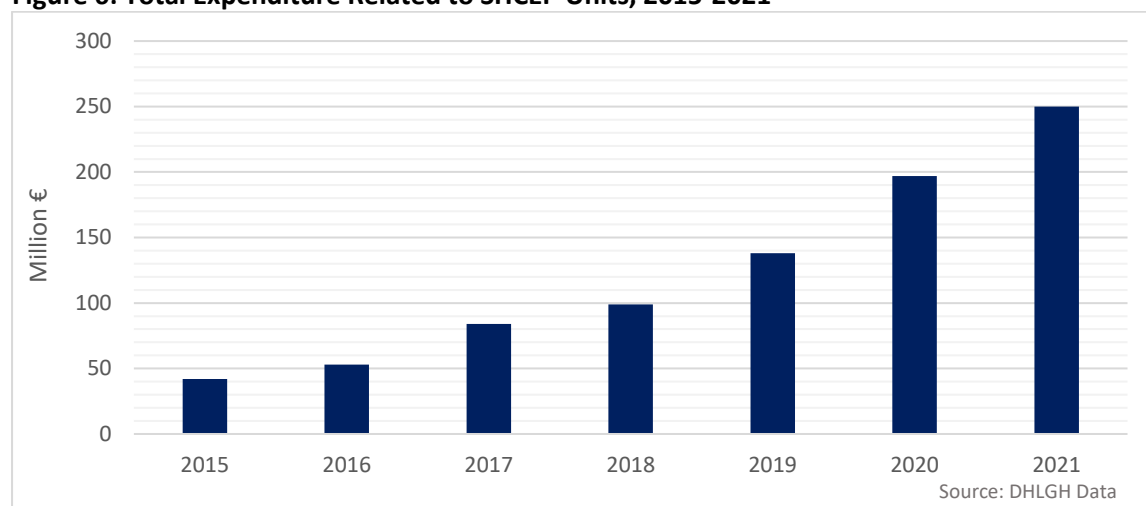


Figure 6: Total Expenditure Related to SHCEP Units, 2015-2021



4. Analysis

Use of Delivery Mechanism	To what extent do LAs use the SHCEP delivery mechanisms?
Type of Units Delivered	What type of units are delivered through the delivery mechanisms?
Location of Units	What is the geographic distribution of units delivered through the programme?
Timing of Delivery	How long does it take to deliver units and when are they delivered?
Cost of Delivery	What cost is involved in delivering through this delivery mechanism?
Cost Efficiency	How do costs compare to guidelines and between delivery mechanisms?
Interaction with Market	How does the delivery mechanism interact with the wider market?

Use of Delivery Mechanism

As mentioned previously, there are numerous different mechanisms funded by SHCEP to add units to the social housing stock. Figure 7 demonstrates the prevalence of the P&A-CALF scheme in terms of overall delivery, and as such, it dominates the SHCEP budget. Between 2016 and 2020 CALF units represented approximately 65% of SHCEP units introduced. Figure 8 shows how the use of P&A-CALF scheme has grown to a greater degree than other schemes, and in fact that it is largely P&A-CALF that is responsible for the growth in SHCEP delivered units. The Housing for All strategy has committed to end long-term leasing but increase the CALF budget. Therefore, it is anticipated that the P&A-CALF scheme will become even more dominant in terms of the SHCEP budget in the future.

Figure 7: No. of Units Agreed by Scheme, 2016-2020

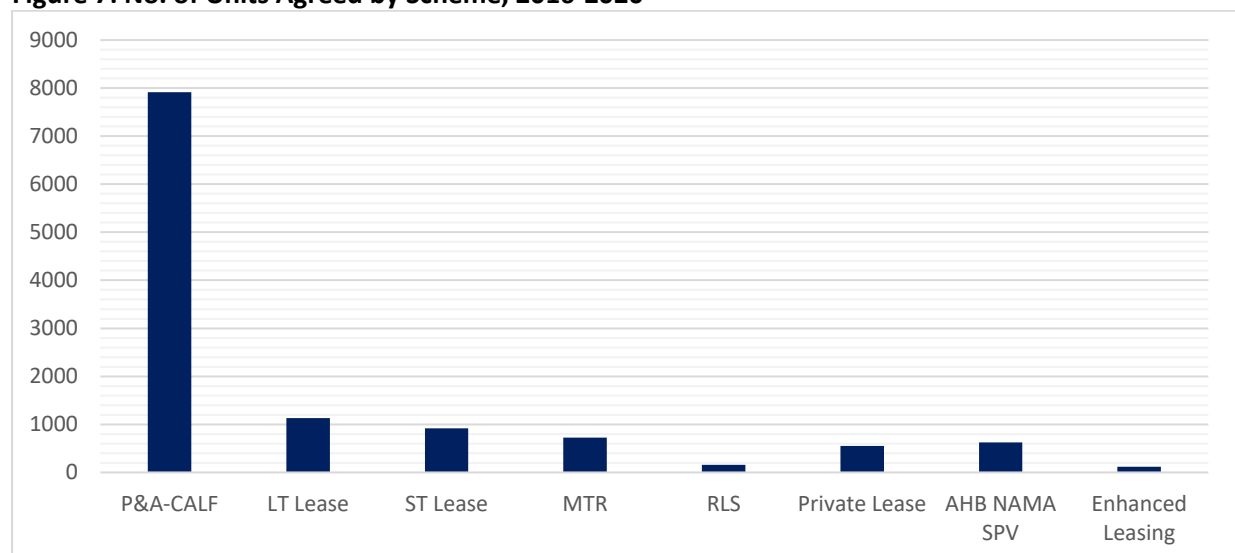
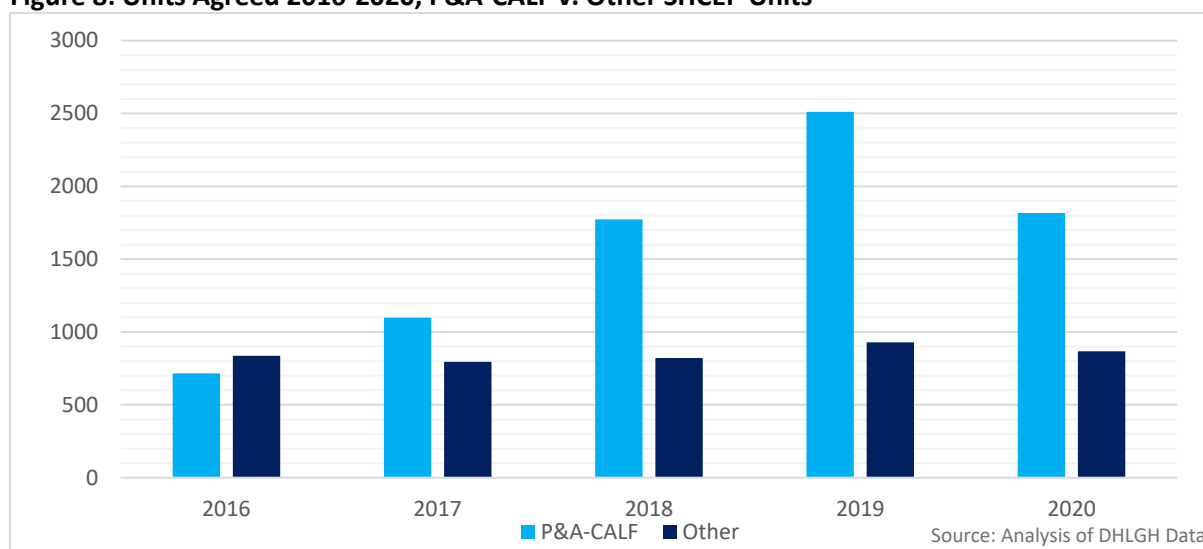


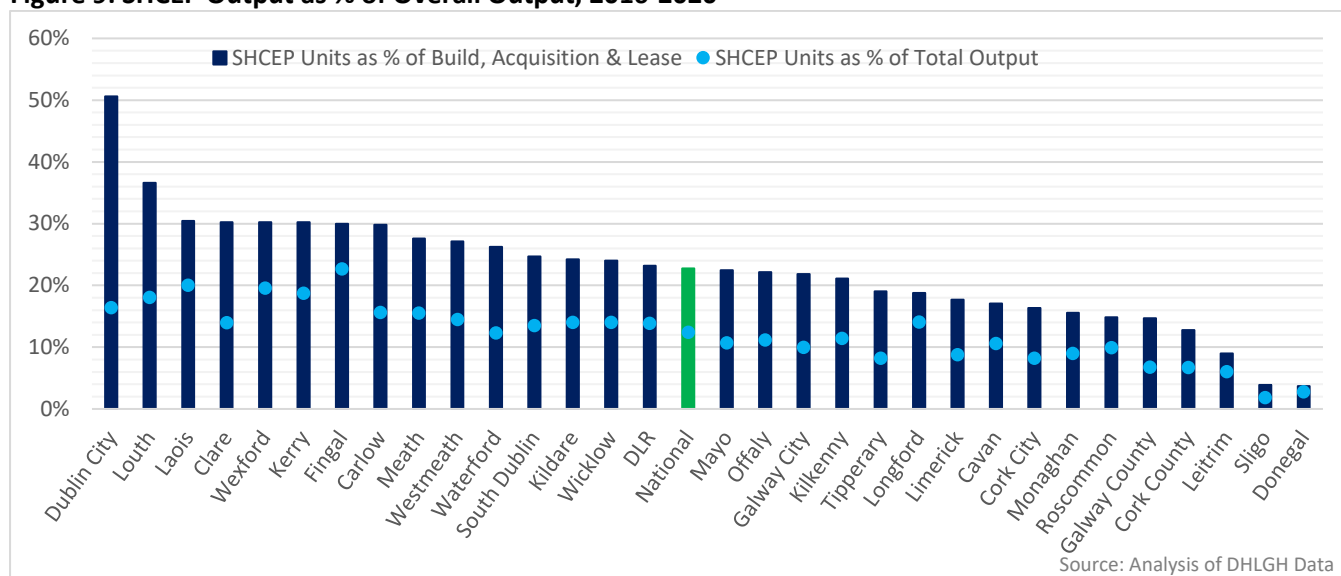
Figure 8: Units Agreed 2016-2020, P&A-CALF v. Other SHCEP Units



LAs have relied on SHCEP delivery mechanisms to different extents. Some LAs, such as Dublin City and Louth are significantly above the national average (23%) between 2016 and 2020 while others, such as Donegal, Sligo and Leitrim are significantly below.

Across LAs, the SHCEP is utilised to differing extents. Figure 9 sets out the level of output through the SHCEP as a proportion of overall output. The overall average of 23% implies that around a quarter of the additions to the social housing stock in these years were delivered through the SHCEP funding. There are a number of LAs where the SHCEP units accounts for a significant portion of additional stock such as Dublin City and Louth. The four Dublin LAs all have an average or above level of output ranging from 23% in Dún Laoaghaire-Rathdown to 51% in Dublin City. This results from AHB build delivery (particularly in the form of P&A-CALF units) being focused on this region. This is notable given the increasing rental prices in the region (the RTB rental index for Dublin has increased 34% between 2016 and 2020). Conversely there are a number of LA areas where SCHEP units do not account for a significant proportion of additions to the stock. Donegal, Sligo, and Leitrim all had less than 10% of their output through SHCEP, where the focus has largely been on direct build by LAs. However, it is noted that the P&A-CALF model was designed to deliver in larger urban areas where the need, at the time of development, was greatest, and it would not be expected to see large delivery under this scheme in rural areas.

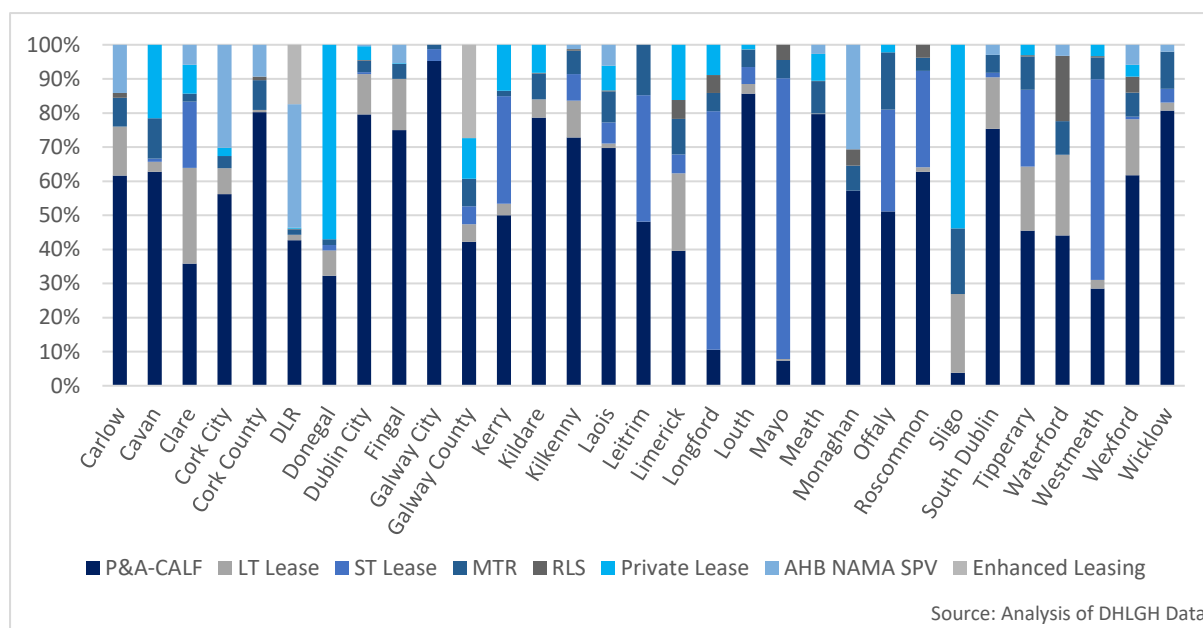
Figure 9: SHCEP Output as % of Overall Output, 2016-2020



*Total Output includes RAS & HAP

It is also useful to look at the composition of the programme across LAs. The objective here is to understand the extent to which different LAs rely on different types of lease and P&A mechanisms. There is significant variation in the type of SHCEP delivery schemes being used across LAs. The P&A-CALF scheme is predominant across nearly all LAs, which is to be expected in areas where demand for new builds is high. However, as the P&A-CALF units have a monthly payment that is calculated as a percentage of market rent, this leads to a significant exchequer costs, as the areas where demand for new builds is high also tend to have expensive rental markets. Private leases are prominent in the likes of Sligo and Donegal, however it should be noted that the overall number of units in these LAs is quite small. Long-term leases are a relatively prominent in some of the LAs with a larger amount of units, such as Dublin City and Fingal (but are still outnumbered by P&A-CALF units). Similarly, AHB NAMA SPV leases do so in the likes of Cork City and Dún Laoaghire-Rathdown.

Figure 10: Composition of SHCEP Output by LA, 2016-2020



Unit Type

59% of the units examined were houses, with 85% of those having three bedrooms or less. Of the apartments, 57% were 2-bed units

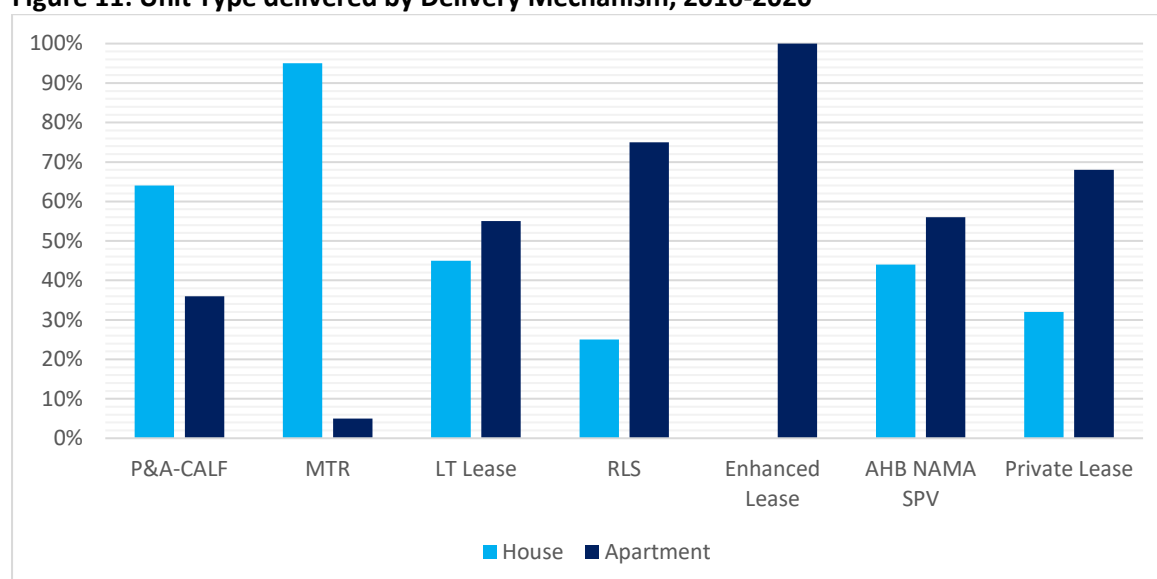
The type of unit delivered by SHCEP is one of the key variables that has been examined. The analysis has looked at the type of units delivered across LAs in the years 2016 to 2020. Data on the number of houses and apartments built, and the number of bedrooms within each unit is examined. Unit-type data is excluded for short-term leases, due to incomplete data (the unit-type was not specified for over 40% of observations). Aggregating all SHCEP units, it can be seen that the largest share of units were 3-beds (44%), followed by 2-beds (34%) and 1-beds (13%). Just 9% of units were four beds or larger. It should be noted that while the largest share of units are 3-beds, the majority of applicants on the social housing waiting list in all 31 LAs are single or single with dependents.

Table 4 provides a breakdown of unit types delivered over the years 2016-2020 across various funding programmes.

Table 4: Unit Type as % of Scheme Total across SHCEP, 2016-2020

	Unit Type	1 Bed	2 Bed	3 Bed	4 Bed +
P&A-CALF	Apartment	11%	20%	4%	0%
	House	1%	12%	43%	8%
Long-Term Lease	Apartment	15%	37%	3%	0%
	House	3%	5%	22%	14%
Private Lease	Apartment	16%	43%	9%	1%
	House	2%	10%	17%	3%
MTR	Apartment	0%	3%	1%	1%
	House	0%	7%	41%	46%
Repair & Lease	Apartment	42%	19%	9%	4%
	House	4%	13%	8%	0%
Enhanced Leasing	Apartment	14%	79%	7%	0%
	House	0%	0%	0%	0%
AHB NAMA SPV	Apartment	8%	30%	17%	0%
	House	0%	7%	27%	11%
Total		13%	34%	44%	9%

Figure 11 shows the proportion of unit delivery of houses and apartments across the various SHCEP delivery mechanisms.

Figure 11: Unit Type delivered by Delivery Mechanism, 2016-2020

Timing of Delivery

An important consideration in understanding the operation and management of this mechanism is the timing of delivery of SHCEP funded units. This will provide an indication of the overall flow of leases and how the delivery mechanism is used throughout an annual cycle. As shown in Table 5, there is a stronger tendency for leases to be agreed in the fourth quarter. The most skewed scheme is Enhanced Leasing, however the small sample size reduces the significance of this finding. However, it is notable that for P&A-CALF units, which make up over half of the overall total, over 40% of units were agreed

in quarter four. As well as that, all other schemes have agreed more than 25% of leases in quarter four.

When a unit is agreed there is then a lag for a number of months before it is claimed by the relevant LA. When a unit is claimed, payment becomes due and it is backdated to the agreement date. With the vast majority of leases being agreed in the second half of the year, these units are not being claimed until the following year. This causes a substantial payment being due in the following year and leads to significant cumulative carryover year on year. This means expenditure levels are not reflected in output levels, and budgetary forecasting becomes challenging.

Table 5: Timing of Delivery of SHCEP Units, 2016-2020

	Q1	Q2	Q3	Q4
P&A-CALF	15%	20%	20%	44%
Long-Term Lease	20%	24%	23%	32%
Short-Term Lease	25%	21%	26%	28%
Private Lease	24%	21%	19%	35%
MTR	10%	25%	30%	34%
Repair & Lease	11%	20%	32%	37%
Enhanced Leasing	0%	0%	32%	68%
AHB NAMA SPV	29%	22%	16%	33%

Figure 12: Delivery of SHCEP Units by Quarter & Scheme, 2016-2020

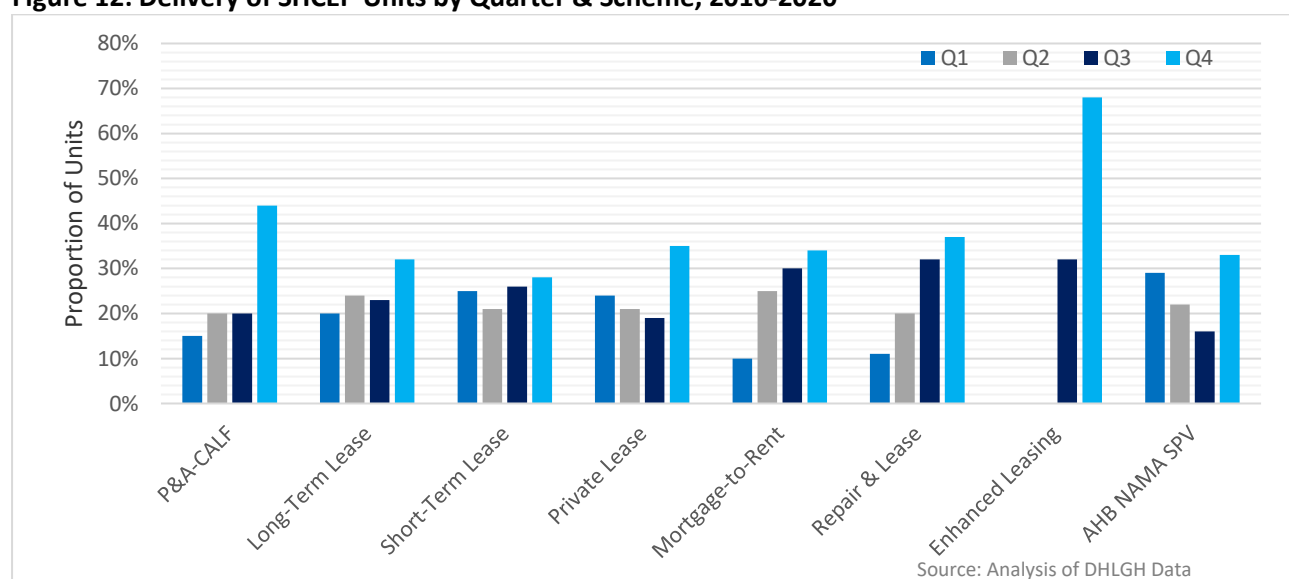


Figure 13 below demonstrates the increasing number of units agreed between 2016 and 2019, with a drop-off in 2020, which can be attributed to the impact of Covid-19. This has implications on the overall cost of the units, particularly in terms of the agreed monthly lease or P&A payment. As monthly payments are tied to market rent when initially agreed, the units agreed in later years will have higher cost (due to the increasing market rent, see Figure 14). Existing leases/P&A agreements are subject to

periodic rent reviews linked to HICP (Harmonised Index of Consumer Prices)/ Consumer Price Index (CPI).

Figure 13: Number of Units Agreed by Year and Scheme

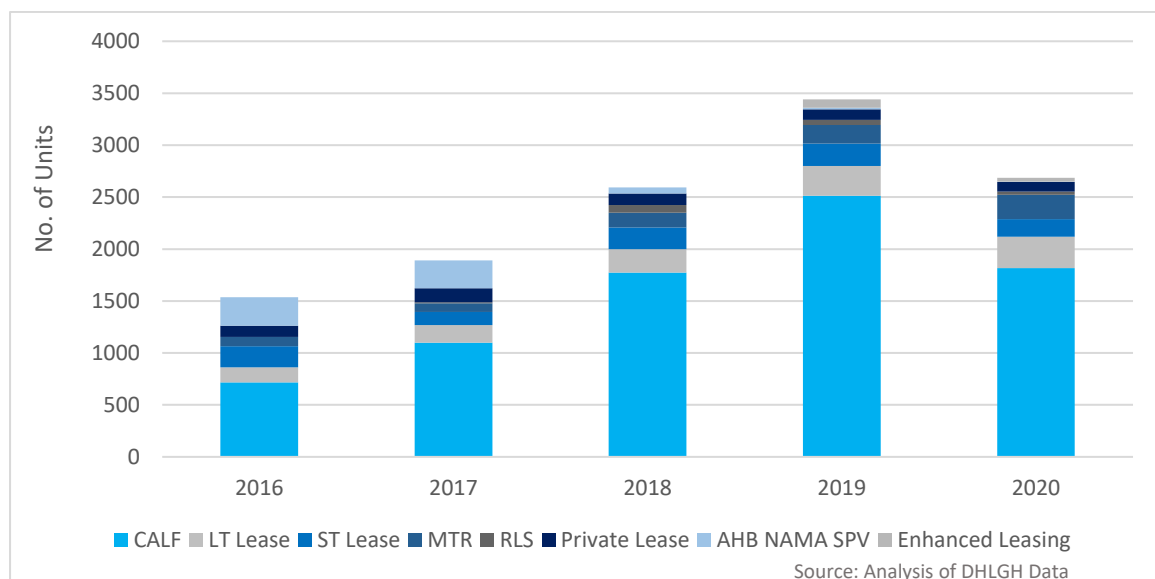
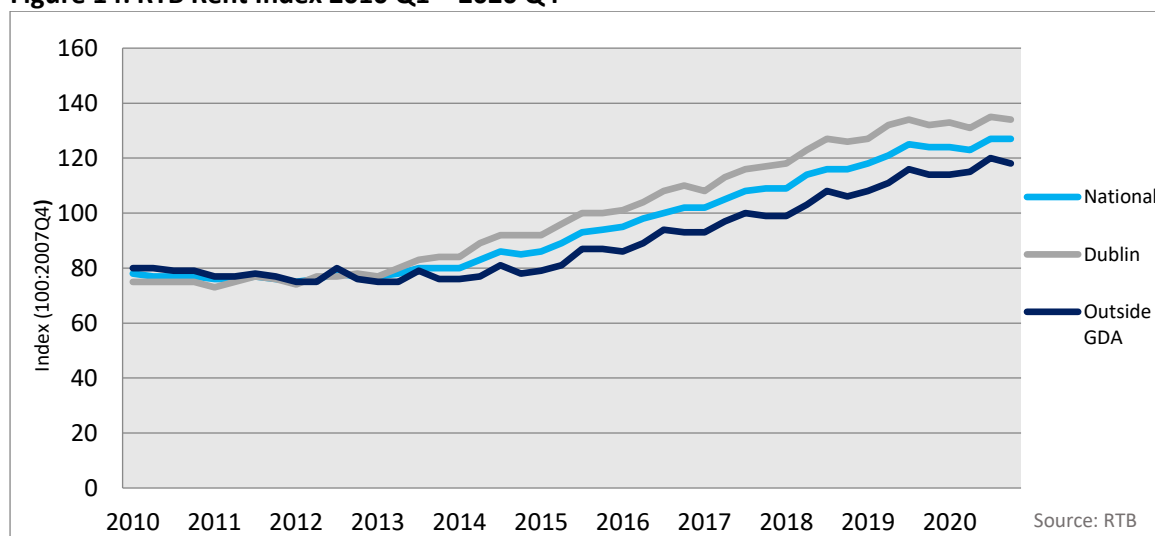


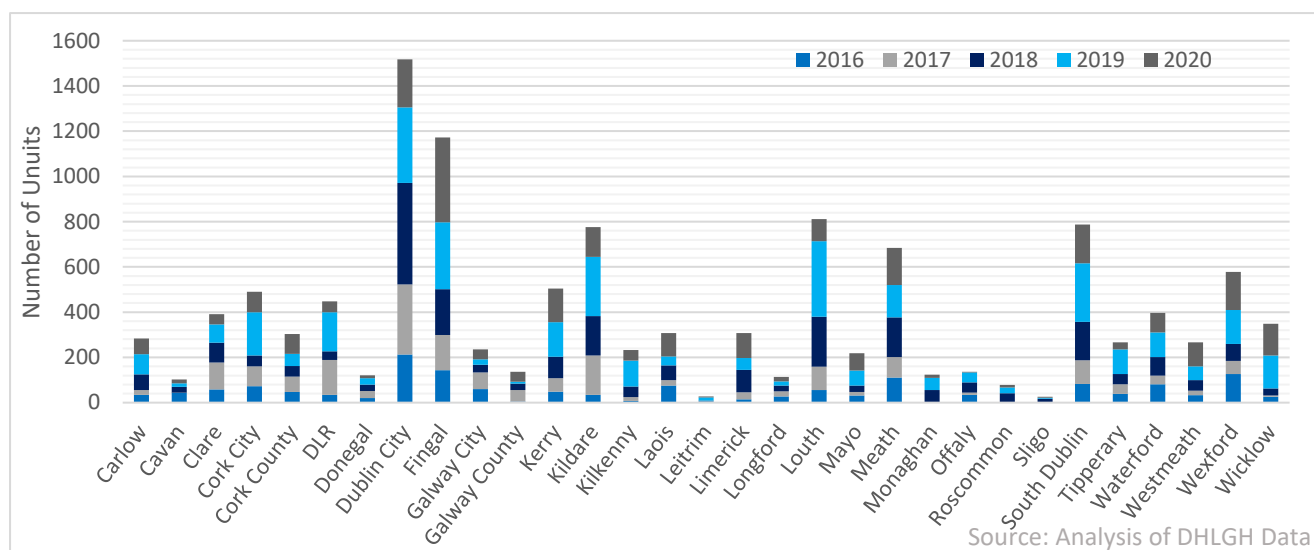
Figure 14: RTB Rent Index 2010 Q1 – 2020 Q4



Location of Units

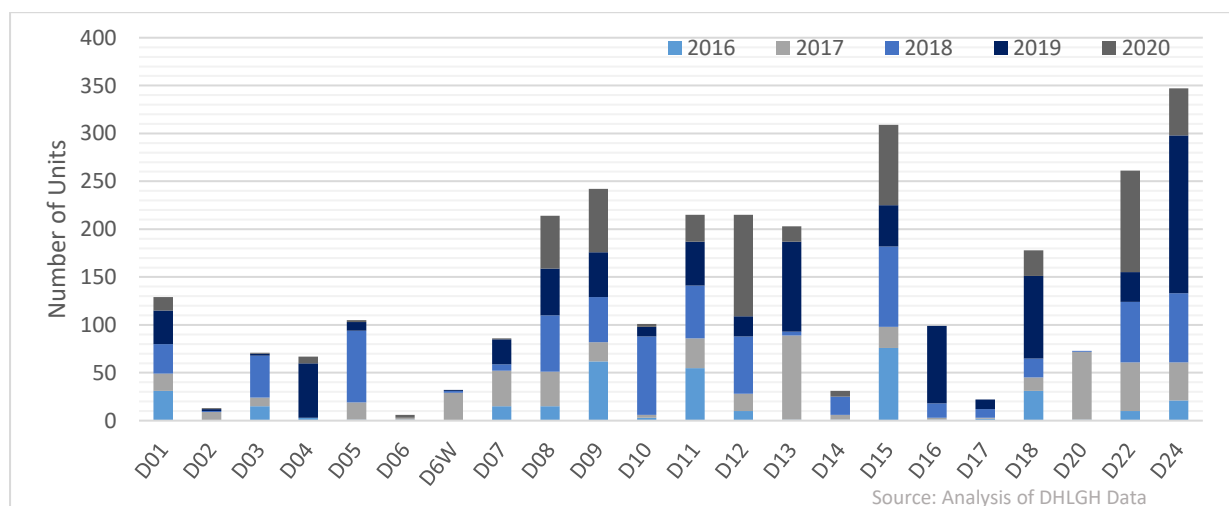
This section of the analysis details the geographic distribution of social housing leases. The LA where the highest number of units have been delivered is Dublin City Council, reflecting the size of Dublin and the extent of demand for social housing support in the area. The next largest LAs in terms of units delivered are Fingal, Louth, South Dublin, Kildare and Meath. This indicates that there is a significant concentration of new SHCEP units being delivered in the Greater Dublin Area, as opposed to the rest of the country. This is detailed in Figure 13. It is of note that there are a number of LAs in urban areas who have low levels of output such as Galway City and Dún-Laoghaire/Rathdown. However, the overall level of social housing delivery in these areas is small in proportion to their population.

Figure 15: SHCEP Units by LA, 2016-20



Within Dublin City itself, the postal districts with the highest density of new units were Dublin 24 (Tallaght) and Dublin 15 (Blanchardstown, Castleknock etc.). Dublin 2 and 6 had the least number of units. It is useful to compare back to the 2020 Spending Review (SR) paper which examined the build schemes. Dublin 15 was again prominent with nearly 400 units delivered between 2016 and 2019 while only small numbers of units were delivered in the likes of Dublin 2, 4 and 6, perhaps a reflection of demand for social housing units, cost of delivery or availability of sites.

Figure 16: SHCEP Units by Dublin Postal District, 2016-20



It should be noted that all P&A-CALF units (by far the most common type of SHCEP unit), must have the support of the relevant LA in terms of need suitability and location, and the units delivered must meet an acknowledged local housing need.

Cost Analysis

The cost analysis and cost efficiency analysis will mainly focus on ten selected LAs. These LAs were chosen as they provide a mixture of urban, rural, regional city and commuter areas. They also include the six LAs used in the 2020 SR paper, which will allow for useful comparative analysis. The other LAs will also be used where applicable.

Firstly, it is useful to examine the annual lease and P&A costs across the different schemes. As expected, P&A-CALF units make up the majority of the expenditure given they consist of the majority of the units. However, it must be noted that although P&A-CALF makes up 65% of the overall units they make up 70% of the overall annual SHCEP costs. Under the CALF scheme, the monthly payment is usually set at 92-95% of market rent (but can be lower in some instances), whereas for some of the other mechanisms the rate can be as low as 80%. This is reflected in the findings below.

Figure 17: Annual Lease/P&A Cost by Scheme for Units Agreed 2016-2020

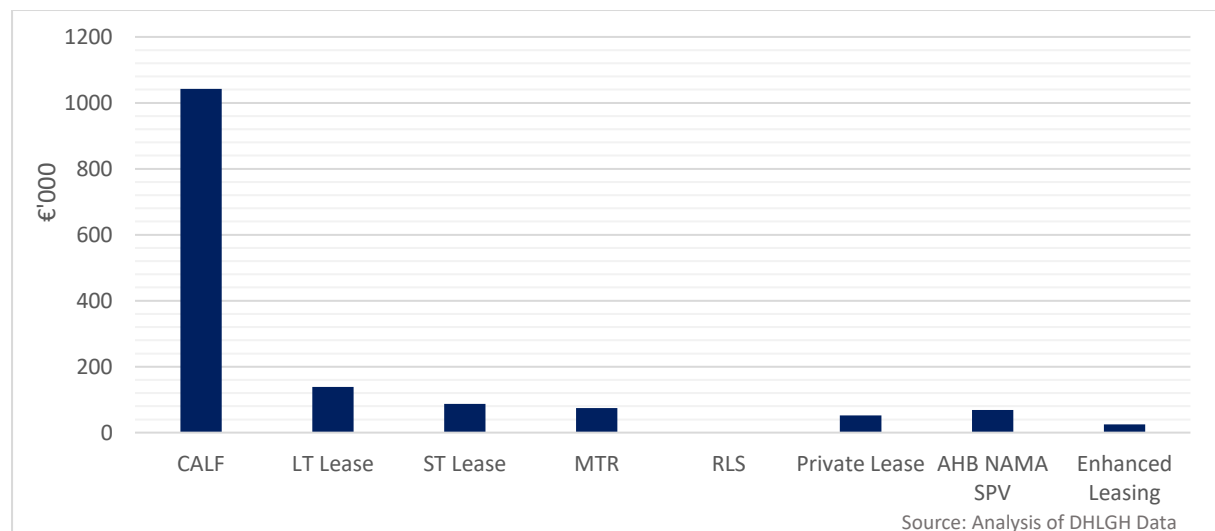
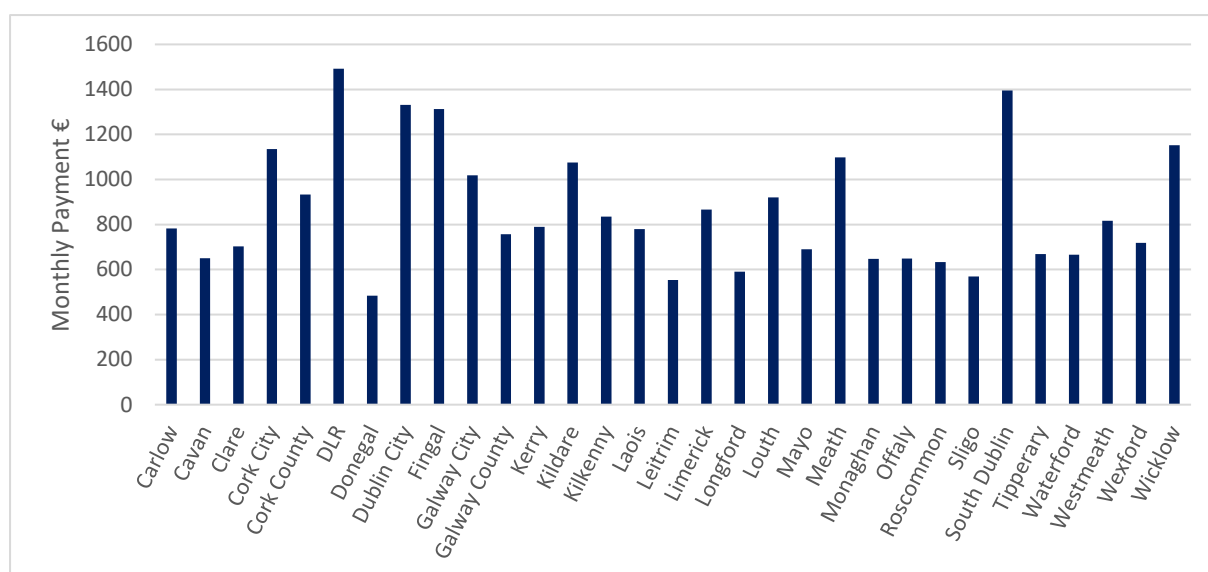


Figure 18: Average Monthly Lease/P&A Payment by LA



The average monthly lease/P&A payment across LAs follows a predictable trend. The Dublin LAs have the highest average payment, all over €1300, followed by GDA (Great Dublin Area) LAs (Kildare, Meath and Wicklow) and regional cities (Cork and Galway). The likes of Donegal, Leitrim, Longford and Sligo have the lowest average payment, all under €600.

There is also significant variation in monthly lease/P&A payment across the different schemes, as shown in Table 6 (schemes are listed in order of the number of units across the selected LAs). Here the average monthly lease/P&A payment is examined across ten selected counties which will be used later in the cost efficiency analysis. The schemes are differing in nature, with some containing a capital element which may affect the monthly payment.

Table 6: Average monthly lease/P&A payment by LA and Scheme**

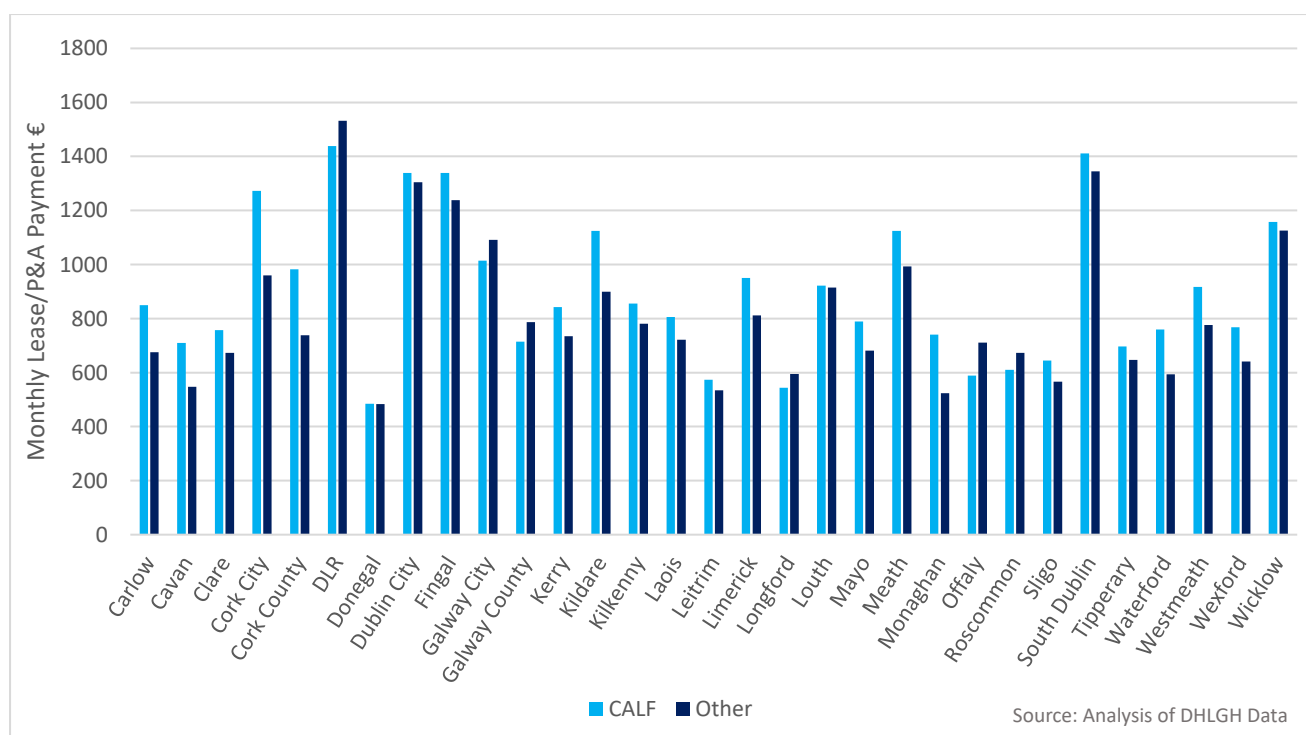
	Cork County	DCC	Fingal	Galway City	Kerry	Kildare	Louth	Mayo	Meath	South Dublin
CALF	€982	€1,339	€1,339	€1,014	€842	€1,124	€922	€790*	€1,124	€1,411
Long-Term Leasing	€1,145*	€1,434	€1,292		€661*	€937	€848	€640*	€1,105*	€1,397
Short-Term Leasing		€104***		€1,202*	€748		€1,049	€709		€1,528*
MTR	€714	€1,125	€1,177	€919*	€517*	€939	€823	€557*	€961	€1,230
Private Lease		€1,242	€1,200*		€749	€845	€909*		€1,133	
AHB NAMA SPV	€757	€1,379*	€1,158						€665*	€1,204
RLS	€501*	€1,116*				€480*	€775*	€333*	€1,309*	

*Sample size of less than 20 units, **Delivery schemes are ordered by the amount of units delivered in the selected LAs, ***Refers to just one agreement of 8 units

The monthly payment for P&A-CALF is in most cases notably higher than other schemes, as mentioned earlier (due to nature of the scheme). Figure 19 below shows the average monthly P&A payment compared to the average monthly payment across the other leasing mechanisms.

This is to be expected given that the P&A monthly payment is usually set at a higher percentage of market rent than other lease arrangements. As well as that, the differing structure of the CALF scheme must be taken into account. The fact that P&A-CALF units have an associated capital funding element (a loan of up to 30%), can also have an impact on the monthly P&A payment required. The AHB in question determines the optimal requirements for the project in terms of capital funding and P&A. In projects that are in areas of strong market rent valuations, the AHB may decide to take the maximum level of P&A (i.e. 92-95% of market rent), and then reduce the capital outlay accordingly to satisfy the Debt Service Coverage Ratio (DSCR) of the financial assessment or they may opt to optimise capital outlay to 30% for example and reduce the P&A accordingly. They may also opt a balance of both where they may align the capital outlay and P&A so that neither maximum levels are reached but the DSCR of the P&A-CALF financial assessment is satisfied.

Figure 19: Average Monthly Payment by LA, P&A v. Other Leasing



The graphs below show the spread of the monthly payment per unit across the different schemes in the selected LAs.

Figures 20-24: Distribution of Monthly Payment by LA and Scheme

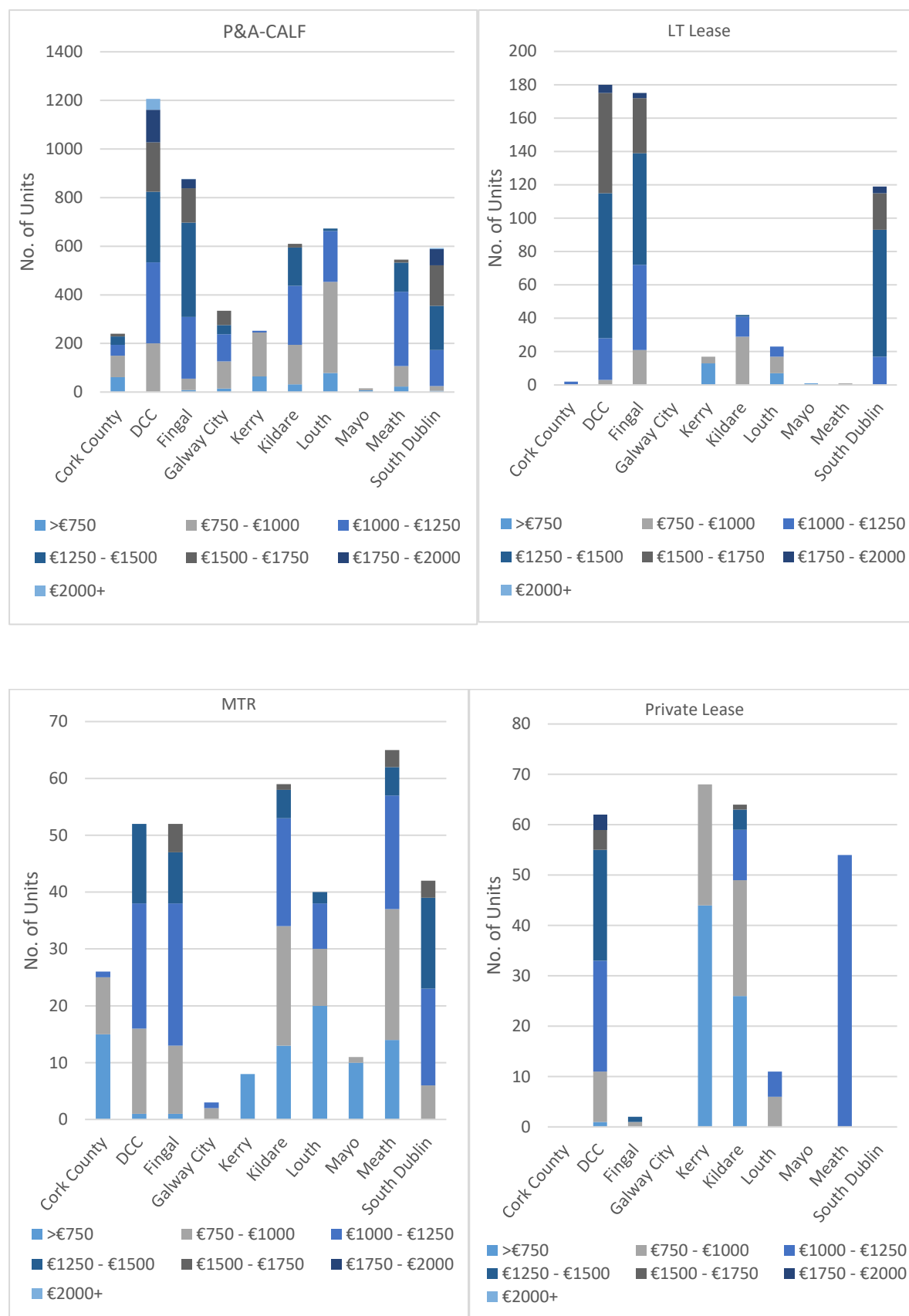
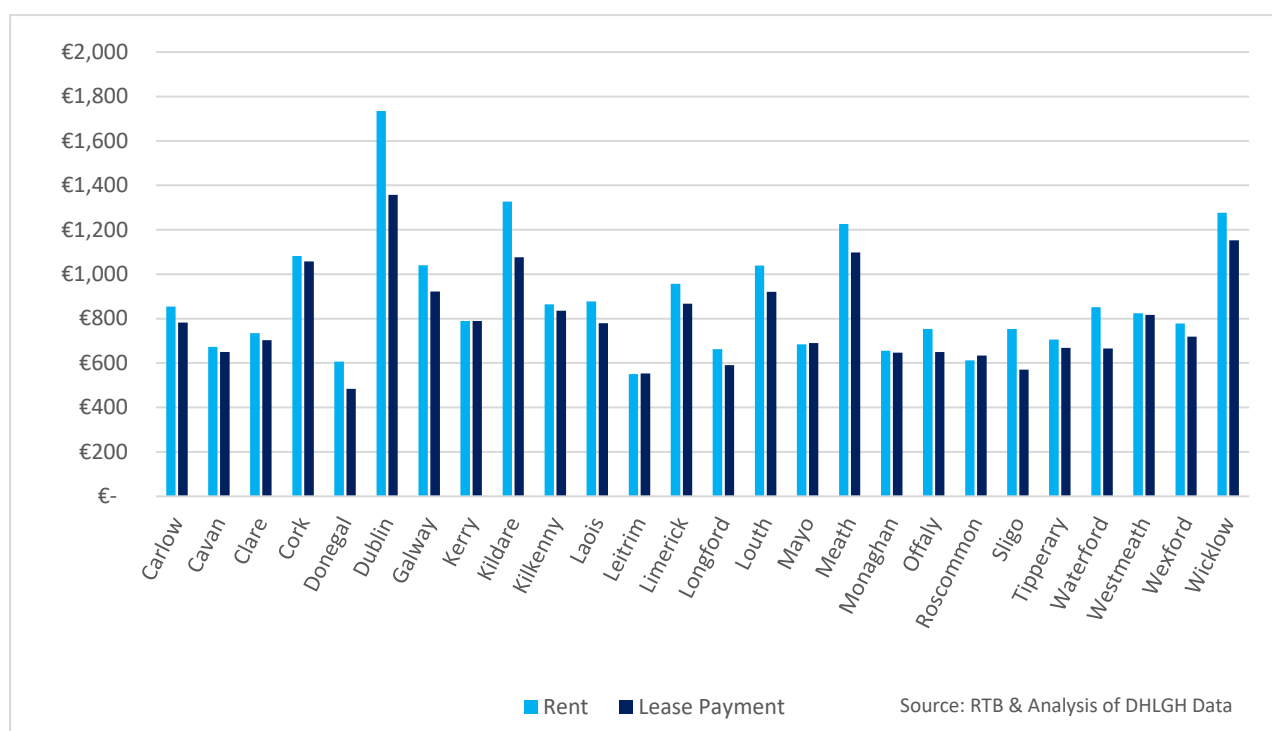


Figure 25: Average Monthly Payment v Average Monthly Private Rent

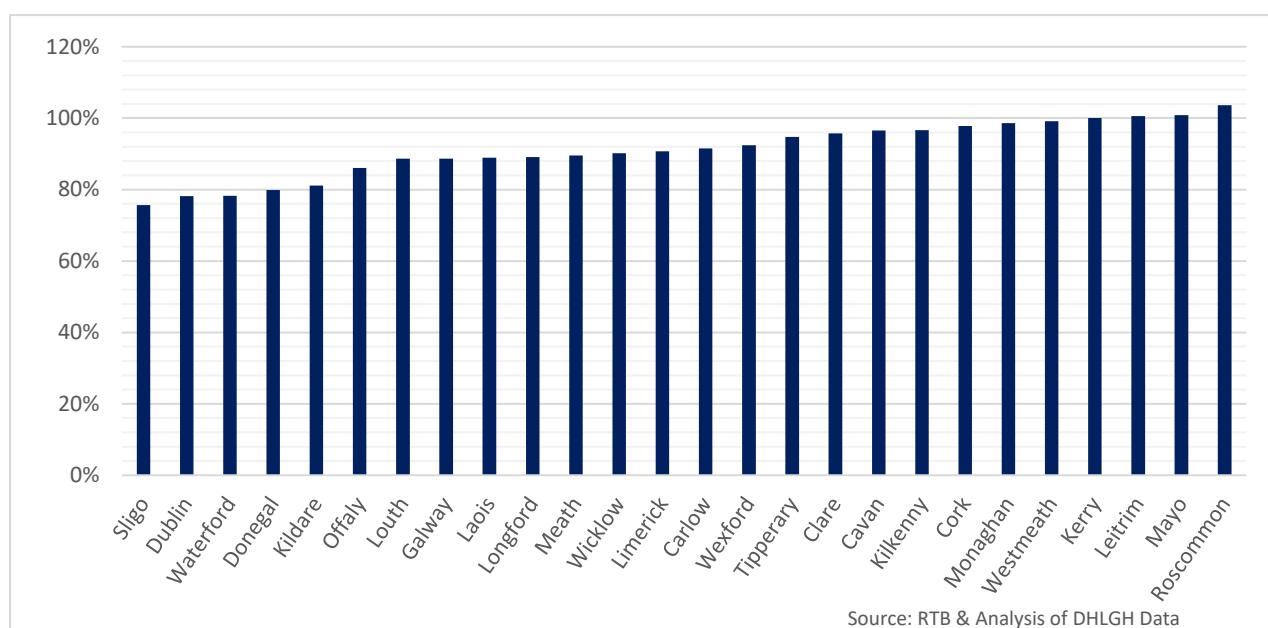


*Due to data availability, counties as opposed to LAs were used

Dependent on the scheme the monthly payment is calculated as a percentage of the market rate (usually between 80 and 95%). The RTB registers all private landlords and collects data so as to provide the average monthly rent in the private sector across counties. As shown in Figure 26, in most counties the average lease/P&A payment is above 90% of the average monthly private rent, which would be somewhat expected given the prominence of P&A-CALF units (where the monthly payment is up to 95% of the market rent). There are a number of counties where the average lease/P&A payment is higher than 95% of the average monthly private rent. This indicates that in these areas the market rate of the SHCEP units is above that of the average privately rented unit, i.e. the market rate for type of unit being delivered for social housing is more expensive than the average privately rented unit. However, it should be noted that P&A-CALF units (the most common type of unit) are predominantly new units, and therefore have higher market rents. It is notable that the proportion is comparatively low in Dublin (78%). However, this may be due to a more extensive rental market.

There is notable differences across counties when comparing the lease/P&A payment to private rental payments. Leitrim, Mayo and Roscommon all have higher monthly payments, although the differential is less than 5% in all cases. Counties where the rental payment is significantly higher than the monthly payment include Donegal, Dublin, Sligo and Waterford, where the rental payment is at least 20% higher.

Figure 26: Average Monthly Lease/P&A Payment as % of Average Monthly Private Rent



*Due to data availability, counties as opposed to LAs were used

Cost Efficiency

The purpose of this section is to analyse the relative cost of delivering social housing units through SHCEP mechanisms. In undertaking this analysis, the objective is to analyse the relative long term cost implications and to assess value for money considerations. The section sets out in detail both the methodology and results for the analysis.

Previous Analysis

The methodology for this paper is based on the modelling used in the 2018 SR paper¹⁰, which gave an overview of capital and current expenditure in relation to social housing. There were a number of previous studies conducted that informed this analysis. In 2009, the Centre for Housing Research (CHR, now the Housing Agency) commissioned a report to analyse capital funding schemes for AHBs¹¹. In 2010, the Controller & Auditor General included a section in the Accounts of the Public Services 2009 on 'Leasing of Social Housing'¹². It included updated analysis on the long term cost of leasing and purchase/construction completed to review the 2009 work by the CHR. The analysis found that the difference between construction/acquisition and leasing was marginal once a number of assumptions were changed and more recent data used. In 2011, the Housing Agency produced analysis on the long

¹⁰ O'Callaghan, D and Kilkenny, P (2018) 'Current and Capital Expenditure on Social Housing Delivery Mechanisms'. Spending Review 2018

¹¹ 2009: Centre for Housing Research – 'Strategic Review of the Capital Funding Schemes for Voluntary and Co-operative Housing'.

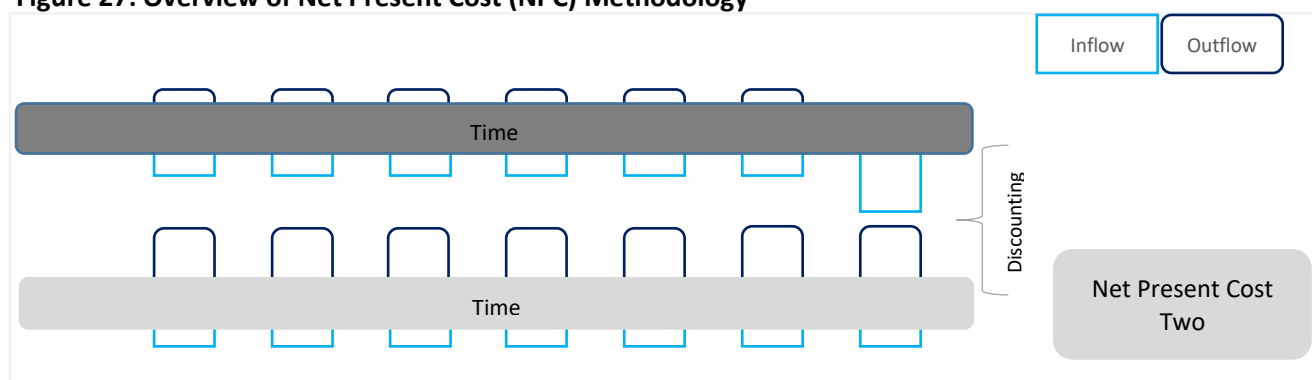
¹² 2010: Comptroller and Auditor General (C&AG) – 'Accounts of the Public Service 2009, Vote Management'.

term cost effectiveness of social housing delivery mechanisms¹³. The report assessed HAP, RAS, leasing and construction/acquisition in terms of long term costs. The analysis generally found that leasing was a cost effective mechanisms relative to rent supplement and traditional construction/acquisition.

Methodology and Approach

The cost of units delivered through SHCEP is spread over a long time period. As such, the analysis presented here will look at modelling the cost of a variety of the different schemes across a selection of LA areas. In simple terms, each cost and revenue stream for the relevant scheme over a standardised period will be captured and the net present cost (i.e. after discounting) will be presented to compare relative costs. Figure 27 provides a graphical representation of this for two hypothetical delivery mechanisms. The schemes examined in this section will be long-term leasing, short-term leasing, P&A-CALF, private leasing and AHB MTR across ten different LAs (Cork County, Dublin City, Fingal, Galway City, Kerry, Kildare, Louth, Mayo, Meath and South Dublin). These LAs were chosen in order to capture as many categories as possible in terms of housing make-up and demand (i.e. urban, rural, commuter etc.).

Figure 27: Overview of Net Present Cost (NPC) Methodology



The analysis will focus five delivery types which contributed the most units across the chosen LAs in the period analysed. Please note that not all schemes have a large enough sample in each LA for meaningful analysis. The details of the financial models and the relevant data/assumptions are set out on pages 27 & 28.

Under direct long term leasing by LAs, there is an initial transaction cost in setting up the lease and then the primary cost is the monthly lease payment to the property owner. For long-term leases, LAs target a cost level of 80-85% of the market rate. In addition, there are maintenance costs as the LA becomes responsible for this (excl. structural matters) for the duration of the lease and administration

¹³ Housing Agency (2011) 'Comparative Financial Appraisal of the Projected Long-Term Costs of Social Housing Delivery Mechanisms'.

costs in managing the overall scheme. Differential rent is paid by the social housing tenant to the LA and there may be periods of vacancy/void where no rent is collected as the unit is not in use. Finally, at the end of the leasing period, there will be a cost incurred to return the property to the owner in the same condition as at the commencement of the lease (less wear and tear). In terms of inputs to the financial appraisal for the purposes of this paper, the following outlines the relevant data and assumptions for a long term leased unit (i.e. 20 year period):

- The average lease payment for each LA was provided by DHLGH. The average monthly payment differs across the LA areas used **from €1,077 to €1,468 per month for 2 beds and from €1,452 to €1,500 for 3 beds** and it is assumed that lease payments are reviewed every three years.
- For transaction costs, **5%** of the annual lease is used in line with DHLGH circular¹⁴.
- In line with the assumption used within the 2011 Housing Agency analysis, the annual cost of maintenance is set at **40% of the cost under construction or acquisition** given the reduced responsibilities for the LA
- The cost of re-instatement at the end of the lease period is assumed to be **50% of that incurred under construction or acquisition and apply in one in 20 cases** in line with the assumption used in the Housing Agency analysis.
- The average unit administration cost, void/vacancy rate and differential rent is the same as that set out for construction/acquisition.

Under short term direct leases by LAs, the property owner acts as the landlord to the tenant. However, in the context of this analysis, the financial flows are similar to long term leasing. The primary difference is that the property owner remains responsible for maintenance and a payment of 92% of market rent is targeted. Mayo and Kerry are the only LAs of the ten selected with a sufficient sample size for meaningful analysis (indicating a prevalence of these lease type in rural LAs). The data and assumptions used for the costing of LA direct short term leasing is the same as was set out for the long term leasing previously with the exception of:

- The average lease payment for each LA was provided by DHLGH. The average monthly cost in Mayo and Kerry ranges **from €648 to €688 for 2 beds and from €728 to €759 for 3 beds** and it is assumed that lease payments are reviewed every year in line with the Harmonised Consumer Price Index (HICP).
- Under short term leasing arrangements, the LA does not have responsibility for maintaining the property.

Under private leases by AHBs, the financial flows and structures are similar to long term leasing. The data and assumptions used for the costing of LA direct short term leasing is the same as was set out for the long term leasing previously with the exception of:

- The average lease payment for each LA was provided by DHLGH. The average across the LAs used ranges **from €744 to €1,344 for 2 beds and from €765 to €1,571 for 3 beds** and it is assumed that payments are reviewed every 3 years.

Under AHB delivery of units made available under P&A through construction or acquisition, the financial flows related to public expenditure are more limited. In the first instance a capital loan is

¹⁴ DHLGH pay a once-off payment to the authority based either on vouched expenditure or 5% of the annual lease cost, whichever is the lesser. It should be noted that actual costs may be higher in certain instances.

provided to the AHB, through the CALF, which is repayable, plus interest, at the end of the availability agreement. The primary costs incurred by the State are the P&A payments each month and any transaction costs (i.e. upfront provision of capital funding) related to setting up the agreement. Finally, the tenant's differential rent is paid to the AHB rather than to the LA. In terms of data and assumptions for agreements provided through AHB construction or acquisition the following sets out the relevant details:

- Data on the average lease payment across the LA areas was provided by DHLGH. The average across the LAs used ranges **from €847 to €1,541 for 2 beds and from €900 to €1,526 for 3 beds** and it is assumed that payments are reviewed every three years in line with HICP.
- Data on the average value of units constructed or acquired with support from CALF funding from 2016 to 2020 was provided by DHLGH. For the purposes of this analysis, it is assumed that the **CALF payment is 30% of this value (which is the maximum under the scheme)**¹⁵.
- For the CALF repayment, it is assumed that the loan is recouped in full at the end of the time horizon with an **interest payment equivalent to 2% per annum** (non-compounding).
- As it is the AHB and not the LA who has responsibilities with regard to collecting rent, managing the tenancy or managing maintenance it is assumed for the purposes of this analysis administration costs have not been included

The AHB MTR scheme also uses CALF funding to acquire units. The financial flows and structures are similar to P&A-CALF agreements. The capital funding is provided through a similar manner, with a maximum 40% loan agreement as opposed to 30%. The scheme operates such that a borrower with an unsustainable private mortgage owner becomes a social housing tenant after surrendering their home to their lender who then sells to an AHB. The data and assumptions used for the costing of MTR is the same as was set out for the P&A-CALF units with the exception of:

- The average lease payment for each LA was provided by DHLGH. The average monthly cost in Dublin City was **€1,148 for 2 beds and ranged from €738 to €1,227 for 3 beds** across a number of LAs and it is assumed that lease payments are reviewed every three years.
- Data on the average value of MTR units acquired from 2016 to 2020 was provided by DHLGH. For the purposes of this analysis, it is assumed that the **CALF payment is 40% of this value (which is the maximum under the scheme)**.
- Data on the average value of units acquired by the AHB was provided by DHLGH.
- For the repayment, it is assumed that the loan is recouped in full at the end of the time horizon with an interest payment equivalent to 2% per annum (non-compounding).

Results of Analysis

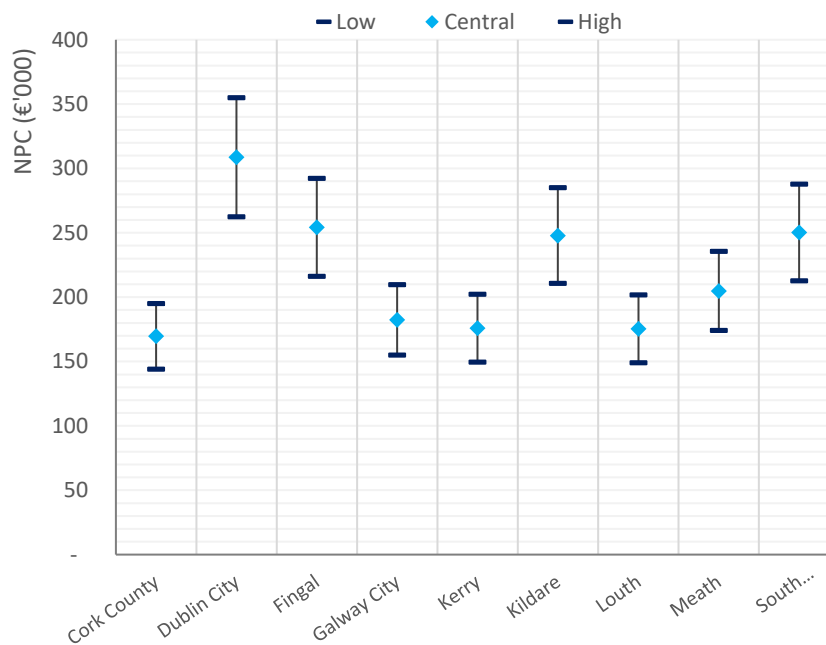
The figures below show the NPC of units by county in different delivery schemes. In certain LAs, the use of delivery schemes vary (e.g. short-term leasing has higher delivery in the rural LAs shown). As the graphs show, the cost varies widely across the different LAs and the different schemes. It is clear to see that Dublin and surrounding counties have significantly higher costs of delivery. As the monthly

¹⁵ The 30% capital outlay (which is a loan) is the maximum available to AHBs, in practice this averages around 25%.

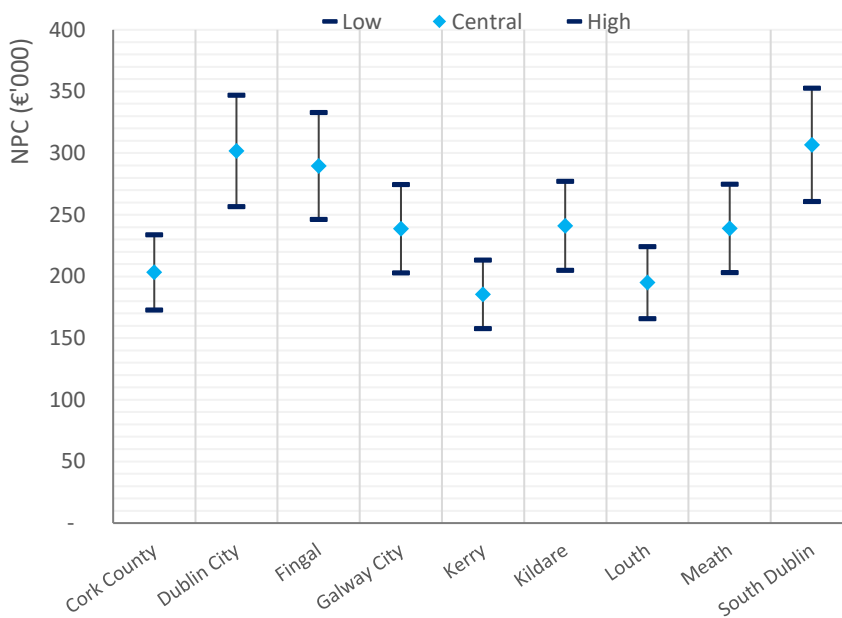
lease/P&A payment is based on the market rate for rent, the cost of delivery between urban and rural areas is significant.

Figures 28-33: Estimated NPC of Delivery Based on Unit Data for Leases Agreed 2016-2020

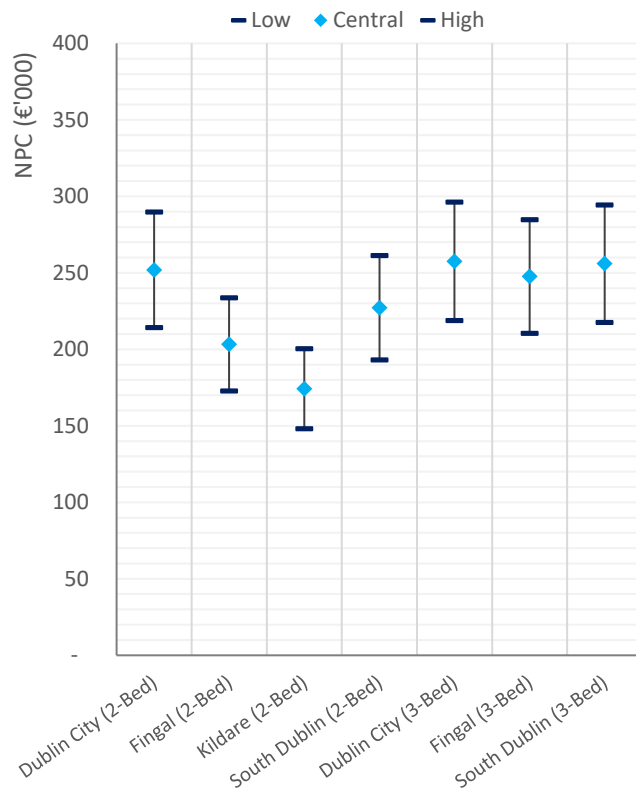
P&A-CALF 2-Bed



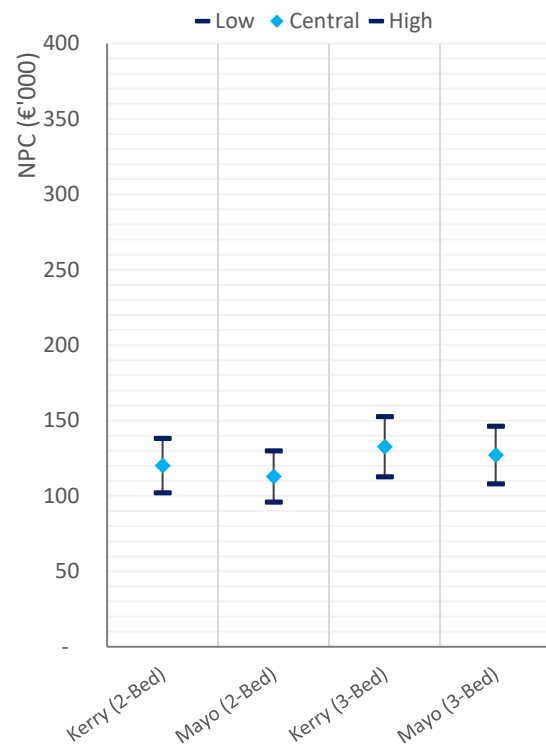
P&A-CALF 3-Bed



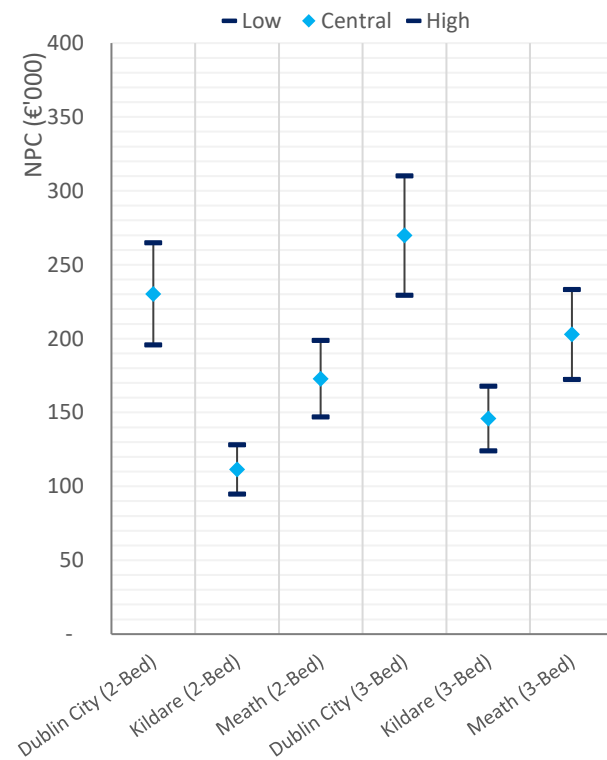
Long-Term Lease



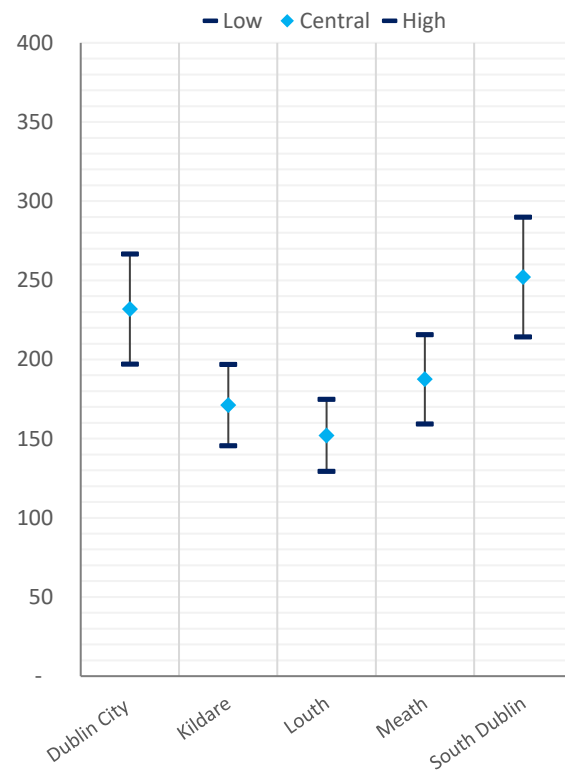
Short-Term Lease



Private Lease



MTR 3-Bed



The estimated NPC of AHB P&A-CALF units is higher than other leasing mechanisms and this reflects the nature of the CALF process. The P&A-CALF payment involves a loan of up to 30% of the cost upfront to support AHBs in constructing or acquiring units which is then repaid at the end of the P&A agreement (plus interest). As such, this transfer out at the start and transfer in at the end of the period affects the analysis due to the effect of discounting, which weights flows that occur earlier more heavily. There is a similar dynamic with MTR leases, which involves a loan of up to 40% of the cost upfront.

It should be noted that the debt used by AHBs to build or acquire P&A-CALF units is generally acquired using state guaranteed, low cost HFA debt. As such, this is categorised as state debt and is included in general Government debt. This is not built into the model and therefore, given that still P&A-CALF have a higher NPC, it suggests these units are significantly more expensive than units delivered through other schemes.

In order to get a sense of how SHCEP units perform from a cost perspective it is useful to compare the NPCs calculated (P&A-CALF will be used as the delivery mechanism to compare as it is the most common) to the cost of other delivery mechanisms, notably build and acquisition. To compare with build and acquisition, data is used from three sources to draw comparisons: a) the 2020 Spending Review paper to compare to the average cost of units built directly by LAs¹⁶, b) Unit Cost Ceilings set by LAs¹⁷, c) the 2021 Social Housing Acquisitions Paper to compare to the average cost of units acquired directly by LAs. 3-Bed units are used as they are the most common type of unit.

As shown in Figure 34, across LAs, the average cost of the other delivery mechanisms are within 15% of the estimated NPC, but there are a number of areas where the average cost of build or acquisition is significantly less. This must be viewed in the context that neither the State nor the relevant LA will own the asset at the end of the agreement (it is the AHB who does), which means there is serious concern over the value for money provided by these types of units.

¹⁶ Data is only available for the LAs selected in SR 2020 (Cork County, Dublin City, Fingal, Galway City, Kildare & Mayo), and where there was a large enough sample

¹⁷ DHLGH set UCCs of construction costs for each LA, and these are set for both house and apartment types and at rural and urban levels

Figure 34: 3-Bed P&A-CALF Units vs. Average Cost of Other Delivery Mechanisms

	vs. LA Direct Build	vs. UCCs	vs. LA Acquisitions
Cork County			
Dublin City			
Fingal			
Galway City			
Kerry			
Kildare			
Louth			
Meath			
South Dublin			

Interaction with Wider Market

In considering the effect of utilising the SHCEP delivery mechanisms, the potential impact on the wider housing market is intuitively of interest. The different types of schemes can have different effects. The vast majority of leasing mechanisms outside of the CALF scheme do not increase the overall stock of housing (social and private) in the country, and as such in a similar fashion to acquisition, RAS and HAP, utilise the existing housing stock for support. The CALF build and turnkey schemes (which consist of 50% of SHCEP units agreed from 2016 to 2020) do add units to the existing stock.

The ideal analysis that would be carried out to assess this would be a detailed modelled approach that sought to estimate the price impact of social housing leases on the market. Given data and time constraints it is not possible to follow such an approach in this paper. However, a useful analysis which helps to understand the extent to which social housing leases may have an effect on the market is in analysing what proportion of total transactions relate to social housing. As P&A-CALF units (be it build, acquisition or turnkey) are the main type of SHCEP units that can be assumed to affect the housing transactions market (other units may be likely to remain in the rental market), this analysis will focus only on those. The analysis here broadly compares the total number of new P&A-CALF agreements with the overall number of transactions in the market by Eircode Routing Key (ERK) from 2016 to 2020.

In 2016 to 2020, there were over 200,000 transactions within the residential property market. In terms of CALF units there were 7,917 with a date of agreement for that time period. As such, at a total level social housing leases equate to around 4% of total transactions. While at an overall level, new P&A-CALF units equate to a relatively low amount of wider transactions, there are significant regional differences. In particular there are a number of areas where new P&A-CALF units delivered are estimated to equate to over 10% of total dwelling transactions during the period. These areas are set out below.

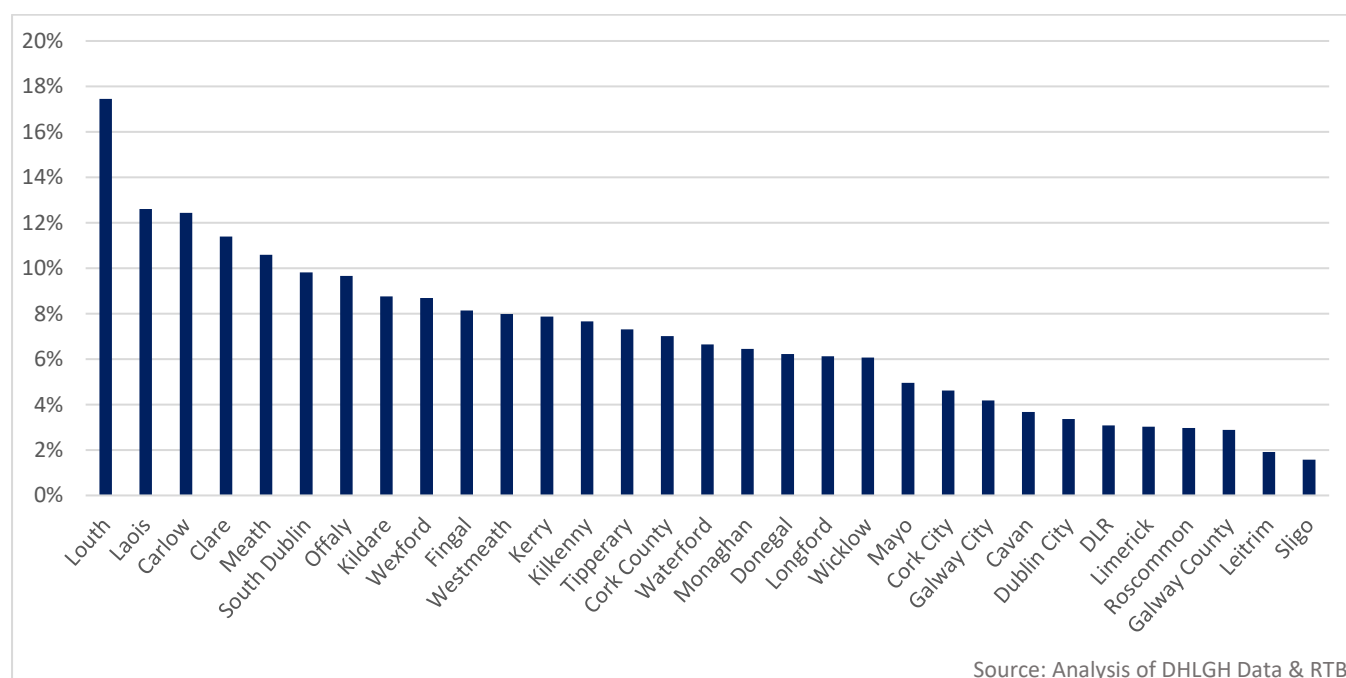
Table 7: Eircode Areas (ERKs) - New P&A-CALF units as % of Total Transactions, 2016-2020

Eircode Routing Key	Proportion	Eircode Routing Key	Proportion
W12: Newbridge, Co. Kildare	18%	A81: Carrickmacross, Co. Monaghan	13%
A41: Ballyboughal, Co. Dublin	17%	D22: Dublin 22 (Clondalkin)	12%
D20: Dublin 20 (Chapelizod & Palmerston)	15%	A67: Wicklow Town	12%
V14: Shannon, Co. Clare	14%	R14: Athy	11%
D10: Dublin 10 (Ballyfermot)	14%	D01: Dublin 1 (North City Centre)	11%
A91: Dundalk, Co. Louth	14%	A84: Ashbourne	10%
K56: Rush, Co. Dublin	13%	A86: Dunboyne	10%

It is notable that Dublin 10, Dublin 1, Newbridge, Athy and Shannon have also appeared in the equivalent tables in previous Spending Review papers focusing on social housing build and acquisition programmes, indicating significant concentration of social housing in these areas.

In order to capture the effects of all of the SHCEP mechanisms combined on the wider market, it is useful to compare the number of social housing leases to the registered private rental properties.

Figure 35: SHCEP Units in Proportion to Registered Private Rental Properties



The proportion is relatively low in LAs with extensive rental markets (e.g. Dublin City, Galway City) and areas where there are not many SHCEP units generally (e.g. Sligo, Leitrim). However, it is noteworthy that the proportion is quite high in LAs in the Dublin commuter belt and wider Leinster region. When combining this analysis with ERK analysis in Table 7, it indicates that there is significant concentration of social housing leasing/P&A-CALF in major towns in Eastern counties (e.g. Louth and Kildare).

5. Wider Policy Issues

In considering the delivery of social housing support through SHCEP, and more widely, there are a number of wider policy issues that require consideration.

Housing for All (HfA)

The government has a new focus on direct built as the primary mechanism for social housing delivery. The new housing strategy, HfA includes some leasing/P&A-CALF targets (although some mechanisms will be discontinued) alongside its focus on increasing supply by increasing build targets.

The strategy commits to ending long-term leasing through phasing out new entrants to the current leasing arrangements and focussing on new build to provide social homes. However, this consists only of a relatively small proportion of SHCEP units currently in operation (approximately 35% of new leases delivered from 2016 to 2020). The use of the CALF mechanism is expected to accelerate from the rollout of the strategy. HfA sets out to increase funding to be made available to AHBs through increases in the CALF budget, although it also states that a review will be carried out of the structure and operation of CALF by Q4 2022. Given the significant costs associated with CALF delivery demonstrated in this paper, the new strategy may not alleviate much of the pressure on the SHCEP budget. DHLGH states that it will review the structure and operation of CALF to assess whether any refinements to the facility are required to support delivery of social housing by the AHB sector across a wider range of LA areas. As well as that, there is plans to enhance the RLS and provide increased funding from €40,000 to €60,000 per unit.

Approved Housing Bodies

AHBs have played a critical role in the expansion of social housing in recent years. They facilitated the majority of the additional SHCEP units added to the overall housing stock in the period studied by this paper. AHBs are independent, not-for-profit organisations. They provide units to LAs for social housing through various mechanisms, most notably CALF, but also the likes of MTR, NAMA SPV, Private Lease and RLS. There are 470 registered AHBs as of June 2021¹⁸, while the current housing stock of AHBs is approximately 30,000¹⁹. As mentioned in this paper, under the current financing structure, AHBs will retain ownership of CALF units at the end of the P&A agreement. As such, at present the future status of these units is unclear (although a review of all elements of the P&A-CALF scheme has been promised under HfA). Were the situation to arise that units still required for social housing and the agreements

¹⁸ <https://www.gov.ie/en/publication/1172c-register-of-housing-bodies-with-approved-status-under-section-6-of-the-housing-miscellaneous-provisions-act-1992/>

¹⁹ <https://housingalliance.ie/about-ahbs/>

were to be renewed at this stage, there would be an ongoing cost to the exchequer, which would not be the case with direct build or acquisition (other than maintenance costs).

AHBs are regulated on a statutory basis by the Approved Housing Bodies Regulatory Authority (AHBRA). The AHBRA is began operating on a phased basis in 2021 and is due to become fully operational in 2022. Previously, the AHBs were regulated on a voluntary basis by the Housing Agency. The AHBRA aims to support stronger governance and financial viability of the AHB sector, with a focus on the safeguarding the public investment being made by AHBs in social housing delivery. The body aims to assure a well-regulated and stable environment for all relevant stakeholders²⁰. Given the substantial role of AHBs in the State's social housing sector as demonstrated in this sector, appropriate regulation must be considered an important aspect of the relationship between the AHBs and the State.

Interaction with the Wider Market

In considering the delivery of social housing support it is important to consider the interactions with the wider housing market. This is important as the nature and level of supports impact on overall housing supply and demand. It is the case that the way in which this support is delivered can have varying impacts on the market. For instance certain mechanisms (such as CALF or LA direct Build) may add to the overall stock of housing (social and private) while others (such as acquisitions or MTR leases) do not. As such, in managing the effective supply of social housing it is necessary to understand the impact these mechanisms have in addition to other considerations such as cost efficiency and the appropriateness of accommodation. Overall policy should also be informed by developments in the wider housing market given that mismatches of supply and demand more generally increase the demand for housing supports and present a challenge to the efficient delivery of supports.

Undertaking an assessment of the market impact of delivery mechanisms is challenging but is something that should be prioritised by DHLGH. At a high level this paper has added to the evidence base with some findings in relation to market impact. The paper has estimated that of the circa 200,000 units transacted between 2016 and 2020, around 4% were delivered by the CALF scheme, but this percentage was significantly higher in certain areas. As well as that, it was found that in certain LAs the proportion of social housing leases to private rented properties is significant. In addition, when aggregating the analysis of pervious spending reviews focusing on social housing, particular locations at the Eircode area level have been identified where there is a high concentration of social housing (build, acquisition and lease) in relation to the overall housing stock. Given the level of expenditure in

²⁰ <https://www.ahbregulator.ie/about-us/what-we-do/>

this policy area and the overall context within the wider housing market, further analysis of the market impact of supports should be prioritised by DHLGH.

Management of Housing Support and Policy

While the analysis that has been completed in recent years through the Spending Review has focussed on understanding the cost efficiency of housing support delivery mechanisms, it is the case that other aspects of overall social housing policy are essential in the consideration of how supports are provided and the management of an important state intervention. In this regard there are a number of important areas where further analysis would help to enhance the overall evidence base.

Firstly, the efficient and effective management of the stock of housing supports is an essential consideration. Previous research has shown that around one in seven households in Ireland are in receipt of housing support, that LAs manage a stock of approximately 130,000 units and AHBs manage a stock of approximately 30,000 units²¹. Further analysis on the cost efficiency of how this level of support is managed in terms of maintenance and renewal costs, and the appropriate matching of support to need and demand is required. Secondly, the distributional impact of supports is an important aspect of the overall policy. The way in which social housing eligibility and tenant contributions are managed has implications for the efficient and appropriate provision of support. The extent of support is linked to income and the difference between the rate at which a household would spend on renting in the private market versus the rate at which a household spends on tenant contribution while receiving housing support. The current system of differential rents should be reviewed and consideration should be given to the equity and efficiency of the system. This has been acknowledged by the HfA strategy which intends to standardise rents across LAs to ensure fairness²².

Sectoral Capacity and Land Availability

A key aspect of the delivery of social housing support is the issue of sectoral capacity and land availability. While the HfA strategy sets out to increase build delivery to a greater degree than acquisition or leasing, the availability of serviced land in suitable locations and the capacity of authorities to deliver projects in an efficient and effective manner is a major factor to consider.

Data Availability

This is the fifth Spending Review to be written on social housing in as many years. Over this period, DHLGH has improved the quality of its data and the collection of same from the 31 LAs in response to the findings of previous reviews. However, the data shared by DHLGH for the purposes of this

²¹ O'Callaghan, D. Kilkenney, P. and Farrell, C. (2018) 'Social Impact Assessment: Social Housing Supports'. Corrigan, E. and Watson, D. (2018) 'Social Housing in the Irish Housing Market'. ESRI Working Paper no. 594

²² <https://www.gov.ie/en/publication/ef5ec-housing-for-all-a-new-housing-plan-for-ireland/>

Spending Review included a small number incomplete variables. This was particularly the case in terms of unit type, which can be an important variable as previous analysis has shown notable differences in cost in terms of the delivery of houses and apartments.

The HfA strategy sets out to improve DHLGH's use of digital technology to improve the management of social housing programmes (Project Díon). The rollout of this programme should be set to improve the collection and provision of data in this space.

6. Conclusions

SHCEP funded schemes as mechanisms for the delivery of social housing has grown substantially over the past number of years. This can be of significant cost to the exchequer, particularly in urban areas, as the monthly payments are tied to the prevailing rental market conditions. While the new Housing for All strategy places a focus on construction in social housing delivery and a move away from leasing, it does commit to increasing the CALF budget to help fund construction. In this scenario any additional P&A-CALF units constructed would have a monthly P&A payment attached, which, given the link to market rent, can be particularly high in urban areas. This means pressure on the SHCEP budget is unlikely to be alleviated. It must also be emphasised that despite P&A-CALF units being classified as build or acquisitions in DHLGH figures, it is the AHB who will retain the asset at the end of the P&A agreement under the current financing structure. This is important to note given the significant cost of this mechanism demonstrated in this paper. While the government has committed to winding down programmes such as long-term leasing, we have seen that these currently play a relatively small role in the delivery of SHCEP funded units and thus SHCEP spend, with CALF being the dominant delivery mechanism nationwide.

In terms of output and delivery, SHCEP units make up 23% of the social housing units delivered in the period analysed. However, this varies significantly by LA. In Dublin City it is over 50%, which is notable given the ever-increasing market rent in the city. The delivery within the city varies widely by location, with higher concentration in certain postal districts. It was shown that the type of unit varied by scheme, however the largest scheme, CALF, delivered significantly more houses than apartments.

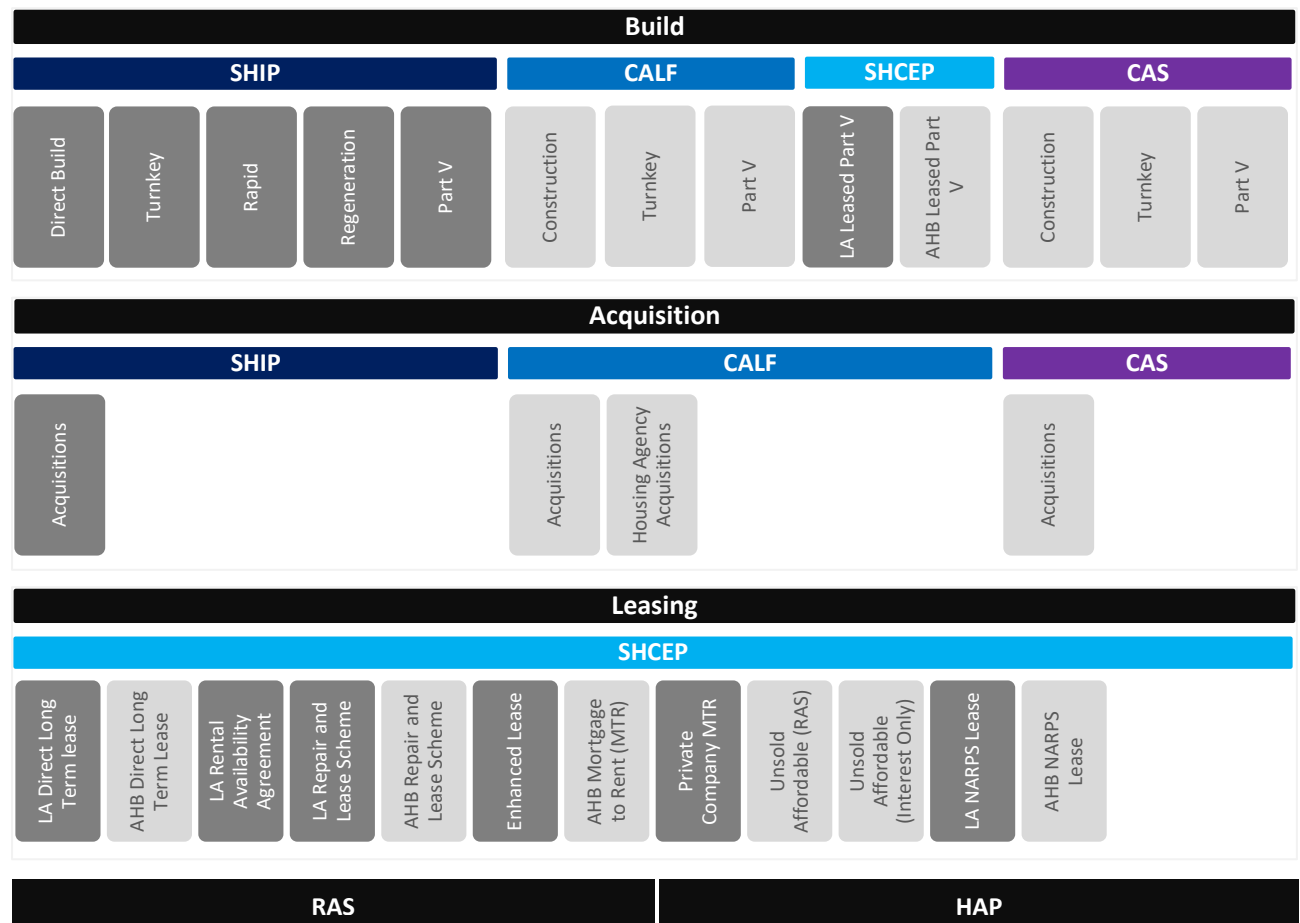
The results of the cost analysis were relatively unsurprising, with lease/P&A payments higher in urban areas (this was to be expected given they are linked to market rent). However, in some rural areas the lease/P&A payments averaged higher than registered private rental properties. In terms of cost efficiency, P&A-CALF units despite being the most common, also had the highest estimated NPC (although this would somewhat be expected due to the nature of the scheme, i.e. having both capital and current expenditure elements). The estimated NPC of the P&A-CALF units was relatively on par with the average cost of other delivery mechanisms. However, as it is the AHB and not the state or LA who owns the asset at the end of the P&A agreement. This raises cost efficiency and value-for-money concerns, as there may be ongoing costs in the future that are not associated with the likes of direct build/acquisition (as maintenance would be the only significant cost to these units in the future).

The interaction with the wider market was also examined. As was demonstrated in previous SR papers, there is concern around the concentration of social housing in certain locations. This has now been shown across various different delivery mechanisms.

While other leasing mechanisms may be wound down in the coming years as part of the Housing for All strategy, the use of Approved Housing Bodies to deliver units through the CALF is set to continue and increase.

Appendix 1: Overview of Delivery Mechanisms

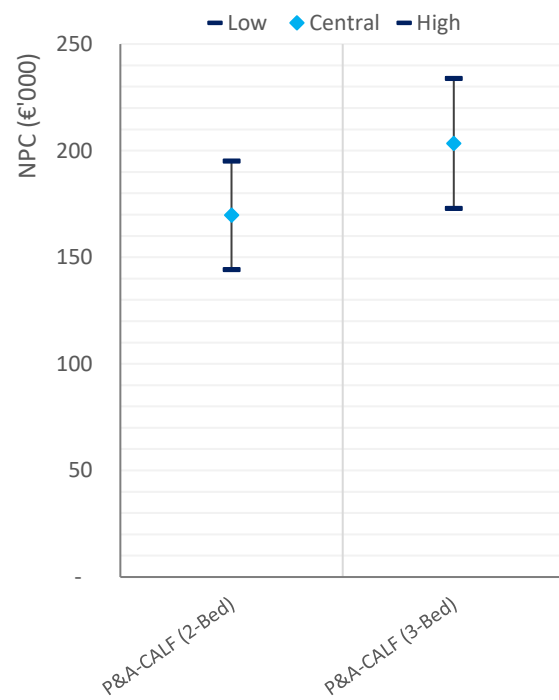
Figure 36: Social Housing Output Reporting Categories (Dark Grey = LA, Light Grey = AHB)



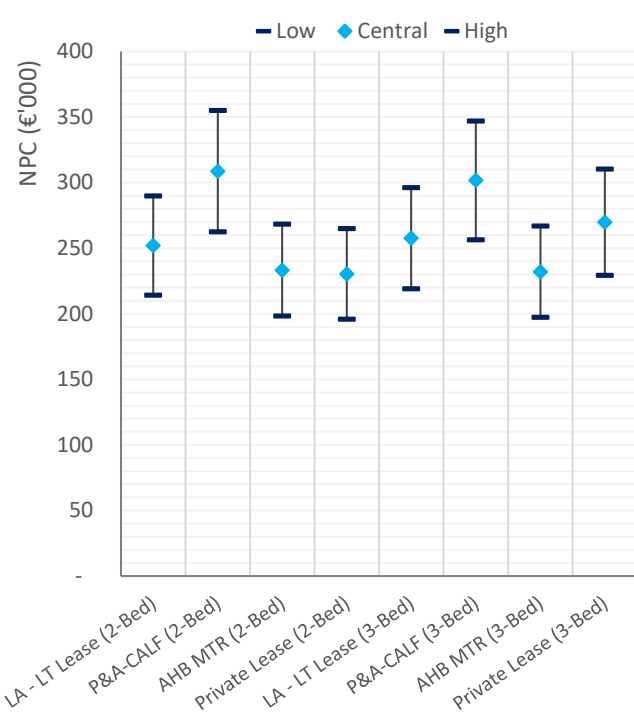
Appendix 2: Estimated NPC by LA

Figures 37-46: Estimated Net Present Cost of Delivery for 2 and 3 Bed Units

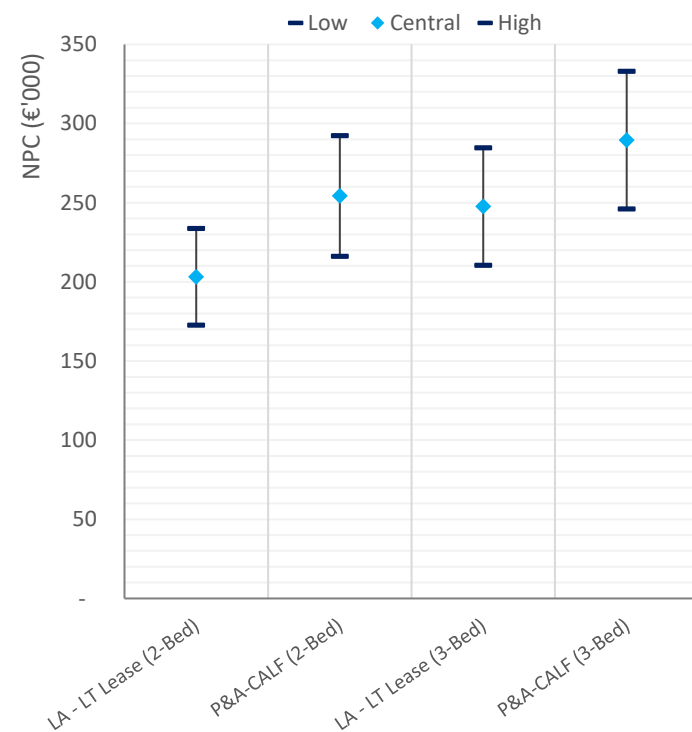
Cork County



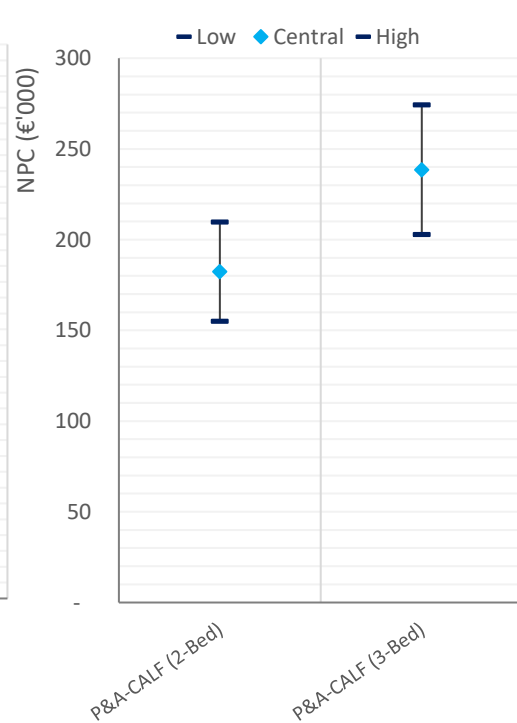
Dublin City



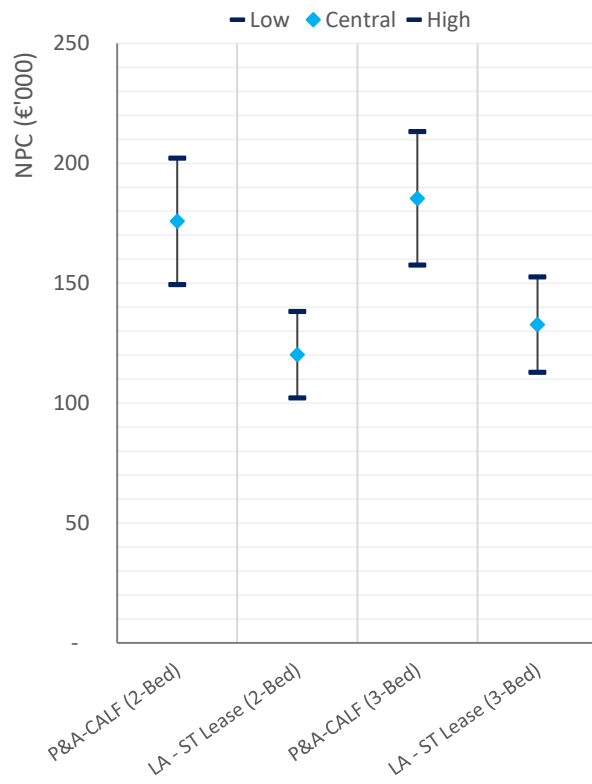
Fingal



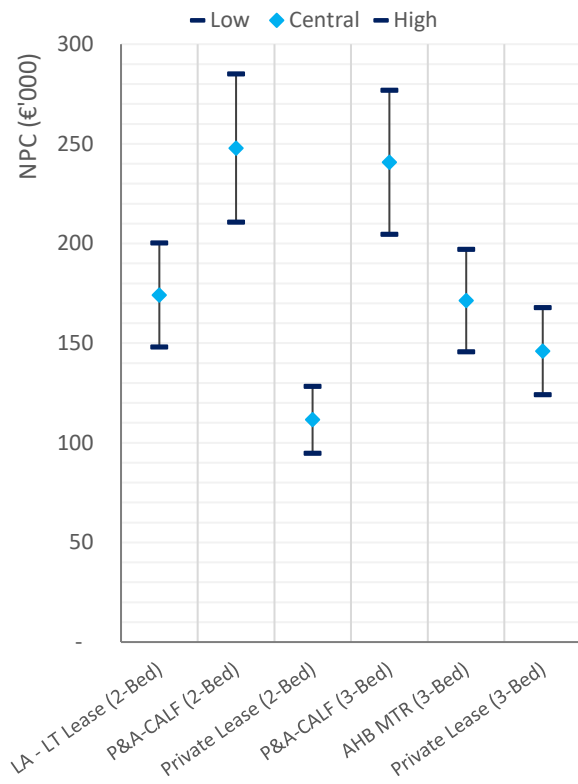
Galway City



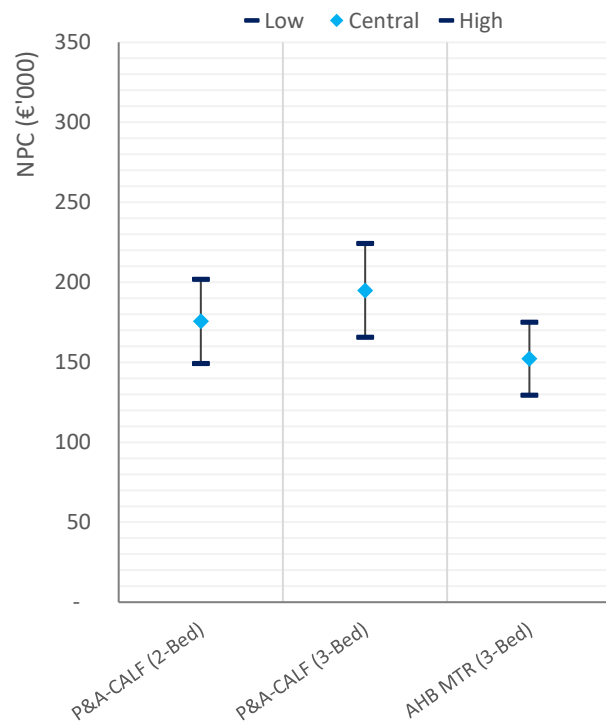
Kerry



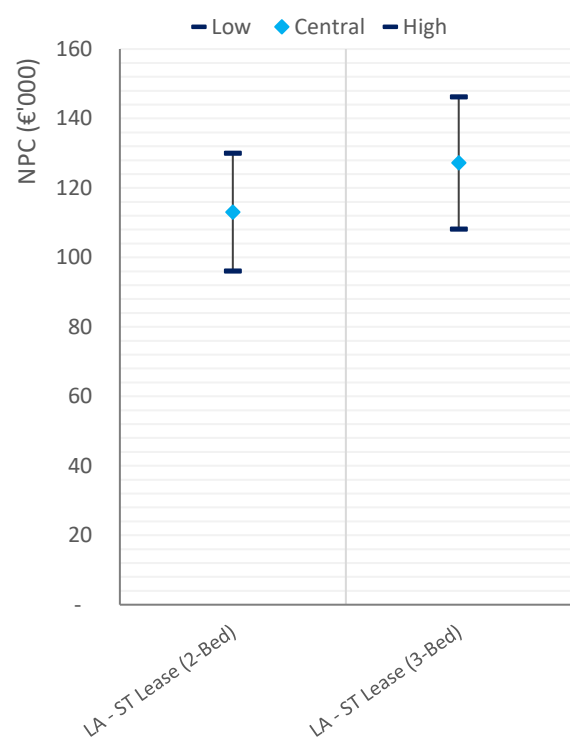
Kildare



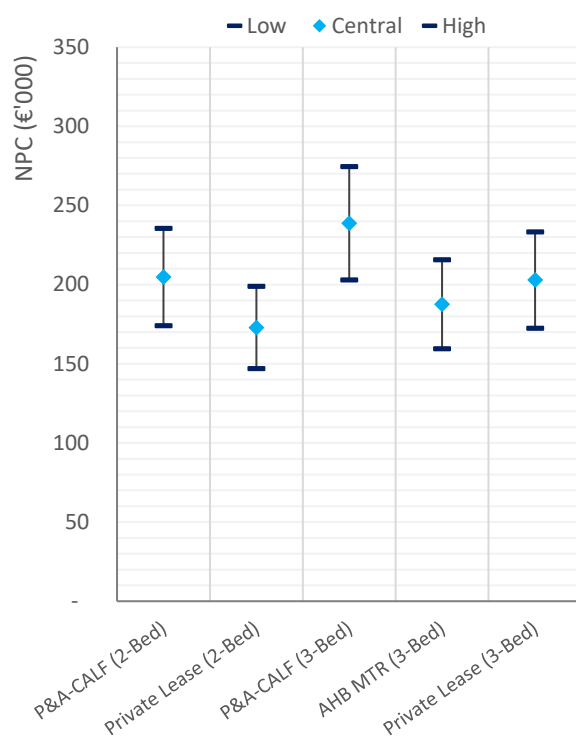
Louth



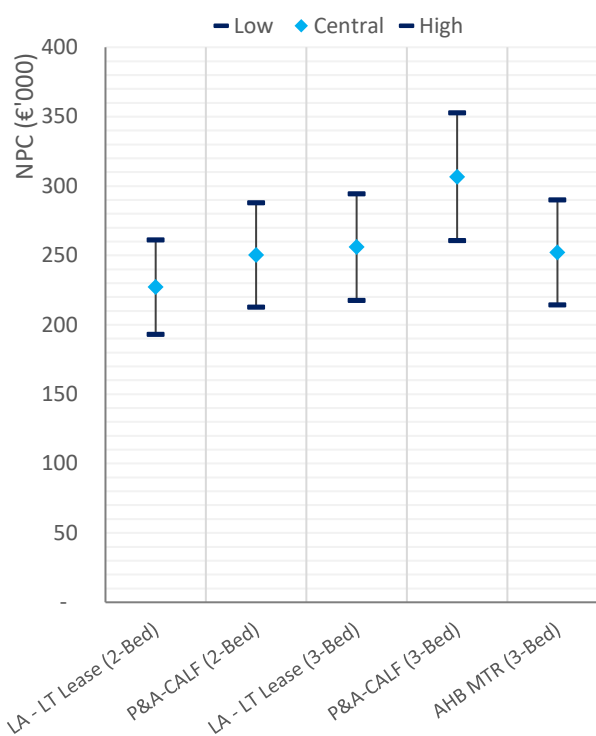
Mayo



Meath



South Dublin



Appendix 3: Cost Efficiency Comparison Data

The table below detail the data used to conduct cost efficiency analysis for Figure 36.

Table 8:

Local Authority	SHIP Direct Build		Unit Cost Ceilings		SHIP Acquisitions	
	2-Bed	3-Bed	2-Bed	3-Bed	2-Bed	3-Bed
Cork County	€ 239,394	€ 258,718	€ 228,100	€ 241,300	€ 140,682	€ 209,647
Dublin City	€ 219,005	€ 235,006	€ 335,700	€ 348,900	€ 299,244	€ 321,713
Fingal	€ 179,833	€ 183,577	€ 254,600	€ 266,100	€ 229,654	€ 293,026
Galway City	€ 259,342	€ 333,552	€ 237,000	€ 248,300	€ 213,710	€ 236,889
Kerry			€ 202,400	€ 214,400	€ 140,162	€ 172,346
Kildare		€ 260,227	€ 244,100	€ 254,900	€ 193,424	€ 257,461
Louth			€ 210,700	€ 222,700	€ 125,823	€ 189,154
Mayo	€ 209,967	€ 246,910	€ 216,600	€ 228,600	€ 133,325	€ 146,505
Meath			€ 219,200	€ 231,600	€ 208,071	€ 232,814
South Dublin			€ 266,200	€ 277,500	€ 250,104	€ 286,044

Source: DHLGH

Appendix 4: Spending Review Papers on Social Housing

Please see linked previous spending review papers published on different social housing topics.

[2020: Analysis of Social Housing Build Programme](#)

[2019: Analysis of Social Housing Acquisitions](#)

[2018: Assessing the Split between Current and Capital Expenditure on Social Housing Delivery](#)