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Housing Ireland: Trends in Spending and Outputs of Social and State Supported Housing 2001-2020

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Séanadh

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Introduction

The issue of access to housing – both social and private affordable – has become a central area of concern for citizens, policy makers, and politicians in recent years. Exit poll results from the 2020 General Election pointed to 26% of the total electorate citing ‘housing’ as being their primary concern when voting (second behind health, 32%), while it was the number one priority for all voters under the age of 49.¹ Indeed, access to *social housing* is one of the principles of the European Pillar of Social Rights which acts as a guide for Member States to better deliver on the shared rights of their citizens.² Access to housing in general is considered a Core Essential (along with health, energy, and food) in the ‘Roadmap for Social Inclusion 2020-2025’ published by the previous Government.³ Ultimately, the aim of Irish housing policy and Exchequer spending on housing is to ensure that *“every citizen in the State should have access to good quality homes:*

- *to purchase or rent at an affordable price*
- *built to a high standard and in the right place*
- *offering a high quality of life”.*⁴

The housing sector is broad and complex, with many interlinking components which cannot be dictated or controlled by a centralised approach. There are numerous factors which are beyond the scope and direct control of government which may impact delivery of housing stock – construction cost inflation, access to sufficient skilled labour,⁵ the financing of private sector construction investment, etc. However, with the State effectively the largest property owner, landlord and tenant, it should be in a position to create the long-run conditions whereby Exchequer investment in the sector offers optimum returns.

For the purpose of clarity, social housing in an Irish context is defined as *“housing provided by a Local Authority or a housing association to people who cannot afford housing from their own resources”*. This includes properties rented or leased from the private sector by Local Authorities or voluntary housing bodies.⁶ Private rental funding schemes such as the Housing Assistance Payment (HAP) are described as social housing supports that provide housing ‘solutions’.⁷ In addition, the rental costs of a sizeable cohort of households in the private rental sector are supported financially through the Rent Supplement income support.

1 *Detailed election 2020 exit poll results: How voters answered 15 questions*, The Irish Times (Feb 2020).

2 *The European Pillar of Social Rights*, European Commission (Nov 2017).

3 *Roadmap for Social Inclusion 2020-2025*, Department of Social Protection (Jan 2020).

4 *Housing for All – a New Housing Plan for Ireland*, Government of Ireland (Sep 2021).

5 While Government policy can be used to make skilled trades and apprenticeships more attractive employment prospects, guaranteeing the correct level and mix of skilled labour within the work force is mostly outside the remit of policy intervention.

6 *Review of Irish Social and Affordable Housing Provision*, NESC Secretariat Papers, Paper No. 10, (Jul 2014) (p.5).

7 Social Housing Supports are defined in S.19(2) of the *Housing (Miscellaneous Provisions) Act 2009*.

This paper will specifically focus on the provision of social and State supported housing through direct Exchequer funded measures administered by Government Departments, *Local Authorities*, and approved third parties. Through this analysis of spending and output trends, the average cost of unit delivery is estimated with comparisons made between the costs of current and capital delivery.

At end-2020, the number of households eligible for social housing support but with an *unmet* need was 61,880 (containing minimum of 112,000 people). In addition, a further 59,821 households were in receipt of HAP at the same point (containing an estimated minimum of 157,000 people). These cohorts are analysed and assessed, and a cost estimation of housing the approximately 260,000 eligible people (including children) via capital funded, long-term measures is presented.⁸

Government policy around the methods of financing and delivery of social housing units has shifted and altered in recent decades. The pre-2008 focus on capital spending and delivery of long-term social housing units was replaced – via policy choice and economic necessity – by an increased use of current funded, short-term but more immediately available housing schemes. Recent years have seen capital funded measures again become a key component of the State’s social housing policy, though delivery remains significantly below previous peak outputs. Notwithstanding increased capital spending, current spending is responsible for meeting the social housing needs of a greater number of new households annually.

The following analysis sets out the trends in spending on social housing – both current and capital – and attempts to provide a link to the outputs achieved in the various schemes set out in the glossary. While acknowledging improvements in linking performance metrics to outputs in the *Revised Estimates for Public Services*, linking outputs reported elsewhere to specific allocations (subheads) is complicated by the format and accessibility of the data available – limiting Members’ ability to effectively scrutinise the State’s performance on social housing delivery.⁹ Detailed spending information held by the Department is not available publicly, particularly with respect to recent historic trends and therefore aligning spending to outputs is unnecessarily complex. The Department’s statistics hub could be enhanced with additional data to this end. Further, the Department’s statistics hub would be enhanced if the Department’s data was presented alongside data from bodies under the aegis of the Department.¹⁰ The PBO’s analysis has relied on the use of multiple data sets from several sources that cannot easily be amalgamated.

⁸ This paper treats Social Housing Supports, particularly HAP, as an ongoing need as these supported households are not directly housed by Local Authorities or AHBs. While additional protections have been introduced in recent years, these forms of tenancies (in the private market) are subject to increased precarity when compared to the stability provided through Social Housing delivered by Local Authorities and/or AHBs. See ‘Box 2: Unmet Social Housing Demand in Ireland’ page 21.

⁹ Reporting of Rebuilding Ireland/Housing for All targets and outputs would be enhanced if the various delivery streams were clearly linked to the subheads funding those streams in the *Revised Estimates for Public Services*.

¹⁰ In particular, it is important to understand the existing stock of social housing nationally, and by Local Authority. This data is collected by the National Oversight and Audit Commission (NOAC), a body under the aegis of the Department of Housing, Local Government and Heritage.

Key messages

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Context

- **At year-end 2020, an estimated 113,000 rental tenancies** (including tenancies supported by leasing from the private sector and AHBs but excluding those directly with a Local Authority) **were supported by State funding. This accounted for 38% of the 298,000 rentals registered with the Residential Tenancies Board (RTB).**
- **Unmet social housing needs** are those households who qualify for social housing supports but are not currently housed in Local Authority owned or funded accommodation. This group includes Rent Supplement recipients but, importantly, excludes Housing Assistance Payment (HAP) supported households.
- The Rebuilding Ireland 2016-2021 housing plan has delivered 44,228 social housing units (build, acquisition and lease) up to end-Q3 2021. However, social housing 'solutions' delivered via HAP and Rental Accommodation Scheme (RAS) supported rentals account for 97,206 or 69% of Rebuilding Ireland's cumulative delivery.
- At the end of 2020 there were **61,880 households with an unmet social housing need** – including 32,204 lone adult households and 13,331 lone parent families.
- Based on lower bound calculations of household composition, the PBO estimates that this would constitute a **minimum of 111,767 people (including children).**
- At end-2020 a further **59,821 households** were in **potentially precarious private rental HAP tenancies** accounting for an estimated **minimum of 152,000 people (including children).**
- Therefore, within these approximately 122,000 households, there are upwards of **260,000 people eligible for, but not yet in receipt of, long-term social housing.**

Social Housing Policy in Recent Years

- The trends in direct Exchequer spending on social and affordable housing since 2001 have broadly mirrored the State's economic performance over the same period. This procyclical nature of funding for the sector has resulted in **inconsistent outputs being achieved.**
- Pre-2009, 69% of the total spend on State funded housing was via capital budgets, reducing to as low as 25% of funding by 2014. Recent years have seen the spending allocations split more evenly between capital and current measures.
- Policy decisions necessitated by the impact of the "Great Recession" saw greater emphasis – and significant resources – directed to delivery of housing via current funding, primarily through the private rental sector.
- The expansion of current funded housing delivery programmes post-2008 was borne out of economic necessity. Reductions to capital budgets are more easily implemented for a variety of reasons. Current funded measures allow for greater numbers of tenants to have their immediate housing needs met in a shorter space of time for lower upfront costs. However, many of the tenancies are subject to the volatile market dynamics which exist in the private rental sector.

Spending

- **Between 2001 and 2020 approximately €16.29 billion was spent on capital funded housing, while €12.85 billion was spent on current funded measures (including Rent Supplement).**
- From 2005 to 2020, in excess of €8.9 billion was spent by Local Authorities and almost €1.9 billion by Approved Housing Bodies in the delivery of 95,478 capital funded housing units, from Voted allocations and Local Property Tax contributions.
- In nominal terms, Voted current spending on housing has increased from **€300 million in 2001** to **€1.25 billion in 2020**.

Commentary/Analysis

- On balance, there is a need for Local Authorities to make available a suite of delivery measures which best address the particular market conditions in their regions when seeking to meet the needs of those requiring housing supports.
- Where long-term social housing needs are identified, capital investment offers better Value for Money in the longer-term (albeit the timelines for this value to be realised will vary depending on the comparative cost of current supply in the same area). Priority should thus be given to the supply of capital units in areas, or unit types, where this value can be achieved more promptly.
- PBO estimates suggest that, when rental inflation is accounted for, the cost of a State supported rental/lease tenancy would intersect the lower bound average cost of delivery (€250,000 at 2020 prices) for a typical three-bedroom Local Authority/AHB housing unit in approximately 18 years. For context, it would take 14 years of national average private rental costs and 11 years at the Dublin average, to achieve the same cost.
- Taking account of the Departmental housing build cost estimates in 2020 for various property types, the PBO estimates that the **cost of delivery for all currently eligible households with an unmet need would be at least €14.3 billion**. Similarly, an **estimated cost of over €15 billion would be required to provide a unit of housing for all HAP tenancies through capital means. Both estimates are based on 2020 build costs.**
- These estimates do not include any ongoing costs associated with maintaining the housing stock such as Local Authority insurance, repair and upkeep, related employee pay etc.

Implications of Housing Supply Issues

- In the absence of sufficient supply of housing units, both social and private, there will be increased pressure on the available rental stock. This will have an ongoing inflationary effect on rents for both private renters, and for the Exchequer through its current funded schemes.
- **A constrained supply of rental properties and increases in rental costs will significantly impact those at the margins** i.e., households who do not qualify for housing supports, but who struggle to find affordable or suitable accommodation.
- Long-term, the scale of development required to deliver the desired level of housing units – along with the capacity of the construction sector to deliver these units promptly – is likely to pose a more significant challenge to meeting housing needs (both social and private) than the temporary disruption caused by public health measures in response to the pandemic.

Data Issues

- Notwithstanding improvements in performance information reported in the *Revised Estimates for Public Services (REV)*, linking housing outputs reported outside of the REV to Voted allocations is complicated by the format and accessibility of data and the consistency in which it is described or presented – limiting Members’ ability to effectively scrutinise the State’s performance around social housing delivery.
- Information relating to total social housing stock (owned by Local Authorities) is not collected by the Department of Housing, Local Government and Heritage nor presented to Members in the context and impact indicators in the *Revised Estimates for Public Services*. The PBO believes the reporting of this information would aid parliamentary scrutiny.

Glossary

General Terms

Social Housing – Housing that is provided by a Local Authority or a housing association to people who cannot afford suitable housing from their own resources. This includes housing owned by either Local Authorities or Approved Housing Bodies, and properties rented from the private rental sector where rents are funded in part or full by Local Authorities. The statutory definition of a social housing support is set out in *Section 19 of the Housing (Miscellaneous Provisions) Act 2009*.

Local Authority Housing – Housing provided to eligible persons where the tenancy is directly with the Local Authority (LA), including any accrued rental payment obligations.

Approved Housing Bodies – Approved Housing Bodies (AHBs) (also called housing associations or voluntary housing associations) are independent, not-for-profit organisations. They provide affordable rented housing for people who cannot afford to pay private sector rents or buy their own homes; or for particular groups, such as older people or homeless people. AHBs work in partnership with Local Authorities receiving nominations from the Local Authority social housing waiting list for available accommodation provided by the AHB. They are typically in receipt of both Exchequer capital funding (grants for building/acquisition) and current funding (lease payments for social housing tenants).

They are regulated by the Approved Housing Bodies Regulatory Authority (AHBRA) under the *Housing (Regulation of Approved Housing Bodies) Act 2019*.

Local Authority social housing waiting list – officially referred to as the *record of qualified households*, this is the record of people who are qualified for social housing support and who have not received it. Generally, housing is allocated from the list in order of priority. Those currently on the housing waiting list are considered as having an **unmet social housing need**. This incorporates persons awaiting assignment of Local Authority housing and eligible persons in receipt of Rent Supplement.

Differential Rent – the contribution towards rental costs payable by a supported household to the Local Authority. Each of the 31 Local Authorities have their own method of calculation typically consisting of a percentage of accessible income of all members of the household. Percentage rates, income cut-off points, and allowances are also used, but differ across the various regions. Minimum payments also apply. Accessible income includes all income from employment, social insurance, social welfare payments (including allowances and pensions), any additional pension income above those provided by the State, and maintenance payment received from another individual. Certain exclusions apply. It is the household's responsibility to inform the Local Authority of any changes to their income during their tenancy.

Residential Tenancies Board – also known as the RTB, is a public body tasked with regulating the rental sector including private rentals, tenancies via Approved Housing Bodies (AHBs), and Student Specific Accommodation. All tenancies which fall under these categories must be registered with the RTB. The Board mediates dispute resolution between tenants and landlords, initiates investigations into landlord conduct, maintains a national register of tenancies, and provides information and research to inform policy on the sector.

GDA (excluding Dublin) – the term used by the Residential Tenancies Board to describe the Greater Dublin area of Kildare, Meath and Wicklow but to exclude Dublin itself. These counties are subject to increased rental pressures when compared to the rest of the country as a result of their proximity to the capital. This metric is used to analyse the rental price of this area, to control for the distorting effect that rental prices in Dublin (and in surrounding areas) would have on the national average. Used by the RTB as one of the three standardized average rents – along with Dublin, and National (outside GDA) – to assess whether a Local Electoral Area should be designated as a Rent Pressure Zone (RPZ).

Capital Funded Measures

Capital Advance Leasing Facility (CALF) 2011 to present – a long-term loan arrangement whereby Local Authorities make available up to 30% of the capital costs of the construction or acquisition of housing units by Approved Housing Bodies (AHBs). The remainder of the capital costs are sourced independently by the AHB.

The scheme requires the AHB to make financed units available to the LA (with tenancies selected from the social housing waiting lists) via a payment and availability (P&A) agreement. The P&A agreement is the contractual arrangement between an AHB and a Local Authority setting out the terms under which AHBs make properties available to Local Authorities, including the level of discount on market rent applied based on the specific funding scheme, property cost variations relating to geographic location, and property type. Repayment of the 30% funding is not required during the life of the agreement, though does fall due upon termination of the agreement.

Capital Assistance Scheme (CAS) 2003 to present – the provision by a Local Authority to AHBs of non-repayable loans of up to 100% of the capital costs of the provision of housing units. The loans remain non-repayable provided the accommodation continues to be let to eligible individuals and is properly maintained.

Local Authority New Build/Acquisition – housing stock is either built directly by the Local Authority or acquired from private owners/developers.

Voids – empty social housing units owned by the Local Authority or an AHB. The expenditure and output metrics refer to the cost of refurbishing vacant properties and the number of units returned to use.

Part V – refers to the section of the *Planning and Development Act, 2000* which sets out the obligation for a private developer to make available to Local Authorities, at “existing use value”, a specified percentage (*prescribed by statute*) of a housing development (with >4 units) via the transfer of suitable land, built housing on-site, built housing off-site, leased housing on-site, or a combination of the above.

Current Funded Measures

Housing Assistance Payment (HAP) 2014 to present – a form of social housing support payment operated by Local Authorities which involves eligible persons finding their own accommodation in the private rented sector. HAP is considered a social housing support with potential tenants required to meet social housing eligibility criteria. Recipients are not classified as social housing tenants of the Local Authority and are removed from Local Authority primary housing lists once transferred to the scheme. They remain eligible for placement on a Local Authority's housing transfer list. Monthly payments are made directly to landlords on behalf of the HAP recipient in respect of rent. Eligible recipients are entitled to work full-time hours whilst keeping their housing support and are required to pay a contribution towards the rent to the Local Authority based on household income.

Rental Accommodation Scheme (RAS) 2004 to present – targeted at households who are eligible for social housing support and in receipt of Rent Supplement for more than 18 months. Unlike Rent Supplement recipients, RAS recipients are entitled to work full-time and are classified as social housing tenants – with an ongoing right to having their accommodation needs met. The Local Authority is responsible for sourcing appropriate accommodation for tenants and making rent payments directly to the property owner. A rental contribution is paid to the Local Authority by the tenant based on a proportion of accessible income (with certain exceptions) of all members of the household. The property owner must provide the accommodation for a minimum 4-year tenure. The Landlord retains responsibility for registering tenancies with the Residential Tenancies Board (RTB).

Rent Supplement (RS) 1977 to present – a means-tested financial support provided by the Department of Social Protection for renting in the private sector. Payment is made directly to the tenant who sources accommodation and enters into the tenancy agreement. The Rent Supplement payment is the balance of the rent due after the tenant's contribution. Recipients may be eligible for social housing supports, however, supported households are not considered social housing tenancies and may remain on Local Authority housing waiting lists.

A short-term COVID-19 Rent Supplement scheme was introduced to support households experiencing difficulties in meeting rental payments. Eligibility criteria include a pandemic related reduction in income or a medical requirement to self-isolate due to a COVID-19 diagnosis/suspected diagnosis.

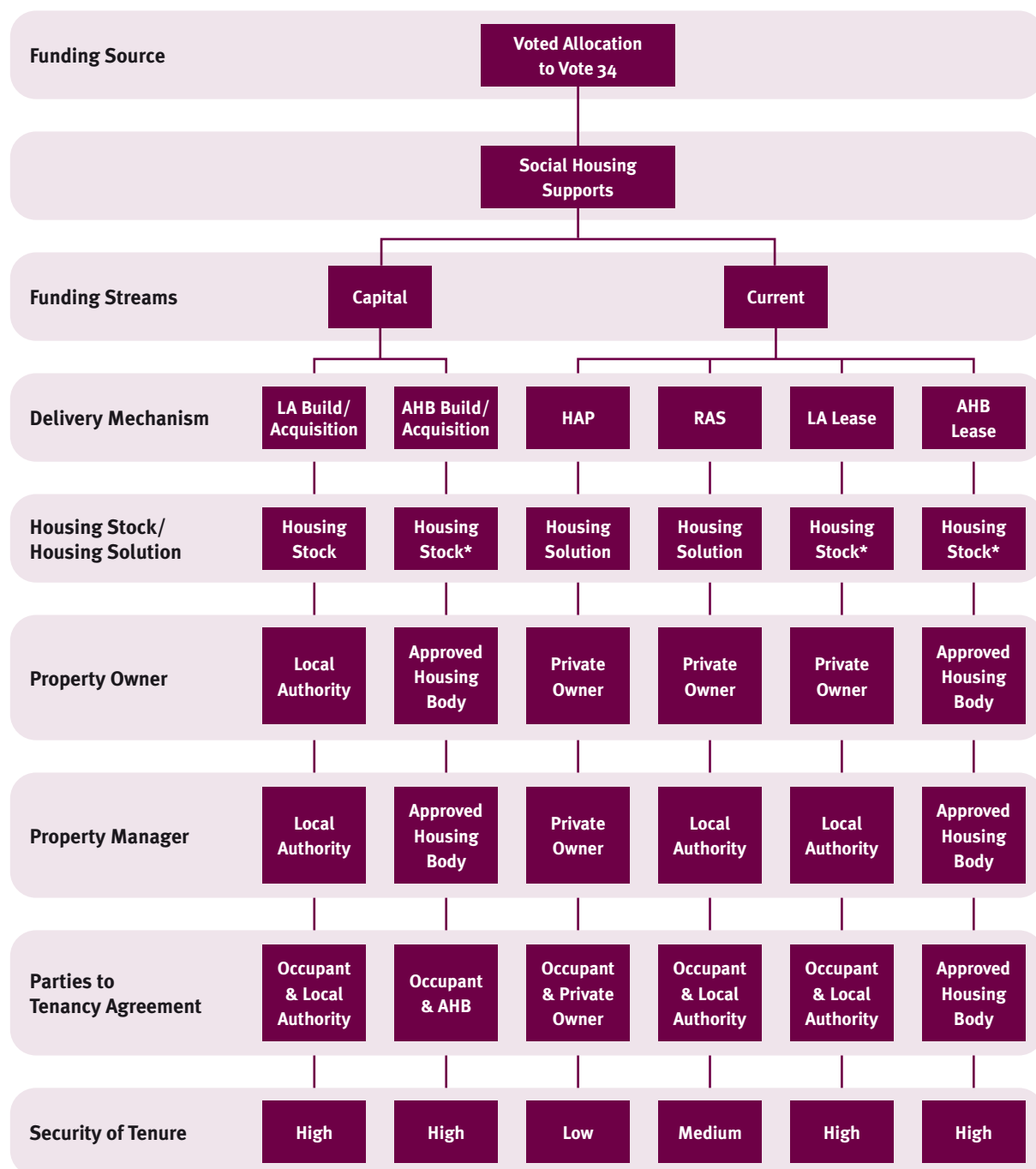
Capital Loan Subsidy Scheme (CLSS) 1991 to 2009 – this scheme provided funding from current means to Approved Housing Bodies (AHBs) to cover construction costs of housing units for rental to people on the Local Authority social housing waiting lists. 100% of funding was made available to the AHB with both capital repayments and interest charges waived provided the terms of scheme were adhered to including a 75% occupancy by tenants qualified for Local Authority housing whose tenancies have been approved by the Local Authority.

Commencing in 1991, it was closed in 2009 with no further outputs being recorded after 2017. Accommodation management costs are still paid to AHBs in respect to existing housing.

Social Housing Current Expenditure Programme (SHCEP) 2011 to present – the overarching heading for a suite of funding measures used by Local Authorities and Approved Housing Bodies to secure dwellings for use as temporary social housing (long and short term). Properties can either be privately owned or owned by Approved Housing Bodies and are used to accommodate households from Local Authority housing lists. Specific delivery methods and schemes funded under SHCEP include:

- *Leasing* – either from private property owners or AHBs.
- *Repair and Leasing* – targets suitable vacant properties not currently at the standard for rental. The Local Authority (or AHB) pays for the repairs upfront, and the home is taken into social housing stock by way of lease for at least 5 years. The cost of the repairs carried out is offset against future rent.
- *Enhanced Leasing Scheme* – LA will enter 25-year lease agreements with institutional developers and investors to deliver social housing at scale (minimum 20 units per proposal). Up to 95% of an agreed market rent is committed to with reviews every 3 years.
- *Mortgage to Rent Scheme* – households unable to service mortgage repayments – and who qualify for social housing supports in the Local Authority area that the home is located – can opt to relinquish ownership rights to the property, with an AHB or other approved private body purchasing the property from the lender. It is then rented back to the sitting tenant at a more affordable rate with the previous owner becoming a social housing tenant.
- *CALF* – Supporting the Payment and Availability Agreements (P&As) for capital funded properties under CALF.
- *Rental Availability Agreements* – Provides for short term leasing (< 10 years) allowing for a LA to meet immediate and urgent housing needs using privately owned housing stock.
- *Unsold Affordable Dwellings* – provides support for Unsold Affordable Dwellings managed by AHBs on behalf of Local Authorities and primarily funds interest payments on Housing Finance Agency loans and a small number of associated Rental Availability Agreements.

The infographic below describes the primary social housing delivery mechanisms discussed in this paper. These selected mechanisms do not describe the entirety of social housing supports as described in the *Housing (Miscellaneous Provisions) Act 2009*. Instead, this paper focusses on social housing delivery mechanisms and social housing supports which reflect the majority of the annual spend on Programme A Housing of Vote 34 Housing, Local Government and Heritage in the *Revised Estimates for Public Services*.

Figure 1: Overview of primary social housing supports funded via Vote 34

Note: Housing Stock marked with an asterisk reflects units secured for medium-to-long term use but are not owned by Local Authorities.

List of Acronyms

AHB	Approved Housing Body
CALF	Capital Advance Leasing Facility
CAS	Capital Assistance Scheme
CLSS	Capital Loan Subsidy Scheme
DHLGH	Department of Housing, Local Government and Heritage
DSP	Department of Social Protection
HAP	Housing Assistance Payment
HNDA	Housing Need and Demand Assessment
LA	Local Authority
LPT	Local Property Tax
NDP	National Development Plan
P&A	Payment & Availability
RAS	Rental Accommodation Scheme
REV	Revised Estimates Volume
RS	Rent Supplement
RTB	Residential Tenancies Board
SHCEP	Social Housing Current Expenditure Programme
TPS	Tenant Purchase Scheme

Short overview of historical context of social and State supported housing outputs

The delivery of social and public housing has undergone significant change and fluctuation throughout the history of the State. Policies enacted in the early decades of the State looked to generate greater outputs of both social and private dwellings through significant Exchequer funding in both areas of housing delivery.¹¹ However, these policies were often reactionary, aimed at gaining political support,¹² responding to a growth in urbanisation,¹³ or to address the inadequate conditions of the private rental sector (tenements and slums).¹⁴ Increased demand and substandard accommodation – particularly in urban areas – was met with substantial social housing build programmes by the mid-century, with social housing outputs accounting for over half of all completed houses in the State during the 1950s.¹⁵ A view that spending on housing absorbed too high a proportion of national budgets (as spending on health, education and social income supports began to increase), and a policy shift to encourage greater levels of private home ownership saw spending and outputs decline in subsequent years.¹⁶

Throughout the 1980s sales of Local Authority housing units to tenants (under the *Housing Act, 1966*) surpassed the number of new units added to Local Authorities' housing stocks. By the early part of the 1990s, these sales had reduced considerably. However, there was only a limited growth in new units across the decade with Local Authority outputs aided – slightly – by the increased prevalence of stock supplied via *Approved Housing Bodies* (AHBs, previously the Voluntary and Co-Operative sector).¹⁷

The period of time on which this paper concentrates (2001-2020) saw yet more changes in housing policy both in the manner of how units were delivered, and the output levels achieved. Economic growth, which began in the late 1990s, resulted in a corresponding (and complementary) expansion of the private housing market. The increased use of *Part V of the Planning & Development Act 2000* by Local Authorities meant a mixed tenure for social housing could be achieved within private estates, limiting the need for Local Authorities to directly build units as they moved away from developing social housing only estates. This aided the total delivery of about 50,000 units between 2000-2007, approximately 9% of total new house builds (private and public) over this time – circa 565,000 units.¹⁸

Notwithstanding, the contribution to social housing stock through *Part V* acquisition supplied units, and Local Authority direct builds, the unmet needs of households who qualified for social housing support remained persistently high – as evidenced by the numbers of *rent supplement* recipients during this time (see Figure 7, page 25).

¹¹ Irish Social Policy, Dukelow and Considine (2017) (p.282).

¹² Ibid (p.36).

¹³ Ibid (p.48).

¹⁴ Ibid (p.282).

¹⁵ *Trends in Social Housing Output, Private Dwelling Output & Local Authority Sales (1922-2010)*, The Housing Agency (Apr 2021).

¹⁶ *Housing Law, Rights and Policy*, Padraic McKenna (2011). Chapter 2 pp.43-4.

¹⁷ *Current and Capital Expenditure on Social Housing Delivery Mechanisms*, IGEES (Jul 2018) p.10.

¹⁸ *Private & Social Housing units built and Local Authority Dwellings sold to tenants (1980-2009)*, The Housing Agency (Apr 2021).

While housing delivery via current funded schemes was already beginning to grow prior to the financial crash, the policy decisions aimed at addressing the difficult Exchequer position at the time meant the funding of these schemes was accelerated. This shift in policy towards increased reliance on current funded schemes had the effect of meeting immediate housing needs of a greater number of recipients. This approach was beneficial, in the short-term, in *lieu* of an increased supply of new housing units by both Local Authorities and private development. However, as this supply has continued to consistently lag behind demand, **the challenge has shifted from meeting immediate needs (although this remains a persistent challenge) to addressing market failings and providing long-term solutions to social housing needs.** The ongoing shortfall in the supply of new units means that it is unsustainable to continue to rely on current funded policies to address social housing needs.

The impact of such large-scale State involvement in the private rental sector may have exacerbated the reduction in the overall availability of tenancies and associated growth in rental costs in recent years. The supply of long-term Local Authority and AHB owned units collapsed during the ‘Great Recession’ from a high of 12,106 units in 2008 to a trough of just 709 units in 2014.¹⁹ While delivery from these sources has been improving since – achieving 8,842 units in 2019 (the last full year delivery, pre-pandemic) – this period of constrained supply has reduced the ability of social housing eligible households to exit the private rental market. **Requiring long-term and temporary housing needs to be mostly addressed under the same schemes results in even greater competition for the limited number of units available.**

This has been compounded by significant unmet demand for private housing stock. Without a sufficient supply of permanent units to meet social or private needs, upward pressure on prices in the rental sector will remain, with demand exceeding the available supply. In the absence of sufficient supply to meet the pent-up demand for housing, unavoidable competition will arise between the State and private renters for the limited pool of rental properties. This may have helped to contribute to rising rents, which in turn have limited the ability of private renters to accumulate sufficient savings to exit the rental market through purchase of private properties.

¹⁹ Overall social housing provision, Department of Housing, Local Government and Heritage.

Trends in Exchequer spending on social and State supported housing (2001-2020)

Exchequer funding of social and State supported housing has experienced significant volatility since 2001, exceeding €2 billion in 2008 and falling as low as €0.8 billion in 2014 (from Voted sources). In recent years overall allocations have been increasing steadily, with €2.5 billion spent in 2020, and €3.1 billion allocated in 2021. **Between 2001 and 2020, the State had spent a cumulative €16.79 billion on capital measures and €13 billion on current measures (including approximately €641 million in Local Property Tax funding) aimed at delivering social and State supported housing units.**

For the purposes of this analysis, references to total spend and total current spend – unless otherwise stated – include the Rent Supplement scheme (administered via the Department of Social Protection) as it has, historically, accounted for a substantial cohort of households requiring State funding to meet their rental costs. Local Property Tax, while contributing to the overall spending on housing provision, is not included in the headline spending figures (relating to Voted spending) unless otherwise stated.

In addition, only spending from the Departmental Housing Programme which can be attributed to aiding the delivery of social housing stock and solutions are accounted for in PBO calculations (see Appendix 1). These spending figures include specific spending on Traveller Accommodation and Homelessness, however, no specific analysis of the delivery of these specialised housing types is considered in this paper.

Box 1: Funding Homeless Services

Over the period under review, there has been a significant level of spending by the Exchequer in the area of homelessness and homeless services. Between 2005 and 2020 almost €1,337 million has been paid to Local Authorities through the Housing Vote as partial reimbursement for the provision of these services. Local Authorities are required to provide additional funding for these services through their own revenue streams, in addition to certain HSE funding, while fundraising by the voluntary sector service providers also contributes to the overall spend in this area. According to Department of Housing, Local Government and Heritage spending reports, Local Property Tax has not been used to fund any homeless services since its introduction in 2013.²⁰

The range of services funded by Local Authorities may differ depending on the need in that specific area, though they would broadly include a mix of emergency accommodation, day services, homeless prevention measures, long-term supported accommodation, and – in recent years – family accommodation hubs. Of these measures, emergency accommodation would appear to account for the majority of Local Authority spending.²¹

The PBO acknowledges the importance of the spending in this area to meet the immediate needs of families and individuals who are homeless. Therefore, any analysis of overall spending within this paper takes account of the Departmental spend in this area. However, it is not within the scope of this paper to separate out these accommodation measures for specific analysis, primarily due to the limited amounts of State funding allocated under this specific heading used to provide long-term, stable, and appropriate accommodation for those affected by homelessness.

²⁰ Department of Housing, Local Government and Heritage correspondence with the PBO, (Jan/Feb 2022).

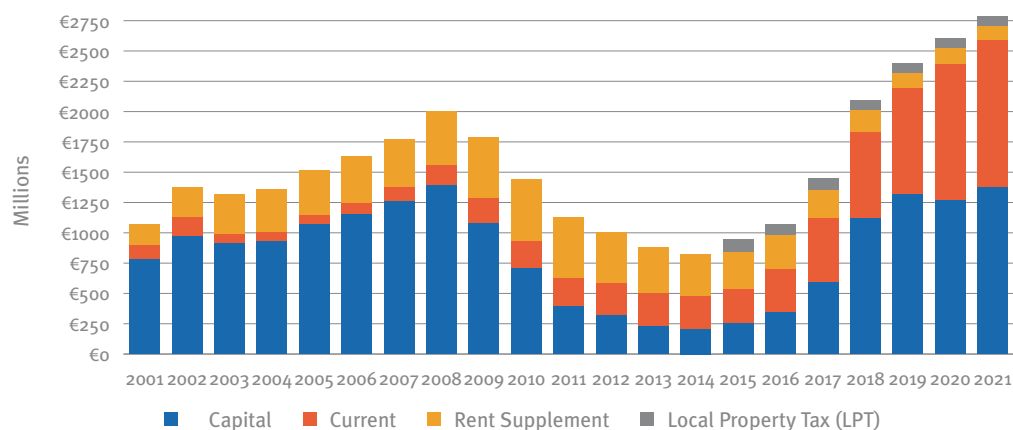
²¹ *Dublin Region Homeless Executive*.

The trends in direct Exchequer spending on social and affordable housing since 2001 have broadly mirrored the State's economic performance over the same period – increasing significantly to a peak in 2008, contracting swiftly to the lowest point in 2014, before accelerating to then record levels of nominal funding in 2020. The procyclical nature of funding for the sector has resulted in inconsistent outputs being achieved. Further analysis of these spending trends also points to changes in policy which sought to greatly increase the level of social and State supported housing funded via current spending schemes.

Figure 2 illustrates the total spend on housing directly funded by the State between 2001 and 2020, split out by current spend, capital spend, Rent Supplement, and Local Property Tax. The fluctuation in allocations over this time – and the reprioritisation of funding – is clearly evident.

Prior to 2009, spending on housing delivery via capital funding – new build, acquisition, *voids* (see *glossary*) etc. – accounted for an average 70% of the total annual spend on housing (including Rent Supplement). Between 2009 and 2014, this share of spending reduced from 60% to just 25%. Since 2015, spending has been almost evenly split between current and capital means with an aggregate €6.27 billion spent on capital and €6.46 billion on current housing programmes up to 2021.

Figure 2: Annual Exchequer and Local Property Tax spend on social housing delivery and support 2001-2020



Source: Department of Housing, Local Government and Heritage, DPER databank, Department of Social Protection Annual Statistical Reports. Data for figure 2 is set out in tabular form in Appendix 2.

Between 2001 and 2008, both current and capital spending on housing increased rapidly from €296 million to €609 million and €776 million to €1,393 million, respectively. The economic contraction due to the financial crisis saw overall spending reduce from 2009 onwards. The largest reductions were focussed on the capital side – falling to just €206 million in 2014. In fact, capital spending from the Vote only returned to 2007 levels in 2020 (€1,270 million versus €1,261 million in 2007), while spending has yet to surpass the previous peak in 2008 (in nominal terms).

Following steady increases in current spending from 2001 through to 2011, when it reached €741 million across the two Votes, spending remained mostly constant over the peak years of the recession (2012-2015). However, it grew significantly from 2017 onwards, increasing by 64% to 2020 and 74% to 2021.

Since the introduction of Local Property Tax (LPT) in 2013, Local Authorities have spent an additional, cumulative total of €697.1 million on housing measures from this revenue source. €151.1 million has been spent on current measures in that time while €546 million has been used to fund capital housing provision.

A post-financial crisis trend towards current funded programmes is clear. The reduction in Rent Supplement spending from 2014 is due in part to recipients being transferred to other current funded schemes (*HAP and RAS*), and not an overall reduction in supported households (see Figure 7, page 25).

Until the introduction of the Rental Accommodation Scheme (RAS) in 2004, much of the current spending allocation (excluding Rent Supplement) related to the funding of homeless services, voluntary housing subsidies, and traveller accommodation support services, with little direct funding being used to provide general use housing units. The *Capital Loan Subsidy Scheme (CLSS)*, which ran from 1991 to 2009, funded capital builds by AHBs via current spending. Following the closure of the scheme to new applications the continued current spending relates to accommodation management costs paid to AHBs in respect to existing housing stock – and not the provision of new units.

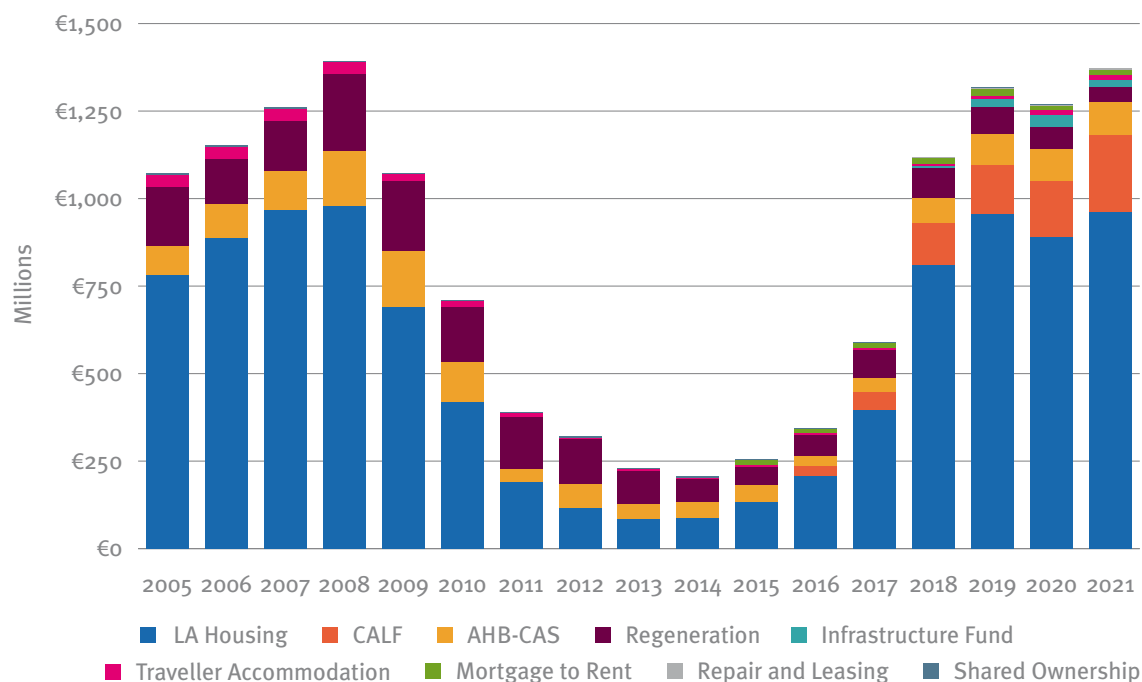
Limitations around the level of published spending data linked to specific schemes, complicated the detailed analysis of linking spending to outputs. The Department of Housing, Local Government and Heritage were able to provide the PBO with disaggregated spending data from 2005 onwards, however, publicly available detailed spending data is only accessible from 2019 onwards.

Capital spending by programme

Historically, capital funded housing projects were the mainstay of social housing delivery in Ireland, mostly achieved through direct builds via the Local Authorities. Post-2000, there was a move towards enhanced delivery via AHBs, Part V acquisitions, and Local Authority acquisitions of housing stock.²² Tracking and analysing capital spending over the period in question is complicated somewhat by the aggregation of data and the lack of specific information around acquisitions, Part Vs, new builds, etc.

Figure 3 shows the broad trends in capital spending from 2005 to 2020 (data prior to 2005 is insufficiently detailed for the purposes of this analysis). The growth in spending up to 2008 is clear with a 30% growth in the capital spending over the period. Growth was mostly concentrated in the areas of Local Authority Housing, and AHB funding via the Capital Acquisition Scheme (CAS).

²² *Current and Capital Expenditure on Social Housing Delivery Mechanisms*, IGEEES (Jul 2018) p10.

Figure 3: Trends in Voted capital funded housing measures 2005-2020

Source: Department of Housing, Local Government and Heritage

Post-2008, the capital budget was severely reduced over a short number of years and in 2013 Local Authority Housing funding fell as low as €83 million (just 8.5% of the 2008 spend). While this drop corresponded with increases in current funded measures, the impact of this reduced funding meant housing output fell to almost zero in 2014/2015 (see Figure 5, page 23).

Overall capital spending began to increase in line with the economic recovery. Attempts were made to address the issue of undersupply of housing from the preceding years through the '*Rebuilding Ireland: action plan for housing and homelessness*' policy,²³ with funding for Local Authorities and AHBs increasing through to 2020. Since 2005, almost €1.9 billion has been spent by AHBs through several schemes aimed at assisting the supply of housing units. Over the same period approximately €8.6 billion was spent by Local Authorities.²⁴

The PBO notes that links to the '*Rebuilding Ireland*' website and policy documents are no longer readily accessible on the Department's website or other Government hosted repositories. Searches for the www.rebuildingireland.ie domain now default to the '*Housing for All*' website. Given that the policy was not due to cease until end-2021 and the significant level of investment directly linked to the policy goals, the inability to secure access to a copy of the core policy document inhibits historical analysis and restricts Members' abilities to assess performance against the original aims and goals.

²³ The '*Rebuilding Ireland*' policy document appears to be no longer available or readily accessible on Government websites and is now mostly accessible via third party websites.

²⁴ Department of Housing, Local Government and Heritage.

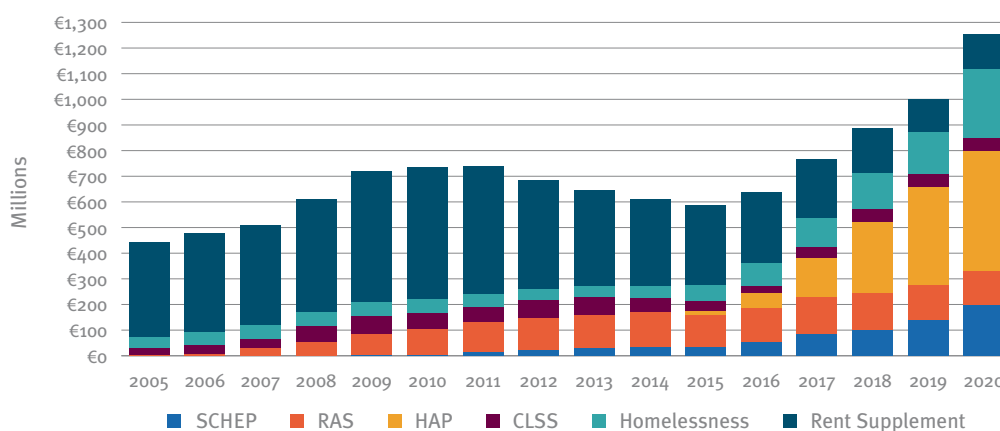
Current spending by programme

The essential difference separating the current and capital funded housing measures rests around the ownership structure of the housing units. While capital funded units are almost exclusively owned and operated by Local Authorities or AHBs, a significant proportion of the social housing supports provided through current funded measures rely mostly on the private rental sector for their delivery.

Figure 4 sets out total annual current spending on direct delivery of housing since 2005 split out by the main schemes and funding measures over that time – Rent Supplement, Rental Accommodation Scheme (RAS), Social Housing Current Expenditure Programme (SHCEP), the Housing Assistance Payment (HAP) scheme, the Capital Loan Subsidy Scheme, and the funding of Homeless services.

From 2005 up to 2020, spending on Rent Supplement accounted for a cumulative €5.5 billion (or 49%) of total spending on current funded measures. In 2020, however, it accounted for just over 10% of total spending. While not entirely eliminated as a means of funding housing provision, the use of Rent Supplement has decreased annually, following the implementation of alternative measures.

Figure 4: Trends in current funded housing measures 2005-2020



Source: Department of Housing, Local Government and Heritage; and Department of Social Protection.

Introduced in 2004, RAS was targeted at households in receipt of Rent Supplement for 18 months or more. Under this scheme, the Local Authority is responsible for sourcing appropriate accommodation and engaging in a rental agreement directly with the property owner. The longer tenure provided by these agreements (minimum 4 years) offered surety to tenants beyond the standard private rental arrangements – more typical among Rent Supplement recipients. **RAS recipients are considered social housing tenants of the Local Authority and therefore have a right to continue to have their housing needs met, even if the rental agreement ceases.** On introduction, the intention was for the cost of RAS to be mostly funded by spending which would otherwise have been allocated to Rent Supplement.²⁵

²⁵ Summary of Financial Schemes for Provision of Social Housing, CSO (Dec 2018) p.28.

Spending on RAS grew steadily from 2006 to 2012, increasing from €6.2 million up to €125 million *per annum* in that time. Following the introduction of HAP in 2014, the rate of increase on the RAS allocation slowed as more recipients were directed to the new scheme. The 2020 spend of €133 million took cumulative spending on RAS to end-2020 to €1.58 billion.²⁶

As demonstrated in Figure 4 (above), after 2015 current spending began to grow significantly (+113% to 2020) – with HAP being a key driver in this acceleration as the scheme’s availability was expanded throughout the country following an initial trial period in certain Local Authority Areas.²⁷ Designed with the intention of bringing all long-term social and State supported housing provision under the Local Authority system,²⁸ HAP will eventually account for almost all State supported housing tenants living in private rented accommodation.²⁹ The growth in HAP spending since it was established is pronounced – rising from just €394,000 in 2014 to almost €464.7 million in 2020. The cumulative spending to end-2020 was an estimated €1.35 billion, with a further €542 million spent in 2021. Seen as a key pillar in social housing delivery under ‘*Rebuilding Ireland: action plan for housing and homelessness*’, HAP was targeted to support a cumulative 83,760 households of the total 147,186 social housing supports proposed under the plan.^{30,31,32}

The expansion of current funded housing delivery programmes post-2008 was largely borne out of economic necessity. Reductions to capital budgets are more easily implemented for a variety of reasons. Bedogni and Fitzgerald (2020) note that fiscal consolidation, including cuts to current spending can “*be politically sensitive, meaning that budget pressures can often impact disproportionately on capital spending. This is particularly true of projects that are likely to yield benefits that are borne by future administrations. These cuts can leave substantial legacy effects, and capacity constraints, from which recovery is difficult.*”³³ Reducing current spending can reduce the scope or quality of public services provided. Alternatively, foregoing capital spending tends to reduce the supply of additional public goods (in this case halting or reducing growth in social housing stock). Reductions in capital spending rather than current spending enables maintenance of a *status quo* or a standstill level of service delivery. This approach is subject to reduced political risk and has a less immediate impact on the delivery of public services and can be expected to be more palatable (to decision-makers and the public) than reductions in current spending which reduce the scope or availability of public services.

In this case, meeting a social housing need by providing a housing unit that is rented rather than owned by a Local Authority makes little practical difference to the person whose housing need is being met; however, rental is a considerably more cost-effective solution in the short-term. **In the context of rising demand for support, and the finite resources allocated to meeting social housing needs, the rationale for meeting housing needs through current spending is clear.**

26 Based on spending data provided by the Department of Housing, Local Government and Heritage.

27 *Analysis of Current Expenditure on Housing Support*, IGEES (Jul 2017) (p.14).

28 Ibid.

29 *Current and Capital Expenditure on Social Housing Delivery Mechanisms*, IGEES (Jul 2018).

30 *Rebuilding Ireland: Action Plan for Housing and Homelessness*, Department of Housing, Planning, Community and Local Government (Jul 2016) hosted on the website of the Institute of Professional Auctioneers & Valuers.

31 *Current and Capital Expenditure on Social Housing Delivery Mechanisms*, IGEES (Jul 2018) (p.11).

32 The cumulative targeted delivery of social housing units and solutions has increased by almost 10,000 since July 2016 from 137,563 to the current 147,186.

33 Jacopo Bedogni and Keith Fitzgerald, ‘*Revenue volatility and the role of the Rainy-Day Fund: Potential mechanisms for identifying and setting aside excess receipts*’ (PBO, 2020) Working Paper 1/2020.

The combination of limited resources and the relative efficiency of meeting housing needs through current spending, resulted in a shift in social housing policy. Current funded measures allow for greater numbers of tenants to have their immediate housing needs met in a shorter space of time for lower upfront costs. Rental of existing private stock forgoes the lead-times for construction of new units and multiple units can be rented annually for the cost of a single new capital unit.

However, spending significant amounts on current funded measures – while meeting an immediate housing need – does not necessarily resolve the long-term housing issue for the eligible tenant. For example, Rent Supplement recipients who qualify for social housing support may still be considered for long-term Local Authority or AHB housing, and RAS tenants are classified as tenants of the Local Authority, whereas HAP tenants are considered as having their needs met and are therefore removed from the social housing waiting lists. HAP tenants are eligible to be placed on Local Authority housing transfer lists in order to attain long-term social housing support.

Some households on Local Authority waiting lists may avail of HAP to meet their immediate housing needs; however, these households may have expectations of qualifying for a more traditional form of social housing support and would likely opt to be placed on a transfer list. Rent Supplement and HAP tenancies are essentially private rental agreements and as such are prone to the same market dynamics which exist for private renters. Furthermore, while the tenants remain in need of a long-term and secure housing solution, HAP has the effect of removing persons from main Local Authority Social Housing Waiting Lists (moving instead to a housing transfer list) and perhaps artificially reducing the primary measurement of future housing needs.

Since HAP's introduction (up to Q3 2021), the Department has estimated that just over 11,000 tenants have transferred to Local Authority/AHB tenancies.³⁴ Between 2016 and 2020, HAP tenancies ceasing in order to move to an alternative social housing support ranged from 14% to 38% of those exiting the scheme. However, as a percentage of total annual tenancies over the period those exits only ranged from 1.3% to 4.4% (a 2.7% annual average).³⁵ In effect, while a not insignificant number of tenancies have transferred over to alternative, longer-term social housing supports, these exits/transfers represent only a small proportion of total supported tenancies.

Box 2: Unmet Social Housing Demand in Ireland

The unmet demand for Social housing is primarily determined through Local Authority social housing waiting lists and detailed in the Department of Housing, Local Government and Heritage's annual *Summary of Social Housing Assessment (SSHA)* reports. The assessment of social housing waiting lists provides an indication of the number of households (and their composition) in need of, but not currently receiving, social housing support. This includes persons in receipt of rent supplement.

This measurement is useful in determining the appropriate location and mix of housing delivery to meet these needs. However, **by focussing on households not yet in receipt of a social housing support, the 'unmet needs' classification may not entirely account for the latent social housing need in the State and may only represents a portion of total need.** To address this issue, the PBO introduces the term 'ongoing need' to capture this separate group of households.

³⁴ Correspondence received from the Department of Housing, Local Government, and Heritage dated 20 January 2022.

³⁵ HAP SSC 2016-2020, provided by the Department of Housing, Local Government and Heritage.

Ongoing need refers to a household whose needs are deemed met under the official classification i.e., their tenancy is supported through Local Authority funding, but who desire – though are not yet in receipt of – long-term social housing.

This measure, while imperfect, is introduced to attempt to more comprehensively account for social housing needs. Primarily, it is intended to capture the specific, but substantial, cohort of tenancies that are in receipt of the Housing Assistance Payment (HAP) in the private rental sector. This tenancy type is deemed a “met need” under statute. HAP recipient households are removed from the main social housing waiting lists and are not included in the SSHA statistics. Despite HAP tenancies being funded by Local Authorities, the tenancy agreement is between the HAP recipient and the private provider, with the tenant retaining no right to housing should the tenancy cease.

Therefore, notwithstanding the differences in eligibility criteria between the schemes, the PBO considers that the underlying characteristics of HAP tenancies are not significantly different from tenancies of Rent Supplement recipients (who, if eligible, may remain on the local authority waiting lists and remain classified as an unmet need). While some HAP tenancies may ultimately transfer to long-term social housing the removal of these tenancies from the main social housing waiting lists and placement on a housing transfer list (though at potentially lower priority) can mask long-term housing requirements and understate the level of outputs required in future.

As such the PBO considers that households in receipt of HAP and their composition merit consideration within the broader discussions of social housing demand. In many cases HAP may provide an adequate housing solution, with certain households having short-term need for housing support; however, a significant cohort of HAP tenants may consider that their needs are not adequately met under that scheme and wish to be considered for long-term social housing support. The Department has advised that it is their understanding that the majority of HAP tenants choose to be added to Local Authority transfer lists.³⁶

Furthermore, while HAP tenancies are afforded the same protections as other households in the private rental sector, by not being direct tenants of a Local Authority or AHB they do not have a continuous right to have their housing need met in the result of their tenancy ceasing. **It is this precarity of tenure and the fact that most HAP tenants wish to remain in consideration for long-term Local Authority/AHB housing that prompts the PBO to suggest the additional ‘ongoing need’ measurement.**

It should be noted that the housing transfer lists also contain non-HAP supported social housing tenancies. For some households, their existing property may no longer adequately meet their housing needs for a variety of reasons. This may include a change in circumstances or family size, a desire to move location, a new or worsening medical condition requiring a different housing format etc. Transfer lists operate on the basis of priority of needs where more significant needs will be addressed more quickly. The Department were unable to provide the PBO with data relating to the social housing transfer list which might allow analysis of the range of requirements involved.

In the absence of detailed analysis of social housing transfer lists to determine the number of households, the means (HAP etc.) and type (apartment etc.) of their current housing support, and their desired housing support (larger house etc.) the true scale of unmet social housing need in the State is unknown. A more accurate measure of unmet social housing demand would encompass not just those whose needs are entirely unmet, but also those whose needs are not adequately met by the current form of social housing support they receive.

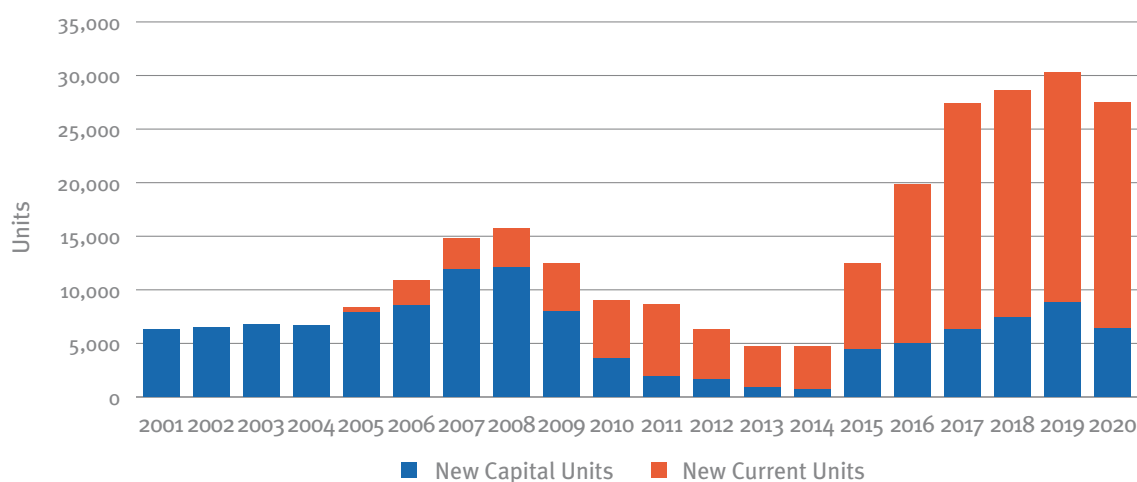
³⁶ Department of Housing, Local Government and Heritage correspondence with the PBO, (Jan/Feb 2022).

Trends in social and State supported housing outputs (2001-2020)

As with the assessment of spending on housing, this analysis of housing outputs will account for Rent Supplement tenancies. However, it should be noted that this type of tenancy is classified as an ‘unmet social housing need’ – an important distinction when compared with other social housing measures.

Transfers from Rent Supplement to HAP (classified as a met social housing need) in effect result in no change in the total number of long-term State supported households or number of Local Authority tenants. While the scheme under which the housing solution is being delivered changes – along with the Department funding the scheme – no new tenancy is being supported. Given the similarities between Rent Supplement and HAP tenancies, interpreting these transfers as a reduction in unmet social housing needs could distort the understanding of social housing requirements in the State.

Figure 5: Annual new housing supply (excluding Rent Supplement) 2001-2020



Source: Department of Housing, Local Government and Heritage

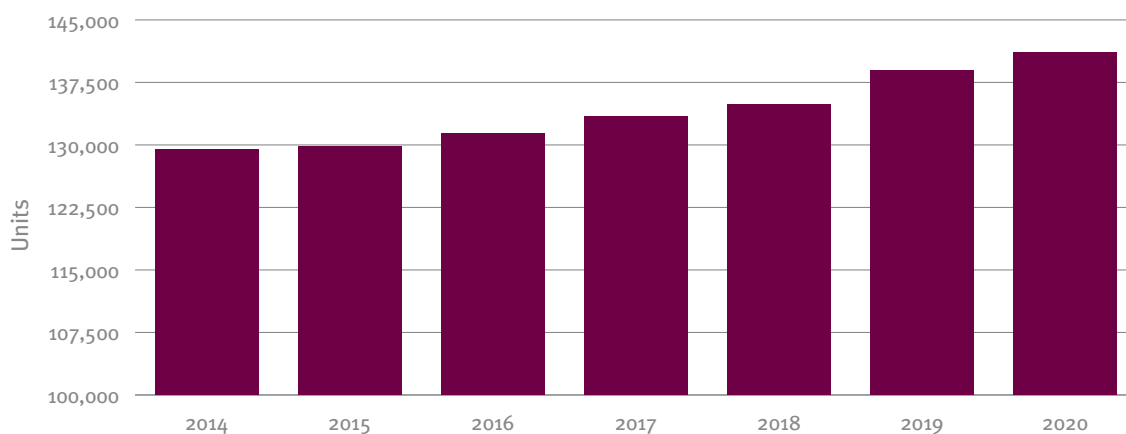
As referenced in the previous section, the move towards funding social housing via current spending was precipitated by the impact of the financial crash of 2008. Figure 5 shows the scalability of housing provision when current funded measures are employed. A total of 9,401 new units were funded through such measures between 2001 and 2008. Almost 52,000 were added from 2009 to 2016 through similar measures. Since 2017, an average of just under 21,000 units funded by current spending were added annually, mostly through HAP (averaging 17,000 *per annum*), with the remainder being mostly funded by leasing and other schemes falling under SHCEP.

At its peak year (2008), 12,106 units were delivered via capital funding, while only 709 units were made available in 2014. The 2008 level of output has not been reached since, with the highest total in recent years just over 8,800 units achieved in 2019. 2020 saw an estimated 6,387 social housing units delivered (2,149 below the annual target set by Rebuilding Ireland) – with pandemic enforced restrictions suppressing outputs significantly.

Tracking the delivery of additional units to the overall housing stock is important in assessing whether Exchequer investment is yielding sufficient outputs to meet stated targets and offering value for money. But understanding the existing level of housing stock which is at the disposal of the Local Authorities is also key to the effective scrutiny of policy by providing a base level to which these additional units are being added. In conducting research for this paper, the PBO became aware that the Department does not centrally collect data on the cumulative housing stock across the Local Authorities.³⁷

Since 2014, the responsibility for collecting this data has sat with the National Oversight and Audit Commission (NOAC) who produce annual performance indicator reports scrutinising Local Authority performance across a number of areas, including housing. Figure 6 illustrates the net year-end stock of occupied and void housing in Local Authority ownership taking account of new units added, units sold/disposed, and any units demolished in the calendar year. It does not account for units delivered by AHBs as these do not fall under the ownership of the Local Authority.

Figure 6: Net number of dwellings in the ownership of Local Authorities at year-end, 2014-2020



Source: *National Oversight and Audit Commission, 2014-2020*

Between 2014 and 2020, 11,167 (net) long-term capital funded units have been added to the overall social housing stock, bringing the total Local Authority owned units at year-end 2020 to 141,128. During 2020 there was a net increase of 2,223 dwellings.

³⁷ *Parliamentary Question 26959/20*, Dáil Éireann 29 September 2020.

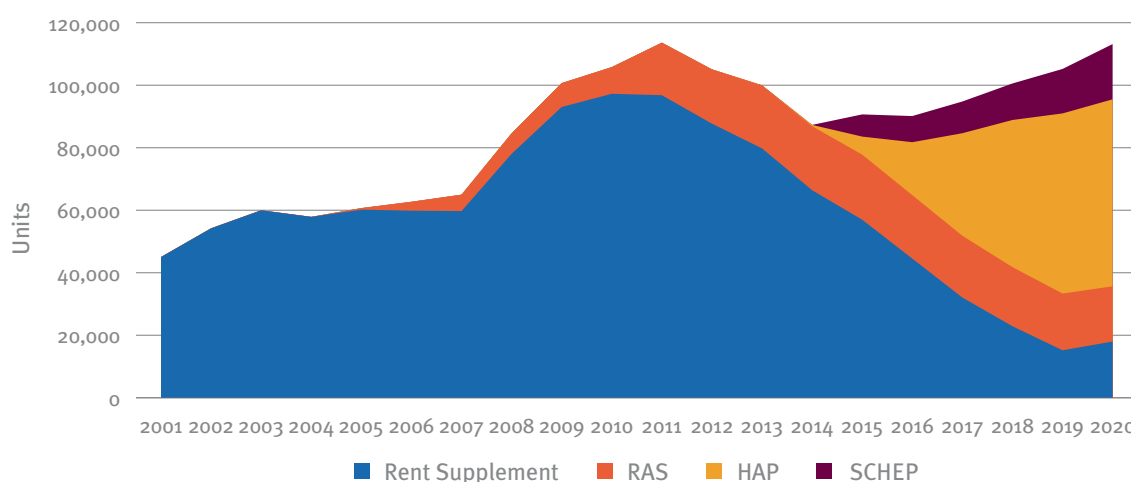
While during the 1980/90s substantial numbers (in comparison to the output of new housing stock) of social housing units were purchased from Local Authorities by the sitting tenants, this trend has lessened in recent years. Between 2017 and 2020, 1,439 eligible units of the 2,610 disposed units were sold to existing tenants through the Tenant Purchase Scheme (TPS).^{38,39} Based on current rates, there is no evidence to suggest that these sales will have a significant impact on overall housing stock or housing provision. However, further analysis may be required to assess the cost implications of any future increase in sales trends. The sale of social housing stock and substantial discount applied to purchase prices by Local Authorities (40-60%) may not fully account for the cost of replacing these units given the rising costs of housing delivery.⁴⁰

These figures (total Local Authority owned units), reported on by NOAC, are vital as they inform evaluation of performance in terms of additional stock, but also inform discussions around social housing more generally. NOAC reports these figures at Local Authority level, providing greater insights into social housing provision, by capital means, at local level.

It is unclear why the Department does not collect the cumulative housing stock data, particularly as data relating to new unit delivery is collected on a quarterly basis. **The PBO suggests that reporting of ‘additional’ or ‘new’ stock is of limited value if it cannot be presented alongside cumulative figures.**

Furthermore, given the availability of the statistics, it would assist parliamentary scrutiny if the total stock of Local Authority owned dwellings were reported as a context and impact indicator in relation to Programme A – Housing, in the *Revised Estimates for Public Services*.

Figure 7: Total current funded tenancies at year-end 2001-2020 (including Rent Supplement)



Source: Department of Housing, Local Government and Heritage. Department of Social Protection. CSO Stat Bank.

³⁸ *Local Authority Performance Indicator Report 2020*, National Oversight and Audit Commission (Sep 2021) (p.127).

³⁹ The Department of Housing, Local Government and Heritage have advised that sales to tenants under the Tenant Purchase Scheme totalled 1,439 in this period and that returns presented in NOAC's annual reports includes sales of Local Authority houses through means outside of the scheme.

⁴⁰ *Incremental Tenant Purchase Scheme for existing local authority houses*, Department of Housing, Local Government, and Heritage.

Based on the data available from the Department of Housing, Local Government and Heritage and the Department of Social Protection, the above chart (Figure 7) shows the total number of households fully or partially funded via **current expenditure** between 2001 and 2020. The figures are net year-end tenancies once new entrants and exits are accounted for.

- Rent Supplement reached peak tenancies in 2010 with over 97,000 households being supported that year. The introduction of alternative measures has seen the numbers of recipients of this scheme fall below 18,000 in 2020.
- HAP has seen a significant growth in new tenancies – including those tenants transferring from Rent Supplement – with the scheme increasing from just 485 funded tenancies in 2014 to 59,821 active tenancies at end-2020.
- Reliable data for net year-end tenancies delivered through leasing or other schemes funded under SHCEP is only available from 2015 onwards when the number of supported tenancies via this funding method was 7,099. In the five years to 2020, an additional 10,500 tenancies have been added through leasing and P&A agreements, funded under SHCEP. In addition to direct leasing, these figures include the current supports for units under various SHCEP schemes including units funded through capital means (CALF).
- Following its implementation in 2005, RAS tenancies grew from 505 to a peak of 20,834 a decade later. Net tenancies have been reducing yearly with 2020 seeing 17,682 households being supported by this scheme.

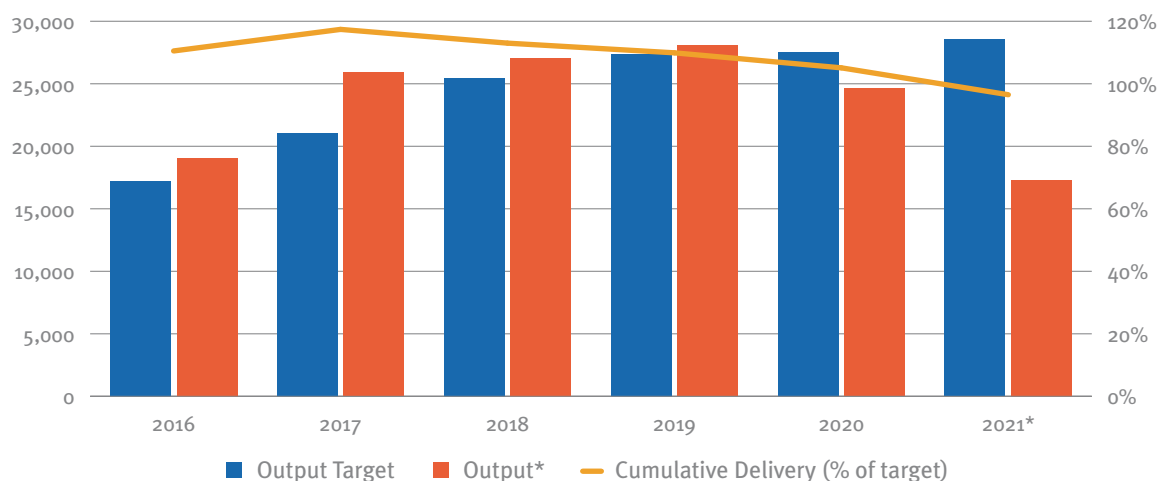
Rebuilding Ireland – targets v outputs

Rebuilding Ireland: Action Plan For Housing and Homelessness (2016) set out the Government's ambitions to address the State's housing needs. It was based around five key pillars of actions designed to address homelessness, accelerate social housing supply, build more homes, improve the rental sector, and to utilise existing stock better. The plan covered the period 2016-2021.

Figure 8 illustrates strong performance (relative to targets) for the period 2016-2020. In-year targets for social housing were exceeded from 2016-2019; with particularly strong performance in 2017. However, cumulative performance (the number of units delivered over the timeframe as a percent of the units targeted for delivery over the same period) has been falling since 2017.

It is important to note that strong performance in some areas has masked difficulties faced in others (see Table 1, below). Annual growth in lease (2016-2020) and build (2016-2019) delivery outputs have failed to keep pace with the significant annual growth in output targets – with targets being met or exceeded for both methods only in 2016 and 2017.

The significant increase in output required to meet the annual increase in targets may well have been constrained even in the absence of the pandemic as evidenced by the shortfalls in new build and leasing delivery in 2018 and 2019 (see Table 1, below). **Long-term, the scale of development required to deliver the desired level of housing units – along with the capacity of the construction sector to deliver these units promptly – is likely to pose a more significant challenge to meeting housing needs (both social and private) than the temporary disruption caused by public health measures in response to the pandemic.**

Figure 8: Rebuilding Ireland: Output Targets, Output, and Cumulative Delivery

Source: *Department of Housing, Local Government and Heritage*. *2021 outputs are cumulative delivery from Q1 to Q3, inclusive.

Table 1: Rebuilding Ireland: Targets and Outputs 2016-2021

		Housing Provision				Housing Supports			Total
		Build	Acquisition	Lease	Subtotal	RAS	HAP	Subtotal	
2016	Target	2,260	1,755	225	4,240	1,000	12,000	13,000	17,240
	Output	2,977	1,944	792	5,713	1,256	12,075	13,331	19,044
2017	Target	3,200	1,250	600	5,050	1,000	15,000	16,000	21,050
	Output	4,055	2,214	827	7,096	890	17,916	18,806	25,902
2018	Target	4,969	900	2,000	7,869	600	17,000	17,600	25,469
	Output	4,794	2,610	1,001	8,405	755	17,926	18,681	27,086
2019	Target	6,545	1,325	2,130	10,000	600	16,760	17,360	27,360
	Output	6,074	2,769	1,161	10,004	1,043	17,025	18,068	28,072
2020	Target	7,736	800	2,631	11,167	600	15,750	16,350	27,517
	Output	5,070	1,314	1,440	7,824	913	15,885	16,798	24,622
2021	Target	9,500	800	2,450	12,750	800	15,000	15,800	28,550
	Output*	3,144	467	1,576	5,187	811	10,711	12,115	17,302
2016-2021	Target	34,210	6,830	10,036	51,076	4,600	91,510	96,110	147,186
	Output*	26,114	11,318	6,797	44,229	5,668	91,538	97,206	141,435

Source: *Department of Housing, Local Government and Heritage*. *2021 outputs are cumulative delivery from Q1 to Q3, inclusive.

Table 1 sets out the targets contained within the action plan and the outputs achieved to end of Q3 2021 (green is target achieved; red is target missed). In total, the plan intended for the delivery of 147,186 social housing units with 51,076 through build/acquisition/lease, and 96,110 through RAS/HAP. By end Q3 2021, the Department has estimated a total delivery of 141,435 units – close to the overall target of 147,186 set out in the plan. However, with 64% of total outputs delivered via HAP, the achievements of this plan may not directly result in sustainable housing solutions, outside of the short-term.

While the impact in 2020 of restrictions on building due to the COVID-19 pandemic saw almost 2,700 fewer units built than forecast, there were also approximately 650 fewer units delivered through building cumulatively between 2018 and 2019. The impact on building outputs in 2021 remains to be seen, though with only 33% of the annual target reached by end-Q3 (3,144 units) the year-end output is likely to be the lowest achieved since 2016/2017.

The most recent figures for the number of leased units stands at 35% below target. The substantial shortfalls in previous years along with the disruption to supply of units by AHBs also resulting from construction restrictions – indicates that this target is likely to be missed by the end of the plan, resulting in potentially several thousand fewer long-term units being provided.

HAP tenancies account for 65% of the total (cumulative) social housing supports delivered under the plan to end-Q3 2021, representing 91,538 households of the 141,658 households supported. **The considerable reliance within the action plan on the private rental sector via HAP – while addressing short-term housing needs – poses longer term sustainability issues for social housing delivery.** Rental increases within the sector will push the per tenancy costs higher, possibly towards unsustainable levels, with HAP then competing with other forms of housing funding for finite resources. The pressures on funding could result in fewer long-term units being delivered, requiring more HAP tenancies, and a further imbalance of funding allocations.

The Programme for Government (p.54) commits to ensuring “Housing Assistance Payment levels are adequate to support vulnerable households” while the supply of social housing is increased. In the absence of sufficient supply, this commitment may have an inflationary impact on rental costs. The discretion of Local Authorities to apply uplifts in rental payments above existing HAP limits may result in HAP payments simultaneously chasing and driving market rates.

A Department of Social Protection report on the Rent Supplement scheme showed that an average of 55% of tenancies required an uplift to be paid with an average of 40% uplift in value terms. For those tenancies entering the scheme after March 2020, the uplift incidence rate was 77% on average. This is partly attributed to individuals in more expensive – but previously affordable – accommodation now requiring support due to being made unemployed as a result of the COVID-19 public health restrictions.⁴¹ The Department of Housing, Local Government and Heritage conducted an analytical review to determine if the level of discretion in terms of the uplift that may be applied was required in response to rising rents.⁴² While the rate of uplift for HAP tenancies may not correlate directly with those on Rent Supplement, it is unlikely that rental costs would be lower due to the additional incomes available in a HAP supported household.

⁴¹ Rent Supplement family and county mix with HAP comparatives, Department of Social Protection provided to the PBO 1 February 2022.

⁴² *Housing for All – Q4 2021 Progress Report* (Jan 2022).

Rental market impacts

A further consideration for Government when choosing between the funding method for social housing delivery is the potential impact on supply in the private rental market. The *Residential Tenancies Board (RTB)* estimated that there were ~298,000 registered rental properties in Q4 2020, a decrease of ~5,000 on Q1 of that year.⁴³ With all tenancies – barring those directly with a Local Authority – required to register with the RTB, there were approximately **113,000 State funded rentals in 2020, or 38% of the total**. A declining supply of rental properties will push rental costs up further thereby increasing the cost per unit for State supported rentals.⁴⁴ **These upward pressures will impact those at the margins i.e., households who do not qualify for housing supports, but who struggle to find affordable or suitable accommodation.** These households do not have sufficient incomes presently to accrue the necessary capital required to purchase privately (thus exiting the rental market) and will be increasingly negatively impacted by rising rents. A recent CSO report found almost 28% of renters to be at risk of poverty with this number increasing to 45% when the cost of rental payments is deducted from income.⁴⁵

The decline in the number of registered rental properties in 2020 is of concern if it forms part of a more prolonged trend. The reasons for the decline are not entirely clear but some reports suggest that small scale landlords are exiting the rental market and selling properties. These sales are reportedly driven by the combination of rising property values and the burden posed by regulation.^{46,47} While this does not necessarily reflect a need to amend regulation of the rental sector (quite likely to the detriment on tenants), it suggests a growing challenge in sourcing rental properties to meet immediate housing needs and places further emphasis on the need to increase overall supply of new units. On the assumption that individual rental properties sold will be unattractive to institutional investors (who may seek economies of scale by co-locating units), these rental units may be more likely to be purchased by prospective homeowners. This serves to reduce the rental stock available – although it may also reduce pressure in the rental market with wealthier renters exiting the sector into these properties.

⁴³ Q1-Q4 2020 RTB Tenancy Registration Data, Residential Tenancies Board.

⁴⁴ Ronan Lyons: 'Extraordinarily weak' supply in rental accommodation driving price increases, *The Irish Examiner* (May 2021).

⁴⁵ Survey on Income and Living Conditions (SILC) 2020 and Poverty Insights – Income Reference Periods 2018 to 2020, CSO (Dec 2021).

⁴⁶ Landlords are abandoning rental sector to cash in on market rise, *Irish Independent* (Aug 2021).

⁴⁷ Tenants feel squeeze as 46 landlords a week left market in the autumn, *Irish Independent* (Dec 2021).

Estimating per unit delivery costs

For this paper, the PBO sought to estimate the average cost to the Exchequer of supplying housing units via both capital and current funding over the period 2001-2020. **This was intended for indicative purposes only and is not intended to reflect a definitive analysis of unit costs over the period in question.** Indeed, the manner in which publicly available data in this area is presented across the various sources means **accurately estimating an average unit cost is both complex and necessitates a wide range of assumptions.**

The purpose of analysing the estimated unit cost by both funding methods would allow for comparative assessment of the measures employed from an overall cost versus benefit perspective. **Ideally, sufficient housing outputs to meet all long-term housing needs would be produced via capital programmes with ownership of the housing resting with Local Authorities or AHBs.** The challenge now posed in meeting the significant pent-up demand for long-term social housing is not just the cost of constructing these units, but the length of time from project inception, through to planning and delivery of the housing stock. While funding a sufficient level of output through capital measures would be costly, the length of time between planning and delivery of the housing stock is the most pressing short-term risk.

For the most part, housing needs are immediate and therefore measures which account for this immediacy are required. Furthermore, some housing needs are temporary in nature – again requiring suitable measures which reflect this reality. These needs can often be more appropriately funded via current spending.

Estimating the long-run average cost of delivery through **capital measures** is not possible given the data currently available to the PBO. Between 2001 and 2020, approximately 121,693 units have been delivered through capital funded measures though this total includes voids which, while once completed allow for a housing need to be met, do not constitute a “new” unit of housing in the overall housing stock under Local Authority ownership. The corresponding capital spending directly relating to new housing delivery is an estimated **€16.29 billion**. This, however, would not account for 100% of funding across all measures (*CALF* only provides for 30% of capital costs) and does not account for units which are built via capital funding by AHBs then leased by the Local Authority, or any ongoing management costs.

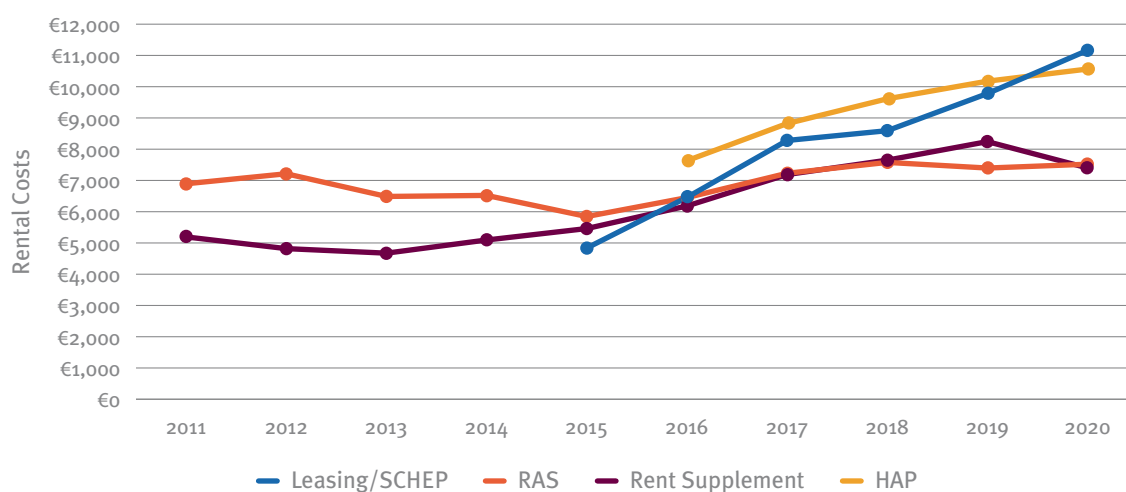
The **capital spend** on housing in a given year cannot be equated entirely to the units delivered within that same budget cycle. For example, spending which occurred in 2001 may not have delivered a completed unit of housing until 2002 or even 2003. The manner in which budgets have been allocated – and the lack of details around itemised spending – over much of the timeframe inhibits proper scrutiny as output cannot be attributed to spend, and *vice versa*. Attempts were made to accurately separate spending data to attribute it to a specific delivery method (new build, acquisition, void etc.), and thereby produce estimated average capital costs. However, the variability in results suggested too many unknown factors existed for an accurate assessment to be made.

With the more detailed level of data available for **current funded schemes**, it is possible to estimate the average cost per tenancy – at a national level – to a greater degree. **Unlike with capital funded schemes where spending in one year may not see the corresponding housing output for several years, current funded schemes are immediate. Spending allocated in a given year delivers units immediately, so a scheme’s allocation is directly linked to its annual outputs.**

Limitations in these calculations exist given the variances in rent and leasing costs across different regions of the country, and even within Local Authority areas. **Furthermore, with tenancies commencing at different stages of the year, the associated spend on a scheme may not equate to a full year rental support for a given unit.** In calculating the estimated costs of current funded measures, consideration was given to using inflation adjusted *real* prices for in year spending, and rents, in 2020 terms. However, as noted above, with spending in a given year being reflected in unit delivery, the use of *real* prices was not deemed necessary as adjusting to 2020 prices may unfairly distort yearly comparison. Therefore, prices below are presented in nominal terms (unless otherwise stated).

As set out in Figure 4 (page 19), the cumulative spend on these measures has been significant. Since 2011 to end-2020 outturns of €2,887 million (Rent Supplement), €1,350 million (HAP), €1,311 million (RAS), and €706 million (under SHCEP) have been recorded. Figure 9 shows the average cost per tenancy for the four main current funded schemes between 2011 and 2020. RAS tenancies up to 2010 were excluded as the available data was only an estimate of supported households, with data from 2011 representing true net tenancies.

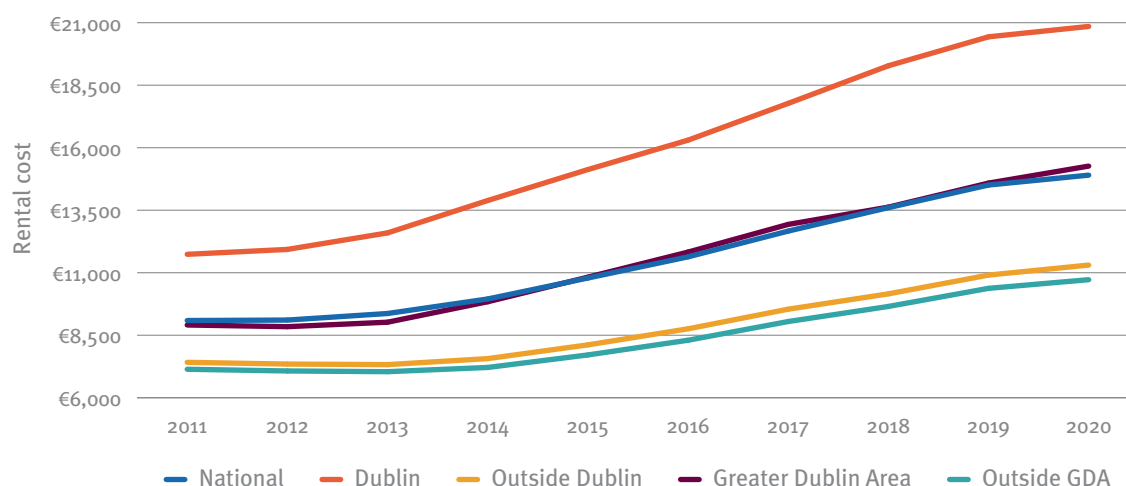
Figure 9: Average gross annual cost per current funded tenancy by scheme type 2011-2020



Source: Department of Housing, Local Government and Heritage. Department of Social Protection.

While the rate of change in rental costs has differed across the various schemes, the trends – though not necessarily costs – have broadly mirrored those seen in the private rental market across the various regions (see Figure 10, below).⁴⁸

⁴⁸ RTB data may not be fully representative of the private rental market at any one point in time as rental costs are based on the stated cost of new tenancies when registered by a landlord. They do not account for any cost increases which occur during an existing tenancy agreement.

Figure 10: Annualised average rental costs by region 2011-2020

Source: *Residential Tenancy Board*

Note: Dublin refers to the entirety of the county of Dublin and city. Greater Dublin Area consists of the counties of Wicklow, Meath, and Kildare.

When comparing the cost of a current funded unit to a capital funded one, it is important to account for the potential inflation in rental costs during the period of delivery. Under the assumption that the capital cost of delivery is fully attributed to year 1 i.e., 2020, and ignoring the ongoing – but variable – maintenance and refurbishment costs incurred by Local Authority owned units we can apply inflationary pressures to future rental costs on current funded units to assess how long before the cost of rental intersects the cost of building.

Under the following assumptions:

- Price inflation in 2021 of 8.3%; and a
- 2% cap on future annual rent increases in rent pressure zones,⁴⁹

the highest cost of a State supported rental/lease tenancy (Leasing/SHCEP at €11,162 *per annum*, see Figure 9) would intersect the lower bound average cost of delivery (€250,000 at 2020 prices) for a typical three-bedroom Local Authority/AHB housing unit in approximately 18 years.^{50,51} These estimates are at a national level with Dublin experiencing above average build costs.

Applying the same inflationary principles to private rental costs with a starting point of €14,902 national average rent in 2020, it would take 14 years of rental payments to intersect the 2020 cost of construction, and 11 years for rental costs in Dublin to reach the same point (see Appendix 3). Outside the Greater Dublin Area, rental costs would take 19 years to reach the 2020 average cost of building one unit of housing.

⁴⁹ *Residential Tenancies (Amendment) Act 2021*.

⁵⁰ *Cost of building homes can be 'much cheaper', The Irish Times (Sep 2020)*.

⁵¹ This housing type is the most common type of housing unit delivered by Local Authorities.

A 2018 spending review paper published by the Irish Government Economic and Evaluation Service (IGEES) assessed the efficiency of current and capital housing delivery mechanisms across six sample Local Authority areas.⁵² Their research found that while variance in construction costs was less pronounced when compared among regions, the cost variance in acquisition and current funded measures (HAP, RAS, and SHCEP) differed greatly. **This suggested that for the Local Authority areas with high acquisition/rent/lease costs, the long-run cost of construction appeared a better use of funding.**

Higher rental costs in some authority areas make current funded schemes much less desirable when compared to construction,⁵³ however these rental pressures are likely linked to the desirability (proximity to amenities, workplaces etc.) and density of the area. Conversely, in areas with lower rental and leasing costs construction can prove to be a less cost-effective method of delivery when compared to the ongoing provision through current funded measures, over a period of 15-20 years (see Appendix 3).

On balance, there is a need for Local Authorities to make available a suite of delivery measures which best address the particular market conditions in their regions when seeking to meet the needs of those requiring housing supports. Each delivery mechanism has its merits, with current funded approaches delivering social housing units quickly and at lower upfront costs, meaning lower levels of in-year investment can rapidly deliver large volumes of housing. Capital investment requires greater up-front expense, takes more time to deliver, and cannot be delivered at scale quickly enough to meet pent-up demand in the short-term. However, **where long-term social housing needs are identified, capital investment offers better Value for Money in the longer-term (albeit the timelines for this value to be realised will vary depending on the comparative cost of current supply in the same area).** Understanding the composition and requirements of eligible households – as presented in the following section – and planning housing delivery accordingly should be the core consideration of Local Authorities and policymakers alike.

⁵² *Current and Capital Expenditure on Social Housing Delivery Mechanisms*, IGEES (Jul 2018).

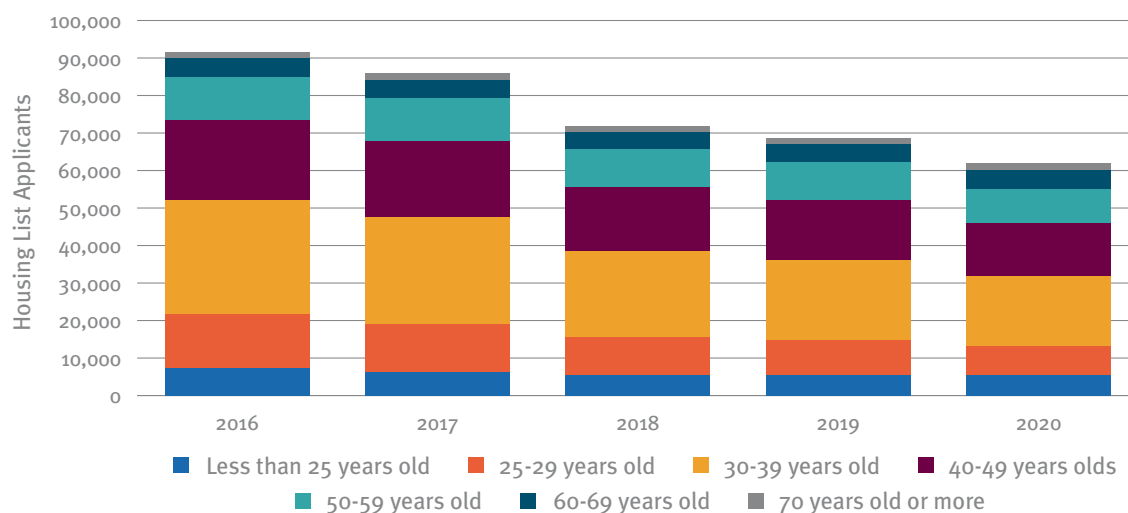
⁵³ *Ibid*, IGEES (Jul 2018).

Unmet housing needs

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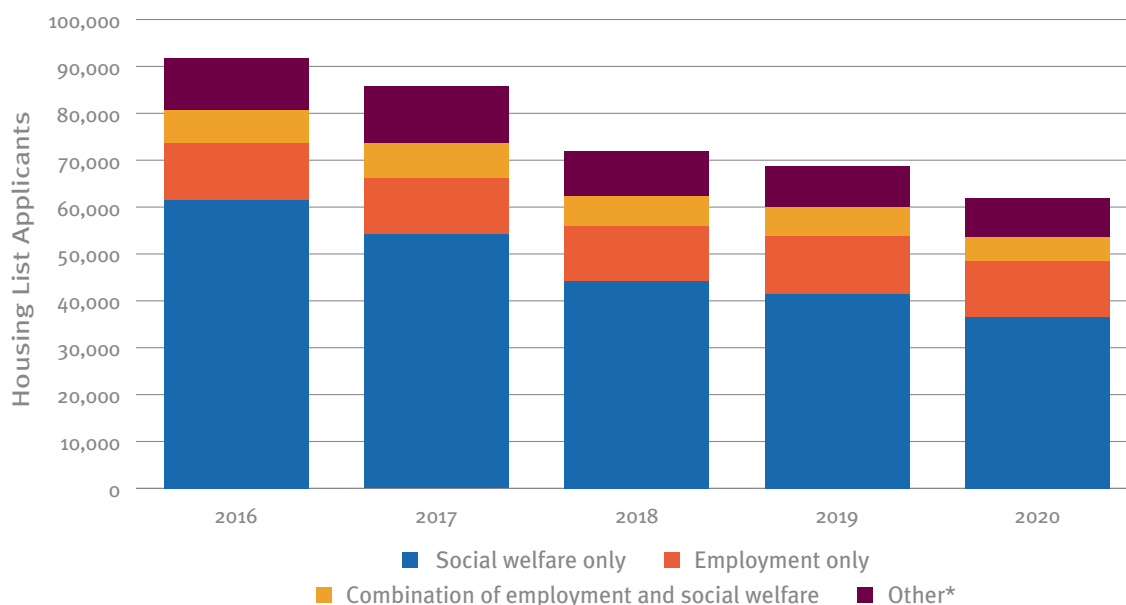
According to Housing Agency data,⁵⁴ there were 61,880 households that qualify for social housing support but currently have an unmet social housing need in 2020. This is a reduction of almost 30,000 on 2016. Within this 61,880, more than half (32,677) of the primary applicants are between the ages of 30 and 49, with 16,000 aged over 50. Most are in private rented accommodation (28,194) either with or without a Rent Supplement payment. A further 14,825 are living with parents, while 6,200 are in emergency accommodation or homeless. A majority of households (36,635) rely solely on social welfare as their main source of income. This compares to 11,805 households for whom all income is derived from employment. **It is worth noting that this last cohort are eligible for social housing support but are not in receipt of social welfare income supports.** Almost 40,000 have been waiting for accommodation for 2 years or more, though 16,832 have been waiting in excess of 7 years.

Figure 11: Unmet social housing need by age, 2016-2020

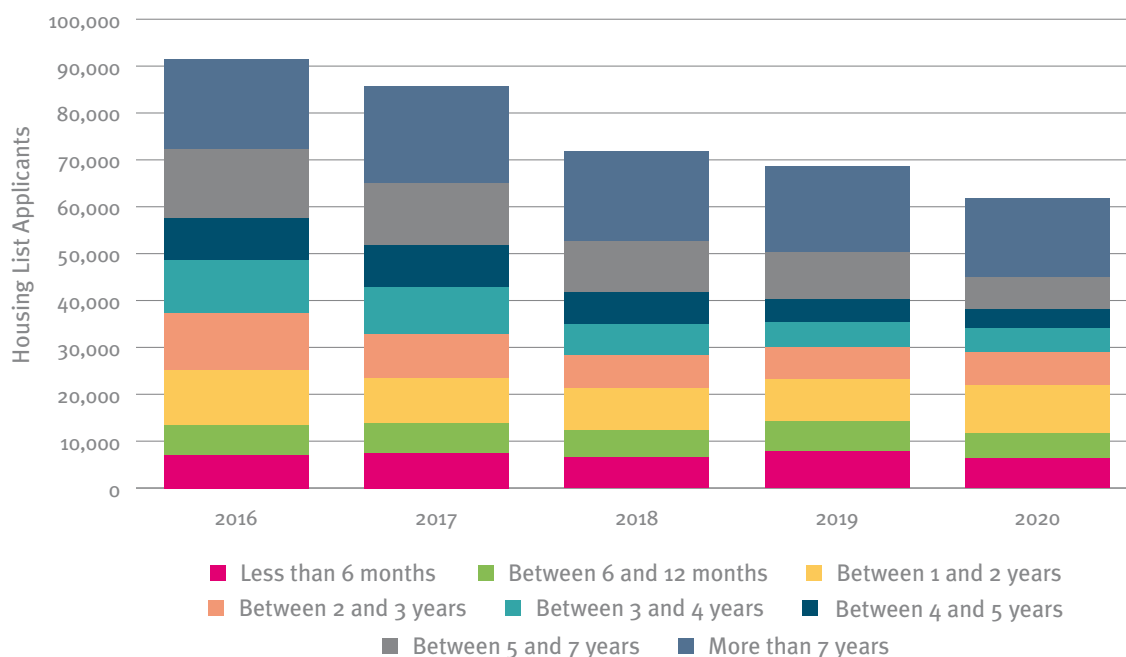


Source: *The Housing Agency*

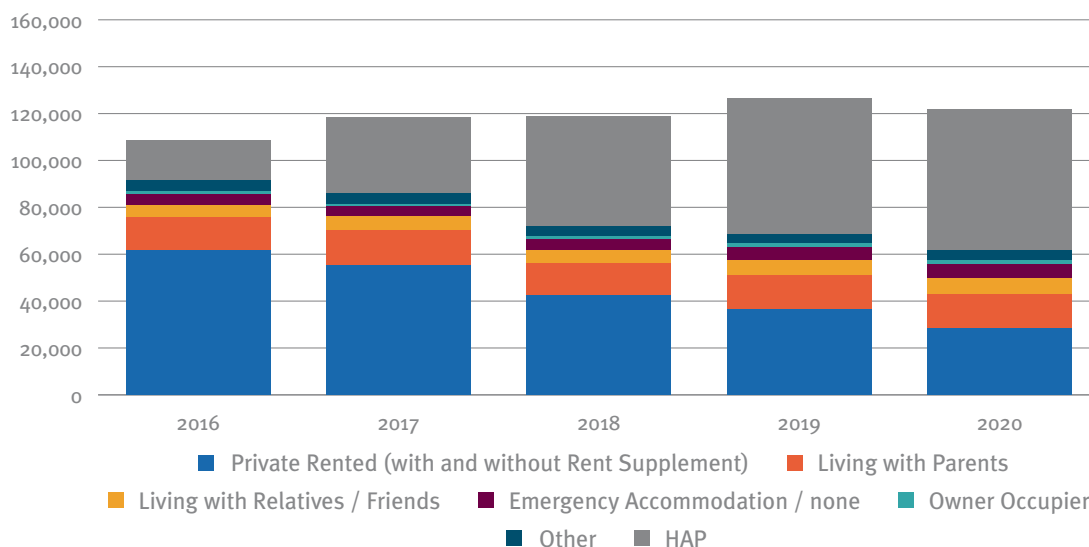
⁵⁴ Households qualified for housing support, The Housing Agency.

Figure 12: Unmet social housing need by source of income, 2016-2020

Source: *The Housing Agency*, *Other includes Homemaker, Pension Only, No Income, Maintenance Only & other combinations

Figure 13: Unmet social housing need by length of time on waiting list, 2016-2020

Source: *The Housing Agency*.

Figure 14: Unmet or ongoing social housing need by housing tenure (including HAP), 2016-2020

Source: *The Housing Agency, Department of Housing, Local Government and Heritage.*

All of these metrics point to a complex set of needs when assessing housing requirements and delivering suitable accommodation. This is emphasised by the **32,204 lone adult households** in the 2020 figures, with **13,331 lone parent families also awaiting housing**.

As noted in previous sections, while Rent Supplement recipients are classed as having an unmet need (and therefore will be included in the figures above), HAP recipients are deemed to be housed and therefore removed from the main social housing waiting lists. However, the Department of Housing, Local Government and Heritage has advised that the majority of HAP tenants opt to be included on Local Authority housing transfer lists and therefore remain in consideration for long-term or 'traditional' social housing support.⁵⁵ This would appear to demonstrate that tenants themselves do not consider HAP or private rental accommodation as their preferred tenure of housing.⁵⁶ Furthermore, the potential precarity of providing longer-term housing supports through short-term private rental agreements without clear pathways to exit these tenancies may impact the future sustainability and security of the scheme. Including 59,821 active HAP tenancies at the end of 2020 to reflect the ongoing housing need many of these tenancies believe they have, the more accurate estimate for households with a housing need may be closer to 122,000 (see Figure 14, above). Please see Box 2 (page 21) for a detailed discussion of the PBO's rationale for this treatment of HAP in the context of calculating social housing needs.

⁵⁵ Department of Housing, Local Government and Heritage correspondence with the PBO, (Jan/Feb 2022).

⁵⁶ An IGEES research paper on *The Housing Aspirations and Preferences of Renters (Mar 2019)* found that 86.5% of survey respondents in the private rental market expressed a preference for home ownership while 85% indicated their preference to "own a home but felt that this would be unlikely" (p.13).

Costing current housing needs

Looking further into the make-up of the almost 62,000 households currently with an unmet need, the actual number of individuals they contain (including children), is significantly higher than the headline (household) figure. Given that all but one cohort (single adult households) are made up of at least two individuals, and based on the data provided by the *Housing Agency*, the PBO estimates that the 61,880 households with an **unmet need account for a minimum of 111,767 people**.⁵⁷ If we consider the HAP tenancies along with this ‘unmet need’ cohort, an additional 59,821 households – representing **an estimated 152,000 people**⁵⁸ – would suggest that **upwards of 260,000 eligible individuals currently have – or may be classed as having – an unmet or ongoing housing need.**

The variety of housing needs within these cohorts emphasises the requirement for greater variety in the types of housing units being delivered. Despite this, in 2019 “the vast majority of units (71%) acquired by Local Authorities are houses with three or more bedrooms”.⁵⁹ Unnecessarily focussing on supplying larger housing units – based on a perception or preference of need – not only excludes smaller occupancy households from accessing social housing in a satisfactory timeframe but may also be an inefficient use of funds given the increased cost of delivering larger houses. The acquisition and construction of new units may also reflect the availability of property types on the market i.e., social housing delivery may be required to compensate for low levels of delivery of particular housing types in a given local authority area.

In response to a Parliamentary Question in July 2021, the Minister for Housing, Local Government and Heritage set out the average costs and range of costs for the construction of one to four bed houses and one to three bed apartments for 2019 and 2020.⁶⁰ The costs provided are not “all-in” and therefore some assumptions need to be made around additional costs of design/technical fees, land, utilities etc. Taking the breakdown of household size (Appendix 4, p.46) and applying assumptions around the required number of bedrooms (lower bounds) and property type, the estimated total average cost of delivering long-term capital funded housing units – at 2020 prices – for all currently eligible households with an **unmet need** would be at least **€14.3 billion.**

Applying similar assumptions with regards to household size (Appendix 5, p.47), required rooms, and property type provided for households in receipt of **HAP**, an estimated cost of over **€15 billion** would be required (at 2020 construction prices). **Therefore, the combined outlay of capital spending to address the housing needs of approximately 260,000 people would be in excess of €29 billion.**

For both sets of calculations, the lowest number of household members was assumed based on the household classification provided (e.g., couple with 1-2 children is a minimum of 3 individuals). The needs of each household were then assessed in terms of room number requirement. For this, couples, children, or lone adults were classified as an ‘individual’ and assigned their own room. Other than couples, no sharing of bedroom accommodation was assumed. When assessing the type of accommodation for each household group, a mix of apartments and houses was used. For example, for single individuals a one-bed apartment was assigned (at an average cost of €223,796) while a couple with 1-2 children was assigned a two-bedroom house (at an average cost of €221,931). All households under each classification were assigned the same housing type.

⁵⁷ PBO calculations based on Housing Agency unmet need data (see Appendix 4).

⁵⁸ PBO calculations based on CSO data from 2019 (see Appendix 5).

⁵⁹ *Analysis of Social Housing Acquisitions*, IGEES (Oct 2021).

⁶⁰ *Parliamentary Question 40455/21*, Dáil Éireann 27 July 2021.

The total number of households under each classification were then multiplied against the estimated average cost of delivering the assigned housing type (apartment or house with minimum required bedrooms) to arrive at the total estimated average cost of delivery. The PBO's detailed tables of costs are presented in Appendix 6.

While these estimates are based on average 2020 build costs (plus assumptions around additional costs of deliveries) for the various housing types set out in the Minister's response, as well as lower bound estimates for household size, the Department of Housing, Local Government and Heritage have suggested that these valuations appear lower than their own cost estimates. The PBO had requested the Department provide details of their costings but these were not made available in advance of publication.

The Department have outlined that factors (not reflected within the PBO cost estimates) relevant in determining the cost of social housing delivery. The PBO has used the most recent data available to it across a mix of housing types, and there is insufficient detail in data available to reflect all of the factors identified by the Department. Such factors include (among others):

- Construction price inflation since 2020;
- The geographic distribution of social housing needs (concentrated in Dublin where costs are higher);
- The National Planning Framework (NPF) provides for delivery of greater numbers of apartments rather than houses, with apartment construction being more expensive than house construction (though PBO calculations do reflect a mix of housing types including a substantial number of apartments);
- The NPF also provides for greater use of brownfield and infill development – with higher costs associated with these sites compared to greenfield development;
- Complexity of housing needs are not necessarily reflected in unmet needs household composition statistics. This may be due to single occupant households requiring additional space to accommodate shared custody of a child/children, a carer, or where medical needs necessitate delivery of bespoke accommodation; and
- The potential for increased land costs due to the running down of existing landbanks owned by the Local Authorities.

Housing for All – updated social housing policy

Housing for All (2021), the new Government Housing strategy, has proposed €4 billion (on average) per year in State supported funding to the area of housing between 2021 and 2030. The overall goal of the plan is to deliver a targeted 300,000 housing units by 2030 to achieve the estimated requirement for an average of 33,000 new units of stock *per annum*. This comprises:

- 170,000 homes for the private market;
- 90,000 social housing units;
- 36,000 affordable housing units; and
- 18,000 cost rental properties.

Of this, €12 billion is direct Exchequer capital funding (an average of €2.4 billion *per annum*) focussed on **social and affordable housing**. The €12 billion proposed to 2025, which is also set out in the revised National Development Plan (2021) (NDP), represents an increase from €11.4 billion for the same priority over the 10-year period (2018-27) as set out in the original NDP. Including the 2021 allocation, approximately €5 billion in capital funding has been (or was due to be) spent on social/affordable housing since 2018, averaging €1.25 billion per year over the period. The additional commitments within the ‘Housing for All’ plan would require a significant ramping up of capital spending to achieve the policy’s goals.

The annual housing need contained in the plan was arrived at through the use of Housing Needs Demand Assessment (HNDA) model developed by the Department of Housing, Local Government and Heritage and based on an ESRI assessment of future housing formation.^{61,62} The ESRI projections estimate average range of new household formation between 2021-2030 of 28,000 to 34,000 *per annum*.⁶³ While existing housing need is one of the criteria used in the HNDA modelling, it is unclear from the plan what level existing need was used in the calculation and what assumptions were made based on the ESRI data. Given that the average output proposed in the plan is a similar level to the number of new households projected by the ESRI over the next decade, it is unclear how the plan might suitably address both new and existing needs adequately.

For example, the Department’s Housing Needs Demand Assessment estimates a need for new social housing of 10,300 *per annum* to 2030 (totalling 92,700 units) though outputs in the plan from 2022 to 2030 only total 88,400 new units across the period. This is a shortfall of 4,300 units on the Department’s own estimates of need.⁶⁴

The delivery of sufficient social housing over the period to 2030 poses a significant challenge in the context of projected demand as per the HNDA in addition to existing demand in terms of unmet or “ongoing” need consisting of:

- approximately 62,000 households with an existing unmet social housing need; and
- an unknown – though presumably sizeable – quantum of households in receipt of HAP who are awaiting assignment of long-term social housing.⁶⁵

⁶¹ *Housing for All*, Department of Housing, Local Government and Heritage (Sep 2021, p.31).

⁶² *Housing Needs Demand Assessment (HNDA)*, Department of Housing, Local Government and Heritage (Apr 2021).

⁶³ *Regional demographics and structural housing demand at a county level*, ESRI (Dec 2020).

⁶⁴ *Housing for All*, Department of Housing, Local Government and Heritage (Sep 2021, p.32).

⁶⁵ If just 50% (c.29,910 households) of the HAP cohort were to avail of long-term social housing, the current unmet and ongoing housing need would exceed the total intended new output over the next decade.

Delivery methods

According to the plan, the 90,000 social homes to be delivered will be majority delivered by new build, with Local Authorities to phase out long term leasing properties for social housing. While the increased supply of new build social housing units is to be welcomed, removing the option of leasing from the suite of measures available to Local Authorities may result in housing needs in the short-term remaining unmet. Issues may also arise around housing tenants currently in a leased or rented property at the end of their tenure. With no option to renew, a Local Authority will require a capital build unit to house the tenant(s) resulting in no 'new' unmet housing need being addressed. Consideration must also be given to capacity issues in the building sector which may lead to delayed project delivery, while cost inflation (estimated in 2022 at 4.4% on labour and 6.8% on materials)⁶⁶ may erode budgets at a faster pace than unit delivery.⁶⁷ Furthermore, if the delivery of new build units relies too heavily on acquisition from private developments rather than direct build by Local Authorities/AHBs, it may result in the State continuing to compete with private individuals for the purchase of limited housing stock.

It is important that as *Housing for All* is implemented, that its various delivery mechanisms, and associated performance targets, be clearly reported alongside both the allocated funds for said delivery, and the realised cost of delivery. Ideally, where appropriate, these mechanisms should have standalone subheads within the *Revised Estimates for Public Services* or should alternatively be clearly linked to existing subheads. The proper integration of new or expanded delivery mechanisms into the *Revised Estimates for Public Services* is essential to ensure that voted monies, and associated performance, can be readily scrutinised by the Oireachtas.

As new schemes are implemented under Housing for All it is important for these be reflected in the REV or other spending tables with outputs and performance metrics connected for clarity.

⁶⁶ *Soaring costs in building materials a threat to economic growth, report warns*, The Irish Times (Aug 2021).

⁶⁷ [Central Bank Quarterly Bulletin QB1 - January 2022](#).

Conclusion

The direct delivery of housing stock is a costly and long-term project for policymakers which requires consistent multi-year funding and strategic planning. This is particularly pertinent for the delivery of social housing stock given both the breadth and scale of the projects under consideration, as well as the immediate needs of the individuals who require State support to meet their housing requirements.

While previously the State has engaged in significant capital build projects to address requirements for housing, recent decades have seen extreme volatility in funding and outputs leading to the present need for significant increases in the delivery of units over a short period of time. Furthermore, changing policy goals around methods of delivery have led to an overreliance on the private rental sector to alleviate the shortfall in publicly owned housing stocks.

Despite spending in excess of €29 billion between 2001-2020, delivering almost 122,000 housing capital build units and an average of 85,000 current funded tenancies *per annum*, the present stock of social housing is insufficient to fully meet the long-term or ongoing needs of the population. With 61,880 households officially having an unmet social housing need, and a further 59,821 with an ongoing need (HAP tenancies), the cost of fully meeting their social housing needs through capital investment, to provide long-term housing, is estimated at approximately €29 billion. Rising rental costs and insufficient supply of new units is also impacting those at the margins of eligibility, pushing even more households towards a need for housing supports (as wage growth fails to keep pace with cost-of-living and housing inflation), potentially without meeting current eligibility criteria.

Given the timeframe for delivery on capital projects, and an individual's immediate need for housing, a mix of capital and current funded delivery methods allows for greater flexibility in meeting a variety of requirements. Furthermore, regional differences in build and rental costs mean the long-term value of each delivery method is not constant across the nation. However, with the State now funding nearly 4-in-10 private rental tenancies, the sustainability of the model employed is questionable, particularly the use of finite financial resources to fund long-term needs with short-term and potentially precarious housing measures.

The analysis in this paper has required the amalgamation of data from multiple sources which do not always neatly align and linking schemes and policies with financial allocations and performance outputs is challenging. Often, this arises from an absence, or consistent application, of clear definitions and terminology in reports, schemes, and policies in use by the Department and various responsible bodies. The challenges in compiling this paper indicates that improved reporting that comprehensively and consistently addresses financial allocations, targeted, and achieved outputs across the full range of social housing measures is required.

Appendices

Appendix 1: Areas of Housing Vote spend considered in PBO calculations (€000's)

	2005	2006	2007	2008	2009	2010	2011	2012
Capital								
Local Authority Housing	€781,520	€886,175	€966,106	€979,729	€690,536	€418,669	€189,164	€116,879
Capital Assistance Scheme	€80,661	€99,361	€113,766	€156,290	€158,513	€113,648	€38,442	€66,000
Traveller Accommodation	€37,000	€35,555	€35,000	€35,000	€19,602	€16,109	€9,315	€4,000
Regeneration/ Remedial Works	€168,886	€126,171	€140,565	€217,384	€200,877	€157,234	€148,384	€129,000
Affordable Housing/Shared Ownership Subsidy	€4,031	€3,627	€5,291	€4,199	€3,824	€3,198	€5,624	€5,004
<i>Subtotal</i>	€1,072,098	€1,150,889	€1,260,728	€1,392,602	€1,073,352	€708,858	€390,929	€320,883
Current								
SHCEP					€642	€3,775	€13,818	€20,815
Rental Accommodation Scheme	€723	€6,200	€27,385	€53,025	€83,394	€100,076	€115,917	€125,430
Capital Loans & Subsidy Scheme	€28,384	€35,611	€37,783	€61,993	€69,896	€61,345	€60,940	€68,680
Homelessness	€44,095	€49,360	€52,987	€53,235	€56,057	€54,703	€48,123	€46,546
<i>Subtotal</i>	€73,202	€91,171	€118,155	€168,253	€209,989	€219,899	€238,798	€261,471
Total	€1,145,300	€1,242,060	€1,378,883	€1,560,855	€1,283,341	€928,757	€629,727	€582,354

	2013	2014	2015	2016	2017	2018	2019	2020
Capital								
Local Authority Housing	€83,270	€88,536	€131,486	€206,311	€396,447	€810,679	€955,745	€890,575
Capital Assistance Scheme	€43,310	€45,640	€51,090	€28,090	€41,894	€72,711	€88,363	€90,749
Mortgage to Rent			€15,596	€12,992	€13,389	€14,351	€17,999	€11,732
Capital Advance Leasing Facility				€29,996	€49,841	€118,699	€139,399	€158,799
Traveller Accommodation	€4,143	€3,164	€4,075	€4,268	€4,835	€6,264	€8,658	€14,498
Regeneration/ Remedial Works	€95,100	€63,910	€50,148	€59,977	€77,812	€83,782	€78,511	€65,203
Vacant Repair & Leasing Initiative					€196	€2,946	€3,772	€4,003
Affordable Housing/Shared Ownership Subsidy	€4,994	€4,987	€3,304	€1,953	€2,969	€2,423	€2,397	€2,325
Infrastructure Fund					€1,604	€6,888	€22,279	€31,650
Subtotal	€230,817	€206,237	€255,699	€343,587	€588,987	€1,118,743	€1,317,123	€1,269,534
Current								
SHCEP	€27,363	€34,845	€34,342	€54,029	€84,051	€100,393	€139,127	€197,357
Rental Accommodation Scheme	€130,887	€133,513	€121,789	€130,998	€142,838	€143,337	€134,290	€132,964
Housing Assistance Payment	€63	€394	€15,644	€57,700	€152,697	€276,604	€382,408	€464,649
Capital Loans & Subsidy Scheme	€69,145	€54,797	€39,832	€29,579	€45,921	€53,208	€51,686	€53,087
Homelessness	€45,000	€49,206	€64,771	€88,676	€109,236	€139,000	€165,000	€270,900
Subtotal	€272,458	€272,755	€276,378	€360,982	€534,743	€712,542	€872,511	€1,118,957
Total	€734,092	€685,229	€787,776	€1,048,156	€1,121,717	€2,950,028	€3,506,757	€3,658,025

Source: Department of Housing, Local Government and Heritage.

Appendix 2: Estimated total spend on direct provision of State supported housing (2001-2020)

The below table is the underlying data for the chart presented in Figure 2 (page 16) setting out the headline annual spend by capital and current means (Housing Vote) as well as via Rent Supplement (Department of Social Protection).

	Department of Housing, Local Government & Heritage		Department of Social Protection	Total Spend (€000's)
	<i>Capital (€000's)</i>	<i>Current (€000's)</i>	<i>Rent Supplement (€000's)</i>	
2001	€777,636	€116,544	€179,438	€1,073,618
2002	€973,228	€151,779	€252,203	€1,377,210
2003	€909,197	€77,669	€331,471	€1,318,337
2004	€925,306	€78,543	€353,726	€1,357,575
2005	€1,072,098	€73,202	€368,705	€1,514,005
2006	€1,150,889	€91,171	€388,339	€1,630,399
2007	€1,260,728	€118,155	€391,466	€1,770,349
2008	€1,392,602	€168,253	€440,784	€2,001,639
2009	€1,073,352	€209,989	€510,751	€1,794,092
2010	€708,858	€219,899	€516,861	€1,445,618
2011	€390,929	€238,798	€502,748	€1,132,475
2012	€320,883	€261,471	€422,536	€1,004,890
2013	€230,817	€272,458	€372,909	€876,184
2014	€206,237	€272,755	€338,347	€817,339
2015	€255,699	€276,378	€311,059	€843,136
2016	€343,587	€360,982	€275,290	€979,859
2017	€588,987	€534,743	€230,570	€1,354,300
2018	€1,118,743	€712,542	€175,020	€2,006,305
2019	€1,317,123	€872,511	€125,230	€2,314,864
2020	€1,269,534	€1,118,957	€133,090	€2,521,581
	€16,286,433	€6,226,799	€6,620,543	€29,133,775

Source: Department of Housing, Local Government and Heritage, DPER databank, Department of Social Protection Annual Statistical Reports.

Appendix 3: Estimated future average rental costs by region (2020-2041)

Rental costs are projected on the basis of 8.3% rental inflation in 2021 and 2% *per annum* thereafter. Highlighted values below represent the point at which cumulative rental income intersects the national average cost in 2020 of constructing a “typical” Local Authority 3-bed house.

Year	National	Dublin	Outside Dublin	Greater Dublin Area (excluding Dublin)	Outside GDA
2020	€14,902	€20,850	€11,306	€15,264	€10,721
2021	€16,139	€22,581	€12,244	€16,531	€11,611
2022	€16,462	€23,032	€12,489	€16,862	€11,844
2023	€16,791	€23,493	€12,739	€17,199	€12,080
2024	€17,127	€23,963	€12,994	€17,543	€12,322
2025	€17,470	€24,442	€13,254	€17,894	€12,568
2026	€17,819	€24,931	€13,519	€18,252	€12,820
2027	€18,175	€25,430	€13,789	€18,617	€13,076
2028	€18,539	€25,938	€14,065	€18,989	€13,338
2029	€18,910	€26,457	€14,346	€19,369	€13,604
2030	€19,288	€26,986	€14,633	€19,757	€13,877
2031	€19,674	€27,526	€14,926	€20,152	€14,154
2032	€20,067	€28,076	€15,224	€20,555	€14,437
2033	€20,469	€28,638	€15,529	€20,966	€14,726
2034	€20,878	€29,211	€15,839	€21,385	€15,020
2035	€21,295	€29,795	€16,156	€21,813	€15,321
2036	€21,721	€30,391	€16,479	€22,249	€15,627
2037	€22,156	€30,998	€16,809	€22,694	€15,940
2038	€22,599	€31,618	€17,145	€23,148	€16,259
2039	€23,051	€32,251	€17,488	€23,611	€16,584
2040	€23,512	€32,896	€17,838	€24,083	€16,915
2041	€23,982	€33,554	€18,194	€24,565	€17,254

Source: RTB, PBO own calculations

Appendix 4: Breakdown of households with an unmet social housing need by household size.

Minimum occupancy per household is estimated based on the stated breakdown of household size and applying smallest possible combination of individuals within. The Lower Bound figures are based on the total number of households under each Household Size heading multiplied by the minimum occupancy per household.

Household Size	No. of Households	Min occupancy per household	Lower bound (min. persons)
1 adult	32,204	1	32,204
1 adult, 1-2 children	13,331	2	26,662
Couple, 1-2 children	4,959	3	14,877
Couple	2,702	2	5,404
Couple, 3 or more children	2,092	5	10,460
1 adult, 3 or more children	1,737	4	6,948
2 adults*	1,388	2	2,776
2 adults*, with child/children	1,162	3	3,486
Couple, 1 or more other adults, 1-2 children	753	4	3,012
Couple, 1 or more other adults	556	3	1,668
3 or more adults*	384	3	1,152
Couple, 1 or more other adults, 3 or more children	335	6	2,010
3 or more adults*, with child/children	277	4	1,108
	61,880		111,767

Source: *The Housing Agency*, PBO own calculations

* These households do not include couples

Appendix 5: Estimated breakdown of HAP tenancies

The average share of new HAP tenancies by household size (2016-2019) is intended as an indicative breakdown of tenancy share over the period. With unknown household types exiting the HAP scheme, it is not possible to assess the true numbers of tenancies under each household type for 2020 based on available information. The lower bound value is the estimated share of tenancies in 2020 multiplied by the minimum occupancy per household.

Household Size	New tenancies by household size*				Average % share of tenancies	Estimated make-up of tenancies 2020**	Min. occupancy per household	Lower bound (min. persons)
	2016	2017	2018	2019				
Single	3,090	3,970	3,550	3,180	23.6%	14,093	1	14,093
Single 1 Child	2,230	3,650	3,790	3,550	22.2%	13,265	2	26,530
Single 2 Children	1,430	2,240	2,090	1,850	12.8%	7,671	3	23,013
Single 3+ children	770	1,070	990	820	6.2%	3,707	4	14,827
Couple	410	680	690	610	4.0%	2,397	2	4,793
Couple 1 Child	780	1,250	1,420	1,240	7.9%	4,700	3	14,099
Couple 2 Children	1,120	1,810	1,740	1,360	10.1%	6,059	4	24,236
Couple 3+ Children	970	1,460	1,300	950	7.9%	4,731	5	23,655
Other	460	800	1,000	990	5.4%	3,240	2	6,480
	11,250	16,930	16,550	14,540		59,863		151,727

Source: CSO, *Social Housing in Ireland 2019 – Analysis of Housing Assistance Payment (HAP) Scheme*

* Tenancies are rounded to the nearest 10.

** Actual HAP tenancies at year-end 2020 was 59,821. Variance is due to rounding effect in CSO data.

Appendix 6: Estimated capital cost of providing size appropriate accommodation for all households with an unmet social housing need and households in receipt of HAP

Household Size	No of House holds	Lower bound (min. #)	Min. beds required per unit	Average build cost of appropriate accommodation	Total estimated cost
Unmet Needs					
1 adult	32,204	32,204	1	€223,796	€7,207,116,723
1 adult, 1-2 children	13,331	26,662	2	€221,931	€2,958,564,827
Couple, 1-2 children	4,959	14,877	2	€221,931	€1,100,556,821
Couple	2,702	5,404	1	€223,796	€604,695,981
Couple, 3 or more children	2,092	10,460	4	€296,524	€620,329,045
1 adult, 3 or more children	1,737	6,948	4	€296,524	€515,062,883
2 adults	1,388	2,776	2	€260,330	€361,338,040
2 adults, with child/children	1,162	3,486	3	€242,484	€281,765,943
Couple, 1 or more other adults, 1-2 children	753	3,012	3	€242,484	€182,590,151
Couple, 1 or more other adults	556	1,668	2	€260,330	€144,743,480
3 or more adults	384	1,152	3	€362,748	€139,295,117
Couple, 1 or more other adults, 3 or more children	335	2,010	5	€296,524	€99,335,674
3 or more adults, with child/children	277	1,108	4	€296,524	€82,137,259
Total					€14,297,531,943
HAP Tenancies					
Single	14,093	14,093	1	€223,796	€3,154,038,180
Single 1 Child	13,265	26,530	2	€260,330	€3,453,251,883
Single 2 Children	7,671	23,013	3	€242,484	€1,860,126,437
Single 3+ children	3,707	14,827	4	€296,524	€1,099,162,386
Couple	2,397	4,793	1	€210,771	€505,143,821
Couple 1 Child	4,700	14,099	2	€260,330	€1,223,467,068
Couple 2 Children	6,059	24,236	3	€242,484	€1,469,191,397
Couple 3+ Children	4,731	23,655	4	€296,524	€1,402,869,185
Other	3,240	6,480	2	€260,330	€843,496,261
Total					€15,010,746,618

Source: The Housing Agency, CSO: Social Housing in Ireland 2019 – Analysis of Housing Assistance Payment (HAP) Scheme, Parliamentary Question 40455/21, Dáil Éireann 27 July 2021, and PBO own calculations



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