



# The Future of Council Housing

An analysis of the financial sustainability of local authority provided social housing

 **The Community  
Foundation for Ireland**

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## Contents

Executive Summary	3
Note on Focus and Terminology	9
<b>Chapter 1</b>	
<b>Introduction</b>	<b>10</b>
Background: the changing role of council housing	11
Rationale for this research: the financial sustainability of council housing	13
Research objectives and aims	14
Research methods	15
Research funding and management	17
Outline of chapters	18
<b>Chapter 2</b>	
<b>Council housing's role in housing low-income households</b>	<b>19</b>
Introduction	20
Government housing supports for low-income households: trends since 1990	20
Local authorities' role in providing social housing	25
Approved housing bodies' role in providing social housing	27
Private rented housing as an alternative to social housing	28
Sales of council housing to tenants	29
Conclusions	32
<b>Chapter 3</b>	
<b>The funding and financial management of council housing</b>	<b>34</b>
Introduction	35
How council housing provision is funded and accounted for	38
<i>Funding the capital costs of new council housing provision</i>	38
<i>Funding the revenue costs of council housing provision</i>	39
<i>Funding of AHB Housing in Ireland and social housing in other Western European countries</i>	42
<i>Accounting, auditing and control of spending on council housing provision</i>	43
The adequacy and efficiency of capital funding arrangements for council housing provision	45
The adequacy, efficiency and equity of revenue funding arrangements for council housing	49
<i>Income related rents</i>	49
<i>Management and reform of income related rents</i>	50
<i>Rent collection performance</i>	51
<i>Rent arrears management</i>	53
Conclusions	55

**Chapter Four**

<b>Delivery, maintenance and refurbishment of council housing</b>	<b>57</b>
Introduction	58
Characteristics of the council housing stock	58
The delivery of council housing	61
The maintenance of council housing	64
<i>Maintenance spending and staffing</i>	64
<i>Focus of maintenance spending and activity</i>	66
<i>Repair, refurbishment and regeneration of council houses</i>	67
Structural barriers to improving council housing delivery and maintenance	71
<i>Staffing</i>	71
<i>Finance</i>	72
Conclusions	73

**Chapter Five**

<b>The management of council housing and tenancies</b>	<b>75</b>
Introduction	76
The effectiveness and efficiency of council housing management	76
<i>The allocation of council housing tenancies</i>	76
Tenancy rights	79
<i>Estate management</i>	81
Structural barriers to improving council housing management	84
<i>Staffing</i>	84
<i>Finance</i>	86
<i>Housing management skills and expertise</i>	87
Conclusion	89

**Chapter Six**

<b>Conclusions and recommendations</b>	<b>90</b>
Introduction	91
Conclusions	91
<i>The financial sustainability of council housing</i>	91
<i>Council housing management and maintenance standards and efficiency</i>	92
<i>Funding and accounting related efficiency incentives and disincentives.</i>	93
<i>National housing policies and local housing problems</i>	94
Recommendations	96
<i>Minor management and administrative changes</i>	96
<i>Medium scale reforms</i>	97
<i>Radical restructuring of arrangements for funding council housing</i>	99
References	101
List of Figures	103
List of Tables	104



# **The Future of Council Housing**

An analysis of the financial sustainability of local authority provided social housing

## **Executive Summary**

## The changing role of council housing

For most of the period since social housing was first built in Ireland in the late 19<sup>th</sup> Century, local authorities have been its main providers. Local authorities have provided 365,350 council houses and flats since then and these dwellings accounted for 22.2% of the total Irish housing stock in 2016. These dwellings have made a major contribution to providing affordable, good-quality and secure accommodation for low-income households, and also to improving the quality and increasing the size of the Irish housing stock.

The last three decades have seen a significant reduction in the traditional role of council housing as the primary source of accommodation for low-income renters however. In 1994, council housing tenants accounted for 73.2% of the low-income renting households in receipt of government housing supports. By 2016, this had fallen to just 53%.

In part, this development reflects the decline in council housing output following the sharp contraction in the funding available to this sector after the economic crisis commenced in the late 2000s. Total public funding for new council housing fell by 94% between 2008 and 2013. It also reflects longer term factors such the tradition of selling council housing to tenants which dates back to the 1930s. In addition since the 1980s governments have relied increasingly on other sources of housing for low-income households. These include: not-for-profit sector approved housing bodies (AHBs) and government subsidies for private rented housing such as Rent Supplement and Housing Assistance Payment (HAP).

## Research rationale and aims: the financial sustainability of council housing

The various housing policy statements which have been published since the 1980s flag several reasons for council housing's declining role in housing low-income households and for the increased reliance on alternative means for accommodating this income group. Among these, the affordability of funding the sector for the Exchequer and the value-for-money achieved for this investment are the most intractable problems raised.

Several government commissioned analyses have concluded that government subsidisation of private rents is a more cost effective and also more flexible way of meeting the housing needs of low-income households than providing them with council housing. The practice of selling council housing to tenants is a central consideration in these calculations because dwellings are sold at a discount of between 40 and 60% of market value, therefore the proceeds of sales are never sufficient to cover their replacement costs. Unsurprisingly, concerns about the challenges of funding council housing provision became particularly acute since the recent economic crisis and, as mentioned above, spending on this new council housing provision contracted very significantly in the five years after 2008 following a period of relatively high spending in the early 2000s. However, the declining importance of council housing and sharp peaks and troughs in investment are not recent phenomena – they are evident at least since the 1980s. This indicates that council housing's funding problems are not solely related to the economic crisis of the late 2000s crisis, but rather are more deep and persistent in nature.

These funding challenges raise questions about the capacity of the government to fund the delivery of sufficient additional council housing to accommodate applicants for social housing and homeless households as is

envisaged in *Rebuilding Ireland*. They also raise more fundamental questions about the financial sustainability of the council housing sector, its associated long-term decline and whether this decline can or should be reversed. Can a better way of funding council housing be identified which ensures that the sector can deliver housing in a consistently fashion which avoids sharp peaks and troughs in supply?

The project was inspired by these concerns about the capacity of the council housing sector to meet the housing needs of low-income households in Ireland in an affordable and efficient way. It aims to assess the financial sustainability of council housing and generate recommendations to increase its future financial sustainability so that the supply of dwellings in this sector can be increased in a way which is affordable for the government and provides the high quality and affordable housing service for tenants.

## Research methods

In order to address these concerns an extensive series of interviews with housing policy makers were conducted, together with case studies of the funding, management and maintenance of council housing in five local authorities. These case studies examined spending on council housing provision, management and maintenance issues, allocations policy, rental income adequacy, sales of dwellings to tenants and associated policies and procedures. The preliminary findings of the research were also debated at a half day seminar with council housing managers and policy makers.

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## CONCLUSIONS

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- **More council housing is required, particularly in urban areas.**

The report indicates that council housing plays a critical role in housing low income groups, particularly in urban areas where rents are high and housing supply limited and subsidies for private rented housing such as Rent Supplement and HAP are difficult to operate. AHB social housing provision also plays a valuable role in housing low-income households but homelessness cannot be resolved successfully without higher rates of council housing output.

Both the central and local government officials interviewed for this report agreed that funding for new council housing provision had been cut too far during the economic crisis of the late 2000s and was increased too slowly as the economy and public finances recovered afterwards.

- **Arrangements for funding the capital costs of council housing provision have effected an inefficient, boom/bust pattern of output**

The report flags strong concerns about the financial sustainability of the current model used to fund the capital costs of council housing provision. These costs are currently met funded by central government grants which cover the full costs of building or buying council housing ‘up front’ in a lump sum.

This model is challenging for the Exchequer to afford particularly when the public finances are under strain. As a result, council housing output has also been strongly 'pro cyclical' in recent decades – it has increased as the economy (and the housing market) has boomed and declined radically during periods of recession. This is inefficient from an economic perspective because investment in council housing reinforced rather than counterbalanced the building bust in the late 2000s for instance. It achieves poor value for money because spending is concentrated at the peak of economic cycles when land and construction costs are likely to be higher while during recessions, when costs usually fall, funding for council housing provision also declines. The 'boom/bust' pattern of central government investment also generates staffing inefficiencies because many local authorities radically reduced staffing in their housing delivery and design departments when funding for council housing output was reduced in the late 2000s and had difficulties in increasing their staffing again when funding increased during the economic recovery.

A large number of interviewees from the case-study local authorities expressed dissatisfaction with the Department of Housing's speed of payment of capital grants for council housing provision and the extent of its scrutiny of funding applications and questioned the value of this scrutiny. Whereas Department representatives argued that their controls were necessary

- **The funding model requires the selling of council housing at a loss**

Despite the severe shortage of council housing in many parts of the country local authorities are obliged by central government to sell council housing to tenants at a discount of up to 60% of market value. This study highlights significant dependence by local authorities on their income from sales to fund council housing management and maintenance – therefore they gave a perverse incentive to sell council housing at a loss.

The real costs of selling houses to tenants are also disguised because the market value of council housing are not recorded on local authorities accounts and the proceeds of sales are recorded as revenue. This conveys the impression that sales actually generated a profit whereas in fact the sale price does not cover the cost of replacing these dwellings.

- **Rents generate inadequate funding for council housing management and maintenance**

The revenue costs of council housing management and maintenance are funded to rents which are determined on the basis of tenants' incomes. This model has significant equity and anti-poverty benefits particularly in view of the low average incomes of tenants in this sector. However it is problematic from the point of view of the efficiency of the housing service because there is no guarantee that it will generate adequate revenue funding to manage and maintain dwellings. Indeed there is no relationship at all between rents and the costs of providing council housing.

The evidence presented in this report indicates that rents do not generate enough money to maintain council housing property. Almost all of the rental income received is devoted to 'response maintenance' (i.e. responding to tenants' maintenance requests) and there is underinvestment in 'planned maintenance' (i.e. planned repairs and upgrading necessary to protect the fabric of dwellings and improve standards). There is over-reliance on central government funding schemes for estate regeneration and refurbishment

of empty dwellings to fund repairs to dwellings which would usually be carried out as part of planned maintenance programmes. This is an inefficient and costly approach because the costs of deferred maintenance do not simply accumulate, they multiply - dwellings which have not been maintained for twenty years, require much more spending to upgrade than dwellings which are regularly maintained.

Arrangements for funding the revenue costs council housing provision have played an important role in shaping these inefficiencies. This is because the very low level of rent charged to council housing tenants and the complete disconnect between the rents charged and the costs of the housing service means that local authorities have neither the resources nor the incentive to maintain dwellings efficiently or to ensure they are swiftly re-let when they become vacant.

- **National housing policies for local housing problems**

There was also a strong consensus among interviewees that there are significant regional differences between the needs of urban and rural authorities. In the case of authorities with rural operational areas, price pressures were less and housing could be procured from the market easily and subsidies for private renting households such as HAP and Rent Supplement operate reasonably effectively. In urban areas by contrast the costs of council housing provision and maintenance were much higher, affordability problems were more acute consequently the subsidies for private renting households were difficult to operate and demand for council housing was much stronger.

However, the model for funding council housing is the same in both urban and rural areas which many interviewees felt was inappropriate. Some representatives of rural authorities felt a more efficient and less intrusive version of the central government grant system would be adequate for their needs in terms of delivering sufficient council housing supply. Urban local authority representatives complained that the property tax system redistributes income raised in urban areas to rural local authorities which in practice means that revenue is redistributed from areas of high housing need to areas where housing need is lower. They argued that urban local authorities should be allowed keep a higher proportion of property tax revenues if it is spent on council housing provision. Some interviewees suggested that, together with rents which reflect the costs of housing provision, revenue from property tax could be used to service loans to build council housing. This would approach would help to smooth out the peaks and troughs in investment in this sector, and higher rents would incentivise local authorities to ensure that their dwellings were quickly re-occupied after tenants leave.

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## RECOMMENDATIONS

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The report sets out a comprehensive suite of recommendations intended to strengthen council housing's financial sustainability so that the supply of dwellings in this sector can be increased in a way which is affordable for government and provides a high quality and affordable housing service for tenants. These recommendations range from: minor administrative changes to funding arrangements which could be implemented quickly and easily but yield significant benefits in terms of improving the financial sustainability of council housing; to more fundamental reforms, which would require significant changes to funding arrangements, but would place the sector on much more secure long term footing.

### **Minor management and administrative changes**

- Require local authorities to ring fence income from rents to spend on council housing.
- Remove maximum rents from council housing rent determination schemes.
- Allow for the compulsory deduction of council housing rents from social welfare payments.
- Regularly conduct comprehensive condition surveys of the council housing stock.
- Review the *Local Government Accounting Code of Practice* to bring it into line with international standards of transparency and disclosure for councils' housing operations.
- Value the council housing stock and record valuations in local authorities' accounts.
- Condense and streamline the Department of Housing's approval process for new council housing developments.

### **Medium scale reforms**

- Suspend the tenant purchase scheme for council housing.
- Remove the availability of successor tenancies (i.e. the ability to inherit a council housing tenancy).
- Build smaller council housing units to enable tenants to downsize.
- Enable urban local authorities to keep more property tax revenue to spend on council housing.
- Use income from property taxes on council housing to establish sinking funds.
- Extend the shared services model to organise some council housing services on a regional basis.

### **Radical restructuring of arrangements for funding council housing**

- Link rents to the cost of council housing provision not to tenants incomes. Make HAP available to council tenants who can't afford to pay these 'cost rents'.
- Enable local authorities to borrow some or all of the costs of council housing provision. These loans would be remunerated using cost rents and the proceeds of property taxes.

## Note on Focus and Terminology

**Council housing:** this study focusses on permanent council housing, i.e. social rented housing owned by city and county councils and provided for rent to tenants on a non-time-limited basis. In recent years local authorities have also leased dwellings for re-letting as social housing, but this type of provision is not examined in depth in this study.

Other specialist terminology used in this study includes:

**AHBs (approved housing bodies):** these are non-profit sector providers of social housing in Ireland and are also known as housing associations.

**Differential rents:** the income related rent determination scheme used in council housing and across the social housing sector in Ireland.

**HAP (Housing Assistance Payment):** was introduced in 2014 and under its terms, local authorities will make the full rent payment to private landlords on behalf of claimants. In return, like mainstream social housing tenants, HAP claimants pay local authorities an income related rent.

**ICRs (internal capital receipts):** these are funds derived principally from the sale of council housing to tenants which are used by local authorities to fund the provision, repair or refurbishment of council housing or for some of their other housing functions (e.g. to fund grants to disabled or older people for the adaptation of their dwellings).

**NOAC:** The National Oversight and Audit Commission, which was established in July 2014 by the Local Government Reform Act, 2014 to provide independent oversight of the local government sector.

**Rent Supplement:** was introduced in the late 1970s and consists of a cash allowance towards the rents of tenants in private rented accommodation who are in receipt of social security benefits or on state education/training schemes. Claimants make a flat rate contribution to the costs of their rent and the additional rent subsidy they receive is capped to reflect family size and location.

**RAS (Rental Accommodation Scheme):** was introduced in 2004. RAS targets long-term recipients of Rent Supplement (of more than 18 months) and who are assessed as being in long-term housing need. It enables local authorities to enter into long-term leasing arrangements with private landlords to lease accommodation for subletting to these tenants who (like mainstream social housing tenants) pay an income related rent. RAS is due to be phased out by 2020.

**SHCEP (Social housing Current Expenditure Programme):** was introduced in 2009. It provides funding to local authorities to lease empty properties for re-letting to households on the waiting list for social housing.

**Social housing:** rented housing provided at below-market or subsidised rents by public or non-profit sector providers and usually allocated on basis of need.

**SPC (Strategic Policy Committee):** in each local authority these committees are responsible for setting policy on the authority's different functions (housing SPCs manage housing policy). They are chaired by a councillor and include councillors and representatives of the social partners in the relevant local authority operational area.

# 1

## Introduction

## Background: the changing role of council housing

For most of the period since social housing was first built in Ireland in the late 19<sup>th</sup> Century, local authorities have been its main providers. Local authorities have provided 365,350 council housing units in total since then and these dwellings accounted for 22.2% of the total Irish housing stock in 2016 (Central Statistics Office, various years; Norris, 2016). These dwellings have made a major contribution to providing affordable, good-quality and secure accommodation for low-income households, and also to improving the quality and increasing the size of the Irish housing stock.

Council housing has played a particularly important role in boosting the supply of housing in Ireland during periods of undersupply from the market. Market supply was particularly low during the decades after the State was founded and slums were widespread, especially in inner-city neighbourhoods. Figure 1.1 below reveals that council housing played a key role in rectifying this situation. The majority of dwellings built in the 1930s, 1940s and 1950s were council houses and many of these developments replaced private rented slums, with much higher quality and more spacious council housing. Private housing output rose faster than council house building in the decades which followed but council housing still accounted for one third of all the dwellings constructed during the 1960s and 1970s.

**Figure 1.1 Council and private houses built and council houses sold to tenants, 1920s-2016**



Source: Norris (2016).

Figure 1.1 also demonstrates that almost two thirds of the total council housing units constructed have been sold to tenants since the policy of ‘tenant purchase’ was first introduced in the 1930s. This policy has made an important contribution to increasing home ownership among low-income households but it has obviously reduced the number of dwellings available for letting as council housing. However, the council housing sector remains sizeable, particularly in cities - the 2016 census found that 8.7% of all households and 30.4% of all

## Introduction

renters were accommodated in local authority provided social housing (Central Statistics Office, various years). Council housing is allocated on the basis of need determined at the time of initial allocation and tenants thereafter pay rents which are linked to their incomes and are therefore guaranteed to remain affordable even if their incomes fall. Unlike any other form of residential letting, they enjoy tenure for life therefore council housing provides them with long term security. Indeed, they may bestow these benefits to their heirs through succession “rights”. In the context of the current shortage of affordable private accommodation to rent or buy these are very significant benefits.

The last three decades have seen a significant reduction in the traditional role of council housing as the primary source of accommodation for low-income renters however. In 1994, council housing tenants accounted for 73.2 % of the low-income renting households in receipt of government housing supports (see Figure 1.2). By 2016, this had fallen to just 53% (Department of Housing, Community and Local Government, various years). In part, this development reflects the decline in council housing output following the sharp contraction in the funding available to this sector after the economic crisis commenced in the late 2000s. Total public funding for new council housing fell by 94% between 2008 and 2013 (from just under €1 billion to €55 million) (*Dept. of Public Expenditure and Reform, various years*).

**Figure 1.2 Council housing tenants, AHB housing tenants and recipients of housing allowances for low-income private renting tenants, 1990-2016**



Source: Department of Housing, Community and Local Government, (no date).

However, the declining importance of council housing also reflects a longer-term redirection in government policy on the housing of low-income households since the middle of the 1980s. Following introduction of government grant funding for approved housing bodies (AHBs) in the 1980s, these not-for-profit sector organisations have played an increasingly important role in social housing provision. More significantly, low-income households' reliance on government subsidies such as Rent Supplement and Housing Assistance

Payment (“HAP”) to enable them to rent private housing has increased radically. Households supported by these subsidies equated to one third of the number of council tenants in 1995, but by 2016 they had expanded to two thirds of the number of residents of council housing.

As mentioned above, sales of dwellings to sitting tenants have reduced the size of the council housing sector. Although sales have declined since the recent economic crisis, Figure 1.1 demonstrates that they were very high prior to this. Between 1990 and 1999 local authorities bought or built an additional 25,702 council houses, but they sold 20,780 dwellings concurrently (at significantly discounted prices) and thereby added only 4,922 net additional dwellings to their housing stock during this decade.

### **Rationale for this research: the financial sustainability of council housing**

The various housing policy statements which have been published since the 1980s flag a number of reasons for council housing’s declining role in housing low-income households and for the increased reliance on alternative means for accommodating this income group.

For instance, policy makers have raised concerns about poor housing management and maintenance standards, and high levels of rent arrears in the sector (*Department of the Environment, 1991*). Several policy statements have also suggested that the large geographical concentrations of council housing are associated with social problems and this point is strongly emphasised in the latest government statement on housing – *Rebuilding Ireland (Government of Ireland, 2016)*.

The affordability of financing the sector and its value-for-money has also been raised as a problem. Several government commissioned analyses have concluded that government subsidisation of private rents is a more cost effective and also more flexible way of meeting the housing needs of low-income households than providing them with council housing (*e.g. Special Group on Public Service Numbers and Expenditure Programmes, 2009; Department of Public Expenditure and Reform, 2017*). The practice of selling council housing to tenants is a central consideration in these calculations because dwellings are sold at a discount of between 40% and 60% of market value, therefore the proceeds of sales are never sufficient to cover their replacement costs.

Unsurprisingly, concerns about the challenges of funding council housing provision became particularly acute since the recent financial crisis and, as mentioned above, spending on this new council housing provision contracted very significantly in the five years from 2008 (*Special Group on Public Service Numbers and Expenditure Programmes, 2009*). However, the declining importance of council housing is a long-term phenomenon which indicates that its funding problems are not solely related to the recent fiscal and economic crisis but are more deep and persistent in nature. Byrne and Norris (2018) argue that the model which has been used to finance council housing in Ireland since the mid-1980s is more challenging for the Exchequer to fund than the arrangements used to fund social housing provision in most other Western European countries. This is because, in contrast to our European neighbours, Irish council housing is funded almost entirely by government; the private sector plays no role in financing this sector and tenants’ rents make a minimal contribution to costs. In addition, government funding of council housing in Ireland is distributed primarily in the capital grants, which requires the government to pay the full costs of buying or building dwellings ‘up front’

in a lump sum, whereas in other countries the costs of provision are spread out over the long-term by using borrowing (usually secured on the dwellings) (*Whitehead, 2014*).

These funding challenges raise questions about the capacity of the government to fund the delivery of sufficient additional council housing to accommodate applicants for social housing and homeless households as is envisaged in *Rebuilding Ireland (Government of Ireland, 2016)*. They also raise more fundamental questions about the financial sustainability of the council housing sector, its associated long-term decline and whether this decline can or should be reversed.

## Research objectives and aims

The project was inspired by these concerns about the capacity of the council housing sector to meet the housing needs of low-income households in Ireland in an affordable and efficient way. It aims to assess the financial sustainability of council housing and generate recommendations to increase its future financial sustainability so that the supply of dwellings in this sector can be increased in a way which is affordable for the government and provides the high quality and affordable housing service for tenants.

To achieve this broad aim, the project will address the following specific objectives:

1. Review trends in council housing output, sales to tenants and waiting lists since 1990 and, on this basis, make an assessment about the adequacy of levels of council housing provision on a national, regional and local basis.
2. Review trends in spending on new council housing provision and regeneration and management and maintenance of the existing council housing stock since 1990 nationally and in each local authority operational area, and identify the contribution which central government, local government and tenants' rents have made to funding this expenditure.
3. Assess the specific factors which support or undermine the financial sustainability of council housing in more depth in five case-study local authorities. This aspect of the research will focus on:
  - a. The impact of national trends in Exchequer financing of council housing in terms of adequacy of housing supply and efficiency of housing development planning at local authority level.
  - b. The impact of sales of council housing to tenants, including:
    - on the adequacy of housing supply and the efficiency of housing management.
    - The extent to which the proceeds of sales cover the replacement costs of the dwellings disposed of
    - The accounting treatment of sales, in terms of the treatment of the asset value of council housing and the proceeds of sales to tenants in local authority accounts, and accounting rules and norms regarding the use of these proceeds.

- c. Rent setting, rent collection and rent arrears, including:
    - The rent setting schemes used in the case-study local authorities and the extent to which they are progressive/regressive.
    - The adequacy of rental income to fund housing provision and the impact of income related rents on the efficiency of the housing development service.
    - The extent and implications of rent arrears and responses to arrears.
    - The accounting treatment of housing rents and arrears.
  - d. Management and maintenance of dwellings, including:
    - Spending on housing management and maintenance (including on response maintenance, cyclical upgrading and major refurbishment if these data are available).
    - The adequacy of income from rents and other sources to fund management and maintenance of dwellings, and the impact of income related rents on the efficiency of this service, particularly for planning of cyclical maintenance and major refurbishment.
    - The impact of sales of dwellings to tenants on the efficiency of housing management and maintenance.
4. On the basis of this national and locally-based case-study research, assess the financial sustainability of the council housing sector and identify the key factors which undermine its financial sustainability.
  5. On this basis, put forward proposals for reforms to relevant policies and practices which will improve the financial sustainability of council housing.

## Research methods

This project employed a mix of research methods to achieve the national and local level objectives which were outlined above. These were organised into the following work packages:

### Workpackage 1

A review of the policy on council housing in Ireland in recent years and of existing research on this sector, and semi-structured interviews with civil servants responsible for council housing policy making and funding and the local government audit service. These interviews were recorded and transcribed and are quoted throughout the text but in an anonymised way which does not identify individual interviewees' views. Details of the categories of individuals interviewed for the study are set out in Table 1.1 below.

### Workpackage 2

Analysis of national and local authority level data on council housing output and sales to tenants, results of the assessments of social housing needs, local and central government spending on council housing provision and rental income and arrears.

## Introduction

**Table 1.1** In-depth interviews conducted for this research

Organisation	Number of Interviewees	Date of Interview
Clare County Council	4	April 2017
Cork City Council	4	November 2017
Department of Housing, Community and Local Government	3	August 2017
Department of Public Expenditure and Reform	1	October 2017
Dublin City Council	4	August-November 2017
Housing Association Representative	1	November 2017
Housing Agency	1	October 2017
Limerick City and County Council	3	December 2017
Local Government Audit Service	2	October 2017
Meath County Council	4	November 2017

**Table 1.2** Characteristics of case-study local authorities

Local Authority	Population in Operational Area	Council Housing Stock		Total Income from Council housing Rents*	Median House Purchase Price
Date	2016	2016		2015	2016
		Houses	Flats		
Clare County Council	118,817	2,796	117	€6,093,162	€130,000
Cork City Council**	125,657	7,623	1,859	€20,281,091	€170,000
Dublin City Council**	554,554	13,084	12,302	€72,968,267	€287,000
Limerick City and County Council	194,899	5,174	832	€19,259,620	€115,000
Meath County Council	195,044	2,918	0	€8,855,702	€200,000

Note: \*Refers to income collected. \*\* Refers to Cork City and County and Dublin City and County.

Source: Central Statistics Office (various years) and Department of Housing, Community and Local Government (various years)

### Workpackage 3

Case-study research on five local authorities. As outlined in Table 1.2 (left), these were selected to encompass a mix of local authorities in terms of the size of their council housing stock and the characteristics of their operational areas. Thus, the research examined:

- two local authorities responsible for large urban areas, subject to very strong house price pressures and demand for social housing and with a large council housing stock (Dublin and Cork City Councils);
- A local authority in the Dublin commuter belt subject to strong price pressures but only in part of its operational area (Meath County Council);
- A local authority with an operational area which includes a mix of urban and rural areas without strong house price pressures and with a large stock of council housing (Limerick City and County Council), and
- A local authority with a small council housing stock and a predominately rural operational area without strong house price pressures (Clare County Council).

This case-study research encompassed:

- Analysis of local authority level data on spending on council housing provision and management and maintenance of dwellings, income from rents and sales of dwellings to tenants, and associated policies and procedures. These data are anonymised in the analysis presented in the remainder of the report and the case-study local authorities are referred to as Councils A to E.
- Interviews with relevant local authority staff and elected members. These included: directors of housing, directors of finance/accountants (i.e. local authority staff) and chairs of the housing strategic policy committee (i.e. elected councillors). Details of the interviews conducted in each case-study local authority (which are also anonymised in this report) are set out in Table 1.1 (left).

### Workpackage 4

The preliminary results of the research were reviewed by the interviewees, the members of the research advisory group and a small number of other representatives of relevant organisations at a half day seminar held on 16 of March 2018. During this event, participants debated the preliminary findings of the research and helped to identify recommendations regarding reforms to arrangements for the provision, funding and management of council housing intended to improve the financial sustainability of the sector.

## Research funding and management

The research was funded by an anonymous donation made to the Community Foundation for Ireland. The researchers would like to record their gratitude to the two donors for their generosity and also for their concern about the availability of affordable housing for low-income households and council housing provision.

The researchers would also like to express their thanks for valuable support and advice provided by the research advisory committee which managed the project. In addition to the two anonymous donors and a representative of the Community Foundation for Ireland, this committee included the following members:

## Introduction

- Derek Rafferty, Department of Housing, Planning and Local Government
- Dr Dáithí Downey, Dublin City Council
- Gary Stewart, Local Government Management Agency (LGMA)
- Simon Brooke, Clúid Housing Association
- Mike Allen, Focus Ireland
- David Silke, Housing Agency
- Brid McGrath, Respond! Housing Association

## Outline of Chapters

This report is organised into five further chapters. These focus on the following issues:

- |                  |   |
|------------------|---|
| <b>Chapter 2</b> | <b>Council housing's role in housing low-income households</b>        |
| <b>Chapter 3</b> | <b>The funding and financial management of council housing</b>        |
| <b>Chapter 4</b> | <b>The provision, maintenance and regeneration of council housing</b> |
| <b>Chapter 5</b> | <b>The management of council housing and tenancies</b>                |
| <b>Chapter 6</b> | <b>Conclusions and recommendations</b>                                |



**Council housing's role  
in housing low-income  
households**

## Introduction

As stated previously, local authorities' role in housing provision has changed significantly during the last two decades. Their traditional role, as the main providers of rented housing for low-income households, has been reduced as approved housing bodies have become increasingly important providers of mainstream social housing and government has also increased its relative spend on a variety of different schemes to subsidise private rents which enable low-income households to access accommodation in the private rented sector.

Concurrently, councils have gained significant new responsibilities in the housing sector and their role in this sector has become more complex and challenging in many respects. Local authorities' responsibilities for planning for new housing provision were significantly strengthened by the 2000 Planning Act. This legislation also enabled local authorities to require that a proportion of new private housing estates (currently 10%) be used for social housing and national housing policy statements published since then have emphasised that, as far as possible, new social housing should be delivered in 'mixed tenure' developments of this type or in small developments. Between the early 1990s and late 2000s, councils also provided a substantial number of 'affordable housing' units for sale at below market value to low and middle-income households. Although this scheme was suspended in 2011, the *Rebuilding Ireland* policy statement announced that it will soon be recommenced and councils will also become involved in providing 'cost rental housing' for renting to middle-income households at sub-market rents (*Government of Ireland, 2016*).

These developments raise fundamental and complex questions about the future role of council housing in the Irish housing system. For instance, does the introduction of a variety of different housing supports for low-income households indicate that council housing is an historical anachronism which is no longer required? Does the very marked rise in social housing waiting lists (from 42,946 households in 2005 to 85,799 households in 2017) and homelessness (from 2,858 individuals in December 2014 to 8,775 individuals in December 2017) demonstrate that council housing output needs to rise significantly? (*Department of Housing, Community and Local Government, various years; Housing Agency, various years*). Or is the use of a variety of options for accommodating low-income households, including AHB and council provided social housing, together with subsidised private rented housing the optimum arrangement? Do local authorities expanded responsibilities for the strategic management of and planning for housing supply and the management of housing supports such as HAP limit their capacity to also provide and manage council housing? These big picture questions are the focus of the analysis presented in this Chapter, which explores the role which council housing should play in housing low-income households in the future.

## Government housing supports for low-income households: trends since 1990

Table 2.1 opposite details trends in the number of households living in social housing or in receipt of government subsidies for private rents since 1990. It reveals council housing's contribution to the provision of accommodation for low-income households has diminished significantly during this period. In 1994 council housing tenants accounted for 73.2% of the low-income renting households in receipt of government housing supports but by 2016 this had fallen to just 53% (*Department of Housing, Community and Local Government, various years*). This development occurred despite a 50% increase in the total number of council housing tenants between 1990 and 2016 (from 91,799 to 138,462 households) and it reflects the fact that the number

of low-income households accommodated in AHB provided social housing, and particularly in government subsidised private rented housing, has increased much faster.

**Table 2.1** Number of households in social housing and in receipt of housing allowances for private rented housing, 1990-2016s

Date	Social housing		Private Rented Housing			
	Local Authority Tenants	Housing Association Tenants	Rent Supplement Claimants	Housing Assistance Payment Claimants	Rental Accommodation Scheme Tenants	Social housing Current Expenditure Programme Tenants
1990	91,799	3,014	Nav	0	0	0
1991	96,396	3,514	Nav	0	0	0
1992	98,359	4,033	Nav	0	0	0
1993	98,199	4,923	Nav	0	0	0
1994	99,555	5,824	28,800	0	0	0
1995	97,219	6,835	31,800	0	0	0
1996	98,394	7,752	34,700	0	0	0
1997	98,862	8,508	36,800	0	0	0
1998	99,259	8,933	40,000	0	0	0
1999	99,163	9,572	41,900	0	0	0
2000	119,392	10,523	42,683	0	0	0
2001	119,392	11,776	45,028	0	0	0
2002	113,856	13,136	54,213	0	0	0
2003	107,253	14,753	59,976	0	0	0
2004	108,496	16,306	57,874	0	0	0
2005	109,779	17,710	60,176	0	505	0
2006	111,350	18,950	59,861	0	2,838	0
2007	114,133	20,635	59,726	0	5,756	0
2008	118,396	22,531	74,038	0	8,158	0
2009	120,557	24,524	93,030	0	8,595	437
2010	128,014	25,283	97,260	0	14,220	1,303
2011	125,958	26,028	96,803	0	16,815	2,496
2012	132,485	26,705	87,484	0	17,386	3,755
2013	133,668	26,916	79,788	0	20,173	4,797
2014	135,644	27,273	66,409	485	20,473	5,859
2015	136,818	27,674	56,959	6,165	20,834	6,274
2016	138,462	28,005	44,521	18,240	22,090	7,066

Note: Rent Supplement was set up in 1978 but claimant numbers are available only from 1994. Nav means not available.

Source: Authors' own calculations based on data from the Department of Housing, Community and Local Government (various years) and the Department of Social Protection (various years).

Between 1990 and 2016, the number of households living in AHB provided social housing increased from just over 3,000 to just over 28,000. These non-profit agencies traditionally provided mainly special needs housing (primarily for people with disabilities, older people and homeless people) but since the 1990s have provided larger volumes of general needs housing (i.e. unsupported, standard housing, similar to that provided by councils). Three different mechanisms are employed to fund supported and general needs AHB housing and council housing (see Chapter Three). Furthermore, unlike almost all their counterparts in the council housing sector, AHB tenants have no 'right to buy' their dwelling and have much more limited rights to 'successor tenancies' (i.e. to 'inherit' a tenancy from a relative) than are enjoyed by council housing tenants. However, in almost all other respects the council and AHB social housing sectors are identical. To qualify for access to both council and AHB housing, households must have net incomes below a specified level. By law, tenancies are allocated to eligible households on the basis of need (at the time of initial allocation) and also on the basis of time spent on the waiting list (the allocation of social housing is discussed in more depth in Chapter Three). Both council and AHB tenants enjoy lifetime tenancies (albeit by custom and practice, not by legal right, and are subject to adhering to the terms of their tenancy agreement). Both categories of social housing tenants pay income related rents (commonly known as 'differential rents'), which guarantee that housing remains affordable because rent falls as household income falls and *vice versa* and neither are required to pay security deposits (Kenna, 2011).

For low-income households who can't access social housing, Rent Supplement is the most commonly used alternative government housing support - 44,521 households were in receipt of this benefit in 2016 (see Table 2.1). Rent Supplement was introduced in the late 1970s and consists of a cash allowance towards the rents of tenants in private rented accommodation who are in receipt of social security benefits or on State education/training schemes. Claimants make a flat rate contribution to the costs of their rent and the additional rent subsidy they receive is capped to reflect family size and location. Rent Supplement is withdrawn entirely when claimants enter full-time employment and, for this reason, has been blamed for dis-incentivising claimants to take up employment (*Department of Social and Family Affairs and Affairs, 2006*).

This concern was one of the factors which inspired government to establish several alternative housing supports for low-income private renters since the mid-2000s. Among these, the Housing Assistance Payment ('HAP') is most similar to Rent Supplement. HAP was introduced in 2014 and under its terms, local authorities will make the full rent payment to private landlords on behalf of claimants. In return, like mainstream social housing tenants, HAP claimants pay local authorities an income related rent.

The government has also established schemes to long-term lease dwellings from private landlords to re-let to Rent Supplement recipients and applicants for social housing, beginning with the Rental Accommodation Scheme (RAS) which was introduced in 2004. RAS targets long-term recipients of Rent Supplement (of more than 18 months) and who are assessed as being in long-term housing need. It enables local authorities to enter into long-term leasing arrangements with private landlords, to lease accommodation for subletting to these tenants who (like mainstream social housing tenants) pay an income-related rent and continue to live in the RAS subsidised housing if they gain employment (*Norris and Coates, 2010*). RAS is currently due to be phased out by 2020. Another leasing scheme called the Social housing Current Expenditure Programme (SHCEP) was introduced in 2009. It has some similarities with RAS, but in this case local authorities lease empty properties

for re-letting to households on the waiting list for mainstream social housing, rather than only long-term recipients of Rent Supplement. As detailed in Table 2.1, take up of RAS, HAP and the SHCEP has increased radically since 2010 and they collectively accommodated 47,396 households in 2016.

Legislation introduced in 2009 recognised that households assessed as needing social housing by local authorities can have their needs met either via mainstream council or AHB provided social housing, or by private rent subsidies or privately leased dwellings. However, as Table 2.2 below explains, particularly in terms of the security of tenure rights of tenants, these different housing solutions for low-income households vary significantly. Council tenants, and to a lesser extent AHB tenants, enjoy much greater benefits than their counterparts in government subsidised private rented accommodation.

**Table 2.2 Tenancy conditions of households in social housing and in receipt of housing allowances for private rented housing**

Tenancy Conditions	Social housing		Private Rented Housing			
	Council housing	AHB housing	Rent Supplement	Housing Assistance Payment	Rental Accommodation Scheme	Social housing current Expenditure Programme
<b>Tenancy Relationship</b>	Council tenant	AHB tenant	Tenant of private landlord	Tenant of private landlord	Tenant of private landlord	Council or AHB tenant
<b>Allocation mechanism</b>	Income limit, assessment of need and time on waiting list	Income limit, assessment of need and time on waiting list	Available to all benefit-dependent private renting households	Must be eligible for social housing	Must be eligible for social housing and long-term recipient of Rent Supplement (> 18 months)	Income limit, assessment of need and time on waiting list
<b>Tenants' Rents</b>	Income related	Income related	Flat rate contribution to a market rent	Income related contribution to a market rent	Income related contribution to a rent which is max 92% of market rent	Income related contribution to rent which is 92% of market rate
<b>Security of tenure</b>	High ( <i>de facto</i> lifetime tenancies)	High ( <i>de facto</i> lifetime tenancies)	Low/moderate: same as all private tenants. No security for the first six months, after this tenancy is secure for up to six years, except in limited circumstances	Low/moderate: same security of tenure as Rent Supplement tenants but recipients have a right to continue receiving HAP subsidies for their lifetime	Moderate: secure only for the duration of the lease on the dwelling. Typically, 4-5 years.	High (leases of 10 - 30 years in duration) and access to other council / AHB housing
<b>Security deposit required from tenants?</b>	No	No	Yes	Yes	No	No
<b>Responsibility for sourcing dwelling</b>	Local authority	AHB	Tenant	Tenant or local authority	Local authority	Local authority or AHB
<b>Right to buy dwelling</b>	Yes, at a discount from market value, with some minor exceptions.	No	No	No	No	No

## Local authorities' role in providing social housing

As explained in the preceding Chapter, council housing's declining role in accommodating low-income households fundamentally reflects the objectives of government policy and the related availability or scarcity of Exchequer funding. Housing policy statements issued in recent decades have pointed to a declining role for local authorities. For instance, the 2011 *Housing Policy Statement* issued by the Department of Housing states that:

In recognition of both the constrained funding levels available for local authority construction programmes, as well as the capacity and track-record of the voluntary and cooperative [AHB] housing sector, approved housing bodies will be at the heart of the Government's vision for housing provision (Department of the Environment, Community and Local Government, 2011: 2)

However, the latest government housing policy statement – *Rebuilding Ireland* – suggests that this approach has been modified. It notes that “local authorities are now re-engaging in substantial social housing construction activity for the first time in many years” (*Government of Ireland, 2016: 46*), and plans that approximately two thirds of the 40,000 permanent social housing dwellings planned for delivery by 2021 will be council houses.

Some of the respondents interviewed for this study attributed the shift away from reliance on council housing to meet the housing needs of most low-income households primarily to ideological factors and the worsening reputation of the council housing sector rather than to an evidence-based rationale. For instance, a councillor representing an inner-city neighbourhood suggested:

*I think there's an ideological shift in central government whereby, as part of a move away from public services in general, be it transport, health, education and housing, the State has moved away from being the actual direct provider or even the indirect provider and housing is one of the casualties . . . . council housing is not seen as good. . . it's got a bad name, it's bad press and I think the consecutive ministers and governments have built on that bad name and equated to almost a veto on council housing.*

Similarly, a housing ministry official suggested that “*there's probably a perception, whether it's true or not, that the private sector are more efficient at delivering. . . That is just becoming accepted, without any real evidence to back it up properly over the years*”.

However other interviewees, particularly national policy makers, defended the proportionate reduction in the use of council housing to accommodate low-income facilities on practical grounds related to financial, capacity and spatial planning considerations. In this vein, a Housing Agency official argued:

*Personally, I believe the approved housing bodies maybe should be the main providers, unless there was kind of radical changes to the local authority system. . . . [The AHBs] are in housing for the long-term and they're building up the skills in terms of management and maintenance. And also, the current funding structure . . . [encourages them] . . . to keep. . . properties maintained. They have to keep properties occupied because actually they lose their income very significantly [if they don't].*

Several interviewees from the Department of Housing pointed out that there was a strong financial rationale for moving away from large scale council housing provision, particularly during the economic crisis, because the costs of paying for the full costs of building or buying these dwellings 'up front' in a capital grant was prohibitive for the Exchequer, and making much smaller per capita, annual payments in Rent Supplement was more affordable.

Most of the officials and councillors in the rural case-study local authorities reported that the provision of smaller levels of council housing and the use of a wider range of housing supports for low-income households was working well in their operational areas. For instance, an official from one of the rural case-study local authorities reported that buying council housing makes more economic sense than building in this county:

*I was personally delighted when the Minister gave us funding and allowed us to buy housing at reasonable prices because its much cheaper to buy than to build for us, it costs us €250,000 to build a house when we could go out to the market and buy for less than €100,000 and then spend 20,000 or 30,000 on it and have a fine house. It's all about resources.*

A director of housing in another rural local authority reported that levels of new housing supply from the AHB sector are good and they had had little difficulty getting private landlords to participate in the HAP scheme except in very high demand areas. Similarly, a councillor who represents a primarily rural ward in another local authority area reported:

*...there are an awful lot of people on HAP or RAS or Rent Supplement who are quite happy to be where they are and even though, I represent the most rural part of the constituency, so housing isn't as big an issue out there as it is for a city, but I can't say that I have, you know, an awful lot of representations in relation to housing.*

However, these views were not shared by most of the officials and councillors from urban local authorities examined. Among this group, there was a strong consensus that council housing output needs to be increased so this sector can once again play a more prominent role in housing low-income households. In support of this view, several interviewees defended local authorities' long-run record in providing social housing and expressed great pride in the sector's achievements. For instance, a councillor from Dublin argued that: "*in the thirties, forties and fifties... council housing was something to be proud of, they built... Drimnagh; in Crumlin, Cabra and other areas, Kimmage, Kilmainham, there's plenty of council housing that's still standing, it's still providing a great service*". While an official from a regional city made the point:

*So, while some estates have gone wrong and badly wrong and ended up in regeneration programs a lot of what has been built hasn't and has settled they are very successful areas. So, you know... what's the percentage that went astray effectively? It's relatively small out of the overall stock. But I think local authority houses are better built than a lot of private sector housing that has been built.*

One of the local authority architects interviewed for the study also pointed out that local authorities have some inherent advantages in terms of delivering social housing because they "*... can control a lot of the factors around housing provision, from land to planning to all the other aspects that come into it. So a local authority is well placed to make decisions and be able to implement them*". However, the local authority officials and councillors' primary

rationale for increasing council housing output relates to the lack of alternative housing options for low-income households living in high house price and rent urban areas. As discussed below, these problems reflect capacity constraints in the AHB sector and, in particular, the severe problems in securing private landlords' participation in the Rent Supplement, HAP, RAS and SHCEP schemes in towns and cities.

## Approved housing bodies' role in providing social housing

Among almost all of the central government and local authority officials interviewed for this study there was a consensus that AHBs had a very valuable role to play in delivering social housing. However, there was disagreement about the appropriate and practicable scale and focus of this contribution.

Interviewees agreed that the standard of housing management and maintenance among AHBs is generally much higher than among local authorities. The evidence for this divergence and the factors which shape it are examined in Chapters Three, Four and Five of this report. An interviewee from the AHB sector reported that concern about the standard of housing management in local authorities was a key reason why policy makers were keen to support the expansion of AHBs:

*.. one of our distinguishing features is that we are, we only do housing, so we can have experts in housing and the idea is that we would, as a sector, have better quality housing management and property management than local authorities and be able to influence them.*

There was also widespread praise among interviewees for Approved Housing Bodies' work in providing housing for clients with care needs – a sector which is largely unserved by local authorities. For instance, one councillor suggested that AHBs are good at:

*...providing housing for niche needs, whereby you've senior citizens, special needs. I'd also see them maybe playing a role in providing housing for those coming out of addiction so there's key needs there that they could provide housing, particularly around domestic violence, those families fleeing domestic violence, those people who are in need of temporary accommodation, all that.*

Local authority officials also reported that AHB provided social housing is less stigmatised than council housing, which can be useful in terms of stemming public objections to social housing provision. They also found that private developers were much more willing to transfer new dwellings to AHBs (as required by the tenure mixing provisions in the 2000 Planning Act) and were less keen on reaching agreements to use these dwellings for council housing.

The independence of AHBs from day-to-day political control was identified by many interviewees as a significant feature of this sector, but divergent views were expressed as to whether this was a benefit or a problem. A manager from the AHB sector argued that this policy makers' support for the growth of this sector reflected their view that there was a need for "an independent non-political, or less politically influenceable body that would provide social housing". However, a senior national housing policy maker argued that:

*an awful lot of the... councillors, they prefer local authorities housing to approved housing body housing because they feel it's more under their control. And they feel they haven't got control of the*

*approved housing bodies. So, they can ring up, you know the officials in the local authority and you know they'll answer to them.*

However, several interviewees from the case-study local authorities argued that they act as the “*landlord of last resort*”, so if tenants are evicted they become homeless and remain the local authority’s responsibility. Local authorities also have responsibility for housing homeless households, which places more onerous responsibilities on the local authority social landlords compared to their AHB counterparts. Some interviewees expressed the view that although AHBs are obliged to let most or all of their dwellings to applicants from the social housing waiting list, AHBs “cherry pick” their tenants by, for instance, interviewing applicants. Although this allegation was denied by the AHB representative interviewed for this study, local authority representatives argued that this sector is ultimately more publicly and legally accountable and must strictly adhere to the requirement to house applicants for social housing on the basis of need.

The fact that, at the time when the interviews were conducted, AHBs were not defined as public bodies in the national accounts was also cited by many interviewees as a key benefit of the sector and reason why its growth has been supported by government, particularly since the recent economic crisis. This status meant that, unlike local authorities, AHB spending was not categorised as public spending and their borrowing (if sourced from the private sector) was not considered part of the national debt. However, this situation changed in March 2018 when the EU statistics agency, Eurostat, decided that AHBs should be reclassified as public bodies. Because most of the fieldwork for the study had been completed at this stage, the implications of this were not discussed with interviewees. However, the implications of the different arrangements for funding AHB and council provided social housing are discussed in Chapter Three.

Despite the many strengths of the AHB sector, there was a strong consensus among interviewees that, on its own, this sector doesn’t have the capacity to deliver general needs housing (i.e. standard housing without additional care supports) at the scale required to meet the needs of homeless people and households on social housing waiting lists. For instance, an official of Limerick City and County Council expressed the view that:

*Yeah, AHBs I think are critical... I think their role is going to be increasing. But local authority direct provision definitely you know when we stopped in was it 2008/2009 when there was no capital funding available you can see the consequences of that now in terms of general affordability and housing shortages.*

Similarly, an interviewee from the AHB sector stated “*my personal view... is that there is plenty of work for all of us, for both local authorities and the housing association sector.... it’s absolutely essential that both sectors do continue because if one of them doesn’t... then the targets are going to be even less likely to be met*”. This interviewee explained that this view was informed by the small number of AHBs which provide general needs housing (he estimated that only five or six medium- large sized AHBs are general needs housing providers) which limits the capacity of the sector to deliver this type of housing.

## **Private rented housing as an alternative to social housing**

As explained above, reliance on housing allowances to enable low-income households to rent accommodation in the private sector has increased very significantly in recent decades, and particularly since the economic crisis

commenced in 2007-08. The policy makers and local authority officials and elected members interviewed for this study agreed that this development had some benefits. For instance, local authority officials broadly supported the availability of a variety of options for meeting the needs of low-income households. In this vein, a Limerick City and County Council official argued:

*I think there absolutely has to be a mix, looking at the programs for delivery there are nine different programs plus regeneration so there's ten different ways of delivering. When you take a single approach only out of all of those and something goes wrong like the economy crashes or whatever then you are left with nothing and the whole thing grinds to a halt. So, you know purchasing, refurbishing, leasing, acquisitions under the general program, repair and lease, all of those programs they all need to be kept going. So if there's trouble ahead you can pull back slightly on that and push ahead with another one. And you give yourself more flexibility and better ability to push the budgets you have to the extent that you know it's possible.*

A colleague from Cork City Council argued that the use of housing allowances to fund private rented housing for low-income households would help achieve the goal of "...trying to disperse the social housing across the communities and not have the mass sprawl social housing that occurred in the seventies and the eighties when the [council housing] building programme was at a large scale." A Clare County Council official also suggested that many low-income households prefer to rent privately: "There's a certain market of individuals out there that HAP suits, they don't want to be in a local authority house and would be quite happy to stay in rented".

In the context of significant reductions in spending on council housing provision and radically reduced output since the economic crisis, the local authority officials argued that the Housing Assistance Payment played a vital role in providing housing for low-income households. Dublin and Cork City Councils reported that they have exceeded their targets for transferring households from Rent Supplement to HAP, and one Dublin City Council official described HAP as "a Godsend" and said that it was the only solution available for providing houses for most applicants for social housing and homeless households during the economic crisis.

However, there was a very strong consensus among the officials and councillors interviewed, particularly those from the urban case-study local authorities and, to a lesser extent, among policy makers, that there was significant over-reliance on the private rented sector to house low-income households. As the following quotations from interviews with officials from Meath County Council and Limerick City and County Council illustrate, this consensus was heavily influenced by practical difficulties in securing accommodation for claimants of the various government allowances for low-income households in an increasingly competitive market:

*Well in the last three years no landlord was signing up for an availability agreement under RAS at all... and when those that were on the availability agreements when they were coming to an end didn't want to renew the availability agreement, they were happy to let it go on a month to month tenancy....*

*There's an uncertainty there with that particular model. And we are seeing now in Limerick we are entering a rent pressure zone and you know that means that ... So, to look for cheaper rental through HAP we are not going to see it in the city anymore because the city is becoming very, very attractive for high market rental.*

Other interviewees raised the concern that these housing allowances, and the private rented sector in general, provide far less security to tenants than council or AHB provided social housing. For instance, a councillor asserted:

*What you have is the private rented sector is the main gateway to homelessness, it's not repossessions, it's not city councillor evicting tenants, it's not that. It's the people going into the private sector not fully protected, their rights aren't being upheld.*

For similar reasons, the Department of Housing's policy of abolishing the Rental Accommodation Scheme (which affords claimants greater security than most private rented tenancies because dwellings are leased by the local authority) and instead relying on the Housing Assistance Payment (which affords claimants the same security as any other private renters) was criticised. One interviewee argued: "HAP is... a roll back even from the [rights enjoyed by] RAS tenants, there's even less of a relationship between the local authority and the tenant under HAP than there was in RAS and RAS was pretty rickety".

The ongoing cost of Rent Supplement, HAP and the other housing allowance schemes, their impact on the housing market and the risks claimants face during periods of housing market inflation were also a common criticism. An official of Clare County Council raised the former. She argued that:

*HAP was envisaged as a stop gap solution, it was never intended to be as big as what it is, it's a huge investment of money into private landlord's pockets, there's a huge transfer of taxpayers money into that sector. Yes it is required right now, if everyone came out of HAP we would have a huge crisis, but as a long-term solution I don't see it as being a long-term solution" (Senior Housing Executive).*

For instance, the role these measures play in distorting the private rental market by underpinning rent inflation was raised as a concern, particularly by interviewees from Dublin City Council. In this vein, an official from this local authority argued:

*But HAP is another very, very substantive reason why we are heading the wrong direction.... We are in a position where... our revenue from taxation is being used to subvent [landlords'] private incomes in the private rental sector, it's not creating any value, it's not holding back price inflation..*

An interviewee from the Housing Agency highlighted the broader social and economic risks associated with having very low levels of non-market housing:

*...if I had my wish... [I'd] want... of the order of 30% of the housing stock being effectively under the control of approved housing bodies or local authorities.... And it isn't just necessarily for social housing, you know it can be for.... Just people renting and affordable rental even... But you need a significant percentage. You can't have a situation that 90% of housing is under private control because... with fluctuations on the market it's too risky.*

The rising costs of the Housing Assistance Payment and the difficulty in controlling these costs was also criticised by staff of the case-study local authorities. One senior housing service manager complained that the cost of HAP "... is going up and up" and a finance manager suggested that this benefit "... can be described as a kind of a blank cheque in some ways because there isn't an exit mechanism". The latter comment refers to the fact that once households gain access to HAP they are eligible for access for the rest of their life, irrespective of their future circumstances. The contribution they make to their rent will rise if their income rises (because this

contribution reflects the income related rents paid by council tenants in their area), but the relatively low level of council housing rents compared to market rents means that HAP recipients are likely to be in receipt of some level of subsidy from government for as long as they remain in private rented accommodation.

### Sales of council housing to tenants

As mentioned above, council housing tenants have been able to purchase their dwellings at a significant discount from market value since the 1930s in rural areas and since the 1960s in urban areas, and two thirds of the total council dwellings provided have been sold to tenants.

Rates of sales of council housing in recent decades are detailed in Figure 2.1 below and compared to levels of purchase and construction of new council houses. This graph demonstrates that 36,051 council houses were sold to tenants between 1990 and 2016, which is 43% of the total 82,869 council houses built during this period. It also reveals that the rate of sales varied significantly over these years. Sales were much higher in the 1990s (when they averaged 2,308 per year and almost counterbalanced new council housing output during this period) than in the 2000s (when they averaged 1,425 dwellings per year, but for most of this period council housing output was much higher). Sales also fell significantly after the 2007-08 financial crisis and, to date, have failed to regain their previous highs.

Figure 2.1 Council housing output and dwellings sold to tenants, 1990-2016



Source: Department of Housing, Community and Local Government, (various years).

The research on tenant purchase of council housing indicates that levels of sales are strongly influenced by the generosity of the discounts available to purchasers, and these have varied over the years. The very high levels of sales in 1990, for instance, reflect the introduction of large additional discounts (from the market value

of dwellings) for tenants who applied to purchase in 1989. The terms of the current sales scheme (called the Incremental Purchase Scheme) require that households must have been council tenants for a minimum of one year and have a minimum household gross income of €15,000, which must include income from employment, in order to purchase. Dwellings are sold at a discount from market value, which varies according to the household income. Currently the following discounts are available:

- 60% of market value (household incomes between €15,000 and €20,000)
- 50% of market value (household incomes between €20,001 and €29,000)
- 40% of market value (households with incomes of €30,000 or more)

If purchasers sell on their dwelling, they must repay a proportion of this discount to the local authority. This stands at 100% of the discount in year one after purchase and is gradually reduced to zero over the following 20 to 30 years (the bigger the discount the longer the duration and *vice versa*). Some categories of dwellings are not eligible for purchase by tenants, including Traveller-specific accommodation, older and disabled peoples' housing and apartments. In addition, local authorities have the power to exclude other categories of dwellings if they wish and some of the case-study local authorities examined for this research have done so) (Department of Community Environment and Local Government, 2016).

Most of those interviewed for the study opposed the continuation of the tenant purchase scheme without significant reform. However, there were exceptions. As is evidenced by the following quotation from interviews with a rural councillor and a senior Dublin City Council official, this policy was seen to have some significant benefits:

*I'm all for tenant purchase because it helps to dissipate that stigma, you know, and council estates suddenly are not council ghettos, they're better than that because you've a high percentage that are privately own and because they're privately owned you get a different mix of people living there and they generally tend to be better kept as well. So, I'm all for tenant purchase because of that evolution that I think we should be looking at.*

*The tenant purchase scheme was one of the few things that did stabilise those areas.... Because people were able to accumulate an asset.... it meant that we lost a lot of our stock. But it did bring stability to those areas, without the tenant purchase scheme, we probably would be demolishing lots of Ballyfermot and lots of Cabra.*

Similar claims were made by some other interviewees; however, they are not supported by the available empirical evidence. The socio-economic impact of a UK version of one of the tenant purchase schemes for council housing (which is very similar to the Irish model) has been extensively researched, and this research reveals a 'chicken and egg' problem when analysing the benefits of tenant purchase. Rather than helping to stabilise problem council estates, tenant purchase is concentrated in estates which are already stable and in high demand (Forrest and Murie, 2010). Norris' (2013) in-depth longitudinal research on seven council estates in Ireland also found that the most stable and high demand of these neighbourhoods had the lowest level of tenant purchase (due to poor quality of dwellings), whereas in the least stable and lowest demand estate examined, the local authority was unable to address problems of anti-social behaviour and criminality in tenant purchased

dwellings because they were not in its ownership. The latter problem was also flagged as an issue by some of the Limerick City and County Council and Dublin City Council representatives interviewed for this study, while another interviewee argued that, while tenant purchase played a useful role in stabilising the large council housing estates built in the past, since councils have begun to focus on building smaller estates and including council housing in mixed tenure developments, this approach is no longer appropriate.

In terms of objections to tenant purchase, most related to the appropriateness of continuing with this policy in view of the significant shortage of council housing in the context of the rising levels of applications and homelessness, as highlighted above. For instance, one of the civil servants interviewed likened this policy to attempting to “*fill the bucket with a hole in the end of the bucket*”. While a Cork City Council official argued “*I think tenant purchase maybe should be suspended while the crisis is as bad as it is now nationally. I think it just doesn't make sense ... if you are saying you can't meet your needs and then on the other hand selling your existing stock*”. Due to the shortage of council housing stock, Dublin City Council has introduced some additional restrictions on sales to tenants in recent years.

Some interviewees objected to the discounted price at which dwellings are sold rather than to the policy of selling *per se*. For instance, an interviewee from the AHB sector argued:

*I don't have any difficulty with tenant purchase at open market value, so if a tenant is well off enough to be able to get a mortgage and buy the house they live in from us, I don't have any difficulty with that... because there's no loss of social housing, we can then use that income to buy another equivalent house... [but] if you sell a house at fifty percent discount you can only buy half a house with it, so there's a net loss whichever way you look at it.*

Officials from the Department of Housing and one of the rural case-study local authorities, however, pointed to the scale of the loss to the Exchequer as a result of tenant purchase:

*In terms of the numbers, it's just mind boggling when you see the sort of discounts that are [available to tenant purchasers]. The sort of money it's costing the State to replace these... If sales went at the previous levels of the previous scheme. You're talking a deficit to the State, each year, of two hundred million.*

*We could buy a house for €180,000 - €200,000 in the morning, somebody could transfer into that property and the following day can apply to buy it and they can buy that house for €90,000, half of what we paid... Here we are, we've come full circle in [x local authority], we've bought back a huge number of houses that were traditional local authority houses that we sold off and we bought them back, so we lost money on them twice.*

In addition, concerns were raised about the affordability of purchase for council tenants. They argued that because levels of council housing output have been lower in recent decades than the historic norm and new tenancies are allocated based on need, most current council tenants have very low incomes. Several interviewees raised concerns about the level of arrears on mortgages taken out to purchase council housing, and a local authority official working in Limerick City Regeneration Project reported “... *a lot of the houses that are in the very worst condition are houses that have been tenant purchased. Because there's no maintenance, basically the*

people can't afford to keep a house when they realise the costs involved in it". The terms of the latest version of the tenant purchase scheme, which allows tenants with an income of just €15,000 per year to buy their home, has attracted particularly strong criticism from some interviewees. A Dublin City Council official was one of these critics, who argued:

*The most recent incremental tenant purchase scheme is going to offer a mortgage... [to] households who are at and below a poverty income. Like what is going on? Did we not learn anything about the subprime [lending] costs to households, did we not know anything about how this is going to end?... You are not in a great position in terms of disposable income and now you are servicing a mortgage which may not appear large to some interests but is crucifying you because you've no income to service it.*

Some concerns were also raised about the negative impact of the tenant purchase scheme on housing management standards. For instance, an interviewee from Clare County Council argued:

*From the concept of management, it [tenant purchase] dilutes the whole estate when houses are sold because it changes the whole dynamic, you could have a situation even though it's not allowed where someone could buy a house that they've been living in because maybe their financial situation has improved and suddenly you might find that that house is sublet even though it's not allowed, it happens. So the strength of the estate, the management of the estate for rental purposes only, is diluted.*

While a councillor from an urban area reported:

*If you're selling off housing you get nothing back, it ends up in private ownership, and particularly in some communities where, like in some of the areas I represent where there's a very serious anti-social behaviour, we have no control over the private sector where most of the very serious gun crime, most of the serious criminal gangs operate in [X local authority] is out of private housing, we've no control over them.*

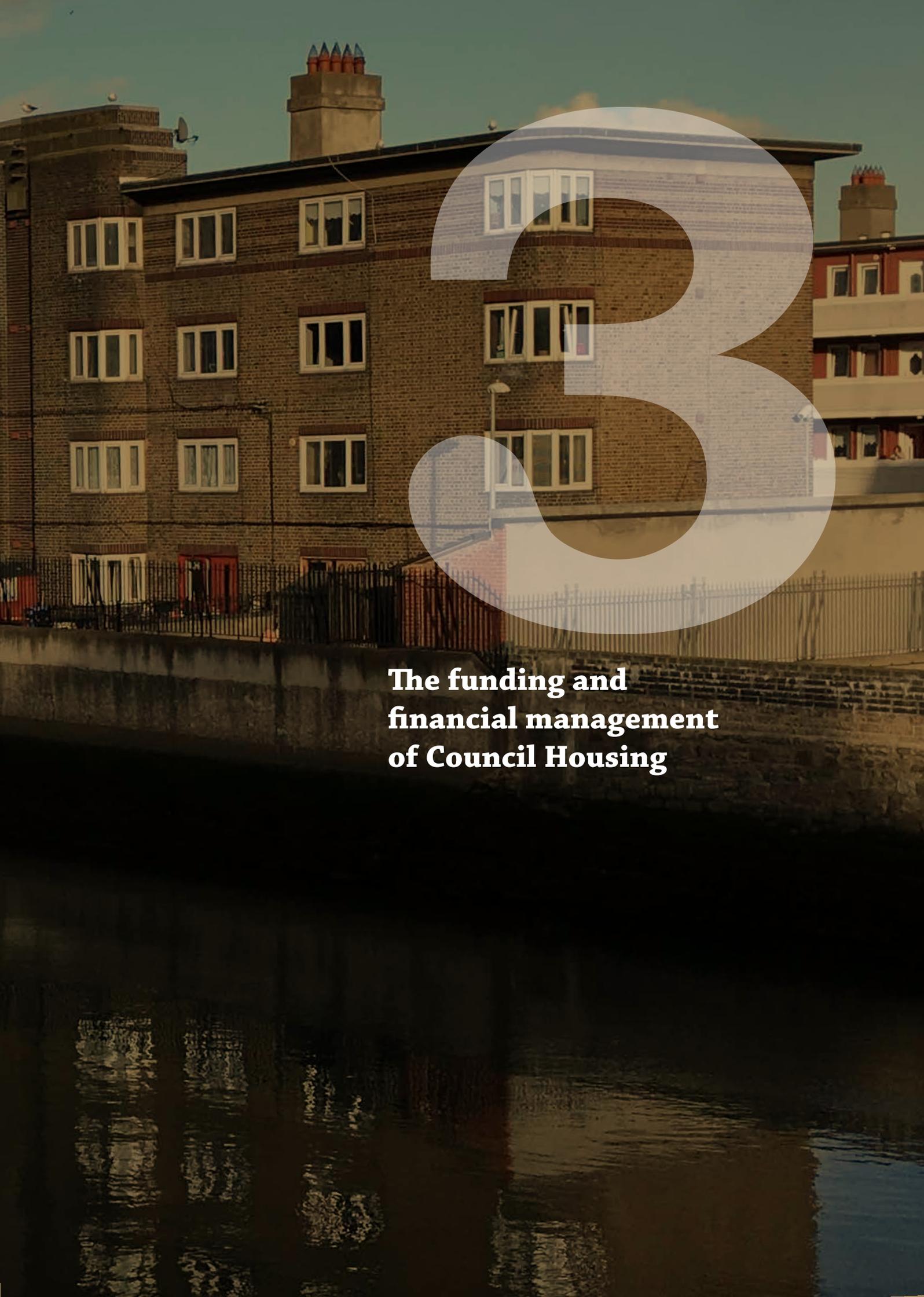
## Conclusions

This Chapter has examined the period since 1990, which has seen a profound shift in the role and profile of council housing in Ireland. At the start of this period, council housing accommodated approximately three quarters of low-income households' receipt of State housing supports, but by 2016 council housing accommodated just half of this cohort. This contraction in council housing's importance was accompanied by increased reliance on two other options for housing low-income households. The approved housing body sector expanded significantly during this period and it accommodated over 12% of low-income tenants by 2016; while 37% of these households were accommodated in private rented housing with the help of a variety of State subsidies, including Rent Supplement, Housing Assistance Payment and the Rental Accommodation Scheme.

The research on the supply of council housing and the operation of the other housing supports for low-income households in five case-study local authorities, which has been reported in this Chapter, reveals that this increased variety of housing options has yielded significant benefits but does not operate effectively in some parts of the country. There was strong support for the expansion of AHB social housing provision among the

local authority officials and councillors consulted for this study, who were impressed by the quality of housing management in this sector and its role in providing special needs social housing in particular. Furthermore, representatives of rural local authorities, where house price and rent pressures are less acute, reported that the mix of housing options operated well in their areas. They faced little difficulty in accessing private rented housing for Housing Assistance Payment recipients or to lease under the RAS scheme, and suitably priced dwellings were also available to buy for inclusion in the council housing stock. In urban areas where house price and rent inflation were strong however, the State subsidies for private renting tenants have not operated effectively in recent years because suitable housing is very difficult to access. Local authority officials working in these local authorities argued convincingly that the only viable solution to this problem is a market increase in council housing provision because the AHB sector does not have the capacity to meet need on its own.

There was also a broad consensus among interviewees that the practice of selling council housing to tenants (at a discount of up to 60% of market value) should be ceased in regions where there is a severe shortage of social housing. They raised concerns about the cost of this policy to the exchequer (the full economic costs of which have calculated in any official report) and its benefits (which have also not been clarified in policy statements). However, some interviewees argued that this policy played a useful role in 'settling' council estates; in ensuring that the more economically successful council tenants remained in their communities over the long-term and in promoting home ownership among low-income households. In addition, both central and local government officials agreed that funding for new council housing provision had been cut too far during the economic crisis of the late 2000s and was increased too slowly as the economy and public finances recovered afterwards. The challenges associated with funding this increased council housing output are examined in the next Chapter.

A large, semi-transparent number '3' is overlaid on the right side of the image, partially covering the brick building. The background is a photograph of a multi-story brick council housing building with a grid of windows and a chimney with three pots. The building is situated behind a black metal fence and a concrete wall, with a body of water in the foreground reflecting the scene. The sky is clear and blue.

# **The funding and financial management of Council Housing**

## Introduction

The capital costs of buying and building council housing in Ireland are funded primarily by central government grants, and to a lesser extent by local authorities' own capital funds. Loan finance is used to fund the purchase of land for housing, but these loans are repaid by the central government capital grants for council housing provision when dwellings are developed in the site. Both layers of government also fund the capital costs of major upgrading and rebuilding of sub-standard or run-down council housing by means of capital grants. Revenue funding for the day-to-day costs of managing and maintaining council housing comes primarily from tenants' rents, which are linked to the incomes of tenant households and are commonly known as 'differential rents'.

These capital funding arrangements were introduced in 1987 as part of a suite of major reforms to funding of council housing in response to the severe fiscal crisis at this time. Rent setting arrangements are older – income related rents were introduced by Cork City Council in the 1930s and adopted by several other local authorities in the decades after this before being applied to all council housing by the 1966 Housing Act (*Norris, 2016*). This approach to funding social housing provision, management and maintenance is usual in the international context – in most Western European countries, social housing rents reflect the cost of housing provision and the capital funding is sourced primary from government and commercial loans (*Whitehead, 2014*).

As mentioned in Chapter Two, capital funding for the provision of new council housing declined very significantly after the economic crisis commenced in 2007-08. Total public spending on this function fell by 94% between 2008 (which marked the highest capital investment in council housing in the last two decades) and 2013 (the lowest point of public spending on this service) and this development was the main driver in the reduction in council housing output discussed in Chapter Two. However, spending has increased again from €55 million in 2013 to €561 million in 2018, and the latter sum accounted for 6.5% of total public capital spending in this year (Department of Public Expenditure and Reform, various years). Council housing rents are low compared to market rents – they averaged at €50.63 per dwelling, per week in 2015. However, total rental income in the sector was €362 million in that year – not an insubstantial sum (*Department of Housing, Community and Local Government, various years*).

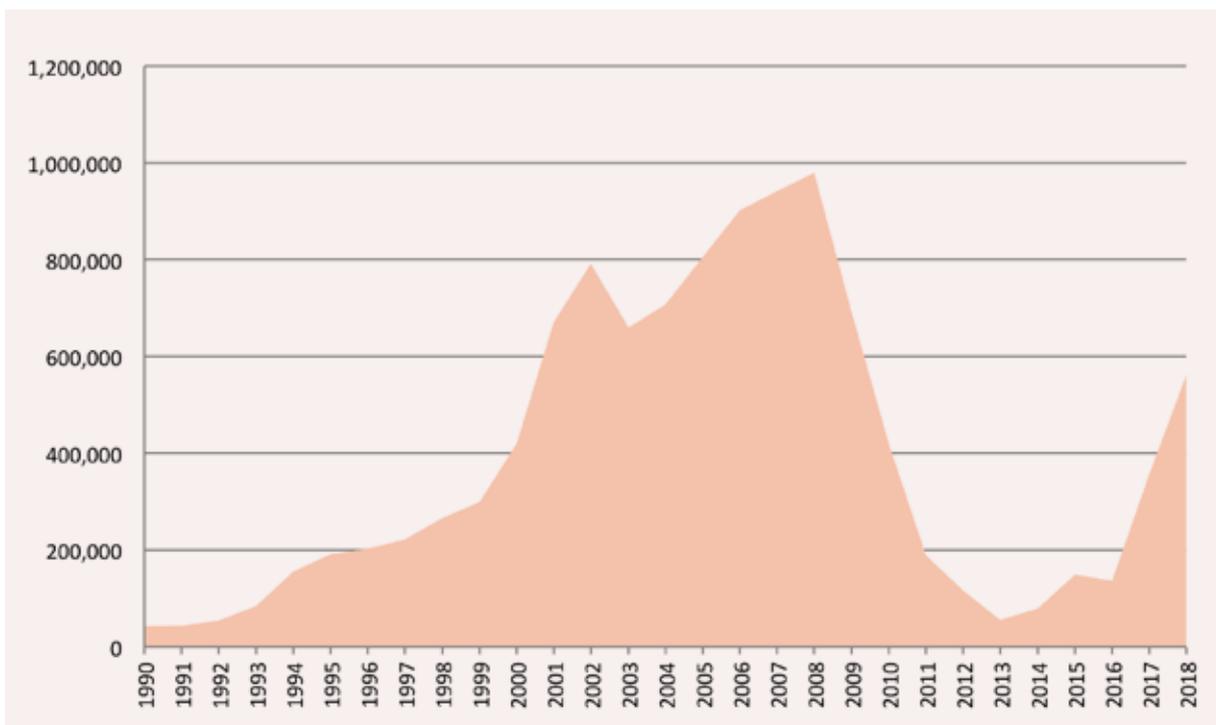
This Chapter assesses the adequacy and efficiency of these arrangements for funding council housing provision and accounting for the financial control of this spending. It opens by explaining the details of how these arrangements operate. This is followed by an analysis of the extent to which these arrangements generate adequate finance for council housing provision, management and maintenance and enable efficient service delivery. This analysis draws on evidence from the case-studies of five local authorities conducted for this study, examination of national data on the funding of council housing, and assessment of alternative models for funding social housing provision which are employed in other Western European countries and in the approved housing body sector in Ireland.

## How council housing provision is funded and accounted for

### Funding the capital costs of new council housing provision

Trends of capital spending on the provision of council housing since 1990 are set out in Figure 3.1. This investment is funded by central government capital grants and by the local authorities themselves. The latter contribution is sourced from local authorities' 'internal capital receipts' which are, in turn, generated primarily from sales of council housing. Under the Department of Housing rules, the proceeds of sales of council housing to tenants must be devoted entirely to capital spending on the provision, repair or refurbishment of council housing or on other housing schemes operated by councils, such as grants for the adaptation of dwellings to meet the needs of older or disabled people. Data on the level of local authorities' contribution to the capital costs of council housing provision are not available for the full period under review in Figure 3.1, but the data which are available indicates that this contribution varied between 10% and 30% of total costs.

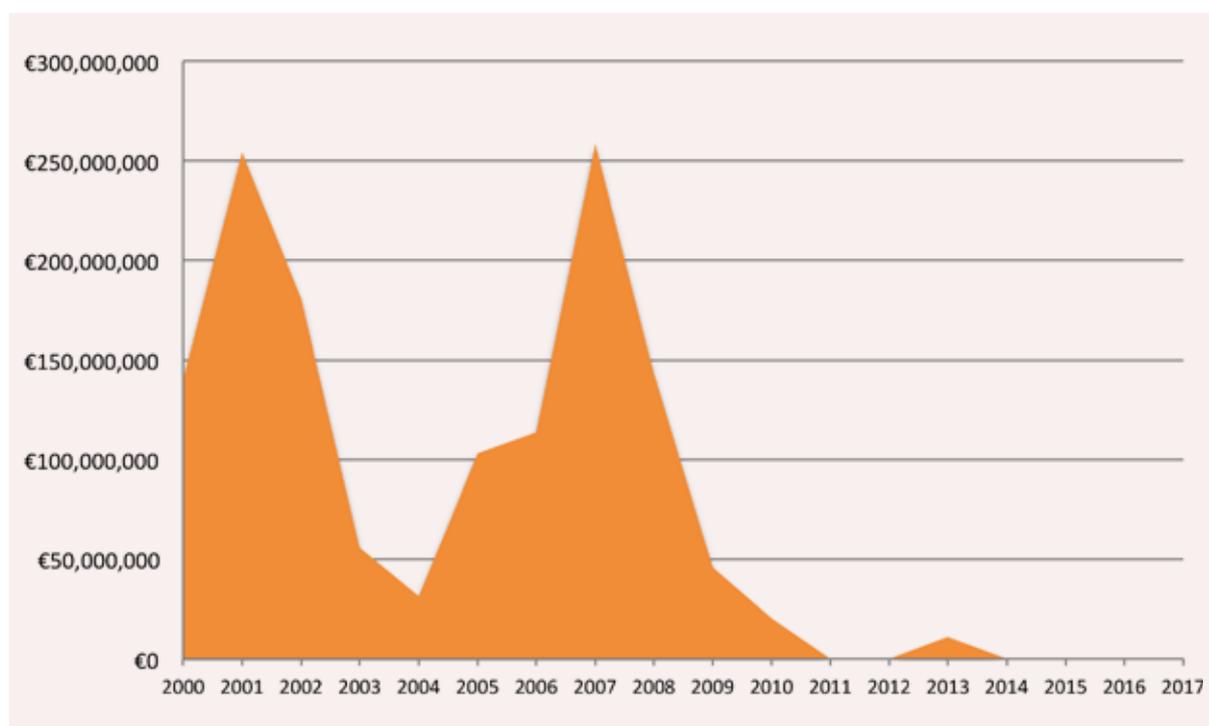
*Figure 3.1 Capital spending on new council housing provision by central government and local authorities, 1990-2018 (€000s)*



Source: Department of Public Expenditure and Reform (various years).

This graph reveals that public capital investment in council provision increased significantly from the mid-1990s and growth in spending was particularly strong during the first half of the 2000s. Spending contracted radically after the 2007-08 economic bust but started to increase again from 2013. More importantly, the graph illustrates the extreme short-term volatility in funding provided for a long-term objective.

Figure 3.2 Land acquisition loans for council housing provision (loans drawn down pa), 2000-2017



Source: Unpublished data supplied by the Housing Finance Agency.

Acquisition of land for council housing provision is funded by the Housing Finance Agency, which borrows on international markets and from European Union lenders to fund social housing and mortgages for low-income households. Details of the value of land acquisition loans drawn down each year since 2000 are set out in Figure 3.2. These loans are repaid in full by the central government capital grants for council housing provision when the land is developed for this purpose. Consequently, land loans were traditionally outstanding only for a short period and serviced on an interest only basis during this time. Following the marked decline in capital grant funding for council housing in the late 2000s and the concurrent radical decline in land values, this funding model came under strain, as the land acquisition loans were no longer redeemed quickly and local authorities experienced difficulties in servicing the loans and disposing of the sites. To resolve this situation, the Department of Housing established the 'Land Aggregation Scheme' (LAGS) which enabled local authorities to transfer these loans to the Housing Agency. This scheme ran between 2010 and 2013 and 73 sites with a total area of 247 hectares were transferred to the Housing Agency under its auspices. During the opening phase of LAGS, all loans transferred were repaid in full by the Department of Housing (at a total cost of €111 million), but during its later phase the transferred loans were serviced on an annuity basis and the costs of this were covered by the Department (at a cost of €2.2 million in total between 2010 and 2015) (*Comptroller and Auditor General, 2015*).

### Funding the revenue costs of council housing provision

The revenue costs of managing and maintaining council housing are met primarily from the proceeds of tenants' rents. In addition, a portion of proceeds of local property taxes and commercial rates (local business

taxes) also fund the general running costs of local authorities, including staffing costs, and hereby may also contribute to the staffing costs of the council housing service.

The 1966 Housing Act requires that council housing rents are related to tenants' income, which means that lower income tenant households pay a smaller contribution to rent and *vice versa*. The Department of Housing guidance on council housing rent setting specifies that:

- rents should reflect the household income and should require that 'subsidiary earners' (i.e. not the main earner or tenant) should contribute to rent;
- an allowance should be made for dependent children; and
- provision should be made for lower rents in situations where the normal rent would give rise to hardship (*Clark and Norris, 2001*).

Local authorities currently have responsibility for setting the rents for their own tenants. Rent setting is an 'executive function' under the local government legislation (i.e. it is a responsibility of staff, although councillors are almost always afforded an opportunity to review and comment on rent determination schemes) and the 31 city and county councils in the country currently operate separate rent determination schemes, with some operating more than one, with the result that there were 42 rent schemes for council housing in operation at the time of writing. Details of the rent determination schemes employed in the five case-study local authorities examined in this study are outlined in Table 3.1 below. Rents are generally reviewed annually by local authorities, tenants are asked to report any changes in their income and rents are adjusted accordingly.

It is likely that these arrangements for setting rents for council housing will change in the near future. The *Housing (Miscellaneous Provisions) Act 2009* provides a national framework for rents and related charges for council housing and other forms of social housing. Although this element of the legislation has not yet been implemented, the Department of Housing's 2014 policy statement on social housing commits it to "the development of a more unified rents scheme" and specifies that:

Under the new framework, the elected members of each local authority will determine the council's rents policy, which must comply with regulations made by the Minister. The framework will come into operation following a transitional period and will harmonise significantly the amounts of social housing rents charged across the country. (*Department of the Environment, Community and Local Government, 2014: 51*)

Table 3.1 Council housing rent determination schemes in the five case-study local authorities, 2018

Local authority	Basis of calculation		Minimum/ Maximum Rent	Other considerations
<b>Dublin City Council,</b> current scheme commenced March 2013	Rent is calculated at 15% of principal earners' (PE's) weekly assessable income	Minimum weekly assessable income is €32 single person, €64 couple. Rent is levied only on incomes above these levels. Rent is reduced by €1 per week for each child, up to 22 years if in full time education	Subsidiary earner max. contribution to rent is €19 per week. Maximum contribution of all subsidiary earners to rent is max. €76 per week. Minimum rent payable is €23.40. Maximum rent applies depending on dwelling size	Income from Community Employment (CE) and Back to Work schemes is assessable. Assumed net income in case of self-employed. Heating and waste charges may apply
<b>Meath County Council,</b> current scheme commenced December 2013	Rent is €28 on the first €152 of the PE's income and 25% of each additional €1 earned above this	Deduction of €3.80 p/w for PE, €2.25 p/w for first two dependent children and €3.75 each additional child. Applies to children > 25 years in full time education	Each subsidiary earner can pay an additional €10 contribution to rent. Minimum rent payable is €28. Maximum rent payable is €190	Disability Allowances, Family Income Supplement (FIS) and all social insurance income is assessed. Net income assumption for self-employed. Different rates for different return to work schemes
<b>Limerick City and County Council,</b> scheme commenced July 2015 (applies to former Limerick County Council Area only)	Rent calculated on income of PE	Deduction of €4 p/w for PE, Dependent children €1 p/w for first two and €1.50 for each additional child; dependent child to age 21 when supported by PE.	Each subsidiary earner is liable to pay 7% of income, less allowable deductions and the first €26.50 of income is disregarded for rent calculation purposes. Maximum rent is €214 p/w	Income from FIS is disregarded except for new entrants or recalculations of rent. Income from back to work and retraining schemes is exempt. Additional charges to cover Local Property Tax
<b>Limerick City Administrative area,</b> current scheme commenced July 2015	Rent is 13.5% of PE's basic income up to €275 +19% of additional income	Deduction of €10 for each dependent child aged up to 21 years	Subsidiary earners are required to pay one seventh of income in rent to a maximum of €20 p/w. Minimum rent of dwelling is €28	Rent increased to cover Local Property Tax charged weekly
<b>Cork City Council,</b> current scheme commenced January 2014	Rent assessed based on all occupants' income up to a maximum of 15% of assessable income	Standard weekly allowance deducted from assessable income of €39 per person, €54 for dependent adult, €20 per dependent child to age 22 in full time education	Each subsidiary earners' contribution to rent is capped at €23.80 per week. Rent is capped at 15% of total household income. Minimum rent per dwelling is €22.10	Additional amounts may be charged for heating, boiler servicing charges and other services
<b>Clare County Council</b> Current scheme commenced in 2011.	Rent charged up to 17% of assessable income	Standard weekly allowance of €33 for PE, €6 deduction for dependent child from assessable income	Subsidiary earners contribution is 10% of assessable income. Max. weekly rent of €150. Minimum reflects dwelling size	

As mentioned above, average council housing rents are low compared to market rents. They averaged at €2,638 per annum in 2015 (the latest year for which data are available) and therefore this was also the average revenue available to manage and maintain each dwelling. In view of the low average incomes of local authority tenants however, it is also important to take account of the fact that the related rents system has an important anti-poverty function too. In this regard, the available evidence indicates that the income related rents charged for council housing are broadly effective. Rent payments accounted for an average of 15% of tenants incomes in 2015 (Department of the Environment, Community and Local Government, 2014). Although the practice of setting maximum rents undermines their progressivity because it means that higher- income tenants may pay a lower proportion of their incomes in rents than their lower-income counterparts.

### **Funding of AHB housing in Ireland and social housing in other Western European countries**

Arrangements for funding council housing in Ireland differ from arrangements for funding social housing in the rest of Western Europe. Whereas the capital costs of council housing provision in Ireland are funded almost entirely by central government grants and the proceeds of sales of dwellings to tenants, in most other Western European countries capital for social housing is derived primarily from third-party borrowing (see: Table 3.2). Traditionally, these loans were either subsidised or guaranteed by government to keep repayments low but in recent years these state supports have been withdrawn in many countries and social housing providers now borrow on the open market. However, due to the strong regulation of the sector and their strong financial position of social landlords in many European countries, the AHBs which provide most social housing internationally can borrow at rates which are the same as or only slightly above those available to governments. Table 3.2 reveals that the financial position of social landlords in Austria, Denmark and France is strong because rents are linked to the costs of housing provision and management (these are called 'cost rents'), in contrast to the Irish case where council housing rents bear no relationship to service cost. Unlike tenants of Irish council housing, Austrian, Danish, Dutch and French social housing tenants can claim a housing allowance if they cannot afford to pay their cost rent.

Arrangements for funding special needs housing provided by ABHs in Ireland are similar to arrangements for funding council housing. AHBs receive central government capital grants which cover 90-100% of the costs of building or buying these dwellings and then tenants pay a low fixed rent which is supplemented by Rental Accommodation Scheme subsidies. However, arrangements for the financing of general needs AHB housing are very similar to the social housing funding arrangements used in Austria, Denmark, France and the Netherlands (see Table 3.2). Most of the capital costs of general needs AHB housing are financed by a loan secured either from a commercial lender or from the Housing Finance Agency.

**Table 3.2 Funding of council housing in Ireland compared to funding social housing in selected European countries**

Explanatory variables	Ireland (council housing)	Austria	Netherlands	Denmark	France
<b>Main source of capital funding</b>	Government grants	Private mortgage banks	Private banks	Private mortgage banks	Non-market loans funded by tax free savings
<b>Main source of revenue funding</b>	Government (which funds upgrading of dwellings)	Rents linked to the cost of housing provision	Rents linked to housing quality (except for new dwellings)	Rents linked to the cost of housing provision	Rents linked to the building and financing costs
<b>Government housing allowances available to tenants?</b>	No	Yes	Yes	Yes	Yes
<b>Number of sources of housing finance</b>	One (almost entirely government funded)	Multiple: rents, government, bank loans, landlords' equity	Multiple: rents, bank loans, landlords' equity. No public supply side subsidies	Multiple: rents, government, banks, landlords' equity	Multiple: rents, government, off-market loans, landlords' equity
<b>Social housing privatisation</b>	Extensive and highly subsidised	Very limited	Low pre-1990s, but high since then and subsidised	Very limited	None

Source: Whitehead (2014)

Since this funding model was introduced in 2010, the bulk of loan finance has been sourced from the latter which, as a State-guaranteed lender, can lend at very low and long-term fixed interest rates. This principal loan is topped up by a smaller loan of between 10 and 30% provided by the Department of Housing CALF (*Capital Advanced Leasing Facility Scheme*), which effectively acts as a ‘deposit’ on the bigger loan. CALF loans are ‘bullet loans’ repayable in full at the end of their term rather than in instalments. The AHB services this debt with the proceeds of rents which, like in the council housing sector, are linked to tenants’ incomes. However, in addition the AHB receives an ongoing Department of Housing subsidy for the life of the loan as long as the dwelling is let for social housing. This subsidy is generally set at between 92 and 95% of market rent in the area where the relevant dwellings are located (Housing Agency, 2016).

### **Accounting, auditing and control of spending on council housing provision**

Rules regarding the preparation and presentation of local authorities’ accounts are set by the ministry with responsibility for this sector (currently the Department of Housing, Planning and Local Government) and the sector is audited by the Local Government Audit Service (not by the Comptroller and Auditor General which audits the rest of the public service). Every local authority must prepare a standard set of accounts, using rules set out in the *Local Government Accounting Code of Practice* (2015 edition). This code is devised and updated by

the General Accounts Working Group, composed of representatives from the Local Government Audit Service, the local authority heads of finance and the Department of Housing.

This *Local Government Accounting Code of Practice* is based on FRS102; an accounting standard used by corporate entities in the commercial sector. However, the two accounting standards do differ in some important respects, most notably with regards to their treatment of assets and the general level of disclosure in the notes to the financial statements. Under the terms of the local government *Local Government Accounting Code of Practice*, when a dwelling is purchased or constructed, it is represented on the capital side of the accounts, which is then matched on the revenue side by a source of income, most likely a central government grant. As dwellings are being constructed, for example, they are represented as a 'work in progress' with matching funding, and as the project is completed the dwelling moves to the 'fixed asset' side of the balance sheet. The corresponding cost of the asset is matched by an entry into the 'capitalisation account'. Consequently, in local authorities' accounts the value of the asset is equal to its cost and not its market value, and dwellings are not depreciated each year in accounts as a commercial landlord or an approved housing body would do.

If dwellings are sold to tenants, the value of the fixed assets are written down in local authorities' capitalisation account, so in essence the asset is removed from the balance sheet with no gain or loss recorded. Receipts from the sale of dwellings through tenant purchase go back into the capital account to be used for funding for housing. These 'internal capital receipts' can only be used for spending on the capital costs of council housing provision and repair and other specified capital spending projects. This system means that, in effect, sales of council housing to tenants always generate *de jure* 'profit' on local authorities' accounts even though *de facto* they almost always generate an actual loss for the Exchequer. Furthermore, no reporting of the loss takes place.

As mentioned above, the revenue costs of council housing provision (primarily its management and maintenance costs) are funded by tenants' rents'. However, rents reflect tenants' incomes and not the cost of running the council housing service, and income from rents is not ring fenced in local authorities' accounts for spending only on their housing stock or other housing function. Nor is rental income set aside in a 'sinking fund' to cover future maintenance liabilities as an AHB or a commercial residential landlord would do. In the council housing sector, rents simply form part of their entire revenue budget for running all the local authorities' services and local authority accounting rules and practices reflect this. An interviewee from the Local Government Audit Service summarised the standard approach to setting local authorities' revenue budgets as follows:

*... the emphasis on the revenue side is on balancing a budget, on getting the members [i.e. councillors] to pass a budget, so the budget includes all the estimated expenditure on housing maintenance and all of the other day to day costs, maintenance costs in other areas and on the income side they've got rents and any other charges they have and subventions from government. Any shortfall they have to make up through the rates and that's, that's where, that's where the pressure comes, that they can say of course we could spend a lot more, but... any additional expenditure would have to be made up from the rate payer... they [the local authorities] can tell you what the rents are, they know within a few figures what the rent's going to be, they know what the government is going to give them on the revenue side, what they have to make up is, to increase*

*expenditure on maintenance, is from the rates, in other words from commercial rates from businesses in [the local authority's operational area].*

One of the local authority officials interviewed confirmed that income from council housing rents funds *“housing maintenance, money goes into obviously running the housing operation directorates, but the rest goes into parks and into various other areas in the council. So, it's just treated as an income stream to the council itself rather than into housing”*.

The extent to which this model generates adequate funding for management and maintenance of council housing is discussed later in this Chapter and also in Chapters Four and Five. The challenges associated with reform of rent determination schemes and the accounting treatment of rent arrears are also discussed below.

### **The adequacy and efficiency of capital funding arrangements for council housing provision**

Arrangements for funding the capital costs of housing provision were criticised by most of the policy makers and local authority officials interviewed for this study. Interviewees from the three local authorities responsible for cities were particularly critical, because social housing need was very strong in their operational areas and the various housing allowance and leasing schemes to support low-income private renting households were difficult to operate in booming housing markets. Officials of rural local authorities tended to be less critical, primarily because they found the housing allowance schemes were easier to operate in a weaker housing market context and social housing need was less acute. Despite this widespread agreement about the shortcomings in arrangements for provision of capital funding for council housing provision, as discussed in the conclusions to this report, there was rather less consensus regarding how these arrangements should be reformed.

In terms of the adequacy of capital funding for council housing provision, almost every interviewee agreed that spending on this area had been cut too far during the recent economic crisis and recovered too slowly afterwards. For instance, a civil servant argued:

*I think that's always a danger that in the midst of a crisis people can never see that there's going to be [an economic] recovery... Nobody outside thought there would be recovery, but we always thought there would be because that the way cycles work. But we didn't really plan for that, the Custom House [i.e. the Department of Housing] didn't plan for it. I think we did cut back too much on social housing, it would have been better obviously if we had been able to continue to improve the stock or increase the stock during that period. So, I think I wouldn't, I think the cutbacks were essential I think we probably went too far, we didn't plan for the recovery, they were the mistakes we made.*

Department of Housing officials also acknowledged that the marked oversupply of housing in many parts of the country in the wake of the economic and housing market crash created a false sense of security, as market rents declined significantly during the late 2000s and housing allowance claimants did not experience significant difficulties in accessing private rented housing. However, funding for council housing didn't rise quickly enough in view of the speed of the housing market recovery and the associated difficulties in securing

private rented accommodation for housing allowance claimants. This view was echoed by a senior Dublin City Council official, who argued:

*And it wasn't a case of ramping it [council housing output] down. It was actually stopping altogether. Total, like you know, we should've kept something going. And it was a time that the private sector would've built. But there was no money for it, so the whole thing stopped for the best part of eight, nine years. So that's why we have such a crisis.*

Most interviewees acknowledged that the increase in funding for council housing announced in the *Rebuilding Ireland* policy statement is a very welcome development, however local authorities queried how the funding levels and associated targets for new housing output had been arrived at (*Government of Ireland, 2016*). As mentioned in the preceding Chapter, some officials in urban local authorities where social housing was in very short supply suggested that the council housing targets specified in this policy statement were not adequate to meet housing need in their operational area. For instance, one interviewee argued: "... if you look at the national planning framework and the type of housing numbers we're going to have to get, there could be a question mark... over whether the €5.6 billion [provided for in Rebuilding Ireland] is adequate".

However, there was also a widespread acknowledgement that the scale of social housing need is very difficult to assess. This is currently done with reference to the waiting lists for social housing operated by local authorities and the associated assessments of social housing need conducted by them every three years. These waiting lists include homeless households in acute housing need, but also all recipients of Rent Supplement, for example, who are required to apply for social housing to receive this housing allowance but may in some cases be satisfied with their existing accommodation. Some interviewees suggested that the high rates of refusals of offers of council housing in some local authority areas, despite large waiting lists for access, indicates that the waiting lists and assessments don't measure housing need but rather 'potential demand' and are therefore not a meaningful tool to inform planning for investment in council housing provision.

Interviewees also highlighted inefficiencies in arrangements for distribution of capital funding for council housing provision. In particular, the centralisation of decisions regarding funding allocation in the Department of Housing, the extent of this Department's involvement of the fine detail of spending decisions and the speed at which it allocates money was criticised by officials in all of the case-study local authorities examined in this study. The following quotations from interviews with officials in Clare County Council, Dublin City Council and Meath County Council testify to these concerns:

*For every single capital programme we're in a stage approval process, at stage 3 which is the indicative cost phase on one project they've [the Department of Housing] taken off €200,000. In fact, every single project we've gone up with the Department have taken off €200,000. These figures have been put together by a QS [quantity surveyor] but the Department say the figure is excessive and we've had to reduce the figure by that much for all of our projects. Then we have to go back to the design team and ask for savings, but in reality we will then go to tender and we get the actual cost of building, which is the relevant figure. There's no regard, it costs a lot of money to build houses now and we have a design team which is a proper professional team and we will go to the market and the market will return the price.*

*Let's be honest, the Minister says there's no issue with money, but we haven't been paid... the money is not forthcoming... and a lot of the reasons for that is this completely insane triple tick system... whereby all forms of development no matter how advanced or specified they are subject to a further level of scrutiny [by the Department of Housing]. Yeah, yeah, its bonkers, it really is, if you wanted to design a system that won't allow anything to happen at a point in time when there is capital available, you've got one in Ireland.*

*I'll give you an example there, we signed a contract last week there for a housing scheme... and certainly they've taken at least 18 months from start to finish to get to that stage in terms of getting through the approvals because you're over and back [i.e. in discussions with the Department of Housing] with design changes, we ran into an issue on the site with a certain extra piece of land that we needed, you know, like all these things happen in the real world but in terms of going, like you have to go at each stage to go back to the Department so you've got your tender, then you go back to get approval to award the tender. So, you get a stage loan with an indicative budget, you go off and design it, you come back, so there's quite a lot of time spent I suppose arguing over cost... its academic in a way because it's [the cost] going to be determined when you do the tender”.*

Although in recent years the Department of Housing has reduced its process for the approval of local authority funding applications for council housing from eight to four stages, the vast majority of interviewees from the local authority sector suggested that, to further speed up the allocation of funding, some additional elements of the Department of Housing's approval process should be removed entirely and, once funding has been granted, local authority managers should have responsibility for monitoring its spending. In this vein, one local authority official asserted: “we are paying city county managers, and they are all getting a good salary to do a job and yet every time they want to do something they have to go to Dublin to get a box ticked and send it back down again. I think it's a pure waste of time and money and energy”. Colleagues from two other city councils argued:

*I think we have to be independent to make decisions ourselves. And look it might mean going up to central government and making a case that you need €300 or 400 million next year because of what you are going to do. And you need to have plans out for them and show them exactly look we are going to build 600 houses, talking about private developments doing 300 and the housing agencies will do 100 and we are going to do 200 ourselves. And show them the costings and then move on from that.*

*What should happen is local authorities should be told you have X amount of money and spend it in a particular year and you develop projects accordingly. And that they have an audit system where they come down and say what are your eight projects you are working on, these are the eight projects you know that they are delivered within the unit cost ceilings. They are delivered obviously according to the design standards... I've been at meetings where people might say 'you know that gable now, if we put in another window there'. Or 'move that window' like it's down to that type of detail... it's just crazy, its micromanaging the system completely.*

In response, Department of Housing officials highlighted important value for money and financial control reasons for retaining strong oversight over local authority spending of their capital funding allocations for

council housing provision. This view was echoed by an interviewee from the Housing Agency who complained that some local authorities “... don't want to go through the approval process, but at the same time they want the Department to pay out whatever the development costs at the end”. On this basis, this interviewee argued that rolling back central government control over the spending of capital funding for council housing provision should require some more sharing of the associated risks by central and local government:

*You know so if a local authority was willing to say yes our costs are going to be this, you know and we'll take the risk of it going over that or you could have a 10%, you know buffer or whatever. But local authorities would need to take on more responsibility in terms of the overall cost, because in some cases local authority want no approval but they want a blank cheque at the same time. You know there is a little bit of that.*

The case-study research on five local authorities also highlighted a further important concern about the sustainability of arrangements for funding the capital costs of new council housing provision, which relates to the key role which local authorities' internal capital receipts (ICR) play in funding council housing provision and the continued availability of this funding stream in the future. For instance, a head of finance in one of the case-study local authorities reported: “We've had cumulative ICRs brought forward but we're very careful as to how to spend them because we know it's a limited amount of money that we have and even going forward this year we've had a few [sales to tenants] but the proceeds are quite small”. Other local authority officials echoed this concern about the reduction in ICRs due to the low take-up of the latest scheme for tenant purchase of council housing, coupled with the very high discounts available to tenants under this scheme. Thus, many officials viewed ICRs as vital to funding the council housing service and were very concerned by the prospect that they might be reduced for any reason. This concern was also flagged in 2017 *Review of the Management and Maintenance of Local Authority Housing*, published by the National Oversight and Audit Commission which has statutory responsibility for supporting best practice in the local government sector. Several other case-study local authority officials also pointed to some inherent contradictions in the generation and use of internal capital receipts. They argued that the model for funding council housing effectively requires the sale of dwellings at a loss to fund the provision of new dwellings and the maintenance and upgrading of the existing housing stock. This view was echoed by an interviewee from the Department of Housing, who suggested that the way in which council housing provision is funded (by central government) and recorded on local authorities' accounts (as neither an asset nor as a loss) means that:

*... all local authorities see is the benefit and getting money for (houses sold), that they can then use. And then they go 'oh listen our numbers are down, we've a waiting list, we need, give us more money to build houses'. 'But you sold a lot', 'Ah yeah but that's the national policy and it's a great thing'. So, they only see one side of the equation. It's great for them, you know. And they can just wash their hands of it, quite rightly and they're right actually. Because someone central should've taken more control of it.*

## The adequacy, efficiency and equity of revenue funding arrangements for council housing

### Income related rents

Many of the local authority officials, and particularly councillors interviewed for this study, supported the model of linking council housing rents to tenants' incomes. Their rationale for this view related primarily to equity considerations and the important role that differential rents play as an anti-poverty mechanism, which they argued is important in view of the very low average incomes of council housing tenants. The following quotes from interviews with a councillor from a rural local authority area and officials of Dublin City Council and Limerick City and County Council illustrate these views:

*Well my view on the differential rental system is that it's fine the way it is, I don't ever hear anyone giving out about rents being too low anyhow [laughs]. I don't believe you should have a separate set of rules for people who might have fortune in life. And maybe there's an argument to be made in relation to the maximums or otherwise of the differential rent, I don't know the detail on that, but I wouldn't be for going and creating a whole new set of rules for people who might succeed in life.*

*I think the rents system [income related rent] has more benefits. And our rental, in fairness to Owen Keegan when he came first [to Dublin City Council], he introduced a progressive rent scheme, based on income. We did very poorly during the bad times [in terms of rental income] but it's going up again ... You know, if you think. So, our average rent is fifty-nine something euro, a week. Which is reasonable.*

*... before the differential rents scheme your rent was based on ability to pay. So, the houses that cost the least on the sites that cost the least were more affordable than the sites that were more expensive and houses that were more expensive to build. So, you had the social segregation within social housing based on ability to pay. So that was a very poor way to structure the letting of housing.*

Some interviewees supported the income related model of setting rents but raised concerns about its application in some instances. Most commonly raised were concerns about anomalies in some rent determination schemes which undermined their progressivity. For instance, some schemes specify maximum rents payable, which means that tenant households with high incomes pay a low proportion of their income in rent. Some of the case-study local authorities had removed rent maxima from their schemes for this reason, although a Meath County Council official argued that, in view of the very low average incomes of council housing tenants, abolishing rent maxima would not generate "... a pot of gold at all and of the five people who are, who would actually qualify [to pay the maximum rent], the highest one is €201 if we didn't apply the maximum". The treatment of 'subsidiary earners' in rent determination schemes was also raised as an anomaly because in many local authorities their contribution to rent is capped at a low level, even though the children of some local authority tenants may have considerably higher incomes than their parents, particularly in cities, thereby discouraging young people from leaving the family home. One case-study local authority resolved this problem by automatically designating the highest earner in the household as the 'principal earner' (irrespective of whether they were the registered tenant or not).

However, a large number and variety of very fundamental concerns were raised about this rent determination model which inspired some interviewees to suggest that this model should be abolished. Many of these concerns related to the mismatch between the revenue, which can be generated by income related rents, and the costs of council housing management and maintenance. For instance, a director of finance in one of the case-study local authorities reported that *“I suppose in theory people will say like rents should cover [housing management and maintenance] ... it doesn't cover the cost of the Service Division A, which is housing”*. This was confirmed by an interviewee from the local government audit service, who explained that in most local authorities *“in housing as a division [i.e. the local authority's entire housing department]... there's more expenditure than income if you exclude government grants and you exclude the element of rates”*. This issue is examined in more depth in Chapters Three and Four. Another concern about income related rents raised by interviewees is that this model disguises the cost of housing provision and contributes to a situation whereby council tenants don't appreciate the value of the service they are receiving. For instance, one of the civil servants interviewed claimed that *“People don't appreciate the value [of living in council housing], especially the longer they've been in it... they don't think of what the person across the road who's paying their own mortgage, they don't think of it like that”*. Several other interviewees complained about the fact that rents do not reflect the size or the quality of the dwelling. In this vein, a Dublin City councillor complained that *“You could move into lower quality council property, falling apart, and you're paying the same rent. It's ridiculous”* and a Department of Housing official argued that *“it's ridiculous that you pay the same for a one-bed as you do for five-bed detached house”*.

### Management and Reform of Income Related Rents

Some of the problems regarding income related rents identified during the case-study research were not related to this model of calculating rents *per se* but rather to the details of rent determination schemes used by individual local authorities and their management and reform. These problems were linked to consultation with councillors' regrading rent determination schemes (as mentioned above, rent setting is within council officials' remit, but councillors do comment on rent determination schemes). Officials in all five of the case-study local authorities reported significant difficulties in securing councillors' agreement for any changes to the rent scheme to raise additional income or eliminate anomalies in the treatment of different categories of tenant households. For instance, a housing manager in a rural local authority reported: *“Yeah, we actually floated that at our Housing SPC [Strategic Policy Committee] in the last week, yeah, and we're trying to eliminate some anomalies from our scheme and also the pensioners, we were looking at a couple of euro increase there as well, which you know [attracted], total resistance”*. Similarly, an official from Dublin City Council characterised discussions with the councillors regarding the reform of the rent determination scheme as *“pure murder”* and a Cork City Council official reported that when the rents of individual tenant households are reviewed *“you know there's a bit of noise in the council chamber”*. Department of Housing officials expressed frustration with this situation, in part because they pointed out that local authorities' rent determination schemes cover not just the rents charged for council housing but also the rents payable by AHB and HAP tenants in their operational area. Therefore, lower rental income due to the terms of income related rent models requires more central government subsidisation of HAP and AHB tenants.

As mentioned above, the Department of Housing is currently reviewing arrangements for setting rents on council housing with a view to introducing a single national scheme. Department officials interviewed for this study reported that, under these new arrangements, rents will still be related to tenants' incomes but a single

national rent determination scheme for all council housing tenancies will be adopted. Some of the local authority officials interviewed expressed strong scepticism as to whether it would be politically feasible to implement this reform. One of the policy makers interviewed acknowledged the significant challenges in this regard:

*You know the national framework was put into legislation in '09. And eight years later nothing's happened. And there was three... submissions to various ministers during that period, to implement a national framework. And they, each time they baulked at, because each one would've meant to harmonise the system across the country, is winners and losers. And overall, there would've been a lot more losers, in terms of tenants, right. Local authorities would've won, would've got more revenue. But then you had a perverse situation... we modelled about thirty local authorities. Twenty of them would gain and ten would lose. The ones who were losing were kicking up, because obviously they were losing revenue. The ones, who win, didn't want the money. "No, I don't want to raise the rent, I don't want the hassle that goes with that, Jesus Christ, no" .... And then you had the likes of [X local authority], who had the highest rents in the country, who don't want to see any decrease, because they really need the money. So, you really were in a no-win situation, which is presumably why it went nowhere.*

However, in view of the severe political difficulties in agreeing reforms of rent determination schemes at individual local authority level, some interviewees argued that the introduction of a national rent scheme for council housing was a top priority. In this vein, an official of one of the case-study local authorities welcomed the proposed new national scheme because it would “increase rents by around 10%, which would make a big difference”. Similarly, an interviewee from the Housing Agency suggested that the proposed national rents scheme would have significant benefits because “the way that rents are structured in local authorities is that actually the ones who should be charging more are charging less and the ones that should be charging less are charging more”. He highlighted the rents charged to tenants of city councils as a matter for concern because the council housing stock in these areas is generally older and contains more flats than the national average and is therefore more expensive to maintain. However, in his view, due to political pressure from elected members the rents in city councils were particularly low.

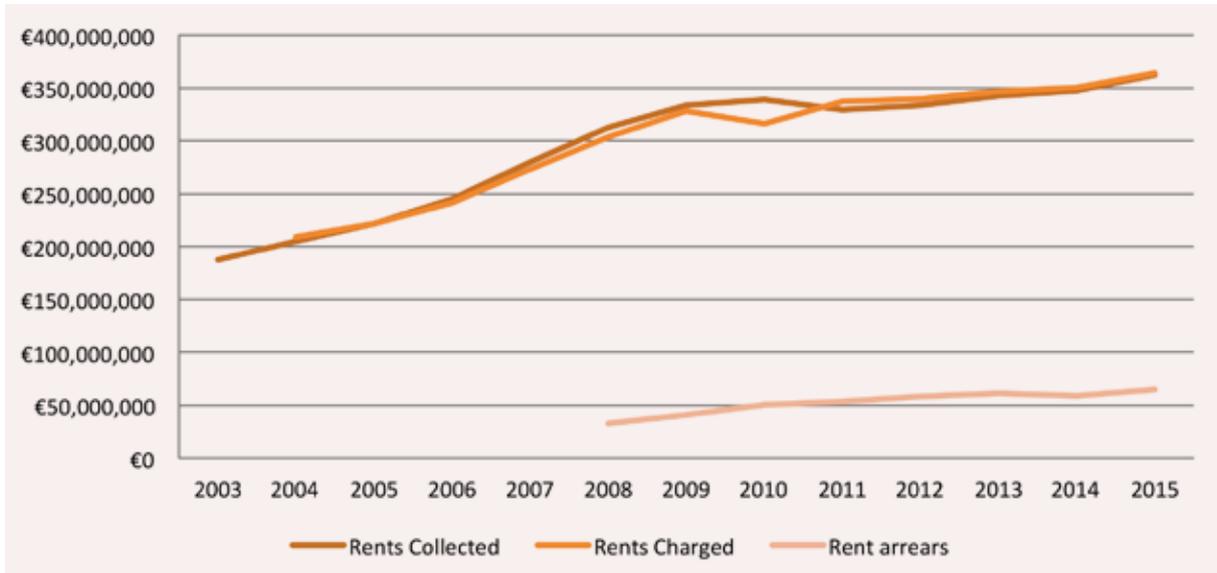
### **Rent Collection Performance**

Figure 3.3 below reveals that local authorities collected €362 million in rents in 2015, which is a significant increase from the €205 million in rental income collected in 2004. This means that the average annual rent collected per dwelling increased from €1,748 in 2004 to €2,648 per dwelling in 2018.

Figure 3.3 also sets out trends in total rents charged to tenants between 2004 and 2015 and reveals that these very closely matched rents collected. Total rent collected between these years was 100.5% of rents charged, and this ‘collection rate’ varied from a low of 98.2% in 2004 to a high of 107.1% in 2010. The Local Government Audit Service clarified that these figures were probably inflated by the inclusion of some arrears of rent in the figures for rents collected.

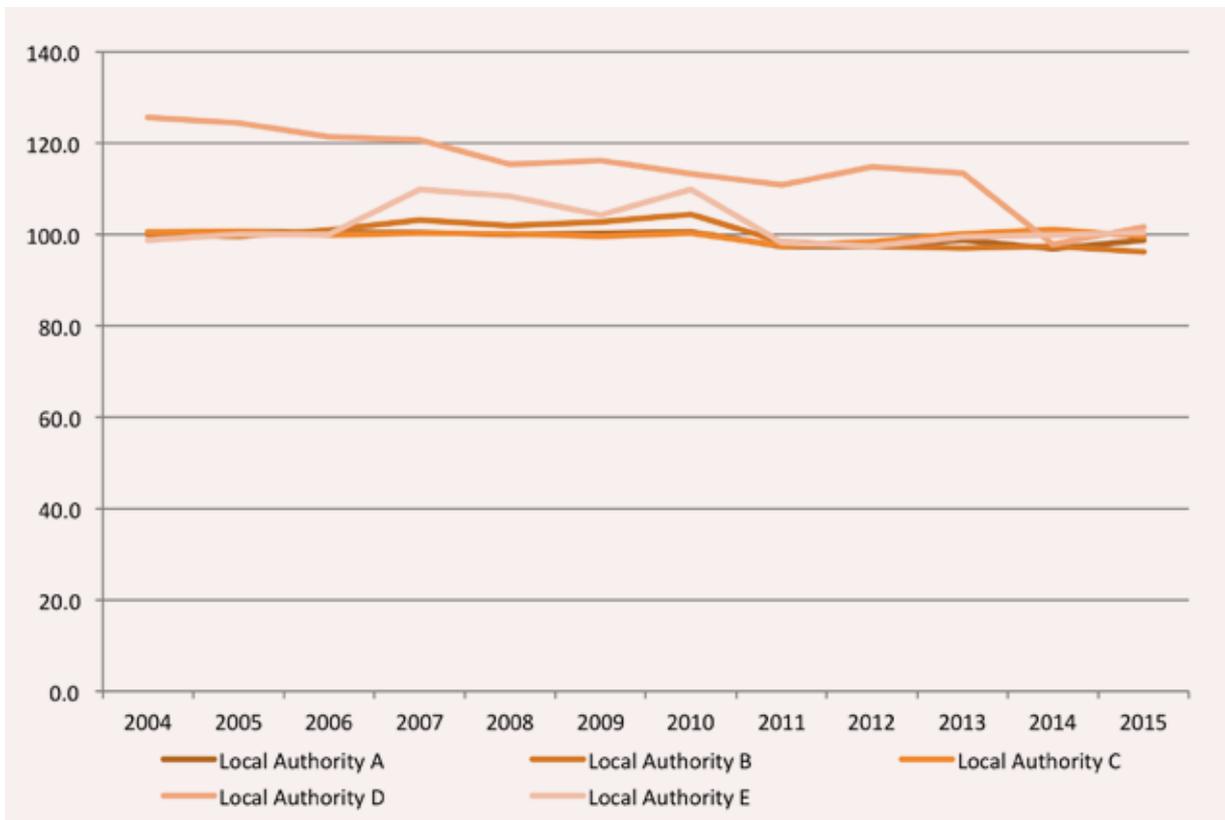
Figure 3.4 presents disaggregated data on the rent collection rate in the five case-study local authorities and demonstrates that, in four of these cases, performance in this regard closely tracked the national average. However, in one case-study local authority (local authority D) the rent collection rate was significantly higher than the others.

Figure 3.3 Council housing rental income collected, compared to rents charged and rent arrears, 2003-2015



Source: Department of Housing, Community and Local Government (various years).

Figure 3.4 Rent collected as a % of rents charged in the five case-study local authorities, 2004-2015

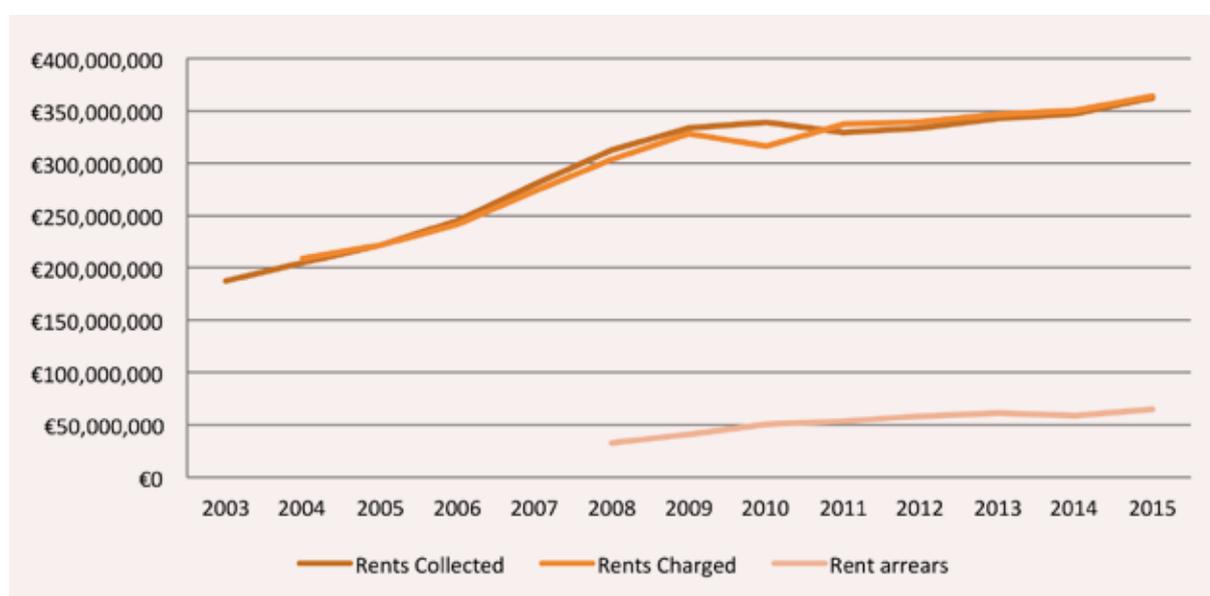


Source: Department of Housing, Community and Local Government (various years).

### Rent arrears management

In view of the high council housing rent collection rate at national level and in the five case-study local authorities, the relatively high level of rent arrears in the sector are somewhat of a conundrum. Figure 3.3 details the available nationwide data on this issue which are available only from 2008. They demonstrate that between then and 2015, total nationwide council housing rent arrears increased from €32.8 million to €65 million. Figure 3.5 details trends in rent arrears per dwelling in the five case-study local authorities over the same time frame. It reveals that average rent arrears per-dwelling was broadly similar in four of these authorities – they averaged between €200 and €300 per dwelling between 2008 and 2015. However, in one case-study local authority, rent arrears per dwelling were significantly higher – they ranged between €550 and €850 per dwelling between 2008 and 2015.

Figure 3.5 Rent arrears per dwelling in the five case-study local authorities, 2008-2016



Source: Department of Housing, Community and Local Government (various years).

Interviewees from the case-study local authorities denied that the level of rent arrears reflected a reluctance to actively pursue non-payment of rent. This was confirmed by Local Government Audit Service representatives, who reported:

*It's not that the debt is just sitting there, people are actively pursuing it...no, no a lot of local authorities would have a big arrears management team who would be dealing, constantly ringing people, sending out notices, trying to get them to sign agreements, they keep the money flowing in.*

However, this interviewee and interviewees from Dublin City Council highlighted practical reasons why local authorities cannot pursue rent arrears as aggressively as a commercial landlord might:

*... the last thing they want is somebody to stop paying because if they stop paying the arrears are going to build up, they're going to have to deal with this person anyway because if they evict them they're homeless so, you know, they're the landlord of last resort, if you like, particularly now,*

*currently, because these people aren't going to get a house anywhere else, so they know, they don't want to evict people but they want, they want to keep contact with them, they want to keep them paying something.*

*We're doing whatever way we can. But for the last couple of years, we'd no power to evict people for rent arrears. The legislation has now been changed. So, we, I think it'll be another three or four months before we can evict anybody.*

*Well there's, I mean now there's a family up in a house in [x location], they have €24,000 arrears, they've paid nothing for years. And our people went out, I think the last few days and they said, we're not paying it, you can't evict us. Now, you've a very small number that would actually say that. And we'll go all the way; we'll bring them to court and all that. But the reality is if we're putting families out on the street, in the current crisis, we won't get away with that....*

Interviewees from several local authorities also complained that local authorities cannot compulsorily deduct rents from social welfare payments – although tenants can voluntarily sign up for deduction of rent from their benefits, local authorities cannot require this, which creates challenges for recovering arrears of rent. For instance, an interviewee from Clare County Council argued “*We have a government that is giving social welfare to people who are renting from us and who are not paying their rents, I firmly believe that if you have a local authority house and you are getting welfare your rent should get first call, it's all government money*”.

The research revealed that the level of outstanding arrears also reflected the peculiarities of local authorities' accounting practices and of their rent setting and review procedures. Both representatives of the Local Government Audit Service and the local authority heads of finance interviewed highlighted a strong reflectance to write off arrears on local authorities' part. In relation to the latter, interviewees pointed out that the income related rents charged for council housing require tenants to provide reliable information on their income each year and failure to do can sometimes result in large 'arrears' being applied respectively to tenants' accounts:

*... they assume there are three people living in the house, two of them are on the dole, they find out a year down the road that the eldest son Johnny has got a job, they should have been addressed higher rent, so they now say you now owe us two thousand, so the arrears can sometimes include a large balance for relatively small number of tenants where they've made corrections because they've been, they've had incomplete information.*

In addition, agreements to pay arrears of necessity require tenants to pay small arrears in small instalments because tenant households have low incomes and repayment schedules may not be maintained and, therefore, are again renegotiated. In this way, arrears can be ongoing for extended periods of time. It is clear that some of these “arrears” are not rent payments overdue as commonly understood. Moreover, local authorities are the “landlord of last resort”, so if tenants are evicted they become homeless and remain the local authority's responsibility. In relation to local authorities' accounting practices, interviewees highlighted a marked resistance to write off arrears. Interviewees suggested that this practice is related, in part, to the longstanding (and generally successful) practice of requiring aspirant tenant purchasers to pay off all outstanding arrears prior to purchasing their dwelling (at a significant discount from market value). Other interviewees linked the reluctance to write off arrears to political and publicity concerns:

*There's a reluctance to say we're never going to collect it, and obviously it has, has an effect on your overall balance sheet, your overall assets, you're saying now, well we had sixty... million areas, we're going down to forty million. I said that's great, did you collect all that, no, well, well we actually – and their accounts show write-offs, you can see them... I mean obviously that would go to the Council [i.e. to the elected members for approval], that would go to the media, so I mean there's reluctance...*

## Conclusions

This Chapter has examined the funding of the capital costs of building or buying council housing and the revenue costs of managing and maintaining it. It has explained that the former is sourced primarily from central government capital grants and the proceeds of sales of council housing to tenants and the latter is, in theory, sourced from tenants' rents but in practice there is no direct relationship between rental income and spending on housing management and maintenance. The accounting treatment of this funding and arrangements for its auditing have also been examined.

The analysis of these issues presented here has highlighted significant problems in arrangements for funding of the capital costs of council housing provision, in particular. Funding these costs via central government grants means that the 'up front' payments required to deliver council housing are large and challenging for the Exchequer to meet which is why, in most other Western European countries, social housing provision is funded via loans which distribute the capital costs over a longer period and thereby render them more manageable. The challenges associated with funding these capital grants, in part, explains why council housing output has been strongly 'pro cyclical' in recent decades – it has increased as the economy (and the housing market) has boomed and declined radically during periods of recession. This has negative knock-on economic effects (its pro cyclical impact likely to have reinforced the building bust in the late 2000s for instance). It also reduces the efficiency of council housing delivery because spending is concentrated at the peak of economic cycles when land and construction costs are likely to be higher, and social housing waiting lists increase radically during periods of low output which can result in rising homelessness and/or force applicants to remain living in unsuitable or unaffordable alternative accommodation for longer than necessary. A large number of interviewees from the case-study local authorities also expressed dissatisfaction with the Department of Housing's distribution of capital funding for council housing provision. They were dissatisfied, in particular, with the speed of payment and the extent of scrutiny of funding applications, whereas Department representatives argued that their controls were necessary to ensure appropriate and efficient use of the funding. The Department's concern, however, relates to efficiency at the point of allocation of funding rather than over the life of the asset, which it does not monitor. Local authorities' contribution to the capital costs of council housing provision were sourced primarily from the proceeds of sales of council housing to tenants. This source of funding has contracted significantly in recent years as sales have declined. Furthermore, Department of Housing policy requires that dwellings are sold at discounts of between 40 and 60% of market value – which is likely to be significantly below replacement costs.

Council housing rents are related to income, which has significant equity benefits, particularly in view of the

low average incomes of tenants in this sector. However, this model is more problematic from the point of view of the efficiency of the housing service because there is no guarantee that it will generate adequate revenue funding to manage and maintain dwellings. The extent to which rental income is adequate for this purpose is examined in Chapters Four and Five.



**Delivery, maintenance  
and refurbishment  
of council housing**



## Introduction

This Chapter examines arrangements for the delivery of new council housing and the maintenance and regeneration/upgrading of existing dwellings and estates. To place this discussion in context, it is prefaced by an outline of the characteristics of the council housing stock in terms of the age and type of dwellings provided and how this compares to the entire national housing stock.

Council housing was traditionally delivered by constructing new, single tenure (i.e. council housing only) estates, and until the 1970s these developments were built by staff directly employed by local authorities in many cases (Norris, 2016). However, in recent decades arrangements for delivering new council housing have become more varied because dwellings are no longer built directly by local authorities but rather procured from the market using a variety of mechanisms. The opening section of the Chapter examines the challenges associated with managing these diverse and complex procurement arrangements, particularly those related to their interaction with arrangements for funding the capital costs of council housing provision which were detailed in Chapter Three.

The latter part of the Chapter looks at the maintenance and regeneration of council housing. These issues are examined as a single topic because, although they are distinct activities in theory, as explained below, in practice the boundaries between maintenance and refurbishment are blurred in the council housing sector. This discussion examines the efficiency of the maintenance service in terms of the speed of the completion of work on dwellings and the type of maintenance done, the adequacy and value for money of spending and also its effectiveness in terms of protecting the fabric of dwellings.

Finally, the closing part of the Chapter identifies the structural barriers to improving council housing delivery, maintenance and refurbishment, particularly those related to the financing of the sector.

## Characteristics of the council housing stock

Details of the characteristics of the national council housing stock in 2015, in terms of age and type of dwelling, are set out in Table 4.1 below, while Table 4.2 presents the same information for dwellings owned by the five case-study local authorities.

The first of these Tables indicates that the council housing stock contains significantly fewer very old dwellings than the entire national housing stock. 15.1% of council housing dwellings were more than 60 years old in 2015, compared to 23.8% of all dwellings in the country according to Census 2016. The proportion of council housing dwellings which have been built since 1960 is similar to the average for all dwellings in the country (Central Statistics Office, various years; National Oversight and Audit Commission, 2017). This Table also reveals that 81.3% of council housing dwellings are standard houses, 18.2% are flats and 0.50% are temporary/mobile dwellings (called demountables). The stock of flats is, on average, significantly older than the stock of standard houses (see Table 4.1).

**Table 4.1** Age and dwelling type of the council housing stock, nationwide, 2015

	Houses %	Flats %	Demountables %	Total %
Less than 10 years	17.20	2.30	0.20	19.70
10-20 years	18	1.2	0.20	19.40
20-40 years	25.4	3.9	0.10	29.40
40-60 years	9.5	6.9	0	16.40
60-80 years	8	3.1	0	11.10
80-100 years	2.10	0.4	0	2.50
More than 100 years	1.10	0.4	0	1.50
<b>Totals</b>	<b>81.3</b>	<b>18.2</b>	<b>0.50</b>	<b>100</b>

Source: National Oversight and Audit Commission (2017). Note: A demountable dwelling is a temporary dwelling.

**Table 4.2** Age and dwelling type of the council housing stock, case-study local authorities, 2015

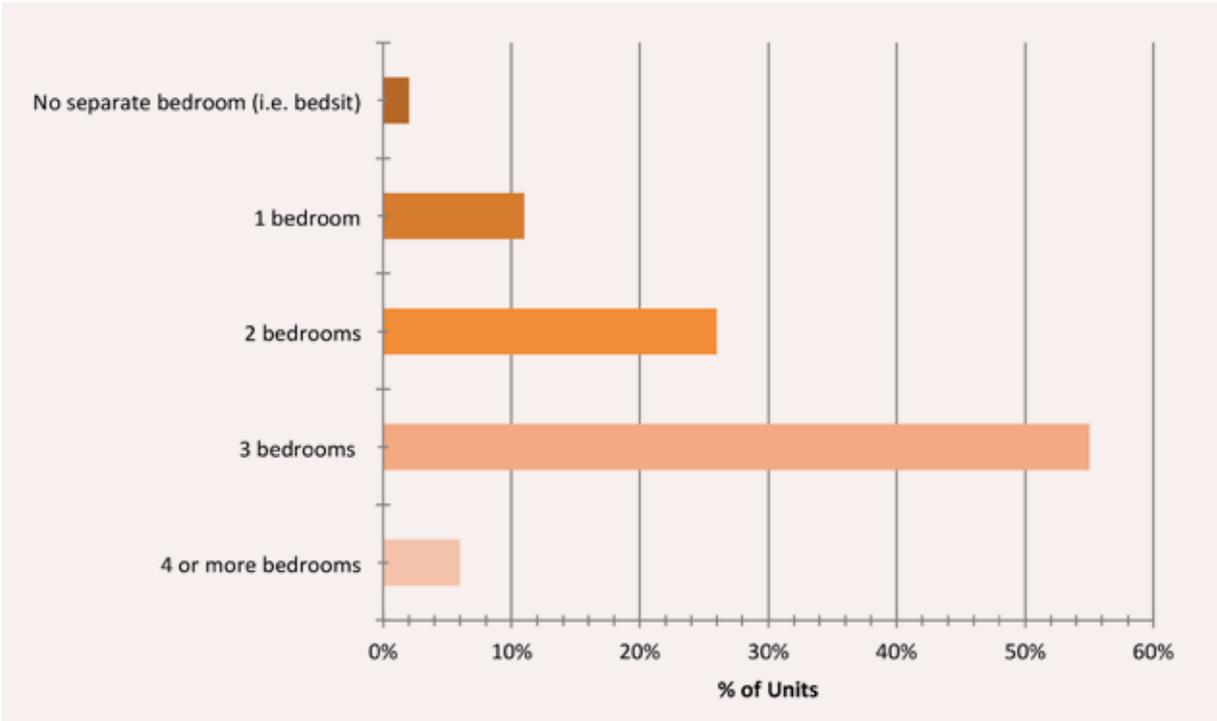
Local authority	Dwelling Type (N)	Age of Dwelling (N)						
		<10 years	10-20 years	20-40 years	40-60 years	60-80 years	80-100 years	>100 years
Local authority A	Houses	1,753	738	1,529	795	346	4	24
	Flats	0	0	0	0	0	0	0
	Demountables	0	0	0	0	0	0	0
Local authority B	Houses	544	781	245	1,973	577	59	537
	Flats	332	233	2,450	640	78	1	34
	Demountables	0	0	0	0	0	0	0
Local authority C	Houses	614	468	722	287	41	27	0
	Flats	34	0	108	0	0	0	0
	Demountables	0	0	0	0	0	0	0
Local authority D	Houses	434	679	1,674	248	48	4	10
	Flats	0	0	0	0	0	0	0
	Demountables	0	3	0	0	0	0	0
Local authority E	Houses	1,683	210	544	2,035	6,300	1,500	151
	Flats	278	0	1,404	7,289	3,422	450	129
	Demountables	0	0	8	0	0	0	0

Source: National Oversight and Audit Commission (2017). Note: A demountable dwelling is a temporary dwelling.

Table 4.2, which examines the age and type of dwellings owned by the case-study local authorities, highlights significant variation in this regard among these organisations. The council housing stock in local authority E is significantly older and contains a much higher proportion of flats than the other case-study local authorities. The same pattern prevails, to a lesser extent, in local authority B. The council housing stock owned by the three other case-study local authorities includes no flats and is also significantly newer. This pattern may reflect the fact that, until recently, tenants living in council flats were not eligible to purchase their homes, and very few flats have been sold to date. The large urban case-study local authorities had an older housing stock which included more flats and fewer houses than their rural counterparts and the same pattern is evident in the council housing stock nationwide (National Oversight and Audit Commission, 2017).

Details of the average size of the nationwide council housing stock, in terms of numbers of bedrooms, are set out in Figure 4.1. It reveals that the majority of dwellings in this sector (55%) have three bedrooms. The size of council housing dwellings varies between case-study local authorities however. Almost all the bedsits in the national housing stock are located in case-study local authority E, for instance, and the size of dwellings owned by this local authority is much smaller than the national average.

Figure 4.1 Number of bedrooms in the council housing stock, nationwide, 2015



Source: National Oversight and Audit Commission (2017).

## The delivery of council housing

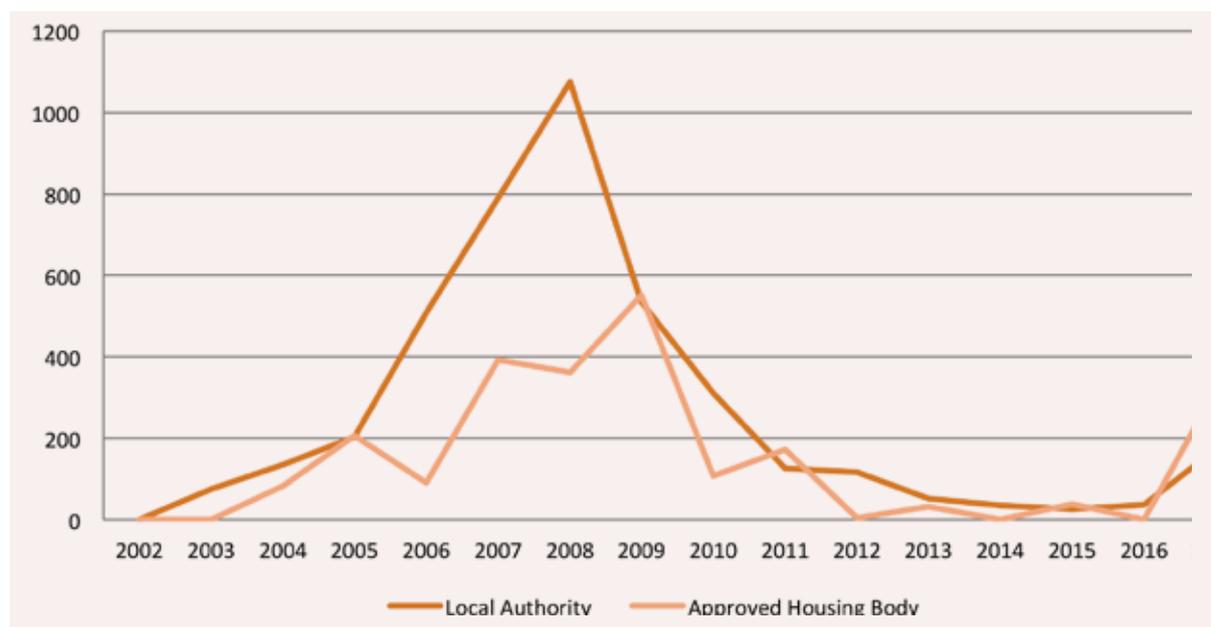
The mechanisms used to deliver council housing have become more varied in recent decades, as local authorities no longer directly build most dwellings in the sector but rather use a variety of mechanisms to procure them including: requests for construction tenders; purchasing of already built single dwellings or estates; or more complex mechanisms such as Public Private Partnerships (PPPs) or Part V of the Planning and Development Act, 2000. Part V enables local authorities to require that up to 10% of new private estates are used for social housing and requires developers to transfer ownership of these to local authorities or AHBs as a condition or planning permission. Recent trends in the use of these different mechanisms to deliver local authority housing are set out in Figure 4.2 below. It reveals a dramatic decline in reliance construction to deliver new council housing since the 2007-08 economic crisis and an increased reliance on the purchase of new dwellings. Figure 4.3 reveals that this development is, in part, driven by a decline in the dwellings procured via Part V of the Planning and Development Act, 2000 (which are included in the figures for ‘dwellings constructed’). This, in turn, reflects the marked decline in total private sector house building since the recent economic crisis.

Figure 4.2 New council housing dwellings constructed and purchased nationwide, 1994-2017



Source: Department of Housing, Community and Local Government (various years).

**Figure 4.3 Local authority and AHB dwellings procured using Part V of the Planning and Development Act nationwide, 2000**



Source: Department of Housing, Community and Local Government (various years).

There was a strong consensus among the central and local government officials interviewed for this study that this increased diversification in council housing procurement mechanisms is to be welcomed. A multi-faceted rationale was offered for this view. Some interviewees argued that the purchase of existing dwellings and estates enables local authorities to expedite the delivery of badly needed council housing. For instance, an interviewee from the Housing Agency pointed out:

*In terms of to deliver... the numbers that are needed... it needs... more kind of the turn key developments or design to build developments provided by the private sector. So rather than, one of the big delay factors on the local authority side and on the approved housing body side is if they go about procurement design teams going through the whole planning process and then going out to tender for construction, that won't deliver, it will deliver a number but not the scale that's needed. So to utilise you know the private sector and their ability to get schemes designed and get them built and that needs a certain skill set. Again on the local authorities and the approved housing bodies in terms of managing that to make sure they get the quality that they need.*

An interviewee from Meath County Council also supported the purchase rather than the construction of new council housing on the grounds that planning requirements, in particular, render the latter option very slow even when 'rapid build' (i.e. semi-prefabrication) techniques are used. Thus he argued:

*.. rapid build hasn't been entirely rapid because you'll find that there's an awful lot of work to be done in terms of the planning and specification while it's quick in terms of procurement and construction you've still an awful lot of upfront work plus Dublin City, as I understand it, are having to put in supervision in the factory where the units are being assembled and also on site*

*so it's very labour intensive from a local authority point of view in terms of actually delivering the rapid build.*

Interviewees from the case-study local authorities were strongly convinced of the merits of providing council housing in small clusters and in mixed tenure estates. Indeed, a Limerick City Council official described 'mixed tenure as the only way to go'. As following quotations from interviews with officials of Dublin City Council and Meath County Council illustrate, the rationale offered for this view relates to the problems interviewees felt were generated by provision of council housing in large estates in the past:

*Like the problems in my view, weren't really caused by a social mix. They were caused by us building massive housing estates, single tenure. Two thousand in Moyross, nine hundred and ninety in Darndale. If we'd built smaller estates, we wouldn't have those problems at all. So, it wasn't really a social mix issue, it was the fact we just built big, massive estates... Usually out where there was no shops, no services. But the council housing like Ballyfermot and Cabra and Marino and all those. They've been hugely successful. But it took a generation to settle.*

*A lot of it, in my opinion, is trying to disperse the social housing across the communities and not have the mass sprawl social housing that occurred I suppose in the seventies and the eighties when the building programmes were at large scale. So, you know, gone is the over 100 units in an estate, particularly in Meath anyway, Dublin might be slightly different but, and I suppose the change as well.*

However, despite their clear benefits, these developments are not without their disadvantages and challenges. In relation to the latter, Byrne and Norris (2017) argue that the emphasis on the purchase rather than the construction of new council housing, and also the use of Part V for its delivery, reinforces the pro cyclical pattern of housing output of this sector created by funding arrangements (see Chapter Three). Purchasing dwellings from the market means that local authorities are competing with other purchasers and thereby contributing to price inflation, whereas the construction of new dwellings would increase supply and thereby dampen inflation. Although Part V has many benefits in terms of delivering council housing in mixed tenure developments, it is an inefficient supply mechanism in other respects because it enables high levels of council housing delivery when supply from the market is high but it also means that council housing output falls as market supply falls. An interviewee from the Housing Agency also pointed out that the emphasis on dispersing council housing by delivering new dwellings in small clusters rather than large estates increases the challenges associated with housing delivery and, thereby, depresses housing supply. He claimed: "... well it's as easy to build 300 or 400 houses or apartments as it is to build, you know 30 or 40 because you have to go through all the same process in terms of design, planning, getting funding approval from the Department [of Housing]". This view was echoed by an interviewee from the civil service, who argued that without building very large, single tenure council housing estates "it's very hard to get the scale [of output] we had in the past".

Another key challenge for delivering additional council housing relates to the availability of suitable land. Two particular problems in this regard were highlighted by interviewees from the case-study local authorities. As explained in the preceding Chapter, rates of land purchase by local authorities fell dramatically after the economic crisis commenced in the mid-2000s and several local authorities reported that they now have

insufficient land left for council house building. For instance, an interviewee from a rural local authority reported “Essentially I suppose we don’t have a huge amount of land, which is becoming an issue for us now because we’ve moved down through our land bank”. Interviewees acknowledged that rebuilding their land banks to enable more council house building would necessitate the purchase of land at much higher prices than would have been the case only a few years ago. Some of the city councils examined in the study faced a different challenge regarding access to land for council house building. These authorities owned land but this often abutted large existing council housing estates, and the interviewees from these organisations raised concerns that building more council housing on these sites would further reinforce socio-spatial segregation.

To address land supply challenges, a senior Dublin City Council official argued that a plan for housing delivery in the Dublin region, including council housing provision, needs to be devised. In his view “... the Department [of Housing] are always talking about a national policy, the same policy as for Sligo, as for Dublin, or Roscommon. We need a strategy for the Dublin region”. He argued that such a strategy could provide for increased levels of new council housing development in Fingal and South Dublin County Council areas, where suitable land is much more widely available than within Dublin City Council’s operational area. A Limerick City Council official highlighted the potential for using State lands owned by other agencies for council housing. He suggested that the Office for Public Works have a lot of land that is “doing nothing” and could provide suitable sites for council house building. According to this interviewee, the key to accessing this land was to compile a comprehensive list of sites and make this available to local authorities:

*I think there’s a different way that different departments utilise and let other public authorities know about their lands. If that could be streamlined that would be hugely beneficial for a lot of local authorities ... Even if there was a list made available of all State owned lands that local authorities knew it was owned by x and x and I think that’s the intention of the Rebuilding Ireland plan. But it hasn’t really materialised that way yet, it’s just local authority own lands that people know about at this stage. But that would be hugely beneficial just in terms of land assembly it’s a finite resource so we need to be able to utilise it as best we can if it’s State owned.*

## The maintenance of council housing

### Maintenance spending and staffing

Details of spending on the maintenance of council housing nationwide and in the five case-study local authorities in 2014 are set out in Table 4.2 below, and this Table also compares spending levels to income generated from council housing rents. Table 4.4 sets out information on the number of maintenance staff employed by local authorities, although it should be borne in mind that many local authorities outsource this service; therefore, this metric is a less meaningful indicator of maintenance activity than maintenance spending.

**Table 4.3** Spending on council housing maintenance in the case-study local authorities and nationwide, 2014

Local authority	Total maintenance spending €	Maintenance spend per dwelling €	Maintenance spend per estate €	Maintenance spending as a % of rent collected
Local authority A	7,290,250	1,512.50	140,73.80	37.9
Local authority B	15,698,077	1,725.60	37,826.70	77.4
Local authority C	3,215,928	1,181.90	3,3851.90	52.8
Local authority D	5,395,796	1,734.40	12,291.10	60.9
Local authority E	6,1049,759	2,433.30	294,926.40	83.7
All local authorities	219,340,576	1,617.00	37,915.40	60.5

Source: National Oversight and Audit Commission (2017).

**Table 4.4** Local authority council housing maintenance staff employed, per dwelling and per estate in the case-study local authorities and nationwide, 2014

Local authority	Dwellings per maintenance staff member	Estates per maintenance staff member
Local authority A	126.8	13.6
Local authority B	65.9	3.0
Local authority C	272.1	9.5
Local authority D	311.1	43.9
Local authority E	760.3	6.3
All local authorities	183.7	7.8

Source: National Oversight and Audit Commission (2017).

Table 4.3 demonstrates that the number of maintenance staff compared to the number of council houses they were responsible for maintaining varied significantly between the case-study local authorities. On this metric, local authority B employed the most maintenance staff (one staff member per 65.9 dwellings) and local authority E employed the fewest (one staff member per 760.3 dwellings). However, probably due to the outsourcing of maintenance services, maintenance spending did not adhere to the same pattern. On a per dwelling basis, local authority E had the highest maintenance spending among the case-study local authorities (€2,433.30) and it also devoted the highest proportion of rental income to maintenance (83.7%). As mentioned above, this local authority also had the oldest council housing stock among the case-study local authorities and also the highest proportion of flats, therefore higher maintenance spending would be expected in this case, whereas local authority C spent the lowest average amount on maintaining each dwelling

among the case-study local authorities and devoted a relatively low proportion of rental income to this purpose (€1,181.90 and 52.8% respectively). Among the case-study local authorities, maintenance spending was higher in those urban local authorities with an older dwelling stock and lower in those rural authorities which owned a newer stock of council houses. The same pattern pertains across the whole council housing sector (National Oversight and Audit Commission, 2017).

### Focus of maintenance spending and activity

The level of rental income available to fund maintenance compared to actual expenditure on this service, as outlined above, suggests that funding levels exceed maintenance spending particularly in local authorities which own a newer housing stock. However, the research on the case-study local authorities contradicts this view. It highlights significant underspending on maintenance and shortcomings in the focus of maintenance spending and activity, which are related to both the funding available and the mechanisms for its disbursement.

Maintenance work on social housing (and indeed on any residential property portfolio) is generally classified into two main categories and several associated sub-categories. These are:

- *Response maintenance*: meaning responding to tenants' repair requests. This type of maintenance includes:
  - emergency repairs (i.e. situations where there is a risk to the life of the tenant or general public);
  - urgent repairs (situations where there is a risk to the landlord's or the tenant's property); and
  - routine repairs (situations where there is no risk to the tenant or to the property but the repair is not included under the preventive maintenance programme).
- *Planned maintenance*: planned repairs and upgrading necessary to protect the fabric of dwellings and improve standards if necessary. This category of maintenance is sometimes subdivided into: cyclical maintenance (i.e. maintenance carried out on a regular cycle, usually five to seven years) and major upgrading programmes, which are more extensive and carried out less regularly (usually every 20-30 years) (Brennan and Norris, 2001).

Maintenance spending was also investigated by the National Oversight and Audit Commission (2017), which surveyed local authorities to identify their spending on response and preventive maintenance in 2014 and the proportion of this devoted to maintenance carried out by council staff and by contractors. This concluded that a total of €98,073,014 was paid to contractors for maintenance in 2014, of which 58% was devoted to spending on planned maintenance. Comparing these data to the information on total maintenance spending in the local authority sector (see Table 4.3 above) suggests that 26% of total spending on council housing maintenance in 2014 was devoted to paying contractors to carry out planned maintenance. However, the NOAC raised significant concerns about the accuracy of the survey's results regarding the costs of maintenance carried out by local authorities' own staff, which contradicted the information provided in local authorities' annual accounts (the former was 35% lower than the latter). For this reason, this element of the survey results was not published in the NOAC report.

Both the local and central government officials consulted for this study reported that, in practice, maintenance staff employed by local authorities devote almost all of their time to response maintenance and, as a result, the total spending on planned maintenance is inadequate. The following quotes from interviews with officials from

two of the case-study local authorities and the Department of Housing evidence the widespread consensus in this regard:

*... on paper, their [local authorities] rent was twice what they were spending on maintenance or housing, on paper apparently. But you dig behind that and actually talk to the housing directors. The maintenance is incredibly low, because they don't have the money to do the real maintenance that they need. And actually should be spending, three, four, five times on maintenance that they actually are. But they don't because they don't have the money, so they don't do it. So, what they do is completely reactive maintenance, the absolute bare minimum they would spend.*

*... the mistake as I said earlier was, the capital money was available [to build council housing], plenty of it. But there was no money available from the State, for the day to day management of it [the housing]. We were reliant on the rent and that wasn't enough. That covered just basic maintenance. So we had no cyclical maintenance programmes.*

*I suppose what happens is that you are only putting so much money into housing maintenance which is dealing with the reactive nature to housing maintenance. But... you are putting no money in effect or no substantial money into planned maintenance... Obviously you know they [the council housing units] are disimproving over the last number of years unless you take action now you are going to be dealing with a whole regeneration / remedial works scheme.*

This view; that investment in planned maintenance and upgrading of council housing is inadequate, is supported by the fact that only one of the case-study local authorities reported that they had a comprehensive planned maintenance programme and by evidence from numerous other sources. For instance, the National Oversight and Audit Commission (2017) reveals that that only 17 local authorities (out of a total of 31) reported using planned maintenance for scheduling of some maintenance work. Furthermore, only 15 local authorities reported having ever carried out condition surveys of their council housing and, of these, only five informed the NOAC that they conduct such surveys at regular intervals. Conducting regular stock condition surveys is considered a vital prerequisite for effective planned maintenance programmes. International best practice suggests that 65% of the total social housing maintenance budgets should be devoted to planned maintenance but the available evidence, as set out above, indicates that investment on this service is closer to one quarter of total maintenance spending in the Irish council housing sector (Brennan and Norris, 2001). Furthermore, high levels of spending on the repair of dwellings for re-letting and on the refurbishment / regeneration of council estates provide further evidence of underinvestment in planned maintenance. These issues are discussed in the sections which follow.

### **Repair, refurbishment and regeneration of council houses**

In addition to spending on response and planned maintenance of council housing, local authorities have also devoted considerable investment to the repair, refurbishment and extension of their stock. This investment generally occurs:

- prior to the re-letting of dwellings to new tenants;
- as part of schemes to extend dwellings to meet the needs of existing tenants; or

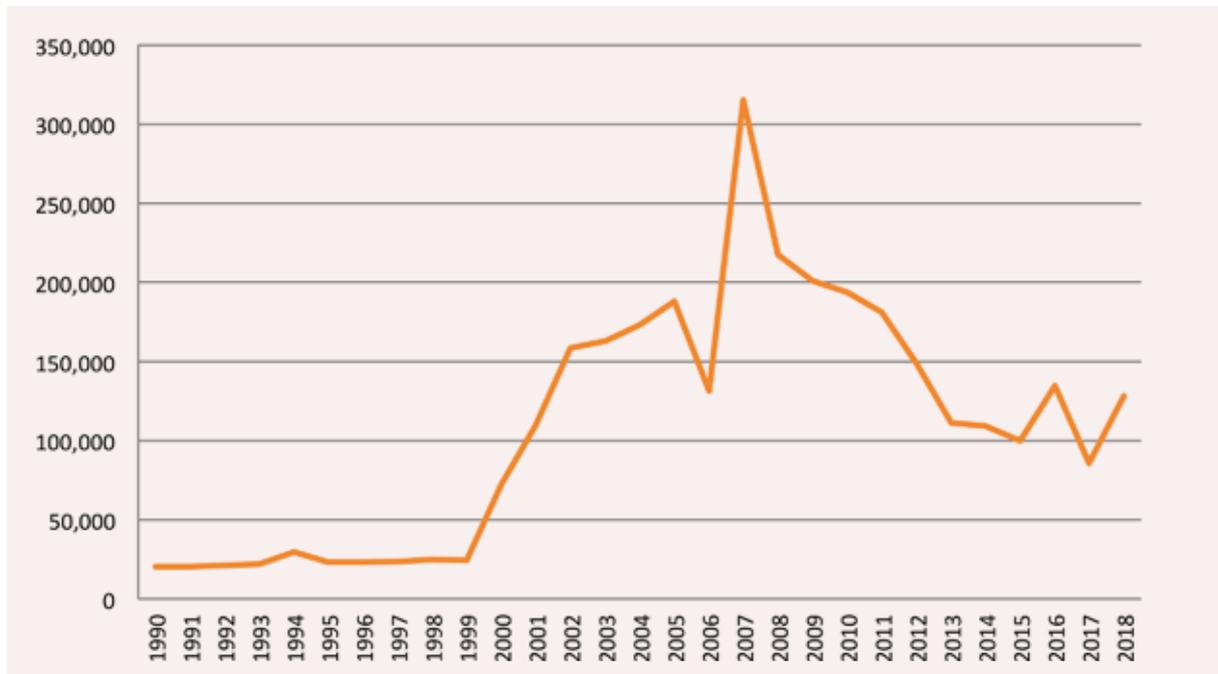
- as part of major regeneration schemes or energy retrofitting programmes for entire estates.

Spending on these activities is funded jointly by grants from the Department of Housing and contributions by local authorities (derived from their internal capital receipts). This situation contrasts with arrangements for funding the ongoing maintenance of council housing which, as mentioned above, is funded entirely by local authorities themselves.

Centralised funding for council housing estate regeneration has been provided for over 30 years now. The principal programme of this type – the Remedial Works Scheme – was established in 1985. It funds the refurbishment of run-down council housing estates. Data on total spending on this scheme (by both local authorities and central government) since 1990 is set out in Figure 4.4 below. Longitudinal data on the other categories of spending on the repair, refurbishment and regeneration of council housing are not available, but data from 2014 are presented in Table 4.5. This Table details the central government grants drawn down by the five case-study local authorities and all local authorities for the following schemes:

- **Remedial Works Scheme**
- **Energy Retrofitting Scheme:** this scheme provides grants of up to €15,000 for energy improvement works such as: insulation, window and external door replacement, and energy-efficient boilers. An additional €3,000 per dwelling may also be claimed for non-energy related improvements.
- **Extensions to Council Houses:** these are funded in cases of overcrowding or to cater for family members of tenants who would otherwise be eligible for council housing in their own right.
- **Regeneration of Council housing:** local authorities must apply to the Department of Housing for the establishment of schemes for the regeneration of specific estates, and these schemes should encompass the socio and economic as well as the physical regeneration of estates. These schemes are funded by central and local government contributions or by the private sector via a Public Private Partnership.
- **Voids programme:** this programme was introduced in 2014 and is co-funded by the Exchequer and the EU Structural and Investment Funds 2014-2020.

Figure 4.4 Spending on the remedial works scheme for regeneration of council housing, 1990-2018 (€000s)



Source: Department of Public Expenditure and Reform (various years).

Table 4.5 Central government grants claimed for the repair, refurbishment and regeneration of council housing, 2014

Local authority	Remedial Works Scheme €	Energy Retrofitting €	Extensions to Council Houses €	Regeneration €	Voids Programme €	€ Total
Local authority A	0	1,411,944	0	2,000,000	915,969	4,327,913
Local authority B	3,176,251	1,368,145	0	2,450,000	2,872,027	9,866,423
Local authority C	443,136	498,635	192,671	0	995,829	2,130,271
Local authority D	0	678,402	298,653	0	1,037,501	2,014,556
Local authority E	6,164,244	5,244,209	610,488	5,218,210	6,163,464	23,400,615
<b>All local authorities</b>	<b>15,004,237</b>	<b>25,761,656</b>	<b>3,220,442</b>	<b>11,887,539</b>	<b>26,310,575</b>	<b>82,184,449</b>

Note: Louth and Kildare County Councils are not included in the figures for all local authorities.

Source: National Oversight and Audit Commission (2017).

Not surprisingly, these different central government funding schemes were welcomed by interviewees from the case-study local authorities in particular. There is evidence that some of these schemes have yielded significant benefits in terms of improving the standard and efficiency of use of the council housing stock. The voids scheme, for instance, supported the return of over 5,000 council housing dwellings to use in 2014 and 2015 and this investment has enabled an increase in the total number of tenant households. This is a key reason why the total number of local authority tenant households expanded by 20,066 between 2008 and 2016, despite the fact that only 13,902 net additional dwellings were added to the stock between these years (Department of Housing, Community and Local Government, various years).

However, despite these benefits, the research on the case-study local authorities highlighted several significant concerns about these schemes and the approach to the repair, refurbishment and regeneration of council housing more broadly. These concerns can be categorised into three broad groups.

Firstly, concerns were raised about the distinction between spending and work on the maintenance of council housing, and on the repair, refurbishment and regeneration. An interviewee from the Local Government Audit Service suggested that *“I suppose there is a line there and there’s maybe a grey line sometimes between what’s maintenance and what’s refurbishment and improvement”*. She argued that this lack of clarity had accounting implications:

*Some of the refurbishment and improvement schemes may end up in the capital account, whereas they may be, in some other jurisdictions they may be regarded as maintenance or planned maintenance that you’d have to do over a number of years.*

This uneven accounting practice may explain the variation between the estimates of spending on management and maintenance that local authorities’ reported to the NOAC and the level of spending reported in their own accounts, as mentioned above.

Secondly, other interviewees raised concerns about the scale of spending on the repair, refurbishment and regeneration of council housing. Department of Housing officials felt that the level of spending was unjustifiably high, particularly when viewed in combination with spending on the maintenance of dwellings. The data on spending set out in Figure 4.4 and Table 4.5 does highlight substantial levels of spending. Figure 4.4, for instance, highlights a marked rise in spending on the Remedial Works programme since 2000 and spending between then and 2018 totalled €2.9 billion. Furthermore, in contrast to investment in new council housing provision, Remedial Works Scheme spending was largely maintained during and after the economic crisis commenced in 2007-08. This means that while Remedial Works Scheme spending varied between 20 and 25% of total spending on council housing provision during the first half of the 2000s, between 2011 and 2014 spending on the former surpassed spending on the latter. An interviewee from the Housing Agency also argued that underspending on planned maintenance of dwellings and over investment in upgrading of empty dwellings prior to re-letting or the regeneration of entire estates creates inefficiencies and additional costs:

*... if you go in to do the maintenance, the minute the property is vacated there’s a number of associated things that have to be done but you can half the cost of the refurbishment of that property for a number of reasons.... because once you start cutting off the electricity and doing other things,*

*you know the costs just shoot up. The property deteriorates. And then the estate deteriorates because you know having properties that are boarded up, you know it really detracts from an estate and then people think they can, you know it just leads to more antisocial behaviour.*

Several of the local authority officials interviewed took the opposite view and suggested that total spending on the maintenance, refurbishment and regeneration of council housing was still inadequate. To rectify this situation, officials from Cork City Council and Clare County Council reported that the councillors have recently approved plans to take out a substantial loan from the Housing Finance Agency to fund planned maintenance. A senior official in another local authority reported that his colleagues were also considering this option:

*We're very conscious that probably for the next ten years; the only money coming from government will be towards the new build. There's going to be very little money for regeneration. So, we're going have to find another way of doing it. And that maybe where we borrow from the Housing Finance Agency. Or maybe a combination of the Department of Finance, HFA and the private sector.*

An official from local authority E argued that, due to the age of its council housing stock (as mentioned above, by far the oldest among the case-study local authorities) this would need particularly significant investment:

*...the big challenge in [local authority E's] housing stock is not the management and maintenance costs, the big challenge... is the obsolescence that will emerge in the next five to ten years in the building systems that were constructed in the 40s and 50s. So there's large amounts of housing in the [local authority's ownership] deck access primarily, flat structures... will need to be replaced in the next ten to fifteen years. Because they are at the end of their actual use term, there's only a certain amount of years after which stress concrete no longer works.*

## Improving council housing delivery and maintenance

The research revealed several causes for the problems in arrangements for the delivery and maintenance of council housing, which were outlined above. Staffing problems were commonly raised by interviewees from the case-study local authorities, for instance. A director of housing in one of these authorities linked problems in his maintenance service to the existence of "... a lot of very restrictive work practices as well in terms of our own workforce". However, many of the staffing and other issues cited by respondents were merely proximate causes of ineffective maintenance services; funding levels and disbursement arrangements were key fundamental causes.

### Staffing

For instance, many of the local authority and central governments officials interviewed raised concerns about their capacity to deliver new council housing at the levels required. In this vein, a Department of Housing official argued:

*They'll [local authorities] say they've a serious deficit in technical expertise. Never mind the actual full time workers, to build the houses, to get that. It's the actual expertise in engineering and*

*architecture and those kind of design and planning that they don't have any more. And even if they did, could get them now, they're now saying, because of the way the market is going outside. That they're going to find it difficult to get the quality of people in at the wages that they're offering.*

Similarly, an interviewee from Limerick City and County Council highlighted the challenges associated with managing complex housing procurement mechanisms and questioned whether all local authorities had the staff or expertise required to meet these challenges:

*.... with mixed tenure lands you are entering into EU procurement which you know about and you have to go through competitive dialogue processes. It's quite labour intensive. And I don't think councils have been geared up to that. I know Dublin City Council are doing it at the minute and Cork City but its new territory for a lot of local authorities. And it would be really useful if there was ministerial guidance on how we should be doing it because it means that a lot of local authorities shy away from it because there's a fear around it because it's so new.... there's huge risk in it. You can be challenged by you know evidence that you can be challenged at various stages of the procurement process as you go through it. So it's just to know what to expect and I think a lot of us are going into it quite green.*

However, an interviewee from the AHB sector pointed out that this problem is ultimately the outcome of the boom/bust cycle of capital funding for council housing highlighted in Chapter Two:

*But the other issue that's related to money is that local authorities lost all their capacity, all the staff who were doing housing development were either moved off or were given other jobs or whatever [when capital funding for council house building was cut], so they lost the, I can remember the expression, institutional capacity.*

This analysis was supported by interviewees from many of the case-study local authorities. They pointed out that local authorities had to wind down the staffing of their housing development function, particularly as government funding for new council housing delivery was cut. Increasing the staffing of this service again is slow and challenging, especially in view of the growth in private sector construction activity, which means that the architects and civil engineers local authorities need to recruit are in high demand outside the public sector.

## **Finance**

Several interviewees also argued arrangements for funding council housing to not promote the effective maintenance of the stock. This is because these arrangements provide no incentives to maintain dwellings effectively and re-let them quickly and no disincentives not to do so. In this vein, an interviewee from the Housing Agency highlighted the inefficiencies generated by the very low rents charged for council housing and, therefore, the disconnect between rental income and costs. He argued:

*So a property becomes vacant in [X local authority] and what happens is it gets handed over to housing maintenance and said tell us when the property is ready. And they can have it for 3 months, 6 months, 9 months, a year, there's no pressure from the allocation side when is that property going to be ready. Ironically if you would know, if you had no knowledge of management and maintenance of a property but you had your own rental property, you would manage it better than*

*any local authority would probably manage it, in that you're concerned about your rental income. You know so if a tenant is leaving you're going to, you know be conscious about getting someone in.*

An interviewee from the AHB sector also highlighted the maintenance inefficiencies created by the reliance on central government capital grants to fund council housing delivery:

*you give capital, lots of capital one off grants to try and keep the housing... stock up to a level... do it when you can afford it and not when you can't, that means the quality of the stock deteriorates and you have to spend even more money five years later.*

One central government official suggested that the availability of central government grants to refurbish or regenerate run-down council housing means that local authorities have no incentive to maintain and upgrade their stock on an ongoing basis via planned maintenance programmes:

*Local authorities know that even if they use the differential rents, you know most appropriately they're still going to need capital funding, you know so there's always that assumption there's going to be capital funding there to do that refurbishment, you know when it's needed. Which is, it's a huge issue, you know that is a massive issue, always the assumption that there's going to be that capital funding there.*

Another interviewee from central government went further, and argued that this funding mechanism provided a perverse incentive to run down the council housing stock. He argued "... it's in their interest to run it down, and then, do it all in one big go and spend forty grand on a house. Rather than spend two grand a year.... they're completely incentivised and there's a complete awareness of it as well".

## Conclusions

This Chapter has examined the delivery, maintenance and refurbishment of council housing, and the allocation and management of spending on these activities. It has revealed that the task of delivering council housing is now much more challenging and complex than it was in the past. This is because dwellings are provided in small and/or mixed tenure estates and no longer built directly by local authority staff but procured using a variety of complex mechanisms. There is some evidence that these new delivery mechanisms have slowed new council house building but the local authority officials argued that the benefits, in terms of providing council housing in mixed income, sustainable communities, outweighed the costs. The analysis of the maintenance and refurbishment of council housing presented in this Chapter has revealed that assessing the effectiveness and value-for-money of these activities and the adequacy of spending levels is not a straightforward task. This is because, although maintenance and refurbishment are distinct activities in theory, in practice the boundaries between them are blurred in the local government sector. The evidence which is available indicates that there is significant under spending on 'planned maintenance' of council housing, i.e. on the planned repairs and upgrading necessary to protect the fabric of dwellings and improve standards. As a result, there is higher than expected spending on refurbishment and regeneration of council housing and also on the upgrading of empty dwellings prior to re-letting. This is an inefficient and ultimately more expensive pattern investment, because deferring maintenance often necessitates higher levels of spending when the work is finally carried out and

dwellings are often left empty awaiting refurbishment, during which time they deteriorate further and are not available for letting to rent paying tenants. It is worthy of note that although central government tightly controls the allocation of funding to build or acquire social housing neither it nor the local authorities set a standard or any readily measurable performance indicators for the upkeep of the houses once acquired.

The analysis presented in this Chapter also indicates that arrangements for funding council housing delivery, maintenance and refurbishment played an important role in shaping these inefficiencies. The 'boom/bust' pattern of central government investment in new council housing provision, as highlighted in Chapter Three, undermines efficient housing delivery because many local authorities radically reduced staffing in their housing delivery and design departments when funding for new housing output was cut during the bust, and are having difficulties in recruiting sufficient staff as funding increased during the economic recovery. The very low level of rent charged to council housing tenants and the complete disconnect between the rents charged and the costs of the housing service means that local authorities have no incentive to maintain dwellings efficiently or to ensure they are swiftly re-let when they become vacant. Indeed, the availability of grant funding from the Department of Housing for the costs of major upgrading and regeneration of council housing further reinforces this incentive.



**The management of  
council housing  
and tenancies**

## Introduction

This Chapter looks at the management of council housing and tenancies. The opening part of the Chapter examines the various tasks involved in this aspect of the council housing service. These include: the allocation of dwellings to new tenants; the management of estates which are already occupied and the tenancy rights enjoyed by council housing tenants; and the implications this has for the effective management of dwellings. The effectiveness and efficiency of these services is then assessed.

The second part of the Chapter examines the structural factors which influence the quality of council housing management. This discussion focusses on three factors: the staffing and management of this service; its funding; and the availability of the skills and expertise required to manage council housing effectively.

## The effectiveness and efficiency of council housing management

### The allocation of council housing tenancies

Policies and processes for the allocation of council housing tenancies have a major impact on both the financial sustainability of this sector and the sustainability of the communities living in neighbourhoods dominated by council housing.

These requirements and processes are governed by legislation and associated statutory instruments, and also by the local authorities' own policies. Only households with an income below a specified limit are eligible to apply for social housing. This limit varies according to household size and location. At the time of writing, the maximum net income was €35,000 for a single person and €42,000 for a multi-person household in Dublin City and County, Cork and Galway cities and the Greater Dublin Area. In rural areas, only individuals with net incomes of less than €25,000 for a single person and €30,000 for a multi-person household are eligible to apply for social housing.

**Table 5.1** Income limits for eligibility for council housing in the case-study local authorities, 2018

City and Council Area	Maximum Net Income Threshold-single person	Maximum Net Income Threshold -3 adults and 4 child family
Dublin City Council	€35,000	€42,000
Cork City Council	€35,000	€42,000
Meath County Council	€35,000	€42,000
Limerick City and County	€30,000	€36,000
Clare County Council	€25,000	€30,000

Table 5.1 above details the net income limits for access to social housing in each of the five case-study local authorities. Local authorities are required to prioritise qualified applications for council housing on the basis of need, and this assessment should take account of the quality and suitability of their existing accommodation.

A new statutory instrument issued in 2011 (S.I. No. 84/2011) also enabled local authorities to take account of applicants' time on the waiting list in allocating dwellings.

Three of the five case-study local authorities examined in this research used these new 'time on the list' provisions in their decisions regarding the allocation of council housing. In each case, applicants were divided into three categories in terms of priority and then dwellings were allocated on the basis of time on the waiting list. Interviewees from each of these local authorities welcomed this new approach, on the grounds that it is fairer and brings a broader spectrum of households into the sector. In support of the latter view, interviewees claimed that a time-based system would produce a greater variety of tenant households than the previous system used to apply for social housing. An interviewee from one of the local authorities which used time on the list as an allocation criterion highlighted the following benefits:

*What's happening with the social housing waiting list is that it's based on length of time on the list as opposed to before, where people were able to manipulate the points systems that were in place across the country. So you would have got the same demographic going into a lot of the council estates when they were built in the eighties and the nineties, whereas now it's based on length of time on the list and what we're seeing now coming into any social housing scheme is a broad spectrum of the community, you've got family units, non-family units, you've got mixed family set-ups coming in and it's not manipulated, the list isn't manipulated anymore, it's a length of time for people.*

However, interviewees from case-study local authorities where homelessness levels were very high argued that using time on the list as a key criterion in allocation decisions may be a disadvantage for families who are at risk of homelessness because those living in overcrowded or inadequate accommodation no longer receive priority. This means that local authorities may be prevented from taking action to prevent homelessness in some cases.

Two of the five case-study local authorities also used 'choice-based lettings' to speed up the allocation of dwellings. This measure, which was provided for in a 2011 statutory instrument (S.I. No. 198/2011), allows applicants for council housing to express their interest in occupying a vacant council housing unit advertised by the local authority (usually on a website). The dwelling is then allocated to whichever of these applicants is highest placed on the council's scheme of letting priorities for allocating dwellings. This approach was very positively assessed by officials of the local authorities involved on the grounds of its success in speeding up the allocation of dwellings, particularly in low demand estates, and minimising void (i.e. empty) periods. The National Oversight and Audit Commission (2017: 47) report on council housing management and maintenance argues that this approach should be adopted more widely.

Whether time on the waiting list is used as an additional consideration in allocating council housing or not, these dwellings are still allocated primarily on the basis of need. In the context of shortage of supply in recent years, this means that mainly low, income-benefit-dependant households have gained access to council housing and the profile of tenants in this sector is much more disadvantaged than the population at large. The extent of disadvantage in the social housing sector (including council and AHB provided housing) in Ireland in recent years is detailed in Table 5.2 below and compared to other housing tenures. This Table reveals that the proportion of social housing tenants with incomes below 60% of the median was more than twice the rate of households living in private rented and owner occupied housing in 2013. In addition, other socio-economic

characteristics strongly associated with disadvantage, such as lone parent headed households and low levels of educational attainment, are also more common in the social housing rented sector. In other Western European countries, a large proportion of social housing tenants are from a migrant background and migrants also tend to have higher levels of disadvantage compared to the population-at-large (Scanlon, Whitehead and Arrigoitia, 2014). Table 5.2 demonstrates that, in the Irish case, migrants live predominately in private rented housing but the numbers of these households in social housing is growing.

Table 5.2 Income, family type, nationality and education by housing tenure in Ireland, 2009, 2013

Socio-economic characteristic 2009 %		Owner Occupied		Private Renting (at market rates)		Social housing	
		2013	2009	2013	2009	2013	
		%	%	%	%	%	
<b>Income below 60% of equivalised median income</b>		15.1	12.2	15.0	15.9	37.2	35.9
<b>One parent family households</b>		3.9	2.6	12.9	14.6	20.5	20.3
<b>Household head is not an Irish citizen</b>		2.8	3.9	47.4	44.6	7.4	9.3
<b>Household head was not born in Ireland</b>		8.0	10.1	53.3	53.9	15.0	17.8
<b>Highest level of education of household head</b>	<b>No formal education or primary education</b>	29.4	23.2	9.8	7.2	44.9	32.3
	<b>Lower secondary</b>	16.3	14.2	8.6	8.2	20.0	18.4
	<b>Upper secondary</b>	17.4	16.5	20.1	23.7	13.0	16.8
	<b>Third level degree or above</b>	21.2	19.5	35.3	25.0	7.3	9.6

Source: Generated by the authors from the Irish module of the European Union Survey of Income and Living Conditions (EU SILC).

Note: The category “owner occupied” includes owned outright and owned with a mortgage/tenant purchase scheme. The category “social housing” includes rented from a local authority and rented at below market price or rent free. In 2009, median equivalised income for Ireland was €22,578.54 and 60% of this median income was calculated as €13,547.12. The equivalent figures for 2013 are €19,355.12 and €11,613.07. In the Irish module of the 2009 and 2013 EU-SILC, there was no direct question concerning migrant/ethnic minority-headed household’s status, therefore the “nationality” and “country of birth” questions were used as the best proxy.

Interviewees from the case-study local authorities acknowledged that the disadvantaged nature of the council housing tenant population does create challenges in managing council estates which often house mainly low-income and benefit dependent households. This is one of the main reasons why they are so strongly focussed on the delivery of smaller and/or mixed tenure housing developments, as was explained in Chapter Four. In addition, interviewees acknowledged that, because rents are linked to income, higher numbers of low-income

tenants obviously depresses rental income. However, in the context of a severe shortage of supply of council housing, interviews from both the local and central government sector felt that it would not be possible to depart from current arrangements whereby council housing is allocated on the basis of need. As one Departmental official summarised this debate as follows:

*we've come under political pressure as well to look at eligibility thresholds. The sense being of course that they're too low... we would have an open mind... The assumption will be that the review will end up increasing the thresholds. In the UK generally, there's no thresholds, it's open to anyone to apply. So you could do that here and that's certainly one of the options we'll be looking at. But the fact is it doesn't make a blind bit of difference. Because the houses are still hopefully going to go to the people who need them the most, and there's a limited supply of them. What you're really talking about is not so much an eligibility, but as an allocation issue.*

## Tenancy rights

As explained in Table 2.2 in Chapter 2, council housing tenants enjoy a suite of 'tenancy rights', which are marginally stronger than their counterparts in AHB provided social housing and significantly stronger than those available to low-income households living in government subsidised private rented housing. For instance: if local authority tenants adhere to terms of their tenancy agreement, they have a lifetime tenancy; they have a right to buy their dwelling at a discount for market tenancy and on their death, if their children are residing with them and qualify for social housing, their children may 'inherit' their tenancy under successor tenancy arrangements. These rights obviously yield significant benefits for council tenant households; however, they also limit local authorities' ability to manage their stock efficiently and the ability of applicants for social housing to secure a council housing tenancy.

Primarily on the grounds of these negative housing management impacts, most of the central government officials interviewed for this study argued for the restriction of tenancy rights in the council housing sector. The following quotation from a policy maker interview illustrates this consensus view among the civil servants interviewed:

*I don't agree [with lifetime tenancies] because people's circumstances may change. Like you provide it to somebody who is just suffering from a period of unemployment, the hope is that that person is going to get back into employment. So that's a real problem then, then you are creating a disincentive to take up employment because people might actually forfeit whatever their benefiting. So I think it's a big problem. I don't agree with this permanent tenancy.*

The local authority officials consulted were generally supportive of the principle of lifetime allocation of council housing, primarily on the grounds that they provide stability and security for tenant households and therefore are fair but they also highlighted community benefits in terms of encouraging stability. This view was shared by the AHB representative interviewed for this study, who argued:

*I think that's the right thing to do because the alternative is to say you're doing so well and you're*

*made such a success of your life that your income has risen above the level at which you qualified for social housing so you can go off and find some other house. That, I think that's wrong in principle for two reasons – one, the main reason is what we want is to enable to encourage the development of sustainable communities, which is people living together, not necessarily liking each other, not necessarily sharing each other's beds or living rooms or whatever it is, but feeling they're part of a stable community and the evidence is that mixed income communities generally function better than low income communities. It makes absolutely no sense in terms of sustainable communities to say to people on higher incomes it's time for you to leave because social housing is only for poor people so you can f\*\*\* off.*

Rather inconsistently therefore, many of the local authority officials interviewed also raised concerns that lifetime tenancies means, in practice, the right to occupy a *specific dwelling for life*, which they argued means that a portion of council housing stock is underutilised (or in housing management parlance 'under occupied'). However, officials in all of the case-study local authorities were aware of the personal sensitivities associated with encouraging older tenants who no longer needed their large homes to downsize, and almost all argued that compulsorily relocating households in this category could not be countenanced; rather they would have to be 'enticed' to do so. They also highlighted the lack of suitable small dwellings available for downsizers to move into. It is a feature of council housing developments that housing units tended to be of uniform as opposed to mixed sizes thus limiting the ability of tenants to downsize or upsize within their development. An interviewee from Cork City Council argued: "Like that's a no-brainer, a man in a 4-bedroom house on his own wants to go down to a small unit and we are saying no we can't do it because the funding isn't there", while a Department of Housing official highlighted the marked political sensitivities associated with this issue:

*You don't want to get into a position where you're saying to older people, when your family move, listen we need that house. Can you leave please. You're into semi bedroom tax scenario, politically. And it's a tricky one. .... Big thing is, we want step down housing you know, move out of your bigger house to free up spaces. But everything has to be optional and it's really charged. Any, any inkling of some sort of mandatory nature in this would be incendiary.*

Interviewees were almost unanimously of the view that the best solution to under occupancy of council housing was the construction of alternative smaller dwellings adjacent to existing council estates into which tenants could 'downsize'. In this vein, an interviewee from Limerick City and County Council argued:

*So you start off with a family of three or four kids or whatever and then you know at the end of the tenancy you have maybe the two parents are left and all the kids are gone.... So that's an issue. So a way of making downsizing more attractive to existing tenants but also building up neighbourhoods so there's a better mix of unit types. So say if you were local authority and you had a three and four beds but also building one bed specialist type units or two bed specialist type units that you could attract somebody to move within their own neighbourhood so you are not destabilising the neighbourhood and they are going to the shops they always went to and the grocery and the pub or whatever. They are still embedded in the community, but you have an*

*option for them of maybe that's more suitable to that stage in life while you can then re-occupy a house that might be more suitable to a family at that stage.*

The civil servants and local authority officials interviewed also argued that the negative impact of lifetime tenancies on the effectiveness of housing management is significantly magnified by income related rents. Interviewees pointed out that, due to the way in which rents are calculated in many local authorities, lifetime council housing tenancies mean, in practice, a lifetime right to highly subsidised housing. Thus, some interviewees argued that rent determination schemes should be revised to remove maximum rent rules or link maximum rents to market rents; tenants in well paid employment could continue to occupy their homes in return for a higher rent and at no cost to the Exchequer. This would enable the council housing sector to avoid 'penalising success' and retain greater tenant diversity without any financial cost.

Similarly, the central government officials interviewed argued that 'successor tenancies' reinforced the housing management inefficiencies created by tenancies for life because dwellings do not become available for re-letting, even after the tenant dies. Many local authority officials disagreed. Some case-study local authority interviewees suggested that only a handful of tenancies are 'inherited' each year. Officials of one of these local authorities (where house prices and rents are very high) reported a much larger number of successor tenancies – over 100 each year. However, officials of this authority reported that management of this right has tightened up significantly in recent years and all applicants for successor tenancies must have been registered as among the occupants of the dwelling in question; be eligible for social housing; and have a household of suitable size for the dwelling. This view was contested by a Department of Housing official, who argued that: "... now local authorities would tell you that it's not a blind inheritance.... it's not automatic... But that doesn't appear to me to be the case. That if your family member wants to inherit it they will". Some interviewees also raised concerns that the availability of the option to purchase council housing encouraged eligible households to avail of successor tenancies.

### **Estate Management**

Figure 5.1 (overleaf) reveals that the different case-study local authorities have responsibility for managing radically different numbers of council housing estates. The number under management was 518 in the case of local authority A and the lowest number was 95 in the case of local authority C. This variation obviously reflects the size of total council housing stock owned by these local authorities but it was also related to local spatial patterns, in terms of concentration of the council housing stock into estates, its dispersal in one off or small group dwellings bought second hand, acquired via Part V of the 2000 Planning Act or purpose build in rural areas.

Figure 5.1 Number of council housing estates managed by the case study local authorities, 2014



Source: National Oversight and Audit Commission (2017).

There was a widely held view among the local authority officials interviewed for this study that, in the past, local authorities were more engaged in the active management of their estates because rents collected by council rent collectors for example, who called door to door, dealt with any queries that tenants had, reported them back to head office and thereby contributed to the effective management of estates. It was, however, widely accepted by both the central and local government officials interviewed that local authorities are currently not as effective as they could be in managing their estates. As one interviewee from a large urban local authority put it “too often we have given the tenant the key and that’s that”. A housing manager with another large urban local authority reported that the speedy reallocation of vacant dwellings is prioritised in the allocation of resources “So the rest, the knocking on doors and the visiting of houses takes a back seat”. The policy makers and other central government officials shared this negative assessment of local authorities’ estate management capacity. Officials from the Department of Housing and the Housing Agency argued that that this lack of investment in estate management generated significant knock on costs:

*... in the case of [X local authority], the maintenance of properties wasn’t the biggest issue, one of the biggest issues was they had no estate management. So actually a small amount of money spent on estate management would make a massive difference. And that had a knock on effect in terms of the properties themselves. They had decided to cut the funding to estate management. They didn’t know when properties were becoming vacant, whether somebody died or left, and they still mightn’t know.*

*... in some cases you know a lot of their [local authorities’] costs would have been reduced if they had dealt with the estate management. When I say a lot of the costs because a lot of the costs are to do with dumping and damage. So somebody dumps a load of material in a side passage of the house or you know it can cost them €3,000 to remove. You know so it’s not even necessarily that the work to the house, it’s all these ancillary things or if there’s damage done to the properties...*

Interestingly, the perception that local authorities' have poor estate management capacity was not shared by the councillors interviewed for this study. They generally had more positive views of local authorities' capacity in this regard and also argued that perceptions of this capacity are skewed by council housing tenants' tendency to be particularly demanding in terms of requests for services from the local authority. This view is neatly captured in the following quotation from a councillor from a rural area:

*You've got a culture of ask in local authority houses, they're always looking for something, they're asking for this and that and the other. So you've got a very demanding group of people out there, okay, and it's not an easy job but to be quite honest I don't hear a lot of giving out about the council. I would have said that they [local authorities] are good to manage.*

Council housing tenants were not interviewed for this study, but they were surveyed for the first time in 2015 by the National Oversight and Audit Commission (2015) and the results of this study indicate that they also have a predominately positive view of the housing and estate management service they receive from local authorities. Tenants' opinions in this regard are summarised in Table 5.3 below.

**Table 5.3. Summary of council housing tenants views on housing management from the NOAC tenant survey, 2015**

<b>Satisfaction with council housing neighbourhoods</b>	Tenant satisfaction with their neighbourhood is high (87% satisfied). Longer-term tenants and those not living in Council run estates displayed a higher level of satisfaction. Only 17% of those living in a Council managed estate have applied for a transfer or would like to live elsewhere.
<b>Satisfaction with estate management</b>	In general, satisfaction with how well the local authority looks after the estates it manages is relatively positive (53% good and 28% average). Overall, good ratings are relatively stable across larger and smaller local authority areas. However, those living in smaller areas are more likely to give a very good rating. Half of the tenants reported that the Council's management of their housing had improved over the previous 5 years.
<b>Satisfaction with housing management and maintenance</b>	Overall, 2 in 3 tenants living in a local authority managed estate would praise their housing and maintenance services to friends or family.
<b>Satisfaction with levels and management of anti-social behaviour</b>	3 in 5 tenants living in local authority estates rate anti-social behaviour as being low. Lower levels of anti-social behaviour were reported in smaller local authorities and among newer tenants. One third of tenants also believe that the level of antisocial behaviour in their estate has decreased over the past 2 years. The proportion of tenants who thought anti -social behaviour had increased over the previous 2 years was greater than the proportion who thought it had decreased in 8 local authorities.  1 in 5 tenants living in a local authority estate have complained about anti-social behaviour, a similar number have complained about maintenance issues, while 6% have complained about apartment block communal areas. Amongst those who have made these various kinds of complaints, dissatisfaction with the local authority's handling of the complaint is relatively high; about one third are very dissatisfied, mainly due to a lack of feedback from the authority and not knowing how their complaint was being handled.

Source: National Oversight and Audit Commission (2015).

## Structural barriers to improving council housing management

### Staffing

The research on the case-study local authorities highlighted several structural impediments to improving the quality of council housing management; among these, staffing levels in this service was mentioned most often by interviewees from these local authorities. There was a strong consensus that the staffing levels in the housing management service were significantly below that required. In this vein, an interviewee from an urban local authority reported:

*... we have nine housing officers for nine thousand houses. So completely under staffed, and it's firefighting the whole time. Plus they would interview housing applicants as well plus deal with you know, minor cases of antisocial behaviour, neighbourhood disturbances, tackling rent arrears. So very varied job obviously the priority is if houses come back in terms of interviewing applicants to select a person to go into those houses that's the priority part of their job. So the rest, the knocking on doors and the visiting of houses takes a back seat.*

Many interviewees attributed the AHBs' perceived greater levels of efficacy in managing their housing stock to the more generous staffing and funding available to this sector, coupled with the more limited demands on staff time because AHBs are single purpose organisations. These views are exemplified by the following quotes from interviews with officials from a large urban and a rural case-study local authority

*Definitely there is a view there as well that AHBs will do it better from a management perspective. And look personally I would see that they are much better at managing social housing and why is that? They are better resourced to do that as well.*

*I suppose from a housing management perspective, they [AHBs] would have more resources to manage their stock than any local authority because of the other demands that are on services for the local authorities.*

Data on actual housing management staffing levels and total housing staffing levels compared to the size of the council housing stock in the case-study local authorities partially support these claims and also indicate that the reality is more complex than these interviewees suggest. These data, which refer to the year 2014, are set out in Table 5.4 below and demonstrate that, when assessed on a per-council housing unit and per-estate basis, staffing levels in housing departments vary significantly. Nationally, there was an average of 175.4 council dwellings per housing management staff member in 2014 and 77.3 dwellings per total housing department staff members (i.e. including maintenance staff). However, among the case-study local authorities, the number of council houses per housing management staff member varied from a low of 65.1 in local authority B to a high of 209.3 in local authority C. When all housing department staff are taken into account, dwellings per staff member varied from a low of 42.1 in local authority A to a high of 118.3 in local authority C. Among these organisations, staffing levels per dwelling were generally much lower in rural local authorities and much higher in their urban counterparts, and the national data follows the same pattern (National Oversight and Audit Commission, 2017).

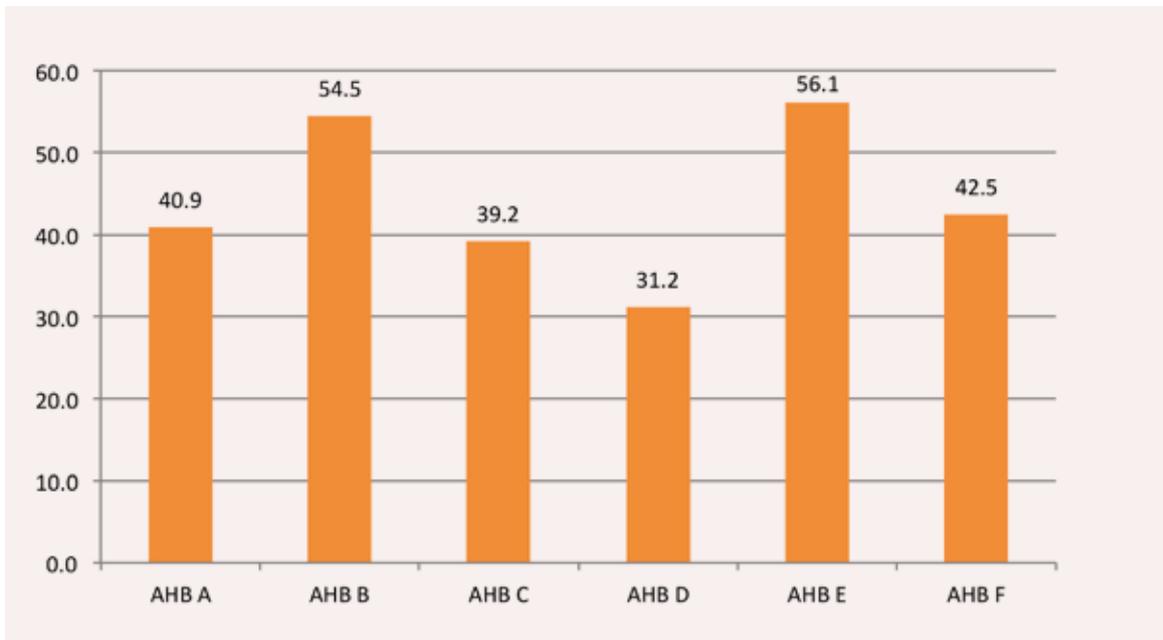
**Table 5.4 Council housing management staff and total housing staff compared to dwellings and estates, 2014**

Local Authority	Housing Management Staff	Total Housing Staff	Dwellings per Housing Management Staff Member	Dwellings per Total Housing Staff Member	Estates per Housing Management Staff Member	Estates per Total Housing Staff Member
Local authority A	78	216	116.6	42.1	5.3	1.9
Local authority B	74	112	65.1	43.0	7.0	4.6
Local authority C	13	23	209.3	118.3	7.3	4.1
Local authority D	384	417	65.3	60.2	0.5	0.5
Local authority E	22	32	141.4	97.2	20.0	13.7
All local authorities	1,015	738	175.4	77.3	7.8	3.3

Source: National Oversight and Audit Commission (2017).

Figure 5.2 (overleaf) details the total housing staff employed by selected Approved Housing Bodies compared to the total social housing stock owned by these organisations in 2016. These organisations were selected on the grounds that they are all broadly comparable to local authorities. They are all categorised in ‘tier 3’ by the AHB regulator, which means that they are larger organisations actively developing new housing, all manage more than 1,000 dwellings and all provide general needs, standard family housing. There are significant problems in comparing these data with the data on local authorities presented in Table 5.4; for instance, local authority housing departments may include staff not involved in social housing provision (e.g. those involved in managing HAP funding) but this is unlikely to be the case in an AHB. However, bearing in mind these caveats, comparing the data presented in Table 5.4 and Figure 5.2 indicates that staffing levels in large AHBs are not substantially more generous than those in the large, urban local authorities examined for this research, but they are much more generous than staffing levels in rural local authorities.

Figure 5.2 Total staff compared to total dwellings among selected approved housing bodies, 2016



Source: Assembled by the authors from the annual reports of the relevant AHBs.

## Finance

Funding (and the lack thereof) was identified as the key impediment to improving the quality of council housing management by interviewees from the case-study local authorities. For instance, one senior Dublin official argued that in recent decades *“There was no money available from the State, for the day to day management of it [council housing]. We were reliant on the rent and that wasn’t enough”*. Similarly, a head of finance in a rural local authority reported that income from rents doesn’t cover the costs of running the housing department – although this interviewee did admit that this department is responsible for a variety of housing functions in addition to council housing management. The local authority officials interviewed also commonly attributed the higher housing management standards they identified in the AHB sector to the more generous revenue funding available to these organisations. The level of revenue funding provided by the Department of Housing via ‘payment and availability agreements’ with AHBs which provide general needs social housing was singled out as being particularly generous.

However, interviewees from central government challenged this consensus. They criticised the fact that income from council housing rents is not ring fenced for spending on maintaining and managing the stock. An interviewee from the Department of Housing pointed out that, in rural local authorities where the stock is newer and contains fewer flats, maintenance spending takes up only 50-60% of income from rents. Therefore, in his view the remaining income should be adequate to cover housing management costs but local authorities are *“using the money elsewhere”*. An interviewee from the Housing Agency focussed on the extent to which the funding model incentivises high quality housing management. He argued that, due to the combination of capital funding being provided by central government and the low rents paid by tenants, local authorities *“don’t*

*see those properties as an asset*” which needs to be actively managed. For instance, if dwellings are vacant for long periods, local authorities face very minimal financial penalties in terms of loss of rents. Whereas, he pointed out, AHBs face very significant penalties if their dwellings are empty because they don’t receive a payment and availability agreement payment for these dwellings. Local authorities in the UK also lose their housing benefit payment if a dwelling is vacant, which is an obvious incentive to keep it occupied.

### **Housing management skills and expertise**

There was a strong consensus among both the central and local government officials interviewed for this study that skills and expertise deficits have also weakened the quality of housing management in the council housing sector. Rather than funding, interviewees attributed this problem to local authorities’ organisational structure and staffing, management and promotion arrangements.

For instance, many interviewees attributed the perceived stronger housing management record of Approved Housing Bodies to the fact that they are single purpose bodies which employ specialist housing management staff. This view was expressed by an interviewee from the Housing Agency for instance, although he acknowledged that this is not the only advantage enjoyed by the AHB sector:

*There’s two differences probably between local authorities and approved housing bodies. Firstly, staff in approved housing bodies, they’re in those jobs typically a lot longer than housing staff in local authorities, because in local authorities staff move around from section to section or from department to department. So for the approved housing bodies, it’s their business, housing is their business and they’re in it for the long term. So that’s one big difference. And then the approved housing bodies they started and they were building on a smaller scale, so they didn’t have the large housing estates that can be more difficult to manage. So they had those two advantages.*

Another respondent suggested that *“As things stand at the moment, AHBs are better or perceived to be better at managing their housing stock; part of the reason for that is that they are housing professionals”*.

The ‘generalist’ staffing system in local authorities was identified by many interviewees as a key factor in diminishing housing management capacity. This term refers to the fact that, except for specialist professionals such as architects, town planners and engineers, all other local authority officials are recruited into non-specialist administrative posts. The latter category of staff can be allocated to any local authority department; indeed successful career progression to a management post often depends on having accumulated broad experience across several departments, which demonstrates that the staff member in question can manage a broad portfolio of tasks. As the following quotes from interviews with officials from Cork City Council and the Housing Agency illustrate, many of those interviewed for this study argued that these staffing and promotion arrangements militate against the accumulation and retention of housing management expertise:

*They are specialists’ positions in the AHBs because that’s their only business. Whereas you know, with such a movement that goes on in local government you have people coming in and they are learning the whole thing again.*

*The level of professionalism you know varies from local authority to local authority. And even within the local authority it can change from time to time. So you can have some staff that have built up expertise and knowledge - and that can change then in a very short time.*

Interviewees cited many examples of the practical day-to-day problems which this approach generates. For instance, a Limerick City and County Council official noted:

*...the experience gained and processes and mistakes made that never get written down, so if somebody retires or if somebody moves onto another department it's just the same approaches, the same mistakes happen again and again. . . Especially when you are under pressure politically from your elected members to deliver housing numbers. That's when rationality almost goes out the window. It's about delivering and being seen to deliver.*

Interviewees from one of the rural case-study local authorities, which has a small staff complement, quoted an instance whereby two members of a team were moved at the same time to another department which undermined the performance of the entire housing department. An official from another rural authority reported: *'I would have been involved in putting together a regional housing strategy a while back which was a good strategy but continuity of the senior players meant that it didn't happen.'* Many officials also noted that the attitude to housing within their authority depended on the Chief Executive - if the Chief Executive had an affinity with housing, it would have a greater priority in staff allocation decisions.

To address these shortcomings, interviewees suggested that council housing management needs to be professionalised. In this vein, interviewees from Limerick City Council and the Housing Agency suggested:

*I think housing as a profession needs to be really embedded into the [local government] sector. And you know it needs to be embedded into the civil service I think relying on the housing agency or AHB or you know to deliver research... it really should be a regular instrument they are using to measure the success of policy because I think that's where we just don't have the culture in our housing section to actually measure how well a particular policy is going.*

*You know and housing is a profession and they need, like you have planners in the planning department, you have architects you know in the architects' department or whatever. That you have to have housing expertise in the housing department. Particularly for the larger local authorities. So I think that's critical. I think local authorities across the country should appreciate the need for consistency, you know across lots of things.*

In particular the need for specialist estate management and tenancy liaison staff was emphasised. These roles exist in many local authorities and have been very positively received by tenants but there was a strong consensus among interviewees that insufficient numbers of these types of specialists are currently employed.

## Conclusion

This Chapter has examined the management of council housing and council tenancies and has presented contradictory evidence regarding local authorities' records in this regard. The available evidence on council tenants' views, as evidenced by a survey of this cohort conducted by the National Oversight and Audit Commission (2015), indicates that they are very satisfied with most aspects of the housing management service they receive. Furthermore, it is important to acknowledge that the council housing tenant population is much more disadvantaged than the Irish population at large, and has become much more ethnically diverse in recent years (and is likely to become more so in the future). This means that the council sector is fulfilling its core mandate of providing housing for low-income households, but it also creates housing management challenges. The challenges associated with the efficient management of stock are also heightened by the fact that council tenants have the right to remain in their dwelling for life. The local authority officials consulted for this study were almost uniformly of the view that the benefits of lifetime tenancies, in terms of providing security for tenants and building stable communities in council estates, outweighed the costs. Central government officials generally disagreed with lifetime tenancies and also to the right of qualified children of council tenants to 'inherit' their parents' tenancy under successor tenancy arrangements. However, both central and local government officials agreed that council housing management was significantly less efficient and effective than it could be, particularly in terms of effective estate management and the presence of staff on the ground in estates to deal with tenant's concerns.

In terms of the reasons for this, staffing and funding shortages were commonly mentioned by interviewees from the case-study local authorities, and approved housing bodies' supposedly better housing management capabilities were attributed to their more generous staff/tenant ratios. However, comparison of staff/tenant ratios in the council housing and AHB sector revealed that they were similar in the case of urban local authorities. Rural local authorities appear to have low levels of housing management staff in contrast, but in these authorities total spending on the housing service appears to be less than the income received in rents. A further aspect of funding arrangements which disincentivises efficient management is very low rents paid by council housing tenants and the disconnect between income from rents and housing management costs. One interviewee suggested that, due to these arrangements, local authorities "don't see those properties as an asset" which needs to be actively managed. There was also a strong consensus among interviewees that the staffing arrangements in local authorities are not conducive to effective housing management. This is because housing management staff are recruited as generalist administrators and they move regularly between the different sectors of the local authority, impeding the accumulation of expertise in housing management, which is increasingly necessary in view of the challenges associated with managing this sector effectively.



## **Conclusions and Recommendations**

## Introduction

This report has assessed the financial sustainability of local authority provided social housing in Ireland. In order to do so it has examined national and local data on investment in and output of council housing and on the management and maintenance of these dwellings. It has also drawn on in-depth interviews with central and local government officials and case-studies of five local authorities.

This closing chapter of the report outlines its conclusions and also sets out a comprehensive suite of recommendations intended to strengthen council housing's financial sustainability so that the supply of dwellings in this sector can be increased in a way which is affordable for government and provides a high quality and affordable housing service for tenants. These recommendations range from: minor administrative changes to funding arrangements which could be implemented quickly and easily but yield significant benefits in terms of improving the financial sustainability of council housing; to more fundamental reforms, which would require significant changes to funding arrangements, but would place the sector on much more secure long term footing.

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## CONCLUSIONS

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### ■ The contribution and future role of council housing

Chapter One of this report highlighted the very important contribution which council housing has made to improving housing standards and affordability in Ireland historically. 22% of the Irish housing stock was originally built as council housing and, although many of these dwellings have been sold to tenants, 8.7% of all households and 30.4% of all renters lived in council housing in 2016. However, as detailed in Chapter Two, Council housing's role as the main source of housing for low income households has been significantly reduced since the 1980s. Since then, approved housing bodies have come to play an increasingly important role in social housing provision and reliance on central government subsidies to enable low-income households rent private housing has increased.

Many of the central government policy makers and local government officials interviewed for this study welcomed this increasing diversification of options for housing low income households. This mix of measures worked well in the rural case-study local authorities in particular because limited competition and low rents in the private rented market in these areas meant that recipients of Housing Assistance Payment or Rent Supplement had little difficulty in securing suitable accommodation within the maximum subsidy levels available. In addition, rural local authorities had little difficulty in buying dwellings to rent as council housing (sometimes for less than their construction costs) and land was also available to buy for AHB and council house building. In urban areas however, where housing supply was much lower and house price and rent pressures stronger, local authority officials reported that low income earners in general and housing subsidy recipients in particular had great difficulty in securing private rented accommodation. In

their view this problem is a key driver of homelessness and can only be resolved by providing more social rented housing. They acknowledged that AHBs should play an important role in delivering this additional social housing but argued that this sector doesn't currently have the capacity to deliver at the scale required, therefore output of council housing must be significantly increased.

### ■ **The financial sustainability of council housing**

Despite the undoubted benefits of and necessity for council housing, this study has raised serious concerns about the financial sustainability of the model used to fund this sector. These concerns relate to both capital and revenue funding of council housing provision and its pro-cyclical volatility.

Most capital for building or buying council housing comes from central government capital grants. Housing is an inherently 'lumpy good' (in economic terms) because providing it requires a very large injection of funding 'up front' at the construction or purchase stage. However the use of capital grants paid out in a single year to fund council housing provision augments the lumpiness of housing and for this reason in most other Western European countries social housing is funded by long-term loans which spread the associated capital spending over a longer period and thereby render it more manageable for governments. Although decisions about the scale of public spending on any service ultimately reflect political priorities of course, the model used to fund the capital costs of council housing provision is inherently challenging for the exchequer to afford, particularly during economic and fiscal crises. Therefore this funding model has contributed to the marked peaks and troughs in the capital funding for council housing which are highlighted in Chapter Three. These peaks have coincided with periods of strong economic growth, while troughs in spending have occurred during recessions. Therefore this funding model is pro cyclical in terms of its impact on the economy and the building industry. It is also inefficient because investment is likely to be concentrated during periods when land and building costs are high and *vice versa*. The local authority officials interviewed for the study were also almost unanimously of the view the payment of these grants by the Department of Housing was very slow and unnecessarily bureaucratic and this was a significant impediment to speedy housing output.

As also explained in Chapter Three, local authorities contribute to the capital cost of council housing provision using money from their internal capital receipts. These IRCs are generated primarily by selling council housing to tenants at discounts of up to 60% from market value. Therefore the funding model bizarrely incentivises local authorities to sell their existing council stock at a significant loss (compared to its market value and most likely to its replacement costs) in order to generate funding for new council housing.

Revenue funding to cover the management and maintenance costs of council housing comes from tenants' rents which are linked, not to their housing costs, but to their incomes. Rent collection rates are impressively high but rents are generally low (they averaged €2,638 per annum per dwelling in 2015) because council housing tenants' incomes are also low and councillors (who care consulted regarding rent setting) are reluctant to increase rents. Therefore rental income is also low and crucially bears no relationship to the costs of managing and maintaining council housing. Chapter Three demonstrated that the relationship between rents and the adequacy of revenue spending on housing is a complex one in part

because income from rents is not ring fenced for spending just on housing but also because the adequacy of this income depends on the age, quality and design of different local authorities' housing stock. In many rural local authorities where the housing stock is newer (because older dwellings have been purchased by tenants) the available evidence indicates that income from rents should cover management costs and most (but not all) maintenance costs. In urban local authorities where the housing stock is older (because it includes more flats which can't be purchased by tenants) rental income is generally a completely inadequate source of revenue funding. As a result, there appears to be significant underinvestment in the planned maintenance and upgrading of dwellings and over reliance on central government grants for refurbishment of empty dwellings and estate regeneration to fund activities which would usually be included within the remit of planned maintenance. This also has implications for the financial sustainability of council housing because central government has to find the funds to make up for underinvestment in planned maintenance of this stock. Furthermore the costs of deferred maintenance do not simply accumulate, they multiply - dwellings which have not been maintained for twenty years, require much more spending to upgrade than dwellings which are regularly maintained. Thus deferring planned maintenance of council housing generates significantly greater financial costs and risks, compared to funding a regular programme of planned maintenance which maintains housing to a pre-determined standard.

- **Council housing management and maintenance standards and efficiency**

Chapters Four and Five which examined the delivery, maintenance and management council housing reveals a mixed picture regarding the standard and efficiency of these services. The survey of council housing tenants conducted by the National Oversight and Audit Commission (2015) revealed high levels of satisfaction with the standard of council housing and estates and with local authorities' housing management service. There was a strong consensus among the local authority officials interviewed for this study that the council housing management service is understaffed and there is evidence that this is the case in rural local authorities, but it doesn't appear to be in the case in urban areas. More significant problems were identified in housing maintenance however. Due to underinvestment in planned maintenance, officials from most of the five case study local authorities examined for this research admitted that housing standards were low in some parts of the council stock. Indeed an interviewee from the Housing Agency raised concerns that the standards of some council housing units would breach the legislation on minimum standards of rented dwellings.

- **Funding and accounting related efficiency incentives and disincentives**

A very striking finding of the research is the important role which funding and accounting arrangements play in incentivising or disincentivising efficient council housing delivery, management and maintenance. Thus, while the research conducted on five local authorities revealed very strong commitment among the officials of these organisations to providing council housing and managing and maintaining it efficiently, their efforts to do so were stymied by the funding model.

## Conclusions and Recommendations

For instance the boom/bust pattern of central government financing of the capital costs of new council housing provision creates inefficiencies in housing delivery because local authority reduce their housing development and architecture staffing during periods when funding is low and may have trouble increasing staffing again when funding increases. The same pattern applies to the assembly of land banks for building council housing developments.

However, the analysis presented in Chapters Four and Five indicates that the low rental income and the disconnect between income from rents and housing management and maintenance costs is the most significant disincentive to efficient management and maintenance of council housing. Interviewees argued that these arrangements provide no incentive to local authorities to manage their council housing stock like the valuable asset which it obviously is. For instance, if dwellings are vacant for long periods local authorities face very minimal financial penalties in terms of loss of rents. Whereas social landlords in most Western European countries charge higher rents which reflect the cost of providing the housing service and therefore suffer very significant loss of income if dwellings are left empty. This research also indicates that the inadequacy of rental income to meet the costs of planned maintenance of council housing in many local authorities and the related reliance on the aforementioned central government grant schemes to maintain council houses is very problematic. This funding model provides no incentives local authorities to maintain and upgrade their stock on an ongoing basis, indeed some interviewees suggested that this model incentivises local authorities to run down their stock in order to qualify for central government grants.

These perverse financial incentives were both reflected in and reinforced by the accounting systems used in the local government sector. As argued above, financing arrangements don't encourage local authorities to treat their council housing stock as an asset and crucially it is not accounted for as an asset either – its cost not its market value is recorded in local authority accounts. The real costs of selling council to tenants are also disguised by this arrangement because, following sales, the costs of dwellings are written off on local authorities' accounts and the loss (in terms of the value of the dwelling compared to its sale price) is not recorded. Indeed the proceeds of sales are categorised as revenue which conveys the impression that sales have actually generated a profit. The financing system and the approved financial reporting standard provide no incentives for local authorities to account for spending on council housing accurately or transparently. Interviewees from the Department of Housing raised concerns that some local authorities were did not have robust data on the number of dwellings in their council housing stock or the quality of dwellings because stock condition surveys are rarely carried out. Similarly, a recent review of council housing management and maintenance conducted by the National Oversight and Audit Commission (2017) raised concerns that the significant discrepancy between estimates of spending this area local authorities provided to NOAC and those contained in local authorities' own accounts. The absence of verified meaningful information on the national social housing system is noted and is a reflection of deficits in councils' management information and centrally required reporting.

### ■ National housing policies and for local housing problems

The final important issue revealed by this research concerns the regional variations and urban/rural in the need for additional council housing and in the financial sustainability of the sector. Additional council housing is most urgently required in greatest numbers large urban areas where housing markets are booming, housing is in short supply and alternative housing supports for low-income households are therefore difficult to operate. Due to the age of the existing council housing stock, maintenance costs are also highest in these areas. Additional council housing is also required rural areas but less urgently so because housing supply is less constrained here and housing affordability problems less acute. Furthermore maintenance costs tend to be lower in rural areas and more closely aligned with income from housing rents.

Despite these regional variations in the need for council housing and the costs of maintaining the existing stock, arrangements for funding council housing provision are relatively uniform countrywide and are likely to become even more so if the planned national council housing rent determination scheme is introduced. Local authorities in urban areas, where more households are on social housing waiting lists, generally receive higher central government grants for council housing provision than their rural counterparts. However, the local government funding model means that urban local authorities have limited opportunity to generate their own income from property taxes to provide additional council housing as this is a strong local priority. Local authorities regain only 80% of the income from property tax up to a limit which is set at the 'general purpose grant' they received from the exchequer in 2014. The remaining 20% is pooled into an 'equalisation fund' which is redistributed to local authorities where revenue from property tax is below the level of their 2014 general purpose grant (Comptroller and Auditor General, 2015). City councils and the local authorities in the commuter belt surrounding cities generally receive much higher income from property taxes than their rural counterparts. Therefore, in practice this model redistributes income from urban and suburban local authorities (which are in surplus compared to their 2014 general purpose grant) to local authorities with rural operational areas (which are in deficit according to this metric). This redistributive model makes sense in the case of local government services, such as parks, libraries and local roads, for which need is evenly relatively evenly distributed across the population. However in the case of council housing and social housing more broadly this funding model effectively redistributes revenue from local authority areas where housing needs are highest and gives it to the areas where needs are lower.

## RECOMMENDATIONS

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### MINOR MANAGEMENT AND ADMINISTRATIVE CHANGES

As mentioned above, the research identified several minor administrative reforms to arrangements for funding, managing and maintaining council housing which could improve the financial sustainability of this sector.

These are:

- **Require local authorities to ring fence income from rents to spend on council housing:** This reform would have several important benefits. It would ensure that all rental income is devoted to housing in the first instance, which in most local authorities would drive increased spending on planned maintenance and therefore more timely intervention to repair and upgrade dwellings. In some local authorities rental income may be adequate to fund most housing management and maintenance costs, therefore devoting all rental income to this purpose would reduce reliance on central government grant schemes for regenerating council housing estates and refurbishing dwellings prior to re-letting. This reform can also be justified on ethical grounds because it is arguably unacceptable that low income occupants of council are required to pay rent which is not spent on managing and maintaining their homes but instead is diverted to fund other council services which they may not avail of.
- **Remove maximum rents for council housing:** there is no logical basis for setting a maximum rent to be set in the context of rents that are linked to incomes.
- **Amend the definition and reporting of rent arrears:** to account separately for arrears and agreed compliant payment schedules.
- **Review the local government accounting code of practice (2015 edition):** to bring it into line with international standards of transparency and disclosure for the residential housing operations of councils; In the context where insufficient information is published on an annual basis and costs and losses are neither reported nor accrued it is difficult to make informed management or policy decisions.
- **Allow for the compulsory deduction of council housing rents from social welfare payments:** although council housing rent collection rates are high there is a significant problem with large rent arrears accumulated by a minority of tenant households. Allowing for compulsory deduction of council housing rents from social welfare payments would address the anomaly whereby tenants are receiving a social security payment from one arm of government but refusing to pay a proportion of this to another arm of government for their housing costs.
- **Condense and streamline the Department of Housing's approval process for new council housing developments:** although the number of stages in the Department's approvals process have been reduced in recent years. Officials in all five of the local authorities examined in this research complained about the value of this process and the delays it causes in the delivery of new council housing. This approvals process should be comprehensively reviewed and streamlined.

- **Regularly conduct comprehensive condition surveys of the council housing stock:** Chapter Four explained that approximately half of local authorities have recently conducted condition surveys of their council housing stock and a minority of these do so on a regular basis. Conducting comprehensive stock condition surveys is a vital prerequisite for devising and implementing planned maintenance programmes therefore these should be conducted by all local authorities. These condition surveys should take account of whether council housing units meet the minimum standards for rented housing. If necessary grant aid should be provided by the Department of Housing to help meet the costs of this activity.
- **Value the council housing stock and record valuations in local authorities' accounts:** As part of the process of conducting stock condition surveys the council housing stock should be valued and these valuations recorded in the local authorities' accounts.

## MEDIUM SCALE REFORMS

Several more substantial reforms to arrangements for council housing provision were also identified by this research. These would be more complex, expensive and politically challenging to implement than the minor reforms outlined above, but would have a stronger positive impact on the financial sustainability of this sector. These medium scale reforms are:

- **Suspend the tenant purchase scheme:** Chapter Two explained that sales of council housing to tenants have declined in recent years, but this situation is likely to change as the economy grows and tenants' financial situation improves in tandem. In view of the very long waiting lists for access to council housing, high levels of homelessness and the challenges associated with replacing stock purchased by tenants, the tenant purchase scheme should be suspended until the severe shortage of council housing is resolved, at least in urban areas where social housing need is most acute.
- **Remove the availability of successor tenancies:** in certain circumstances the children of council housing tenants can inherit their parents' tenancy following their death. Although the research revealed that this provision is not widely taken up, it is much more commonly used in urban areas where social housing supply is most constrained compared to need. There are strong arguments for removing the availability of successor tenancies on these grounds and also on equity grounds because their availability undermines the principle that council housing should be allocated primarily on the basis of need.
- **Build smaller council housing units to enable tenants to downsize:** Chapter Four examined the availability of tenancies for life in the council housing sector and concluded that the costs of this provision (in terms of the efficient use of the council housing stock) are outweighed by the benefits (in terms of the security enjoyed by tenants and the role this plays in building strong communities in council housing estates). The analysis presented in this Chapter also revealed that a major reason why larger council housing units are occupied by inappropriately small households is that few suitable dwellings are available into which tenant households to downsize after their children grow up and leave home. This suggests that funding for the construction of smaller council housing units and sheltered housing for downsizing tenant households should be prioritised by the Department of Housing.

- **Enable local authorities to keep more property tax revenue to spend on council housing:** the opening section of this Chapter highlighted some spatial anomalies in the role of property tax revenue in funding council housing provision because the local government funding model effectively redistributes this revenue from urban local authorities where social housing needs are most acute and redistributes it to rural local authorities where social housing needs are less acute. This model also means that the elected members of urban local authorities are incentivised to apply the largest discount possible to property tax rates locally because they gain only marginal benefit from any additional revenue raised from this source. To resolve this anomaly, arrangements for redistributing property tax revenues between local authorities should be reviewed and to enable the local authorities who are in a surplus funding position to retain a larger proportion of their property tax revenue if it is devoted to council housing provision or maintenance of the existing council housing stock.
- **Use income from property taxes on council housing to establish sinking funds:** as well as collecting the property taxes owned by owners of private housing in their operational areas, local authorities also pay property taxes on the council housing which they own. In 2014 €10,303,958 was paid in property taxes for council housing units nationwide (National Oversight and Audit Commission, 2017). The rationale for this arrangement is questionable in view of the shortage of revenue for the management and maintenance of council housing in some local authorities as highlighted above. Thus it would be worth ring fencing the income generated from property taxes on council housing each year to contribute to a sinking fund which would meet the costs of planned maintenance and regeneration of these dwellings. Although on a per dwelling basis the annual income generated from this source is modest it would accumulate over time and could be invested by the Housing Finance Agency or the National Treasury Management Agency to further increase returns. Approved Housing Bodies are obliged by their regulator to set aside sinking funds and most social landlords in other Western European countries also operate this model.
- **Extend the shared services model to organise some council housing services on a regional basis:** in recent years local authorities have begun to use a shared services model to deliver some services. For instance, under this arrangement, Limerick City and County Council supports the implementation of the Housing Assistance Payment nationwide. This model could be extended to organise some aspects of the council housing service on a regional basis similar to the regional hospitals group model which operates in the health sector. Housing procurement, planning for council housing and architectural services have obvious potential to be provided on a shared basis between adjacent local authorities for instance. This reform would address the skills deficits and the lack of a career path for council housing staff highlighted in Chapters Four and Five.

## RADICAL RESTRUCTURING OF ARRANGEMENTS FOR FUNDING COUNCIL HOUSING

In view of the key importance of the council housing sector as a source of housing for low-income households and the large scale of its cost of to the exchequer there is a strong argument for radical restructuring of arrangements for funding this sector to eliminate the perverse incentives in the current funding model and place it on sustainable financial footing in the long term.

Evidence from other Western European countries with large social housing sectors indicates long term (cheap or subsidised) loans which are repaid using rents which are linked to the cost of housing provision, management and maintenance (cost rents) is the most efficient and best value for money way to fund this sector (see Table 3.2 in Chapter Three). This funding model has the following benefits for social housing landlords, governments and tenants:

- **Transparency:** this funding model means that the full costs of providing social housing are transparent and measureable. Whereas, as explained in Chapters Three and Four, these model used to fund council housing in Ireland, particularly the disconnect between rents and housing management and maintenance cost disguises the full costs of the service.
- **Certainty:** social landlords know what rents they will receive over the longer term and therefore can plan to meet the costs of long term maintenance and set money aside for this purpose in a sinking fund.
- **Affordability for Governments:** This funding model is more affordable for governments because it spreads out the spreads out the costs of providing housing over the long term and therefore avoids the mitigates against the peaks and troughs in funding which are typical of the Irish system as argued in Chapter two. However these affordability benefits would not arise in full in the case of council housing in Ireland because in most Western European countries social housing is provided by AHBs rather than local authorities and the former sector's borrowings are not included in the national debt.
- **Affordability for Tenants:** although cost rents are higher than the income related rents charged to council housing tenants in Ireland they are generally significantly lower than market rents and also more predictable because they are generally either permanently fixed or indexed to inflation or a similar metric. Tenants who cannot afford to pay their cost rent generally receive a subsidy like rent supplement from government.
- **Efficiency Incentives:** if rents reflect the cost of housing provision and high rental income is required to service the debt taken on to provide dwellings, this provides a strong inventive to social landlords to manage and maintain their stock effectively and in particular to ensure that dwellings are refurbished and re-let quickly.

The prospect of reforming the funding of the council housing sector in this radical way was discussed with the central and local government officials interviewed for this study. There were mixed views on the desirability of this approach. Local authorities' debt levels vary significantly and some of the local authority officials interviewed raised concerns that their local authority would not be in a financial position to raise more debt. Other interviewees from this sector were more open to the idea of using borrowings to finance council housing

development but they stressed that they would need a guaranteed source of revenue to service this debt either in the form of cost rents or the subsidies the Department of Housing provides to approved housing bodies under the terms of payment and availability agreements (see Chapter Four). Some local authority officials also mentioned the fact that the Housing Assistance Payment is now administered by local authorities means that this payment could be easily extended to the council housing sector and used to subsidise the rents of council tenants who cannot afford to pay cost rents. The central government officials interviewed were much more supportive of this approach to funding council housing, although they flagged some practical impediments to its implementation. For instance one of the civil servants interviewed argued:

*So as you can imagine in this building here we don't like the notion of grants, giving out free things because there's no such thing as a free thing, someone has to pay for it. We much prefer the notion that local authorities would borrow on a sustainable basis through the HFA but of course with that there's limits then how much local authorities can borrow because local authorities are part of the general government sector so they contribute to the general government balance, so there's a constraint there. But as a rule and it's much better for them to borrow and pay it back than for the central government to borrow on their behalf. You know for the central government to take all the risk and end up having to raise the money to pay back the debt much better for local authorities to it.*

An interviewee from the Housing Agency suggested that having the local authorities borrow half the finance for council housing and receive the rest in the form of capital grants would be good compromise solution.

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## List of Figures

<i>Figure 1.1</i>		
Council and private houses built and council houses sold to tenants, 1920s-2016		11
<i>Figure 1.2</i>		
Council housing tenants, AHB housing tenants and recipients of housing allowances for low-income private renting tenants, 1990-2016		12
<i>Figure 2.1</i>		
Council housing output and dwellings sold to tenants, 1990-2016		31
<i>Figure 3.1</i>		
Capital spending on new council housing provision by central government and local Authorities, 1990-2018 (€000s)		38
<i>Figure 3.2</i>		
Land acquisition loans for council housing provision (loans drawn down pa), 2000-2017		39
<i>Figure 3.3</i>		
Council housing rental income collected, compared to rents charged and rent arrears, 2003-2015		52
<i>Figure 3.4</i>		
Rent collected as a % of rents charged in the five case-study local authorities, 2004-2015		52
<i>Figure 3.5</i>		
Rent arrears per dwelling in the five case-study local authorities, 2008-2016		53
<i>Figure 4.1</i>		
Number of bedrooms in the council housing stock, nationwide, 2015		60
<i>Figure 4.2</i>		
New council housing dwellings constructed and purchased nationwide, 1994-2017		61
<i>Figure 4.3</i>		
Local authority and AHB dwellings procured using part v of the planning and development act nationwide, 2000		62
<i>Figure 4.4</i>		
Spending on the remedial works scheme for regeneration of council housing, 1990-2018 (€000s)		69
<i>Figure 5.1</i>		
Number of council housing estates managed by the case study local authorities, 2014		82
<i>Figure 5.2</i>		
Total staff compared to total dwellings among selected approved housing bodies, 2016		86

## List of Tables

<i>Table 1.1</i>		
In-depth interviews conducted for this research		16
<i>Table 1.2</i>		
Characteristics of case-study local authorities		16
<i>Table 2.1</i>		
Number of households in social housing and in receipt of housing allowances for private rented housing, 1990-2016		21
<i>Table 2.2</i>		
Tenancy conditions of households in social housing and in receipt of housing allowances for private rented Housing		24
<i>Table 3.1</i>		
Council housing rent determination schemes in the five case-study local authorities, 2018		41
<i>Table 3.2</i>		
Funding of council housing in Ireland compared to funding social housing in selected European countries		43
<i>Table 4.1</i>		
Age and dwelling type of the council housing stock, nationwide, 2015		59
<i>Table 4.2</i>		
Age and dwelling type of the council housing stock, case-study local authorities, 2015		59
<i>Table 4.3</i>		
Spending on council housing maintenance in the case-study local authorities and nationwide, 2014		65
<i>Table 4.4</i>		
Local authority council housing maintenance staff employed, per dwelling and per estate in the case-study local authorities and nationwide, 2014		65
<i>Table 4.5</i>		
Central Government Grants Claimed for the Repair, Refurbishment and Regeneration of Council housing, 2014		69
<i>Table 5.1</i>		
Income limits for eligibility for council housing in the case-study local authorities, 2018		76
<i>Table 5.2</i>		
Income, family type, nationality and education by housing tenure in Ireland, 2009, 2013		78
<i>Table 5.3</i>		
Summary of council housing tenants views on housing management from the NOAC tenant survey, 2015		83
<i>Table 5.4</i>		
Council housing management staff and total housing staff compared to dwellings and estates, 2014		85



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