



**An Phríomh-Oifig Staidrimh**  
Central Statistics Office

Mr Eduardo Barredo Capelot  
Director, Government Finance Statistics & Quality  
European Commission, Eurostat  
BECH E4/831, L-2920 Luxembourg

20 December 2017

**Re: EDP Dialogue Visit to Ireland 2017 – Action Point 18: Classification of Approved Housing Bodies**

Dear Mr Barredo Capelot

At the 2017 EDP dialogue visit to Ireland, following a discussion on social housing and the role of Approved Housing Bodies (AHBs) Eurostat set the action point *“As regards approved housing bodies, the issue of their classification will need to be revisited in the light of ESA 2010, taking into account the discussion held and the points raised by Eurostat.”*

This letter and the accompanying documents set out the review undertaken by the CSO, to date, of the larger of the AHBs in Ireland. As can be seen from the documentation provided the issues involved are complex. The CSO have come to our own view on the classification of the 15 AHBs who were the subject of the current review. Due to the complexity of the case, and being aware of on-going discussions on the classification of NPIs at recent methodological task forces, we now wish to make a formal request for ex-post advice on the classification of the AHBs under the *Guidelines for Eurostat’s ex-ante and ex-post advice (clarifications and decisions) on methodological issues*.

**Overview of the AHB sector**

Section 6 of the Housing (Miscellaneous Provisions) Act, 1992 allows for the designation of certain non-profit entities as AHBs. This status allows a voluntary housing body to access funding under schemes established by the Department of Housing, Planning and Local Government. The current conditions<sup>1</sup> to become an approved housing body under Section 6 of the Housing (Miscellaneous Provisions) Act state that an organisation seeking such status may take the form of:

- Limited Companies formed by guarantee of their members and not having a shareholding, registered under the Companies Act 2014;
- Societies registered under the Industrial & Provident Societies Acts, 1893 – 2014;
- Trusts incorporated under the Charities Acts.

<sup>1</sup> <http://www.housing.gov.ie/housing/social-housing/voluntary-and-cooperative-housing/approved-housing-bodies-AHBs>



An Phríomh-Oifig Staidrimh  
Bóthar Bhaile Átha Fhirdhia  
Ráth Maoinis  
Baile Átha Cliath 6  
Éire  
D06 FX52

Oifig i gCorcaigh  
+353 21 453 5000

Central Statistics Office  
Ardee Road  
Rathmines  
Dublin 6  
Ireland  
D06 FX52

Cork Office  
+353 21 453 5000



LoCall 1890 313 414 (ROI)  
0870 876 0256 (UK/NI)  
+353 1 498 4000  
+353 1 498 4229  
information@cso.ie  
www.cso.ie



Furthermore such a body must:

- have as its goal, the relief of housing needs, to assist with cases of poverty or hardship, including the welfare of Travellers, and the delivery and management of housing;
- have in its Memorandum and Articles of Association or registered rules, provisions preventing the distribution of any surplus, profit, bonus or dividend to its members;
- ensure that its assets are applied solely towards its objects.

Applications to become an AHB must include:

- the Memorandum and Articles of Association, rules or constitution of the body seeking approval, together with a copy of its certificate of incorporation or registration;
- the names and addresses of its officers and of all the members of its governing body or board of directors or trustees, the address of its registered office and the address of the secretary, if different from the registered office;
- a description of its existing and/or proposed activities, plans or programmes;
- a written statement from both the relevant local authority and the ICSH or Co-operative Housing Ireland to confirm that the 'new' body – if given AHB status – would be meeting a need that is not already being addressed by any extant AHB or have the potential to deliver on a scale that is not currently being achieved by an extant AHB;
- information on its current financial position, including latest statements of audited accounts, if available;
- a signed Charter of Commitments under the Voluntary Regulation Code.
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In 2013 the Voluntary Regulatory Code was introduced by the (then) Department of Environment, Community and Local Government, as a first step towards statutory regulation of the sector. The code proposed a classification of the AHBs into three 'tiers' as follows:

**Table 1: Description of Voluntary Regulatory Code Tiers**

Tier 3	All AHBs with more than 300 Units	These AHBs include those larger bodies with more than 300 units and any Tier 2 organisations whose development plans are particularly sizable
Tier 2	AHBs with between 50 and 300 units and/or with development plans in place to provide more units.	These AHBs have portfolios of between 50 - 300 units and/or have plans to develop new housing as part of their strategy in future in addition to the existing housing they manage. Tier 2 will also include those AHBs with less than 300 units that are applying for, or are in receipt of loans from the Housing Finance Agency, private finance or from other sources.
Tier 1	Small AHBs with 0 - 50 units without development plans for more units	AHBs in Tier 1 have developed and completed projects, have housing units in management and have no further development plans.
<i>Source: Building for the Future, A Voluntary Regulation Code for Approved Housing Bodies in Ireland, Department of Environment, Community and Local Government, July 2013</i>		



As at December 2017, there are 547 entities listed as having AHB status under the Act – see <http://www.housing.gov.ie/housing/social-housing/voluntary-and-cooperative-housing/register-housing-bodies-approved-status>

According to the website of the Housing Agency, who have been assigned the status of interim regulator of the sector<sup>2</sup>, currently 251 AHBs have signed up to the Voluntary Regulatory Code. This number has increased from 244 since the beginning of the year. This is a result of the on-going work of the Interim Housing Regulator to prepare the sector for the proposed Housing (Regulation of Approved Housing Bodies) Bill. The purpose of this Bill and the underlying policy which was formulated in consultation with the sector, according to the Minister for Housing in a recent response to a Parliamentary Question, “...is to establish a regulator to oversee the effective governance, financial management and performance of voluntary and co-operative housing bodies. The Bill aims to safeguard public and private investment in the social housing provision sector, to rationalise and enable increased supply from the voluntary and co-operative housing sector and to ensure that the assets built through investments in the sector are managed sustainably. The statutory regulatory framework will provide further assurances to investors, tenants, the Government and to the sector itself that social housing providers operate in a well-regulated and stable environment”<sup>3</sup>.

Separately, the Irish Council for Social Housing, the national federation of housing associations in Ireland, has advised the CSO that their membership of around 270 organisations represents those associations currently active in the provision of social housing. Thus it may be that only around half of those bodies with approved status are actually currently active in the housing sector. The profile of those signed up to the voluntary regulatory code by tier is as follows:

**Table 2: Number of AHBs in each Voluntary Regulatory Code Tiers**

Tier	Description	No. of AHBs signed up to code as of November 2017
Tier 3	All AHBs with more than 300 units	18
Tier 2	AHBs with between 50 and 300 units and/or with development plans in place to provide more units	51
Tier 1	Small AHBs with 0 - 50 units without development plans for more units	182

### Current classification

The AHBs have, up to now, been classified to the S.15 Non-Profit Institutions Serving Households sector. As part of the **Questionnaire on the implementation and impacts of ESA 2010 on general government delimitation** the CSO raised the issue of the classification of the AHBs and provided a note to Eurostat in September 2014 (see Appendix 1). At that time the CSO concluded that these bodies should remain classified to S.15 but that should planned initiatives around social housing give rise to a situation where the day to day operations of these bodies would be more closely controlled

<sup>2</sup> <https://www.housingagency.ie/regulation/ahbs-signed-up-to-voluntary-regulation/a-z-organisation-listing.aspx>

<sup>3</sup> <https://www.kildarestreet.com/debates/?id=2017-07-13a.668>

by government, the classification decision should then be reviewed. Eurostat concurred with this assessment at that time.

## Review process undertaken

Following a meeting on social housing initiatives in October 2016 Eurostat requested the CSO to review the classification of the AHBs, expressing the view that under ESA 2010 the role of government financing should be given greater weight in the classification decision than had been the case at the time of the 2014 review.

It was decided that the CSO should focus its initial efforts on the Tier 3 AHBs which at that time consisted of the largest 16 AHBs and covers approximately 80% of the AHB housing stock. The 2 AHBs which have been recently reclassified to Tier 3 will be reviewed in the next tranche of assessments (see Next Steps Section below). One of the original Tier 3 bodies could not be assessed in the current review due to the mixed nature of their services (disability and related housing services) and the fact that information relating to the housing service could not be separately identified. Therefore this classification review comprises 15 Tier 3 AHBs as listed in Table 3 below.

The process the CSO undertook to review the classification can be summarised as follows:

1. Understanding of sector;
2. Gathering of information on individual AHBs;
3. Questionnaire to structure data compilation and interpretation;
4. Review of contractual arrangements between local government and AHBs;
5. Review of financing by government; and
6. Compilation and summary of data and information gathered on each AHB.

## Understanding the sector

The CSO sought to gather as much information as possible to understand the social housing sector and the role of AHBs therein. To this end the CSO met with key actors on a number of occasions, namely:

- The Department of Housing Planning and Local Government ;
- The Irish Council for Social Housing;
- CEO's of five of the largest AHBs; and
- The Housing Agency and Interim Housing Regulator.

The above organisations also supplied existing or bespoke documents to aid the CSO's classification. The CSO also supplemented this with our own research. A list of documents reviewed is in Appendix 2.



## Gathering information on individual AHBs

In order to assess the sector classification of each AHB, information and data on each AHB was gathered. The main sources used were:

- Annual Regulatory Return to the Interim Housing Regulator;
- Annual Financial Return to the Interim Housing Regulator;
- Annual Financial Statements;
- Annual Reports;
- Memoranda and Articles of Association; and
- Information from AHB websites.

## Government Control and Autonomy Assessment Questionnaire

A template was designed to aid the assessment process into which the gathered information could be organised against relevant criteria (see Appendix 3). The questionnaire looked at whether AHBs should be considered as institutional units as defined in paragraph 2.12 of the European System of Accounts 2010 manual (ESA 2010) and what level of control government has over them as defined in paragraph 20.15 of ESA 2010.

## Contractual Arrangements with Government

AHBs enter into contractual arrangements with local government to access funding to provide social housing. Information on these funding schemes and the associated contracts were reviewed by CSO. A detailed assessment of control by government of AHBs through these funding schemes is presented in a separate document entitled ***Summary of Financial Schemes for the Provision of Social Housing***.

## Financing by Government

The sources of financing of the AHBs capital stock and current income were reviewed from the Annual Financial Returns they make to the Interim Housing Regulator and/or from Annual Financial Statements submitted to the Companies Registration Office.

## Compilation and summary of information and data

Based on the information and data gathered, each AHB was assessed against the relevant criteria from ESA 2010 and the Manual on Government Deficit and Debt (MGDD) 2016. This assessment and supporting documentation has been compiled into individual packs for each AHBs – now supplied with this letter.

## Review of Classification of AHBs

### Autonomy of AHBs

The 15 AHBs under review at present represent a mix of limited companies, trusts and societies as can be seen from Table 3.

**Table 3: List of AHBs in scope of current review and their legal status. REDACTED**

XXX	XXX	XXX
XXX	XXX	XXX
XXX	XXX	XXX
XXX	XXX	XXX
XXX	XXX	XXX
XXX	XXX	XXX
XXX	XXX	XXX
XXX	XXX	XXX
XXX	XXX	XXX
XXX	XXX	XXX
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XXX	XXX	XXX
XXX	XXX	XXX
XXX	XXX	XXX
XXX	XXX	XXX

Based on their legal status and a review of their governing documentation all of the AHBs have been assessed as meeting the criteria for an institutional unit as set out in ESA 2010 2.12. Details of this assessment can be seen for each individual AHB in the document pack provided.

### Control of AHBs

The schemes under which the AHBs were funded, along with the characteristics of each AHB, have been considered in relation to the control criteria of ESA 2010 20.15, namely:

- (a) the appointment of officers;
- (b) other provisions of the enabling instrument, such as the obligations in the statute of the NPI;
- (c) contractual agreements;
- (d) degree of financing;
- (e) risk exposure.

#### The appointment of officers

The appointment of officers to the board or equivalent in all of the 15 AHBs is solely a matter for the members of the AHB in accordance with their governing documents. No government influence can be seen in these appointments.

#### Other provisions of the enabling instrument

There is no government influence seen in the governing documentation of these organisations. The AHBs control their own rules of membership and are solely responsible for the appointment of key personnel.

#### Contractual agreements, degree of financing and risk exposure

To date the AHBs reviewed have accessed capital funding by entering into a range of contractual agreements with government. A detailed description of these schemes and the features affecting the assessment of control is provided in the document *Summary of Financial Schemes for Provision*



**of Social Housing.** A summary of the assessment of the level of control exerted by government through these agreements is given below.

### **Capital Loan and Subsidy Scheme (CLSS)**

The Capital Loan and Subsidy Scheme (CLSS) commenced in 1991 to provide capital funding to AHBs to meet the cost of constructing units of accommodation for renting to people on the local authority (LA) social housing waiting list. The LAs access the funding they provide to the AHBs from the Housing Finance Agency (HFA) which is repaid over a 30 year period to the HFA by the LA. In turn the LAs provide this funding to AHBs by way of a loan which is non-refundable as long as the AHB complies with the terms and conditions of the CLSS. These “loans” have always been treated as D.92 investment grants (expenditure of LAs) in the Irish government accounts. The accounts of the AHBs recognise a liability to the LA for the duration of the mortgage. The DHPLG have advised that at the expiration of the mortgage period, the deeds are discharged and full title to the units resides with the AHB. This arrangement does not appear to be explicit in the funding documentation.

There are a number of features of the CLSS which may indicate control via contractual agreements by government. These include:

- At least three-quarters of the units constructed or acquired under this funding must be let to tenants who have been assessed as being qualified for LA housing, by the relevant LA.
- The formula for setting rents is set out in the funding conditions. These conditions set definitions for household income, and dependent child and provide a highly prescriptive formula for the setting of rents relative to these concepts.
- Guidance relating to the design and construction of housing under the CLSS are set in the context of the Design Guidelines for Social Housing published by the Department of Housing, Planning and Local Government and the facilities and size range of the units to be constructed are set out in funding conditions.
- The level of financing provided under CLSS brings the expenditure on construction by AHBs in scope of public procurement policy.

### **Capital Advance Scheme (CAS)**

Under the Capital Assistance Scheme (CAS), LAs may advance loans of up to 100% (or 95% where the AHB chooses to retain the right to nominate 25% of tenancies) to AHBs to assist with capital costs for the provision of social housing. To qualify for these loans the AHBs must provide housing for the elderly, homeless, people with disability, or other disadvantaged persons who have been identified by the LAs as in need of housing. The loans are for a 30-year period and are non-repayable provided the accommodation continues to be let to eligible categories of persons, be adequately maintained and continues to meet CAS conditions. The LA loans are covered by payments made to the LAs by the DHPLG. As is the case for the CLSS scheme these “loans” are treated as expenditure of government in the Irish government accounts. The DHPLG have advised that at the expiration of the mortgage period, the deeds are discharged and full title to the units resides with the AHB. This arrangement does not appear to be explicit in the funding documentation.

- The conditions of the CAS scheme are less prescriptive with regard to rent setting than those of the CLSS. However the rents are required to be set at levels *“which are reasonable having regard to tenants’ incomes and the outlay of the approved housing body on the accommodation including the ongoing costs of management.”* In addition the LA has the right to be consulted on rent setting, indicating influence if not final decision making.
- The requirement for at least 75% of tenants to be nominated by the LA applies to this scheme also.

- The design and construction specification for units funded under CAS are highly explicit and prescriptive.
- The level of financing provided under CAS brings the expenditure on construction by AHBs in scope of public procurement policy.

### **CALF (Capital Advance Leasing Facility) and Payment and Availability Agreement (P&A)**

This scheme was introduced in 2011 to provide financial support from LAs to AHBs via a long-term loan, the Capital Advance Agreement (CAA), to assist with the purchase or construction of housing units. The LA provides up to a maximum of 30% of the capital cost under the CAA. The remainder of the finance is then sourced from either the private sector or the Housing Finance Agency (classified in the central government subsector). This second element of the financing is secured under a Continuation Agreement. This scheme is open to AHBs who agree to make available the housing unit(s) in question under a P&A agreement to nominees (candidates on a waiting list) of the LA for an agreed period of time.

Repayment of the loan provided to the AHB under the CALF scheme (the CAA element) is not required during the lifetime of the P&A agreement. However, the loan remains outstanding once the agreement ends. As none of these loans have matured to date no repayment has yet been observed. There are a number of mechanisms envisaged for potential repayment options as set out in the accompanying document, *Summary of Financial Schemes for Provision of Social Housing*.

Key features of these agreements include:

- The dwellings are to be occupied by tenants qualified for LA housing whose tenancies have been approved by the LA.
- The presence of a Continuation Agreement which makes the LA party to the lending agreement between the AHB and the third party funder.

### **Other leasing arrangements**

Other leasing schemes also operate under a similar mechanism to the P&A agreement associated with the CALF.

## **The relationship between government and AHBs**

### **Policy Context**

A review of relevant policy documentation in the area of social housing demonstrates government's intention of a central role for the AHB sector in social housing policy and provision. Conditions to become an AHB, and thus avail of government funding, are prescribed in Section 6 of the Housing (Miscellaneous Provisions) Act, 1992. Government prescribes the form and governance required for voluntary housing bodies to hold AHB status and therefore to access funding. The decision whether or not to grant AHB status is also dependent on a statement from the LA that the newly appointed AHB would be meeting a need that is not already being addressed by any extant AHB or have the potential to deliver on a scale that is not currently being achieved by an extant AHB.

AHBs have been, and continue to be, a key mechanism for the DHPLG and the LAs to implement their housing strategy. This is evidenced by the provision of funding schemes by central government to support their role in providing social housing.

Existing guidance from the Department of Housing Planning and Local Government (*Memorandum VHU:2/02 – Capital Funding Schemes for the Provision of Rental Accommodation by Approved Housing Bodies (Voluntary & Co-Operative Housing)*) states that "The provision of rental accommodation by the voluntary and co-operative housing associations and other approved



*voluntary organisations has become an increasingly important part of the overall response to national housing needs.” (Para 1.1) and that “The Government wishes to ensure that the output of dwellings by the voluntary and co-operative housing sector is expanded more rapidly”(Para 1.5)*

The government’s Social Housing Strategy 2020<sup>4</sup> positions the AHBs centrally in the provision of social housing in Ireland. It explicitly sets out a plan for the AHB sector “...expanding significantly and playing a lead role in the delivery and supply of new social housing.”<sup>5</sup>. It further states that

*“...an enhanced role for AHBs in the provision of new supply will be central to the Government’s vision for the provision of social housing supports. This Strategy includes a number of changes and actions that will help to promote the optimal configuration of what is a very diverse sector; and encourage the formation of the large scale providers that the sector needs, if it is to fulfil an enhanced role in social housing supply. The changes include the introduction of a multi-annual housing expenditure programme; prioritisation of funding to incentivise scale; a more streamlined funding process; promotion of collaboration at local and regional level between LA’s and AHBs; and enhanced regulation.”*

### Funding Schemes

This policy objective is made operational through the contractual agreements which are in place between the AHBs and local government. It appears that government is utilising the AHBs to fulfil its responsibilities to persons identified as being qualified as entitled to LA housing. Rather than the LA fulfilling this responsibility directly, it engages with the AHB through various mechanisms to act as its agent.

When deciding on whether to support an AHB application for funding under one of these schemes, the LA is clearly considering the overall delivery of housing services in the geographic area under its remit. Considerations include the number of AHBs already operating in a particular area and “Where it is practicable and compatible with the needs of occupants in the approved housing body’s housing accommodation, housing authorities should seek to have communal facilities used to serve local community needs (e.g., meals-on-wheels, recreation and social services etc.)” (Paragraph 6.7 of Memorandum VHU:2/02). Additionally, consideration is given to the contribution that a given housing project will make to the area in which it is located - “In addition the housing authority should be satisfied that the housing project will make a useful contribution to the relief of housing needs in the area where it is located” (Paragraph 3.22).

The relationship between the functioning of the AHBs under the relevant funding schemes and the implementation of government policy on social housing is clearly established by these provisions. It may therefore be considered that at a minimum the provisions of MGDD 2016 I.2.4.5.1 paragraph 57 should apply to the housing assets held by the AHBs and that these assets and the associated transactions which can be said to represent “investing in fixed assets for public policy needs” should be re-routed to the government accounts.

### Indicators of Control

Many of the features of these funding schemes may be considered to indicate control by government via contractual arrangements. For example a common feature of all of the funding schemes is the ability of the LA to nominate tenants and the requirement that a minimum of 75% of tenants (up to 100% depending on the scheme) be taken from the LA housing list. The prescription of the type of assets to be built and the role of government in rent setting further indicate control. A local government formula is used to determine the differential rent payable by the tenant in the

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<sup>4</sup> [http://www.housing.gov.ie/sites/default/files/publications/files/social\\_strategy\\_document\\_20141126.pdf](http://www.housing.gov.ie/sites/default/files/publications/files/social_strategy_document_20141126.pdf)

<sup>5</sup> <https://www.housingagency.ie/Regulation.aspx>



case of the CLSS and P&A schemes and guidance is given on rent setting in the case of CAS. Also the construction of the housing is tightly specified and aligned with government standards.

Other elements of control may be observed in the conditions for a voluntary housing body to retain its AHB status. For example, its assets must be directed to the relief of housing need. This renders the unconditional transfer of assets under the CLSS and CAS moot, as under the terms of retaining AHB status these assets must continue to be used for social housing. Also government seeks to protect the tenants by prohibiting commercial activity and risk taking where it is considered that these may adversely affect the AHB's housing activity.

Therefore it may be seen that government, in setting the conditions around the design and construction of the assets, their involvement in rent setting and their constraints on commercial activity by the AHB, is acting in the role of landlord with the AHB as agent.

Furthermore government may be seen to be exposed to certain financial risks, in particular in the new P&A arrangements via the Continuation Agreement which makes government party to the borrowing agreement between the AHB and the third party funder.

For all of the AHBs reviewed to date the vast majority of the fixed assets on their balance sheets can be observed to be financed by CAS and CLSS funding. The more recent CALF scheme makes up a relatively small proportion but is expected to grow as it replaces the legacy schemes as the new funding model for AHBs. Up to the end of 2015 the amount of private funding accessed by the AHBs was extremely small – less than 1% of total financing. Again, with the development of the new funding model this profile may be expected to change in the future. However based on the information to date there is clearly majority funding by government and there are conditions attached to this funding which closely align the AHBs with the implementation of government policy on social housing.

MGDD2016 I.2.3 paragraph 15 (c) states, in relation to contractual agreements, *“When such contracts are the main, if not total, part of the activity of the NPI, it is clear that government would be able to influence the general policy of the NPI. However, control should be assessed if the approval of government would be required for exiting from contracts with government.”* It can be seen that any individual AHB can indeed exit their commitments to government by repayment of their outstanding liabilities – most likely through the surrender of the funded properties. However in this event it is unlikely that the AHB would continue to function, and its tenants would become tenants either directly of the LA or of another AHB also acting as agent of the LA (as under the normal rules governing charitable bodies, on wind-up an AHBs assets must transfer to another body with similar aims and objectives). This also relates to the earlier point of AHBs acting as agents of government in that the tenants may be considered to be, in substance, LA tenants and not AHB tenants (in so far as they are selected from the government housing list).

Therefore the overall functioning of social housing provision would not change and the relationship of local government, as a sector, to the AHBs en bloc would not appreciably alter.

Taking all of the foregoing into account, it is the view of the CSO that, for those voluntary housing bodies which have AHB status, there is sufficient evidence contained within the available funding schemes to indicate that such bodies are ultimately controlled by government under these schemes.

The assessment of each individual AHB has therefore been undertaken with reference to the extent to which these schemes dominate the financing of the AHB. Where CAS and CLSS funding predominate in the total financing it is our view that such a body is under control of government – specifically the local government subsector. Where such funding represents only a minority of the funding of the organisation or where the mix of activities is such that housing is not the principal activity then a re-routing of the housing activity to the government accounts in accordance with MGDD 2016 I.2.4.5.1 paragraph 57 seems appropriate.



## Market/non-market nature of AHBs

To date the AHBs have been classified as S.15 – NPISH under the assumption that they are non-market in nature. In reviewing this decision the CSO has taken into account the nature of the AHBs themselves and of the payments received by the AHBs in return for the provision of housing services.

The essential criteria for a body to receive AHB status must be recalled. These are that the body should have as its principal aim: the relief of housing needs, to assist with cases of poverty or hardship, including the welfare of Travellers, and the delivery and management of housing; that it must have in its Memorandum and Articles of Association or registered rules, provisions preventing the distribution of any surplus, profit, bonus or dividend to its members; and that finally it must ensure that its assets are applied solely towards its objects. None of these criteria suggest that an AHB is likely to be considered market in nature. Also, as already noted, the funding schemes preclude commercial risk taking which may adversely affect provision of social housing by the AHB.

Another key aspect of the capital funding schemes discussed above is government influence on rent setting by the AHB. At a minimum there is a requirement that rent setting must not only take account of the costs of the AHB, but must also take place in consultation with the LA. In the case of the CLSS and CAS schemes, rent levels are related to the total household income of the tenant and do not respond to changes in the market or economic signals. Although the need to meet costs is a factor in the setting of rents in the case of CAS, the price does not influence the AHB's decisions regarding the supply of housing, nor do the prices determine the levels of demand. These organisations are thus providing housing at prices that are not economically significant and the quantitative market / non-market test therefore should not apply to AHBs whose rents are predominantly set under CAS and CLSS.

When it comes to the P&A agreement the rents paid by the LA on behalf of the tenant may be considered to be economically significant. However at the moment this income does not represent a sufficient proportion of any AHB's sales to enable them to be considered market operators. Even if the P&A income were to reach levels where it dominated the income of AHBs the qualitative criteria, including the requirement for genuine competition with other providers, would have to be assessed before any application of the quantitative market / non-market test.

Therefore at this point we see no reason to change the current assessment of the AHBs as non-market entities.

## Proposed Classification

As a result of the latest review of these 15 bodies we propose to apply the following treatment:

**Table 4: Proposed Classification of 15 AHBs Reviewed REDACTED and replaced by summary text below**

[illegible]







other social services, also funded by government. For these bodies an assessment of the totality of their relationship with government will have to be conducted. This work will require substantial further engagement with other parts of government to gather the necessary data and information to undertake a review.

In the short term therefore our intention is to next review those Tier 2 bodies whose sole activity is social housing – this will be done on a prioritised basis taking account of their relative size and plans for development. A timeframe for this work and further steps to address the remaining Tier 2 and 3 bodies will be provided in Q1 2018.

We appreciate that there is a large volume of information supplied in the current pack for review. However we would appreciate some indication from Eurostat of your view of this classification in time for us to decide on an appropriate implementation for the forthcoming notification.

A copy of this letter and the related supporting documentation has been transmitted for the attention of our country desk officer via EDAMIS using the domain EDP\_OTDOC\_S.

Our Government Accounts division are available to discuss any of the material or issues raised with colleagues in Eurostat or to supply further clarification if required.

We look forward to your decision.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Jennifer Banim', with a stylized flourish at the end.

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**Jennifer Banim**

**Assistant Director General, Economic and Environment Statistics**

