Spending Review 2018

Current and Capital Expenditure on Social Housing Delivery Mechanisms

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HOUSING, PLANNING AND LOCAL GOVERNMENT VOTE
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This paper has been prepared by IGEES staff in the Department of Public Expenditure & Reform. The views presented in this paper do not represent the official views of the Department of Public Expenditure and Reform or the Minister for Public Expenditure and Reform.
Summary

There are a number of delivery mechanisms in place to provide social housing support including the construction and acquisition of social housing stock, the leasing of units and the provision of support within the private rental market through the Housing Assistance Payment (HAP) and the Rental Accommodation Scheme (RAS). Expenditure on social housing has increased substantially in the last number of years and is just 4% below peak levels, as output has started to increase in line with Rebuilding Ireland targets. The composition of expenditure has changed however, with a greater proportion of current expenditure supports. **There are a variety of objectives behind the mix of delivery mechanisms including; the appropriateness of support, flexibility and speed of delivery, use of funding mechanisms and value for money. Efficiency and long term value for money is a key consideration given the level of Exchequer funding.**

Key Findings

- Based on the limited available data, indicative cost analysis across six Local Authorities indicates that **over the long term, the relative cost effectiveness of each of the delivery mechanisms differs across areas.**
- It is estimated that, based on the Local Authority areas analysed, the net present cost (NPC) of delivering units through mechanisms such as HAP, RAS and leasing is higher than construction and/or acquisition in Fingal and Meath where prices within the general housing market are higher, while the NPC of those mechanisms is generally either at or below the estimate for construction in other areas where prices in the wider market are not as high (e.g. Mayo and Tipperary).
- The limitations involved with the analysis emphasise the **need to carry out similar work across other Local Authority areas** as further data becomes available and as output picks up. In particular, this would allow for a comprehensive analysis of relevant costs taking into account factors which may vary by Local Authority area (e.g. prices within the wider housing market; the availability and cost of land; demand for social housing).
- **While certain mechanisms have been shown to be relatively more or less costly across Local Authority areas, there are other considerations in terms of the overall mix of delivery mechanisms which influence their design and implementation including the speed at which they can be delivered, their effect on the wider housing market, the quality and appropriateness of accommodation, sectoral capacity, flexibility etc.**
- As such, within the context of policy objectives and wider issues, **the relative cost of delivering social housing should be an important consideration in determining the mix of support mechanisms used,** particularly in the medium to long run.
- There are also a number of wider policy considerations that are relevant including;
  - effectiveness and targeting of support;
  - **sustainability and equity of tenant contributions across Local Authority areas; and**
  - **appropriate and cost effective social housing stock management/renewal** and the overall capacity of, and impact on, the wider housing market
- **Greater availability of data** in a number of areas including administration, maintenance and renewal costs would assist policy makers and planners in assessing ongoing financial implications of the various delivery mechanisms.
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**Acronyms**

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<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AHB</td>
<td>Approved Housing Body</td>
<td>IGEES</td>
<td>Irish Government Economic and Evaluation Service</td>
</tr>
<tr>
<td>C&amp;AG</td>
<td>Comptroller and Auditor General</td>
<td>LA</td>
<td>Local Authority</td>
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<tr>
<td>CALF</td>
<td>Capital Advance Leasing Facility</td>
<td>LPT</td>
<td>Local Property Tax</td>
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<tr>
<td>CAS</td>
<td>Capital Assistance Scheme</td>
<td>NARPS</td>
<td>National Asset Residential Property Services</td>
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<tr>
<td>CHR</td>
<td>Centre for Housing Research</td>
<td>NDFA</td>
<td>National Development Finance Agency</td>
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<td>CLSS</td>
<td>Capital Loan and Subsidy Scheme</td>
<td>NDP</td>
<td>National Development Plan</td>
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<td>CSO</td>
<td>Central Statistics Office</td>
<td>NOAC</td>
<td>National Oversight and Audit Commission</td>
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<tr>
<td>DEASP</td>
<td>Department of Employment Affairs and Social Protection</td>
<td>NPC</td>
<td>Net Present Cost</td>
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<tr>
<td>DHPLG</td>
<td>Department of Housing, Planning and Local Government</td>
<td>P&amp;A</td>
<td>Payment and Availability Agreement</td>
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<td>DPER</td>
<td>Department of Public Expenditure and Reform</td>
<td>PPP</td>
<td>Public Private Partnership</td>
</tr>
<tr>
<td>EIB</td>
<td>European Investment Bank</td>
<td>PSC</td>
<td>Public Spending Code</td>
</tr>
<tr>
<td>ESRI</td>
<td>Economic and Social Research Institute</td>
<td>RAS</td>
<td>Rental Accommodation Scheme</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
<td>RLS</td>
<td>Repair and Leasing Scheme</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
<td>RTB</td>
<td>Residential Tenancies Board</td>
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<tr>
<td>GGB</td>
<td>General Government Balance Sheet</td>
<td>SHCEP</td>
<td>Social Housing Current Expenditure Programme</td>
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<tr>
<td>GGD</td>
<td>General Government Debt</td>
<td>SHIP</td>
<td>Social Housing Investment Programme</td>
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<tr>
<td>HAP</td>
<td>Housing Assistance Payment</td>
<td>SHLI</td>
<td>Social Housing Leasing Initiative</td>
</tr>
<tr>
<td>HFA</td>
<td>Housing Finance Agency</td>
<td>UCCs</td>
<td>Unit Cost Ceilings</td>
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1. Introduction and Context

The State plays an important role in assisting those in need of housing support through a variety of mechanisms. A number of policy measures have been implemented in recent years to increase the provision of support in the context of wider housing market pressures. The Rebuilding Ireland strategy targets a significant increase in social housing output using a variety of delivery mechanisms including the construction and acquisition of units, long term leasing and supporting households to access the private rented market.

This paper has been completed as part of the 2018 Spending Review process. The Spending Review, as noted in the 2017 Expenditure Report, is focused on ensuring all expenditure is considered when Government are making budget decisions and generating analysis to further embed the principles of expenditure efficiency and effectiveness into the wider budgetary process. The analysis presented within this paper builds upon a previous paper entitled ‘Analysis of Current Expenditure on Housing Supports’ which was completed as part of the 2017 Spending Review process.

Objectives of Paper

The analysis completed for the 2017 Spending Review focused on housing supports provided through current expenditure (Rent Supplement, Leasing, Rental Accommodation Scheme and Housing Assistance Payment). It provided analysis of relevant scheme costs in the context of price trends in the wider housing market. The paper highlighted the need for further research and analysis on the relative efficiency and effectiveness of the delivery mechanisms across both capital and current expenditure. As such, the purpose of this analysis is to build upon the work completed last year and to focus on the comparative analysis of delivery streams, particularly related to cost effectiveness. The objectives of this paper are thus to:

- Analyse the trend and composition of current and capital expenditure in the area of social housing delivery over the last number of years.
- Detail social housing output relevant to both capital and current expenditure over time.
- Set out and consider the relevant policy context and the rationale for the supports, as well as their effectiveness and efficiency in addressing social housing demand.
- Analyse the long term comparative value for money of delivering social housing via current and capital expenditure.
- Consider wider policy issues which are of relevance to the consideration of social housing delivery, as appropriate.

Structure of Paper

The structure of the paper reflects the relevant objectives set out above and is broadly in two parts. First, the paper provides an overview of policy developments in the area of social housing, the mechanisms to deliver social housing and the rationale and objectives linked to provision. Secondly, the paper analyses trends in
expenditure and output across both capital and current delivery, the long term costs of each of the streams is analysed across a select number of Local Authority areas and, finally, consideration of wider related policy issues. This paper has been completed by the Housing Vote and the IGEES Unit within the Department of Public Expenditure and Reform (DPER) and has been overseen by a steering group comprising representatives from both DPER and the Department of Housing, Planning and Local Government (DHPLG).

**Context for Analysis**

The wider context for the paper reflects the complexities of the housing market and issues pertaining to both supply and demand. The 2017 Spending Review paper set out a detailed analysis of issues such as housing market dynamics and trends, purchase and rental price trends, social housing demand, and social housing supply/policy. In addition, these various wider issues have been covered in greater detail elsewhere.

While not reanalysing these trends in detail here, it is necessary to consider the key points of context to frame the analysis contained within the report and to expand the rationale for the choice of topic. Figures 1-4 highlight trends in property prices, average rents, housing output (measured through registrations and connections) and social housing demand. The following high level points which have been established in more detail elsewhere are of note for this analysis;

- **House prices have increased significantly since March 2013** (+75% nationally, +82% in Dublin based on CSO Residential Property Price Index) reflecting demand, supply and economic trends but remain below peak levels (22% lower than April 2007 nationally and in Dublin).
- **Average rents have increased by around 35% nationally since the low point at the start of 2012 with sharper increases in the capital (+53% in Dublin).** Average rents are now above their previous levels at the end of 2007 by 3% nationally and by 13% in Dublin based on Residential Tenancies Board (RTB) data, demonstrating the particular pressures in the Dublin market.
- **Government provided for a Rent Predictability Measure in December 2016 which introduced the concept of Rent Pressure Zones (RPZs), to moderate the rate of rent increases in those areas of the country where rents are highest and rising quickly.** Once an area is designated a Rent Pressure Zone, rent increases are capped at a maximum 4% per annum for up to three years. Data from the latest quarterly RTB rent indices provides some initial evidence that the introduction of the RPZs is beginning to have some positive effect on rent inflation, particularly in Dublin.

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2. RTB Rent Index Q1 2018: ‘On a quarter-on-quarter basis, the rental price inflation slowed in Q1 2018 to 0.4 per cent which is the slowest rate of growth since Q1 2017. This may be partly explained by seasonal factors as the first quarter of the year has historically displayed a slowdown in growth. Notwithstanding this seasonal pattern, rental inflation has slowed between Q4 2017 and Q1 2018’. 

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In terms of total housing output, CSO data available over the period between 2011 and 2017 demonstrates that the number of new dwelling has increased steadily from a low base since 2013 to a total of 14,446 in 2017 up from 4,575 in 2013.

Although there are methodological issues with comparing social housing need over time, it is evident that a significant number of households have been deemed to have a social housing need but are not currently accessing a social housing support with 85,799 households on the list as of June 2017. There was a 6.3% decrease in the number of households on the list between September 2016 and June 2017.

Exchequer investment on social housing has increased significantly since 2015, with the capital allocation now exceeding current funding provision in 2018. Given previous and ongoing fiscal constraints, increasing the level of social housing provision necessitated innovative delivery solutions and associated funding mechanisms.

3 Note: In addition 1,091 completed dwellings in unfinished housing developments. See: https://www.cso.ie/en/releasesandpublications/ep/p-ndc/newdwellingcompletionsq12018/overview/
These points will be discussed further in the report under expenditure analysis and wider policy issues sections.

As such there have been a number of significant developments within the housing market and the policy measures that are being delivered through Rebuilding Ireland entail a number of different delivery mechanisms that operate within this context. It is evidently important to consider issues around efficiency and effectiveness in relation to the provision of social housing support on an on-going basis. While the operation of the housing market and the provision of necessary support is a complex issue with many different drivers and factors, the objective of this paper, as outlined, is to add to the overall level of analysis within this policy area through focusing on medium term costs and related issues.
2. Overview of Policy Developments

Rebuilding Ireland states that Government policy aims ‘to ensure that to the greatest extent possible, every household can access secure, good quality and affordable housing suited to its needs and located within sustainable communities’. This policy objective is focused on increasing the supply of housing generally, and, through combining public, voluntary and private investment, increasing the supply of social housing stock, thereby meeting the housing needs of those who need long-term support in a way that offers flexibility to both Local Authorities and social housing recipients. To put current policy in context and to understand how it has evolved, it is useful to review responses to social housing needs and trends in the provision of social housing solutions over time.

Historical Context

While Ireland’s first urban Local Authority (LA) housing scheme was completed in 1879 by Waterford City Council, public housing was provided earlier in Dublin by philanthropic agencies such as the Guinness Trust and the Dublin Artisan’s Dwellings Company. By 1914, Irish LAs had completed approximately 44,701 dwellings, almost double that in Great Britain. Little progress was made until the 1932 Housing Act in tackling urban housing problems.

By the late 1950s, social housing output accounted annually for between a third and a half of total house building. With the 1966 Housing Act, LAs were given powers enabling them to allocate publicly owned dwellings according to a scheme of letting priorities giving preference to those households in greatest need (Ibid). The Ballymun Towers in Dublin exemplified this new policy direction. From 1980 onwards, social housing policy can be characterised as one of residualisation. By 1994 almost 50% of LA housing tenants had incomes below 40% of average income. Improvements in the Irish economy in the early 1990s led to estate

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4 Norris, M. and Redmond, D. (eds). ‘Social Housing’ Housing Contemporary Ireland, Policy, Society and Shelter
5 Residualisation refers to the tendency for the social housing sector “to cater for an increased proportion of deprived people and to cater more exclusively for this group”.
regeneration and tenure mixed social housing provision under Part V of the Planning & Development Act 2000. Research also notes the greater involvement of the Voluntary & Cooperative (Approved Housing Body or AHB) sector during this decade as per Figure 5 above. The graph also demonstrates the level of tenant purchase of LA dwellings, which was a provision under the 1966 Housing Act. The level of Exchequer Capital funding for LA housing and associated output increased steadily from 2004 to 2008/2009 alongside new current expenditure supports such as the Rental Accommodation Scheme (RAS).

Recent Policy Evolution (2009-2016)

Driven by the requirement to achieve fiscal consolidation during the economic crisis, 2009 saw the beginning of major reductions in the allocation of Exchequer capital investment for the construction of social housing and a switch from capital investment to current expenditure. From a position of accounting for 70% of social housing expenditure in 2008, capital investment’s share was almost the same as current expenditures by 2010. Within an increasing current expenditure budget, there was also a shift away from Rent Supplement to the consolidation of all housing supports in the local government sector.

The RAS was introduced in 2004 and was followed by the Housing Assistance Payment (HAP) in 2014. Both schemes support the accommodation of households with a long-term housing need in the private rented sector and unlike Rent Supplement, households do not lose their support if their income increases. In 2011, leasing under the Social Housing Current Expenditure Programme6 (SHCEP) was introduced. This facilitated privately owned properties, including those owned by AHBs, to be harnessed for social housing for a minimum of 10 years. The various leasing mechanisms have evolved in the period since to reflect different funding mechanisms. This reorientation towards addressing a greater proportion of social housing need through current expenditure delivery mechanisms enabled more needs to be addressed in the short run within the tightened budgetary environment. This approach was facilitated initially by the unprecedented growth and over supply of housing leading up to the property crash.

The Social Housing Strategy 2020, published by the Government in November 2014, provided a framework for off-balance sheet delivery of social housing units underpinned by a multi-annual capital and current housing programme. This acknowledged the potential leveraging of off-balance sheet mechanisms and Public Private Partnership (PPP) procurement opportunities to deliver social housing.

In terms of overall social housing demand, the overall net household need as of 28th June 2017 was 85,799. This is a 6.3% or 5,801 decrease since September 2016. It is important to note that the Summary of Social Housing Needs Assessment figures are a point in time analysis. From month to month there may be additional individuals and families presenting and being deemed eligible for social housing and who may avail of

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6 SHCEP supports the delivery of social housing by providing financial support to LAs and AHBs for the long term leasing of houses and apartments from private owners and developers. Properties made available under the programme are used to accommodate households from LA waiting lists.
Immediate support through the HAP. Given the persistent level of social housing need and the lack of housing supply generally, the Government introduced the current action plan for housing and homelessness, Rebuilding Ireland, in July 2016.

Table 1: Rebuilding Ireland Delivery Targets, 2016-2021

<table>
<thead>
<tr>
<th>Category</th>
<th>2016 Output</th>
<th>2017 Target</th>
<th>2017 Output</th>
<th>2018 Target</th>
<th>2019 Target</th>
<th>2020 Target</th>
<th>2021 Target</th>
<th>Overall 16-21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build</td>
<td>2,260</td>
<td>2,965</td>
<td>3,200</td>
<td>4,054</td>
<td>4,969</td>
<td>6,385</td>
<td>7,716</td>
<td>8,907</td>
</tr>
<tr>
<td>Acquisition</td>
<td>1,755</td>
<td>1,957</td>
<td>1,250</td>
<td>2,214</td>
<td>900</td>
<td>1,025</td>
<td>800</td>
<td>800</td>
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<tr>
<td>Lease</td>
<td>225</td>
<td>792</td>
<td>600</td>
<td>827</td>
<td>2,000</td>
<td>2,130</td>
<td>2,631</td>
<td>2,450</td>
</tr>
<tr>
<td>Subtotal</td>
<td>4,240</td>
<td>5,714</td>
<td>5,050</td>
<td>7,095</td>
<td>7,869</td>
<td>9,540</td>
<td>11,147</td>
<td>12,157</td>
</tr>
<tr>
<td>RAS</td>
<td>1,000</td>
<td>1,256</td>
<td>1,000</td>
<td>890</td>
<td>600</td>
<td>600</td>
<td>600</td>
<td>0</td>
</tr>
<tr>
<td>HAP</td>
<td>12,000</td>
<td>12,075</td>
<td>15,000</td>
<td>17,916</td>
<td>17,000</td>
<td>16,760</td>
<td>13,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Subtotal</td>
<td>13,000</td>
<td>13,331</td>
<td>16,000</td>
<td>18,806</td>
<td>17,600</td>
<td>17,360</td>
<td>13,600</td>
<td>10,000</td>
</tr>
<tr>
<td>Overall Total</td>
<td>17,240</td>
<td>19,045</td>
<td>21,050</td>
<td>25,901</td>
<td>25,469</td>
<td>26,900</td>
<td>24,747</td>
<td>22,157</td>
</tr>
</tbody>
</table>

Source: DHPLG

Rebuilding Ireland (2016 – 2021)

Rebuilding Ireland: An Action Plan for Housing and Homelessness includes five pillars of actions designed to address homelessness, accelerate social housing supply, build more homes and improve the rental sector as well as utilising existing stock better. The original ambition was to provide 47,000 long-term social housing homes through Build, Acquisition and Leasing programmes and, in addition, to provide a further 87,000 flexible housing supports through the HAP and RAS between 2016 and 2021. There is public demand for a social housing structure that is blended to suit the varied needs of people and one that utilises the housing stock across the State in an efficient way. While there are multiple underlying schemes facilitating delivery, what matters ultimately is not the delivery mechanism but the availability of a home that is suited to people’s needs.

Arising from a review of Rebuilding Ireland undertaken in Q3 2017, additional funding was provided to support the delivery of social housing to 2021. With the additional funding secured, the overall level of ambition under Rebuilding Ireland was increased to 50,000 with a rebalancing of delivery more towards social housing construction projects driven by LAs and AHBs. Overall the Government has now committed €6 billion to support the accelerated delivery of 50,000 additional social housing homes by end 2021, through build (33,500), acquisition (6,500) and leasing (10,000) programmes.
By 2040 the population of Ireland is expected to reach almost 6 million with a need for 550,000 more homes and the creation of 660,000 additional jobs to achieve and maintain full employment. The need to provide in excess of half-a-million more homes over the period to 2040 corresponds to a long-term trend of 25,000 new homes every year as outlined in the NDP. A higher level of output is needed in the short to medium term to respond to the existing deficit that has given rise to the housing crisis. Looking beyond 2020, sustained economic growth and a growing population and rate of projected household formation will likely require, as stated in the NDP, an increase in annual housing output in the following years to 30,000-35,000 homes annually up to 2027, to address the supply deficit that has built up since 2010 from an underperforming housing market. As part of this, it will be necessary for DHPLG to oversee a steady rate of social housing output that is appropriate to the shifting demographics outlined above. In order to meet this challenge the NDP provides that “over the next decade €11.6 billion will be provided for investment in social housing”, yielding a minimum of 12,000 additional social houses per annum from 2021.

This level of provision will be maintained over the remainder of the period of the NDP, resulting in an estimated 112,000 households having their housing needs met by 2027. It should be noted that the ambition under the NDP includes a continuing upward trajectory of leasing activity, therefore, demonstrating a continuing commitment to harnessing private and institutional capital investment in social housing.
3. Overview of Delivery Mechanisms

Social housing support is provided through a variety of delivery mechanisms which are funded through capital and current expenditure and delivered by LAs and AHBs. The purpose of this section is to set out the detail of these delivery mechanisms.

Overview of Delivery Mechanisms

In delivering social housing support, there are a number of programmes which are in place across different elements of delivery. For instance, as set out in Appendix One, there are delivery mechanisms through LA construction and acquisition; there are programmes which support LAs to bring vacant houses, in need of substantial works, back to productive use, such as the voids programmes (which includes the derelicts and “2 into 1” programmes); there are measures to assist the delivery of new social housing supply through AHBs; there are programmes targeted at particular groups such as those with disabilities, older people and the travelling community; and there are programmes to deliver social housing support through the private market.

For the purposes of this paper, the analysis will focus on a number of specific delivery mechanisms for additional social housing units. In doing so, it is useful to simplify the delivery mechanisms into five distinct strands as set out in Figure 8. These strands relate to the construction, acquisition and leasing of additional units, for social housing by both LAs and AHBs, sourced either directly from the market or through construction/acquisition, the RAS and the HAP.

Figure 8: Simplistic Overview of Delivery Mechanisms

Construction

The delivery of social housing units through construction by LAs is funded through the Social Housing Investment Programme (SHIP). Under this delivery mechanism, additional social housing units are delivered through construction projects directly managed by LAs or through turnkey scheme agreements with developers. There are a number of phases for housing construction projects with the overall pipeline of development being made up of projects at various levels of progression. The phases include capital appraisal, pre-planning design, pre-tender costs, tender process, site start and completion. In delivering the construction programme, DHPLG manages the Exchequer funding; works with LAs on their individual projects; sets targets with each LA; assesses project applications for quality and value for money purposes; and, manages and reports on the overall social housing build programme. It is the LAs who identify the social housing need and delivery projects to meet that need. Unit Cost Ceilings (UCCs) are utilised by LAs for the delivery of new build LA social housing projects. As well as contracting developers to construct social housing based on LA approved design, the LAs also contract developers to deliver new social housing based on existing designs and planning
permissions through turnkey arrangements. AHBs also use the turnkey arrangement to have new social homes constructed. In some cases, turnkeys can involve the completion of unfinished developments, and potentially provide early construction delivery and tackle unfinished estates around the country.

In addition to LAs engaging in direct construction, capital funding is also provided to AHBs to construct social housing units. The properties are secured for social housing use and LAs nominate tenants from their housing lists for accommodation in these units. AHBs take on all responsibility for the development of the properties, the ongoing management and maintenance of the properties, as well as tenant management. Funding for this activity is provided by LAs to regulated AHBs, either through the Capital Assistance Scheme (CAS) or the Capital Advance Leasing Facility (CALF) and Payment and Availability model (P&A). The CAS is a fully funded programme which targets the construction of new social housing units to cater for priority groups such as older people or people with a disability. The CALF and P&A model will be described in more detail in the section on leasing but supports the construction of additional housing which is subsequently utilised for social housing.

There are also a number of other delivery streams which are related to construction of new social housing homes. Part V of the Planning and Development Acts 2000 is a mechanism through which LAs can secure 10% of new developments for social housing, or up to 10% of land zoned for housing development at “existing use value” rather than “development value” for the delivery of social housing.\(^7\) These obligations are in place for developments of nine or more units or where the development is taking place on a site larger than 0.1 hectares. There are a number of alternative options to comply with Part V including constructing and selling at discount relevant units or other units, granting a lease for houses (on or off-site) or a combination of these. LAs can also agree that the Part V unit could be assigned to and/or managed by an AHB. Both the LA and AHB utilise the existing funding structures to support this activity. As part of the overall build programme, activity is also underway through regeneration to enhance the level of active social housing stock. Some €211 million is being made available under the National Regeneration Programme to support the direct delivery of over 1,000 new social housing units over the lifetime of Rebuilding Ireland. Projects being funded under that Programme have the potential to target the country’s most disadvantaged communities, including those defined by the most extreme social exclusion, unemployment and anti-social behaviour. A number of major schemes are being progressed in Dublin, Limerick and Cork.

**Acquisition**

The acquisition of units for use as social housing by LAs is also supported through the SHIP. Under this delivery mechanism a LA acquires properties within the private market to provide it for use as social housing. In

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\(^7\) The 2000 Act provided for up to 20% of land or 20% of Social and Affordable Housing but the Urban Regeneration and Housing Act (2015) reduced this to 10% in both cases and removed the requirement for affordable.
acquiring suitable housing from the private market, LAs are provided with cost guidelines from DHPLG that relate to the cost of unit purchase and any upgrades. A number of principles are also set out to guide LAs in acquiring property including that they should consider the potential impact on the local market, tenure mix and sustainability of the units. CAS is also available to AHBs to engage in the acquisition of accommodation for specific priority groups as outlined in the section on construction above. Similarly, CALF and P&A can be utilised by AHBs to support the acquisition of previously owned properties.

**Leasing**

The 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 AHBs, are secured at 80% - 85% of the current market rent for a minimum of ten years. Availability agreements under CALF are secured by LAs with AHBs at 92% - 95% of the current market rent. The level of discount on market rent that is agreed by the LA is a function of the amount of risk transferred to the AHB regarding responsibility for ongoing maintenance (excluding structural) and responsibility for tenant management.

The units funded 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) or short term (1-10 years). In addition an Enhanced Leasing Scheme\(^8\) 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 under SHCEP can be built or acquired by AHBs, with support available through the CALF\(^9\). Finally, there are a number of other sources of units funded by SHCEP and secured under lease arrangements including units leased to LAs and AHBs from NARPS (National Asset Residential Property Services) (NAMA SPV), unsold affordable dwellings managed by AHBs for LAs and the AHB Mortgage to Rent Scheme. Properties that are privately owned but vacant can be remediated and leased with support under the Repair and Leasing Scheme (RLS)\(^10\) 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 set out in Table 2. Leased units can be subdivided into those that are built or acquired by AHBs for social housing and secured under long term lease-type availability agreements and those that have been directly leased from the private market.

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\(^9\) The purpose of CALF is to provide financial support from LAs to AHBs via long term loan, to help with the purchase or construction of housing units. The LA provides up to a maximum of 30% of the upfront capital cost. The remainder of the finance is then sourced from either the private sector or the Housing Finance Agency

### Table 2: SHCEP Leasing Mechanisms

<table>
<thead>
<tr>
<th>Delivery Scheme funded by SHCEP Funding</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Build</strong></td>
<td>Units built by AHB with CALF support and secured by LAs with a P&amp;A&lt;sup&gt;11&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>Build</strong></td>
<td>Part V Lease</td>
</tr>
<tr>
<td><strong>Acquisition</strong></td>
<td>Units purchased by AHBs with CALF support and secured with P&amp;A</td>
</tr>
<tr>
<td><strong>Lease</strong></td>
<td>Repair and Leasing Scheme (Capital input also)</td>
</tr>
<tr>
<td><strong>Lease</strong></td>
<td>Direct Leasing, including new Enhanced Lease (LA &amp; AHB)</td>
</tr>
</tbody>
</table>

Source: DHPLG

### Rental Accommodation Scheme

The RAS was introduced in 2004 and targets the provision of housing through the private market for households who have been in receipt of Rent Supplement long term (greater than 18 months) and have been assessed as needing social housing. The scheme is delivered by LAs who, under the RAS model, source accommodation from the private market and, in general, enter into a tenancy agreement with the landlord and the RAS recipient. There are tenancies which are linked to the current tenant only and there are also agreements based on availability over a defined period. The LA then makes a monthly payment to the landlord based on market rates (guidance is for payment to equate to circa one month’s rent less than the market rate over a given 12 month period (8% lower than market rate) to represent the level of risk transferred to the LA) and the tenant pays differential rent to the LA based on the individual LA’s differential rent policy. Each contract includes a periodic rent review (typically every two years).

### Housing Assistance Payment

The HAP is a social housing support which provides access to accommodation within the private rental market. Under the scheme, which was introduced on a phased basis from 2014, recipients are responsible for sourcing their own accommodation within the private rented market. The resultant tenancy agreement is between the landlord and the tenant. The rental payment to the landlord is made directly by LAs through a Shared Service Centre; there is no contractual relationship between the LA and the landlord. The level of rent being charged for the accommodation should generally be within the limits set down for the household type in that LA’s area although there is an element of flexibility to this with LAs being able to use discretion of up to 20% above rent limits (or 50% for homeless households). Tenants then pay a contribution towards their rent (differential rent) to the LA based on their income and ability to pay. In terms of scheme eligibility, all households that qualify for social housing support (as assessed by their LA) are eligible to apply for HAP. It is envisaged that all long term recipients of Rent Supplement (longer than 18 months) will transfer to the HAP scheme on a phased basis. An important difference between HAP and Rent Supplement is that it allows recipients to work full time while Rent Supplement recipients can’t work for more than 30 hours per week.

<sup>11</sup> A Payment and Availability Agreement is the contract which forms the basis of the lease arrangement between the LA and the AHB for the purposes of leasing a housing unit, regardless of how the housing unit is sourced.
4. Rationale and Objectives

The overall rationale for the provision of social housing support is clear. Housing is a basic requirement, but the market, left to its own devices, may not ensure that all households are appropriately housed in an affordable and sustainable manner. This is the main reason why a social housing programme exists. Where there is inadequate supply of housing generally, rising rents can drive low income households out of the private market to seek assistance from the State for their housing requirements. As indicated in the previous section, there is an onus on Government to address the particular and often complex social housing needs of those who require it with a social housing solution that is efficient and appropriate, as well as providing value for money in the long term. The rationale and objectives of the individual social housing delivery mechanisms will be explored further below in the context of this paper’s analysis. In accordance with DPER Public Spending Code - Programme Logic Model, the rationale underpinning government funded schemes should be regularly evaluated to ensure that the objectives are still relevant and that the schemes are achieving their intended purpose. This section will outline the rationale for the various delivery mechanisms in the context of evolving policy, the wider housing market and funding. Table 3 sets out the original objectives and rationale underpinning the various delivery mechanisms. Following this, there are a number of objectives or elements of rationale across the delivery mechanisms which are discussed.

Table 3: Original Objectives/Rationale for Housing Supports

<table>
<thead>
<tr>
<th>Programme</th>
<th>Original Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>Adding to the overall stock is necessary in order to maintain, refurbish or renew existing stock, and for the provision of units for the most vulnerable households.</td>
</tr>
<tr>
<td>Acquisition</td>
<td>Acquiring units from private market developments to add to social housing stock may be more efficient where LAs do not have land to build, where the cost of construction is greater, or, where the level of need is high and for speed and efficiency of delivery.</td>
</tr>
<tr>
<td>Leasing</td>
<td>Securing 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, supplements the overall LA stock by construction.</td>
</tr>
<tr>
<td>RAS</td>
<td>Provide social housing support to long term rent supplement recipients, by limiting the barrier to work, while maximising the use of available rental properties in a depressed housing market.</td>
</tr>
<tr>
<td>HAP</td>
<td>Unify social housing support (replacing Rent Supplement), remove barrier to work, and provide a flexible form of social housing support, that can quickly address social housing need</td>
</tr>
</tbody>
</table>

Maintaining Level of Local Authority Social Housing

Under Rebuilding Ireland, a significant increase in direct build and acquisition of housing from the private market by LAs and AHBs is targeted to meet the growing social housing need as evidenced by the LA waiting lists. The rationale for maintaining a steady state of social housing stock is evidenced by the number of people who have a housing need, the length of time spent on the social housing waiting list, and the complexity of that need. According to the most recent Housing Agency summary of assessments, 20,803 (24%) of households are waiting more than 7 years for a social housing solution. While a HAP supported tenancy is

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12 Housing Agency (2017) ‘Summary of Social Housing Assessments’.
available to anyone on the waiting list, some households in need of support may remain on a “waiting transfer list” for a more permanent solution, thereby maintaining a demand for constructed or acquired social housing units. In addition to length and type of need, a proportion of social housing is also required to supplement units that may have either deteriorated over time or have been purchased by occupants under the Tenant Purchase Scheme. Moreover, LAs need to ensure that type, design and location of units are suitable for a proportion of those on the waiting list where a household member(s) has an enduring physical, sensory, mental health or intellectual disability. Table 4 below demonstrates that this cohort accounted for 4,326 (5%) of household need in 2017.

Table 4: Housing Agency Classification of Social Housing Need 2013 – 2017

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>No specific accommodation requirements</td>
<td>79,978</td>
<td>77,880</td>
<td>73,072</td>
</tr>
<tr>
<td>Household member(s) has an enduring physical, sensory, mental health or intellectual disability</td>
<td>3,919</td>
<td>4,456</td>
<td>4,326</td>
</tr>
<tr>
<td>Household member(s) is homeless</td>
<td>2,499</td>
<td>5,159</td>
<td>4,765</td>
</tr>
<tr>
<td>Household member(s) is a Traveller</td>
<td>1,632</td>
<td>1,778</td>
<td>1,472</td>
</tr>
<tr>
<td>Household member(s) is aged 65 or more</td>
<td>1,844</td>
<td>2,327</td>
<td>2,164</td>
</tr>
<tr>
<td>Total</td>
<td>89,872</td>
<td>91,600</td>
<td>85,799</td>
</tr>
</tbody>
</table>

Source: Housing Agency 2017

**Value for Money**

In addition to addressing the level of demand, across each of the delivery mechanisms, value for money for the Exchequer is an important consideration. For example, one of the rationales behind the introduction of leasing schemes in 2009 was that excess stock could be availed of for social housing at a time when rental prices were low and capital funding was reduced. Similarly, as part of the recent review of Rebuilding Ireland, it is a stated objective of DHPLG to refocus on building more social houses and this in part reflects the wider trend in prices within the housing market and more significantly the need to increase supply to deliver on social housing demand. As such, the achievement of value for money is an issue that spans across the delivery mechanisms and this is impacted by developments within the wider housing market over time. The analysis in section 6 of the report will focus on this area.

While the State will not gain an asset through the leasing arrangements there are a number of other factors which mean that leasing is still good value in the long term for the State. The cost of delivering social housing units under the traditional construction and acquisition model is not totally captured by the up-front capital expenditure as each unit will carry a stream of ongoing costs over the long term including management, maintenance and remediation. During the term of the lease, the responsibility for structural matters remains with the property owner and not the LA. At the end of the lease term, the dwelling can require major renovation or upgrading of property resulting in a substantial capital cost, which under leasing is not borne by the LA but by the owner. Another factor that must be considered is that while under the traditional supply mechanisms the State does gain an asset, the economic value of this asset to the State is limited to the extent
that properties may be purchased by tenants at subsidised rates\textsuperscript{13}. Similarly, in terms of CALF projects, DHPLG indicate that by passing on the development, void and management risk to a third party throughout the period of the contract, LAs can focus their efforts and resources on developing their own pipeline of construction activity, thereby increasing the overall capacity of the State to meet housing need. In some LA areas, there is better value for money to be achieved through acquisition of units than through leasing – see section 7 below.

**Speed and Capacity**

As indicated in the policy chapter, current expenditure supported schemes, specifically those that draw on existing and available properties in the private market, provide a level of flexibility and effectiveness in addressing social housing need. Where a household is facing an immediate risk of homelessness, there is an efficiency and responsiveness to HAP and RAS in providing social housing solution in a property that already exists in the private rental market. With almost 41% of those with an unmet social housing need\textsuperscript{14} already living in the private rental sector, it makes sense that they continue to be assisted to live there. The Build programme continues to be critical but it remains the case that more homes can be provided through mechanisms such as leasing, RAS and HAP than could reasonably be expected to be delivered under construction and acquisition programmes alone. Likewise, harnessing the capacity and capability of the AHB sector in the provision of new social housing supply is important in terms of bolstering the speed and efficiency of LAs to meet housing needs in their areas. LA capacity, particularly with respect to construction activity, was significantly reduced during the fiscally constrained years. This reduced capacity continues to be corrected and as such harnessing additional development and other expertise from the AHB sector will remain important as the Build programme continues to be critical.

The current policy objective of the long term leasing of social housing homes is focused on increasing the supply of social housing in a way that maximises the capacity of the sector, as well as the off-balance sheet potential of private and other institutional investment in social housing. Long term lease arrangements, entered into by LAs and AHBs, are secured at 80% - 85% of the current market rent for a minimum of ten years. Availability agreements under CALF are secured by LAs with AHBs at 92% - 95% of the current market rent. The level of discount on market rent that is agreed by the LA is a function of the amount of responsibility transferred to the AHB for ongoing maintenance, (excluding structural) and responsibility for tenant management. All of the leasing and availability contracts entered into by LAs are funded by the Department’s SHCEP.

\textsuperscript{13} Tenant (Incremental) Purchase Scheme 2016 \url{http://www.housing.gov.ie/housing/home-ownership/tenant-purchase-scheme/tenant-purchase}. A review of the scheme has recently been completed and is due to be published by DHPLG

\textsuperscript{14} Housing Agency (2017) ‘Summary of Housing Needs Assessment 2017’.
Flexibility

Another objective of the differing delivery mechanisms is to provide flexibility within supports such that varying types of accommodation and support can be provided based on need and circumstances as they evolve over time. With an upturn in the economy becoming evident from 2014, one of the objectives in introducing HAP was to operate as a labour activation measure, facilitating both a social housing solution and an opportunity for a household to improve their circumstances. It is intended to replace RAS with HAP over the course of Rebuilding Ireland, as a long term solution for those households living in the private rental sector, currently in receipt of long term Rent Supplement. In an economy approaching full employment, the original labour market rationale for this scheme may need to be reviewed, particularly with regard to differential rent levels. Flexibility also needs to be made available to LAs as housing authorities to respond to the characteristics of the local property market, for example where the cost of construction may be higher than the open market value of existing properties, or where existing vacant properties, unfinished estates or underutilised land can be brought into wider housing use with LA intervention.

Appropriate Accommodation and Sustainable Communities

Another objective which is common across the delivery mechanisms is that of providing suitable, sustainable and integrated accommodation to those who require it. Rebuilding Ireland states that “irrespective of the method of housing provision, citizens deserve to live in sustainable communities with an appropriate tenure mix”. As such, the different delivery mechanisms can provide accommodation of varying natures and type. For instance, mechanisms such as HAP, leasing, RAS and Part V build can potentially ensure that social housing provision is dispersed rather than congregated in one place, which can have positive societal benefits that counteract the residualisation of previous large scale social housing projects. Sustainable community proofing is part of the evaluation process for new social housing projects to ensure an overconcentration of social housing does not occur. The positive social externalities of mixed housing development are supported by empirical peer reviewed research that demonstrates that such initiatives build stronger social ties and valuable cultural capital.\(^\text{15}\)

Funding Mechanism

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 the impact the 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 (CALF and P&A Agreements) were introduced in 2011 to facilitate borrowing for the supply of new homes – traditionally the

\(^\text{15}\) Neighbourhood Social Mix as a Goal of Housing Policy, Galster, G. European Journal of Housing Policy Vol. 7, No. 1, 19–43, March 2007
sector has relied on 100% state grants. The move to more revenue funded social housing delivery options has challenged the sector. However the availability of low cost debt financing to AHBs (as well as LAs) through the Housing Finance Agency (HFA) and European Investment Bank (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 period of the on average 30 year contract. It is acknowledged that the CSO and Eurostat (2018) recently reclassified the majority of Tier 3 AHBs (i.e. the largest) as part of general government. DHPLG have confirmed they are undertaking an exercise, together with the Department of Finance and DPER as well as the Housing Agency and HFA and the AHB sector, to clarify fully the policy implications of the decision. This is particularly important in view of the Government’s commitment regarding AHB’s delivery role in the Rebuilding Ireland Action Plan, and their planned contribution in the delivery of up to 16,800 units by 2021.

In 2015, DHPLG 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. Following this analysis, DHPLG has 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. This work has resulted in the new Enhanced Leasing Scheme which was recently launched and operates in addition to the existing lease arrangements which are essentially designed for smaller scale providers. The arrangements have been prepared to ensure that the State’s interest is protected over the period of the 25 year contract, while acknowledging the financial benefits of a long term secure contract with the State, from the investor’s perspective.

Summary of Rationale and Objectives

This section has detailed some elements of the varied objectives and rationale related to the mechanisms for delivering social housing. While the need to provide appropriate and efficient support to those in need is clear, the analysis here has detailed some of the objectives behind the way social housing support is delivered including the quality of support provided, the speed, efficiency and flexibility of supports, the maintenance of a social housing stock and, importantly, value for money. As set out above, value for money is an important component influencing the overall mix of social housing delivery mechanisms such that the most amount of support can be provided for a given level of input. Section 6 will provide further analysis on the relevant cost of the schemes within the wider context as set out here.

![Figure 9: Summary of Rationale and Objectives for Social Housing Mechanisms](image-url)
5. Expenditure Analysis and Social Housing Output

The following section sets out an analysis of public expenditure in the area of housing and related outturn. The section first sets out trends in total expenditure before analysing the components of current and capital expenditure in more detail and the associated social housing output.

Total Expenditure on Housing

As outlined in Figure 10 below, total public expenditure on housing in 2018 is €2.08 billion\(^\text{16}\) and is just 4% (or under €100 million) below the previous peak level of expenditure in 2008. Figure 10 sets out a trend analysis of total public expenditure on housing between 2006 and 2018. As can be seen from the analysis, total expenditure has increased rapidly since 2014 with a growth of €1.14 billion or 120% and stands at a level just below the 2008 peak. A significant decrease in total expenditure between 2008 and 2013 is evident. In terms of the composition of expenditure it is clear that there has been a significant change with capital equating for 70% in 2008 while it stands at 55% of the total in 2018. It should be noted that from 2015 onwards funding has been made available for the delivery of housing programmes through surplus Local Property Tax (LPT) receipts\(^\text{17}\) and this is included in Figure 10.

**Figure 10: Public Expenditure on Housing, 2006-2018**

![Bar chart showing public expenditure on housing from 2006 to 2018.](chart)

Source: DPER Databank and DHPLG. Note: Current and capital expenditure between 2015 and 2018 include LPT own funding. Current expenditure includes Rent Supplement and Mortgage Supplement through DEASP.

In terms of analysing total expenditure in more detail, it is evident that current expenditure is significantly above previous peak levels while capital expenditure is nearly at 2006 levels. Figure 11 demonstrates the change in current and capital expenditure against the level of funding in 2006. As can be seen, current expenditure was relied on significantly to deliver necessary housing support between 2008 and 2015. Meanwhile, capital expenditure as previously detailed decreased significantly following the economic crisis, and in line with decreases in public capital in general, but has grown significantly in recent years and is almost at 2006 levels. In addition, it can be seen that total expenditure on housing is reaching a similar proportion of

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\(^{16}\) Note: Includes DHPLG expenditure on housing, funding through LPT receipts and expenditure by DEASP on Rent Supplement.

\(^{17}\) Certain LAs receive additional income from LPT compared to 2014 baseline levels and are directed to use this funding for the provision of some housing and roads services.
overall expenditure as that seen in 2008. As a percentage of total gross exchequer expenditure, housing accounts for around 3.2% while this previously stood at around 3.5% between 2006 and 2008.

**Figures 11 and 12: Index of Capital/Current Expenditure; Housing as % of Total Exchequer Expenditure**

When compared to the European Union (EU) average, available data indicates that Ireland spends a similar amount on housing development as a % of GDP\(^\text{18}\), and more as a % of total Government expenditure, when compared to the EU average. Data on Government expenditure from Eurostat indicates that Ireland spends 0.5% of GDP and 2% of Government expenditure on housing and community development respectively, while the EU average is 0.6% of GDP and 1.3% of Government expenditure. In addition, the data indicates that in 2008 Ireland was significantly above the EU average in both measures with 1.9% of GDP and 4.6% of Government expenditure versus 0.9% and 1.9% respectively for the EU average. While there are evidently a number of different drivers of relative expenditure levels (e.g. population and labour market structure, housing policy, wider housing market developments etc.) which mean the analysis should be interpreted with caution, it does show that Ireland’s public expenditure in this area was above the EU average and is at or above average levels as of 2016.

**Analysis of Current and Capital Expenditure**

In terms of the composition of current expenditure in 2018, HAP and Rent Supplement account for 51% while leasing and RAS account for 26%. The remainder of current expenditure is largely targeted at specific groups such as homeless services and traveller accommodation and support. While varying significantly in nature (HAP is a social housing support and permits full time employment unlike Rent Supplement), it is of note that total funding on HAP and Rent Supplement has increased 47% since 2015 from €326.7m to €480.8m in 2018.

\(^{18}\) Eurostat data is only available as % of GDP. Interpretation of outlined results is limited by stated issues with Ireland’s national accounts data. It should be noted that alternative measures of Ireland’s national output are available (e.g. GNI*). See: [https://www.cso.ie/en/releasesandpublications/in/acabi/amodifiedcurrentaccountbalanceforireland1998-2016/]
For capital expenditure, 56% of the total in 2018 is for LA housing while 16% is through schemes linked to AHB delivery (including CAS and CALF) and 11% is for schemes related to the regeneration and remediation of social housing. As detailed earlier, capital expenditure has almost trebled since 2014 and will increase further in the future under Rebuilding Ireland plans.

**Figure 13: Current Expenditure on Housing, 2006-2018**

**Figure 14: Capital Expenditure on Housing, 2006-2018**
In conclusion, it is evident that there has been a significant increase in public expenditure in the area of housing in recent years and total expenditure is only just below peak levels. In terms of composition, current expenditure accounts for a higher percentage of the total than in 2008 but, as detailed earlier, capital expenditure is expected to increase in future years under the Rebuilding Ireland plan.

**Social Housing Output**

In terms of trends in social housing output over time, it is evident that delivery has increased in recent years. Overall social housing output has increased by 423% over the last thirteen years, from 6,117 units in 2004 to 25,901 in 2017. However, since 2015, the vast majority of this is accounted for by HAP, illustrating the importance of current expenditure for social housing solutions during this period.

**Figure 15: Social Housing Output, 2004-2017**

Social Housing Output figures for 2016 and 2017 present outputs under the Rebuilding Ireland: An Action Plan for Housing and Homelessness 2016-2021 delivery streams of Build, Acquisition and Leasing along with HAP and RAS. This is consistent with the discrete annual targets set out under Pillar 2 of the Action Plan and represents a move away from presenting the data grouped by funding stream and programme.
The LA New Build output figures consolidates all local authority new unit construction activity, including units delivered by traditional construction, rapid build, turnkey, regeneration and Part V units, but do not include the number of void local authority units brought back into use through local authority construction activity; these are included in the All Build output figure which represents all construction activity undertaken by local authorities and approved housing bodies (AHBs) to increase the supply of social housing. Further detailed information on social housing output across a multiplicity of sub programmers is available from the housing statistics section of the DHPLG website.

While the analysis above shows the output relevant to social housing delivery for each year since 2004, it is also of interest to consider the overall stock of social housing units. Figure 16 sets out estimates of the total number of social housing units (incl. Rent Supplement) from recent ESRI analysis. As the analysis shows, the total number of units in 2016 is 253,000 and this is estimated to amount to 15% of all households (ibid). The broad split of total supported units in 2016 is 56% LA units, 18% Rent Supplement, 15% RAS/HAP and 12% AHB units.

**Figure 16: Estimated Social Housing Units, Broadly Defined, 2004-2016**
6. Cost and Efficiency Analysis

The purpose of this section is to analyse the relative cost of delivering social housing units through each of the identified delivery 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.

**Methodology and Approach**

As detailed in section 3, there are a variety of mechanisms for delivering social housing. Each of these, from construction and acquisition to leasing, RAS and HAP, imply different types of costs and revenues which occur at different times. At a simple level, costs for both construction and acquisition are borne upfront while the cost of units delivered through leasing, RAS and HAP are spread over a longer time period. As detailed in the previous section there are also a variety of objectives and rationales across the delivery streams. Assessing the comparative cost is evidently of importance given the need to provide suitable levels of support and achieve value for money for the levels of public funding being expended.

In this regard, the purpose of this section is to look in detail at the relevant costs of delivery. As such, the analysis presented here will look at modelling the financial flows\(^{19}\) of each of the delivery mechanisms across a selection of LA areas. In simple terms, each cost and revenue stream for construction, acquisition, leasing, RAS and HAP over a standardised period will be captured and the net present cost (i.e. after discounting) will be presented to compare relative costs. Figure 17 provides a graphical representation of this for two hypothetical delivery mechanisms.

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\(^{19}\) Note: Analysis is general financial analysis and as such only financial flows are included and shadow prices are not applied.
Limitations and Data Availability

In conducting the cost analysis, data has been provided by DHPLG on the operation of the delivery mechanisms across each of the LA areas. It should be noted from the outset that there are a number of factors which present limitations to the analysis and should be kept in mind in interpreting any of the results. The two main areas are set out below. Firstly, the level of output across each of the mechanisms has varied significantly in recent years. For example, and as identified earlier in the paper, the level of units delivered through construction is starting to increase but from a low base. As such, the level of cost data available is more limited and as such estimated cost levels based on available evidence were provided (as described below). Secondly, data on some elements of delivery are not routinely collected and/or collated across LAs and delivery mechanisms. These are outlined in the data and assumptions section below and as such in places national averages and/or assumptions have been used. Finally, there are a number of other general limitations. While overall activity varies by mechanism it also varies across LAs. For instance, certain LAs have a higher level of output across certain mechanisms, which means that the level of data on average costs of delivery necessarily varies. There are also wider developments in the housing market of importance to the analysis being undertaken. For example, costs related to leasing schemes and HAP will be impacted by rent levels in the wider market. Given the identified level of pressure within the overall market the analysis presented here should be seen as a point in time analysis. Given the identified limitations of the analysis, the overall results should be read as indicative rather than definitive. Analysis of comparative medium term costs should be carried out at regular intervals as social housing delivery expands and developments occur in the wider housing market.

Previous Analysis

Similar analysis in terms of both objective and methodology has been carried out on a number of previous occasions. In 2009, the Centre for Housing Research (CHR, now the Housing Agency) commissioned Grant Thornton and Fitzpatrick Associates to analyse capital funding schemes for AHBs20. As part of that report, some analysis was included on the long term net present cost of delivering housing through capital funding, mortgage funding and leasing. The analysis estimates that leasing is slightly more cost effective than capital expenditure or mortgage funding. In 2010, the Comptroller and Auditor General (C&AG) included a section in the Accounts of the Public Services 2009 on ‘Leasing of Social Housing’21. Within that section the report includes updated analysis on the long term cost of leasing and purchase/construction completed to review the 2009 work by the CHR. As such the methodology largely follows that analysis but makes a number of specific changes to reflect tests of the approach. 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 term cost effectiveness of social housing delivery mechanism\textsuperscript{22}. The report assessed Rent Supplement, Rental Accommodation Scheme, Social Housing Leasing Scheme and Construction/Acquisition in terms of long term costs. The analysis generally found that leasing was a cost effective mechanism relative to rent supplement and traditional construction/acquisition. The approach taken in each of these reports, while broadly similar in nature, varied in terms of methodology, assumptions and data. The primary elements are highlighted in Table 5 while further details are provided in Appendix Two.

Table 5: Overview of Methodology used in Previous Assessments

<table>
<thead>
<tr>
<th>Area</th>
<th>2009 - CHR</th>
<th>2010 - C&amp;AG</th>
<th>2011 - Housing Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schemes Included</td>
<td>Capital, Mortgage and Leasing</td>
<td>Construction/Acquisition and Leasing</td>
<td>Construction, Acq., Leasing, RAS, Rent Supplement</td>
</tr>
<tr>
<td>Time Horizon</td>
<td>30 years</td>
<td>10, 15 and 20 years</td>
<td>20 years</td>
</tr>
<tr>
<td>Discount Rate*</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
</tr>
<tr>
<td>Data Source</td>
<td>National estimates based on available data</td>
<td>National estimates based on available data</td>
<td>Collated for 4 LAs** and assumptions</td>
</tr>
<tr>
<td>Housing Price Forecast</td>
<td>Inflation + 1%</td>
<td>Used same as 2009 CHR Inflation + 0.5% as sensitivity</td>
<td>0.2% P.A. 2010-2015 2% P.A. after 2015</td>
</tr>
</tbody>
</table>

Source: As stated. Note: * Central Discount Rate was 4% between 2007 and 2015. ** Dublin City, Waterford City, Donegal, Wexford

Data and Assumptions

The following section outlines the data and assumptions used within the cost analysis that follows. First, the areas of data and assumptions which are common across the mechanisms are outlined before elements specific to each mechanism are detailed. In addition, extensive sensitivity analysis has been carried out to reflect the previous issues with data availability that were identified and this is outlined later in the paper. The data and assumptions used within the analysis can be broken down into those that relate to the central methodology and those that relate to specific delivery mechanisms. There are a number of inputs to the financial appraisal which are common across the delivery mechanisms and these are as follows:

- The time horizon for analysis is set as 20 years. This means that the financial flows associated with each delivery mechanism are tracked over a 20 year period. Costs are based on Q4 2017 and projections from 2018 onwards.
- The discount rate used to convert flows occurring in later years to their present value is 5%. This is in line with the central guidance set in the Public Spending Code\textsuperscript{23} (PSC).
- In terms of future price developments, trends in the wider housing market over the last decade demonstrate the difficulty in estimating a future path for house and rental prices. Within this analysis, the latest projections by the ESRI\textsuperscript{24} are used for the first three years which indicates the potential for real house prices to grow by 20% over a four year period. In addition, longer term analysis to 2025 by the ESRI\textsuperscript{25} highlights the potential for real house price appreciation of approximately 3.5% per annum. Beyond this, three scenarios are assessed. Under the central scenario house prices increase by 2% per annum. Details on the other scenarios are listed below. It is assumed that house values and rents/leases paid grow in line with these projections (in line with Housing Agency analysis).

\textsuperscript{22} Housing Agency (2011) ‘Comparative Financial Appraisal of the Projected Long-Term Costs of Social Housing Delivery Mechanisms’.
• All other flows are included at constant prices in line with the PSC\textsuperscript{26}. Further detail is included in Appendix 4.
• For differential rent contributions, data has been provided by DHPLG on the average payment by LA. For the purposes of the analysis, the same differential rent is assumed to apply to both 2 and 3 beds and the average across the LAs ranges from \textit{around €43 to €68 per week}.

\textbf{Construction Delivery}

The relevant financial flows related to delivering social housing units through LA direct construction are discussed below. In the initial year, the primary cost is incurred through the construction costs. While the unit is in use, costs relate to expenditure on maintenance and administration. The primary inflow which offsets some of the cost is the differential rent which is paid by tenants and there is also a residual value of the unit in the final year. This is reduced by the periods in which the unit is vacant (i.e. not occupied or void). In terms of data and assumptions utilised within the report for this delivery mechanism the following is of note:

• Estimates of the cost for 2 and 3 bed units through LA direct construction have been provided by DHPLG based on the construction cost for units delivered between 2016 and 2017, cost guidelines for units in Q4 2017 and the average tendered costs for units being delivered in 2018. The estimated unit all-in costs (i.e. including land costs and excluding abnormals) within the analysis range from \textit{€175,000 to €195,000 for a 2 bed and €190,000 to €210,000 for a 3 bed}.
• The annual level of maintenance expenditure has been set at \textit{€1,106 per unit} across each of the LAs. This is based on the average level of annual per unit maintenance expenditure across all LAs\textsuperscript{27} in 2016 based on data published by the National Oversight and Audit Commission (NOAC).
• The annual level of administration expenditure is set at \textit{€733 per unit} across each of the LAs. This is based on available data on the total expenditure by LAs on social housing administration and development and the total number of units which households rent from LAs\textsuperscript{28}.
• The cost of renewal after 20 years is set at \textit{€15,000 per unit} based on estimated cost levels provided by DHPLG.
• The average vacancy rate is set as \textit{2.85\%} based on the average rate across all LAs from the latest NOAC data (2016). In addition, the average period of vacancy is \textit{33 weeks} based on the same data source.
• The cost of vacancy is quantified in two ways. Firstly, there is no differential rent payable for the periods of vacancy. Secondly, the cost of re-letting a vacant unit, \textit{€14,990}, is based on the national average from the NOAC data referenced above. These costs apply on a per unit basis based on the vacancy rate and time period above.
• The residual value of the unit at the end of the 20 year period is assumed to be \textit{66\%} of the market value of the unit after 20 years. This is in line with a scenario used within the 2011 Housing Agency report (analysed both 33\% and 66\%). In addition, scenarios of 33\%, 50\% and 75\% are tested within the sensitivity analysis (see Appendix Four).

\textbf{Acquisition Delivery}

Under the acquisition delivery mechanism the associated financial flows are the same as those under the construction mechanism as the unit is managed and owned by the LA. As such, the assumptions and data used for the cost model are the same as set out above. The only area where the model differs from construction is that the initial cost relates to the purchase of units within the private market rather than the cost of constructing newly built units. The source of the input on acquisition costs is listed below:

\textsuperscript{26} PSC states that the discount rate is in real terms (i.e. excluding projected inflation) and should be applied to future costs and benefits in constant prices (i.e. excluding projected inflation). Only real price changes thus included.
\textsuperscript{27} National average used due to variation in expenditure at LA level. Variation would be expected given the differing type and nature of stock across areas and the different type of maintenance strategies that are in place.
\textsuperscript{28} Data on Local Government Finance for 2016 from PublicPolicy.ie. - \url{http://localauthorityfinances.com/} and data on number of households renting from LAs for 2016 from CSO Census – 143,178
• The average acquisition cost for 2 and 3 bed units is based on two sources of evidence: the acquisition cost data for units delivered between 2015 and 2018 and the average construction cost guidelines for units in Q4 2017. The analysis is excluded for unit types and areas where delivery is low (<10). Unit costs within the analysis range from around €140,000 to €200,000 for a 2 bed and around €130,000 to €260,000 for a 3 bed.

Leasing Delivery

As outlined, within the overall leasing delivery mechanism there are three primary types of lease: units leased directly by LA for long term and for short term and units leased following construction or acquisition by AHBs. The details of the financial models and the relevant data/assumptions are set out below.

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 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 DHPLG for Q4 2017. The average monthly payment differs across the three LA areas with the lease type in use (Fingal, Tipperary and Wexford) from €462 to €943 per month for 2 beds and from €551 to €1,009 for 3 beds and it is assumed that lease payments are reviewed every 4 years.
• For transaction costs, 5% of the annual lease is used in line with DHPLG circular29.
• In line with the assumption used within the 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 financial flows and structures are similar to long term leasing (and very similar to RAS). The primary difference is that the property owner remains responsible for maintenance and a payment of 92% of market rent is targeted. 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 DHPLG for Q4 2017. The average monthly cost across Mayo, Meath (2 bed only), Tipperary and Wexford ranges from €499 to €753 for 2 beds and from €557 to €604 for 3 beds and it is assumed that lease payments are reviewed every 4 years and each agreement lasts 10 years.
• Under short term leasing arrangements, the LA does not have responsibility for maintaining the property.
• For the cost of renewal, it is assumed that the costs incurred under the long term leasing apply but spread over the period (i.e. 50% every 10 years).

29 DHPLG 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.
Under AHB delivery of leased units through construction or acquisition, the financial flows related to public expenditure are more limited. In the first instance a capital loan is provided to the AHB, through the CALF, which is repayable at the end of the availability agreement. The primary costs incurred by the State are the P&A lease payments each month and any transaction costs 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 leases provided through AHB construction or acquisition the following sets out the relevant details for these long term leases (i.e. 20 years):

- Data on the average lease payment across the LA areas was provided by DHPLG. The average across Fingal, Meath, Kilkenny, Tipperary and Wexford ranges from €535 to €1,067 for 2 beds and from €587 to €1,220 for 3 beds and it is assumed that payments are reviewed every 4 years.
- Data on the average value of units constructed or acquired with support from CALF funding in 2016 and 2017 was provided by DHPLG. For the purposes of this analysis, it is assumed that the CALF payment is 30% of this value.
- 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).
- While DHPLG were unable to provide data on the administration costs involved with AHB leases, as there are no responsibilities with regard to collecting rent, managing the tenancy or managing maintenance it is assumed for the purposes of this analysis that the cost is 25% of that which is incurred under construction/acquisition.

**RAS Delivery**

The financial flows which pertain to delivering units through the RAS are similar to those described for short term direct LA leasing. The data and assumptions relating to RAS are as follows:

- The average monthly payment by unit type under the RAS for 2017 was provided by DHPLG. Across the 6 LA areas, the average monthly cost for 2 beds ranges from €521 to €1,138 for a 2 bed and from €578 to €1,335 for a 3 bed and it is assumed that payments are reviewed every 2 years and each agreement lasts 4 years.
- Transaction and administration costs\(^{30}\) as well as differential rent and vacancy rates and costs is the same as that described under leasing schemes with the exception of any refurbishment cost related to vacancy which is excluded.
- Under RAS, a damage cost may apply at the end of the period. For the purpose of this analysis this is assumed to be one month’s lease every four years for one in 20 units, in line with the 2011 Housing Agency report.

**HAP Delivery**

For the HAP the relevant flows relate to the monthly payment made to landlords to cover the rent payment of recipients. In addition, the other cost relates to administration as there are no maintenance or other flows. Finally, the differential rent paid by the recipient to the LA offsets part of the cost of delivery. For the HAP scheme, the following data and assumptions are of note:

- The average monthly payment by family type and LA was provided by DHPLG. For the purposes of this analysis the family types of single/couple with one child and single/couple with three children are used as comparators for 2 and 3 bed units respectively. The monthly payments across the six LAs range from €516 to €1,286 for 2 beds and from €587 to €1,437 for 3 beds.
- The data on administration costs\(^{26}\) and differential rent is the same as described for the other mechanisms.

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\(^{30}\) DHPLG have indicated that the cost of administration for RAS/HAP may be less than that under construction/acquisition and long term leasing as there are no costs for managing the tenancy or maintaining the property. Conversely, HAP may also involve somewhat higher costs if new landlords are processed for an existing HAP recipient. No data was available to quantify this.
Sensitivity Analysis

Given the outlined limitations with regard to data availability and assumptions, the research here also puts a large emphasis on conducting sensitivity analysis. In this regard, a number of scenarios were analysed which reflected the need to test different elements. The following areas where included in consideration:

Main Analysis - Construction and Acquisition Costs

As outlined through this section, due to relatively low levels of output in recent years, the central costs for both construction and acquisition units are based on units delivered between 2016 and 2017, tendered/delivered projects for 2018 and cost guidelines set by DHPLG. To reflect the lack of comprehensive cost data, the analysis here provides sensitivity around the estimates of +/- 10%, ensuring that an appropriate range of costs are tested.

Main Analysis - Housing Market Scenarios

As listed above, under the central scenario real house prices increase in line with ESRI projections from 2018 to 2021, ESRI long term projections from 2021 to 2025 and then by 2% per annum. For sensitivity analysis, a low scenario (80% of ESRI projections to 2025 and 0.5% beyond) and a high scenario (120% of ESRI projections to 2025 and 3.5% beyond were tested to reflect the significant uncertainty around long term housing market projections.

Additional Analysis - Time Horizon

While the central analysis analysed and assessed costs over a 20 year period, a period of 30 years was also examined to assess the impact of considering longer time periods. To complete this analysis, the same methodology was used as above with a number of differences. Firstly, the renewal cost for constructed and acquired houses for year 30 is €25,000 based on estimates provided by DHPLG. Secondly, for long term leasing arrangements it is assumed that a renewed agreement is entered into in year 20 and that the same initial costs apply across the mechanism. Finally, AHB CALF leases are not assessed given that the loans are tied to the length of the lease which is typically no longer than 20 years.

Additional Analysis - Maintenance and Renewal Costs

It has been noted that detailed data on maintenance/renewal costs was not available and that the average cost across all LAs based on NOAC data and the DHPLG’s estimate of renewal costs have been utilised. The previous research by the Housing Agency assumed that the maintenance costs equated to 1% of the construction/acquisition cost and that the cost of renewal was €52,000\(^{31}\). Sensitivity analysis was carried out to use these same assumptions and assess the impact.

Additional Analysis - Leasing and RAS Costs

For the monthly costs of each of the leasing mechanism and RAS, the average cost as of Q4 2017 was utilised within the central analysis. However, it is the case that this average cost is a mix of all tenancies active under each of the schemes potentially reflecting a range of times when leases were entered into. As such, sensitivity analysis has been undertaken using the average rent for 2 and 3 bed units in each LA area based on both RTB data and Daft.ie data. To estimate the cost of each mechanism, it is assumed that each achieves the target discount (as outlined previously).

Additional Analysis – Residual Value

A residual value for units delivered through construction/acquisition has been included at 66% of market value and additional analysis was undertaken with scenarios of 33%, 50% and 75% to assess the impact. It should be noted that a Tenant (Incremental) Purchase Scheme is in place which allows LA tenants in certain circumstances to purchase the unit that they are living in at a discount with that discount being maintained where the tenant continues to live in the unit over time. The scheme allows for purchases at between 40-60% of market price reflecting a residual value similar to the scenarios included here.

To reflect this sensitivity analysis within the presentation of the results the following approach is taken. Firstly, within the main analysis a central estimate based on the outlined methodology for each delivery mechanism

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\(^{31}\) Estimate was for 2008 and adjusted for inflation to 2017.
is presented in addition to both a low and high estimate reflecting the inclusion of the scenarios on construction/acquisition costs and housing market developments outlined above. Secondly, the additional sensitivity analysis is discussed in the section below and the results are presented in Appendix Four.

**Results of Analysis**

The following section sets out the results from the indicative costing. As detailed previously, data availability presented constraints to the cost modelling exercise and as such all results should be seen as indicative only. Figures 18-25 provide the results of the modelling for Fingal, Mayo, Meath and Kilkenny. The results for the additional two LAs (Tipperary and Wexford) are provided in Appendix Three. The following findings are of note:

1. **The cost of delivery generally varies across LA areas with higher net present costs (NPC) estimated for LA areas where general prices within the wider housing market are higher.**
   
   As one would expect, the costs of delivering through acquisition and current expenditure programmes (i.e. leasing, RAS and HAP) where the units are being sourced through the market are higher in areas where costs within the wider housing market are higher. For instance, the estimated cost of delivering units in these ways is significantly higher in Fingal and Meath, where house prices and rent prices are higher, than in the other LAs included within the analysis. Conversely, the relative estimated NPC for construction does not vary as much with the fixed costs of building being more similar across areas.

2. **Across the LAs included in the analysis, the estimated cost of delivery mechanisms such as HAP, RAS and leasing exceeds the estimated costs through construction and acquisition in areas where general prices within the wider housing market are higher.**
   
   In the analysis of Fingal County Council, it is particularly evident within the cost analysis that units delivered through HAP and RAS have a significantly higher cost estimate than units delivered through construction and acquisition. Similarly, the estimated NPC of HAP, RAS and AHB leases are above the estimated level for construction and acquisition in Meath.

3. **Across the LAs included in the analysis, the cost of providing units through the likes of HAP, RAS and leasing are typically either at or below the costs involved with the construction of units within areas where prices in the broader housing market are lower.**
   
   For example, the analysis of Kilkenny, Tipperary and Wexford shows that the estimated NPC for HAP across 2 and 3 bed units is generally marginally lower than the NPC for construction in the central scenario. The analysis also highlights that in these LAs, acquisition typically has a lower NPC than construction given the lower acquisition prices.

4. **Within the analysis the estimated NPC of AHB CALF leases appears to be higher than other leasing mechanisms in places and this reflects the nature of the CALF process.**
The CALF payment, as previously described, 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 lease agreement through a variety of mechanisms. 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. It should be noted that if the analysis were to exclude this transfer then the NPC would be similar to other leasing and RAS.

5. The analysis demonstrates that the results are sensitive to changing scenarios around housing market developments and construction/acquisition costs.

The analysis highlights the results under the central, low and high scenarios reflecting different inputs for construction/acquisition prices and housing market developments as described. The variance between the estimates reflects sensitivity to these inputs within the analysis with construction/acquisition more affected due to uncertainty around cost data. Results should thus be read within this context.

Figure 18 and 19: Estimated Net Present Cost of Delivery for 2 and 3 Bed Units in Fingal County Council

Figure 20 and 21: Estimated Net Present Cost of Delivery for 2 and 3 Bed Units in Mayo County Council
In addition to the analysis completed here, additional sensitivity analysis was completed to further analyse the delivery mechanisms and relative costs. As such, this additional analysis provides an overview of the results when certain approaches or assumptions are changed. The results of this analysis are detailed in Appendix Four and a number of points are of note:

- When the time horizon for analysis is extended from 20 to 30 years, the average NPC across the LA areas under the central scenario increases for all mechanisms. However, the effect is higher for leasing, RAS and HAP (around 35% versus around 20-30% for construction and acquisition).

- When the assumptions for maintenance and renewal costs are changed in line with the previous Housing Agency analysis, the average NPC across the LAs increases for construction and acquisition by around 20%.

- When the costs for leasing and RAS are linked to the latest market data rather than existing average costs, the effect is relatively mixed but costs under LA long and short term leasing do increase by between 5-10%.
The residual value scenarios highlight the sensitivity of cost estimates to that assumption. Under a low scenario of 33% of market value, the average NPC for construction and acquisition increases by around 40% while under a higher scenario of 75% of market value the NPC decreases by around 10%.

The results of the sensitivity analysis demonstrate the effect of changing assumptions within the analysis and the mixed impact that this has. This should be kept in mind when interpreting the central analysis above.

Discussion of Results

While the indicative analysis here has focused on cost efficiency, it should be noted that there are a number of other important considerations in relation to social housing delivery mechanisms including the speed of delivery, the nature, quality and appropriateness of support, the impact on the wider market and the funding mechanisms utilised. As indicated throughout this report, the delivery of social housing support is a complex policy area with a number of areas for consideration across supply, management, demand, cost efficiency and effectiveness. As discussed in section 4, the relative cost efficiency of the delivery mechanisms is an important consideration to ensure that supports are cost efficient and that the level of support is maximised for a given resource level.

It is critically important that housing policy and delivery continues to focus on cost efficiency. However, as noted in section 4, it is also evident that there are a number of other considerations in analysing the relevant mix of mechanisms which are used. In simple terms, in considering the relative merits of delivering support through any one mechanism (e.g. HAP or construction) it is important to consider all of the relevant factors of which cost efficiency is very important but not the only consideration. A practical example of this would be the delivery time comparison between HAP and construction where a HAP supported tenancy could be supported immediately while there are potentially constraints around delivery times and capacity involved in construction delivery. Also, the wider impact of mechanisms on the market is important with those leveraging private supply, such as HAP, potentially having a displacement effect on wider rental supply.

Finally, the interpretation of the results of the analysis should be cognisant of the stated limitations. The analysis has focused on available data provided by DHPLG within a number of LA areas. The applicability of the results to other locations should take into account specific local factors. For example, the cost of leasing or HAP differs across regions based on the local housing market. Furthermore, the cost of construction will also vary across areas with land availability a particular consideration. In situations where LAs have to acquire land to deliver direct construction then the cost of delivery will vary based on land values in that area.

In summary, this indicative analysis has shown that the cost efficiency of the relevant delivery mechanisms differs across LA areas and that this is a key ongoing consideration for social housing policy particularly over the medium/long term. However, it is also noted that there are a number of other considerations related to the appropriate mix of support mechanisms.
7. Wider Policy Issues

The sections preceding this have set out to describe the delivery mechanisms for social housing and analyse the rationale, objectives and cost efficiency of the schemes. The following section sets out analysis relevant to wider policy issues related to the delivery of social housing.

Effectiveness and Efficiency of Social Housing Support

The degree to which delivery mechanisms are effective in reducing social housing waiting lists is an important policy consideration. This is evident based on the identified level of resources committed to this area. In this regard, the ongoing assessment of the extent to which provided solutions are effective in meeting demand is important to understand performance over time and consideration could be given to the level of data available to conduct such analysis. Efficient targeting of social housing is also a key consideration. For example, income thresholds for eligibility to social housing support across the various LAs are important in ensuring that support is targeted at those who require it. In addition, systems of differential rent payable by social renters are of importance in assessing the level of support provided and the sustainability of the overall model.

Stock Management & Renewal

In accordance with the stated objective of national housing policy, that every household should have access to secure, good quality housing suited to their needs at an affordable price in a sustainable community, LAs have an important role to play in managing and renewing the stock of social housing. In particular, LAs may have an excess of social housing in areas where demand is low, or an ageing profile of properties or estates in poor condition where demand is high, which may necessitate renewal and/or regeneration. Rebuilding Ireland aims to achieve the refurbishment and re-letting of vacant or derelict social housing units with minimal delay in line with best asset management practices. The amount of stock managed by LAs is also affected by the Tenant (Incremental) Purchase Scheme, which allows for the transfer of ownership to social housing tenants under certain eligibility criteria. For example, units specifically designed for the elderly or disabled are precluded from sale, along with units acquired from private housing developments.

Social Housing Tenant Contribution

At present, LAs charge rent for dwellings under section 58 of the Housing Act 1966, on a basis related to household income, with lower income households paying a lower rent. Each LA determines the amount of rent payable in its area, with the result that there are significant disparities in LA rent levels across the country. Rent policy has varied across housing authorities since 1986 with the result that households in similar circumstances are charged different amounts of rent depending on the city/county they are living in. At the time of writing, there were 42 differential rents schemes in operation nationwide, which include some legacy
rent schemes from the now dissolved Town and Borough Councils, and amalgamated Council areas. The schemes vary both in the amount of rent charged and in what is deemed to be income.

Table 6: Average Weekly Differential Rent Levels, 2008-2015

<table>
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<th>Year</th>
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<tbody>
<tr>
<td>2008</td>
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<td>€ 49.70</td>
</tr>
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<td>2015</td>
<td>€ 50.63</td>
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</tbody>
</table>

Source: DHPLG. Note: Data is derived from LA’s audited Annual Financial Statements and are generated on an accrued basis.

Two points are of interest in relation to differential rent. Firstly, in relation to the overall level of contribution that is being made by tenants to their housing costs, based on available data, a mixed result emerges. The DHPLG published statistics on differential rent indicate that the average differential rent level has remained relatively static since 2008 at around €50 per week, as demonstrated in Table 6. However, data from the CSO Census indicates that the average weekly rent paid by those renting from a LA has increased from €59 per week in 2011 to €69 in 2016. Secondly, available data indicates that the average differential rent level paid varies significantly by area. Data from the HAP scheme indicates that the average weekly rent payment for a couple with two children varies across LAs from €47.41 to €84.49, with an average of €65.06. While one would expect a level of variation based on income levels and regional differences, it is the case that the different rent schemes in place can lead to an outcome where families with similar circumstances are paying varying amounts of their income towards their housing costs.

Considerable work has been carried out by DHPLG in developing a framework for tenant contributions, and this work is now being reviewed in the light of the broader commitment given in Rebuilding Ireland to review the disparate systems of differential rent for social housing in place across LAs e.g. a family of two adults and two children will pay less on differential rent in South County Dublin than in Leitrim/Roscommon at the same income levels. The overall objective is to ensure that housing supports including the HAP scheme are: fair and sustainable; prioritise those on lowest incomes; and avoid creating traps that may prevent people from either returning to work or to the private housing market. These policy issues are also touched upon in two other Spending Review 2018 papers on replacement rates and low income supports.

Wider Market Interaction and Sectoral Capacity

The cost analysis within this paper has analysed the relative cost of delivering social housing through a number of different delivery mechanisms. Given the nature of the delivery mechanisms as outlined, three issues are of note here in terms of implementation and delivery. Firstly, the capacity of the construction sector is of importance in the delivery of social housing stock through construction and build. While activity across the housing sector has started to increase, and is expected to continue to increase, this is from a low base. While not analysed in detail here, as the overall sector expands to deliver on additional infrastructure investment, any capacity issues in the construction sector will also impact on the delivery of social housing. For example,
recent analysis by the Central Bank, shows that the construction sector has regained less than one third of the construction workers who lost their jobs during the crash (Conefery, T. and McIndoe-Calder, T. 2018).

Secondly, the interaction of delivery mechanisms which rely on existing housing stock, such as RAS, HAP and leasing, and the wider housing market is also of importance. The delivery of support through these mechanisms involves securing suitable accommodation within the private market. Given existing pressures within rental markets nationally, and particularly within Dublin, the effect of the supports on the wider market and the ability of the wider market to provide sufficient and suitable supply should be kept under review given the importance of the issue. Thirdly, AHBs are tasked with delivering almost a third of the 50,000 units targeted under Rebuilding Ireland through a combination of construction, acquisition and leasing. Their activities were recently reclassified as part of General Government by the CSO and Eurostat, which has future implications for the General Government Debt (GGD). This effectively means that any further borrowings by the sector will add to GGD, while any expenditure by the sector will directly impact the GGB. The effect on GGD was recently assessed by the Department of Finance in the Stability Programme Update 2018; the practical implication of reclassification is to raise the level of GGD by c. €100 million (0.03 per cent of GDP) and to increase the general government deficit by €470 million (0.15 per cent of GDP) in 2018. Any additional unforeseen borrowing and spend by the AHB sector have the potential to increase these proportions.

Data Availability and Analysis

Gaps in data availability across a number of sectors has been identified as an issue across a number of the Spending Reviews being carried out. As the analysis here has highlighted there are a number of areas related to social housing where data availability could be enhanced to ensure that appropriate research and evaluation can be carried out to inform policy development. In particular, the level and granularity of data collected across each of the delivery mechanisms in relation to cost should be enhanced over time. While data is generally available in terms of the main costs involved in delivery (e.g. construction/acquisition costs, average HAP/RAS/lease payments etc.), the report has highlighted areas where cost data is either not comprehensively collected or not routinely collated by DHPLG. These areas include maintenance, renewal and administration (more disaggregated by mechanism and/or activity). In terms of areas for further analysis, it is important that a robust evidence base is continuously developed to inform policy. In this regard the following two points are of note. Firstly, comparative cost analysis similar to what has been undertaken here should be conducted again after a reasonable period of time (e.g. two years) to reflect updated data and changes to the context. As mentioned throughout this report, this is an indicative point in time analysis based on available data and information. Additional and up to date analysis will be beneficial, particularly in the context of the on-going implementation of Rebuilding Ireland. Secondly, additional delivery mechanisms which have been introduced in recent years should also be continuously assessed in terms of their relative cost efficiency and effectiveness.
8. Conclusions

- There are a number of delivery mechanisms in place to provide social housing support including the construction and acquisition of social housing stock, the leasing of units and the provision of support within the private rental market through the HAP and RAS.

- Expenditure on housing has increased substantially in the last number of years and is just 4% below peak levels as output has started to increase in line with Rebuilding Ireland targets. The composition of expenditure has changed however with a greater proportion of current expenditure supports.

- There are a variety of objectives behind the mix of delivery mechanisms including the appropriateness of support, flexibility and speed of delivery, use of funding mechanisms and value for money. Efficiency and long term value for money are also key considerations given the level of Exchequer funding.

- Based on the limited available data, indicative cost analysis across six LA areas indicates that over the long term, the relative cost effectiveness of each of the delivery mechanisms differs across areas.
  - It is estimated that based on the LA areas analysed, the net present cost (NPC) of delivering units through mechanisms such as HAP, RAS and leasing is higher than construction and/or acquisition in Fingal and Meath where prices within the general housing market are higher while the NPC of those mechanisms is generally either at or below the estimate for construction in other areas where prices in the wider market are not as high (e.g. Mayo and Tipperary).
  - The limitations involved with the analysis emphasise the need to carry out similar work across other Local Authority areas as further data becomes available and as output picks up. In particular, this would allow for a comprehensive analysis of relevant costs taking into account factors which may vary by Local Authority area (e.g. prices within the wider housing market; the availability and cost of land; demand for social housing).

- While certain mechanisms have been shown to be relatively more or less costly across areas, there are other considerations in terms of the overall mix of delivery mechanisms which influence their design and implementation including the speed at which they can be delivered, their effect on the wider housing market, the quality and appropriateness of accommodation, flexibility, sectoral capacity etc.

- As such, within the context of policy objectives and wider issues, the relative cost of delivering social housing should be an important consideration in determining the mix of support mechanisms used, particularly in the medium to long run.

- There are also a number of wider policy considerations that are relevant including the effectiveness and targeting of support, the sustainability and equity of tenant contributions across LA areas, appropriate and cost effective stock management/renewal and the overall capacity of, and impact on, the wider housing market.
• Greater availability of data in a number of areas including administration, maintenance and renewal costs would assist policy makers and planners in assessing ongoing financial implications of the various delivery mechanisms.

Recommendations/Next Steps

• There are a number of areas where data availability and management could be enhanced to facilitate greater analysis of issues related to social housing delivery. DHPLG, in conjunction with relevant bodies such as LAs, should take steps to assess data collection and management methods across each delivery mechanism and ensure that the required data is available and easily accessible.

• The indicative cost analysis of the six LA areas would support the intent under Rebuilding Ireland to place greater emphasis over the medium term on construction (and/or acquisition) in areas where the costs of renting and leasing are high, with due regard to matters of efficiency, speed of delivering and other local factors (e.g. availability and cost of land). The limitations involved with the analysis emphasise the need to carry out similar work across other LA areas as further data is available and as output picks up.

• In delivering a mix of social housing delivery mechanisms, consideration should be given to cost effectiveness of supports in addition to other issues such as maintaining an adequate stock of social housing, the impact on the wider market and the capacity of the sector.

• The rationale for social housing funding support to the AHB sector across the range of delivery streams, and the significant contribution the sector has been tasked with in the context of the delivery of targets under Rebuilding Ireland is clear. The findings here relating to the potential cost implications associated with delivery underpinned by CALF, are relevant to the wider assessment of the impact of AHB Tier 3 reclassification on general government finances and the potential future funding arrangements for the sector.

• The ongoing reviews of differential rent schemes, social housing income limits and the tenant purchase scheme are important to delivery mechanisms and should be finalised and implemented. For example, given the significant increase in the number and cost of HAP tenancies, and in an economy approaching full employment, there is a need to ensure sustainability of this scheme and others to counterbalance Exchequer demands. In the context of the review of differential rents, consideration should be given to progressive tenant contributions in accordance with ability to pay and the removal of any upper rent limit (i.e. tenants would pay the market rent where justified by the level of their household income).

• There are other areas where further analysis should be targeted to inform policy development including:
  o The cost implications of other, including new and as yet untested delivery mechanisms.
  o The targeting of housing supports and revised cost analyses in the future to reflect changes in context and analysis of other LA areas.
### Quality Assurance Process

To ensure accuracy and methodological rigour, the authors engaged in the following quality assurance process.

- **Internal/Departmental**
  - ✔ Line management
  - ✔ Spending Review Steering group
  - ☐ Other divisions/sections
  - ✔ Peer review (IGEES network, seminars, conferences etc.)

- **External**
  - ✔ Other Government Department
  - ✔ Steering group
  - ☐ Quality Assurance Group (QAG)
  - ✔ Peer review (IGEES network, seminars, conferences etc.)
  - ☐ External expert(s)

- ☐ Other (relevant details)

In the development of the report the authors engaged with the Spending Review Working Group and an inter-Departmental Steering Group with representatives from the relevant Vote section in the Department of Public Expenditure and Reform and the Department of Housing, Planning and Local Government.
## Appendix One – Social Housing Programmes

### Table 7: Social Housing Related Programmes

<table>
<thead>
<tr>
<th>Programme</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Authority Construction &amp; Acquisition (Social Housing Investment Programme (SHIP))</td>
<td>To provide funding to LAs for the provision of social housing by means of construction and acquisition. It also covers expenditure under the RAPID Delivery programme, Part V acquisitions, Land Aggregation Scheme and the Public Safety Initiative in unfinished housing developments.</td>
</tr>
<tr>
<td>Capital Assistance Scheme (CAS)</td>
<td>To provide essential funding to AHBs for the provision of accommodation for persons with specific categories of housing need such as Homeless and Older Persons, People with Disabilities, Returning Emigrants and Victims of Domestic Violence.</td>
</tr>
<tr>
<td>Returning Vacant Properties to Productive Use (Voids)</td>
<td>To provide funding to allow LAs bring back into use long-term vacant social housing units.</td>
</tr>
<tr>
<td>Regeneration Programme</td>
<td>To target the country’s most disadvantaged communities, including those defined by the most extreme social exclusion, unemployment and anti-social behaviour, through the provision of a holistic programme of physical, social and economic regeneration</td>
</tr>
<tr>
<td>Disabled Persons Grants Scheme (DPGs) &amp; Extensions and Improvement Works in Lieu of Local Authority Housing (IWILs)</td>
<td>To provide for the needs of older people or people with a disability living in social housing, who may require chairlifts or the installation of a downstairs bedroom or bathroom and, where necessary, extensions that are needed to address over-crowding (families who outgrow their current dwelling).</td>
</tr>
<tr>
<td>Estate-wide Remedial Works Scheme</td>
<td>To provide support for LAs to significantly improve run-down estates by improving the layout, addressing issues of anti-social behaviour, improving the housing fabric, and where possible, addressing issues of social exclusion</td>
</tr>
<tr>
<td>Housing Adaptation Grants for Older People and People with a Disability for private houses</td>
<td>To provide targeted support to private houses, via the Housing Adaptation Grant, Housing Aid for Older People and Mobility Aids Grant, to enable older people and people with disabilities to remain living independently in their own homes for longer and also to facilitate early return from hospital stays.</td>
</tr>
<tr>
<td>Energy Efficiency Retrofit Programme for local authority homes</td>
<td>To improve the energy efficiency and comfort levels of older LA homes, benefitting those at risk of fuel poverty, while also making a contribution to Ireland’s carbon emissions reduction targets and energy reduction targets for 2020.</td>
</tr>
<tr>
<td>Social Housing Current Expenditure Programme (SHCEP)</td>
<td>Under this Programme, LAs are recouped for the cost of long-term lease agreements or rental agreements that they make with private property owners or AHBs. The arrangements are usually for periods of 10-30 years.</td>
</tr>
<tr>
<td>Capital Advance Leasing Facility (CALF)</td>
<td>Up-front repayable loan of up to 30% of the relevant capital cost of construction or acquisition projects where units will be made available to the SHCEP. The programme facilitates AHBs raising private finance, including from the Housing Finance Agency (HFA).</td>
</tr>
<tr>
<td>Rental Accommodation Scheme (RAS)</td>
<td>Targeted scheme for households in receipt of rent supplement for more than 18 months, and who are assessed by housing authorities as having a long-term housing need.</td>
</tr>
<tr>
<td>Housing Assistance Payment (HAP)</td>
<td>New scheme that will replace rent supplement and RAS as the support available to households with a long-term housing need who are housed in rented accommodation.</td>
</tr>
</tbody>
</table>

Source: Rebuilding Ireland, 2016
Appendix Two – Previous Research and Cost Analysis Methodology

The following appendix sets out further details of the methodology utilised in previous analyses of long term social housing delivery costs.

Centre for Housing Research (2009)

Construction of Housing Units

- The purchase/construction cost was assumed to be €250,000 and the estimated increase in property value was 1% per annum.
- Annual maintenance costs were assumed at €2,800 based on the data available from local authorities.
- It was assumed that €30,000 would be required over the 30-year period to cover occasional more significant expenditure and that €60,000 was required for extensive refurbishment at the end of the 30-year period.
- Annual rent receivable from the tenant was estimated at €2,400 based on an average rent paid by tenants in 2007.

Leasing of Units

- The only cost included was the lease payment. It is stated that this is due to the owner being responsible for the periodic maintenance and refurbishment while the State would only be responsible for day-to-day maintenance.
- Lease costs were estimated at €7,700 per annum. This was based on the owner seeking a real rate of return of 4% and taking a 30-year 100% mortgage for the cost of the dwelling (estimated at €250,000).

Housing Agency (2011)

Construction/Acquisition of Housing Units

- The incurred cost of construction and acquisition is not explicitly stated within the Housing Agency Report.
- The analysis assumed that the annual maintenance cost for constructed and acquired units was 1% of the initial cost and that the cost of renewal at the end of the 20 year period was €52,000.
- The analysis assumed that the Differential Rent payable in each case is equivalent to the average rent paid in each LA area in 2008.
- For administration costs, the analysis estimated the cost was €628
- The analysis quantified periods of vacancy and incidences of voids based on available data and quantified the financial cost through differential rent foregone, the cost of refurbishment and the Rent Supplement payable.
- The analysis assumed that the residual value was either 33% or 66% of the market value at the end of the period.

Leasing of Units

- Given the constrained number of units in operation at the time, the analysis assumed that the monthly lease cost was in line with the national average and that a rent review occurs every 5 years. In addition, a transaction cost pf 5% of the annual ease is incurred in year 1.
- The analysis assumed that costs related to administration, voids and vacancies were the same as LA owned stock.
- For maintenance, it was assumed that the cost was 40% of that under construction/acquisition and that the remediation cost is 2.5% of that incurred through construction/acquisition.
- It assumed that the Differential Rent payable is equivalent to the average rent paid Dublin City Council in 2008.

RAS

- The analysis utilised the average monthly costs across the 4 LAs and a new agreement with updated rent occurs every 4 years.
- The analysis assumed that costs related to administration, voids and vacancies and the differential rent inflows were the same as LA owned stock.
- It was assumed that a damage cost was incurred at the end of each 4 year cycle and that this is equal to 5% of 1 month’s rent.
Appendix Three – Additional Results from Cost Analysis

The following appendix sets out the results from the additional analysis that was carried out on the areas of Tipperary and Wexford. While the original areas selected within the analysis reflect a distribution of different regions and markets, additional analysis on two LA areas was carried out to reflect the fact that different LAs utilize a different mix of delivery mechanisms. For instance, the use of long term leasing was not as prevalent in some of the other LA areas.

Figure 27 and 28: Estimated Net Present Cost of Delivery for 2 and 3 Bed Units in Tipperary County Council

![Graph 1](image1)

Figure 29 and 30: Estimated Net Present Cost of Delivery for 2 and 3 Bed Units in Wexford County Council

![Graph 2](image2)
Appendix Four – Results of Sensitivity Analysis

The following appendix sets out further details of the sensitivity analysis carried out as part of the research across the areas noted in Section 7: time horizon, maintenance/renewal, Leasing/RAS Costs and residual value. As outlined throughout the report, there are a number of limitations involved with the available data and the approach taken. The completion of sensitivity analysis thus provides further analysis related to the relative costs within this context.

**Time Horizon**

In completing the cost analysis it is necessary to consider a particular time horizon over which to analyse the mechanisms. Within the central analysis a time period of 20 years was used in line with the approach taken in previous analysis.

To assess the impact, extending the time horizon to 30 years was tested. As demonstrated through the average change across LAs (right), the extension of the period of analysis affects the NPC of Leasing, RAS and HAP to a greater extent than construction and acquisition. This is a result of the extended period of payments for these schemes and the residual value being realized in year 30 where it has a lower impact on the analysis due to the higher discount factor in that year.

**Residual Value**

Additional analysis was also carried out to assess the impact of changing the assumption around residual value. As the analysis demonstrates (right), assuming a low residual value of 33% of market value increases the NPC estimate significantly (around 40%). The scenario of the residual value being 50% of market value shows an increase in the NPC of around 20%. Finally, under a scenario with a residual value of 75% the effect on the NPC is negative with the cost estimate decreasing by around 10%.

As discussed earlier, tenant purchase schemes allow social housing tenants to purchase their homes from a LA. While not explicitly analysed here, the scheme allows for purchase at between 40-60% of market value implying a residual value of between 40% and 60% reflecting a similar range to that analysed here. Thus, where a unit is sold at 50% of market value the effect would be as highlighted here (around +20%).
Maintenance/Renewal

Analysis was also carried out to change the assumptions on maintenance and renewal levels given the lack of comprehensive data. As described, the central analysis used available data and information from NOAC and DHPLG. In conducting sensitivity analysis the analysis here assesses the impact of using the same assumptions previously used by the Housing Agency – maintenance equal to 1% of construction/acquisition cost and €52,000 for renewal costs. As the analysis shows, the average NPC for construction and acquisition is higher when the assumptions are changed. This is largely due to the higher cost of renewal assumed by the Housing Agency (€52k). As outlined, DHPLG believe that this assumed cost level after 20 years overestimates actual costs.

Rental Market Data

Analysis was also carried out to change the initial cost level for leasing and RAS mechanisms utilising data from the RTB33 and Daft.ie34. As described, this reflects the fact that the Q4 2017 average costs are comprised of all active units within the scheme. As such, these costs may not reflect the cost of accessing an additional unit in Q4 2017. As the analysis shows (right), the use of market data for Q4 2017 (and assuming that costs are in line with specified target discounts) has a mixed effect across each of the mechanisms. In particular, the average NPC for long and short term leasing increases by varying amounts (1-10%). There are increases and decreases across AHB CALF leases and RAS (-3 to +6%).

Price Indexation

As detailed in the methodology, all flows outside of house prices/rents (where real price adjustments are applied) were analysed at constant prices in line with the PSC. The code states that the discount rate is in real terms (i.e. excluding projected inflation) and should be applied to future costs and benefits in constant prices (i.e. excluding projected inflation). When the other financial flows are indexed at 2% (the approach taken in the previous Housing Agency report) the effect on the analysis is relatively minor (Construction +1.4%, Acquisition +1.3%, Long Term Lease -2.9%, Short Term Lease -3.2%, AHB Calf Lease +0.2%, RAS -3.9%, HAP -3.9%). Another alternative approach would be to assess increases in differential rent due to real wage growth. Additional analysis assessing this indicates that it has a broadly equivalent and relatively minor impact across all of the mechanisms (with the exception of AHB CALF leases where differential rent doesn’t accrue to the state). Scenarios of 0.5%, 1%, 1.5% or 2% lead to broadly equivalent reductions in the central NPC estimate for mechanisms of around 1%, 3%, 4% and 6% respectively.

33 The RTB data utilised in the analysis was provided by the RTB and it should be noted that the data differs in terms of the methodology from the published RTB average rent database. It is based on LA areas rather than counties and the RTB have noted that rent index data is produced by the ESRI using data analytics tools while the figures provided were produced by the RTB and are an average rent for 2017. The RTB have indicated that the figures provided are close to the alternative approach but not exactly the same. The RTB calculated the average monthly rent based on tenancy commencement dates, they removed rents outside of normal ranges and excluded seasonal rental dwellings with lower than normal rent values. Within rent tolerances were applied to the data for week (min 80, max 800), a fortnight (min 160, max 1,600), a month (min 240, max 2,600) and a year (min 4,160, max 26,000).
34 https://www.daft.ie/report/ronan-lyons-2017q4-rental-price