PAC 8 March 2018
Housing, Planning, Community and Local Government

C and AG Report 2016 - Chapter 8: Central Government Funding of Local Authorities

Local Government Fund Financial Statements 2016

1. Breakdown of the funding allocated to local authorities including sources

Table 1 shows total income for the years 2013 – 2016 (Revenue and Capital).

Table 1: Revenue and Capital Income

	2013	2014	2015	2016
	€ M	**€ M**	**€ M**	**€ M**
Revenue Income	4,045	4,122	4,065	4,307
Capital Income	1,396	1,154	1,311	1,701
Total	**€5,441**	**€5,276**	**€5,376**	**€6,008**

Revenue and Capital Income

Revenue income (sometimes referred to as current income) covers the service provision costs of local authorities, including staff salaries, housing maintenance, road maintenance, recreational services, pensions, etc. This revenue expenditure is funded through a combination of commercial rates, charges for goods and services, specific Government grants, and funding from Local Property Taxes and the Exchequer through the Local Government Fund.

Capital income results in the creation or acquisition by a local authority of an asset that has a use beyond the year in which it is provided e.g. road construction, building or purchase of houses, swimming pools, libraries, etc. Capital expenditure is funded through a combination of Government grants, borrowings and income from other sources such as development levy contributions.

The Overview of the work of the Local Government Audit Service, Year ended 31 December 2016 reflects the data that is shown in Tables 2 and 3 and includes other tables and data relating to the 2016 financial statements of the local authorities.

Table 2: Revenue Income

Revenue Income	2013	2014	2015	2016
	€ M	€ M	€ M	€ M
Goods and Services	1,019	1,253	1,176	1,218
Grants and Subsidies	826	871	878	1,120
Contributions from other authorities	226	143	128	136
Local Govt Fund/ LPT	589	281	316	313
Pension Related Deduction	75	74	71	52
Rates	1,310	1,500	1,496	1,468
Total	**€4,045**	**€4,122**	**€4,065**	**€4,307**

Tables 4 and 5 below provide a further breakdown of the sources of revenue income from the Grants and Subsidies and Goods and Services categories in 2016 and a breakdown for the years 2013 to 2016 is also presented graphically below.

Table 3: Capital Income

Capital Income Sources	2013	2014	2015	2016
	€ M	€ M	€ M	€ M
Grants	925	632	760	954
Borrowings	97	112	37	81
Development Contributions	0	61	126	175
Property Disposals	66	52	32	23
Tenant Purchase Annuities	7	5	5	7
Car Parking	6	6	7	6
**Other	148	114	126	201
Transfers from Revenue	147	172	218	254
Total	**€1,396**	**€1,154**	**€1,311**	**€1,701**

**Other capital income above includes sales schemes proceeds, contributions in lieu of Part V and contributions from other local authorities and bodies.

Table 4: 2016 Breakdown of Revenue Income from Grants and Subsidies

	2016
	€
Department of Housing, Planning and Local Government	
Housing Grants & Subsidies	454,533,519
Library Services	932,245
Urban and Village Renewal Schemes	1,812,000
Water Services Group Schemes	18,576,007
Environmental Protection/Conservation Grants	11,073,051
Miscellaneous	112,720,193
Other Departments and Bodies	
Road Grants	410,069,254
Other Local Road Grants, NRA, school wardens etc	30,404,274
Local Enterprise Office	28,746,067
Higher Education Grants	1,659,175
Community Employment Schemes	6,619,306
Civil Defence	2,570,253
Miscellaneous	40,819,347
Total**	**€1,120,534,692**

** Source of data is the amalgamated annual financial statements of local authorities (Revenue Account)

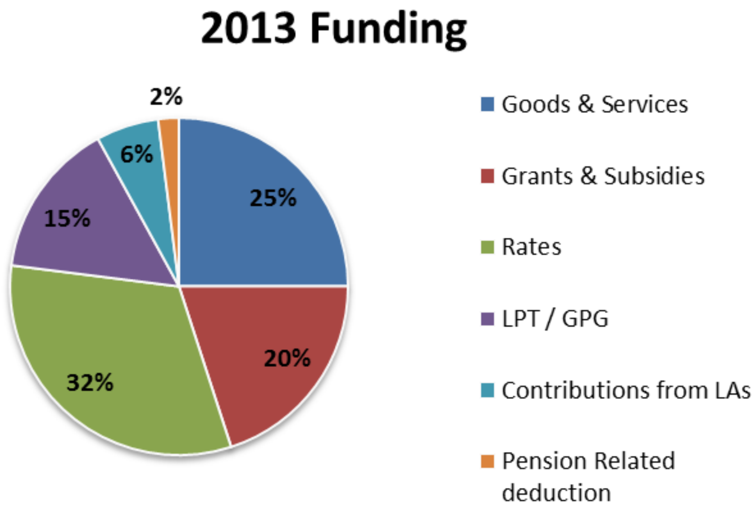
Table 5: 2016 Breakdown of Revenue Income from Goods and Services

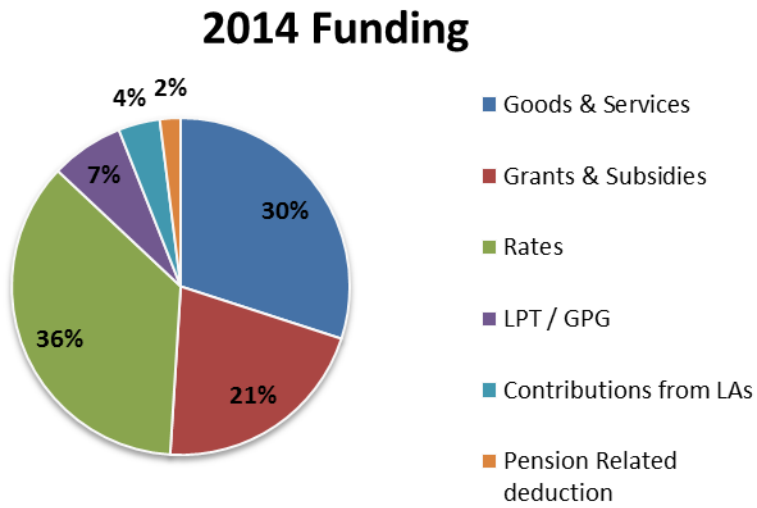
	2016
	€
Rent from Housing	409,352,357
Housing Loans Interest & Charges	31,947,185
Domestic Water	8,456
Irish Water	314,347,081
Domestic Refuse	1,772,057
Commercial Refuse	4,104,017
Planning Fees	22,093,661
Parking Fines/Charges	95,836,668
Recreation & Amenity Activities	26,886,848
Library Fees/Fines	1,670,327
Agency Services	13,810,889
Pension Contributions	53,213,828
Property Rental & Leasing of Land	15,546,372
Landfill Charges	18,801,889
Fire Charges	15,623,801
NPPR	35,654,140
Misc.	190,666,614
Total**	**€1,251,435,664**

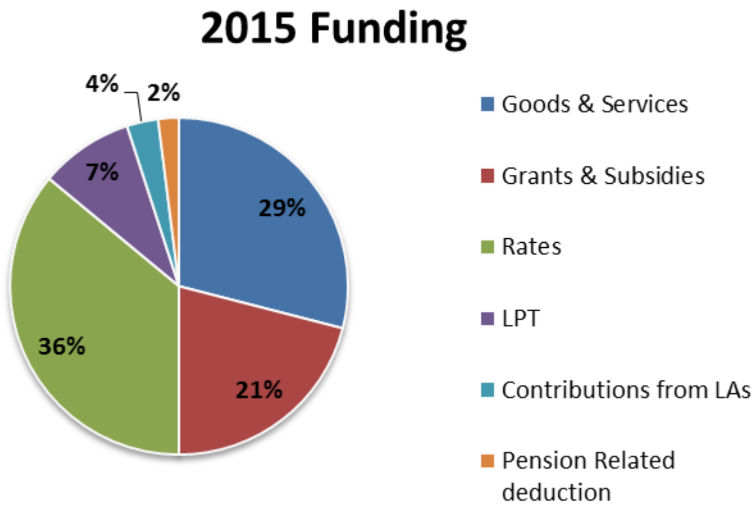
**Note The total of €1.251bn in Table 5 above table differs from the €1.218bn shown in Table 2 due to differences in the manner that contributions to other authorities are treated in the Annual Financial Statements of local authorities. Some inter authority transactions are included in the Goods and Services table. In the financial statements contributions from other Authorities is €33m less than in Table 2 i.e. it is shown as €103m.

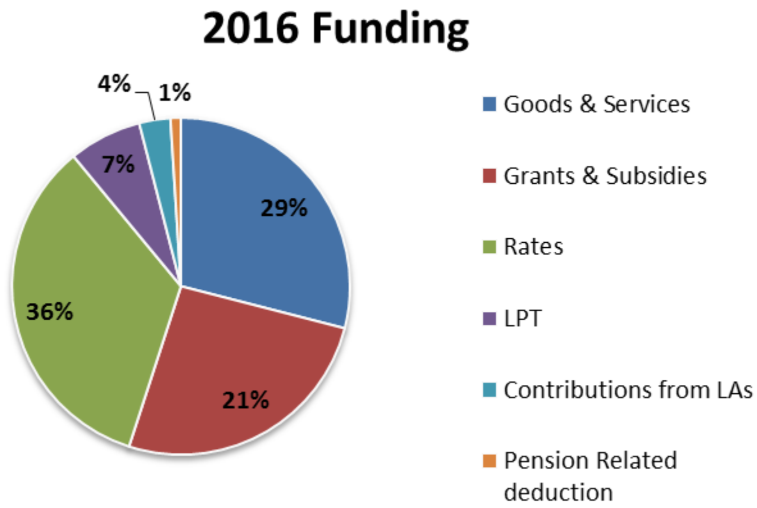
** Source of data is the amalgamated annual financial statement of local authorities (Revenue Account).

Revenue Funding to Local Authorities 2013-2016









2. Local Government Audit Service activity report of the 2016 Accounts.

The Report has now been published and is available on the Department's website at the following link:

http://www.housing.gov.ie/sites/default/files/publications/files/lgas_overview_report_march_2018.pdf

3. Local Property Tax (LPT) Equalisation

Local retention of LPT began in 2015 and since then the overall principles and allocation mechanisms have broadly remained the same. In accordance with Government decisions, 80% of LPT is retained in the area where the tax is raised, notwithstanding local variation decisions. The remaining 20% is used to provide equalisation funding to local authorities that do not have a sufficient LPT base to meet their minimum funding requirements.

Local authorities' cost and income bases vary significantly from one another, as do their LPT bases and their abilities to raise revenue from other sources. Appropriate levels of financial support, in the form of equalisation funding, have been made available to individual local authorities in order to support their continued efforts to achieve balanced budgets and to ensure that an adequate level of service is provided by each local authority.

Every local authority receives a minimum amount of funding from the local retention of LPT, known as the baseline. The 2018 baseline of €355m is linked, for the most part, to funding previously allocated from the Local Government Fund as General Purposes Grants (€282.6m) and to the levels of Pension Related Deductions retained by local authorities in 2014 (€73.6m). Effectively, the LPT allocation now replaces both of these previous sources of funding.

The equalisation process ensures that every local authority receives a minimum amount of funding from the local retention of LPT that is at least equivalent to their baseline. If 80% of the estimated LPT yield in a local authority area is lower than an authority's baseline, the funding is topped-up or equalised to that baseline.

Equalisation funding comes from the compulsory 20% contribution made by all local authorities and from additional funding provided by the Exchequer. In 2018 equalisation funding totalling €139m will be distributed to 21 local authorities, €97m of this will come from the 20% contributions made by all local authorities and the remaining €42m will be provided by the Exchequer. As there is a finite level of funding available for equalisation, it is important that funds are distributed in a consistent manner. Therefore the same formula has been applied to all local authorities that receive top-up equalisation funding.

The estimated LPT yield, the Baseline and the equalisation funding requirement are all interlinked; if the amount of LPT retained locally (80% of the estimated LPT Yield) was higher, the equalisation requirement would decrease accordingly, but the overall funding allocation would remain the same.

TABLE 1 - All Local Authorities - Population Statistics compared to LA Expenditure and the distribution of Equalisation funding

Local Authority	Census of Population C.S.O.	Local Authority Revenue Expenditure LGAS €'m	Per Capita Revenue Expenditure €	Distribution of LPT Equalisation Funding €'m			
	2016	2016	2016	2015	2016	2017	2018
Carlow County Council	56,932	44.42	780	2.09	2.27	2.98	2.96
Cavan County Council	76,176	57.58	756	4.84	5.02	5.96	5.94
Clare County Council	118,817	96.6	813	0	0	0	0
Cork City Council	125,657	149.85	1,193	0	0	3.14	3.08
Cork County Council	417,211	288.9	692	0	0	0	0
Donegal County Council	159,192	133.35	838	13.9	14.25	16.44	16.39
Dublin City Council	554,554	769.95	1,388	0	0	0	0
Dún Laoghaire-Rathdown Co. Council	218,018	149.51	686	0	0	0	0
Fingal County Council	296,020	177.32	599	0	0	0	0
Galway City Council	78,668	71.61	910	0	0	0	0
Galway County Council	179,390	116.26	648	0.53	1.06	2.87	2.86
Kerry County Council	147,707	127.04	860	0	0	2.53	2.51
Kildare County Council	222,504	142.19	639	0	0	0	0
Kilkenny County Council	99,232	74.6	752	3.2	3.51	4.74	4.71

Local Authority	Census of Population C.S.O.	Local Authority Revenue Expenditure LGAS €'m	Per Capita Revenue Expenditure €	Distribution of LPT Equalisation Funding €'m			
	2016	2016	2016	2015	2016	2017	2018
Laois County Council	84,697	55.35	653	3.61	3.8	4.64	4.62
Leitrim County Council	32,044	35.72	1,115	6.53	6.62	7.26	7.25
Limerick City & County Council	194,899	212.5	1,090	1.67	2.35	5.02	5.01
Longford County Council	40,873	37.86	926	6.38	6.47	7.22	7.22
Louth County Council	128,884	92.35	717	0.48	0.9	2.32	2.26
Mayo County Council	130,507	125.66	963	8.92	9.32	11.5	11.49
Meath County Council	195,044	101.87	522	0	0	0	0
Monaghan County Council	61,386	59.68	972	7.11	7.28	8.21	8.19
Offaly County Council	77,961	57.91	743	2.62	2.83	3.74	3.72
Roscommon County Council	64,544	59.06	915	5.83	5.99	7.04	7.03
Sligo County Council	65,535	61.81	943	5.65	5.86	7.01	6.01
South Dublin County Council	278,767	194.61	698	0	0	0	0
Tipperary County Council	159,553	136.58	856	13.52	14.05	16.51	16.49
Waterford City and County Council	116,176	122.9	1058	8.85	9.24	11.27	11.24
Westmeath County Council	88,770	66.54	750	4.85	5.11	6.1	6.09
Wexford County Council	149,722	99.04	662	1.86	2.41	3.82	3.8
Wicklow County Council	142,425	90.9	638	0	0	0	0

4. Overview of Irish Water Business Plan 2015-2021, including anticipated savings of €1.1bn.

General

On 1 January 2014 statutory responsibility for the delivery of public water services transferred to Irish Water from 34 (now 31) local authorities who continue to provide services under a Service Level Agreement (SLA) arrangement during the transition to a single, regulated utility.

The Irish Water Business Plan (2015 – 2021) is in place with the aim of radically improving water services by 2021. The Business Plan was developed in accordance with the Code of Practice for the Governance of State Bodies and covers a number of regulatory and budgetary cycles, and thus the perspectives on Allowed Revenue and State funding are subject to ongoing regulatory and budgetary decisions. The plan is available on the Irish Water website, at the following link: https://www.water.ie/docs/Irish-Water-Business-Plan.pdf**.**

Overview of Business Plan

The key objective of the Business Plan is to deliver on the reforms outlined by Government by implementing an effective single national water utility. The plan sets out the key outcomes which Irish Water, working with its partners in the local authorities, will deliver for customers, stakeholders and the Irish economy. These outcomes include transforming water services delivery, executing a major Capital Investment Programme, implementing significant cost reduction, delivering a quality customer service and supporting economic and social development.

The plan reflects the operating context at the inception of Irish Water which meant that our national water and wastewater networks were under severe pressure and not meeting the needs of a modern society. The main contributing factors to this context were the impact of historical underinvestment in water services, leading to an ageing and poor quality infrastructure, as well as a highly fragmented industry structure, leading to inconsistent operation and maintenance standards, inefficiencies and limited economies of scale.

The challenges currently facing Irish Water include bringing public water and wastewater services to acceptable international benchmark standards, achieving compliance with legal obligations, and meeting social and economic needs, while addressing effectively the critical assets at risk of failure.

The benefits of the single public utility model and the key Business Plan deliverables are outlined at Appendix 1 of the plan. This details the improvements that Irish Water will deliver by 2021, both in terms of compliance with relevant EU Directives and licences, and also important customer benefits across a number of key metrics. This includes ensuring safe drinking water for all consumers, addressing the most critical wastewater issues causing pollution today and exposing Ireland to serious risk of large scale fines, and cutting leakage rates by over 10% nationally (from almost 49% to 38%), while achieving annual operational savings of c€270 million per annum compared to the starting point in 2014. The total operational efficiencies over the period are targeted to amount to some €1.1bn.

In tandem with efficiencies benchmarked against the profile of 2014 operational costs, the Business Plan identifies new operational cost that will arise due to factors such as growth in the capital programme. As capital investment is made to deliver the necessary improvements to water services, for example to stop raw sewage being pumped into our rivers and seas, this will see Irish Water building new waste water treatment plants, which will involve associated new operational costs (e.g. staffing, energy, chemical costs). It is therefore critical that potential savings in the underlying base costs are delivered to ensure that operations are delivered as efficiently as possible, and under the new funding model secure value for money for the State funding component.

The real total operating costs over the period will increase by a net 13% by 2021, subject to the securing of the planned operational efficiencies in the base costs and allowing for the new costs arising from new investment.

Operational Costs, including savings of €1.1bn
A critical component of the Business Plan is the transformation of the water services operating model to a single way of working. Examples of similar plans in other water utilities, particularly public water utilities such as Northern Ireland Water and Scottish Water, show that best practice utility approaches can deliver greater efficiency from economies of scale, use of standard operating models and technologies and the appropriate assignment of functions at local, regional and national level. These approaches can also lead to enhanced opportunities for staff in terms of upskilling and career structure.

Operational costs amounted to €768m in 2014. The Business Plan commits to delivering cumulative savings of €1.1bn against this cost base over the seven years of the plan by harnessing operational efficiencies. In real terms this represents a circa 33% reduction in total operating costs over the period. This will be primarily achieved through efficiencies in:

- <u>Payroll & Associated Overheads</u> - Payroll and associated overhead savings will be achieved by transforming the industry operating model from a 31 Local Authority structure under the SLA arrangements, to a single utility way of working, with the water services workforce, processes and systems operating within a single organisation structure, delivering a water utility organised and sized to achieve cost efficient operations and customer service.
- <u>Repairs & Maintenance</u> **-** Driven by the benefits delivered through leakage reduction, investment in asset/infrastructure upgrades, rollout of trade effluent monitoring, increased automation and procurement efficiencies through contract negotiation, category management and supply chain optimisation.
- <u>Design, Build & Operate (DBO) Overheads</u> - The same initiatives to deliver repairs and maintenance savings will also deliver savings in DBO costs.
- <u>Energy & Consumables</u> - Driven by procurement efficiencies in the purchase of electricity, chemical optimisation and a reduction in water production (and so the need for electricity) associated with the fixing of leaks and reduced customer demand, with the introduction of domestic tariffs. Irish Water is committed to delivering on its stretching energy efficiency targets.

During the course of 2017, Ervia examined the options to meet its regulatory and business plan targets and concluded that the public water system would benefit from greater integration of operations into a single utility. Following this consideration, the Department was informed that the Ervia board had decided in principle not to renew the service level agreements it operates with local authorities beyond 2025 when they are due to end, and to work with local authorities and unions to move to the integrated model within the life of the current plan which runs to 2021. The Government has noted this position. The Minister has asked all of the parties to engage and to examine the issues in developing the appropriate national framework for the Irish Water transformation programme.

Ervia/Irish Water has estimated that €70 million per annum in operational efficiencies would arise through the move to a single public utility model. It has advised that these efficiencies would be in respect of payroll and related savings in overhead costs which it projects will arise from an operational headcount reduction of approximately 850 staff.

In explaining how it arrived at this number, Ervia/Irish Water has noted that there was an equivalent figure of some 4,300 staff working in water services at the end of 2017, comprising 3,500 local authority staff and just under 800 Irish Water staff. This 4,300 staff equivalent represents approximately 5,000 people because some staff in local government do not spend all their time working on water.

This is a complex project which must be carried out on a managed phased basis. Ervia/Irish Water appeared before the Joint Oireachtas Committee on Housing, Planning and Local Government on 22 February 2018 to discuss these matters.

The Role of the Commission for Regulation of Utilities

A further driver of efficiencies is provided by the Commission for Regulation of Utilities (CRU), as part of its role as economic regulator. The CRU reviews Irish Water's submissions regarding its proposed expenditure, both operational and capital, and associated proposed outcomes and outputs at each revenue review. Following this review and, further to a consultation process, the CRU determines the costs and associated revenues allowed for the relevant period.

As part of this periodic process, the CRU assesses if Irish Water's proposed costs are efficient and, where considered appropriate, imposes efficiency challenges or targets on the utility, .i.e. requires Irish Water to deliver the proposed outcomes and outputs for less.

For example, in its second interim revenue control decision for Irish Water, the CRU required Irish Water to deliver its capital investments, including non-network capital investments, during the 2017/2018 period for €136m (or 10.6%) less than it proposed. This was further to a review of how Irish Water had developed and costed its capital plans. As part of that decision the CRU also required Irish Water to deliver efficiency savings of €128m (or 8.4%) regarding its base, controllable operating expenditure during the 2017/2018 period. This was further to the completion of a benchmarking exercise whereby Irish Water's operating costs were compared to those of comparable utilities in other jurisdictions.

The CRU will assess Irish Water's delivery of these efficiency savings as part of the next revenue control process and may disallow any inefficiently incurred costs.

Irish Water's proposals on transformation

In the recent appearance before the Joint Oireachtas Committee on Housing, Planning and Local Government on 22 February 2018, Irish Water reported considerable progress in the transformation of public water services since 2014, working under the SLA with the 31 local authorities. This has seen a seamless transfer of responsibility for public water services to Irish Water and delivered a major increase in investment, while also achieving over €116m per annum to date in operational efficiencies and significant improvement in key service areas, for example in drinking water safety and in saving 115 million litres of water every day.

However, to progress further and fully implement the Business Plan, Ervia/Irish Water have concluded that the public water system would benefit significantly by greater integration of operations into the single utility. From Ervia/Irish Water's perspective, this would involve the development of a transformation programme premised on the current SLAs not being renewed beyond 2025 (when they are due to end) and working with local authorities and staff representatives to manage the move to a full integrated public utility operations model within the life of the current Business Plan (i.e. by end of 2021). As noted above, Ervia/Irish Water has estimated that €70 million per annum in operational efficiencies would arise through this process.

Against this background, the Minister has written to Ervia/Irish Water, the County and City Management Association and the Irish Congress of Trade Unions, and asked that they engage constructively in the process, to examine relevant issues in developing the appropriate national framework for the Irish Water transformation programme.

PAC 8 March 2018
Housing, Planning, Community and Local Government

Appropriation Accounts 2016: Vote 34 Housing, Planning, Community and Local Government

1. Mortgage arrears resolution process including how much is in the Fund.

The Department of Housing, Planning and Local Government, in tandem with the Local Government Management Agency (LGMA), introduced guidelines for local authorities in dealing with mortgage arrears in 2012.

These guidelines incorporated a Mortgage Arrears Resolution Process (MARP) closely based upon the Central Bank's MARP contained in their Code of Conduct in dealing with mortgage arrears. A range of restructuring options are available to local authority borrowers in arrears, including interest only, extending the term, reduced payments etc. These guidelines have been revised in line with the revised Code of Conduct from the Central Bank and are in operation within the local authority sector since June 2014. In addition, a Local Authority Mortgage to Rent (LAMTR) scheme for the most acute cases has been available nationally since February 2014.

Mortgage default by local authority borrowers poses a very real potential threat to the funding position of local authorities. In broad terms every local authority mortgage is matched by a loan from the Housing Finance Agency (HFA) which the relevant local authority pays back to the HFA. If a local authority is to be asked to modify a mortgage in order assist a distressed borrower for a period of time the local authority must either:

- continue to remunerate the matching wholesale borrowings and carry the loss, or
- have available to it a mechanism whereby it can match the new loan payments received from the borrower (or group of borrowers) to new loan payments it must make to the HFA.

Therefore, to support authorities in dealing with the shortfalls that arise through Local Authority Mortgage to Rent cases and repossessions, or voluntary surrenders, the MARP Premium fund was established in 2012. This fund is centrally held by the Housing Finance Agency (HFA) to support the costs arising for local authorities in dealing with unsustainable cases and is contributed to by all local authorities through the application of a MARP premium to all existing and new loans (the current rate is 0.8% on variable rate loans and 0.25% on recently introduced new fixed rate loans where the interest rate is fixed for the entire term of the mortgage (owing to the lower default risk associated with these fixed rate loans)).

Section 11 of the Housing (Miscellaneous Provisions) Act, 1992 provides for the rates of interest on home loans to be determined by the Minister. The rates charged by local authorities are arrived at taking into account their cost of funds from the HFA and the local authorities' costs for administration and mortgage arrears resolution, and remain significantly lower than the average market rate

The premium is deducted at source by the HFA and paid into the central MARP Premium fund in six-monthly instalments on 31 January and 31 July each year. The total income from the fund since its inception in October 2012 to 16 March 2018 is €40,240,642 with disbursements during that period amounting to €37,871,747. At 16 March 2018, the balance in the fund was €2,368,895. Local authorities may recoup the residual debt associated with a repossessed / abandoned / voluntarily surrendered / mortgage to rent unit from the MARP fund.

It should be noted that all options under the MARP process need to be fully explored with customers in arrears before mortgages are deemed unsustainable. Local authorities are required to make every effort to ensure that bad debts and the numbers of mortgages deemed unsustainable are minimised and that collection rates (including collection in respect of restructured loans) are kept as high as possible.

2. 687 HAP scheme exits, including the reasons for the exit.

Housing Assistance Payment (HAP) supported tenancies are agreed between the landlord and the tenant; the local authority is not a party to the tenancy and has no role in its agreement. There is no limitation placed by the scheme on the length of tenancy that can be supported by HAP. However, as with other private rental tenancies, the Residential Tenancies Act 2004 (as amended) governs the relationship between landlord and tenant and the length of the tenancy is a matter that must be agreed between the landlord and tenant in that context.

An analysis of data to end Q4 2017 in relation to exits from HAP indicates that at that stage, based on cessations data submitted by Local Authorities to the HAP Shared Services Centre, there had been 687 closed or exit tenancies for compliance reasons, comprising the following:

• Non-payment of rent by tenant	378
• Property Standards	166
• Other	143
Total	**687**

Examples of exits that arise in the "other" category include non-compliance by a landlord with tax clearance requirements and tenant anti-social behaviour.

3. PPP housing programme outlining the three different phases.

In the 2015 Budget the Minister for Public Expenditure and Reform committed funding for a Social Housing Public Private Partnership (PPP) Programme with a capital value of €300 million. It is to deliver 1,500 social housing units in total, via three bundles.

There are robust governance arrangements put in place to oversee the implementation of a PPP programme. For each Programme a Sanctioning Authority is responsible for approving and being accountable for expenditure on the programme. The Department of Housing, Planning and Local Government is acting as the Sanctioning Authority for the Social Housing PPP programme. A Sponsoring Agency is also appointed which oversees the preparation of the Output Specification and the Public Sector Benchmark (PSB). The PSB is an assessment of the cost of delivering the project through traditional public sector means. The Sponsoring Agency submits the Output Specification and the Public Sector Benchmark to the Sanctioning Authority for approval.

In relation to the Social Housing PPP programme the leading local authority with the greatest number of projects in each bundle is given the task of acting as the Sponsoring Agency on behalf of all the local authorities participating on the programme. In the case of Bundle 1 the Sponsoring Agency is Dublin City Council and Cork County Council is performing this role for Bundle 2. A Sponsoring Agency will be nominated for Bundle 3 once the potential sites for that Bundle are identified. The NDFA acts as financial advisers to the programme and is also responsible for the procurement and administration of the PPP up to completion of the project and handover to the relevant local authority. A Process Auditor is appointed for each Bundle who is responsible for checking that proper procedures and processes have been followed and providing assurance to the Accounting Officer of the Department that the procedures have been adhered to.

There are broadly 3 stages in the PPP Programme process. These are:

- Planning and pre-procurement;
    - Preliminary appraisal.
    - Establishment of governance and management structures.
    - Selection of sites and agreement of local authorities.
    - Compilation of output specifications and Public Sector Benchmarking.

- Implementation;
    - Pre-Qualification and short-listing of potential tenderers.
    - Tender process.
    - Tender Evaluation.
    - Award of contract.
    - Financial close.

- Contract Management.

As part of the governance arrangements each Bundle has a Project Board which is made up of representatives from the Sanctioning Authority, the Sponsoring Agency, the other relevant local authorities, and the NDFA. It is responsible for providing the leadership required to keep the project on track and to maintain governance over what is a complex process. It is also responsible for determining at each stage whether the Project continues to constitute value for money and whether it can proceed to the next stage, subject to the agreement of the Sanctioning Authority. The Project Board is supported by a Project Team and a Project manager. The Team is also made up of representatives from the Sanctioning Authority, the Sponsoring Agency, the other relevant local authorities and the NDFA, and is responsible for overseeing the operation of the Project. For the initial phase of the programme the Sponsoring Agency takes the lead on both the Project Board and the Project Team. At tendering stage the NDFA takes the lead responsibility on both.

Securing value for money is an overarching concern throughout the PPP procurement process and the Central PPP Unit in the Department of Public Expenditure and Reform provides guidance in relation to PPP projects to achieve this objective. The guidance sets out four specific VFM tests that are applied in the case of PPPs over the course of the planning and procurement process. These tests focus on assessing whether or not the PPP approach compares favourably with the alternative cost of using traditional procurement to achieve the same result. The purpose, sequence and format of the four VFM tests in the PPP approval process are set out clearly in the central PPP guidance.

The VFM analysis is designed to ensure that the project as a whole offers good value for money and that the PPP contract compares favourably with the cost of achieving the same objective by traditional procurement means. The first VFM test is carried out when the preliminary appraisal of a Programme is being undertaken. In the case of the Social Housing PPP programme this was undertaken in June 2014. The NDFA prepared the Provisional PPP Assessment Report on behalf of the Department of Finance, Department of Public Expenditure and Reform and the Department of Housing, Planning and Local Government. The report indicated that the programme had potential to deliver social housing through the PPP model and achieve value for money.

The Public Sector Benchmark is a key tool in the PPP procurement process. It estimates the full cost, taking into account income and risks of delivering the project using traditional public sector procurement methods. It is designed to comprehensively assess all the costs of procuring those elements of the PPP project that the private sector is being invited to tender for. These costs include construction, lifecycle/maintenance costs and risk valuations. The PSB for Bundle 1 of this Programme was undertaken by the NDFA in conjunction with the Department of Housing, Planning and Local Government and was completed in December 2017. The test compares the Public Sector Benchmark with a ‘Shadow Bid Model’ or SBM. The shadow bid anticipates the structure of the private sector bids for the project, in order to test if the project has the potential to achieve value for money. The NDFA concluded that based on its assessment, the Project remained suitable to being procured as a PPP and had the potential to deliver a value for money solution. As Sponsoring Agency, Dublin City Council undertook the second VFM test following the PSB and agreed that Bundle 1 of the PPP Programme had the potential to deliver value for money. The third test takes place at tender evaluation stage and the final test takes place at financial close of the project.

The PPP process also entails robust financial evaluation of proposed bidders at various stages. In addition to these evaluations, under the terms of the PPP contract, in the case of liquidation of a consortium member or an entity under the contract, the PPP consortium's funders and remaining shareholders are required to intervene and implement rectification measures to ensure the project is completed to the satisfaction of the State.

4. 2017 direct build figures broken down by Local Authority (LA) and Approved Housing Body (AHB).

In relation to full year outputs for 2017, provisional details on the number of units delivered were published on 15 January 2018 and are available on the Department’s website at the following link: http://www.housing.gov.ie/housing/rebuilding-ireland/social-housing-delivery-2017-ministers-statement

The provisional LA and AHB Build output for 2017 output was 2,245 units. This included delivery under LA led programmes, AHB led programmes and also new build LA and AHB units delivered through Part V.

A final breakdown of these numbers across all local authority areas for 2017 is currently being finalised and will be published on the Department's website, following completion of the necessary validation process.

In terms of Construction Activity, the Quarterly Construction Status Report provides detail at project level on a number of projects (excluding certain Part V projects) that are at various stages of approval, on-site or delivered. The most recent report, which is available at http://rebuildingireland.ie/news/quarter-3-social-housing-construction-status-report/, sets out the position at end Q3 2017 and shows that there were 772 schemes in the programme, which will deliver 12,300 social homes. Of these, there were 191 schemes on-site delivering 3,660 homes, with a further 1,939 homes due to go on-site shortly.

The report is also published on the Data.Gov.ie website in an excel version which is available for analysis at the following link:
https://data.gov.ie/dataset/social-housing-construction-status-report-q3-2107

An analysis of this information outlines that:

- Of the 1,460 units that were complete by end Q3 2017, 831 were AHB units
- Of the 3,660 units approved and due to go on-site, 1,702 were AHB units
- Of the remaining 5,234 units progressing through the various approval stages, 953 were AHB units.

The Construction Status report for Q4 2017 is currently being finalised and will be published shortly.

5. The cost of producing the National Planning Framework including costs paid to consultants and experts.

- A total of €607,000 has been expended on the preparation of the National Planning Framework (NPF) and was incurred over 2016 and 2017. A further €188,000 has been allocated for 2018 for outstanding costs relating to the final document as well as the establishment of effective arrangements for implementation and monitoring.
- Expenditure in 2016/2017 is broken down as follows:

Item	Amount (€)
Production and Stakeholder Engagement	305,000
Economic and Demographic Modelling	150,000
Environmental Assessment	98,000
Spatial Mapping	54,000
Total	**607,000**

Production and Stakeholder Engagement

- Public participation and consultation was a key element in developing the National Planning Framework. There were two formal phases of public consultation, including the publication of an Issues and Choices paper over February/March 2017 and the publication of a consultation draft of the National Planning Framework over October/November 2017, as well as a range of other regional and stakeholder events.
- The public consultation period also involved regional events, including at seven third level institutions across the country. Further to this, a series of radio ads were broadcast and an interactive video was commissioned.
- Some 700 submissions were generated by the publication of the Issues and Choices paper and over 1,000 submissions were received during the 6-week public consultation on the draft NPF. Finalisation of the NPF benefited substantially from these submissions.
- Public awareness was key to ensuring a broad range of citizen and stakeholder engagement. In this regard, an effective awareness and advertising campaign was crucial and the costs incurred were modest in comparison to the breadth and duration of the Framework. At pre-draft consultation stage, costs of €60,000 were incurred on advertising-related activities and a further €70,000 was incurred at the draft stage.

The Table below gives a breakdown of costs relating to Publication and Production:

Item	Amount (€)
Consultation events	40,000
Design	95,000
Green Schools Awards	15,000
Media adverts to publicise consultation periods	130,000
Video Production	25,000
Total	**305,000**

Economic and Demographic modelling

- Payments of €150,000 were made to the ESRI for economic and demographic modelling, which was critical to the evidential underpinning to the framework. This evidence base includes the ESRI Research study, entitled Prospects for Irish Regions and Counties: Scenarios and Implications, which is available on the ESRI's website at the following link: http://www.esri.ie/publications/prospects-for-irish-regions-and-counties-scenarios-and-implications/.

Environmental Assessment

- RPS were contracted for a cost of €122,377 (inclusive of VAT) for the provision of professional services for Strategic Environmental Assessment, Appropriate Assessment and Strategic Flood Risk Appraisal as part of the preparation of the NPF.
- To date €98,000 has been paid to RPS. The outstanding balance of approx. €24,000 falls due in 2018 following completion of the final SEA environmental report, the final AA and final Flood Risk Appraisal and SEA statement.

Spatial Mapping

- The All-Island Research Observatory (AIRO), based in National University of Ireland, Maynooth (NUIM), were contracted for a cost of €76,715.57 to undertake mapping and spatial analysis work required to support the development of the NPF and RSESs.
- To date €54,000 has been paid to NUIM for mapping and research completed and the final payment will be made in 2018.

2018

- Apart from the €24,000 balance in relation to Strategic Environmental Assessment, Appropriate Assessment and Strategic Flood Risk Appraisal, and the €23,000 approx in relation to spatial mapping, as referred to above, the balance of some €140,000 of expenditure planned for 2018 will, apart from some limited outstanding costs in relation to design, printing and translation of the final document, be focused on implementation and monitoring arrangements for the NPF.

6. National taking-in-charge initiative / Unfinished Housing Developments

The taking in charge of housing developments is a matter for the relevant local authority under section 180 of the Planning and Development Act 2000 (as amended). The Department launched the National Taking in Charge Initiative (NTICI) in April 2016 to pilot new approaches and working methods in supporting and accelerating overall national and local action on the taking in charge process of housing estates, including estates with "developer-provided water services infrastructure" (DPI).

Under the terms of the NTICI, which was underpinned by €10m in funding, developments subject to valid taking in charge applications were eligible for inclusion in the call for funding pilot proposals under Circular FPS 3/2016, which is available at the following link:
http://www.housing.gov.ie/sites/default/files/publications/files/circular_fps3_2016_national_taking_in_charge_initiative_3.pdf.

Of the funding allocated, €7.7 million was paid to local authorities in respect of 330 developments, containing some 13,400 units. **Table 1** (following) shows the amount of money allocated by Local Authority in respect of applications for this initiative.

The NTICI was not intended to establish a rolling annual funding programme to take in charge all estates not yet taken in charge, but was instead intended to develop better local authority, departmental and stakeholder knowledge and systems to support and streamline the taking-in-charge of further estates over time. The NTICI has been of considerable value to local authorities and other stakeholders, such as Irish Water, in developing their own enhanced internal systems and procedures to ensure both proper enforcement and expedited taking-in-charge procedures.

Findings and recommendations from the NTICI process will be included in a report on the initiative that the Department intends to publish shortly. The publication of the NTICI report will be of value to local authorities and other stakeholders in applying the lessons from the pilot projects, in a more general roll-out of a streamlined approach to taking in charge.

Taking in Charge Survey: Number of Estates

A Taking in Charge survey was undertaken by the Department in December 2015. The data initially gathered and collated by the Department from this survey showed that across the 31 local authorities, there were **5,566** completed housing developments nationally which were not in the charge of local authorities, **914** of which were served by developer-provided water services infrastructure (DPI). At that stage, **1,556** of these estates had TIC applications with the relevant local authority. A breakdown by local authority is set out in **Table 2** (following). Further progress has since been made in relation to Taking in Charge, including through the NTICI funding referred to above.

Proposed Multi-annual Funding Programme to Address Developer Provided Water Services Infrastructure.

The recently published National Development Plan 2018–2027 outlines that Exchequer investment amounting to €31 million is being put in place for the period 2018-2021 to address DPI, commencing with a provision of €3m in 2018, on which further details will be announced in due course. The proposed multi-annual programme, to be administered through the Department but delivered by the local authorities, will be developed in collaboration with local authorities and Irish Water.

The proposed progressive build-up of the €31 million of funding is set out in the table below

2018	**2019**	**2020**	**2021**
€3 million	€ 6 million	€10 million	€12 million

The new multi-annual funding programme will, progressively over time, facilitate the resolution of the water services infrastructure component of DPI estates in a sustainable manner. Local authorities will shortly (immediately after publication of the NTICI report) be invited to bid for funding for projects under the new multi-annual funding programme.

The funding from the Department is intended to be a contribution or co-financing towards the overall funding needs to provide sustainable solutions to resolve the DPI component in residential estates. The Department expects local authorities to harness further funding from a variety of other sources including: from the developer, bond provider, liquidator (if relevant), the local authority itself, synergies with Irish Water (through their Capital Investment Programme 2017-2021) or any other accessible and available sources. A similar leveraging model was very successful in delivering a resolution to a substantial number of unfinished housing estates (and more recently under the demonstration/pilots of the NTICI as outlined above) for a modest Exchequer and local authority outlay.

Annual Progress Report on Unfinished Housing Developments

The Department published the 2017 Annual Progress Report on Unfinished Housing Developments in March 2018. The report is available at the following link:
http://www.housing.gov.ie/housing/rebuilding-ireland/national-housing-development-survey/publication-2017-annual-progress.

As outlined in that Report, the number of unfinished housing developments has reduced by 91% from just under 3,000 developments in 2010 to 256 developments in 2017. In addition, the Report shows that 74% of Local Authority areas now contain less than 10 unfinished developments, with four local authority areas having no occupied unfinished developments. In addition, 70 developments which had been on the Unfinished Housing Developments list progressed over the course of 2017 to being taken in charge by the relevant local authority.

Table 1: Funding allocated by Local Authority under the NTICI

Local Authority	No. of estates	Total number of units	Total monies paid out
Carlow	8	247	€189,393.50
Cavan	23	891	€151,354.15
Clare	12	230	€437,114.00
Cork City	15	658	€387,405.52
Cork County	3	197	€124,969.86
DLR	0	0	€0.00
Donegal	39	1,774	€825,903.86
Dublin City	0	0	€0.00
Fingal	7	868	€200,853.50
Galway City	1	12	€19,691.43
Galway County	21	980	€382,721.10
Kerry	18	666	€362,652.00
Kildare	6	365	€166,161.49
Kilkenny	9	694	€229,900.00
Laois	5	165	€141,873.30
Leitrim	9	188	€151,950.00
Limerick	6	383	€268,500.00
Longford	12	487	€163,500.00
Louth	0	0	€0.00
Mayo	11	340	€336,234.00
Meath	6	300	€169,659.00
Monaghan	12	211	€111,170.00
Offaly	21	673	€320,280.00
Roscommon	9	157	€224,468.00
SDCC	1	745	€30,000.00
Sligo	12	272	€252,911.98
Tipperary	13	311	€521,296.40
Waterford	10	544	€141,896.00
Westmeath	5	53	€210,130.00
Wexford	29	817	€887,819.85
Wicklow	6	155	€290,192.00
	229	**13,383**	**€7,700,000.94**

Table 2: Breakdown by County for Estates to be TIC in 2015.

Local Authority	Number of developments per County to be Taken in Charge	Currently in TIC process	DPI
Carlow	89	33	27
Cavan	213	28	72
Clare	164	66	43
Cork City	46	0	0
Cork County	322	92	69
DLR	9	3	0
Donegal	691	232	282
Dublin City	33	4	n/a
Fingal	247	87	22
Galway City	24	16	0
Galway County	264	59	74
Kerry	462	42	19
Kildare	180	50	14
Kilkenny	140	81	38
Laois	94	45	4
Leitrim	100	24	0
Limerick	88	55	3
Longford	49	13	3
Louth	190	75	4
Mayo	254	41	n/a
Meath	458	73	n/a
Monaghan	56	20	7
Offaly	114	32	0
Roscommon	185	58	48
SDCC	20	3	0
Sligo	61	18	11
Tipperary	295	96	58
Waterford	100	35	9
Westmeath	50	33	9
Wexford	492	115	90
Wicklow	76	27	8
	5,566	**1,556**	**914**

7. Breakdown of expenditure under the Capital Assistance Scheme

The Capital Assistance Scheme (CAS) provides capital funding to local authorities to enable them to advance loans to approved housing bodies (AHBs) providing housing for older people, homeless people or people with a disability. Loans of up to 100% (or 95% where the AHB chooses to retain the right to nominate 25% of tenancies) of the overall approved capital cost of eligible projects may be advanced, subject to CAS scheme conditions.

Expenditure under the subhead in 2016 was €37.033 million, which supported the delivery of 319 units of accommodation (42 construction and 277 acquisitions). This was an under-spend of €49.4 million on the initial €86.5m provision, in spite of there being a significant level of construction project approvals in place (i.e. some 100 approved construction projects to deliver nearly 1,000 new accommodation units). While delays can occur at local level, e.g. planning, legal, etc., the main reason for the underspend is considered to be the lack of capacity of some AHBs, particularly the smaller AHBs, to advance projects as quickly as would be expected. It should be noted, however, that while there was an under-spend of €49.4 million under CAS in 2016, this funding was reallocated, in full, within the housing area to support the delivery of social housing homes for a range of categories of persons in communities across the country.

With a view to increasing output and drawdown under CAS, the Department is closely monitoring project activity and working with the local authorities and the Irish Council for Social Housing (an umbrella body for AHBs) to press for project advancement and to assist, where possible, smaller AHBs where there are capacity issues.

In some cases, where considered necessary, local authorities may have to de-commit funding if an AHB cannot advance an approved project within a reasonable timeframe. An example of this is the de-commitment earlier this year of two CAS projects, which had been approved for 19 units in July 2015, by Clare County Council. While this removes projects from the pipeline, it also sends a signal that only viable projects that can be advanced in a timely manner should be submitted by AHBs and approved by local authorities.

Output under CAS is already increasing, with expenditure in 2017 amounting to almost €55 million, an increase of almost €18 million on 2016. The 2017 delivery is estimated to be over 400 units (final numbers are being collated), compared to 319 in 2016. The focus is on further increasing CAS homes in 2018 and beyond.

DHPLG,
29 March 2018.