

# A **Local Authority** led emergency response to the housing crisis

HOUSING  
IS A RIGHT  
NOT A  
PRIVILEGE

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led emergency  
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## Introduction

The release of Census 2016 housing data has, once again, highlighted the scale of Ireland’s housing emergency. The total housing stock increased by just 8,800 (0.4 per cent), from 1,994,900 to 2,003,600, between 2011 and 2016. This is at a time when over 90,000 households were on social housing waiting lists, rents have risen by over 50 per cent since 2011 and are now (May 2017) 10 per cent above their pre-crisis peak, and homelessness reached its highest ever levels.

Almost 7,500 people, including over 1,200 families, are now living in totally unsuitable temporary accommodation such as in hotels, B&Bs and hostels etc., with very significant adverse and potentially long-term impacts on their health and wellbeing. The number of homeless children has risen from 750 to 2,560 (240 per cent) between mid-2014 and March 2017.

This crisis did not happen overnight. In essence, it can be traced back to the withdrawal of local authorities from direct social housing provision and the increasing reliance on the private sector to provide social housing since the late 1980s.

The housing emergency is complex but not intractable. It requires action on multiple fronts all at the same time.

This discussion paper focuses on what we believe to be a key element of the solution – a local authority led emergency response to the housing crisis, as initially proposed by the One Cork project, to undertake a major social housing programme, as part of a wider housing strategy that encompasses the transition to a cost-rental model. As such, it does not aim or purport to be a comprehensive response to the housing crisis. However, we believe it covers the key requirements to deal with the current housing emergency.

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It is set out as follows.

- Part 1** provides the historical context to social housing in Ireland.
- Part 2** outlines Ireland’s current housing and homelessness emergency.
- Part 3** discusses the Government’s plans for social housing.
- Part 4** seeks to establish what the Government is considering in relation to a future cost-rental model.
- Part 5** examines whether Ireland’s social housing needs can be met by Approved Housing Bodies (AHBs).
- Part 6** outlines the need to provide 10,000 social housing units on an annual basis by late 2018/early 2019, at an estimated cost of €1.8 billion per annum.
- Part 7** makes the case for social housing provision by local authorities.
- Part 8** sets out our proposals for local authorities to work together to implement a major social and affordable housing and construction programme on public lands
- Part 9** sets out how such a social and affordable housing programme could be funded, its treatment under EU accounting rules, and examines the scale of current spending on quasi-social housing.
- Part 10** Conclusion.



## Summary of recommendations

- The housing situation should be declared as an emergency and the Government should urgently endorse the range of measures outlined in this document.
- The Government should develop a local authority led emergency response to the housing crisis across multiple local authorities to draw together and co-ordinate both internal and external expertise to (better) manage both the existing social housing portfolio, including addressing the issue of voids and the refurbishment of existing units and to meet social housing targets.
- Public policy should aim to increase the output of social housing to an annual rate of 10,000 units per annum by late 2018/early 2019 (i.e. up from the existing target of 5,000 units per annum by 2021) at an estimated cost of €1.8 billion per annum and ensure that at least three-quarters of these are provided by local authorities.
- Achieving this spend of €1.8 billion needed to provide 10,000 homes per annum by late 2018/early 2019 would entail additional capital expenditure of €1,150 million in 2018 on top of 2017's planned capital expenditure of €655 million. This additional investment should be provided from the fiscal space available for 2018, from additional tax measures such as the fast-tracking of the vacant site levy and by borrowing. If necessary, the Government should seek greater flexibility as regards the application of EU fiscal rules for this investment.
- This target should be pursued as part of an integrated strategy of well-planned mixed income housing, with an equal third going to social, affordable rental, and affordable purchase provided by the local authorities on publicly owned land.
- The Government should step up its campaign at European level to achieve greater flexibility for public investment, including for social housing, under EU rules.
- The emergency response should aim to reduce social housing payments to private sector landlords ('quasi-social housing'), from an estimated 1.5 per cent of GDP (in 2014), to the European average of around 0.5 per cent of GDP over the medium to long-term.
- The Government should expedite its work on the development of a cost rental model as a matter of urgency, and give serious consideration to NERI's March 2017 proposals for a European cost rental model in this regard.
- The local authority led emergency response to the housing crisis should initially be rolled out in the five areas of greatest social housing need - in and around Dublin, Cork, Limerick, Galway and Waterford.
- Land zoned for housing that is owned by local authorities should be used primarily to provide social housing by local authorities, instead of being made available to private developers to build mostly for private rental, as set out in the Government's rental strategy.
- A public-led social housing programme should lead the way towards decent working conditions in the provision of social and affordable housing and across the entire residential sector.
- The emergency housing programme should be socially inclusive and anticipate and prepare for the adoption of higher European energy efficiency standards for social housing (i.e. towards passive housing).



Photo: RollingNews

## 1. Context

For more than a century local authorities successfully provided social housing for the people of Ireland.<sup>1</sup> This was particularly the case in the 1930s and from the late forties to mid-fifties.<sup>2</sup> Spending on social housing in the Republic during these years was one of the highest in Western Europe.<sup>3</sup> Up to the 1950s, social housing provided the majority of new dwellings and nearly one in five Irish people lived in social housing in the early 1960s.<sup>4</sup>

For most of the twentieth century, social housing was largely funded by long term loans, repaid through central government subsidies, tenants' rents and the revenue from domestic rates. While there was a greater amount of central government borrowing from the 1960s onwards, this funding model was effectively undermined with the abolition of domestic rates in 1978. From then the Exchequer paid for social housing in lump-sum grants, a less sustainable arrangement as the cost of social housing provision had to be paid 'up front' rather than spread out over a long period.<sup>5</sup>

There was an increasing reliance on private sector provision from the late eighties. Local authority provision fell from around 6,000-7,000 per annum in the mid-eighties to around 800 in 1989. Despite a recovery to around 4,000 - 5,000 per annum during the early years of this century, by 2005, only one in 14 homes were publicly provided, compared to around one in three in 1975.<sup>6</sup>

At the same time, an increasing share of social housing was provided by approved housing bodies (AHBs), or housing associations and co-operatives housing providers. These delivered one quarter of social housing prior to the economic collapse.

Government funding for new social housing was then cut by almost 90 per cent after 2008,<sup>7</sup> with local authority output falling from approximately 5,000 units in 2008 to just 75 in 2015.

While local authorities do remain the main providers of social housing, renting homes to 130,000 households with close to 30,000 households renting from AHBs, the Republic's total social housing stock (nine per cent of all homes) is now low by historical standards and by northern European standards.<sup>8</sup>

The Irish Council of Social Housing recommends that the Republic's social housing stock be increased to at

least 200,000<sup>9</sup> while P.J. Drudy recommends that 30 per cent of total housing stock should be social housing.<sup>10</sup>



Photo: Facebook

## 2. The housing and homelessness emergency

There is perhaps no greater indictment of the decades long reliance on the market than the fact that in 2006, when total reported housing construction in the Republic (90,000) was approaching nearly half UK levels (209,000), which has a population 15 times greater, the number of households on the social housing waiting lists was doubling compared to ten years previously (Figure 1).

Census 2016 housing data highlights, once again, the folly of the 30 year long reliance on the private sector to meet Ireland's housing needs and the scale of the current housing emergency.<sup>11</sup> The Republic's total housing stock rose by just 8,800 units (0.4 per cent) - from 1,994,900 to 2,003,600 - between 2011 and 2016, the average number of people in a household rose, from 2.73 to 2.75, the first rise since 1966, and nearly one in ten lives in homes with more people than rooms, an increase of 28 per cent since 2011, all reflections of rising demand and low supply.

This evidence of the failure of the market is borne out by other data and surveys. The Housing Agency has estimated that one-third of the population is in need of some level of state housing support.<sup>12</sup> The result of

<sup>1</sup>Association of Irish Local Government (2016).

<sup>2</sup>Lee, J (1989, Ferriter, D. (2004).

<sup>3</sup>Norris (2015) makes the point that relatively low levels of spending on most other public services facilitated levels of public investment in housing which were the highest in western Europe at this time.

<sup>4</sup>Norris and Byrne (2016).

<sup>5</sup>Norris (2015).

<sup>6</sup>Drudy (2016).

<sup>7</sup>Norris and Byrne (2016), p.2

<sup>8</sup>Strategy for the Rental Sector (2016c), p.31.

<sup>9</sup>Irish Council for Social Housing.

<sup>10</sup>Drudy (2016).

<sup>11</sup>CSO (2017).

<sup>12</sup>Skehan, C (2016).

this egregious public policy failure is the current low supply of affordable homes or social housing, the national disgrace of young homeless families being forced into hostel and hotel accommodation, spiralling rents and the inability of many people to afford to buy the few private homes that are being constructed. The manner in which private investors are buying up second hand homes is also having the effect of excluding



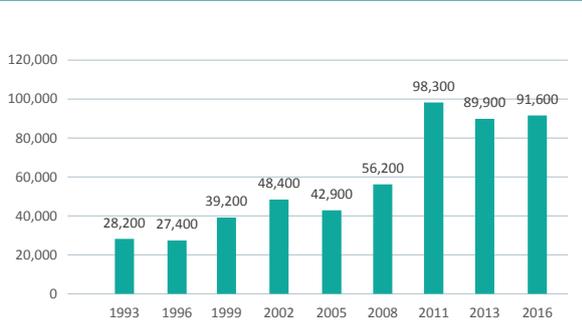
Photo: RollingNews

people from acquiring and owning their homes and of pushing up rents, while so called vulture funds are now estimated to control 50,000 primary homes and buy-to-lets.<sup>13</sup> The quantity of homes lying empty across our cities and towns, almost 200,000 according to Census 2016, is also well above European averages.

The most recent Summary of Social Housing Assessments published by the Housing Agency indicates that 91,600 households were on social housing waiting lists as of September 2016, up 48,700 (i.e. 114 per cent) on the 56,200 figure in 2005.<sup>14</sup> Questions are being asked about the methodology used to compile these lists, i.e. a mandatory 'opt-in' letter, which may deter certain applicants, and the fact that whereas those in receipt of Rent Supplement are included, those in receipt of the Housing Assistance Payment (16,500 in 2016) are not.<sup>15</sup>

The Homelessness Report from the Department of Housing, for March 2017, indicates that there were 1,256 families (not including asylum-seekers), comprising of nearly 1,700 adults and nearly 2,600 children, living in Supported Temporary Accommodation (i.e. hostels) and Private Emergency Accommodation (i.e. private landlords, B&Bs and hotels), the highest numbers ever recorded, up nearly 90 per cent since early 2014 levels.<sup>16</sup>

Figure 1: Number of households on social housing waiting lists, 1993-2016



Source – Adapted from Summary of Social Housing Assessments, 2013 & 2016.

### 3. Public policy – A continued over-reliance on the market to provide social housing

The 2016 Oireachtas report of the Committee on Housing and Homelessness stated that a 'lack of building by local authorities, combined with an over-reliance on provision by the private sector, has led to a shortage of supply' [of social housing].

Despite this recognition of the over-reliance on the private sector, current policy is still very much predicated on the view that the bulk of the social housing problem can be resolved by a pick-up in private housing construction.

The 'Rebuilding Ireland: An Action Plan for Housing and Homelessness' (July 2016) does commit to providing 47,000 new social housing units by 2021, 'at which stage some 10,000 units will be delivered on an annual basis' - at an estimated total cost of €5.35 billion.<sup>17</sup>

The plan 'envisages a significant progressive increase in social housing build activity to over 5,000 homes a year by 2021, with the potential for further increases thereafter, as necessary.'<sup>18</sup>

And it states that:

'The upward trajectory planned for the social housing build programme will be challenging, but the local authorities are now re-engaging in substantial social housing construction activity for the first time in many years. Working with AHBs, local authorities are now once again in a position to directly provide homes for those on their waiting lists in a way that enhances the

<sup>13</sup>The Irish Times, 7 February 2017.

<sup>14</sup>Housing Agency, (2016) Summary of Social Housing Assessments.

<sup>15</sup>Social Justice Ireland (2017). A New Social Contract for a New Century, p.133.

<sup>16</sup>Department of Housing, Planning, Community & Local Government (April 2017).

<sup>17</sup>Government of Ireland (2016b). Rebuilding Ireland, July 2016.

<sup>18</sup>Ibid, p.45.

quality of life of our citizens and communities.<sup>19</sup>

As has been pointed out, this delivery target for 2021 covers just half the (official) 2016 waiting lists.<sup>20</sup>

It is difficult to determine precisely what proportion will actually be new builds. The Minister for Housing has stated that of the 47,000 social housing units, approximately 26,000 will be delivered from construction activity, 11,000 will be acquired by local authorities and AHBs directly from the market or from the Housing Agency (with a portion of the latter units also being new builds), with a further 10,000 leased by local authorities and AHBs<sup>21</sup> A breakdown of the 26,000 new units to be delivered via construction activity, as outlined by the Minister for Housing, is set out in Table 1. 13,190 local authority units between 2017-2021 would equate to an annual average of around 2,640 units over this period.

**Table 1: Planned breakdown of 26,000 units to be delivered via construction activity 2017-2021.**

Local authorities new build units	13,190
Refurbishment of social housing derelict and void units	3,460
Newly constructed units obtained by local authorities under Part V	2,070
AHB new built units	4,700
Newly constructed units obtained by local authorities or AHBs under Part V	2,620
<b>Total</b>	<b>26,040</b>

Source – Extracted from Minister for Housing’s answer to written question no.1199/17, 17 January 2017.

## 4. Government plans for cost rental model

At the same time, the Government is also considering a cost-rental model for social housing.

The National Economic and Social Council (NESc) concluded in 2014 that it was difficult to see how social housing could be provided on the scale required without substantial local authority provision, and proposed the adoption of a cost-rental model for local authority housing which, it said, would be consistent with the re-classification of local-authority housing outside the general government sector by Eurostat under EU rules.<sup>22</sup>

The Programme for a Partnership Government includes a commitment to:

‘...introduce a new model of affordable rental by working with housing associations and local authorities to develop a “cost rental” option for low-income families, as recommended by the NESc.<sup>23</sup>

The 2016 Oireachtas report ‘Rebuilding Ireland: An Action Plan for Housing and Homelessness’ recommended an affordable cost rental model of housing provision to ‘accommodate those on lower incomes who do not qualify for social housing’.<sup>24</sup>

As part of its December 2016 Strategy for the Rental Sector the Government announced:

‘the establishment of an Expert Group to explore the opportunities for developing a viable cost rental model for Ireland and a larger and more dynamic not-for-profit and Approved Housing Body sector. The group will examine the experience of other countries and develop a roadmap to grow new capacity for delivering cost rental options.’<sup>25</sup>



Photo: RollingNews

This expert group is due to report by the end of 2017.

The Nevin Economic Research Institute (NERI) recently published comprehensive proposals for a cost rental model, aimed at providing 70,000 additional homes between 2018 and 2022, at a total investment of €12 billion.<sup>26</sup> This investment is intended to ‘supplement and further strengthen that of the Local Authorities as well as the voluntary housing associations in the area of social housing’<sup>27</sup>.

Detailed proposals for a cost-rental model have also been put forward by Social Justice Ireland, which has

<sup>19</sup> Ibid, p.46.

<sup>20</sup> Social Justice Ireland (2017), p.144.

<sup>21</sup> Answer to Dail written question No.1199/17, 17 January 2017.

<sup>22</sup> NESc (2014).

<sup>23</sup> Programme for a Partnership Government (2016a).

<sup>24</sup> Oireachtas Housing and Homeless Committee (2016), p.24-25.

<sup>25</sup> Ministers Coveney and English launch strategy for the rental sector, 13 December 2016.

<sup>26</sup> Healy, T and Goldrick-Kelly, P (2017).

<sup>27</sup> Ibid, p.2.

called for the implementation of a cost rental system in the social housing sector once supply is sufficient to eliminate social housing waiting lists.<sup>28</sup>

**We urge the Government to expedite its work on the development of a cost rental model as a matter of urgency and to give serious consideration to NERI’s proposals in this regard.**

However, it appears to be the case at this stage that **the Government’s plans for a cost rental model are limited and primarily geared towards AHBs.** For example, Appendix 1 to the Government’s rental sector strategy states that the aim of the cost rental model would be:

‘To increase supply of rental accommodation for middle income households by enabling existing AHBs to grow their portfolios **and ensuring new capacity is developed and attracted into Ireland**’<sup>29</sup> (emphasis added).

It is not clear what role is envisaged for local authorities in such a model or what is intended by attracting ‘new capacity into Ireland’.

They also seem to be geared towards specific income groups rather than a comprehensive model as proposed by NERI and others. The rental sector strategy states that such a model:

[Provides] ‘...the potential to address the affordability gap for certain households between the social housing sector and market rental’.<sup>30</sup>

## 5.1 Can Approved Housing Bodies provide sufficient social housing?

While AHBs have a long tradition of providing social housing in Ireland, it has been mainly since the late 1980s that AHBs have provided large volumes of social housing and, prior to the crash, were providing around one quarter of all social housing in Ireland.

It is undoubtedly the case that AHBs will provide social housing in the future, but it is not yet clear whether they would have the capacity to provide the volume that is now needed. It should be noted that the Irish Council for Social Housing’s submission to the Oireachtas Housing and Homelessness Committee outlined their ambition to ‘initially provide for another 5,000 households in the coming years’ This would be far short of what is now required. As NERI has concluded, it may be the case that AHBs are ‘likely to be confined to specialist areas of provision or local-based initiatives’.

This would lead to the conclusion that if we want to provide more social housing it will have to be done, as it was for much of the last century, through a public-led programme. **In short, there is a very strong case for the State to take the lead, once again, in the provision of social housing.** Local authorities as well as the Department of Housing, Planning, Community and Local Government as well as the Housing Task Force and other public bodies understand the issues involved and are well placed to address the crisis. What is now needed is a clear policy direction in favour of public provision of social housing.

## 5.2 Aim to provide 10,000 social housing units a year by late 2018/early 2019

Given the failure of the private sector to provide sufficient amounts of social housing and the sheer scale of the current housing emergency, we reiterate the Congress pre-Budget 2017 proposal for **a sharp increase in the output of social housing to an annual rate of at least 10,000 per annum by late 2018/early 2019** (i.e. double the existing target of 5,000 for 2021) and for at least three-quarters of these to be provided by local authorities (i.e. a return to the pre-crash proportions of provision by local authorities). This we believe is the minimum required to begin to



Photo: RollingNews  
make serious inroads into the housing emergency.

<sup>28</sup> Social Justice Ireland (2016).  
<sup>29</sup> Strategy for the Rental Sector (2016c), p.27.  
<sup>30</sup> Ibid.  
<sup>31</sup> ICSH, (2016).  
<sup>32</sup> Healy, T and Goldrick-Kelly (2017), p.34.

While this seems and indeed is an ambitious target, it is worth recalling that ambitious targets were achieved in the past, in more difficult economic times, with positive side-effects in terms of increased employment, training and tax revenue. An average of 2,000 social housing units per annum were built between 1925 and 1931 but 12,000 between 1932 and 1942.<sup>33</sup> Just 600 were built in 1946 - 47, but 5,300 in 1949 - 1950<sup>34</sup> and 11,300 in 1951.<sup>35</sup>

It should be clearly understood that this target should only be pursued as part of an **integrated strategy of well-planned mixed income housing, with an equal third going to social, affordable rental and affordable purchase housing provided by local authorities**: we do not want a return to the large-scale, poorly planned estates located on the outskirts of major urban areas with few facilities and weak public services. Social housing must be provided in the context of new spatial and environmental plans at local authority and regional level that address transport, water, waste and social services' needs.

This should be accompanied by other measures such as the fast-tracking of the levy on vacant sites introduced under the Urban Regeneration and Housing Act 2015 and due to be collected from 2019. This should



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be implemented immediately, at a higher rate than 3

per cent and with fewer exemptions than envisaged (e.g. for outstanding loans). Consideration should also be given to introducing a vacant property tax as suggested by the Peter McVerry Trust, the Simon Communities and Social Justice Ireland among others, and to giving legislative authority to make compulsory purchase orders at a 25 per cent margin over agricultural or existing land use values, in order to address the issues of land fragmentation and land blockages.

## 6. Providing social housing by local authorities on public lands

While the Oireachtas Housing and Homelessness Committee has referred to a loss of technical, construction-related skills within local authorities over recent years,<sup>36</sup> we believe local authorities do retain both sufficient 'institutional memory' of social housing provision and crucially the skills and capacity to provide the social housing that is now needed. **It simply makes more sense for local authorities to provide social and affordable housing.**

For one, while the proportion of zoned building land owned by local authorities has declined over recent decades - from around 30 per cent of zoned building land in the 1970s to nine per cent in 2006<sup>37</sup> - it is the case that local authorities do own substantial amounts of land zoned for building. **Land zoned for housing that is owned by local authorities should be used, primarily, to provide social and affordable housing by local authorities.**<sup>38</sup>

Furthermore, as NESC has argued, one of the problems with the greater reliance on the private sector to meet social housing needs is the **difficulty in finding suitable accommodation for specific groups**, for example people with disabilities and older people. This is also the case for 'key workers' such as nurses and fire personnel etc. NESC points out that local authorities' provision was traditionally more inclusive and that even for people without special needs, the size of standard accommodation may not be particularly suitable: it points out that in 2011, 74 per cent of homes consisted of five or more rooms (i.e. not including kitchens, bathrooms etc.) whereas in Dublin city and county, 44 per cent of those on the social housing list in 2011 (and 43 per cent in 2016) were single person households, and that single people can languish on social housing lists due to the lack of sufficient smaller

<sup>33</sup> Lee (1989), p. 193.

<sup>34</sup> Kenna, Padraic (2011), p.41.

<sup>35</sup> Lee (1989), p.303.

<sup>36</sup> Oireachtas Housing and Homeless Committee report (2016), p.9.

<sup>37</sup> NESC (2015), p.18.

<sup>38</sup> The proposals in the Rental Strategy - [To bring] 'Lands held by local authorities in rent pressure zones...to market on a competitive tendering basis, with a view to leveraging the value of the land to deliver the maximum number of units for rental targeting middle income private rental households' - would therefore need to be reconsidered, as they could entail the disposal of local authorities land to the private sector and makes the introduction of a cost-rental model more problematic.

units (with the possible exception of older people).<sup>39</sup>

The probable adoption of **higher energy efficiency standards at European level for social housing** over the coming years could affect the willingness of private providers to provide social housing without additional public subsidies. Current European rules – the 2012 energy efficiency directive – merely commit member states to ‘encouraging’ local authorities and social housing bodies ‘governed by public law’ to improving energy efficiency in social housing: Ireland is one of just four member states that has acted on these provisions, according to a 2016 European Parliament study.

Proposals to revise this legislation issued by the European Commission last November which are now being examined by member states’ governments and MEPs would ‘require’ energy efficiency measures to be implemented ‘as a priority in households affected by energy poverty and in social housing’. This could have implications for our social housing stock, two-thirds of which is more than 20 years old, and would seem to apply to all social housing, i.e. including social housing privately provided (e.g. with Housing Assistance Payments etc.). If enacted, these provisions could raise the cost of providing social housing and thus lead to demands for subsidies from private providers. Direct provision of such social housing would appear to make more sense in the long run.<sup>40</sup>

The issue of under what **terms and working conditions social housing is built** is often not considered in the debate on Ireland’s housing emergency. Norris and Byrne point out that up until the 1970s, almost all social housing was built ‘...by tradespeople who were in many cases direct public sector employees.’<sup>41</sup> There would have been high levels of trade union membership among these workers.

TASC has classified building sites in Ireland into three



Photo: RollingNews

categories in terms of working conditions: residential buildings, government projects and high-tech manufacturing sites. Residential construction is described as having the worst working conditions. **A public-led programme could insist and lead on better working conditions in the provision of social housing and across the entire residential sector.**<sup>42</sup>

## 7. Local Authority led emergency housing programme

Making the case for increased local authority provision of social and affordable housing is not to acknowledge that there are significant obstacles to the provision of social housing by local authorities (e.g. in accessing finance, in recycling rents for maintenance and increased provision etc.).

**But we believe that local authorities, properly resourced and staffed, are best placed to deliver social housing.** Indeed, the optimum way to overcome existing challenges is not by continuing to rely on the private sector or assuming that AHBs can provide what’s needed but by building on existing strengths by creating dedicated housing structures as initially proposed by the Cork One project in November 2016,<sup>43</sup> across multiple local authorities. This would enhance the capacity of local authorities, working together, to provide social housing, and as a number of local authorities are already effectively doing, by pooling design, architectural, tendering and procurement resources.

The local authorities would pool and co-ordinate both internal and external expertise to (better) manage both the existing social housing portfolio including addressing the issue of voids and the refurbishment of existing units and to meet social housing targets. This approach in short would address the recommendation for a shared services model to scale-up the input of specialist housing personnel suggested by the Association of Irish Local Government.<sup>44</sup> The pooled expertise and capacity achieved under this proposal could be made available to (non-participating) local authorities and AHBs. It could also form part of the transition to a European cost rental model as proposed by NERI.

We propose that this strategy should be **initially rolled out in the five areas of greatest social housing need**, i.e. in and around Dublin, Cork, Limerick, Galway and Waterford.

<sup>39</sup> NESC (2014). Equivalent data from Census 2016 due to be released in July.

<sup>40</sup> Reynolds (2017) has argued that the state could save €9 billion over 30 years by introducing passive social housing.

<sup>41</sup> Norris & Byrne (2016) p.12.

<sup>42</sup> Wickham, J and Bobek, A (2016).

<sup>43</sup> One Cork (2016).

<sup>44</sup> Association of Irish Local Government (2016).

These areas account for three-quarters (74.7 per cent) of total social housing need according to the 2016 Summary of Social Housing Assessments. 35,700 (39 per cent) are in Dublin city and county, with a further 14,000 (15.3 per cent) in the neighbouring counties of Louth, Meath, Kildare and Wicklow, giving 49,700 households, or 54.3 per cent of the total in the greater Dublin area. 8,600 (9.4 per cent) are in Cork city and county, 5,300 (5.8 per cent) in Galway city and county, 3,400 (3.4 per cent) in Limerick city and county, and 1,600 (1.6 per cent) in Waterford city and county, giving a total of 68,600 in these five areas.

## 8. Funding Local Authority provision

Building homes is expensive. At an average national cost of approximately €180,000 per unit<sup>45</sup>, building 10,000 social housing units a year would cost approximately €1.8 billion.

The Congress pre-budget 2017 submission proposed that €1 billion of extra funding be allocated for the public provision of housing - to adapt existing dwellings and for new builds - with the aim of reaching an annual output rate of 5,000 social houses per annum by the end of 2017 and 10,000 per annum by the end of 2018, and stated that a public capital investment of around €2 billion per annum would be required to provide 10,000 units per annum for the duration of the housing emergency<sup>46</sup>. In the event, Budget 2017 saw an increase in capital expenditure of €223 million, from €432 million in 2016 to a projected €655 million in 2017<sup>47</sup>, not all of which is being spent on new builds or adapting existing dwellings<sup>48</sup>. Current estimates are for a fiscal space, i.e. for new measures, of between €500 to €600 million for Budget 2018, and around €2.7 billion for each of Budgets 2019, 2020 and 2021).

There is the possibility that finance for housing loans to local authorities could cost less than loans to AHBs. **In August 2016, for example, the Housing Finance Agency indicated that it had access to significant funding from international markets and could offer loans to local authorities at a fixed rate of about 1.5 per cent for 25 years, whereas AHBs would face a rate of about 3 per cent.** It warned that it was not known how long such rates would be available<sup>49</sup>.

It is the case, however, that the public finances have improved considerably over recent years and are now in a better position to take on additional debt than in the recent past. The general government deficit fell to 0.6 per cent of GDP in 2016, down from 12.6 per cent in 2011 (then the highest in

the EU - 28), while the national debt stood at 75 per cent of GDP, down from 120 per cent in 2013.

Achieving the spend of €1.8 billion needed to provide 10,000 homes on an annual basis by late 2018/early 2019 would mean an additional expenditure in 2018 of around €1,150 million on top of 2017's planned capital expenditure of €655 million.

While some of this could come from the fiscal space available for 2018 and from the additional tax raising measures outlined above, the lion's share (i.e. over €1 billion) could and should be borrowed. Such borrowings would have a relatively limited impact on the current downward trajectory of the debt/GDP ratio, which is forecast to fall to around 71 per cent of GDP in 2017 and to around 67 per cent in 2018.

If necessary, the Government should seek greater flexibility as regards the application of EU fiscal rules for this expenditure. As the Minister for Finance has pointed out, this has been successfully negotiated in previous years. Flexibility of up to 0.75 per cent of GDP is potentially available under the investment clause, which applies to countries with negative or well below potential growth forecasts - this may become relevant if Brexit were to weaken growth - and under the structural reform clause, in order to promote growth enhancing infrastructure that raise the potential growth rate and that have positive long-term budgetary impacts. Temporary flexibility has also been



Photo: RollingNews

<sup>45</sup> Healy, T & Goldrick-Kelly (2017), p.54. This is based on estimates of the projected costs of social housing construction (excluding the cost of land procurement) provided by the Minister for Housing in answer to written question no.37043/16, 29 November 2016.

<sup>46</sup> ICTU (2016).

<sup>47</sup> Department of Housing, Planning and Local Government (2016).

<sup>48</sup> Hearne, Rory, Government social housing figures don't stack up. TASC, 5 January 2017.

<sup>49</sup> The Irish Times, 2 August 2016

given in response to exceptional circumstances, such a sudden large influx of refugees and terrorism threats.

Given the scale of the improvement in Ireland's public finances over recent years, and the fact that Ireland will be the member state most affected by Brexit, we believe that there are valid grounds for seeking such flexibility in order to support an emergency response to the housing crisis. The European Commission's February 2017 'Country Report Ireland' has highlighted the increased risks arising from Brexit, which it said 'could weigh heavily on consumer and business confidence and economic activity'. It has expressly acknowledged that insufficient housing supply is a concern both for economic and social reasons and that the lack of affordable housing in urban areas may be detrimental to Ireland's continued ability to attract FDI. It has also pointed out that most homeless families are being hosted in temporary accommodation at a cost to the public finances that exceeds the provision of social housing solutions.

There are a number of possible sources of capital funding, both national and international for future years. Healy and Goldrick-Kelly (2017) set out a number of such possibilities to fund a future cost-rental model. These include exchequer funding, the Irish Strategic Investment Fund, any NAMA surplus funds, a new Irish Housing Solidarity Bond, the European Investment Bank and other EU funding mechanisms, domestic and international financial agencies (including trade unions, credit unions and other civic organisations with capital), green bonds and private investment funds<sup>50</sup>. These options should be considered to fund provision of social and affordable housing by local authorities, as part of the transition to a cost-rental model.

As Congress' pre-budget 2017 submission has argued, overall taxation in Ireland will need to be increased over time to meet the needs of a growing and ageing population as well as new challenges and risks. This will mean reforming and simplifying the tax code so that all groups pay their fair share.

## 9.1 On/Off Balance Sheet?

Depending on the funding model adopted, i.e. whether it is at sufficient arm's length from the Government and sustainable, it is possible that the expenditure incurred by local authorities in the emergency house building programme might not be classified as part of general government expenditure by Eurostat.

While the Oireachtas Housing and Homelessness Committee has urged the Government to seek whatever flexibility exists regarding the application of fiscal rules to social housing, it did conclude that the funding of social housing through local authorities would go on to the state's balance sheet, and recommended the establishment of off-balance sheet mechanisms.

It is by no means guaranteed however that such an approach would meet current EU accounting requirements. The Minister for Housing has stated that it is difficult to get certainty from Eurostat as to what is on and what is off-balance sheet and has pointed out that in the UK much of the social housing that its Government thought was off-balance sheet was subsequently reclassified by Eurostat as on-balance sheet.<sup>51</sup>

Further consideration should be given to possible formulae around off-balance sheet investments. The plans to build 500 homes in Dublin, Kildare and Wicklow approved in April, which entail the retention of the sites in public ownership as well as the return of the housing to state ownership after 25 years, may provide a model in this regard.

**The Government should therefore step up its campaign to achieve greater flexibility for public investment, including for social housing, under EU rules.**



Photo: RollingNews

<sup>50</sup> Healy, T & Goldrick-Kelly (2017), p.54

<sup>51</sup> Dail exchange, 29 June 2016.

<sup>52</sup> Association of Irish Local Government (2016).

<sup>53</sup> Healy, T and Goldrick-Kelly, P (2017), p.26.

Ultimately, however, as the Association of Irish Local Government has stated:

*‘While recognising the fact that EU fiscal rules make it difficult for local authorities to borrow, given the need to keep borrowings “off balance sheet”, we need to recognise that this is a viable option for addressing our current housing crisis...’<sup>52</sup>*

## 9.2 Substantial public spending on ‘private-rented quasi social housing’

What is also important, as NERI has highlighted, is that the state is already spending substantial amounts on social housing in the form of social protection payments to landlords such as Rent Supplement and the Housing Assistance Payment as well as public subsidies to local authority tenants, **and at a higher level than in many other European countries.**<sup>53</sup> Norris and Byrne describe this state support to private landlords for the provision of social housing as ‘private rented quasi social housing.’<sup>54</sup>

The 2014 Social Housing Strategy 2020 pointed out that over half of all rents received by private landlords came from Rent Supplement, the Rental Accommodation Schemes and other schemes, at a total annual cost of over half a billion euro.<sup>55</sup> **P.J. Drudy has estimated that more than €5.5 billion in rent supplement has been paid to private landlords over the past 15 years,**<sup>56</sup> with an increasing proportion of residential accommodation being purchased by private international property investors, so called vulture funds, over recent years. Although it is simplistic to think that all of this could have been easily redirected towards construction, it is worth noting that, at an estimated average cost of €180,000 each, €5.5 billion could provide over 30,000 homes.

While there will be a need for such payments in the future, including under a cost-rental model, we believe that public policy should consider progressively reducing such payments to the private sector, from an estimated 1.5 per cent of GDP (in 2014) to the European average of approximately 0.5 per cent of GDP over the medium to long-term<sup>57</sup> – public funds would be better utilised in increasing and improving the public social housing stock, rather than being given over to developers to build mostly for private rental, as set out in the Strategy for the Rental Sector.

## 10. Conclusion

Housing should always be viewed as a fundamental right not a commodity. The right to housing is long-established in a wide range of international human rights instruments to which Ireland is committed. First pronounced in the Universal Declaration of Human Rights, the right to housing has been explicitly restated and amplified in subsequent international conventions, including the International Covenant on Economic, Social and Cultural Rights adopted in 1966.<sup>58</sup>

Despite being one of the wealthiest countries in the world, Ireland is unable to adequately house its people. Given the extent of human suffering caused by this public policy failure as well as the economic damage it is doing, the housing situation should be treated as an emergency. This is not a matter of choice but an absolute necessity.

A social housing programme led by the local authorities working together in co-operation and tasked with reaching an annual output rate of 10,000 social homes per annum by late 2018/early 2019 is the very minimum that is needed to begin to make a dent in the social housing waiting lists. It is only through innovative policy actions that there is any chance of resolving the housing challenges. Creative thinking and a multi-dimensional approach involving a significantly enhanced role for local authorities is required.

This is an ambitious proposal but one we believe is entirely achievable.



<sup>54</sup> Norris and Byrne (2016), p.24.

<sup>55</sup> Social Housing Strategy 2020 (2014), p.46.

<sup>56</sup> P.J. Drudy (2016).

<sup>57</sup> Adapted from Figure 5, Healy, T and Goldrick-Kelly (2017), p.27.

<sup>58</sup> P.J. Drudy (2016), p.1.

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