

**Pre Budget
Submission
2025**

**building
homes,
improving
lives.**

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Priority Actions for Budget 2025

We call on Government to consider the following recommendations for Budget 2025

A sustainable supply of social and cost rental homes

1. Enhancements and improvements to Capital Advanced Leasing Facility (CALF) funding

- An immediate commitment from Government to invest an appropriate level of non-debt or equity finance as a replacement to the CALF loan is required to reduce gearing levels for AHBs. The conversion of the CALF loan to 100% grant could be the best mechanism to address this issue.

2. Refine the Cost Rental Equity Loan (CREL) scheme to improve viability

- The CREL funding model should have inbuilt flexibility to facilitate future exceptional increases in costs verified by independent Quantity Surveyors and interest rate increases between the time of initial application and the completion of the scheme.
- The Housing Agency should be appropriately resourced to meet the administrative requirements of managing large scale, cost rental developments and construction stage payments. For example, providing the Housing Agency with a revolving fund would assist them to meet stage payment turnarounds. This would further support the viability of a construction model for AHBs.

3. Other measures to improve the viability of delivering social and Cost Rental homes

Construction Specific Funding Model:

- There is an immediate requirement to introduce a 'construction specific' funding model to address issues of viability including, funding construction interest payments and resulting debt service cover ratio dilution. The model should also include a mechanism to reflect payment of management costs that are applicable on date of completion of housing schemes.

Irish Water Contributions:

- Extend the current exemption on payment of development and Irish Water contributions until end of 2027.

Development contributions:

- Development contributions should be exempted for both social and cost rental housing when delivered through local authorities and/or an AHB.

Reduced VAT for social and affordable housing:

- Reduce the VAT rates for social and affordable housing within the scope of the current EU VAT directive, to reduce the cost of delivering homes by reducing borrowing and funding costs.

Cost Rental supports and income eligibility:

- Ensure access to rental supports are available to Cost Rental tenants at times of financial need so that they do not risk losing their home. The Department of Social Protection should take steps to recognise their entitlement to Rent Supplement.
- Increase net income thresholds for cost rental housing eligibility in-line with the Dublin level of €66,000 for Cork, Limerick, Galway and the Greater Dublin area. These areas should remain in sync going forward.

Gearing:

- The consideration of the conversion of CALF and CREL accounting treatment to non-debt or equity finance on our balance sheet. This could assist in reducing gearing levels, getting AHBs 'off balance sheet' and facilitate borrowing from non-State Financial Institutions.
- The details of the most appropriate funding mix must be explored by working in partnership with AHBs to ensure viability and continued housing delivery. In this regard, we would ask that the larger AHBs are represented on any future Working Group or sub groups examining funding and AHB debt levels.

4. Facilitate land supply and acquisition for Approved Housing Bodies

- Create a suitable mechanism to make public and state lands available to Approved Housing Bodies for the delivery of social, Cost Rental and affordable homes. This will greatly assist in scaling up housing delivery.

Maintaining quality homes and services

5. Increase the funding for deep retrofitting of social and affordable homes

- Increase the percentage of grant available to Approved Housing Bodies and social housing tenants up to 100%, similar to that available to Local Authorities, to target those homes and households most in need of these retrofitting works.

6. Review funding model for Capital Loan Subsidy Scheme (CLSS) and Capital Assistance Scheme (CAS) properties

- Replace the model of funding for CLSS properties with a sustainable financial model that covers the actual costs of managing and maintaining homes over their lifetime. Increase the Management and Maintenance Subsidy by at least €2,000 per annum, up to the expiry of the loan term and/or provide for a Payment and Availability Agreement, such as that in place for properties funded under the CALF scheme mentioned above.
- Replace the model of funding for CAS properties with a sustainable financial model that covers the actual costs of managing and maintaining homes over their lifetime. For example this could include increasing the ceilings for the RAS supplement by at least €3,500 per annum, up to the expiry of the loan and/or provide a Payment and Availability Agreement or Management and Maintenance subsidy to bridge the gap between income and costs.
- Address the shortfalls of accrued costs of planned maintenance of both CLSS and CAS properties when these arise.

7. Community development

- To support community needs, introduce targeted capital support for provision of community facilities which are appropriate to the scale of larger developments along with revenue support, to maintain community services where there is an identified need.

Investing in communities and pursuing social justice

8. A multi-disciplinary approach to address family homelessness

- Comprehensive and coordinated homeless prevention must be resourced as part of an integrated approach to address family homelessness, with a continued focus on the urgency of increasing the supply of social and Cost Rental homes.
- Introduce a 'multi-disciplinary team approach' to deliver a range of interventions from a single source of diverse specialists that include a range of physical and mental health professionals, addiction and welfare support teams, and translation services.
- Provide the additional financial resources to ensure all children and teenagers living in Family Homeless Services have equal access to the services of a Child and Youth Development Worker. They can play a vital role in empowering children and ensuring they have equal access and opportunities within the community.
- Introduce mainstream funding for Psychotherapist roles to provide much needed therapeutic interventions to all families in emergency accommodation.
- Implement Housing with support for families to address the housing and support needs of families with more complex needs working from a housing-led approach.

9. Funding for improved access to Early Learning and Care (ELC) and School Age Care (SAC)

- Commitment to a five year plan that includes a new investment target to ensure all ELC and SAC policies including those related to the workforce, are fully implemented by 2030.
- As members of Early Childhood Ireland, we support their '4 Asks for Children'¹. Specifically, the need to set a date for bringing Early Years and School Age Care graduates within public sector pay and conditions in line with teachers, as a first step towards a publicly funded model.
- The proposed Equal Start Model should be fully implemented to address the needs of children and their families who experience disadvantage.
- Extend the Access and Inclusion Model (AIM), beyond the Early Childhood Care and Education (ECCE) scheme so that children who require additional supports can access them as early as possible.
- Implement 'Action 15: Additional Nutrition Programme' as included in Equal Start² to provide funding for additional meals to be provided in targeted ELC and SAC settings. Consider expanding this programme to include all ELC and SAC services along with investment of additional resources to ensure that all services have the facility to provide a hot meal.

About Respond

Respond, a construction-led Approved Housing Body and service provider, has been working all around Ireland for over 40 years. Our vision is that every family and individual in Ireland will have high-quality housing as part of a vibrant and caring community. Housing and decent accommodation, in the areas where people want to live, are central to improving people's lives and enhancing the health and well-being of society.

17,008 tenants live in 7,761 homes across the 26 counties that we either own or manage. Respond also provide a range of services for families and individuals within our communities. This includes emergency accommodation with 24/7 support for families who are homeless in six Family Homeless Services, three Day Care Services for Older People, 15 Early Learning and School Aged Care (ELSAC), Family Support and Refugee Resettlement services. Our aim is to provide person centred services to support people to achieve their goals and reach their full potential.

Approved Housing Bodies (AHBs)

Approved Housing Bodies are not-for-profit organisations that have a social purpose to provide for people's housing needs by working in close co-operation with the Government, local authorities and relevant agencies. In particular, Approved Housing Bodies work in partnership with local authorities to support the provision of housing and in many cases, additional supports. They provide affordable rented housing for people who cannot afford to buy or rent their own homes.

¹ Early Childhood Ireland. (May 2024). 4 Asks for Children. Available at: <https://www.earlychildhoodireland.ie/wp-content/uploads/2024/05/4-Asks-for-Children-Early-Childhood-Ireland-spread.pdf>

² DCEDIY. (May 2024) Equal Start. Available at: <https://www.gov.ie/pdf/?file=https://assets.gov.ie/293503/ec7f976c-294f-4c04-9e20-3035943f2b9f.pdf#page=null>

Introduction

The increased delivery of 13,539³ social and Cost Rental homes in 2023 compared to 10,947⁴ delivered in 2022, was a much welcomed achievement and represents the effective collaboration between Government departments, local authorities, and Approved Housing Bodies. Further, this delivery of much needed homes has been achieved notwithstanding the significant geopolitical events causing supply chain issues with negative effects on energy and construction cost inflation.

We now need to ensure that we continue to build on this progress to resolve the continuing issues people face in accessing quality, affordable housing in Ireland, which continues to be a key policy issue of major concern. It is still impeding an otherwise thriving and successful economy demonstrated by the number of people employed, which continued to grow during 2023 with 2.7 million people in employment. This was an increase of 3.4% over the previous year⁵ with 90,000 additional jobs⁶.

The Quarterly Economic Commentary (ESRI, 2024)⁷ states:

“It is well documented that one area in which Ireland faces a capacity shortage relates to housing, with new housing completions remaining below the level indicated by the structural demand for housing since the Global Financial Crisis” (p.33).

Housing cost burden and poverty

Despite the continued good economic performance in Ireland, the cost of living is still placing a significant burden on households. There are significant levels of indebtedness in Ireland. According to a report from Think-tank for Action on Social Change (TASC) underpinned by EU-SILC data, over 1 in 5 (22%) of households who are in debt in Ireland are over-burdened by the debt payments, increasing to 32% for low-income households (Lajoie, 2020, p.3)⁸. The report argues these high levels of debt are connected to four structural factors of which housing is one, the others being cost of living, income, and access to financial services (Lajoie, 2020, p.4)⁹. However, these structural factors are interconnected, the report acknowledges that the high cost of housing has also contributed to the overall cost of living (Lajoie, 2020, p.4)¹⁰.

The latest figures published by the Central Statistics Office (CSO) show that the Consumer Price Index (CPI) rose by 2.6% between April 2023 and April 2024 and actual rents paid by tenants increased by 5.3%¹¹. Further, the Survey on Income and Living Conditions (SILC): Enforced Deprivation¹² (March 2024), reports that 30.6% of households find housing costs to be a ‘heavy financial burden’. This rises to 41.2% for those who are renting or rent free.

³ Social and affordable housing provision data. Available at: <https://www.gov.ie/en/collection/6060e-overall-social-housing-provision/>

⁴ Social and affordable housing provision data, Available at: <https://www.gov.ie/en/collection/6060e-overall-social-housing-provision/>

⁵ O'Regan, E. (Feb 2024). The Irish Times article. Available at: <https://www.irishtimes.com/business/2024/02/22/state-employment-rate-grew-by-34-to-27-million-in-2023/>

⁶ IBEC. Quarterly Economic outlook, (Q1 2024): Available at: <https://www.ibec.ie/connect-and-learn/media/2024/04/15/economic-outlook-q1-2024#:~:text=ibec%2C%20the%20group%20that%20represents,2024%20and%203.4%25%20in%202025.>

⁷ McQuinn, K et al. (Spring 2024). Quarterly Economic commentary. ESRI. Available at: <https://www.esri.ie/system/files/publications/QEC2024SPR.pdf>

⁸ Lajoie, A (2020). Exploring Household Debt in Ireland: The Burden of Non-Mortgage Debt & Opportunities to Support Low-Income Households. Think-tank for Action on Social Change (TASC). Available at: https://www.tasc.ie/assets/files/pdf/household_dept_report_final_3320.pdf

⁹ Ibid

¹⁰ Ibid

¹¹ Central Statistics Office. Consumer Price Index April 2024. Available at: <https://www.cso.ie/en/releasesandpublications/ep/p-cpi/consumerpriceindexapril2024/>

¹² Central Statistics Office. (March 2024). Survey on Income and Living Conditions (SILC): Enforced Deprivation 2023. Available at: <https://www.cso.ie/en/releasesandpublications/ep/p-silced/surveyonincomeandlivingconditionssilcenenforceddeprivation2023/>

The SILC 2023 survey also finds that people ‘at risk of poverty’ was 13.6% in 2023 when adjusted for inflation, which has risen from 12.5% in 2022. The SILC 2023 survey also shows that tenure is a significant factor when looking at deprivation rates. It highlights that whilst 30.7% of the population live in rented or rent free accommodation, 72.9% of these households are living in consistent poverty compared to 27.1% of owner occupiers¹³.

The Central Bank in their Quarterly Bulletin (QB1- March 2024)¹⁴ highlight this point:

“...housing wealth is unevenly distributed: the richest decile of Irish households owns one-third (€241 Bn) of the total, while households in the bottom 50 per cent of the net wealth distribution own 14 per cent (€101 Bn).” (p87).

Homelessness and hidden homelessness

The continued negative effect of housing shortages on the most vulnerable people in our society must be addressed. The overall numbers of those affected continues to grow, with an ever increasing number of households particularly on very low to median incomes, unable to access secure, affordable housing.

Amnesty international in their report ‘The State of the World’s Human Rights: April 2024’¹⁵, note Ireland’s housing crisis as a key issue:

“The crisis of housing availability and affordability worsened, and led to record numbers of people experiencing homelessness, including children”. (p.210)

At the end of June 2024, there were 14,303 people experiencing homelessness in Ireland of which there were 2,093 families and 4,404 were children¹⁶. This the highest number of people since records began in 2014. This record continues to be broken month after month. The numbers of people have increased by more than 1,800 people since June 2023, when the total figure stood at 12,600 and included 1,804 families including 3,765 children¹⁷.

Poverty and homelessness are significant issues that must be addressed as a priority to deliver better outcomes for children, young people and families. A safe affordable home is the basis on which better outcomes are achieved, including access to education, economic, health and wellbeing opportunities

The understanding of the efficacy of homelessness prevention in limiting social harms and as a cost effective strategy has grown in recent years, particularly in preventing recurrent and long term homelessness (Baptista et al, 2017, p39, 48¹⁸; Fowler et al, 2019¹⁹). Permanent housing provides the most stability for families who have experienced homelessness particularly children and comes with benefits in many areas including health, wellbeing and education (Bassuk et al, 2020)²⁰.

¹³ Central Statistics Office. (March 2024). Survey on Income and Living Conditions (SILC) 2023. Available at:

<https://www.cso.ie/en/releasesandpublications/ep/p-silc/surveyonincomeandlivingconditionssilc2023/poverty/>

¹⁴ Central Bank of Ireland. (March 2024). Quarterly Bulletin. Available at: <https://www.centralbank.ie/publication/quarterly-bulletins/quarterly-bulletin-q1-2024>

¹⁵ Amnesty International (April 2024). The State of the World’s Human Rights. Available at:

<https://www.amnesty.org/en/documents/pol10/7200/2024/en/>

¹⁶ Homeless Report – June 2024. Department of Housing, Local Government and Heritage. Accessible at:

<https://www.gov.ie/en/collection/80ea8-homelessness-data/>

¹⁷ Homeless Report – June 2023. Department of Housing, Local Government and Heritage. Accessible at:

<https://www.gov.ie/pdf/?file=https://assets.gov.ie/265834/d3b9e72e-eede-4055-8f7f-91871d1b7a9e.pdf#page=null>

¹⁸ Baptista, I, Benjaminsen, L, Busch-Geertsema, V, Pleace, N (2017) Family Homelessness in Europe. EOH Comparative Studies on Homelessness. European Observatory on Homelessness. Available at https://www.feantsaresearch.org/download/feantsa-studies_07_web3386127540064828685.pdf

¹⁹ Fowler, P.J, Hovmand, P.S, 1. Marcal, K.E & 1 & Das, S (2019) Solving Homelessness from a Complex Systems Perspective: Insights from Prevention Responses. *Annual Review of Public Health* 40:465–86

²⁰ Bassuk, E.L, Hart, J.A, & Donovan, E (2020) Resetting Policies to End Family Homelessness. *Annual Review of Public Health* 41, 247–63.

Whilst the official statistics on rising homelessness in Ireland make for stark reading, these do not show the true picture of the numbers of people struggling to access housing. 'Hidden homelessness' is a term used to describe those who may be considered homeless but they are not 'visible' on streets or are not accessing State emergency accommodation. This is because they may be for example, 'sofa-surfing' staying with friends or family, squatting in commercial buildings, or sleeping in cars. A recent report by the Simon Communities of Ireland (May2024)²¹, estimates that 24,000 (p.11) households in Ireland are experiencing hidden homelessness and 83% (p.8) of these are in this situation for more than six months. The report provides a comparative analysis of the scale of hidden homelessness in Northern Ireland and finds that the '*issue is more pronounced in Ireland [and] reflects broader societal and economic structures that contribute to housing instability*' (p.14)²².

Demographic changes, under occupation and the right type of housing supply

Ireland's demographic projections are another key consideration for determining housing supply. It is important that we meet the projected needs and demands of future populations. Census 2022 figures published by the CSO, show that Ireland's population is now 5,149,139, which is an increase of 8.1% or 387,274 people since 2016²³.

The highest increase in population is among those aged 70 plus years whilst the number of those aged 85 plus years has increased by 25%. Although the number of people aged 15-64 years (considered to be the 'working age population') increased by 8% between 2011 and 2022, old age dependency (people aged over 64 years) increased by 22% in that period, with the highest concentrations of older people in the north and north west of the country²⁴.

Globally, we are now seeing a significant change in tenure patterns emerging with a decline in home ownership and an increasing reliance on public and private sector renting. It has been argued that this is a long term shift, arising predominantly as a result of changes in labour market security and accelerated by the Global Financial Crisis of 2006, is a pattern that is unlikely to be reversed²⁵. This change is most starkly seen in countries where home ownership has traditionally been the predominant tenure. This means there is an increasing reliance on both public and private rental housing as long term housing options.

A report by the National, Economic and Social Council (NESC), (2014)²⁶ summarises the tenure shift that has taken place in Ireland and states:

Ireland's rate of homeownership peaked, at 80 per cent of households, in 1991, with private rental accounting for 8 per cent and social renting for 10 per cent. By 2011, owner occupation had fallen to 71 per cent, while 19 per cent of household rented from a private landlord, and 9 per cent rented from a local authority or voluntary association (known as Approved Housing Bodies—AHBs) (p ix).

The report goes on to highlight how tenure patterns vary across social groups and states that the most significant decline in home ownership is seen among 'young people and the unskilled and skilled manual classes'. In addition, it finds that 'the proportion of single-person and lone-parent

²¹Cunnigham, K. (May 2024). Under the Radar: Unveiling Hidden Homelessness in Ireland. Simon Communities of Ireland. Available at: <https://www.simon.ie/wp-content/uploads/2024/05/Under-the-Radar-Unveiling-Hidden-Homelessness-Across-the-Island-of-Ireland-FINAL-1.pdf>

²² Ibid.

²³ CSO. (May 2023). Census of Population 2022- Summary results. Available at: <https://www.cso.ie/en/releasesandpublications/ep/p-cpsr/censusofpopulation2022-summaryresults/populationchanges/>

²⁴ Ibid

²⁵ Arundel, R & Doling, J. (2017). The end of mass homeownership? Changes in labour markets and housing tenure opportunities across Europe. Available at: <https://link.springer.com/article/10.1007/s10901-019-09647-1>

²⁶ NESC. (2014) Home ownership and rental. Available at: http://files.nesc.ie/nesc_reports/en/140_Homeownership_and_Rental.pdf

households that rent has increased significantly over the past 20 years and owner-occupation is much higher among households headed by Irish nationals (77%), compared to non-Irish nationals (34%'. Furthermore, the age at which people get a first mortgage is also increasing (NESC, 2014,p ix).

Over 89% of Ireland's housing stock consists of houses and in 2022, almost 80% of homeowners were under-occupying their home compared to just over 38% of those renting. Also, more than 88% of people aged 65+ years lived in an under-occupied property. McQuinn et al (ESRI, March 2024) ²⁷ conclude:

"...along with the fact that not enough residential units are being built, the current housing stock would appear to be skewed towards larger units, with more smaller dwellings required. If the Irish population ages, and household sizes decrease, this will become more acute a challenge" (p.36).

Improving outcomes for children and young people

Whilst there have been reforms in Ireland to improve outcomes for children and young people, child poverty and access to secure affordable housing remains an area of concern. Single parent households are most disproportionately affected and 'widening inequalities are having a disproportionate impact on children and young people from disadvantaged backgrounds' (OECD, 2024, p.3)²⁸.

In a recent report by the OECD (2024)²⁹ they highlight that that access to Early Childhood Education and Care (ECEC) for children from low income households is a concern and Ireland is falling behind other OECD countries.

In 2019, only 18% of two-year olds in the bottom income tertile in Ireland accessed centre-based ECEC, compared to 69% of children in the top income tertile. At the OECD level, 30% of children in the bottom income tertile access centred-based ECEC, compared to 46% of children from the top income tertile... (p.37).

This same report highlights the importance of good quality housing for children's social and emotional well-being, as this impacts development of emotional and behaviour problems as well as, mental health outcomes. Poor quality housing also adds to many other stresses experienced by disadvantaged families. It is also very disheartening that the report finds Ireland is 'one of several OECD countries where the share of children experiencing severe housing deprivation is increasing and has risen from 1.7% in 2014, to 3.1%'.³⁰ The report also states:

Homelessness is an extreme form of housing deprivation that has serious implications for child development and well-being, and later adult outcomes (OECD, 2019[45]).

²⁷ McQuinn, K et al. (Spring 2024). Quarterly Economic commentary. ESRI. Available at: <https://www.esri.ie/system/files/publications/QEC2024SPR.pdf>

²⁸ OECD (2024), Together for Children and Young People in Ireland: Towards a New Governance Framework, OECD Public Governance Reviews, OECD Publishing, Paris. Available at: <https://doi.org/10.1787/12f4dfb2-en>

²⁹ Ibid.

³⁰ Ibid. (p.42)

Priorities for Budget 2025

As an Approved Housing Body, we are committed to fulfilling our role in contributing to delivering on the targets set by Government in *Housing for All - a New Housing Plan for Ireland*. We welcome the forthcoming revision of these targets following the Economic & Social Research Institute's (ESRI) modelling of population projections and long-term housing demands by Autumn 2024, along with the completion of the strategic review of the Approved Housing Body sector and debt levels. These are two important opportunities to increase the capacity of Approved Housing Bodies to develop new homes and thriving communities.

Respond is strongly committed to increasing the national housing stock; this means we buy the land, fund the construction at every stage, and our in-house experts oversee the construction process ensuring both quality and cost control. This is rather than competing for existing homes already built. We currently own and manage properties across the 26 counties in Ireland and are on track to have over 4,000 homes in construction by the end of the year. As a service provider we are committed to supporting communities and working with those most in need.

We are focused on finding practical solutions, increasing our capacity for delivering more homes for people that need them and supporting communities to develop and thrive. Please find our recommendations for Budget 2025 outlined below.

A sustainable supply of social and cost rental homes

1. Enhancements and improvements to Capital Advanced Leasing Facility (CALF) funding

Approved Housing Bodies (AHBs) play a key role in the delivery of new social and Cost Rental homes with a continued role to deliver 43% (38,000) of the new social homes under *Housing for All* by 2030, with these targets anticipated to be revised and increased in Autumn 2024. Facilitating the building capacity of the sector is essential if we are to meet these targets for delivery, providing much needed social homes. Respond currently have 2,700 homes in construction all around the country, adding to the national housing stock.

The current Government funding model enabling Approved Housing Bodies to deliver social homes comprises a combination of government-backed loans, including the Capital Advanced Leasing facility (CALF) for social homes. Respond is a construction-led AHB and we are currently experiencing gaps, specifically with the construction-led model that affect the viability of new housing schemes. These need to be addressed in order to secure the continued delivery of social homes through this route.

In our preliminary calculations we believe replacing CALF with 100% grant or equity would bring gearing levels down to 70-75% on new properties. In comparison, converting the CALF loan to 50% loan and 50% grant will only reduce gearing down to 85% on new developments, which is well in excess of the 70% to 80% 'Loan To Value' requirements of pillar banks and therefore, will not guarantee AHBs access to alternative sources of funding.

Recommendations

- An immediate commitment from Government to invest an appropriate level of non-debt or equity finance as a replacement to the CALF loan is required to reduce gearing levels for AHBs. The conversion of the CALF loan to 100% grant could be the best mechanism to address this issue.

2. Refine the Cost Rental Equity Loan (CREL) scheme to improve viability

Respond were among the first AHBs to deliver Cost Rental homes and we are keen to scale up delivery of further Cost Rental schemes to assist in achieving the *Housing for All targets* set for AHBs to deliver 8,600 (48%) of Cost Rental Homes. The success of this tenure is crucial in responding to the needs of many households who do not qualify for social housing supports and cannot access housing within the private sector.

As a construction led AHB, Respond's focus is on adding to the national housing stock. Our construction led approach enables us to manage costs and quality more effectively, delivering value for money for the state and high quality homes for tenants. However, it does mean that we carry the 'construction risk'. When homes are acquired as turnkey, the developer or construction company carry the construction risk which they manage with mezzanine finance. The focus for Respond is on covering our costs and managing risks, given our commitments to our existing c. 17,000 tenants and services users.

Recommendations

- The CREL funding model should have inbuilt flexibility to facilitate future exceptional increases in costs verified by independent Quantity Surveyors and interest rate increases between the time of initial application and the completion of the scheme.
- The Housing Agency should be appropriately resourced to meet the administrative requirements of managing large scale, cost rental developments and construction stage payments. For example, providing the Housing Agency with a revolving fund would assist them to meet stage payment turnarounds. This would further support the viability of a construction model for AHBs.

3. Other measures to improve the viability of delivering social and Cost Rental homes

The CALF and CREL loan is combined with access to private finance through loans provided by the Housing Finance Agency (HFA). While allowing for the recent introduction of up to 20% equity loan on CREL schemes, the significant level of loan financing required to deliver social and Cost Rental homes increases the debt profile of Approved Housing Bodies and subsequently puts significant strain on Debt Service Cover Ratios (DSCR) and Gearing Ratios. When gearing exceeds 60%, Approved Housing Bodies are less attractive to new funders, which limits our options to increase funding opportunities. As a result, this acts as a constraint in terms of the delivery of social and Cost Rental homes.

There are still some challenges with the Cost Rental Equity Loan (CREL), due to the potential for higher loan interest rates and increases in construction costs. The current high Gearing Ratios carried by AHBs as mentioned above, also creates unreasonable risk with the possibility of breaching gearing thresholds beyond a reasonable level. Cost Rental projects delivered to date have required varying levels of equity from AHB's own reserves, but this is not sustainable for large scale delivery. Funders use Gearing Ratios to establish the level of debt capacity that an organisation may have and therefore, the measurement is critical to obtaining funding from credible, established funders. The current funding model is not a viable and replicable model for the increased delivery of future Cost Rental homes at scale and pace.

As mentioned, Respond were among the first Approved Housing Bodies to deliver Cost Rental homes and we have now had Cost Rental tenants in situ for over two years. On occasion, some Cost Rental tenants experience periods of redundancy and income loss and as a result, find it difficult to afford their rent. Under Section 34 of the Affordable Housing Act 2021, Cost Rental tenants are entitled to apply for the Housing Assistance Payment (HAP), after six months of living in their Cost Rental home.

This safety net was intended to provide tenants with assistance in times of hardship and to support the success of this tenure in providing a long term, affordable rental housing option.

However, we have seen that it is not always an option for Cost Rental tenants in financial need. Cost Rental tenants experiencing a sudden loss in income will not fall within social housing income thresholds. We have experienced instances where Cost Rental tenants have applied for HAP, been denied, and then fallen into rent arrears which means they are at risk of losing their tenancies. If these tenants had a private sector landlord, they could apply for and receive Rent Supplement however, at present applications to the Department of Social Protection are being refused on the basis that their landlord is an AHB and that the Affordable Housing Act 2021 includes entitlement to HAP.

Recommendations

Construction Specific Funding Model:

- There is an immediate requirement to introduce a ‘construction specific’ funding model to address issues of viability including, funding construction interest payments and resulting debt service cover ratio dilution. The model should also include a mechanism to reflect payment of management costs that are applicable on date of completion of housing schemes.

Irish Water Contributions:

- Extend the current exemption on payment of development and Irish Water contributions until end of 2027.

Development contributions:

- Development contributions should be exempted for both social and cost rental housing when delivered through local authorities and/or an AHB.

Reduced VAT for social and affordable housing:

- Reduce the VAT rates for social and affordable housing within the scope of the current EU VAT directive, to reduce the cost of delivering homes by reducing borrowing and funding costs.

Cost Rental supports and income eligibility:

- Ensure access to rental supports are available to Cost Rental tenants at times of financial need so that they do not risk losing their home. The Department of Social Protection should take steps to recognise their entitlement to Rent Supplement.
- Increase net income thresholds for cost rental housing eligibility in-line with the Dublin level of €66,000 for Cork, Limerick, Galway and the Greater Dublin area. These areas should remain in sync going forward.

Gearing:

We welcomed the announcement of the establishment of an internal Departmental working group to explore the issue of gearing within the AHB sector in 2023 and were delighted to be invited to make both written and verbal submissions and we eagerly await the findings which we understand are imminent. Some of our recommendations included:

- The consideration of the conversion of CALF and CREL accounting treatment to non-debt or equity finance on our balance sheet. This could assist in reducing gearing levels, getting AHBs ‘off balance sheet’ and facilitate borrowing from non-State Financial Institutions.
- The details of the most appropriate funding mix must be explored by working in partnership with AHBs to ensure viability and continued housing delivery. In this regard, we would ask that the larger AHBs are represented on any future Working Group or sub groups examining funding and AHB debt levels.

4. Facilitate land supply and acquisition for Approved Housing Bodies

The *Housing for All*, commitment to make public land available for residential housing is a crucial and welcome step to ensure the continued delivery of social and affordable homes. The whole process which includes identifying and acquiring sites, going through the planning system and commencing development can take two to three years and often longer. Further, competing for the purchase of such sites with other providers inevitably pushes up the price. According to a 2021 Government Spending Review³¹ :

“Speculative land hoarding by landowners and developers can restrict the supply of development land, increasing the cost of land as a housing input.....In development land auctions, sites tend to be acquired by the most optimistic bidders (those with highest expected sale prices) therefore property tends to be developed close to the margin of viability” (Breen & Reidy, 2021, p.2).

Currently, Approved Housing Bodies do not have access to a reasonable pipeline of residential development land or an appropriate funding model that can be utilised to acquire land to facilitate long term plans to directly build social, Cost Rental and affordable homes.

Recommendations

- Create a suitable mechanism to make public and state lands available to Approved Housing Bodies for the delivery of social, Cost Rental and affordable homes. This will greatly assist in scaling up housing delivery.

Maintaining quality homes and services

5. Increase the funding for deep retrofitting of social and affordable homes

Housing for All recognises that:

“Ireland’s homes are responsible for one quarter of our overall energy use and 10% of our overall greenhouse gas (GHG) emissions. Reducing the amount of energy and fossil fuels we use in our homes is an important part of the government’s Climate Action Plan” (p120).

With the accelerating climate crisis all sectors of the Irish economy must contribute to meeting the national target of net zero emissions by 2050. The residential sector accounts for 10.2% of all national emissions and as developers of housing, it is important that the AHB sector is supported to play its part in decarbonising.

Respond has invested over €36 million towards upgrading over 2,000 older homes over the last eleven years. Improving the energy performance of our homes and buildings has the dual positive effect of addressing climate change and reducing energy costs for our tenants, for whom the current cost of living increases are proving increasingly unmanageable. The majority of our tenants are on very low incomes with fuel poverty and the inability to heat their home being a stark reality for many.

In 2023, we completed improvements to 54 homes, utilising grants available to us through the Sustainable Energy Authority Ireland (SEAI). However, the grants only cover approximately 50% of the total costs of works required (in contrast to 100% funding available to Local Authorities), even though both sectors operate on similar income based differential rent models. Whilst we have made progress in this area, we need to accelerate this programme if we are to achieve the necessary

³¹ Breen, B & Reidy J, (2021) Spending Review 2021, An Overview of the Irish Housing Market and Policy. Accessible at: <https://www.gov.ie/en/collection/87ee1-spending-review-2021/#housing>

improvements and energy efficiency gains required for a large portfolio of properties and the alleviation of fuel poverty for Respond tenants.

Recommendations

- Increase the percentage of grant available to Approved Housing Bodies and social housing tenants up to 100%, similar to that available to Local Authorities, to target those homes and households most in need of these retrofitting works.

6. Review funding model for Capital Loan Subsidy Scheme (CLSS) and Capital Assistance Scheme (CAS) properties

Respond own approximately 1,500 properties that were funded under the Capital Assistance Scheme (CAS) and 2,500 properties funded under the Capital Loan and Subsidy Scheme (CLSS), both of which were introduced in 1982 and 1991 respectively. Both schemes are funded slightly differently. An economic rent is charged for the CAS funded schemes and we receive Rental Accommodation Scheme (RAS) support from the Local Authorities. What is known as a differential rent is charged for CLSS funded schemes, calculated according to the tenant's household income and we receive an annual Management and Maintenance (M&M) subsidy for the CLSS properties.

Despite a significant increase in management and maintenance costs over recent years, the M&M subsidy has remained the same since 2016 and the RAS contribution limits have not been amended for approximately 13 years. This means for many of these properties the combination of economic rent, RAS, differential rent and M&M Subsidy received is not adequate to cover the ongoing management and maintenance costs and long-term asset management costs required for their appropriate upkeep. They are generating a loss in income.

Our initial analysis indicates these losses are in the region of 48-90% of the total income received, depending on the funding scheme. This means a substantial portion of costs are being subsidised by funds that could otherwise be used towards increasing the supply of additional social homes. In addition, this current arrangement for the payment of the M&M Subsidy is only in place for the term of the loan, with no guarantee of it being continued or replaced in the future.

Recommendations

- Replace the model of funding for CLSS properties with a sustainable financial model that covers the actual costs of managing and maintaining homes over their lifetime. Increase the Management and Maintenance Subsidy by at least €2,000 per annum, up to the expiry of the loan term and/or provide for a Payment and Availability Agreement, such as that in place for properties funded under the CALF scheme mentioned above.
- Replace the model of funding for CAS properties with a sustainable financial model that covers the actual costs of managing and maintaining homes over their lifetime. For example this could include increasing the ceilings for the RAS supplement by at least €3,500 per annum, up to the expiry of the loan and/or provide a Payment and Availability Agreement or Management and Maintenance subsidy to bridge the gap between income and costs.
- Address the shortfalls of accrued costs of planned maintenance of both CLSS and CAS properties when these arise.

7. Community development

Respond's vision as stated in our Strategic Plan 2022-2024, is that 'every family and individual in Ireland will have high quality housing as part of a vibrant and caring community'³². We provide homes and services to deliver on this commitment with the purpose of supporting our communities to thrive. We recognise that along with delivering much needed homes, communities also require access to a variety of additional facilities and services to foster their success³³. Housing is a key social determinant of health and it is well documented that the neighbourhood in which you live has an impact on your wellbeing outcomes, as they constitute both physical and social environments³⁴.

The recent 'Report of The Housing Commission' (May 2024)³⁵, stresses the importance of maintaining a sustainable housing supply whilst having regard to social objectives. They state, *"The Commission emphasises the need to develop the necessary physical and social infrastructure in tandem with housing to create sustainable communities. Infrastructure such as schools, healthcare facilities, parks and community centres foster a sense of belonging and wellbeing within neighbourhoods. These facilities provide shared spaces for social interaction through education, recreation, and healthcare, which are vital for a well-functioning community"* (p.195)

The inclusion of community buildings within our housing schemes deliver many social benefits and these facilities become more crucial as we scale up to deliver larger, higher density housing schemes that meet the needs of the Ireland's changing demographics that will include more older people and smaller households. Community buildings provide much needed shared social space, foster the development of local community support groups delivering community health and wellbeing initiatives including exercise clubs, money and budgeting advice, youth groups, facilitating tenant and resident groups along with a range of other cultural and community services.

Currently funding models available to AHBs for the development of homes is focused on the capital costs of delivering numbers of homes. The additional facilities and services required to support the community's needs currently have to be met from an AHB's existing resources. This limits the provision of community buildings and initiatives that benefit both AHB tenants as well as the wider community.

Recommendations

- To support community needs, introduce targeted capital support for provision of community facilities which are appropriate to the scale of larger developments along with revenue support, to maintain community services where there is an identified need.

Investing in communities and pursuing social justice

8. A multi-disciplinary approach to address family homelessness

A report by Focus Ireland³⁶ examines the issues faced by families experiencing long term homelessness. The study finds that many of these families have complex needs and require support from a wide range of disciplines including from the clinical and therapeutic fields, if they are to be supported out of homelessness. The report concludes:

³² Respond. Strategic Plan 2022-2024. Available at:

https://www.respond.ie/publications/?_gl=1*1akzmq*_ga*MTAxNiEwMDk0Ni4xNig1MTA2MTc3*_up*MQ.

³³ Pastor and Morello Frosch. (2014) Health Affairs. Available at: <https://escholarship.org/content/qt81g1n5xk/qt81g1n5xk.pdf>

³⁴ Holman, D et al. (Sept, 2022) Neighbourhood deprivation and intersectional inequalities in biomarkers of healthy ageing in England. Health and Place. Vol.77. available at: <https://www.sciencedirect.com/science/article/pii/S1353829222001320?via%3Dihub>

³⁵ The Housing Commission. (May 2024) The report of Housing Commission. Available at: <https://www.gov.ie/en/publication/f3551-report-of-the-housing-commission/>

³⁶ Focus Ireland. (February 2023). Challenging homelessness. Changing lives. Available at: file:///C:/Users/reyhana.cushnan/Downloads/MDT-for-Families-Feasibility-Stuudy_Main-Report_final-version.pdf

“One possible approach to adequately support this cohort of families is a multi-disciplinary team (MDT) to deliver integrated health and mental health support”. (Focus Ireland, 2023, p32).

An added problematic trend is that families are also now staying much longer in emergency accommodation due to the shortage of move on options. Currently the average length of stay across our services is approximately 11 months. This has doubled, as the average length of stay used to be just over 5 months two years ago. Given this current scale of the homelessness crisis with record numbers of individuals, families and children in emergency accommodation for longer periods, it is incumbent on Government to find long lasting effective solutions for those most in need of safe, affordable housing and supports where needed. This is recognised within the priorities outlined in the Government Plan to end child poverty³⁷ and which now requires implementation.

Respond currently employs a Psychotherapist whose service is available to all service users of our Homeless Family Services who are 18 years and over. The benefits of such a service as an early intervention approach, to mitigate the trauma experienced as a result of homelessness is well documented^{38 39}. However, this post has only been funded for two years through a generous philanthropic donation.

Along with the immediate benefits of delivering therapy to service users within their accommodation settings, we are seeing wider benefits of the role as the work of the Psychotherapist permeates through the services, raising awareness of needs and transferring skills to other staff to deliver services within a trauma informed approach.

Recommendations

- Comprehensive and coordinated homeless prevention must be resourced as part of an integrated approach to address family homelessness, with a continued focus on the urgency of increasing the supply of social and Cost Rental homes.
- Introduce a ‘multi-disciplinary team approach’ to deliver a range of interventions from a single source of diverse specialists that include a range of physical and mental health professionals, addiction and welfare support teams, and translation services.
- Provide the additional financial resources to ensure all children and teenagers living in Family Homeless Services have equal access to the services of a Child and Youth Development Worker. They can play a vital role in empowering children and ensuring they have equal access and opportunities within the community.
- Introduce mainstream funding for Psychotherapist roles to provide much needed therapeutic interventions to all families in emergency accommodation.
- Implement Housing with support for families to address the housing and support needs of families with more complex needs working from a housing-led approach.

³⁷ Government of Ireland. (August 2023). From Poverty to Potential: A Programme for Child Poverty and Well-Being. Available at: <https://www.gov.ie/pdf/?file=https://assets.gov.ie/266235/6c4bf557-373d-4cb6-a91e-36f27106fe8b.pdf#page=null>

³⁸ Ombudsman for Children (2019) No Place like Home: Children’s views and experiences of living in Family Hubs. Accessible at: <https://www.oco.ie/app/uploads/2019/04/No-Place-Like-Home.pdf>

³⁹ Siersbaek, R & Loftus, C. (2022). Supporting the mental health of children in families that are homeless: a trauma informed approach. Focus Ireland. Available at: https://www.focusireland.ie/wp-content/uploads/2021/09/Supporting-the-mental-health-of-children_FINAL.pdf

9. Funding for improved access to Early Learning and Care (ELC) and School Age Care (SAC)

The provision of high quality and affordable Early Learning Care and School Aged Care in community settings is critical to sustainable communities. Heckman (2015) states:

*“Quality early learning and development programs for disadvantaged children can foster valuable skills, strengthen our workforce, grow our economy and reduce social spending...it can prevent the achievement gap and investment in quality early childhood programs is more effective and economically efficient than trying to close the gap later on” (p1).*⁴⁰

A child’s right to early education should not be impacted by the economic status of their parents. The 2020 ESRI report *Child Poverty in Ireland and the Pandemic Recession*⁴¹ clearly highlights that children coming from households where parents are unemployed or inactive, are at significantly higher risk of poverty or deprivation.

Services situated within areas of disadvantage have been particularly impacted by the phasing out of the Community Childcare Subvention Plus (CCSP) contract. Although the National Childcare Scheme (NCS) funding has been expanded to include children of families not in employment or training, much more is required to ensure financial sustainability and maintain the quality of provision of Early Learning and Care (ELC) and School Age Care (SAC) (services situated in disadvantaged areas. This is recognised as a priority in the Government’s First 5: Implementation Plan⁴² that includes an action to develop a programme for the delivery of Early Learning and Care (ELC) in the context of concentrated disadvantage, that is informed by the DEIS model. These issues have also been highlighted as a priority for Government in the recently published plan to alleviate Child poverty⁴³ and as referenced earlier. Future funding should support universal access to the service. Funding should be calculated through the cost of provision of the service rather than the number of children currently attending.

A recent study examining food insecurity in Ireland⁴⁴ found that 70% of parents were at some point worried about being able to provide sufficient food for their family. Their findings show that food poverty in Ireland is worsening and families are increasingly skipping meals; cutting down on household bills like fuel to ensure they have enough money for food and; resorting to food banks or relying on vouchers to provide sufficient food for their children. Access to affordable nutritious food is key to a child’s development and meaningful participation in education programmes. Currently only five out of Respond’s fifteen services receive food/meal grants.

Recommendations

- Commitment to a five year plan that includes a new investment target to ensure all ELC and SAC policies including those related to the workforce, are fully implemented by 2030.
- As members of Early Childhood Ireland, we support their ‘4 Asks for Children’⁴⁵. Specifically, the need to set a date for bringing Early Years and School Age Care graduates

⁴⁰ Heckman, J. (2015) The Economics of Human Potential

⁴¹ ESRI (2020) Child Poverty in Ireland and the Pandemic Recession. Accessible at:

https://www.esri.ie/system/files/publications/BP202104_1.pdf

⁴²First Five Implementation Plan 2019-2021. Available at:

https://first5.gov.ie/userfiles/pdf/5223_5156_DCYA_EY_ImplementationPlan_INTERACTIVE_Booklet_v1.pdf#view=fit

⁴³ Government of Ireland. (August 2023). From Poverty to Potential: A Programme for Child Poverty and Well-Being. Available at:

<https://www.gov.ie/pdf/?file=https://assets.gov.ie/266235/6c4bf557-373d-4cb6-a91e-36f27106fe8b.pdf#page=null>

⁴⁴ Barnardos and Aldi. Food Insecurity in Ireland. (2023) Available at:

file:///C:/Users/reyhana.cushnan/Downloads/res_food_insecurity_report_2023_0817.pdf

⁴⁵ 1. A sustained and sustainable workforce 2. Capacity building 3. Five-year plan with a new investment target 4. Family leave See for more Early Childhood Ireland. (May 2024). 4 Asks for Children. Available at: <https://www.earlychildhoodireland.ie/wp-content/uploads/2024/05/4-Asks-for-Children-Early-Childhood-Ireland-spread.pdf>

within public sector pay and conditions in line with teachers, as a first step towards a publicly funded model.

- The proposed Equal Start Model should be fully implemented to address the needs of children and their families who experience disadvantage.
- Extend the Access and Inclusion Model (AIM), beyond the Early Childhood Care and Education (ECCE) scheme so that children who require additional supports can access them as early as possible.
- Implement 'Action 15: Additional Nutrition Programme' as included in Equal Start⁴⁶ to provide funding for additional meals to be provided in targeted ELC and SAC settings. Consider expanding this programme to include all ELC and SAC services along with investment of additional resources to ensure that all services have the facility to provide a hot meal.

⁴⁶ DCEDIY. (May 2024) Equal Start. Available at: <https://www.gov.ie/pdf/?file=https://assets.gov.ie/293503/ec7f976c-294f-4c04-9e20-3035943f2b9f.pdf#page=null>