

Joint Committee on Housing Planning and Local Government

Opening Statement by John Coleman, CEO of the Land Development Agency (LDA)

Tuesday 12th November 2019

Chair, Deputies and Senators,

Thank you for inviting us to appear today.

I am joined by my colleague Phelim O'Neill, Head of Land at the Land Development Agency.

At my last appearance before the Committee in early October, I provided the Committee with a progress update on the sites in the LDA's initial portfolio and on the wider progress we have made since inception a year ago. I also outlined our plans for the remainder of 2019 and 2020.

Our engagement with the Committee that day was very constructive and informative and I would like to thank the Committee for that engagement and for the wider support it has shown for the LDA.

On a more general note, I would like to thank the Committee for the extensive and detailed work it has done on pre-legislative scrutiny of the General Scheme of the Land Development Agency Bill.

The contributions made both by Committee members and the many attendees before the Committee in recent weeks, which have included people with considerable experience of and insight into the issues and constraints facing the housing sector, are essential and valuable steps in the process of designing this legislation.

It is already clear that the Committee's work is making a very significant contribution to enabling the LDA to provide effective, tangible and durable measures that will improve housing supply in the short term and bring much-needed stability to the housing market over the long term.

In a similar vein I am grateful to local authorities throughout the country for the quality of their engagement with the LDA since we began operating. The support they have shown - and the detailed knowledge and innovation that they have brought to their discussions with us - augurs well for our collective ability to address the problems that we share and which we want to resolve together.

Ultimately the LDA cannot succeed without the support of its key stakeholders and I have been greatly encouraged by the strong commitment, the collaborative approach and the shared desire for solutions that I have seen at first hand among members of this Committee, local authorities and our other stakeholders.

I will use my opening statement today to give the LDA's perspective on some of the issues that the Committee's work has identified in recent weeks. In particular I would like to talk about:

- The need for the LDA to be established as a commercial body;
- The importance of enacting the legislation so that the LDA can make the financial commitments it needs to make;
- Our commitment to accountability, governance and transparency; and
- The delivery of affordable housing on State lands.

I will now address each of these areas in turn, beginning with the need for the LDA to be established as a commercial body.

The need for the LDA to be established as a commercial body

There have been some suggestions in recent weeks that the LDA should not be established as a commercial body, or that in doing so, the Agency would in some way act in a manner that is not in the interests of addressing our housing issues.

I would like to reassure the Committee that there is no conflict whatsoever between being established as a commercial body and in the provision of much needed housing.

In fact, my strong view is that operating as a commercial body offers the best way to ensure: (a) the sustainability of the LDA's resources; and (b) the sustainability of the LDA through economic cycles.

I can assure the Committee that the LDA and its board, including me as CEO, are clear that our primary objective is to ensure that homes, including affordable homes, get built and delivered to people and families on the land we gain access to. Many State bodies have a commercial mandate while at the same time being committed to achieving important social and economic objectives, which include providing electricity, public transport, operating ports, health insurance and many other essential services. The LDA is no different, and while it is to be commercial, its mandate is clear – to accelerate the provision of homes and supporting development on State and other land.

We see ourselves as custodians and stewards of the €1.25bn in taxpayer money that the Government has earmarked for the LDA. Our job is to use that money in a way that strikes the right balance in achieving all our objectives – improving housing supply, delivering long-term stability in the housing market, using State lands more effectively and freeing it up to deliver new homes wherever that is appropriate. We must do this in a way that preserves the sustainability and long-term impact of the LDA.

My fear is that, if we do not get the balance right, we would be at risk of using valuable State resources inefficiently or unsustainably, and hence running out of these resources early.

Acting as a commercial operator will also help us to deliver housing in good times when Exchequer funding is available to support this activity and future-proofing the agency so that it can be just as effective in bad times when the Exchequer does not have access to resources to invest. Establishing the LDA as a commercial body will enable it to raise finance and invest in housing provision in times when the Exchequer is simply not in a position to do this. This will mean that the LDA will be able to act counter-cyclically which will achieve important wider economic benefits in terms of stabilising housing supply and also achieve best value for money by enabling the Agency to procure land and buildings when the housing market is weaker.

So when we talk about the desirability of the LDA being a commercial body, it is not because we are seeking to make profit for the sake of profit – it is about ensuring the LDA can be an all-weather contributor to the State, irrespective of how the wider economy is performing.

By way of example, if we consider the extreme financial pressures on the State 10 years ago as we were on the verge of a Troika bailout, it is not realistic to think that the LDA, had it been in place at that time, could have sought money from the Exchequer to buy land.

If we are to be successful as a counter-cyclical operator that can take advantage of long-term opportunities for the taxpayer, we have to create the conditions that will allow us to achieve this. Establishing the LDA as a commercial body is the best way to do this.

The importance of enacting the legislation so that the LDA can make the financial commitments it needs to make

Turning to the importance of the legislation underpinning the LDA, I have noticed some public discussion about the LDA's ability to operate in the absence of this legislation.

While we are operating effectively on the basis of a statutory instrument signed by Minister Murphy last year and this has been sufficient for what I would term the "start-up" phase of the LDA's operations, I am conscious that we are approaching the end of this "start-up" phase.

As I told the Committee last month, we have made significant progress on the sites in the LDA's initial portfolio, which have the capacity to deliver approximately 3,000 homes, and are working well with local authorities in respect of these and other potential sites – including at Shanganagh in the Dun Laoghaire Rathdown local authority area.

We have been able to achieve this progress on our existing statutory basis. However, the more progress we make, the closer we come to a stage where we will need the provisions of the proposed legislation to continue to deliver on these sites as expeditiously as possible.

In particular, we are approaching a point where we will have to make significant financial commitments in the middle of 2020, as our work evolves from valuable preparatory work to the nuts and bolts of active construction on live sites.

This creates a natural time constraint for the enactment of the proposed legislation. While we do not envisage any delays at present in progressing our projects based on the current timelines, the existence of this constraint highlights the value of the Committee's pre-legislative scrutiny process and the importance of getting this legislation right within a defined timeframe.

I would like to assure the Committee that we will continue with our existing approach of working closely and collaboratively with the Committee to ensure that its concerns are addressed in a manner satisfactory to the Committee and to facilitate the efficient and timely passage of the legislation through the Oireachtas.

Our commitment to accountability, governance and transparency

I will now turn to addressing some of the commentary that the Committee has heard in respect of the LDA's transparency, governance and accountability.

I want to assure the Committee and other stakeholders that we share their desire to create an organisation that is best-in-class in terms of its accountability, governance and transparency.

As CEO of a State agency, I know the importance for the LDA of not only doing our job to the best of our ability, but being able to demonstrate to citizens and public representatives that we are doing our job to the best of our ability – and indeed to the highest standards, which people have every right to demand and expect from agencies such as the LDA.

I see exposure to public scrutiny as an essential part of our mandate and something that my colleagues and I should (and do) welcome.

We want significant levels of oversight and accountability built into our operations and the proposed legislation and governance frameworks for State bodies set out measures to achieve this.

Under the proposed legislation, the LDA is accountable to our ministerial shareholders, the Public Accounts Committee and will be subject to Comptroller and Auditor General audit. In addition, the LDA will appoint an external statutory auditor under the Companies Act, and an internal auditor.

Since the inception of the LDA last September, we have set out to ensure the highest standards of corporate governance. The LDA's nine person Board comprises of experienced professionals with a diverse mix of both public and private sector expertise. The Board was established in January 2019 and provides ongoing strategic direction to and oversight of the LDA's activities.

We have established an Audit and Risk Committee with the responsibility for overseeing the assessment and management of the strategic risks facing the LDA which could result in financial, reputational or other loss to the LDA.

We have also provided for an Investment Committee which will have responsibility for assisting the Board in the control and management of the LDA's investment activities.

The LDA will adhere to the Code of Practice for the Governance of State Bodies as required.

In summary, the LDA will be accountable to its Ministerial shareholders and the Public Accounts Committee, it will have three separate auditors, it has an experienced independent board with Audit and Risk, and Investment Committees, it will publish a comprehensive annual report and will be subject to the Code of Practice for the Governance of State bodies.

I can assure the committee that the LDA has and is committed to continuing to place accountability, corporate governance and transparency at the core of its activities.

The delivery of affordable housing on State lands

Lastly, I would like to conclude by drawing the Committee's attention to our commitment to delivering affordable homes on State lands. This has been, and will continue to be, one of our top priorities.

The affordability requirement on state lands is a separate policy matter set by the Government – the requirement sits outside the LDA and applies to any party accessing State lands, be it the LDA or anyone else. The LDA will implement this requirement as a party that will seek to access State lands on an ongoing basis. While this is ultimately a policy matter for Government, what I would say is that the policy in my view provides a balance between providing significant amounts of social and affordable housing while leaving open the option to lever the initial €1.25bn of funding provided to the LDA. This is particularly important when one considers the context that if no third party funding was added to the LDA's mix, the €1.25bn would be used up in its entirety by our initial site portfolio, when our ambitions go much further than that. To frame it another way, the 150,000 homes, which have been targeted for the LDA to facilitate the delivery of in a 20-year period, would have a total delivery cost of well in excess of €45bn, which I don't believe is feasible to be funded entirely by the State.

Further, it provides for flexibility for particular areas which may need a diversity of housing tenures, including social, affordable and private.

As I said to the Committee last month, we see the provision of 40% social and affordable homes as a minimum, not a maximum, and we anticipate that we will be able to deliver 100% social and affordable on individual sites where the right circumstances exist.

I am conscious that the provision of social and affordable housing is a major area of focus for the Committee and it is entirely understandable that many of our stakeholders want to highlight the importance of not missing any opportunity to deliver in this space.

What I would say to these stakeholders is that we share that sense of urgency and commitment to delivering on our requirement to provide all types of homes, including social and affordable. We are confident that we can achieve this through a range of delivery options – including developments that are 100% social and affordable, and developments in which there is a mix of private homes alongside social and affordable homes.

That concludes my opening remarks. I hope they give the Committee greater clarity on some of the issues that have been raised during your deliberations in recent weeks.

I will be happy to take your questions.

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