



Irish Council
for Social Housing

Pre Budget Submission 2017

**To the Department of Finance, Department of Public Expenditure
and Reform & Department of Housing, Planning, Community and
Local Government**

About the Irish Council for Social Housing (ICSH)

The Irish Council for Social Housing (ICSH) is the national representative federation for non-profit housing associations in Ireland (also known as Approved Housing Bodies - AHBs). The ICSH represents over 275 members who, as well as providing over 30,000 homes, also deliver a range of complimentary services to tenants including families, older people, formerly homeless households and people with disabilities.

The ICSH was established in 1982 to support and promote the work of housing associations and to develop their distinctive role in the Irish housing system to deliver high quality homes.

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Summary of Recommendations

- To continue to meet the housing needs of vulnerable groups, including families in emergency accommodation, €100m funding is allocated for the Capital Assistance Scheme (CAS) in 2017.
- Funding ringfenced for accommodation for people moving out of congregated settings should be increased to €15m in Budget 2017;
- Adequate resources should be made available for the expansion of the Mortgage to Rent Scheme to prevent a flow of households in mortgage distress into homelessness;
- A Capital Advance Leasing Facility (CALF) allocation of €85m is required for 2017 and a Payment and Availability (P&A) allocation of €50m to continue to boost housing supply;
- A financial commitment is required beyond 2017 to achieve the objective of the multi-annual CALF programme;
- Increased flexibility is required on the level of CALF or the Payment and Availability Agreement (P&A) to link to the cost of the loan where the private market rents are low and /or construction costs are still high;
- Ongoing and adequate resourcing of homeless services for the provision of the dedicated Housing First service for persons enduring habitual rough sleeping and support to continue provision of housing support to live independently for persons and households exiting homelessness to tenancies;
- Provide €10m in annual funding for the provision of affordable rental housing which can be utilised by housing associations;
- As the Housing Assistance Payment is rolled out, the impact on security of tenure must be monitored;
- The Budget allocated to the sector Innovation fund should be continued in 2017 and widened to Tier 2 and Tier 3 housing associations;
- The Management and Maintenance allowance is sustained into the future and the revenue budget to service outstanding loans from the CLSS programme is maintained;
- The one stop shop to support housing associations should be appropriated resourced and staffed;
- Implementation of an active land management strategy through a delivery agency to lead and co-ordinate a continuous pipeline of building land for social housing and affordable and cost rental;
- A re-examination of the Kenny report proposals on rezoning;
- Budget 2017 should make provision in the housing budget (SCHEP) to facilitate the purchase of all Part V properties by housing associations;
- All social housing projects including Part V and regeneration schemes, deliver an agreed number or percentage of homes that are pre planned and reserved for people with disabilities on the housing waiting list;
- the establishment of a dedicated Assisted Independent Living revenue funding stream for housing related support services with an initial allocation of €5m.

1. Introduction

Housing Associations (also known as Approved Housing Bodies AHBs) have a collective mission to deliver affordable and good quality homes to those most in need. In 2015, over 2,400 homes by housing associations were provided through new build, purchase and relets to households on the social housing waiting list. The sector owns and manages over 30,000 homes across the country and housing associations have been playing their part to increase the number of homes through every delivery and funding mechanism available to them. In addition, the ICSH has been working with a range of stakeholders and other investors new to the sector to develop new innovative funding models.

The series of recommendations contained in the ICSH pre budget submission are underpinned by the experience of our members and in depth discussions with a range of stakeholders including potential investors. They outline specific actions and funding decisions required from Government in order to achieve the overall objective to:

Increase the stock of permanent, social and affordable housing

2. Current context

The ICSH welcomes the publication of ‘Rebuilding Ireland – Action Plan for Housing and Homelessness’, which commits €5.35billion to support the delivery of 47,000 new homes of social housing by end 2021. In particular, we note the recognition in the Action Plan that the market would not ensure all households are housed appropriately, or at all, if left to its own devices (p-19). Since the launch of the 2014 Social Housing Strategy, the private market and construction industry have not responded to demand, leading to a cumulative deficit in the net need required. This is based on the Housing Agency projections for future housing supply of 25,000 per annum¹ with current levels at 12,666 in 2015. In order to avoid the boom-and-bust cycles that have characterised the Irish housing system, the ICSH recommends that Government aims to ensure that 20% of overall housing stock is in permanent social and affordable housing over a medium timeframe.²

The results of the 2016 Housing Needs Assessment, which is currently underway in all local authorities, are expected to reflect the growth in demand from an increasingly unaffordable private rental market, and lower supply of social housing supports (coupled with fewer vacancies) since the last official count in 2013, which showed 89,872 households on waiting lists.

¹ <http://www.housingagency.ie/Housing/media/Media/Publications/Future-Housing-Supply-Requirements-Report.pdf>

² A year on year gradual increase to an optimum of 20% is recommended.

What has eclipsed this are the official Department of Housing, Planning Community and Local Government (DHPCLG) and Dublin Regional Homeless Executive (DRHE) figures showing increasing numbers of families with children experiencing homelessness as well as the consistent problem of single adults in emergency accommodation.

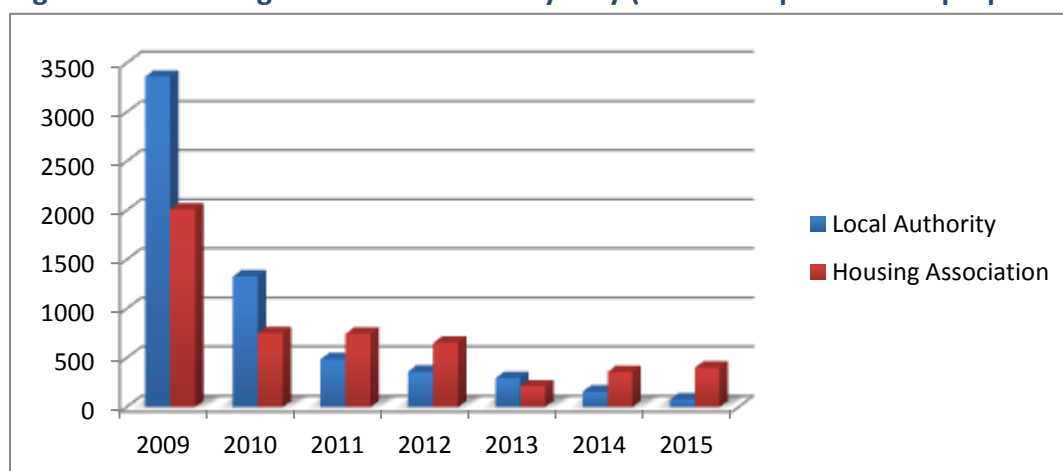
The Department of Housing, Planning and Local Government (DHPLG) figures for June 2016 show **6,525 people recorded as homeless - 4,177 adults and 2,348 children**. These figures do not take account of those at risk of homelessness e.g. those in mortgage arrears (64,945 with 43,642 for more than 90 days³) and those accessing the Tenancy Protection Service.

Commitment from the Housing Association sector

The focus of this submission is how housing associations can be supported through Budget 2017 to build on current activity and, grow the supply of social and affordable housing to meet a range of housing needs.

The housing association sector can offer significant added value through our ability to access off balance sheet funding and also through our long standing housing/estate management expertise build up over many years of dedicated housing provision. Housing associations have responded to a rapidly changing funding environment and, since 2011, have built up capacity in development, finance and housing management as well as implementing the new regulatory structure for the sector. Construction activity by housing associations peaked in 2009 with over 2,011 new homes completed before the property market collapse. Despite the financial and developmental challenges for the sector, housing associations continued to deliver through new build and purchase, increasing delivery to 1,312 homes in 2015. Including re-lets, this resulted in **2,412 homes** provided by housing associations last year. The graph below illustrates new build projects and highlights the comparative activity of housing associations.

Fig1: Social Housing Construction Activity only (*excludes purchase of properties)



³ Department of Finance (Aug 2016) Mortgage Restructure Data June 2016

A survey of 25 ICSH members, who are actively developing, reported a development pipeline of 5,173 homes by end 2018 through a number of funding mechanisms. In order to realise the potential of these and other active housing association and to reach the expectations for the sector in 'Rebuilding Ireland', Budget 2017 offers an important opportunity to commit the appropriate resources.

The ICSH welcomes the range of actions and commitments in Rebuilding Ireland noting that there are a number of structural and systematic changes that require immediate attention. The Action Plan envisages an increase in social housing build activity to over 5,000 homes per year by 2021 with the output activity in 2017 split between new build homes acquired / leased on the private market (along with return of void properties, RAS and HAP) ref p-46.

As stated above, ICSH internal surveys indicate a pipeline of 5,173 homes by 2018 with 1,831 of these expected to be delivered in 2017. In order to realise the potential and development capability of the sector, **Budget 2017 must allocate sufficient capital and current resources to housing associations.**

3. Capital expenditure

Capital Assistance Scheme (CAS) - The ICSH recommends that in order to continue to meet the housing needs of vulnerable groups, including families in emergency accommodation, €100m funding is allocated for the Capital Assistance Scheme (CAS) in 2017. When calls for proposals are sought, the funding for CAS is consistently over-subscribed (in 2015 a total of €151m was approved however the total value of applications was over €280m).

We recommend that funding ringfenced for accommodation for people moving out of congregated settings under CAS should be increased to €15m in Budget 2017 for construction projects as well as acquisitions, with adequate funding available for adaptations of properties.

We welcome the implementation of a rolling programme under CAS 2016, which allows for submission of both construction and purchase proposals to meet housing need on an ongoing basis. This should be continued on an open ended basis, year on year to ensure timely spend. Along with the delegated sanction afforded to local authorities through Circular 24/2015, this should expedite the social housing delivery through CAS.

Mortgage to Rent (MtR) – Adequate resources should be made available for the expansion of the Mortgage to Rent Scheme to prevent a flow of households in mortgage distress into homelessness. Alongside the resourcing, as per action 1.21, a review of the scheme is required to address the complexities including a reform of the conditions of the scheme to include eligibility thresholds, solution to debt.

4. Current Expenditure

Capital and Revenue Funding for the Capital Advance Leasing Facility (CALF)

The ICSH welcomes the actions taken to date to streamline and accelerate delivery under the Capital Advance Loan Facility (CALF). The accelerated draw down procedures have reduced the approval time for projects and through action 2.11, the ICSH hopes that processes will be continually reviewed and improved to advance housing construction projects.

From the analysis of the development pipeline submitted by ICSH members, **we recommend that a CALF allocation of €85m is required for 2017 and a P&A allocation of €50m.**

In addition, **to support the new multi-annual CALF pilot commencing in Q4 2016, a financial commitment is required beyond 2017 to achieve the objective of the multi-annual CALF programme and allow housing associations have a strategic approach to delivery with funding certainty.**

Support for Joint ventures

Housing associations have a strong track record of working in partnership with a range of stakeholders to deliver good quality homes. Further support for joint partnerships on regeneration, retrofit and stock transfer programmes is required to facilitate a new approach particularly on regeneration. This is already being led by Limerick City and County Council and the ICSH with members and should be progressed in other areas such as Cork and Waterford.

The ICSH recommends increased flexibility on the level of CALF or the Payment and Availability Agreement (P&A) to link to the cost of the loan where market rents are low and /or construction costs are still high in, for example, regeneration areas.

Homelessness

The ICSH welcomes the measures in Rebuilding Ireland to address and prevent homelessness, in particular the commitment to ensure that hotels are used only in limited circumstances for emergency accommodation for families by mid-2017. **The ICSH believes that the focus should remain on provision of permanent, long term housing options for those experiencing homelessness including single, adult males who make up the majority in emergency accommodation and for whom it is most difficult to secure housing.**

The Action Plan notes the use of short term rapid build units to provide accommodation in emergency situations. However, **the ICSH believes the focus should be on ensuring that capacity of emergency accommodation is sufficient to meet ongoing need** – this includes managing and commissioning improvements in the capacity and quality of all emergency accommodation and implementing quality standards.

The ICSH recommends adequate resourcing for the provision of the dedicated Housing First service for persons enduring habitual rough sleeping and support to continue provision of housing support to live independently for persons and households exiting homelessness to tenancies.

Affordable Rental Housing

The ICSH is of the view that the development of social housing should be incorporated into mixed tenure schemes whenever possible. This will help to achieve the dual aims of providing accommodation for people on low to moderate incomes who are struggling to find accommodation in the private rental sector, but who are above the social housing income limits. Secondly, the creation of mixed tenure housing is a more balanced approach to providing housing across the income spectrum, thereby avoiding single tenure developments.

Provide €10m in annual funding for the provision of affordable rental housing which can be utilised by housing associations.

Housing Assistance Payment (HAP)

The ability of HAP to meet demand for housing is dependent on an adequate supply of private rented accommodation. In particular, it is expected that the use of 'Homeless HAP' will be relied on heavily for move on accommodation for those currently in emergency accommodation due to a limited supply of permanent social housing coming on stream. Achieving the target of 1,200 tenancies in 2017 will be reliant on the ability to pay above the rent supplement levels and attract landlords with suitable properties into the scheme.

Statistics from Daft.ie highlight the challenge, showing that the supply of private rented accommodation options across a number of regions is at a low point⁴. A key issue for the successful roll out of HAP is affordability. The ICSH welcomes the recent increases to maximum rent levels and supports local authorities' flexibility, which will be particularly important in urban areas, and for people with disabilities who require specific accommodation to meet their needs. **A key aspect for tenants receiving HAP will be security of tenure. As the roll out of HAP is accelerated, this must be carefully monitored.**

Innovation Fund – Financial Vehicle

The ICSH welcomes the establishment of a budget line from SCHEP in 2016 and the commitment of further funding in 2017 for an Innovation Fund to support the development of innovative financial models. The innovation fund supports the sector to build capacity

⁴3,082 rental properties nationwide, Map 2016 / 1,100 in Dublin city. <https://www.daft.ie/report/ronan-lyons-2016q1-rental>

and explore options for future delivery and includes the work undertaken to date on an ICSH led financial vehicle. This fund facilitates the delivery of properties on a larger scale, meets off balance sheet requirements and offers another option for long term, low cost finance for the sector adding to the diversifications of funding options available for housing associations. The fund will also support sectoral capacity building for long term sustainability through collaboration, particularly for Tier 2 and Tier 3 bodies.

The ICSH recommends that the budget for the innovation fund is continued in 2017 to facilitate new joint ventures with a particular focus on joint ventures, collaboration and stock transfer initiatives to increase the scope outside traditional funding sources. This can be widened to Tier 2 & Tier 3 housing associations to encourage and facilitate collaboration within the sector.

Management and Maintenance Allowance – CLSS

The ICSH welcomed the statement in Circular 4/2016 (Feb 2016) confirming that the Management and Maintenance Allowance paid annually by local authorities to housing associations in respect of homes completed under the Capital Loan and Subsidy Scheme would remain at 2015 levels for 2016 and in subsequent years until further notice. This allowance is used by housing associations for managing and maintaining social housing for families and is key to ensuring that these homes are maintained to appropriate standards and do not fall into disrepair, which would cost more to the taxpayer in the long term. The allowance also provides for significant local employment across the country in the property management and maintenance sector.

The ICSH recommends that the M&M allowance is sustained into the future and that the revenue budget to service outstanding loans from the CLSS programme is maintained.

5. Structural reforms

Establishment of a ‘One stop shop’ to support housing associations and facilitate better co-ordinated delivery

The ICSH welcomes action 2.21 and hopes for the speedy establishment of a dedicated unit that is appropriately resourced and staffed to support housing associations.

Embed an active land management strategy into the housing system

Rebuilding Ireland contains a number of measures relating to infrastructure and land management to support housing development. For housing associations to increase output of social housing, access to sites is critical.

Further clarification is required on how the mapping process of local authority and state owned (OPW) sites by the Housing Agency will be translated into an operational land supply programme where housing associations have access to 'ready to go' sites.

The ICSH recommended an active land management strategy through a delivery agency to lead and co-ordinate a continuous pipeline of building land for social housing and affordable and cost rental to deliver mixed tenure schemes with sites made available for development by housing associations.

A re-examination of the Kenny report proposals on rezoning is also recommended to create stability and enable land required for development by local authorities to be compulsory acquired at existing use value plus 25%. Land cost for social housing should be in the region of 15-20% of total build costs.

Increase the use of delivery through Part V

The ICSH was disappointed that Rebuilding Ireland did not take the opportunity to strengthen the social housing return from Part V and instead reduced it to 10%. Housing associations delivered over 2,000 homes⁵ through this mechanism and members see significant potential for opportunities if Local Authorities seek additional homes, allowing for cost or affordable rental homes alongside traditional social rented housing.

Budget 2017 should make provision in the housing budget (SCHEP) to facilitate the purchase of all Part V properties by housing associations.

The ICSH recommends that all social housing projects including Part V and regeneration schemes, deliver an agreed number or percentage of homes that are pre planned and reserved for people with disabilities on the housing waiting list.

Housing and Supports

The ICSH has long campaigned on the need for supported housing options for older people against a backdrop of an ageing population set to increase significantly in the coming years⁶. Government policy is to support older people to live in their homes and communities for as long as possible through a social care model.

Housing associations are currently demonstrating how better value for money can be achieved in preventing early admittance to hospital or residential care. More efficient, cost effective and flexible service models have also been introduced through the bundling of home care packages.

⁵ This volume was delivered when the Part V requirement was 20%

⁶ Age Friendly Ireland (2016) Number of people over 65 is set to reach 1.4 million by 2041

The ICSH recommends the establishment and adequate resourcing of a dedicated Assisted Independent Living revenue funding stream for housing related support services (modelled on the Supporting People programme). An initial allocation of €5m should be made and applications sought from housing associations providing supports to older people.⁷ This is evidence based and value for money⁸

A framework for delivery of housing with support for older persons should be implemented, with housing associations as key stakeholders for delivery⁹.

6. Conclusion

The ICSH welcomes the publication of 'Rebuilding Ireland' and is keenly aware of the expectation and ambition to accelerate delivery of a more appropriate supply of social housing. Budget 2017 will be significant in providing appropriate resources for housing associations to increase delivery. But equally significant, if not more so, are the procedural, structural and streamlining commitments in the Action Plan to expedite the process.

As a sector, housing associations are willing to play their part in achieving the aims of the plan and will work closely with all stakeholders to do so.

⁷ An initial budget allocation of €1.1m was significantly oversubscribed in 2008

⁸ For every €1 spent, this has the potential to save the public purse €1.90 – based on the cost value analysis of Supporting People NI

⁹ This working group consisting of DCC, Departments of Housing and Health, HSE, Age Friendly Ireland, Alone and the ICSH have drafted a proposal for a pilot framework which would be transferable