

Accounts of the Public Services 2013

Chapter 6: Land Aggregation Scheme

Chapter 7: Matters Arising on Vote 25 - Water Services

Department of the Environment, Community and Local Government

Opening Statement by John McCarthy, Accounting Officer

5 February 2015

Chairman, Members, I am pleased to be here this morning to assist the Committee in its examination of chapters in the Comptroller's Annual Report for 2013 concerning the Land Aggregation Scheme and certain matters in relation to Water Services.

Land Aggregation Scheme

Chapter 6 of the Report concerns the Land Aggregation Scheme. The Comptroller, in reviewing the administration of the Scheme, notes that it was established to support local authorities by alleviating the financial burden in servicing land loans that had been taken out from the Housing Finance Agency for the purpose of acquiring land for social and affordable housing developments. It is also noted that some of the sites accepted into the Scheme have seen their value decrease significantly from the original purchase price.

The Scheme was introduced in 2010 in a difficult economic landscape as part of revised arrangements for the funding of land for social housing purposes. The primary purpose of the Scheme was to support the unwinding of the book of land loans taken out by local authorities in order to purchase land for the public housing investment programme. Sizeable amounts of land for housing had been purchased by local authorities through borrowings, which would then be recouped when the land was developed for housing purposes. However, the substantial contraction in Exchequer funding available for the traditional local authority house building programme resulted in a significant slowing in the pace at which housing projects could be funded. Yet, borrowings for land loans were maturing and in order to alleviate the financial burden that would have arisen for local authorities in dealing with these loans, it was decided that funding should be set aside to address what would otherwise have been an unsustainable position.

Under the Scheme, local authorities could, subject to approval from the Department, transfer residential lands on which there were outstanding loans (from the Housing Finance Agency) to the Housing Agency when the loans fell due for redemption. In addition, there had to be no short to medium term plans for the development of the land in question. Applications to the value of some €163 million in loans were accepted into the Scheme. The figure of €163 million includes €111 million in respect of loans which were, under the first phase of the Scheme, fully redeemed by local

authorities with funding recouped from the Department. The remaining €52 million accepted into the Scheme under its second phase are in the form of annuity loans, for which local authorities are making repayments to the Housing Finance Agency. Local authorities may recoup those capital and interest repayments from the Department on condition that related lands have transferred to the Housing Agency.

At the time that the Comptroller was carrying out his review of the Scheme, 41 sites accepted into the Scheme had transferred to the Housing Agency. As of 15 January last, this figure had increased to 49 sites. Of these 49 sites, 36 were dealt with under the first iteration of the Scheme and have had their associated loans redeemed in full. Of the 24 sites still to transfer, 11 are in the final stages of that process. I have personally written to the relevant local authorities and the Housing Agency requesting that the remaining sites be transferred as expeditiously as possible.

In 2013, as a consequence of continuing pressure on Exchequer resources at that time, and following a review of the Scheme carried out in consultation with the Department of Public Expenditure and Reform, it became evident that further expenditure on the Land Aggregation Scheme, in terms of accepting new applications into the Scheme, was not sustainable. Accordingly, in December 2013, local authorities were notified of the ending of the Scheme.

Following this, local authorities have been advised to consult with the Housing Finance Agency directly on the management of loans relating to lands not accepted into the Land Aggregation Scheme. I understand the Housing Finance Agency has made arrangements directly with some local authorities to extend interest-only arrangements to land acquisition loans, on maturity, for a further five years, after which they will revert to normal-course annuities.

Water Services

Chairman, as the Committee is aware, water sector reform has been an area of intense activity in the Department over the last 2 years. The first part of Chapter 7 of the Comptroller's Report gives a summary of some aspects of implementation of the reform programme.

Since 1 January 2014, Irish Water has had statutory responsibility for all aspects of water services planning, delivery and operation at national, regional and local levels, including responsibility for the delivery of capital infrastructure. The progression of water services capital projects is now a matter for Irish Water.

Up until the transfer of responsibility for water services to Irish Water at the beginning of 2014, local authorities were responsible for the delivery of water services capital infrastructure and funding was provided by the Department under the Water Services Investment Programme. The final Programme administered by the Department ran from 2010 to the end of 2013. Under the Programme, a total of 294 major contracts were completed. This comprised 176 water supply projects (including 75 water conservation projects) and 118 wastewater projects.

On taking over responsibility for the delivery of water services, Irish Water published a Capital Investment Plan for the period 2014-2016. The Plan outlines the indicative investment priorities in water services infrastructure over the three-year period. It consists of a targeted programme of over 386 individual projects and a range of sub-programmes, which will deliver improvements in drinking water quality, leakage reduction, waste water compliance, business efficiencies and customer service.

The second part of Chapter 7 relates to the European Court of Justice ruling against Ireland, in October 2009, in relation to septic tanks and other on-site wastewater treatment systems. Legislation was prepared in the Department and enacted, as the Water Services (Amendment) Act 2012, to address the issues covered by the ECJ ruling.

Under the legislation, local authorities are obliged to establish and maintain registers of domestic wastewater treatment systems in their functional areas, and owners of such systems are obliged to register. Registration began in June 2012 and to the end of January 2015 some 453,088 owners have registered. This represents over 91% of the estimated total number of domestic wastewater systems in the country based on Census 2011 data.

The legislation further provided for the establishment of a national inspection plan for domestic wastewater treatment systems. The first inspection plan was published by the EPA in February 2013 and risk-based site inspections by inspectors approved by the EPA began in July 2013. Inspections are objective, evidence-based and aimed at identifying systems which are a risk to public health or the environment. Where an on-site system fails an inspection, the remediation work required will be based on factors such as the nature of the problem, the extent of risk to public health or the environment, existing site size and the hydrological and geological conditions present.

The implementation of the plan is a matter for the local authorities, subject to supervision by the EPA. The first plan required that a minimum of 1,000 inspections were to be carried out by local authorities over the twelve-month period commencing in July 2013. The EPA subsequently informed the local authorities that a further 500 inspections on a pro-rata basis should be carried out during the period July to December 2014. Earlier this week, the EPA published a review of the first National Inspection Plan. In addition to detailing the findings for the first year, the review includes a public consultation process, with the Agency inviting submissions regarding its proposals for the development of a new inspection plan for the three years 2015 to 2017.

As noted in the Comptroller's report, fines totalling €2.648 million were imposed on Ireland by the ECJ arising from this case. While such an outcome is, of course, to be regretted, I am satisfied that an appropriate system of regulation in this area is now in place, closing off an issue that proved to be quite challenging to address, both in terms of the legal issues arising and the associated vigorous public debate in relation to the way forward. The fines were paid by the Department in 2013 and the European Commission formally closed the case on 30 May 2013.

Conclusion

To conclude, Chairman, the matters addressed in the chapters prepared by the Comptroller relate to some of the key areas of activity within the Housing and Water Services programmes over recent years. I am, of course, happy to respond to questions on these issues that emerge in the course of the Committee's work today.

Thank you.