

Opening Statement to the Joint Oireachtas Committee on Housing, Planning and Local Government
on Thursday 8th February 2018 on Reclassification of AHBs

Chair, members of the Committee,

On behalf of the Department of Housing, Planning and Local Government I would like to thank you for inviting us here today to discuss the issue of reclassification, by the Central Statistics Office, of Approved Housing Bodies or AHBs as they are more commonly known, from Non Profit Institutions Serving Households to being part of the local government sector for Government Accounting purposes.

My name is David Smith from the Housing Funding Mechanisms Unit in the Department which is the main Unit interacting with the CSO on this matter. I am joined by my colleague Ms. Nina Murray who is Head of the Social Housing Leasing Unit which, among other matters, oversees the Department's Capital Advance Leasing Facility and Payment and Availability funding framework available to AHBs for social housing. We are part of two Divisions within the Department that are responsible for developing policy and overseeing its implementation on housing, including social housing.

The current situation in relation to the demand and provision of social housing is set out in the recently published summary of social housing assessments. The assessment shows progress is being made in tackling the existing housing shortage and meeting the social housing needs of eligible households on local authority waiting lists. However the Department also acknowledges the significant challenges that we continue to face, in meeting housing needs and providing social housing for those on housing waiting lists, as well as ensuring a wider housing supply across all tenures, and particularly at affordable prices to purchase and rent.

The Government has responded to this challenge with the *Rebuilding Ireland Action Plan on Housing and Homelessness*. The Plan, which was revised by the Government last year, has set ambitious targets under 5 pillars including the provision of 50,000 additional social housing homes by the end of 2021, through building new homes, acquisitions, filling voids and leasing. On foot of the additional €500m capital resources secured in Budget 2018 and the mid-term review of the Capital Plan, the revised target figures are 40,000 new builds, acquisitions or voids and 10,000 under leasing arrangements.

Under the Plan the Approved Housing Bodies have an important role to play in providing homes for those in need of social housing, both through new social housing stock as well as through leasing arrangements. The objective is for them to provide approximately a third of the new social housing homes under the *Action Plan*. The AHBs have already played a significant part, as they have provided 3,490 out of the 12,780 new social housing homes provided under the *Rebuilding Ireland Action Plan* in the last two years. As the Minister announced at the recent Housing Summit, while we expect that a greater percentage of new house building will be undertaken by local authorities into the future, in accordance with targets set for each of them last month, the AHBs will continue to have an important partnership role with Local Authorities in the provision of social housing.

Following the CSO's review of the AHB sector back in 2014, that Office undertook a further review, at the request of Eurostat in October 2016. To assist this review the Department was requested to submit information regarding the governance and funding of AHBs and the relationship between the sector and the Department and local authorities. The Department and the interim AHB regulator, which is based in the Housing Agency, actively engaged with the CSO in this work to gather information to inform the review and address any queries comprehensively. We provided detailed responses to these requests. We also met the CSO on a number of occasions to clarify any issues arising from the information we submitted.

Mindful of the CSO's independence in making decisions on such matters, the Department strongly put forward the view that Approved Housing Bodies are independent private bodies, and the basis on which they are operating has not substantially altered since the previous review in 2014. While a particular emphasis was placed by the CSO/Eurostat on the levels of State funding being provided to AHBs, the Department emphasised that other factors also need to be considered in testing whether the Government exercises effective control over the operations of AHBs, namely that:

- AHBs decide their own strategic and management priorities;
- The Boards of the bodies themselves make the decisions on entering contracts and taking out loans and bear the risk of developing new projects;
- By definition, to be approved as an AHB, a body must be a Limited Company, or Society registered or a Trust incorporated under the Charities Acts;
- AHBs register their tenancies with the Residential Tenancies Board in the same way as private for-profit landlords, which is unlike the situation applying to local authority tenancies; and,

- AHBs themselves are responsible for all matters of management and maintenance. It does not fall to the State to address any action taken by the tenant for redress taken against the Approved Housing Body.

The CSO has now made a decision which it has submitted to Eurostat for a final determination. Following an initial outline briefing of the CSO's decision and rationale before Christmas, the Department received the redacted version of the submission from the CSO to Eurostat on 15th January. We have been examining this documentation in detail in order to precisely understand the basis on which the decision was made and assess the full implications of it.

As our colleagues from the Department of Finance have already stated, the initial assessment is that all expenditure, by the 14 of the 16 Tier 3 AHBs which have been reclassified, will in future count as expenditure in the local government sector. Any borrowing by the reclassified bodies will count as part of general government debt. In financial terms, an initial rough estimate is that in relation to the social housing building and acquisition programme it would add, on average, approximately €250m each year to general government expenditure, to be counted in the local government area. This would not as far as we understand it have any impact on the Exchequer figure but would be captured in the wider local government expenditure. I stress that this is very much a provisional figure and we have a lot of work to do to fully calculate the financial estimates and impacts within the sector.

In view of the potential consequences of this decision and the prospect that borrowing and expenditure for the provision of social housing by AHBs could now count as being on the Government's balance sheet, Minister Murphy has signalled his intention to set up a cross-Departmental, cross-Agency working group to:

- (a) assess fully the potential fiscal impact of reclassification in the context of the commitment to deliver 50,000 new social housing homes under the *Rebuilding Ireland Action Plan*, and
- (b) report on the implications for Government expenditure and borrowing, with a view to identifying what measures can be taken in mitigation, given that the planned delivery of social housing will not change.

The group which will be made up of officials from my own Department and the Departments of Finance and Public Expenditure and Reform, along with representatives from the Housing Agency

and the Housing Finance Agency, will report back to Government within a short time frame. It is important that the Working Group also engages with the AHB sector in the course of its deliberations, to ensure that there is a full understanding of impacts while at the same time following through on projects committed to and being advanced in 2018 and beyond. Minister Murphy has communicated to both the local authorities and the AHB sector that this accounting issue will not affect his ambitious plans under *Rebuilding Ireland*.

I hope this provides a useful summary of the issue and both Nina and I are happy to provide any clarifications or answer any questions that members may have.

Thank you.