

Public Accounts Committee
Appropriation Accounts 2019 - Vote 34, Chapter 2: Central Government
Funding of Local Authorities & Local Property Tax, Local Government
Fund Account 2019

Department of Housing, Local Government and Heritage
Opening Statement by Graham Doyle, Accounting Officer

25 November 2020

Chairman, Members, I am pleased to be here this afternoon as Accounting Officer to assist the Committee in its examination of the 2019 Appropriation Account for Vote 34; Chapter 2- Central Government Funding of Local Authorities & Local Property Tax; and the Local Government Fund Account for 2019.

I am joined by a number of colleagues from the Department: Mary Hurley, Assistant Secretary with responsibility for Local Government Division and Marguerite Ryan, Finance Officer are present in the Committee room. I am also joined virtually by Feargal O’Coigligh, Assistant Secretary, Water Division, Maria Graham, Assistant Secretary, Planning Division and Lorraine O’Donoghue, Local Government Finance. Together, we look forward to discussing the expenditure and activity of the Department in 2019 with you all.

Chairman, despite not being present in the Department for the period under examination, I have very carefully examined all of the areas of activity and expenditure and I recognise that the Department had a very substantial work programme in 2019, and delivered on a range of key policies and programmes. As time is limited, I will not go through every area of expenditure but will touch on the key areas briefly.

As requested by the Committee, I have provided some advance briefing for the meeting and also a copy of my Opening Statement.

The Department’s gross expenditure in 2019 as set out in the Appropriation Account before the Committee today totalled some €3.961 Bn.

I will start by welcoming the work of the Comptroller and Auditor General, and the 4 Chapters which will be examined over the course of this evening and tomorrow. I recognise and appreciate the value of this work in the context of enhancing the outward demonstration, not only to this Committee, but to the public in general, of the important work that is done in my Department and the value we put on transparency and accountability. As with previous recommendations, we will continue to evolve and mature our systems and reporting to align with best practice wherever possible.

Housing

The focus of the Department’s 2019 activity in the area of Housing was led by the actions set out in the 6 year *Rebuilding Ireland Action Plan for Housing and Homelessness*. 2019 represented the 4th full year of activity under the Plan and a milestone year in terms of social housing delivery.

The Department’s gross voted expenditure on housing programmes, as set out in the Appropriation Account, totalled some €2.365 billion in 2019. A further €92.6 million was available from Local Property Tax (LPT) receipts to fund housing programmes of certain

local authorities whose LPT allocation exceeded their LPT funding baseline, bringing the overall total resourcing for the Department's housing programmes to €2.458 billion in 2019.

Social housing delivery represents a large proportion of expenditure under the Housing programme. Delivery is achieved through the main headings of Build, Acquisition, Leasing, Housing Assistance Payment (HAP) and the Rental Accommodation Scheme (RAS). Within these headings are multiple sub-delivery vehicles, all working in parallel to achieve the optimum outcome for exchequer investment.

To understand why the Department relies on both Capital and Current structures for social housing delivery, it is important to refresh our minds on the context of the Rebuilding Ireland social housing targets. These were developed in response to the recommendations of the Oireachtas Committee on Housing and Homelessness in 2016. That Committee indicated that the LA and AHB stock available for social housing should be increased by some 50,000 homes, but also recognised that the ability of the State to meet the cost of responding to the need for social housing was hampered by the application of domestic and EU fiscal rules.

In addition to this, the need for immediate, mid-term and long term delivery had to be taken into account and the range of programmes that are now in place seek to harness the maximum delivery possible by deploying the maximum current and capital funding available.

Appendix 1, which I have circulated in the briefing paper for the Committee today, sets out the key targets for the period 2016 to 2021 and details the progress that had been made to the end of 2019. In overall terms, housing supports were delivered to over 28,000 households in 2019, ahead of the target of 27,360. Cumulatively, since 2016 more than 100,000 additional households had received a social housing support, and social housing waiting lists dropped by 25%.

Build activity increased year on year, with new build activity (excluding returning vacant LA dwellings to active use under Voids programme) growing almost ten-fold between 2015 and 2019.

The quarterly Social Housing Construction Status Report showed an increase from 8,430 homes in the programme overall, at various stages of development, at end 2016 to some 26,015 homes at end 2019. LA led new-build activity also grew significantly over the period. The number of LA led projects increased from 290 schemes representing 4,820 homes at end 2016 to 699 schemes representing 10,892 homes by the end of 2019, and this continues to grow. This excludes LA turnkey schemes, which accounted for 3,860 homes in the programme at end 2019.

Wider housing supply also continued to grow in 2019 with the number of new homes becoming available for use in the full year reaching 24,394, a 14% increase on 2018.

Chairman, while what I have set out reflects some the positive indicators, and increasing provision of social housing, we are keenly aware of the substantial work that remains to be done. The number of homeless households supported into more sustainable housing increased by 16% last year, however the challenge remains in making substantial and sustainable inroads into reducing the net numbers reliant on emergency accommodation and services, and we continue to absolutely prioritise working with housing authorities and NGOs. Prevention is just as critical as developing pathways for exits.

Across all areas we will be unrelenting in our commitment to achieve the best outcome for citizens using the resources provided to us by the Exchequer. The new Programme for Government seeks to place even more demanding ambition on delivery to be achieved in

the years ahead and rising to meet this ambition will be the cornerstone of social housing activity for my Department.

The 2020 provision for housing amounts to nearly €2.7Bn (including LPT receipts), the majority of which will be concentrated on supporting over 27,500 additional households across all our social housing delivery streams and those already in a support. Like many sectors, the impact of Covid-19 has been very challenging for the Department and its stakeholders however we continue to push for maximum feasible delivery across all streams.

As we move into 2021, a provision of over €3.3Bn will be available for the Housing Programme. This represents the largest ever investment in Housing and will support implementation of the ambitions in the Programme for Government with a particular focus on increasing supply through new build activity.

Water Services

The past decade has seen a significant period of reform in the approach to the delivery of water services and the promotion of wider environmental protection.

As the Committee is aware, responsibility for the provision of public water services transferred from local authorities to Irish Water on 1 January 2014. Irish Water is now firmly established as the national public water utility and has brought a new coherent approach to the delivery of water services investment and management.

While the Government's voted exchequer investment in Irish Water is substantial, with €1.2Bn in the accounts before you today for 2019, and €1.3Bn for 2020 and 2021, there remain significant infrastructure deficits to be dealt with and it is critical that we maintain a high level of investment in the sector in order to achieve compliance but also to support national housing and regional development objectives.

In terms of our Rural Water Programme, in 2019 some €41.1m was provided across both capital and current funding structures. Certainty for priority investment has been put in place through a multi-annual capital programme, aimed at improving the reliability and efficiency of rural water services infrastructure.

Local Government

Chairman, as you will be aware, the Local Government Fund (LGF) is a special central fund which was established in 1999 under the Local Government Act 1998. The profile of income and expenditure of the Local Government Fund has undergone significant changes in recent years. Income, which historically comprised motor tax income along with some payments from the Exchequer, is now comprised of income from the Exchequer and, since 2014, Local Property Tax. The Government decides the expenditure from the Local Government Fund each year as part of the budgetary process.

As the chapter shows, transfers of funding from central government sources to local authorities in 2019 totalled some €4.17 billion, an increase of 13% on 2018's €3.69 billion. The Local Government Fund (LGF) accounted for 15% of this amount. A number of Departments, including my own Department and the Department of Transport, as well as other agencies, are involved in providing this annual funding to local authorities.

The Local Government Fund Account for 2019 gives details of the operation of the Fund during the year. The income sources to the Fund totalled €658.5 million, made up of, Local

Property Tax (LPT) receipts of €473.4 million and a payment of €185.1 million from the Exchequer, through the Department's vote.

The main payments from the LGF in 2019 were: LPT allocations to local authorities of €503.6 million, an allocation in respect of local authority pay and pensions costs of €86 million, an allocation of €47 million in respect of compensation in respect of rates previously paid on water infrastructure and an allocation of just under €1m to support the implementation of the Creative Ireland programme at local level.

With regard to Chapter 2, which has been prepared by the Comptroller and Auditor General, the Department welcomes the work undertaken to provide such a comprehensive overview of the structures and the funding flow, and the acknowledgement of the complexity of same. The Chapter also sets out the scale and levels of scrutiny and accountability that have been put in place to ensure appropriate levels of oversight, including through the Local Government Audit Service and the National Oversight and Audit Committee. I look forward to discussing this with you today.

Other Programme Areas

Further areas of expenditure set out in the 2019 Appropriation Account include, in the Planning area, meeting the costs of An Bord Pleanála (€18.5 million), as well as Met Éireann costs of €28 million.

Since the establishment of the new Government this year, my Department has also taken on responsibility for the Heritage Division and while not covered in today's examination, I look forward to updating you in due course on the wide range of activities supported by expenditure in that area.

Conclusion

Before I conclude Chairman, I'd like to make some short remarks in relation to my Department's activity in 2020. While not the subject of today's meeting, and I look forward to meeting with you in due course to discuss expenditure, it has been an exceptionally challenging year for all sectors.

I am immensely proud of the responsive and proactive manner that the civil service has acted in in response to this pandemic and also for the collegiate and practical collaboration with political colleagues during a never before seen set of circumstances, starting with the election in February.

I came to this Department a very short time ago, in the midst of the pandemic, and saw first-hand the scale of activity and responsiveness. The Department, its agencies and our partners for delivery, including the NGO and AHB sectors, have given of themselves tirelessly to achieve the best for those we serve and I want to formally acknowledge that here today. In particular our local authorities, with whom you will all have played your own part, have demonstrated the true value of public service through the Community Call and other critical supports deployed at local level. At all times, the Department has continued to advocate for Local Government at a national level and will continue to do so, in recognition of the absolutely critical nature of the local authorities.

To conclude, Chairman, the matters I have referred to illustrate well the broad range of programmes and activities for which the Department had responsibility in 2019. I and my colleagues will be happy to respond to questions or issues that emerge in the course of the Committee's further work today. Thank you.