

Public Accounts Committee – 26 January 2023

Appropriation Accounts 2021 - Vote 34

Local Government Fund Account 2021

Chapter 4. Re-allocation of voted funds

Chapter 6. Central Government funding of local authorities

Chapter 7. The Housing Agency's revolving Acquisition Fund

Chairman, Members, I am pleased to be here this morning as Accounting Officer to assist the Committee in its examination of the 2021 Appropriation Account for Vote 34; Chapter 4. Re-allocation of voted funds, Chapter 6. Central Government funding of local authorities, Chapter 7. The Housing Agency's revolving Acquisition Fund and the Local Government Fund Account for 2021.

I am joined by colleagues from the Department:

- Feargal O'Coighligh- Assistant Secretary- Housing Policy, Legislation & Governance Division
- Caroline Timmons- Assistant Secretary (Acting)- Housing Affordability Inclusion & Homelessness Division
- Paul Hogan - Assistant Secretary (Acting) – Planning Division
- David Kelly – Principal Officer – Housing Finance & Co-ordination Unit
- Sinead O'Gorman - Principal Officer- Local Government Division
- Sinead Kehoe – Finance Officer

Together, we look forward to discussing the expenditure and activity of the Department in 2021 with you all. As time is limited, I will not go through every area of expenditure but will touch on the key areas briefly.

I have provided some advance briefing for the meeting, including briefing in relation to Standing Order 218(2) regarding Value for Money, along with a copy of my Opening Statement.

I'd like to start by welcoming the work of the Comptroller and Auditor General and the engagement of his team with the Department over the course of the audit. On the basis of recommendations, we will continue to evolve and mature our systems and reporting in line with best practice wherever possible.

Overview

The Department's gross expenditure in 2021 as set out in the Appropriation Account before the Committee today totalled over €5.1Bn. This was 2% below the outturn for 2020, due mainly to more targeted Covid-19 support payments to the Local Government Sector in 2021 versus 2020.

2020 was a very challenging year for Ireland, and whilst at the outset of 2021 we were initially optimistic for a return to pre-pandemic activity and expenditure, 2021 in fact was an even more challenging year on many fronts.

As we contended with the continued reality of Covid-19, the pace of delivery anticipated at the outset was simply not possible. Construction closures, social distancing measures, workforce impacts and supply chain issues had a significant impact on delivery and consequentially on expenditure.

However, that did not mean we were less productive. My Department continued to work in delivering emergency legislation, ensuring that vulnerable households were protected, delivering cross Government supports and in preparing the new Housing for All Strategy published in September 2021.

Housing

Housing for All, launched by Government in September 2021, has the objective that every citizen in the State should have access to good quality homes: to purchase or rent at an affordable price; built to a high standard and in the right place and offering good quality of life. This is a whole-of-Government Plan involving leadership and close collaboration across many Departments.

In support of Housing for All the Department's gross voted expenditure on housing programmes, was approximately €2.8 billion in 2021. Approx. €92m million was available from Local Property Tax (LPT) receipts to fund housing programmes.

Social housing represents a large proportion of expenditure under the Housing programme both for existing social homes and adding new social housing stock. New social housing is achieved under the main headings of Build, Acquisition and Leasing. Rental supports under the Housing Assistance Payment (HAP) and the Rental Accommodation Scheme (RAS) are also provided. A broad range of services are provided including services for Homeless households, supports for older people and people with a disability, traveller accommodation, energy efficiency retrofits, pyrite and defective concrete block remediation.

In terms of Affordable Housing, the Affordable Housing Act 2021 established the basis for new affordable purchase and Cost Rental schemes, which commenced in 2022.

Despite the very challenging impact of Covid-19 on construction activity, the second half of 2021 saw some rebound with local authorities, approved housing bodies and other delivery partners seeking to make up lost ground.

A total of 9,169 new social homes were provided in 2021, 5,196 of these were new build homes delivered through local authorities and Approved Housing Bodies, 1,262 were targeted acquisitions by local authorities and Approved Housing Bodies and 2,711 homes through leasing programmes.

The challenges of 2021 have given way to further challenges in the construction sector with the very high levels of inflation, supply chain issues and higher interest rates across 2022. However, the Department remains focused on seeking to bring about new supply of social and affordable homes under the ambition set in Housing for All.

Water Services

Water Services continues to undergo a significant period of reform in the approach to the delivery of water services and the promotion of wider environmental protection.

Irish water is now a standalone company in public ownership as a regulated utility. The Government's voted exchequer investment in Uisce Éireann is substantial, and has been growing steadily in recent years, supported now with the revised NDP to bring certainty of investment in the years ahead.

Almost €1.3 billion was spent by Uisce Éireann in 2021 to service existing schemes and deliver new water infrastructure and investment. This investment is vital to:

- maintain and enhance water services infrastructure to ensure current levels of service;
- safeguard public health; and
- ensure compliance by adequately treating wastewater to protect our environment.

While Uisce Éireann were focused on their capital programme in 2021 and again in 2022, there remain significant infrastructure deficits to be dealt with. Government has committed to a high level of investment in the sector.

In terms of the Rural Water Programme, in 2021 some €48 million 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

As Chapter Six shows, transfers of funding from central government sources to local authorities totalled some €5.8 billion in 2021. While funding is significantly up since 2016; this was a decrease of 5% from the 2020 level, mainly due to the reduction in Covid-19 support payments to the sector. A number of Departments, including our own Department and the Department of Transport, as well as other agencies, provide this annual funding to local authorities.

The Local Government Fund (LGF) is a special central fund which was established 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 to the Fund is now comprised of funds from the Exchequer and, since 2014, Local Property Tax (LPT). The Government decides the expenditure from the LGF each year as part of the budgetary process. In addition to the Local Property Tax allocations, almost €700m was provided to support local authorities in 2021, through the LGF.

The main payments under the Local Government Fund in 2021 were:

- €35m as the exchequer contribution to Local Property Tax equalization.
- €130m towards LA pay and pension costs arising from national pay agreements.
- €26m to support certain local government initiatives including shared services, LA energy efficiency retrofitting programmes etc.
- €544m to fund the cost of the rates waiver and to support local authorities in the context of other costs and income losses arising due to Covid.

Other Programme Areas

Further areas of expenditure set out in the 2021 Appropriation Account include:

- In the Planning area, provision for the costs of An Bord Pleanála, the LDA and the Office of the Planning Regulator, amounting collectively to €37m as well as provision for the URDF, Foreshore and Marine Spatial Planning
- Met Éireann costs of €34 million.
- Heritage expenditure of some €96m covering a huge range of activities in 2021.

Conclusion

In conclusion Chairman, 2021 and 2022 brought challenges to which the Department and our partners have had to respond to. We are very much looking forward to adapting to these challenges to strive to achieve ambitious targets in place across our very broad remit this year and into the future.

I'd like to note the ongoing co-operation by all stakeholders involved in the delivery of a work programme of the scale undertaken by this Department. The Department, its agencies and our partners for delivery, including the NGO and AHB sectors, continue to be focused on achieving the best for citizens.

I look forward to engaging with the committee this morning. We will endeavour to provide as much information as possible and should further information be required we will revert with expanded detail as appropriate.

Thank you