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Government of Ireland

Spending Review 2022

An Overview of the Housing Agency

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HOUSING, LOCAL GOVERNMENT AND HERITAGE VOTE

DEPARTMENT OF PUBLIC EXPENDITURE AND REFORM

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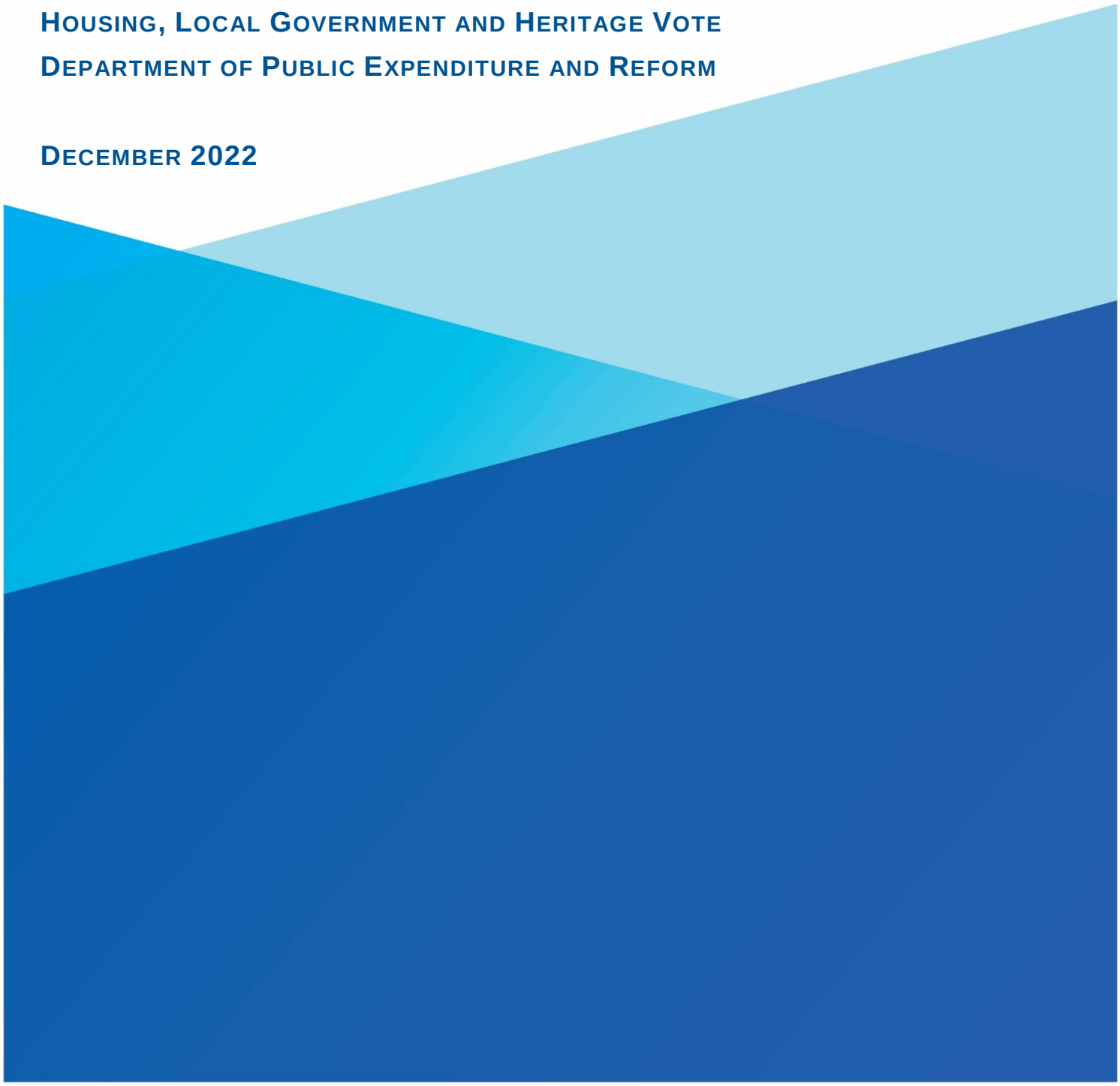

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Executive Summary

Background

The Housing and Sustainable Communities Agency (Housing Agency) was established in 2012 with the aim of working with and supporting local authorities (LAs), approved housing bodies (AHBs), and the Department of Housing Local Government and Heritage (DHLGH) in the delivery of housing and housing services by offering a broad base of shared and centralised services through practical, research, and technical expertise.

In recent years the Irish housing market has been characterised by lack of supply of homes and rising demand with analysis indicating a need for 33,000 new homes each year in order to keep up with population growth. In line with this need, Government intervention in the housing market has increased dramatically in recent years with Exchequer funded capital expenditure related to housing growing by 130% from €1 billion in 2018 to €2.3 billion in 2022. The Housing Agency, a body under the aegis of the DHLGH, is a key body in the delivery of State supports in the housing sector.

This paper aims to map the roles and responsibilities of the Housing Agency in the context of increasing Government intervention in the housing market and to examine the growth of the Agency, the governance arrangements in place, and the role of the Agency in policy design and delivery.

Findings

In the years since its establishment, the responsibilities of the Housing Agency have expanded significantly and the agency has taken on full or partial delivery responsibility for a wide range of social and affordable housing delivery mechanisms. At the same time, the agency has increased its staffing count by 260% and pay expenditure by 204%.

The Housing Agency has a central role in, *inter alia*, the delivery of the Pyrite Remediation scheme, the Defective Concrete Blocks Grant Scheme, the Croí Cónaithe (Cities) fund, and the Cost Rental Equity Loan.

In terms of affordable housing delivery, the Housing Agency will play either a technical or managerial role in the provision of around 45% of targeted affordable housing delivery under the Housing for All plan. The Agency also plays a significant role in building, acquiring, and leasing of social housing. Overall, 13% of expenditure on these programmes was assessed or coordinated by the Agency between 2018 and 2021. While Government expenditure on these programmes has risen 26% during the four year period, the level of funding assessed by the Housing Agency has risen 129%.

Through its technical roles in scheme delivery, the Agency manages a significant amount of risk on behalf of DHLGH in particular in relation to the Capital Advance Leasing Facility, the Cost Rental Equity Loan and the Local Authority Home Loan.

The Agency plays a central role in scheme design, implementation and management and through these processes generates large amounts of data and analysis which is highly relevant to policy development. This makes them very well positioned to undertake research and analysis on the housing sector, which is one of the Agency's primary functions.

The Agency is governed by a Board appointed by the Minister of Housing, Local Government and Heritage. An external Board Effectiveness and Evaluation Review which was conducted in 2020 reported that the performance of the Board is in line with the requirements of the Code of Practice for the Governance of State Bodies.

There is a formalised performance-related reporting mechanism in place between the DHLGH and the Housing Agency which is due to be updated in the coming weeks, this is in line with the Code of Practice of State Bodies.

Recommendations
Given the growth in the role of the agency and in particular the recent rapid expansion in terms of the number of schemes either fully or partly delivered by the Agency, the DHLGH should prioritise the completion of a Periodic Critical Review (PCR) of the Agency.

The Agency plays a critical role in social and affordable housing delivery. The DHLGH as parent department, in tandem with the Housing Agency, should ensure that there is adequate visibility surrounding the performance of the Agency, including assessing relevant outputs, outcomes and impacts.

The Agency is well positioned to undertake research and analysis on the housing sector. It should be ensured that the data and expertise within the Agency continues to be leveraged for strategically-focussed policy research.

This paper has also highlighted the growth in the AHB sector in recent years. Given the significant reliance on AHBs for social and affordable housing delivery, further research into the overall structure of the AHB sector and the capacity of AHBs to deliver should continue to be prioritised.

Unlike other Spending Reviews, this paper reviews the growth of a non-commercial state agency under the aegis of a government department. It has provided an opportunity to highlight the growth of the Agency and the vital work it is undertaking. It has been useful in identifying the level of risk transfer from DHLGH to the Housing Agency. Other departments should leverage these types of Spending Reviews to support the PCR process and to inform the selection of agencies for PCRs.

1. Introduction

One of the primary goals of the Department of Housing, Local Government, and Heritage (DHLGH) is to provide a framework that ensures a sustainable housing system in Ireland with a supply of good quality housing to match needs. The housing system has been characterised by a severe lack of supply in recent years which has led to increased government intervention in the housing market.

To this end, there are a range of social and affordable housing delivery channels in place, within local authorities (LAs) and Approved Housing Bodies[1] (AHBs) funded by both capital and current expenditure. In addition to LAs and AHBs there are a number of state agencies operating under DHLGH which aim to deliver or support delivery of social housing. These include the Housing and Sustainable Communities Agency (the Housing Agency), which will be the focus of this paper, the Housing Finance Agency[2], and the Land Development Agency.

In recent years, under the Rebuilding Ireland plan (2016-2021) and Housing for All (2022- 2030), there has been a significant increase in social housing output and related expenditure which is now

[1] AHBs are not for profit organisations formed for the purpose of providing housing in response to a range of different needs including households on low incomes, people with disabilities, and homeless households. They work in collaboration with local authorities and state agencies to deliver social and affordable housing units.
[2] The Housing Finance Agency provides loan finance to local authorities, voluntary housing bodies and higher education institutions for housing and related purposes. The HFA raises its funds on the domestic and international capital markets in structures and at costs that reflect its customers' requirements.

at its highest ever level. Given the level of increased expenditure and the demand for supports, IGEES has conducted an increased level of analysis in this area.

A series of IGEES Spending Review and Social Impact Assessment papers have provided analysis of the Irish housing system and market [3]. This series of papers looked at Government expenditure based schemes such as the Housing Assistance Payment (HAP), the Rental Accommodation Scheme (RAS), the Social Housing Current Expenditure Programme (SHCEP), Rent Supplement, Social housing acquisitions, the Social build programme, homelessness supports, and more recently has examined the Irish housing market and policy and the planning system.

This paper has been completed as part of the 2022 Spending Review process. In contrast to previous papers, it will focus on examining the underlying structures in place to deliver housing by analysing the role of the Housing Agency and has the following objectives:

Provide an overview of the roles and responsibilities of the Housing Agency
Assess the growth of the agency in terms of funding, staffing and roles.
Examine the governance arrangements in place and the role of the Agency in policy design and implementation.

2. Context: Housing Market and Policy Responses 2013-2022

2.1. Trends in the Housing Market

In order to understand the evolution of the Housing Agency it is useful to consider the developments in the housing market and the policy responses enacted since the establishment of the agency in 2013.

The Irish housing market has been characterised by a lack of supply over the last decade. While building activity experienced a rapid scaling up in the period prior to the financial crisis (2004-2008), when an average of 75,000 houses were built annually, the period since then has seen consistently low levels of supply combined with growing demand. Between 2011 and 2016, an average of just 1,760 homes were added to the total housing stock each year. Preliminary figures from the 2022 census suggest that this figure is now in excess of 20,000 units per year for the 2016-2022 period however, this level of housing delivery still remains low compared to the levels seen in 2002-2011.

Table 1: Housing Stock by Census Year 2006-2022

Census year	Total Housing Stock	Increase in Housing Stock form Previous Period	Average Annual Increase in Housing Stock
2006	1,769,613	309,560	77,390
2011	1,994,845	225,232	45,046
2016	2,003,645	8,800	1,760
2022	2,124,590	120,945	20,158

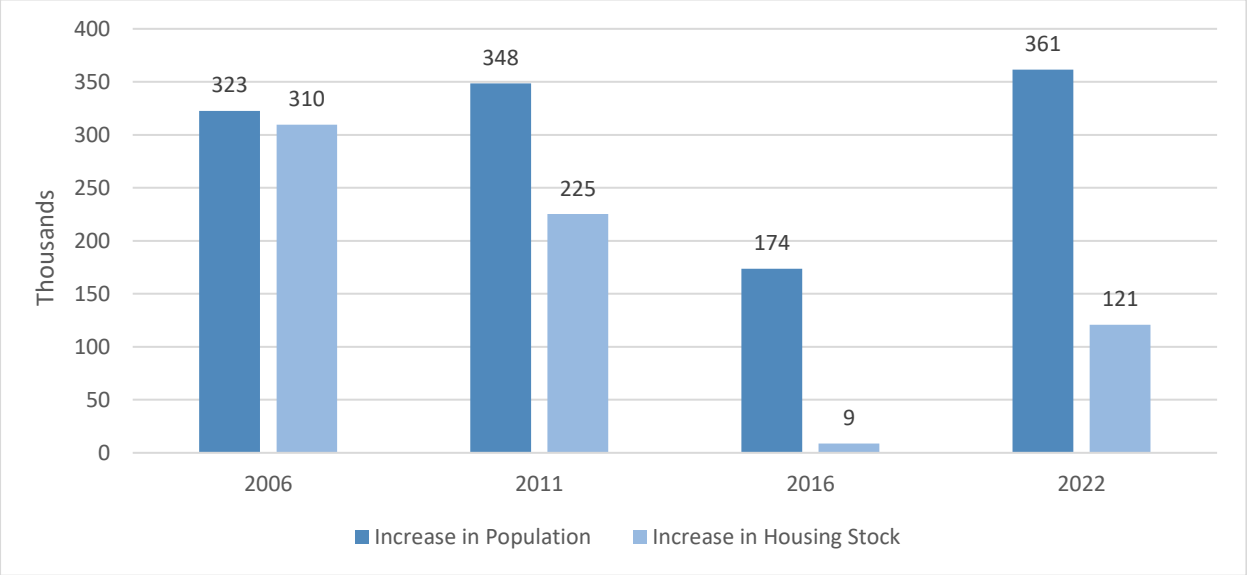
Source: CSO Census Report

While population growth is not an exact measure of housing need, it is an underlying driver of demand for housing. Census data collected by the CSO and presented in Figure 1 below shows that population growth has exceeded growth of the housing stock for each census period since 2006 and

[3] O'Callaghan 2017; O'Callaghan et al. 2018; O'Callaghan and Kilkenny 2018; O'Callaghan and Farrell 2019; O'Callaghan and Farrell 2019; Farrell and O'Callaghan 2020; Griffin 2021; Breen 2021.

the gap between the two has widened significantly. The 2006 census recorded an increase in population of 323,000 while the 2022 census recorded an increase of 361,000, a figure 11% higher than the 2006 increase. There was also an increase of 310,000 units to the housing stock recorded in the 2006 census, in 2022, this figure was just 121,000, a decrease of 60%.

Figure 1: Change in Population and Housing Stock from Previous Census Period 2006-2022



Source: CSO Census Reports

Research conducted by the ESRI[4] and commissioned by DHLGH indicates a need for up to 33,000 new homes each year in order to keep up with population growth. Government policy is also to provide 33,000 new homes per year. Ireland has not seen the supply of housing reach this level since 2008. Increasing demand, improved purchasing power, and consistently low levels of supply have had an impact on house prices which have risen significantly in recent years. The median household purchase price of residential dwellings has increased 83% since 2013. This has led to an increasing lack of affordability, put increased pressure on the rental sector, and led to unprecedented numbers of people presenting as homeless.

In response there has been a significant increase in Government intervention. Exchequer funded capital expenditure related to housing has increased significantly (130%); from €1 billion in 2018 to €2.3 billion in 2022.

2.2. Establishment of the Housing Agency

The Housing Agency was established following a government decision to rationalise three housing related state agencies – the Affordable Homes Partnership (AHP), the Centre for Housing Research, and the National Building Agency Limited (NBA). As the NBA had a role in providing support and guidance to LAs and AHBs and in directly delivering housing, the Housing Agency took on this advisory role and also took on responsibility for alternative social housing delivery mechanisms outside those managed by LAs.

The Housing Agency was established under Statutory Instrument SI 264 of 2012**,** and Statutory Instrument SI 265 of 2012, under the Local Government Services (Corporate Bodies) Act 1971 (as amended). It is therefore established under secondary legislation.

[4] Bergin and Garcia-Rodriguez, 2020

The aim of the Agency is to work with and support LAs, AHBs, and the DHLGH in the delivery of housing and housing services by offering a broad base of shared and centralised services through practical, research, and technical expertise.

The functions of the Agency as set out in the Establishment Order are:

- Shared and central services; research, advisory, information and training services, consultancy, technical and strategic planning services, procurement, and agency services
- At the request of the Minister, the preparation, holding, management and publication of indices of residential property, including indices in relation to residential housing sales and residential property rents
- The arrangement, co-ordination, and provision of social and economic regeneration, including the development and improvement of land and infrastructure; and
- The coordination of, and contribution to, the resolution of issues relating to unfinished housing developments.

The roles of the Agency have expanded significantly since its establishment in 2013. The box below summarises the roles of the Agency in its first full year of operation and in 2022. For the purpose of this analysis, the roles of the Agency have been divided into those that involve delivery of a certain policy and those that involve more general support and advisory services provided by the Agency.

Figure 2: Roles of the Housing Agency 2013 and 2022

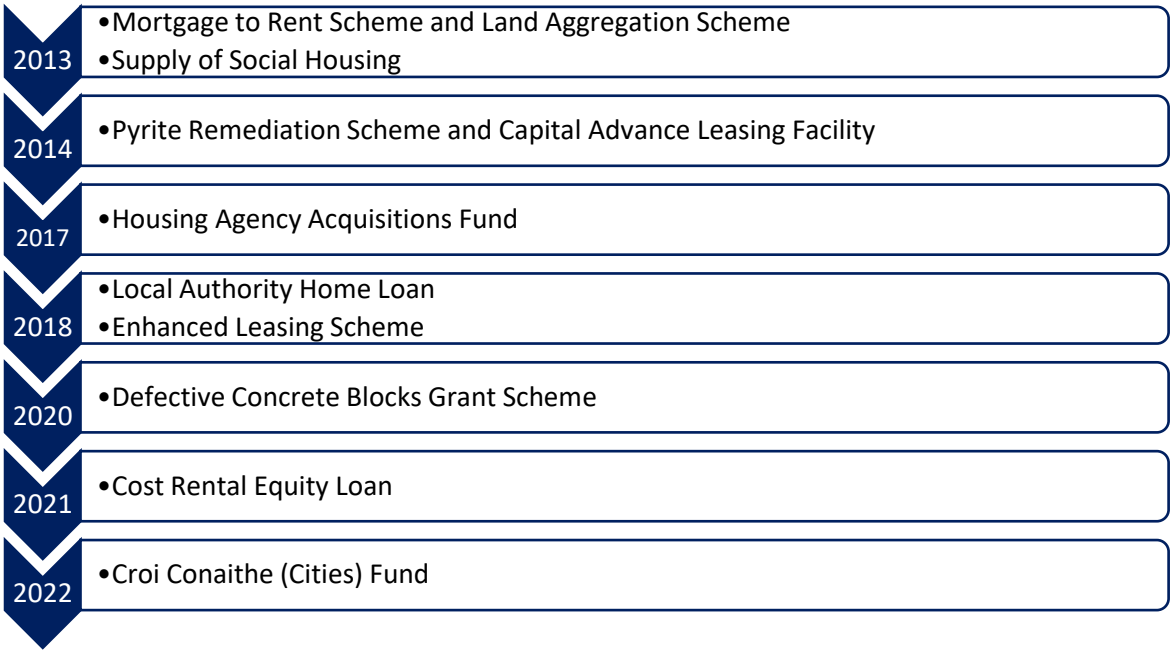
2013	
Delivery Responsibility	**Support Services**
Mortgage to Rent Scheme	Advice and support to AHBs and LAs
Supply of social housing	Research services
Pyrite Remediation Scheme	Technical services for LAs

2022	
Delivery Responsibility	**Support Services**
Mortgage to Rent Scheme	Advice and support to AHBs and LAs
Supply of Social Housing	Research services
Loan Underwriting of the Local Authority Home Loan	Technical services for LAs
Enhanced Leasing Scheme	Training and Information services
Defective Concrete Blocks Grant Scheme	National Housing Strategy for People with a Disability
Cost Rental Equity Loan	Supporting housing policy development and implementation
Croí Cónaithe (Cities) Fund	
Pyrite Remediation Scheme	

Within the delivery responsibility category it is possible to further breakdown responsibilities into direct and indirect delivery roles. Where direct delivery would involve some type of direct financing or funding e.g. the Housing Agency Acquisition Fund and indirect delivery which typically involves supporting LAs and AHBs in delivery of social and affordable housing e.g. the CALF. These roles are discussed in more detail in section 3.

Upon its establishment, the Agency took on responsibility for the Mortgage to Rent Scheme and the Land Aggregation Scheme. In the subsequent years, a number of new roles were delegated to the agency as summarised in Figure 3 below.

Figure 3: Delegation of Roles to the Housing Agency by Year



3. Roles of the Housing Agency

3.1. Direct Roles – Financing and Funding

The Housing Agency currently has two direct roles in relation to the financing and funding of social and affordable housing:

- Management of The Housing Agency Acquisition Fund (€70m) to acquire vacant housing stock for social housing use; and
- The provision of Cost Rental Equity Loans (CREL) to AHBs to provide Cost Rental housing.

Housing Agency Acquisitions (HAA) Fund

The €70m Housing Agency Acquisitions Fund was established at the beginning of 2017, during a time when limited capital funding was available, to buy existing vacant properties from banks and other financial institutions to provide social housing. Through the provision of direct access to capital funding for the Housing Agency, the aim was to simplify the current acquisition process for vacant portfolio purchases; speed up the acquisition process and to encourage investors to make additional supply available. The HAA fund is replenished by the Housing Agency through the sale of units primarily to the AHB sector and the funds received are recycled back into the fund for future acquisitions.

The fund was intended to be a medium term initiative, targeting the vacant property portfolios of financial institutions and investment companies, in direct response to the social housing shortage. It is designed to complement ongoing targeted acquisition activity by local authorities and AHBs. The Agency engages with banks and investment companies to source vacant properties. When offered properties, the Agency consults with the relevant local authority before making a bid.

The target for the HAA fund was to acquire 1,600 units over a four year period to 2020 with this target subsequently extended out to 2021. The table below shows the number of acquisitions completed through the fund by year. In total 868 units were delivered which is 52% of the target for the scheme.

In Q1 2022, the DHLGH completed a review of the HAA Fund, consequently, the Housing Agency may have amended responsibilities around the fund in the future as well as winding down the fund in its current form.

Table 2: Number of Acquisitions per Year 2016-2021

	2017	2018	2019	2020	2021	Total
HAA Acquisitions	382	193	170	81	42	868

Source: DHLGH Acquisitions Data

Cost Rental Equity Loan (CREL)

The Housing Agency has the role of managing and administering the CREL on behalf of the Minister for Housing, Local Government and Heritage. This includes advancing loans to AHBs and overseeing the administration of the loan arrangements including the drafting of the agreements under the scheme. The Agency also undertakes the due diligence on each funding proposal.

The CREL scheme will see long-term loans on favourable terms made available to AHBs to cover up to 45% of the development or acquisition cost of new cost rental homes. This state assistance in securing financing will mean that AHB landlords can set lower cost-covering rents for cost rental tenants. It is expected that the remaining development or acquisition costs for the homes will be met by long-term commercial loans from the Housing Finance Agency, which made an €100m available in 2021. Rents will be set based on the cost of building, managing and maintaining the properties only and are expected to be at least 25% below private market rents in the area.

The CREL scheme was established in 2021. It was allocated €35m for the delivery of 350 units. Average cost to the Exchequer per unit is expected to be approximately €100,000. Under Housing for All, the Government has committed to delivering approximately 2,000 Cost rental Units per annum.

The overall Cost Rental target for 2022 is 750 homes. A target for 700 of these homes to be delivered by AHBs via the €70m provided in the CREL mechanism has been set. The remaining 50 homes are to be delivered directly by local authorities, supported through €5m provided in funding from the Affordable Housing Fund, managed by the DHLGH.

3.2. Indirect Roles – Financing and Funding

The Agency indirectly supports the financing and funding of social and affordable housing in the following ways:

- Administration of the national Mortgage to Rent Scheme (MTR).
- Carrying out the technical assessment of Payment and Availability (P&A) payments and Capital Advance Leasing Facility (CALF) funding applications from AHBs on behalf of DHLGH.
- The provision of a national shared service to local authorities for the underwriting of all Local Authority Home Loan applications.
- Coordination of the Enhanced Leasing Scheme.
- The provision of technical assessment of local authority applications for the Affordable Housing Fund (AHF) on behalf of DHLGH.
- Management of the Croí Cónaithe (Cities) Scheme to support the building of apartments for sale.

Mortgage to Rent Scheme (MTR)

The MTR was established in 2012. The concept of the scheme is that a household with an unsustainable mortgage goes from being a homeowner to being a social housing tenant. The borrower surrenders their property to their lender who sells it to a MTR provider which can be either an AHB or since 2018, a private company. In the case where a private company acquires the property, the company then enters into a long-term lease agreement with the relevant LA for a defined term at an agreed rent. The AHB or LA (in the case where the property is sold to a private company) becomes the landlord and the borrower remains in the property paying a differential rent to the landlord based on his or her income. MTR providers are obliged to undertake the necessary remedial or refurbishment works to bring the properties that they acquire under the scheme up to statutory private rental standards.

The Mortgage to Rent scheme is administered on behalf of DHLGH by the Housing Agency, who coordinate with all stakeholders to ensure each application meets the eligibility criteria. The Housing Agency is also involved in conducting analysis of the scheme performance and works extensively with DHLGH on reviewing the scheme and implementing actions arising out of scheme reviews. A 2021 review of the scheme[5] identified 12 actions. The Housing Agency has been delegated lead responsibility for 9 of these actions. Actions range from making amendments to the eligibility criteria to the establishment of a cross-sectoral working group to address ongoing administrative and operational issues as they arise.

As of Q2 2022, a total of 6,360 cases have been assessed by the Housing Agency, and 1,906 households have been supported by the scheme. While the number of cases submitted to the Agency has fluctuated significantly over the 9 year period of operation of the scheme, the number of households supported by the scheme has increased from just 22 units in 2013 to 678 in 2021, a nine-fold increase.

Table 3: Mortgage to Rent Scheme Cases and Approvals 2013-2022

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 Q2	Total
Total Cases	1,280	324	1,577	394	282	618	667	502	445	271	6,360

[5] Review of the Mortgage to Rent Scheme.

Approvals	22	29	96	70	91	137	196	363	678	223	1,960

Source: Housing Agency MTR Quarterly Reports

The Housing Agency also supports the administration of the Local Authority Mortgage to Rent (LAMTR) scheme, which is the same scheme but for local authority borrowers. 552 LAMTR cases were completed between 2013 and 2021.

Table 4: Local Authority Mortgage to Rent Scheme Approvals 2013-2021

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Approvals	18	63	112	87	90	65	62	35	20	552

Source: DHLGH Data

Capital Advance Leasing Facility (CALF)

The CALF is a loan facility, which is available to AHBs to assist them in financing acquisition, construction or refurbishment projects that will deliver homes to be made available for social housing support purposes where the ongoing funding is provided through the Social Housing Current Expenditure Programme (SHCEP).

The Housing Agency plays a key technical role in the delivery of the CALF programme. The appropriate level of Exchequer support provided to AHBs is determined by the Agency. Capital expenditure on the CALF programme also has a long-term (up to 30 years) impact on current expenditure.

The facility operates by providing AHBs with a capital advance in the form of a loan that will be made available by the DHLGH through Housing Authorities. This loan facility is a contract debt between the housing authority and the AHB. The facility is only available as part of a project where the AHB makes homes available under a Payment and Availability (P&A) agreement to nominees of the housing authority for a set period of time. Repayments on the CALF loan are not required during the term of the P&A agreement which is typically between 10-30 years, but the amount, plus interest, will remain outstanding at the end of the agreement. The purpose of this is that the capital advance should assist AHBs in securing the necessary finance to deliver homes and make projects more viable for AHBs from a liquidity or cash flow perspective, particularly in the initial years. P&A payments, together with the CALF, have become one of the main funding mechanisms for the supply of social housing by AHBs.

The P&A and CALF financial assessment is carried out by the Housing Agency on behalf of DHLGH. This assessment involves analysing the capital costs, projected income and projected expenditure against a standard set of assumptions agreed with DHLGH. The appropriate level of CALF is determined by reference to a projected minimum Debt Service Coverage Ratio (DSCR). The threshold for DSCR is set so that it provides a measure of risk coverage to an AHB. The purpose of the assessment is only to determine the appropriate level of funding that the DHLGH is willing to provide, viability assessment of any proposed project is a matter for each AHB. The Housing Agency's technical assessment role ensures that AHBs receive the appropriate level of CALF loan funding for their projects and, where necessary, adjusts P&A payments to reflect specific project requirements.

The CALF scheme has grown significantly in recent years. The table below shows the number of CALF units delivered from 2016 – 2021. The number of units has increased 367% since 2016. The target for CALF units for 2022 is 3,550.

Table 5: CALF Delivery in Units 2016-2021

Unit Type	2016	2017	2018	2019	2020	2021	2022 H1
CALF New build	230	690	1,205	2,033	1,945	2,150	914
CALF Acquisitions	270	402	775	436	233	187	10
Total	500	1,092	1,980	2,469	2,178	2,337	924

Source: DHLGH Social Housing Output Statistics

Local Authority Home Loan (LAHL)

The Local Authority Home Loan was introduced in January 2022. It is a Government-backed mortgage for first-time buyers available through LAs. The scheme replaced the Rebuilding Ireland Home Loan (RIHL) which ran from February 2018 to end 2020.

The scheme supports potential home ownership through the provision of loan finance to eligible first time buyers who are unable to obtain a housing loan in the private market or who received an offer of insufficient finance. The purpose of the scheme is to facilitate moderate and low-income individuals to purchase a new or second-hand property or to self-build. The scheme is managed and administered by LAs.

Applications for the scheme are passed on to the Housing Agency by LAs for underwriting assessment, where qualified underwriters carry out the relevant credit assessment and judgement checks in accordance with the scheme's credit policy. The Agency therefore is responsible for the risk management element of the scheme.

The Housing Agency then returns each application to the relevant LA with a recommendation on whether it is suitable to be approved and makes recommendations to the authorities to approve or refuse applications. This underwriting service provided by the Housing Agency is of critical importance to the risk management of the scheme. The main risk arising from the scheme, as identified in a 2020 review of the scheme by the ESRI[6], is credit default and the impact on local LAs if defaults rise. Evidence indicates that lower-income households (the target group) carry a higher ex-ante default risk. Therefore, a comprehensive underwriting process is a vitally important element of the scheme.

There has been significant demand for the RIHL and LAHL since the establishment of the schemes. A total of 3,783 mortgage applications have been approved.

Table 6: LAHL Loans Approved 2018-2022 Q1

	2018	2019	2020	2021	Q1 2022	Total
Loans Approved	1,238	1,097	621	694	133	3,783

Source: DHLGH RIHL and LAHL Approvals Data

Enhanced Leasing Scheme

The Enhanced Long Term Social Housing Leasing Scheme was introduced in 2018. It provides the opportunity for LAs to lease from institutional developers and investors in a manner that delivers

[6] https://www.esri.ie/publications/review-of-the-rebuilding-ireland-home-loan-scheme

social housing at scale. Under the scheme, LAs pay up to 95% of an agreed market rent for a lease term of up to 25 years.

The Housing Agency is the national coordinator for the Scheme on behalf of the local authorities and the DHLGH. The agency provides a number of services including:

- Managing and administering all proposals for the Scheme;
- Overseeing the administration of the leasing agreements and manages the liaison between the LA and the Proposer; and
- Providing guidance on good practice in lease administration and related matters.

Given the long-term implications of the scheme for current expenditure, the role of the Housing Agency in managing and administering proposals for the scheme is crucial as the scheme has the potential to incur significant expenditure in the long-term.

Table 7: Enhanced Leasing Scheme Delivery in Units 2017-2022

	2017	2018	2019	2020	2021	Q1 2022
New Enhanced Leasing Units	0	0	113	0	179	64

Source: DHLGH Overall Social Housing Provision Data

Affordable Housing Fund

The Affordable Housing Fund (AHF) provides Exchequer funding support to local authorities to assist in meeting the cost of delivery of affordable and cost rental homes via an equity share in the property. The fund can provide between €50-100k depending on the size and density of the scheme. Following a Government Decision, as of the 20th September, the AHF grant has been increased to up to €150k per unit for certain cost rental homes.

The AHF replaced the previous Serviced Site Fund (SSF) scheme in June 2021. The SSF was originally established in 2018. The Agency carries out a technical assessment of applications from Local Authorities for AHF funding on behalf of DHLGH. The final assessment and decision is made by DHLGH. Under the SSF, funding of €198 million has been approved in principle in support of 39 projects in 14 local authority areas, which will assist in the delivery of over 4,200 affordable homes.

Croí Cónaithe (Cities)

The Croí Cónaithe (Cities) Scheme is a fund to support the building of apartments for sale to owner-occupiers. The Scheme aims to bridge the current viability gap between the cost of building apartments and the market sale price (where the cost of building is greater). It was launched in May 2022 and is managed and administered by the Housing Agency on behalf of DHLGH. The Housing Agency receives proposals for developments and assesses eligibility and carries out detailed due diligence and an open book assessments on eligible proposals.

The scheme provides a subsidy of up to €120k (or €144k in certain areas i.e. regional cities where lower market prices mean that the viability gap is larger) per unit to the developer on the sale of the apartment. A total of €450m has been allocated to the scheme for the delivery of 5,000 apartments to 2025.

3.3. Support and Advisory Roles

Beyond the Agency's direct and indirect roles in relation to the financing and funding of social and affordable housing, the Housing Agency also provides support and advisory services. These range from practical support to local authorities, to advisory and project management roles, including:

- Advice and support to DHLGH, LAs and AHBs;

- Research services on behalf of DHLGH;
- Technical services to Local Authorities e.g. architecture, quantity surveyors;
- Training and information for housing practitioners;
- Supporting housing policy development and implementation; and
- Delivering the National Housing Strategy for People with a Disability.

Given the role of the Agency in scheme design and implementation, it has developed significant expertise and important data for policy formation. The Agency has carried out research on a wide range of topics in the areas of housing for specific groups (travellers, older people and people with a disability), housing tenure (private rented, social and owner occupied) and housing market (supply, demand, place, design). Under Housing for All, the Agency has been tasked with a key role in the design of schemes implemented by DHLGH including the First Home scheme, the Affordable Housing Fund, and the Town centre First Initiative.

3.4. Additional Functions

Pyrite Remediation Scheme

The Pyrite Remediation Scheme was established in February 2014 to remediate dwellings that have been significantly damaged as a result of pyritic heave caused by the swelling of hardcore under ground floor slabs. The Scheme has been prepared by the Pyrite Resolution Board (PRB) under the Pyrite Resolution Act 2013.The Pyrite Resolution Board were established under the Act, to oversee the implementation of the scheme and to manage the application and appeals process. The Housing Agency, as prescribed under the Act, are tasked with carrying out the remediation of properties accepted into the scheme. The introduction of this scheme marked a move towards the Housing Agency having direct involvement in contracting construction work.

Once a dwelling is included in the Scheme, the Housing Agency will implement the remediation process and will undertake procurement of professional services and the remediation contracts.

Following the completion of the remediation works, a Certificate of Remediation will be provided to the home owner by the Housing Agency. After this certificate is issued, the scheme participant may submit a claim to the Housing Agency to recoup the vouched cost of the alternative accommodation and the cost of removal and storage of the contents of the dwelling subject to certain limits defined in the terms of the scheme.

As of April 2022, the Housing Agency have received 3,101 applications and have remediated 2,357 homes under the scheme. The scheme has been largely successful, the Housing Agency has delivered the scheme within the allocated timeframe and spend despite the challenges posed by the scheme and the need for the Agency to develop capacity and knowledge in procurement and management of construction work.

Table 8: Pyrite Remediation Scheme Applications and Remediation in Units 2014-2022 Q1

	2014	2015	2016	2017	2018	2019	2020	2021	2022 *	Total
Applications Received	620	375	499	469	293	336	192	279	38	3,101
Dwellings Remediated	5	148	400	392	433	512	201	201	65	2,357

Source: Pyrite Resolution Board Statistics

*To April 4 2022

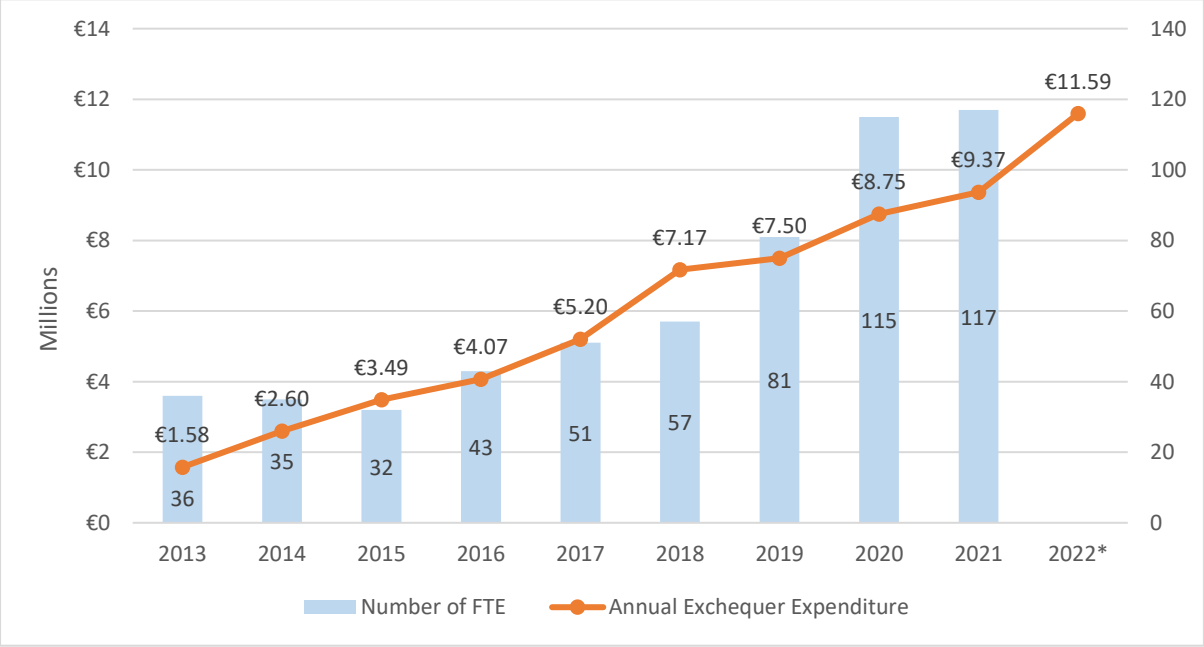
Defective Concrete Blocks Grant Scheme

The Defective Concrete Blocks Grant Scheme provides financial support to homeowners whose properties have been damaged due to the use of concrete blocks that contain excessive amounts of mica or pyrite. The scheme was initially launched in 2020, with a new enhanced scheme signed into law in July 2022 which is yet to commence. The scheme applies to the owners of eligible dwellings in a limited number of locations. Applications are made to the LAs and the Housing Agency act as agents on behalf of the local authorities under the enhanced scheme. Applications received by a local authority will be referred to the Housing Agency to review and determine if the home has met the 'damage threshold' for entry to the scheme. Once a home has met the damage threshold for entry to the scheme, the Housing Agency will arrange the assessment, testing and categorisation process as required and recommend the appropriate remediation option and grant amount.

3.5 Agency Staffing

Since its establishment, the Agency has grown significantly in terms of Exchequer funding, number of full-time equivalents (FTEs), and in its roles and responsibilities. The graph below shows annual Exchequer support for the operation of the Agency from 2013-2022 and the number of FTEs at Q4 for 2013-2021.

Figure 4: Housing Agency Staffing and Operational Expenditure 2013-2022



Source: DPER Public Service Staff Numbers Databank, DHLGH Expenditure Data
*2022 figure relates to the funding allocated to the Agency in Budget 2022.

The number of FTEs employed by the Agency has increased steadily from 36 in 2013 to 117 in 2021, an increase of 225%. In line with this increase, Agency expenditure on pay has risen steadily since 2015, with total pay for 2021 at just over €7m. Average pay has fluctuated year-on-year and was

€59k in 2021. Figures for 2015 include €989k of National Building Agency (NBA)[7] staff costs which were paid through the Housing Agency in 2015, a further €196k of NDA costs were paid in 2016 therefore mean FTE costs for these years may be overstated.

Table 9: Pay Expenditure and Number of FTEs 2015-2021

	2015	2016	2017	2018	2019	2020	2021
Pay Expenditure (millions)	€ 2.3	€ 2.4	€ 3.5	€ 3.9	€ 4.9	€ 6.1	€ 7
Number of FTEs at year end	32.37	43.51	50.71	56.79	80.8	114.59	117.19
Mean Pay per FTE	€ 70,547	€ 55,405	€ 69,565	€ 69,466	€ 60,334	€ 53,451	€ 59,322

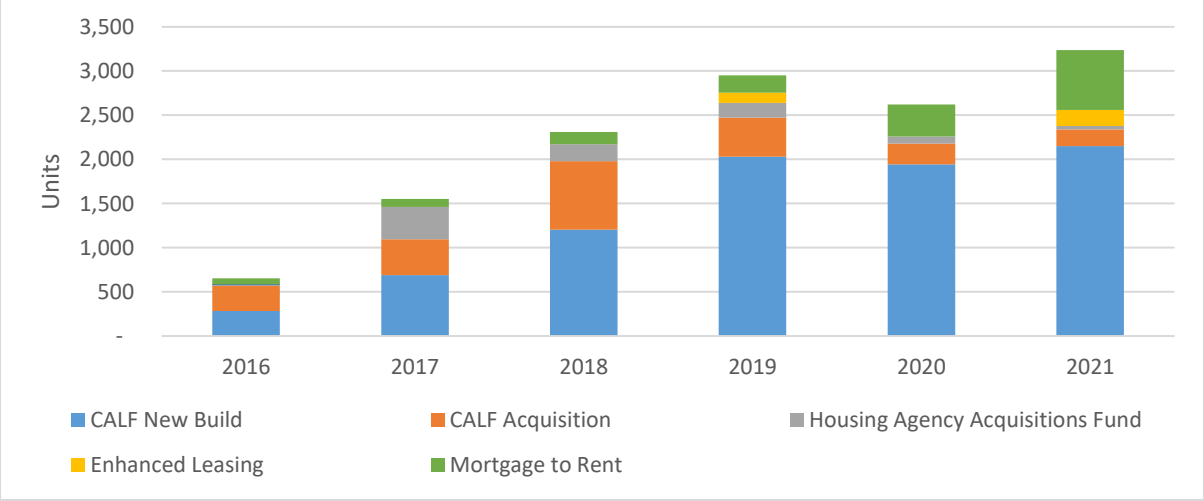
Source: DPER Public Service Staff Numbers Databank, DHLGH Expenditure Data

4. Contribution to Social Housing Delivery

Social housing provision has increased dramatically since 2012, with just over 6,000 new units supported in 2012 compared to almost 23,000 units in 2021, an increase of 268%. 2019 saw the highest level of social housing provision in the period with 28,000 new units supported, this is an increase of 544% compared to 2014, the year with the lowest delivery in the period (4,300 units). In line with this increase, programmes that the Agency plays a direct and indirect role in delivering have grown significantly and as such the impact and the influence of the work of the Agency has increased.

The Agency has a role in the growth of social housing provision. In terms of the direct provision of social housing, as noted in section 3, the Agency operates the Housing Agency Acquisitions Fund which has delivered 868 units since 2016. In terms of indirect provision of social housing, the Agency undertakes the financial assessments of applications for the CALF programme, administration of the Mortgage to Rent Scheme, and coordination of the Enhanced Leasing scheme.

Figure 5: Housing Agency Supported Social Housing Delivery 2016-2021

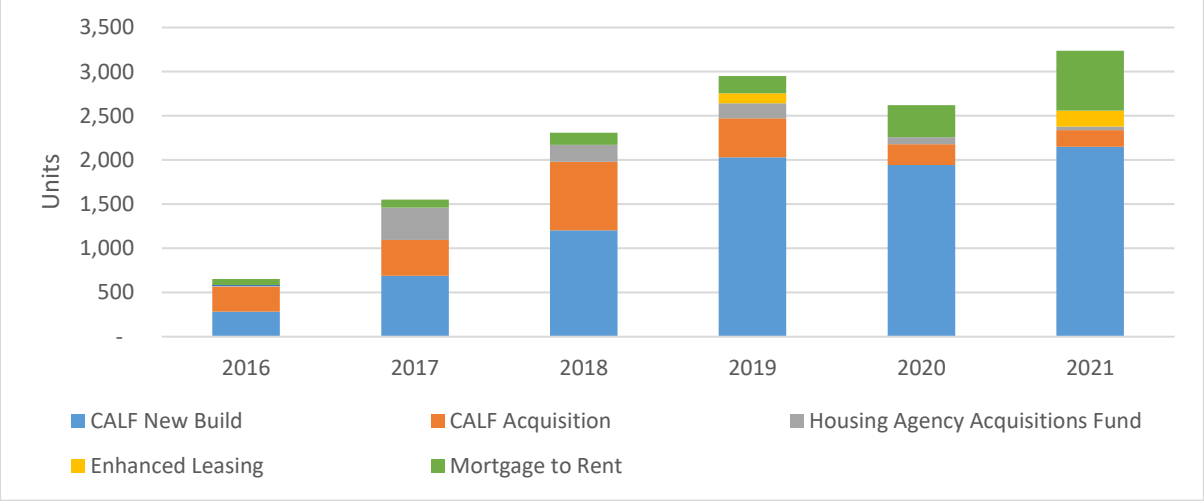


7 The NBA was set up in 1960 with the primary object of facilitating industrial expansion through the provision of houses and ancillary services where this need could not be met appropriately by local authorities or was not being catered for by private enterprise.

Source: DHLGH Overall Social Housing Provision

below shows the number of social housing units delivered between 2016 and 2021 with an either direct or indirect Housing Agency role. The number of units has increased rapidly over the past five years from 652 in 2016 to 3,236 in 2021, a four-fold increase. This has been primarily driven by the growth of the CALF programme, particularly CALF new build delivery which saw a seven-fold increase in unit delivery over the same period.

Figure 5: Housing Agency Supported Social Housing Delivery 2016-2021



Source: DHLGH Overall Social Housing Provision

5. Contribution to Affordable Housing Delivery

Under Housing for All, the Government has placed a renewed focus on the provision of affordable homes for rent and purchase. Housing for All aims to deliver 36,000 affordable purchase homes and 18,000 cost rental homes up to 2030.

Affordable housing is to be provided by both AHBs and LAs through a number of delivery streams. The Affordable Housing Fund provides capital funding mechanism for LAs to deliver affordable housing through the LA Advance Purchase Scheme, the LA Affordable Purchase Scheme, and LA Cost Rental. The Housing Agency carries out a technical assessment of applications from LAs for AHF funding on behalf of the DHLGH.

In addition, the Housing Agency provides the Cost Rental Equity Loan to AHBs for the provision of Cost Rental.

Table 10 below sets out the affordable housing targets and the contribution of the Housing Agency to the delivery of these targets either directly or indirectly as discussed in section 3. The Housing Agency will play either a technical or managerial role in the provision of 12,980 of the targeted 28,780 units from 2022-2026, this is 45% of affordable housing delivery. The proportion of units which require Housing Agency involvement is also set to grow from 30% in 2022 to 67% in 2026 in line with the growth of affordable housing provided by LAs.

Table 10: Affordable Housing Targets 2022-2026 and Housing Agency Roles

Delivery Mechanism	2022	2023	2024	2025	2026	Total
Housing Agency Direct Delivery	700	750	850	850	830	3,980
Housing Agency Indirect Delivery	550	1,400	2,000	1,800	3,250	9,000

Subtotal	***1,250***	***2,150***	***2,850***	***2,650***	***4,080***	***12,980***
Other Delivery	2,880	3,400	3,650	3,820	2,050	15,800
Total Affordable Units	4,130	5,550	6,500	6,470	6,130	28,780
% with Housing Agency Involvement	30%	39%	44%	41%	67%	45%

Source: DHLGH Report on Affordable Housing Delivery

The Agency has also provided assistance to the DHLGH with the preparation of the Affordable Housing Bill 2020 and the Calls for Proposals for the new Cost Rental Equity Loan scheme. While the Agency does not have an ongoing role in the provision of the First Home scheme, the Agency has supported the DHLGH in the development of the scheme in a number of technical areas through the provision of affordability calculations, legal advice, and financial modelling.

The Housing Agency also provides assessment and underwriting services for the Local Authority Home Loan which, while not included in the Housing for All affordable targets, is a key affordability support. To August 2022, it has provided approval-in-principle for over €1bn in loans for the purchase of 5,971 homes.

The Housing Agency also manages the Croí Cónaithe (Cities) fund. The Agency will receive proposals for developments and will assess eligibility and carry out detailed due diligence and an open book assessment on eligible proposals. There is €450m available in the fund for the delivery of 5,000 units.

6. Capital and Current Expenditure Flows

6.1 Housing Programme Capital Expenditure

Capital expenditure on the housing programme is predominantly driven by social housing delivery through the build, acquisition, and leasing programmes. The table below summarises annual capital expenditure on the build acquisition and leasing programmes. The Housing Agency has a direct role in the delivery of units under the CALF build programme, the Housing Agency Acquisitions Fund, and the AHB Mortgage to Rent scheme as discussed in section 3 of this paper.

Table 11: Capital Expenditure on the Build, Acquisition and Leasing Programmes in €M

Programme	2018	2019	2020	2021	Total
	€M	€M	€M	€M	€M
Build					
CALF	92	135	176	226	630
Other Build (LA and AHB CAS)	610	692	855	846	3,003
Total Build	**703**	**827**	**1,031**	**1,072**	**3,633**
% of Build Delivery with HA Role	13%	16%	17%	21%	17%
Acquisitions					
Housing Agency Acquisitions (CALF)	10	7	7	5	29
Other Acquisitions (LA and AHB)	408	488	274	322	1,492
Total Acquisitions	**418**	**496**	**280**	**328**	**1,521**
% of Acquisitions Delivery with HA Role	2%	2%	2%	2%	2%
Leasing					
AHB MTR Lease	4	9	7	13	33
Other Leasing	2	2	2	3	9

Total Leasing	**6**	**11**	**9**	**16**	**41**
% of Leasing with HA Role	73%	83%	73%	82%	79%
Total Build, Acquisition and Leasing Expenditure	1,126	1,333	1,321	1,415	5,196
% of Total Delivery with HA Role	9%	11%	14%	17%	13%

Source: DHLGH Expenditure Data

Government expenditure on the build acquisition and leasing programmes has increased by 26% since 2018. In the same period, the level of expenditure that involves the Housing Agency has increased by 129%. As such, while the level of state intervention has increased, the role of the Housing Agency has grown at a significantly faster rate. This has been primarily driven by the growth of the AHB sector which has led to increased expenditure under the CALF programme, and an increase in leasing expenditure, all of which is coordinated by the Housing Agency.

In total, between 2018 and 2021, 13% of capital expenditure on the build acquisition and leasing programmes involved assessment, appraisal, or management by the Housing Agency, amounting to a total spend of €700m over a four year period. Agency involvement varies significantly from programme to programme. While 79% of capital expenditure on the leasing programme is assessed by the Agency, it is involved in just 2% of expenditure on acquisitions.

7. Growth of the AHB Sector

AHBs deliver long-term social housing through the CALF, the Capital Assistance Scheme (CAS) and the Social Housing Current Expenditure Programme (SHCEP). Under Housing for All, AHBs have also begun to deliver Cost Rental under the Cost Rental Equity Loan. The AHB sector has significantly expanded in recent years. Table 12 below shows AHB social housing build capital expenditure under the CALF and CAS.

Table 12: LA and AHB Build Programme Expenditure 2018-2022 H1

Delivery Stream	2018	2019	2020	2021	2022 H1
	€M	***€M***	***€M***	***€M***	***€M***
LA Build	**588**	**667**	**824**	**800**	**234**
CAS Build	23	21	30	32	13
CAS Turnkey	-	4	1	14	1
CALF Build	19	35	32	33	14
CALF Turnkey	74	100	144	193	54
Total AHB Build	**115**	**160**	**207**	**273**	**82**
Total Build Programme Capital Expenditure	***703***	***827***	***1,031***	***1,073***	***316***
Total AHB Build HA Assessed[8]	92	135	176	226	68
% of AHB Build Expenditure HA Assessed	81%	84%	85%	83%	83%
% of Total Build Expenditure HA Assessed	13%	16%	17%	21%	22%

Source: DHLGH Expenditure Data

The Agency provides a number of crucial supports and services to the AHB sector. Most notably, the agency is responsible for the financial appraisal of CALF-P&A applications which deliver units under the CALF programme (discussed in section 3). The Housing Agency's technical assessment role ensures that AHBs receive the appropriate level of CALF loan funding for their projects. The CALF

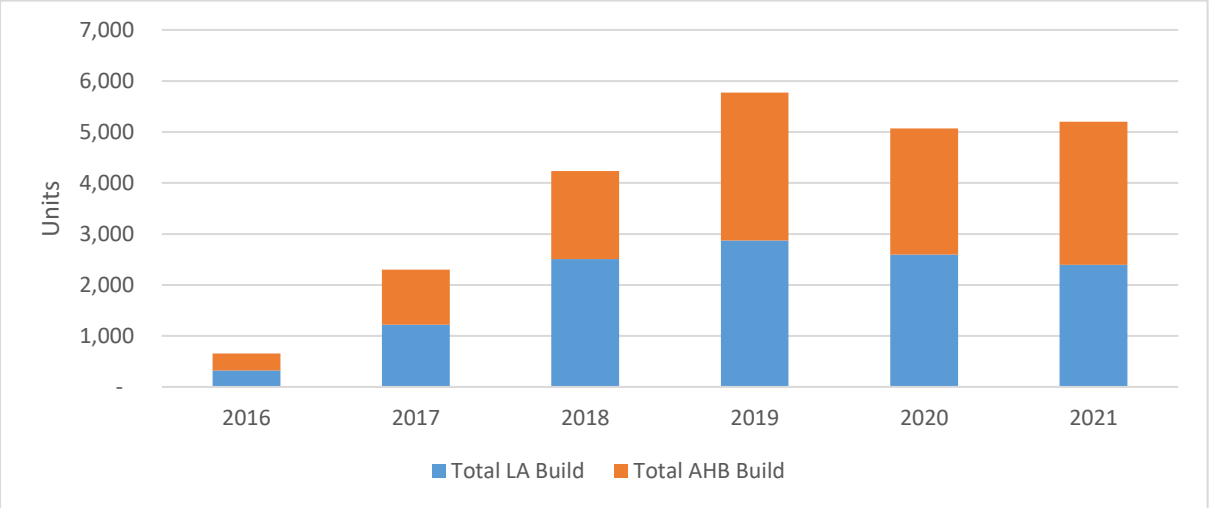
[8] Programmes for which financial applications are assessed by the Housing Agency i.e. CALF Build and Turnkey.

programme has grown significantly in recent years and is now the primary source of funding to AHBs for social housing delivery. The CALF programme accounted for an average of 83% of annual AHB capital expenditure and from 2018-2021, and accounted for an average of 17% of all build programme capital expenditure.

In terms of unit delivery, the AHB sector has also grown significantly. In 2021, AHBs delivered 2,809 build units. This represents 54% of overall build. In 2018, just 41% of build delivery was delivered by AHBs. In absolute terms, AHB delivery increased seven-fold between 2016 and 2021. Figure 6 below shows LA and AHB build delivery in the years 2016-2021.

AHB delivery requires a greater level of Housing Agency involvement compared to LA delivery which is largely managed by LAs and DHLGH without assessment from the Agency. The Agency also operates an AHB Services Unit which provides assistance to the DHLGH, AHBs and Local Authorities to support AHB led delivery. This unit is of particular importance to the delivery of the CALF programme and to delivery from smaller AHBs which may lack technical, administrative, or design capacity. As a result of the close links between the Agency and AHBs, the growth of the AHB sector has led to increased demand for Agency services and has resulted in an increased proportion of Housing programme expenditure being assessed by the Agency.

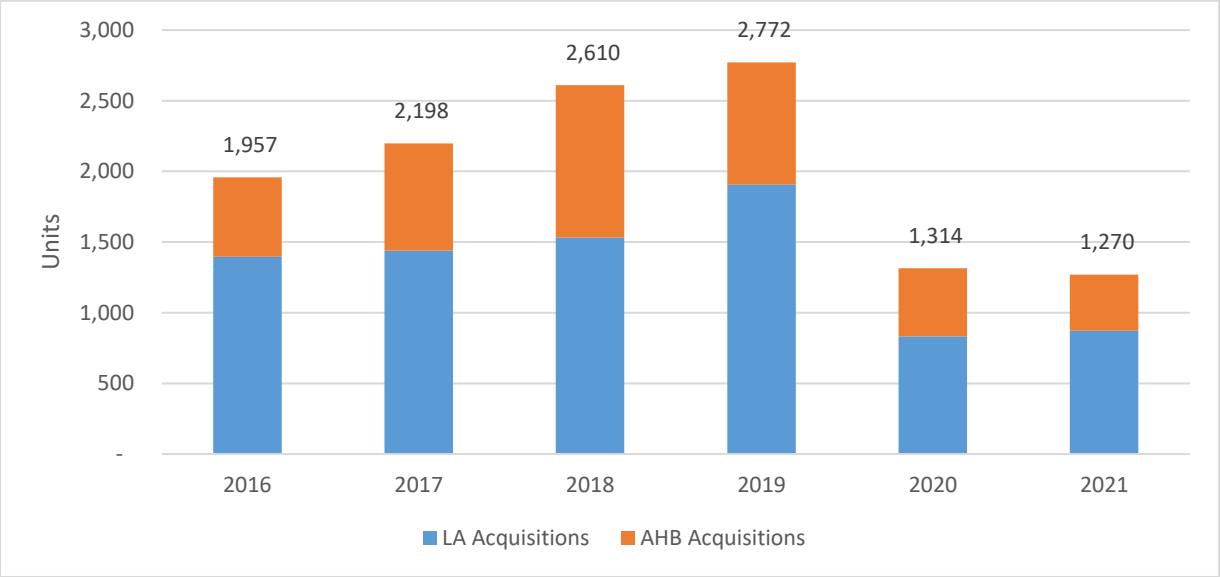
Figure 6: LA and AHB Build Delivery 2016-2021



Source: DHLGH Overall Social Housing Provision Data

AHBs have delivered an average of 24% of acquisitions over the past 6 years and delivered 31% (398 units) in 2021. Total acquisitions have decreased in recent years in line with Government policy to move towards direct build social housing making up a greater share of delivery. While the share of acquisitions delivered by AHBs has fluctuated over time it has increased form 29% in 2016 to 31% in 2021 though the actual number of acquisitions delivered by AHBs has decreased from 867 in 2019 to 398, a reduction of 54%, in line with reducing targets for acquisition delivery.

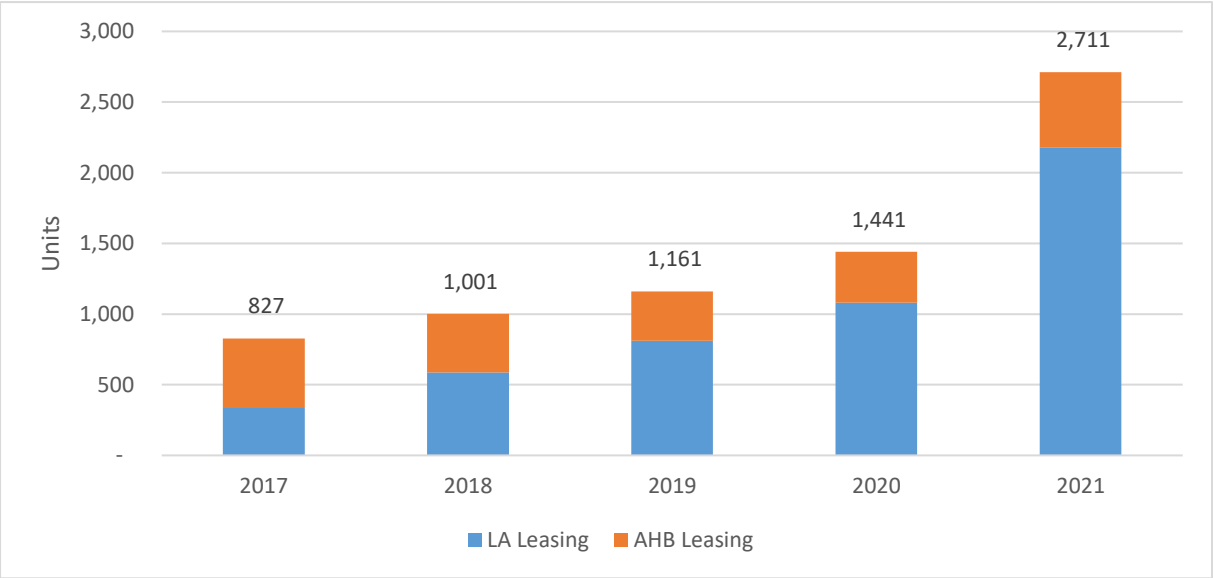
Figure 7: LA and AHB Acquisition Delivery 2016-2021



Source: DHLGH Overall Social Housing Provision Data

In terms of leasing delivery, the share of leasing units delivered by AHBs has fallen from 59% in 2017 to 20% in 2021 however the number of AHB lease units delivered has actually increased from 492 units in 2017 to 535 units in 2021, an increase of 9%. It is notable also that approximately 78% of expenditure on leasing programmes, both LA and AHB delivered, requires coordination and assessment by the Housing Agency and the overall leasing programme has grown by 228% (1,884 units) since 2017.

Figure 8: LA and AHB Leasing Delivery 2017-2021



Source: DHLGH Overall Social Housing Provision Data

8. Governance and Risk Management

The Housing Agency is governed by a Board appointed by the Minister of Housing, Local Government and Heritage. As per the establishing order of the Agency, the Board comprises of:

- A Chairperson appointed by the Minister;
- One serving officer from the DHLGH;
- One serving officer from the Department of Public Expenditure and Reform;
- two members nominated by the County and City Managers Association, one of whom shall be a serving County or City Manager, and one of whom shall be a serving Finance Officer;
- a person nominated by the Irish Council for Social Housing;
- the Chief Executive Officer of the Housing Agency; and
- such other persons, not being more than two, as the Minister may from time to time consider appropriate.

The Board is accountable to the Minister for Housing, Local Government and Heritage and is responsible for ensuring good governance. The Board performs this task by setting strategic objectives and targets and taking strategic decisions on all key business issues. In line with the requirements set out in the Code of Practice for the Governance of State Bodies[9], an external Board Effectiveness and Evaluation Review was conducted in 2020. In addition, the Board self-evaluation assessment for 2020 was issued in January 2021.

The Board was originally required to consist of at least seven and not more than nine members. In March 2022 the Board expanded from a maximum of nine to eleven members. The term of office of a Board member is five years. The quorum for meetings of the Board is three members. The Board currently has eight members made up of five men and three women. Additional Board members are to be added in the near future. The Code of Practice for the Governance of State Bodies sets target that each State board should have at least 40% representation of each gender.

[9] https://www.gov.ie/en/publication/7adff-governance/

The Board established Advisory Panels to broaden engagement with stakeholders and to avail of a range of expertise. Three panels were in place and operating during 2020:

- Research and Insights
- Supply and Affordability
- Homelessness.

The Board has also established an Audit and Risk Committee (ARC) to oversee the key areas of financial and risk management. The ARC comprises of three Board members and one independent member. The role of the ARC is to support the Board in relation to its responsibilities for issues of risk, control and governance and associated assurance. The ARC is independent from the financial management of the organisation. The ARC ensures that the internal control systems, including audit activities, are monitored actively and independently. The ARC reports to the Board after each meeting, and formally in writing annually.

8.1. Effectiveness of Governance Arrangements

An external Board Effectiveness and Evaluation Review was conducted in 2020 by Grant Thornton. The objective of a review of this nature is to ensure that the Board and its members are performing effectively in their governance role on behalf of the organisation. The review found that the performance of the Board is in line with the requirements of the Code of Practice for the Governance of State Bodies and highlighted a number of areas of strength such as experience of Board members, willingness to improve performance, and the strategic focus of the Board. It also highlighted areas for development including diversity, housing expertise, risk appetite, and development of Board members.

The Review also examined the effectiveness of the ARC and found that the Committee is generally compliant with best practice. It is notable however that the ARC is responsible only for managing internal risk. The nature of the work of the Agency means that it also manages significant risk to Local Authorities through its role in the CALF programme and the Local Authority Home Loan. Under the Local Authority Home Loan, the Housing Agency conducts the underwriting assessment for each application and then makes a recommendation to the Local Authority on the basis of this recommendation. It is the LA that then issues the mortgage to successful applicants and therefore assumes the risk involved. Similarly, under the CALF programme, the CALF-P&A financial assessment is carried out by the Housing Agency in order to determine the appropriate level of funding that DHLGH should provide.

While this Spending Review does not attempt to assess the risk management and underwriting capabilities of Local Authorities or DHLGH, it is notable that these functions have been delegated to the Housing Agency. Risk assumed by the LAs or DHLGH would not come under the remit of the Agency, its Board, or the Audit and Risk Committee.

It is notable also that the Code of Practice for the Governance of State Bodies (2016) requires that parent Departments carry out a Periodic Critical Review (PCR) of their agencies every 5 years. As outlined in the Code of Practice, the objective of the review process is primarily to secure improvements in accountability, efficiency and effectiveness but also to scrutinise objectively the case for rationalisation and consolidation of public bodies in light of changing requirements, demands and priorities. The review process should also assess the extent to which the governance structure of each public body and the Department's oversight of that body (if appropriate) is consistent with its legislative underpinning and is strongly aligned to the business needs of the body.

While uptake of PCRs has been limited across government departments, to date no PCR of the Housing Agency has been completed. Given the scale of responsibility of the Agency, conducting a PCR should be of the highest priority for DHLGH.

Given the extensive role of the Housing Agency in the delivery of social and affordable housing, and its role in the provision of research, advisory, and technical services, it is important that there is an adequate formalised performance-related reporting mechanism in place. The Code of Practice for the Governance of State Bodies requires that a Performance Delivery Agreement and arrangements for oversight, monitoring and reporting on conformity with Government policy be put in place for all state bodies. This allows for effective accountability, a clear, shared understanding of roles and responsibilities, and is an important element of risk management.

9. Key Findings

Government intervention in the housing sector has increased since the establishment of the Housing Agency in 2012. At the time of its establishment, the role of the Agency was to work with and support LAs, AHBs, and the DHLGH in the delivery of housing and housing services by offering a broad base of shared and centralised services through practical, research, and technical expertise. While this remains the case today, the Agency has taken on a number of roles which involve either the complete or partial delivery of schemes which play a central role in the provision of social and affordable housing. At the same time, the agency has increased its staffing count by 260% and pay expenditure by 204%.

The Agency has been delegated key roles in the delivery of the Pyrite Remediation scheme, the Defective Concrete Blocks Grant Scheme, the Croí Cónaithe (Cities) fund, and the Cost Rental Equity Loan. In terms of affordable housing delivery, the Housing Agency will play either a technical or managerial role in the provision of 12,980 of the targeted 28,780 units from 2022-2026, this is 45% of affordable housing delivery. The proportion of units which require Housing Agency involvement is also set to grow from 30% of units in 2022 to 67% in 2026 primarily driven by the targeted growth of affordable housing provided by LAs.

In terms of social housing delivery, the Agency plays a significant role in build, acquisition, and leasing of social housing. Overall, 13% of expenditure on these programmes was assessed or coordinated by the Agency between 2018 and 2021. While Government expenditure on these programmes has risen 26% during the four year period, the level of funding assessed by the Housing Agency has risen 129%. This has been primarily driven by increasing expenditure under the CALF and leasing programmes.

The Agency is governed by a Board appointed by the Minister of Housing, Local Government and Heritage. An external Board Effectiveness and Evaluation Review which was conducted in 2020 review that the performance of the Board is in line with the requirements of the Code of Practice for the Governance of State Bodies. It is notable however that the Agency provides technical assistance to LAs and DHLGH on a number of schemes that involve risk to the Exchequer, most notably CALF and the LAHL, without actually having full responsibility for the funding of these programmes. In order to ensure appropriate risk management, DHLGH should ensure that there is sufficient oversight of the Agency through an up-to-date performance-related reporting mechanism.

The Agency is increasingly functioning as a technical arm of the DHLGH and is playing a key role in research and analysis, scheme design, scheme implementation and management. Given the increased role of the agency and in particular the recent rapid expansion in terms of the number of

schemes either fully or partly delivered by the Agency, the DHLGH should prioritise the completion of a Periodic Critical Review of the Agency.

The Agency is well positioned to undertake research and analysis on the housing sector, it plays a central role in scheme design, implementation and management and through these processes generates large amounts of data and analysis which is highly relevant to policy development. While the Agency does produce a large volume of research, it should be ensured that the data and expertise within the Agency continues to be adequately leveraged for strategically-focussed policy research.

This paper has also highlighted the growth in the AHB sector in recent years. Given the significant reliance on AHBs for social and affordable housing delivery, research into the overall structure of the AHB sector and the capacity of AHBs to deliver should continue to be prioritised. A welcome development in this area is the completion of a recent review of the role, contribution, and future development of the AHB sector by the Housing Agency on behalf of DHLGH. This type of work should be leveraged to inform future policy development in this area.

Unlike other Spending Reviews on the housing programme which have typically focussed on specific areas of expenditure, this paper reviews the role and growth of a non-commercial state agency under the aegis of a Government department. It has provided an opportunity to highlight the growth of the Agency and the vital work it is undertaking. It has also been useful in identifying the level of risk transfer from DHLGH to the Housing Agency. Other departments should leverage these types of Spending Reviews to support the PCR process and to inform the selection of agencies for PCRs.