



OPENING STATEMENT

TO

**THE JOINT COMMITTEE ON HOUSING, PLANNING,
COMMUNITY AND LOCAL GOVERNMENT**

Mr Brian O’Gorman, Chair of the Housing Alliance

Chair, Vice-Chair, and members of the Committee, I would like to thank you for the opportunity to address the Joint Oireachtas Committee today to discuss the reclassification of Approved Housing Bodies (AHBs). I am joined by Mr Kieron Brennan, CEO of Co-operative Housing Ireland, and Mr John Hannigan, CEO of Circle Voluntary Housing Association.

The AHB sector (also known as housing associations, or the voluntary housing sector) includes social housing providers and housing co-operatives. AHBs are independent not-for-profit charities that primarily provide high quality affordable social rented housing for people on local authority housing waiting lists who cannot afford to pay market rents in the private rented sector, or purchase their own homes.

AHBs' contribution to social housing output

Local authorities are of course the largest providers of social housing with a current housing stock of approximately 140,000 dwellings, but AHBs play an increasingly important role with a current total of approximately 30,000 dwellings. AHBs did not run their development capacity down in the period following the financial crash. This means that AHBs are able to make a contribution to social housing output that is disproportionate to their size. The current government target for social housing output is 50,000 additional homes by 2021. It is envisaged that AHBs will deliver one third of that figure which will represent a major contribution to social housing output at a time when it is universally accepted that we are experiencing an unprecedented shortage.

The AHB sector is very diverse. The 232 AHBs that are registered with the regulator are divided into three tiers. The seventeen Tier 3 AHBs, which are largest, with between 300 and 6,000 tenancies each, account for very nearly three quarters of all AHB housing stock.

The Housing Alliance

At the end of 2016 five of the larger AHBs came together to form the Housing Alliance, which through collaborative working aims, amongst other things, to promote practical and innovative solutions for the enhanced development and management of social housing and affordable housing. The five members are Clúid Housing, Co-operative Housing Ireland, Circle Voluntary Housing Association, Oaklee Housing and Respond! Housing Association. All the members are primarily providers of general needs housing, that is housing for people whose have a housing need but not a particular personal need such as older people or people with physical or intellectual disabilities. Together Housing Alliance members own or lease a total of just under 16,000 dwellings, which represents over 50% of all AHB tenancies.

CSO recommendation concerning reclassification of AHBs

In December 2017, following an investigation, the CSO announced that it will recommend to Eurostat that 14 of the larger AHBs should be reclassified from non-profit institutions serving households (NPISH), to the general government sector as defined in *European System of Accounts 2010* (ESA 2010). Essentially this means that the CSO is recommending that AHBs, which are currently off-balance sheet, will become on-balance sheet. However, the letter from the CSO to Eurostat acknowledges the complexity of the case and seeks advice and guidance from Eurostat on this recommendation. The final decision in relation to reclassification lies with Eurostat.

If AHBs are classified as on-balance sheet, AHB expenditure will contribute to general government debt. Perhaps more importantly, because AHB expenditure will be classified as government spending, it will compete with others for the expenditure available in fiscal space. This could result in less money being available for AHBs to spend, with an obvious

consequential reduction in social housing output by AHBs, which in turn could threaten government targets for social housing.

There will in all likelihood be other ramifications of this reclassification, which could impact negatively on AHBs' development activities.

The Housing Alliance is heartened by statements from Eoghan Murphy T.D., Minister for Housing, Planning and Local Government, which emphasise the Government's continuing support for the AHB sector notwithstanding the CSO's assessment. At the same time we believe that it is extremely important that if Eurostat decides that AHBs should be reclassified as on-balance sheet, that it is in everyone's interest for steps to be taken to enable this decision to be reversed.

It is important to remember that the assessment of the classification of bodies under ESA 2010 is not a purely technical exercise but one that is judgemental in nature; indeed this is explicitly stated in ESA 2010. In those circumstances we believe that it is legitimate to examine critically the CSO's interpretation of ESA2010.

The Housing Alliance has a number of concerns about the CSO analysis and we do not agree with the entirety of its assessment. We have taken advice which suggests there are grounds for concluding that the CSO's analysis of the current situation is open to challenge and that even in the present circumstances, AHBs should be classified as public non-financial corporations rather than the general government sector. Furthermore we strongly believe that even if Eurostat confirms the CSO recommendation, it will be possible to reconfigure the AHB sector in such way that AHBs will be able to apply to Eurostat for a further reclassification back to the status of non-profit institutions serving households.

A collaborative response: set up a working party

The Housing Alliance is therefore proposing the establishment of a working group that will focus on the reclassification issue. The aim of the working group will be to examine the rationale for the reclassification decision and to determine what changes need to be made to put the AHB sector in a position where an application can be made for a further reclassification back to an off-balance sheet status. The working group should in our view comprise membership from the Department of Housing and Planning, the Housing Agency and representatives of larger AHBs. We believe that the appointment of an independent chair for this working group would provide additional strength to its recommendations, and would assist in a speedy conclusion. We feel that it is important to establish such a working group as a matter of urgency.

It is worth noting that there is a recent precedent for this process. In the UK, housing associations (equivalent to AHBs) were reclassified to the general government sector in 2015. Two years later, following structural changes made to the relationship between housing associations and Government, housing associations were reclassified as private bodies. Although the reasons for reclassification in England were different from the reasons given in Ireland, the UK experience demonstrates that a collaborative effort involving the Government, the housing association regulator, and housing associations working together were able to make the changes required for reclassification to be successful.

Conclusion

In conclusion, the Housing Alliance believes very strongly indeed that AHBs have made a huge contribution to the development and management of high quality social housing, and are on course to play a major role in the delivery of government targets for social housing as set out in *Rebuilding Ireland*. In the longer term, this capacity may be threatened by reclassification as



on-balance sheet. However we believe that it will be possible to put in place changes that will enable AHBs to apply with confidence to be reclassified as off-balance sheet, and it is in the common interest of Government, AHBs themselves, and people on local authority housing waiting lists that this should happen.

Thank you again for the opportunity to address the Joint Committee. I and my colleagues will be pleased to answer any questions you may have.

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