

DÁIL ÉIREANN

AN COISTE UM CHUNTAIS PHOIBLÍ

COMMITTEE OF PUBLIC ACCOUNTS

Déardaoin, 26 Meitheamh 2014

Thursday, 26 June 2014

The Committee met at 10 a.m.

MEMBERS PRESENT:

Deputy John Deasy,	Deputy Gerald Nash,
Deputy Robert Dowds,	Deputy Kieran O'Donnell,
Deputy Simon Harris,	Deputy Shane Ross.
Deputy Eoghan Murphy,	

DEPUTY JOHN MCGUINNESS IN THE CHAIR.

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Mr. Seamus McCarthy (*An tArd Reachtaire Cuntas agus Ciste*) called and examined.

Business of Committee

Chairman: Are the minutes of the meeting of 19 June agreed? Agreed.

The next issue is matters arising from the minutes. The replies on the issue of the compellability requests are being drafted and are not ready for members this morning. I suggest that we meet the parliamentary legal adviser on this at 2.30 p.m. We could not meet her this morning because another meeting was being held. This would help with completing the replies to both queries we received from the Committee on Procedure and Privileges. The parliamentary legal adviser will meet us at 2.30 p.m. after we finish our morning business.

The next item is correspondence received since our meeting of 19 June 2014. No. 3A.1 is correspondence dated 24 April from the Secretary General of the Department of Foreign Affairs and Trade regarding further information requested at our meeting on 6 March 2014, to be noted and published. No. 3A.2 is correspondence received on 24 June from the Department of Environment, Community and Local Government regarding a reply to Deputy Simon Harris on tendering and value for money regarding the running of elections in Ireland, to be noted and published. Does Deputy Harris wish to comment?

Deputy Simon Harris: I thank the clerk for his assistance with this. I have been trying to get to the bottom of what safeguards are in place for taxpayers' money regarding the running of elections and serious concerns have been brought to me that not all returning officers have followed tendering guidelines and rules for obtaining equipment such as tables and chairs for polling stations and count centres, which comes to a significant amount of money. There is also an issue with regard to how items are invoiced and what documentation is provided. I raised a parliamentary question to the Minister of the Environment, Community and Local Government on 19 June but it was disallowed by the Ceann Comhairle, which is fine. He stated the Minister was not accountable to the House. The note obtained by the clerk clearly states the OPW is the responsible body with regard to the expenditure of funds. The note is helpful but it does not answer the specific question. We need, in tabular form, a list of the returning officers, whether they tendered for the purchase or use of equipment during the election, what were the amounts of the tender and what was the amount spent by each returning officer for the local and European elections. This information should not be impossible to get, but trying to get to the bottom of it has become like trying to discover the third secret of Fatima.

Chairman: The Accounting Officer for the Department of the Environment, Community and Local Government is here.

Deputy Simon Harris: It is not the responsible Department.

Chairman: I understand that, but perhaps the Deputy could start by fleshing out the issue and afterwards, if it is still not to his satisfaction, we can pursue it with the appropriate Accounting Officer.

Deputy Simon Harris: I am agreeable to that.

Deputy Gerald Nash: The best approach is probably to start a discussion with the Secretary General.

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Chairman: If it is not complete we can follow up on it. If there are questions that arise at today's hearings which remain unanswered we can liaise with the clerk and write to the appropriate people.

Deputy Simon Harris: That would be good. I thank the Chairman.

Chairman: No. 3A.3 is correspondence dated 25 June from Mr Tony O'Brien of the HSE, regarding the invitation to attend our meeting on 3 July 2014. Mr Cregan completed his report on the CRC and members now have a copy. The report raises issues on governance and oversight which we want to examine, as we must complete our report to the Dáil on issues relating to section 38 and section 39 bodies. Mr. O'Brien will not be available on that day because he has already scheduled his annual leave. Ms Laverne McGuinness will be responsible on the day. Mr. Cregan will be here to deal with the issue of the report. We have invited the new and previous chairmen of the CRC. The committee intends to do its business with all of these witnesses together.

Deputy Kieran O'Donnell: Have they all confirmed they will attend?

Clerk to the Committee: The HSE will be in attendance. I have spoken to Mr. Timmins, the new chairman of the CRC, and he and the new CEO will be in attendance. I have been in contact with the former board through a consultant, Mr. Gallagher, it retained. It has not confirmed yet it will be in attendance.

Deputy Kieran O'Donnell: What about Mr. Kiely?

Clerk to the Committee: I have been in touch with Mr. Kiely's legal representative. He will not be in a position to attend as he is very ill and is not in a position to give evidence.

Chairman: We should accept this.

Clerk to the Committee: I got permission from the legal adviser to tell the committee because I did not want to operate on hearsay. It is the case that Mr. Kiely is unwell.

Deputy Kieran O'Donnell: We wish him well.

Deputy Shane Ross: Has the former chairman, Mr. Goulding, accepted the invitation? He publicly stated he would come before the committee.

Clerk to the Committee: He has not confirmed. When I wrote to him this week I referred to the fact he had already given a commitment he would attend. That is where I left it with him. They must come back to me.

Deputy Shane Ross: Is there any doubt about them coming in or are they just worried about the date?

Clerk to the Committee: No, they are not worried about the date.

Deputy Shane Ross: What is the problem then?

Clerk to the Committee: I cannot-----

Chairman: In fairness, we set out the wishes of the members for certain individuals to attend, and they are those from our previous meeting apart from Mr. Kiely because he is ill, the chairman of the new board, Mr. Cregan, and the HSE. A suggestion has been made that Mr.

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Cregan would present himself and deal with the report on his own, but I do not believe this should be the case. He should be here with the new chairman and-or representatives of the new board, and with other members of the CRC and the HSE so we can deal with this fully and openly and complete our business. We should make this view known to Mr. Goulding and get a response to this.

Deputy Shane Ross: I would hate to think there is some type of backsliding going on and the indication is that there may be.

Chairman: We do not know that as a fact.

Deputy Shane Ross: I would hate to think it was true, that is what I am saying. The old board still has many questions to answer. The report mentioned missing files and other issues which are outstanding about which, undoubtedly, we ought to ask. There are also issues which the administrator did not address. As the Chairman knows, the administrator did not interview the old board at all. He decided this for reasons which we cannot understand but it did not happen. He did not interview the old board when he was conducting the examination, apart from one or two of them in their role as members. He did not interview them on the issue. It is very important that we ask them to come in and that they do so. It is somewhat worrying that there is a doubt about them attending in principle.

Chairman: The only question that arises now is the fact they have not replied. No one is saying he or she will not attend. We will ask the clerk to check again in the afternoon and determine what witnesses will come before us next week. The other issue is that they should all attend together. The committee is agreed on that. Deputy Harris had indicated, then Deputies Dowds and O'Donnell.

Deputy Simon Harris: I accept what the Chairman has outlined. Given what the clerk has stated about it not being the date they have a problem with, though, there may be a degree of backsliding. I note the presence of Mr. Goulding's consultant in the Gallery. Mr. Goulding chose to go on the national airwaves via RTE Radio 1. It was his first time publicly commenting after failing to engage with this committee, which is his right. Importantly, the CRC is a section 38 body. Mr. Goulding gave two clear commitments on "This Week". They are there for anyone to hear. First, he stated that there was documentation that this committee was seeking, which the Chairman will recall related to the minutes and agendas of meetings that decided the remuneration package of Mr. Kiely. Second, he stated that he would be willing to attend this committee. In the context of any conversation that the clerk is having with him and his team, he should be reminded of his public pronouncements on this issue because nothing has changed in that regard.

Chairman: Mr. Goulding did not fail to attend.

Deputy Simon Harris: He did not. The clerk or Chairman can correct me if I am wrong, but we have written to Mr. Goulding seeking documentation. That is my understanding. We were certainly meant to write.

Chairman: We should not make a judgment this morning.

Deputy Simon Harris: It is not a judgment. I will be very careful in what I say.

Chairman: I understand that, but we have to be careful because-----

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Deputy John Deasy: Why not wait until we get a response from him, for God's sake?

Chairman: Exactly.

Deputy Simon Harris: Just to be correct, we corresponded with Mr. Goulding and requested the documentation that he publicly promised.

Chairman: Yes.

Deputy Simon Harris: But we did not get it.

Deputy Robert Dowds: I will make three points. I agree with Deputy Ross's contribution. From conversations I have had, I understand that the CRC expects to attend. Will the clerk clarify who he meant when he stated that someone needed to attend again?

Clerk to the Committee: The Deputy will recall that a decision was made by the committee after the hearings that we would put all board members on notice. I recall writing to all board members-----

Deputy Robert Dowds: Does the clerk mean the members of the former board?

Clerk to the Committee: Yes. They were all put on notice. We have been dealing with Mr. Goulding on the issue. That is where the matter lies at the moment.

Chairman: We will pursue it further in the afternoon.

Deputy Shane Ross: I am worried about pursuing it further in the afternoon. What will happen will be-----

Chairman: We cannot do it now because we have to hold our meeting.

Deputy Shane Ross: Wait a minute. We are heading for a summer recess. It is important that we get some evidence from those in question before then. If we leave the matter until this afternoon, we will be into next week and they will not attend.

Chairman: It will not be next week. The fact of the matter is that the individuals, as the clerk remarked, have been put on notice. They have not stated that they would not attend. We are simply setting up the meeting for next week in the context of who will attend. We understand that they have not responded and we are just going to check, but our meeting will go ahead next Thursday. We will let members know in the afternoon, if we can, who will attend. Let us not make a judgment call on it now.

Deputy Shane Ross: As long as we get a response.

Deputy Robert Dowds: From conversations I have had, they expect to attend again.

Chairman: I call Deputy O'Donnell, and then we must finish on this matter. We are just going around the houses with it now.

Deputy Kieran O'Donnell: I will be brief. Just to clarify the current situation, who will be attending and who has not responded to our invites? Our job of work as regards the CRC is to ensure that we have people before us who can answer our questions and provide information. I am not totally clear. At this moment in time, who is definitely attending and who has stated that they will not? This is not personal. This is about having people who-----

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Chairman: That is okay. Ms Laverne McGuinness will be attending on behalf of Mr. O'Brien with officials from the HSE. The request was for Mr. Cregan to be taken separately, but that request was denied and we will take Mr. Cregan and the HSE together.

Deputy Kieran O'Donnell: Fine.

Chairman: The chairman of the CRC's new board will be present.

Deputy Kieran O'Donnell: Mr. Timmins.

Chairman: Yes. I understand that the witnesses from our previous meeting, with the exception of Mr. Kiely, have been put on notice.

Deputy Kieran O'Donnell: Mr. Goulding did not attend that meeting. Am I correct in believing that he was not invited?

Clerk to the Committee: He was invited, but he was not available. For the avoidance of doubt, I wrote to Mr. Goulding asking him to attend. I referred to the letter of 19 February in which he was put on notice. In his reply, he confirmed that it was his intention to give a full and frank account of his involvement in the matters under question. I stated that it was the requirement of the committee that the former board members who had a central involvement in the issues highlighted in the report of the interim administrator would attend it. In that regard, I have held discussions with Mr. John Gallagher, who is acting for Mr. Goulding and a number of former board members.

Deputy Kieran O'Donnell: Who among those we have sent invites to have not responded yet?

Clerk to the Committee: Mr. Nugent and Mr. Martin, who attended the previous meeting, are probably the primary ones other than Mr. Goulding. They had a central involvement and appeared before this committee.

Deputy Kieran O'Donnell: What about Mr. Conlon?

Clerk to the Committee: I can contact him again and put him on notice if the committee wants.

Deputy Shane Ross: It is slightly vague. Who specifically have we asked? I do not know.

Clerk to the Committee: I have read into the record that we have written to Mr. Goulding and the group of former board members represented by Mr. Gallagher. I have asked for those who had a central involvement in the issues highlighted in the interim administrator's report to attend the committee.

Deputy Shane Ross: We have not asked for anyone specifically by name.

Clerk to the Committee: I have not named them. I have left it to Mr. Goulding and Mr. Gallagher to revert to me on that, but if committee members so wish, I will ask. I have no difficulty whatsoever in making contact individually. I do not have contacts with these individuals, but I am sure I will be able to do so in the afternoon.

Deputy Kieran O'Donnell: To avoid ambiguity-----

Chairman: With the exception of Mr. Kiely, the three individuals are Mr. Conlon, Mr.

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Martin and Mr. Nugent. Separate from the clerk's direct contacts with the representative of that group, we will now direct our invitation to these individuals.

Deputy Kieran O'Donnell: To avoid any ambiguity. I thank the Chairman.

Chairman: Turning to individual correspondence, we received correspondence dated 12 June 2014 from Ms Patricia Doherty, CEO of St. Michael's House, in reply to correspondence received from Dr. Mark Harrold. This is to be noted and a copy forwarded to Dr. Harrold.

Deputy Gerald Nash: I will not detain the committee for too long. I am concerned when an organisation, in the second paragraph of its reply, dismisses a former employee who made a detailed set of claims against it as being someone who is just disgruntled and has a score to settle. Dr. Harrold made some serious claims about the organisation and I would like to know where the matter sits. Has any material on the claims been forwarded to the HSE for comment and has a response been received?

Clerk to the Committee: A response has not been received. Dr. Harrold's letter raised a number of issues, some of which related to administration and would fall within the remit of this committee, for example, procurement. Those issues were forwarded to the HSE and St. Michael's House. The latter has responded and dealt with them, but the matter is outstanding with the HSE. The answer on the procurement issues is that everything was documented in the annual report and there was full disclosure of all issues relating to the supply of goods by a firm associated with a board member. This is my understanding of the matter and, to my mind, was the only issue relevant to us. The issue of Dr. Harold's dismissal has been considered by the Employment Appeals Tribunal and is not a matter for the Committee of Public Account. The issues relating to the incident at Leas Cross was the subject of two fairly detailed senior counsel reports to the Department of Health and the HSE.

Deputy Gerald Nash: I appreciate that. I am not referencing at all any of the internal reviews undertaken by that organisation. There are some outstanding matters that need to be resolved in terms of the expenditure of public moneys and whether that was appropriate. I accept that we must await the view of the HSE on this matter but I would like it confirmed that this matter is not closed as far as this committee is concerned.

Clerk to the Committee: It is not closed.

Chairman: We will send a reminder to the HSE.

No. 3B.2 is correspondence from Mr. Martin McMahon regarding investigation by the PAC of widespread misclassification of workers as self employed, to be noted and a copy forwarded to the Department of Social Protection for a note on the matter.

No. 3B.3 is correspondence received anonymously from a member of An Garda Síochána regarding waste of public funds by failure to charge for policing of events, to be noted and a copy to be forwarded to An Garda Síochána.

No. 3B.4 is correspondence dated 24 April 2014 from Mr. Tony Barrett, CEO, Irish Seaweed Processors Limited regarding sale of Arramara Teoranta by Údarás na Gaeltachta, to be noted. The Departments of Arts, Heritage and the Gaeltacht and Agriculture, Food and the Marine have been asked to provide a note on the impact of the sale of Arramara Teoranta on local seaweed producers.

No. 3B.5 is correspondence from Ms Maura Rawson, Chance Wicklow, regarding dog pound tenders, to be noted. This issue appears to be one for the local authority. The correspondence will be forwarded to the Local Government Auditor and the National Procurement Service for appropriate follow up. We might also raise this matter later this morning with the Accounting Officer.

No. 3B.6 is correspondence dated 12 June 2014 from Mr. Nicholas Furling, Pageant Holdings Limited re proposed NAMA funding of Scotch Hall, to be noted and a copy forwarded to NAMA for a note on the issues raised. We will ask NAMA to respond promptly with a comprehensive note on this so that we can deal with the matter.

No. 3B.7 is correspondence dated 17 June 2014 from Mr. F. John Herriott regarding use of taxpayers' money for visit of US First Lady Michelle Obama, to be noted. The Department of Foreign Affairs may be able to provide some information on this issue.

We now move to documents relating to today's meeting.

No. 3C.1 is correspondence dated 19 June 2014 is from the Department of the Environment, Community and Local Government regarding briefing paper. No. 3C.2 is correspondence dated 24 June 2014 is also from the Department of the Environment, Community and Local Government regarding opening statement. Each of these is to be noted and published.

The next item is reports and statements and accounts received since our meeting on 19 June 2014.

No. 4.1 is correspondence 4.1 is from the Pensions Ombudsman, regarding Clear Audit, to be noted.

In terms of our work programme, the committee will meet next week with representatives of the CRC and the following week with An Garda Síochána.

Regarding any other business, the committee received correspondence from a Mr. John Shine which relates to the fisheries department. I have asked the clerk to seek documentation in regard to that file so that we can determine of what assistance the committee can or cannot be to that individual. Likewise in regard to Mr. Charles Farrell who has also written to the committee on numerous occasions in regard to an issue dating back a number of years, which issue is still ongoing, we have asked for the relevant papers from the Department of Agriculture, Food and the Marine, following which the committee will determine if it can or cannot be of assistance in regard to the complaints being made. We will ask that those two sets of documents be provided as soon as possible.

The agenda for our meeting on 3 July 2014 is the 2012 Annual Report and Appropriation Accounts of the Comptroller and Auditor General - Vote 39, HSE Section 38 agencies' remuneration. We will also examine the report of the interim administrator appointed by the HSE to the CRC and Friends and Supporters of the CRC Limited. Is that agreed? Agreed.

We now move to today's business.

Deputy Kieran O'Donnell took the Chair.

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Chapter 4 - Vote Accounting

Chapter 10 - Central Government Funding of Local Authorities

Chapter 11 - Costs of Land Remediation

Vote 25 - Department of the Environment, Community and Local Government

Mr. John McCarthy (*Secretary General, Department of the Environment, Community and Local Government*) called and examined.

Vice Chairman: Before we begin, I remind members and witnesses to ensure their mobile telephones are switched off as interference from mobiles affects the sound quality and transmission of the meeting.

I wish to advise witnesses that they are protected by absolute privilege in respect of the evidence they give to the committee. However, if they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against a Member of either House, a person outside the House or an official, either by name or in such a way as to make him or her identifiable. Members are reminded of the provisions in Standing Order 163 that the committee shall refrain from inquiring into the merits of a policy or policies of the Government or a Minister of the Government or the merits of the objectives of such policy or policies.

I welcome Mr. John McCarthy, Secretary General, Department of the Environment, Community and Local Government and congratulate him on his appointment to that post. I now ask that he introduce his officials.

Mr. John McCarthy: I am accompanied by Mr. Maurice Coughlan, finance officer; Ms Maria Graham, assistant secretary with responsibility for water and planning; Ms Fiona Quinn, local government finance section; Mr. Michael Layde, assistant secretary with responsibility for housing; Mr. Philip Nugent, waste policy section; Ms Finola Moylette, community division; and Mr. Frank Daly, departmental finance unit.

Vice Chairman: I also welcome Dr. Cecil Beamish and Mr. Peter Meany from the Department of Agriculture, Food and the Marine; Dr. Eibhlin Doyle, principal geologist, Department of Communications, Energy and Natural Resources and Mr. Tom Heffernan, Department of Public Expenditure and Reform.

I now invite the Comptroller and Auditor General to introduce his report and the relevant appropriation accounts.

Mr. Seamus McCarthy: The Vote for the Department of the Environment, Community and Local Government had gross expenditure totalling €1.25 billion in 2012. This was down almost 22% on the 2011 spend. The most significant reduction year-on-year related to the contribution from the Vote to the Local Government Fund. This fell from €175 million in 2011 to nil in 2012. Other significant expenditure reductions year-on-year included spending on the water services investment programme, which fell by €82 million or 23% and spending on local authority housing, which fell by €56 million or 17%. There was a net surplus on the Vote at the end of 2012 amounting to €126 million. This was all liable for surrender back to the Exchequer but capital funding of €43 million not spent in 2012 was carried over to 2013 with the approval of the Minister for Finance. Such capital funding carryovers are a regular feature of Vote 25. The remainder of the 2012 surplus was duly surrendered.

The appropriation account records the final disposal in 2012 of electronic voting equipment and I have briefly outlined the circumstances in chapter 4. Between 2001 and 2013, a total of almost €55 million was spent on the purchase, storage and associated costs of the electronic voting equipment. The cost of buying the equipment was borne by the Central Fund of the Exchequer, where the bulk of election expenses are charged. However, the Central Fund does not have a balance sheet so the equipment was carried as fixed assets in the environment Vote balance sheet. The equipment was only used on a pilot basis and a decision was taken in 2009 to dispose of it. Following an EU-wide open tender competition, the equipment, which had a book value of €24.5 million, was sold for just under €70,000 in June 2012. That sum was transferred to the Exchequer.

Chapter 10 presents an overview of the level of central Government funds provided to local authorities and the purposes for which those funds are provided. Relevant information has to be drawn together from a number of accounts in order to get a full picture of the transfers and of trends over time. In 2012, central Government funds provided to local authorities totalled approximately €2.9 billion. The graph on the screen indicates that the local government fund, Vote 25 for environment and Vote 31 for transport provided the bulk of the funding. In the past, the local government fund was financed mainly by motor tax receipts and the annual Exchequer contribution. As I have already mentioned, the Exchequer contribution was ended in 2012. Instead, the proceeds of the household charge payable by owners of residential property resulted in nearly €114 million being paid into the fund. The household charge was replaced in turn by the local property tax. The local government fund will be Exchequer-funded *pro rata* the proceeds of the tax from 2014. There has been a substantial reduction in the level of central Government transfers to local authorities since 2008, when the transfers peaked at around €5.8 billion. A graph in the documentation shows that the contraction has affected all areas funded by central government, which tended mainly to be in support of capital spending. The result of the reduction in central support for capital investment is particularly evident when trends in local authority spending are examined. Across local authorities, capital spend dropped by almost two thirds between 2007 and 2011, which is the latest year available at the time I was reporting. On the other hand, current spending has reduced moderately.

Chapter 11 presents the findings of a review of the costs of land remediation. At the time of the report, there were 34 sites identified where it is necessary to remove waste or to nullify contaminants in the soil or ground water. This contamination may be due to illegal dumping, inadequate management of licensed dumping facilities, pollution effects from current economic activity or residual impacts of previous economic activity. Such events result in economic costs, which it is generally expected would be managed on a “polluter pays” basis but which in many cases fall to be met initially by public bodies. There is also a risk of the State being fined

by the EU Commission if such sites are not cleaned up.

Overall, remediation costs incurred by public bodies up to June 2013 were almost €119 million, with further expected costs for the identified sites that may exceed €66 million. Whereas there are legal options to recover costs from polluters, this may be difficult in practice and may also be costly in itself. The Department has indicated that there has been limited recovery of cost from those responsible for unlicensed sites but that legal proceedings are under way in a number of cases. The remediation of land at any site is generally a long-term project, spanning several accounting periods. Accordingly, I consider that it should be accounted for in a similar manner to the accounting for capital investment projects. This should include the disclosure of the estimated contingent liability, the contracted commitments details of the amount spent to date and the amount spent in the current report period. I also consider that funding from multiple State sources for the same clean-up project should be disclosed in a single primary disclosure note so that the full cost of remediation of a site can be readily identified.

Deputy John McGuinness resumed the Chair.

Mr. Seamus McCarthy: Overall, remediation costs incurred by public bodies up to June 2013 were almost €119 million, with further expected costs for the identified sites that may exceed €66 million. Whereas there are legal options to recover costs from polluters, this may be difficult in practice and may also be costly in itself. The Department has indicated that there has been limited recovery of cost from those responsible for unlicensed sites but that legal proceedings are under way in a number of cases. The remediation of land at any site is generally a long-term project, spanning several accounting periods. Accordingly, I consider that it should be accounted for in a similar manner to the accounting for capital investment projects. This should include the disclosure of the estimated contingent liability, the contracted commitments details of the amount spent to date and the amount spent in the current report period. I also consider that funding from multiple State sources for the same clean-up project should be disclosed in a single primary disclosure note so that the full cost of remediation of a site can be readily identified.

Chairman: I welcome another Mr. McCarthy, as I know it is his first appearance before the committee.

Mr. John McCarthy: I am pleased to be here this morning on my first occasion as Accounting Officer to assist the committee in its examination of Vote 25 and related chapters in the Comptroller and Auditor General's annual report for 2012. As requested, I have provided some advance briefing for the meeting and I will therefore keep my opening comments short.

The Department had significant achievements in 2012 in delivering on key policies and programmes from within available resources in order to contribute to improving the quality of life of citizens and communities; to economic and social development; and to environmental protection. We were again assigned the second largest capital allocation of any Department in order to implement major housing, water, rural development and other programmes. Total spending from the Vote on the various housing programmes, including the provision of social housing and improvement and regeneration measures, amounted to over €670 million in 2012.

The ongoing restructuring of the social housing investment programme delivered 1,259 units through leasing, and 5,451 new rental accommodation scheme transfers took place in 2012 at an overall cost of just over €146 million. In addition, over 1,800 new and refurbished social accommodation units were delivered through local authorities and approved housing

bodies, including housing for those with a specific category of housing need, and through €129 million invested in the major housing regeneration programmes. The ambitious programme of retrofitting and energy efficiency upgrading continued in 2012 with improvements to 2,115 local authority units from departmental funding of over €19 million.

The national implementation framework to support the housing strategy for people with a disability was published in July 2012. During the year, over 10,000 households benefited under the housing adaptation grants scheme for older people and people with a disability, with a total cost to the Exchequer of €53 million. The total spend from the Vote in this area in 2012 ensured that the needs of over 20,000 households were met from the full range of housing measures. Significant water services capital investment continued in 2012 with €308 million spent on these services, including €40 million on the rural water programme. In all, 56 contracts or schemes were completed in 2012, with a further 55 commencing, and work continuing on a further 22 contracts. The Department recouped in excess of €39 million to local authorities on water conservation projects in 2012 and, in all, some 273 km of public water supply piping were rehabilitated. Over the period 2000-2012, over 1.5 million population equivalent was added to the capacity of water treatment systems and in excess of 4.2 million population equivalent in waste water treatment capacity.

In parallel, intensive work continued throughout the year on the organisational, financial, economic and environmental models for Irish Water, leading to the putting in place of a detailed implementation strategy in respect of the water services reform programme. Work progressed on the relevant legislative framework, leading the following year to enactment of two water services Acts. The first, enacted in March 2013, provided for the establishment of Irish Water on an interim basis and the roll-out of the nationwide domestic metering programme. In December, the Water Services (No. 2) Act 2013 provided for the full establishment of Irish Water and the economic regulation of the new utility.

During 2012, funding of €53 million was provided under axes 3 and 4 of the Leader rural development programme, RDP, resulting in 1,056 infrastructural enhancements in villages and communities across the country and support for 662 new tourism actions. Enterprise support funding was provided to 1,347 enterprises under a number of RDP programme measures, resulting in the creation of 570 full-time jobs. The local and community development programme provided funding of some €54 million to local development bodies for the delivery of the programme in 2012. During the year, some 47,790 persons were supported in entering the labour market by the LCDP, 16,830 persons progressed into labour market training as a result of LCDP intervention, and 7,050 individuals progressed into employment or self-employment as a result of LCDP actions.

Chapter 4 of the Comptroller and Auditor General's annual report on Vote accounting records the key points in the history of the electronic voting project, extending 13 years back to 2001, and the actions taken by the Department in light of the Government's decision in 2009 not to proceed with the implementation of electronic voting in Ireland. The 2012 Appropriation Account records the sale of the equipment in that year following an open tendering process and includes the necessary associated financial provision for the disposal of the equipment. Since the finalisation of the chapter, we have made arrangements for the conclusion of the last remaining lease in respect of premises for the storage of the equipment.

The chapter of the Comptroller's annual report concerning central Government funding of local authorities provides an overview of local authority expenditure and income since 2006, detailing the range of programmes for which local authorities are responsible and the range of

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funding sources. In 2012, some €2.9 billion was provided by central government to assist authorities in providing essential public services at local level.

In terms of accountability, as the committee is aware, under the existing policy and legislative framework, the Local Government Audit Service provides independent scrutiny of the financial stewardship of local authorities and other local bodies. The audit service audits local government bodies in accordance with a statutory code of audit practice, thereby fostering the highest standards of financial management and public accountability. Where the annual audit has been completed by the local government auditor, the local authority is required to furnish a copy of the audited financial statement, and any associated statutory audit report, to every member of the local authority for their consideration at the next practicable council meeting.

Section 61 of the Local Government Reform Act 2014 provides for the establishment of a new national oversight and audit commission for local government, NOAC. It will scrutinise local government performance in fulfilling national, regional and local mandates, scrutinise value for money where State funds are channelled through local government and support the development of best practice, and enhanced efficiency, in the performance of local government functions. The commission, which will be statutorily independent, will comprise members with expertise in local government, finance, audit, corporate governance and customer service.

The final item on the agenda today is the Comptroller and Auditor General's chapter concerning the costs of land remediation. The chapter touches on issues which are the responsibility of a number of Departments.

As far as my own Department is concerned, the chapter details expenditure of almost €100 million on the remediation of landfill sites. It also notes expected future costs of €10 million in relation to these sites and substantial, though not yet quantified, costs that will arise in respect of the long-term remediation of the Kerdiffstown site in County Kildare. These figures are updated to €113 million and €15 million, respectively, at the end of 2013 in the briefing paper I have circulated to the committee. It is likely that substantial costs will also be incurred at the former Greenstar landfill at Kilconnell, east Galway.

I might add that the paper also updates the estimated cost to the Department of the Mahon tribunal as referred to in the Appropriation Account 2012. A revised estimate prepared by the tribunal registrar in May 2014 indicates an overall cost of €159 million. Expenditure on the tribunal from the Vote at the end of 2013 amounted to €106 million, so remaining costs are now estimated at €53 million. This reduction in estimated tribunal costs, down from €196 million in 2012, reflects the fact that a significant volume of cases and third-party costs have been settled since that estimate was made. That has facilitated the preparation of a more up-to-date estimate of potential final costs.

To conclude, Chairman, the matters I have referred to illustrate well the range of programmes and activities for which my Department has responsibility. I am, of course, happy to respond to questions on these and other issues that emerge in the course of the committee's work today.

Chairman: I thank Mr. McCarthy. May we publish his statement?

Mr. John McCarthy: Yes.

Chairman: I call Deputy Harris.

Deputy Simon Harris: I shall begin by welcoming Mr. John McCarthy and congratulating

him on his appointment as Secretary General. I look forward to having a productive engagement with him, just as we had with his predecessor, Ms Tallon. I also welcome his officials here today.

I would like to discuss a range of the topics that the Secretary General mentioned in his opening statement and that the Comptroller and Auditor General has also dealt with. I shall begin with one of the most pressing societal problems at the moment, which is housing. We are all aware of the current crisis in housing. Last week I visited my local authority, and I can vouch that there is a real and genuine fear among people who work at the front line in housing offices about homelessness. Obviously we must all tackle the issue.

We have seen from the statement and the accounts that there has been a significant drop in financial provision for social housing from 2007 to 2012. I want to get the Secretary General's take and the Department's view on the seriousness of the social housing crisis. The issue has come to light in recent months. At what stage did the Department realise or recognise that we had a crisis?

Mr. John McCarthy: I thank the Deputy for his words of welcome. The housing situation is critical. The Department relies extensively on the housing needs assessment exercise which is run every number of years and provides us with a good and reliable snapshot in time. The assessment was undertaken last year and gave us very clear evidence, as we had in previous assessments.

The Deputy mentioned that the resource base for housing has, along with most other programmes, contracted over the past number of years. This is something that we have worked hard to work our way through in terms of trying to ensure that we make the best possible use of the resources that are available to us in order to meet as many housing needs as we possibly can.

Without putting all our eggs in one basket, we have adopted a range of new measures to meet housing needs over the past number of years. For example, the social housing leasing programme was introduced. We have a programme of acquisition of units from NAMA. There is still some element of local authority building and voluntary housing building going on. We have a number of programmes to address voids, or empty houses, in order to bring those back into use. The measures are all designed to ensure that we use the resources available to us in a way that meets as much housing need as possible.

We were also minded, I suppose, back in 2008 and 2009 where there was a substantial surplus of property on the market, that it was important for us to tap into that in terms of speed of delivery. I shall put this in context and give the Deputy a sense of the impact of the evolution of the programmes. Let us take the three years from 2010 to 2012. During that time we provided just over €38 million for leasing, which allowed us to meet the housing needs of about 3,500 people. If we had used the money that was available to us to build or buy houses during that period, we would probably have been able to deliver around 250 houses. I am trying to get the following across. Yes, the resource base has reduced quite considerably. In response to the reduction in resources, but also in response to the level of need that exists, we have tried to introduce new and different ways of providing social housing so that we could meet social housing needs as far as possible from within the available resource space.

Deputy Simon Harris: I will drill down through that for specifics. Does the Department have statistics on the total social housing stock in the country today?

Mr. John McCarthy: Yes. In the local authority sector there are approximately 130,000 social housing units in the local authority stock. Allowing for between 3,000 and 4,000 being out of use at any one point in time, one is then talking about 125,000 or 126,000 active units. In addition, one is probably talking about 18,000 or 19,000 units among the voluntary housing bodies. Putting the two of them together, one is talking about roughly 145,000 active units, if I can put it that way.

Deputy Simon Harris: Mr. McCarthy estimates there is approximately 3,000 or 4,000 vacant units at any one time, that is, boarded up units or-----

Mr. John McCarthy: We have a number of mechanisms through which we can get data on that. The service indicator reports, which local authorities publish every 12 months, provide data. We updated that figure - maybe it is more relevant and more recent - for the purposes of the capital funding we are now making available for voids quite recently. The service indicators for 2012 showed us there were approximately 4,000 units vacant, which is of the order of approximately 3% of the stock. In the more recent survey we did for the purposes of the capital programme for investing in voids, the information we received from local authorities suggested there were just over 3,000 voids capable of being returned to productive use, so it is in that range of 3,000 to 4,000.

Deputy Simon Harris: Does Mr. McCarthy have performance indicators in place to show how one council compares with another in terms of vacant stock, supply, which is good and which is bad?

Mr. John McCarthy: We have a number of mechanisms through which we would monitor local authority performance. There is a bilateral relationship between the Department and individual local authorities where generally at the start of the year we sit down, discuss and agree what the authority expects to deliver over the course of the year. We would review that mid-year and again at the end of the year.

The local government system itself reports in-service indicators across a range of activities and one of the areas it covers is housing. In the annual service indicators report for 2012, one will find a number of service indicators but particularly in regard to vacant properties which show, for each local authority, the average length of time it takes from vacation of a dwelling to making it ready for rent again and data for each local authority in regard to the numbers of units vacant in their area.

Deputy Simon Harris: Is there a target? Nothing annoys a family in need of a home more than seeing a house boarded up two streets away from where it is currently renting. In my county, a house can be boarded up for a significant length of time. Is there a target in terms of the turnaround of vacant property at a national level?

Mr. John McCarthy: The turnaround time can vary quite a bit from the very straightforward to situations where the property is boarded up as part of a bigger regeneration programme. Looking at the average time taken across the country, in 2012, the average time was approximately 19 weeks.

What I would say is that as part of the process of establishing the new national oversight and audit commission, one of the areas of work it will take forward very specifically is this performance agenda within local government, both to report on performance but perhaps more important, to try to get best practice in one local authority replicated in other local authorities

so that we bring up the performance of the sector generally.

Deputy Simon Harris: I will move on to the issue of the Mahon tribunal. I note from Mr. McCarthy's comments in his opening statement and the documentation he provided to the committee that there is a reduction in the estimated cost. When will this be over? When will the total cost of the legacy of what was the Mahon tribunal be finalised?

Mr. John McCarthy: From the Department's point of view, we are anxious to close the tribunal off as soon as possible and, obviously, at as little further cost as possible. Unfortunately, we are, to some extent, in the hands of the speed with which applications are made to the tribunal for rulings in regard to whether costs are to be allowed and then in the hands of the submission of individual cost claims. On the basis of the information the tribunal has provided to us - again, it is subject to that sort of health qualification - of the overall €159 million, the tribunal's estimate would suggest to us that approximately €150 million should be expended by the end of next year, which would leave roughly €8 million to €9 million to be expended thereafter. How quickly thereafter will ultimately depend on the pace of rulings by the tribunal on cost orders and the actual submission of cost bills. As I understand it, I think a period of up to six years is allowed for the submission of those but we hope that process will move ahead quickly.

I should probably say that there is a number of legal proceedings still going on in regard to elements associated with costs in the tribunal, so again the resolution of those will obviously determine the speed with which the cases can be brought to finality.

Deputy Simon Harris: Mr. McCarthy referred to the issue of land remediation and illegal dumping in his opening statement. Obviously, this is something that I presume his Department has been very busy with over the past number of years and I think there is a potential liability of approximately €66 million. Will he bring us up to speed in terms of how many convictions have been secured in Ireland for illegal dumping? Does he believe we have sufficient law in regard to illegal dumping to deter the practice? What is the position of our relationship with the European Commission?

Mr. John McCarthy: In terms of the legal situation, there is a very comprehensive corpus of legislation now in place on environmental enforcement generally, including in regard to waste. In large measure, many of the cases now being dealt with have a historical dimension to them. The legislative and structural arrangements for waste enforcement were enhanced quite significantly in the middle of the last decade, in particular with the establishment of a new office of environmental enforcement within the Environmental Protection Agency. That has a dual role, both in regard to the enforcement activities the agency undertakes and in terms of overseeing the enforcement activities of local authorities. The EPA monitors, and then publishes reports on, environmental enforcement generally.

In a report published in the past week or ten days, it categorised the enforcement activities across the country in this area, which comes to approximately 12,000 enforcement actions. They range all the way from the very minor up to the much more significant. I understand from that report that between 2009 and 2012, there were approximately €2.1 million in fines and costs were awarded in waste-related cases before the courts. That reflects an increasing trend of going to the higher courts, reflecting the seriousness of the issues.

In regard to some of the cases covered in the Comptroller and Auditor General's report, I will be a little careful as there are some legal proceedings still going on. In regard to the former Greenstar facility in east Galway, the EPA took a legal action against the company, the receiver

and other parties. The High Court ruled against the agency in April of this year but it is considering a Supreme Court appeal, so I will leave it at that. In regard to Kerdiffstown, there has been a number of proceedings both of a criminal and a civil nature. Criminal proceedings are still pending in that case. In other proceedings, the agency has obtained orders for more than €2.6 million which, in effect, now attach to the lands. Obviously, the scope to recover that money remains to be seen but it has brought it to that point. There are also civil proceedings going on in regard to Kerdiffstown, so I will not comment on that.

As the Deputy knows, there has been a long history with Whitestown in Wicklow, going back through many court sessions. The High Court action in that case has been adjourned until such time as the remediation is completed. I would expect that the case will return to the courts next year. In that case there were, of course, criminal prosecutions as well, resulting in fines of over €200,000. There are a range of both criminal and civil proceedings in train with regard to some of the larger cases. Obviously the process of actually assembling evidence for cases which go back some period in time and trying to trace waste that was found back to the individuals responsible is a challenge. It does take some time but quite a number of cases have already been taken or are pending.

Deputy Simon Harris: I wish to cover two more areas, the first being the issue of oversight and the Department's relationship with local authorities and the second, the issue of water. On local authorities, we have seen substantial local government reform although some of that process, particularly with regard to new structures, is still ongoing. Is it possible to explain in lay man's terms exactly where the savings will accrue to the taxpayer from the local government reforms? We have seen the abolition of town councils, a reduction in the number of local representatives nationally as well as other synergies and savings. I ask Mr. McCarthy to give us an overview of where the Department expects to see savings for the taxpayer as a consequence of new local government structures.

Mr. John McCarthy: A local government efficiency review group was established in 2009. It produced an initial report and then two further implementation reports, the most recent of which was published in July 2013. As part of that exercise, efficiency savings for the local government sector of €229.6 million were identified across a range of areas, particularly with regard to staffing. The staffing numbers in local government have dropped by approximately 27% in the last five to six years. Savings in procurement and other areas were also identified. Those have been reported on and, in effect, we are seeing them being carried through in the lower expenditure figures. They would account for part of that in the Comptroller and Auditor General's report. There is further work to be done in terms of efficiency and the new National Oversight and Audit Commission, NOAC, will take on the role of the local government efficiency review group by monitoring and reporting on progress.

The lion's share of the next round of efficiencies will accrue from the programme of shared services that local authorities are working on at the moment. The issue with a shared services programme is that it requires an initial upfront investment and it is only in later years that one sees the efficiency savings materialising. When the NOAC is preparing reports in the future I expect that this is where one will see a significant element of further saving.

Deputy Simon Harris: The second issue relating to oversight is one which I brought up with Mr. McCarthy's predecessor at this committee. I have also raised it on numerous occasions through parliamentary questions and my predecessor, the former Labour Party Deputy for Wicklow, Ms Liz McManus also raised it in the Dáil as far back as February 2010. I do not want Mr. McCarthy to get into the political decision making on this, but I wish to tease out the

oversight role of the Department, as underpinned by legislation. I understand that it is not the Department's responsibility to run local government. However, if something goes wrong or if there is a concern about something going wrong at local government level and that concern is brought to the attention of the Department, the issue is what action the Department takes, or unfortunately, in my experience, does not take. I am referring specifically to the issuing of a waste permit in County Wicklow. While the specific case is an issue for Wicklow, my worry is that it could happen in any county. A waste licence was issued in Ballybeg in County Wicklow. We do not need to get into the complexities of the issue but the licence was sent to the EPA and was subsequently shredded. There was significant concern about why a licence was issued to a certain operator and then shredded. The point of me raising this issue with Mr. McCarthy is that Wicklow County Council held a special emergency meeting on Monday 25 January 2010. At that meeting a resolution was passed and sent to the Department. That resolution read as follows:

We call on the Department to appoint a public local inquiry under section 212 of the Local Government Act 2001 to inquire into, and report upon, all aspects of the performance of the functions of Wicklow County Council concerning the grant of a waste permit relating to the creation of a borrow pit on certain lands belonging to the Byrne family of Ballybeg, near Rathnew, and the subsequent treatment, by Officers of the Council, of documents, evidence and other information relevant to that grant. We also ask that the Department's role in relation to an investigation requested by councillors and the reported loss of files by the Local Government Audit Service investigation, be investigated.

I was a councillor at that time. An overwhelming majority of local representatives, on a cross-party basis, agreed that there was a problem and that they needed the Department to look into it on their behalf. That resolution or motion was sent, under the Local Government Act, to the Department. The issue actually goes back to 2002 or 2003. The former Deputy, Liz McManus raised it in the Dáil in February 2010 but basically, from what I can see, nothing happened. The request was acknowledged by the Department and the correspondence trail went dry. I raised it with Mr. McCarthy's predecessor here and in fairness to her, she came back and said that the Department had no further evidence of wrongdoing. The point was that the Department was asked to set up an inquiry to look into the issue. The local representatives were not asking if the Department had any evidence of wrongdoing. There is provision under the Local Government Act for public inquiries. The issue here is broader than Wicklow. The question is, what do local councillors have to do to get the Department to look into an issue of serious concern? Councillors were waving red flags, asking for help having identified a problem and asking that the Department look into it but the response from the Department, in the view of many public representatives and residents in Wicklow was mute.

I do not expect Mr. McCarthy to be familiar with all of the details of the case but I can provide him with a copy of the minutes of the aforementioned special meeting which give a very clear overview of the concerns. I would ask that the Department would reflect on how it deals with investigations against that backdrop. The Department has an oversight role. There is provision for a public inquiry in the Local Government Act and I am just wondering what the criteria is for an issue to merit such an inquiry. It is extremely disconcerting for local representatives when they express concerns but the Department does not respond, in my view, in a proactive manner. Would Mr. McCarthy be willing to look at the correspondence again?

Mr. John McCarthy: Certainly Deputy, I will look at the correspondence. I am broadly familiar with the case to which Deputy Harris refers but, I must confess, not in a detailed way.

I will come back to the Deputy on it.

On the broader question, local authority related issues which are raised with the Department can be many and varied. Some would relate to individual planning cases and the Department is specifically precluded, under law, from getting involved in such cases. If financial issues are raised, we would explore whether they should be referred to the Local Government Audit Service, LGAS, for further investigation. I am not sure, but I think in the case mentioned by the Deputy, there would have been an involvement by the LGAS at some point in time. Obviously, if other issues are raised with us that carried evidence of suggested criminality, then we would take the appropriate steps in dealing with those. Indeed, there may be other issues referred to the Department where accountability for them would rest with the local elected members themselves. In that context, we would point out the relevant statutory provisions. The Local Government (Reform) Act of 2014 contains a number of provisions which strengthen the oversight role of elected members at local level. Having said all that, I will come back to the Deputy on the specific case raised.

Deputy Simon Harris: Finally, I wish to touch on the issue of water, which we have discussed with some of Mr. McCarthy's colleagues, including Ms Graham, at this committee previously. I ask for an update on the Department's linkage with Irish Water. We have seen a significant change in the delivery of water. I understand the taxpayer is giving a subvention of €486 million from the local government fund in 2014. Will Mr. McCarthy give us an overview of the oversight role of the Department and the linkage it has with Irish Water? Is there a representative of the Department on the board of Irish Water? Does the Department receive quarterly reports from Irish Water? Will Mr McCarthy comment on a story that broke at the weekend in the national media? A front page headline in *The Sunday Business Post* "Budget blow as new charges needed for network repair", was basically a story stating that all the revenue from water charges in the first year will go to fixing urgent problems in the water network.

Mr. John McCarthy: There is no departmental representative on the board of Irish Water. The norm is that there would be no departmental representatives on the boards of commercial State bodies, in order to avoid any issues of confusion of roles.

We are now in the pre-regulatory period. The charging regime will kick in from 1 October 2014 and the Commission for Energy Regulation is currently engaging in the process which will lead to final decisions on water charges. By that time the regulator will have assessed Irish Water's costs and made decisions on what is efficient. In the intervening period the Department, together with the Department of Public Expenditure and Reform and NewERA have a structured engagement with Irish Water on its financial and other governance issues for the period from now until 1 October, when the new arrangements will kick in. At present we get reports every two months from Irish Water on its financial position and we also get monthly reports on the metering programme.

Deputy Simon Harris: Is Mr. McCarthy in a position to comment on the media speculation about the level of repairs required to the network that would, according to reports, subsume all the revenue raised in year one?

Ms Maria Graham: As the Secretary General has stated the energy regulator is now looking at the costs that Irish Water incurs, including its capital programme for the regulatory period from 1 October 2014 to the end of 2016 and a capital plan has been submitted by Irish Water, which will cover the range of issues from upgrade of the network, water conservation to addressing compliance issues both on water services, waste water services and the enhancements

that are need for demographic growth and industry capacity. That plan is with the regulator to look at. The funding model that has been put in place is to capture a capital programme that covers all of those components. Clearly part of the reason for establishing Irish Water was to accelerate investment in the infrastructure and this is part of the process so that it would have access to revenue from the State as well as from third party capital markets over time to enhance the overall quantum of investment. The regulator will be looking at the matter in the round, operational, planned maintenance, capital maintenance and new capital investment.

Deputy Simon Harris: Do I take it from Ms Graham's reply that until the regulator has made such determinations it is impossible to come down firmly on one side or the other?

Ms Maria Graham: There will be capital moneys from the State. The Government has committed to funding for 2015 and 2016. In fact the funding will allow for a capital programme which is €100 million more than it would have been in 2013, when we were under conventional funding arrangements. Irish Water is off balance sheet and for that reason funding can be done in that way. Obviously there are operational costs, and customer tariffs will be largely going against that and interest free payments.

Mr. John McCarthy: Chairman, I am conscious that the Deputy asked another question on where we stand in terms of EU compliance which I did not answer. Apologies for missing that.

Historically, both in terms of transposing EU legislation even before implementation, our record showed we had quite a number of infringements at one point. In 2010, we had about 32 or 33 live environmental infringements. We have put in significant levels of effort in the past number of years and are now down to single digits, either eight or nine, with a large number of cases closed.

Returning to the discussion on landfill remediation, we have committed to the European Commission to undertake a range of remediations as part of what is called "a programme of actions" to resolve one of the remaining cases.

In terms of restoring our national reputation, the approach we have taken in that case is now regarded by the Commission as best practice in terms of dealing with legacy issues. We now have the Commission referring other member states who find themselves in difficulty in dealing with instances like that to come and talk to us about what we did. It has been a long and difficult process and it has involved significant investment. From the reputational point of view, it is yielding benefits.

Deputy Gerald Nash: I congratulate Mr. McCarthy on his appointment and I look forward to working with him in his role as Secretary General,

I have questions on the land aggregation scheme. Members will be familiar with how the land aggregation scheme operates in their constituencies.

I recall that a great many local authorities raised significant finance from the Housing Finance Agency to purchase sites in their administrative areas in the mid-2000s with a view to developing social housing schemes predominantly on those sites. Hundreds of millions appears to have been expended on those projects, at least in terms of purchasing the sites. What is the current position, who ends up paying for servicing the loans that the local authorities took on to purchase the sites? Does the Department have a liability in respect of the land aggregation scheme?

Mr. John McCarthy: Let us look back to 2010 to the start of the land aggregation scheme when the purpose of the scheme at that stage was to assist in the unwinding of a significant quantum of loans that had been taken out for the purchase of land. If we cast our mind back to the early part of the last decade, the local authorities were encouraged by central government to have an active land management strategy because at that point, we were active in a capital building programme. We were encouraging local authorities to try to access land almost ahead of the posse before it appreciated in value so that we were getting good value from it. Obviously the economy changed in 2007 and 2008 and as was said earlier, the orientation of our housing programme changed. In 2010 we introduced the land aggregation scheme-----

Deputy Gerald Nash: Would it be fair to describe it as a mini-NAMA for local authorities?

Mr. John McCarthy: The land was purchased for the housing programme. Its value was the capacity it gave the local authorities to deliver housing units. It was not purchased for commercial purposes with a view to resale. All of the land involved is still available for social housing or other productive purposes. We worked closely with the Department of Public Expenditure and Reform as part of this process. I suppose we were involved in full redemption. As the loans matured, we redeemed the loans. In that phase of the scheme, there were 47 sites, covering approximately 170 ha of land, and approximately €111 million of loans. We got a longer-term perspective on the housing capital programme from the multi-annual financial programme that was put in place in 2012. As we moved further on in time, it became clear that sufficient capital resources would not be available to enable us to continue the scheme in that format. We decided that maturing loans would be converted to standard annuity loans, in effect, with terms of up to 25 years. We decided we would recoup the payments on those loans. There were 26 sites, involving approximately €52 million in loans, under that second phase of the scheme. As those loans were not repaid - they were refinanced, in effect - we have an ongoing liability of approximately €2.7 million per annum in relation to them. We have since discontinued the scheme for financial reasons. Local authorities are engaging with the Housing Finance Agency on a bilateral basis on how they can best deal with those issues. The Government has committed to preparing a social housing strategy, to be finalised in the third quarter of this year. The important thing for us now is that we have asked the housing agency to do a land management strategy piece to accompany the social housing strategy. The land management strategy will enable us to take opportunities to match areas where we might envisage there will be a housing build programme with the stock of land that is available.

Deputy Gerald Nash: I ask Mr. McCarthy to elaborate slightly on the circumstances of local authorities that have been shut out of the scheme, or might not have got into the scheme. He mentioned that the Housing Finance Agency is engaging in bilateral discussions with them. It is clear that the financial positions of many local authorities will not enable them to deal effectively with the capital costs of the loans, whatever about servicing the interest over a period of time. I understand that the interest-only arrangements for such local authorities are to be extended by a further five years. Is that the case? Are we just kicking the can down the road?

Mr. John McCarthy: I am not entirely sure of the period of the extension, but I would say it would probably be of that duration.

Mr. Michael Layde: It is five years.

Mr. John McCarthy: Mr. Layde has confirmed that it is five years.

Deputy Gerald Nash: How many local authorities would be outside the scheme because

they did not enter it before it was closed down? Do we have any figures for the total liability in this regard?

Mr. John McCarthy: We did an audit in 2010 as we launched into the land aggregation scheme. The audit suggested that there were approximately €600 million worth of land loans at that stage. In the first phase of the scheme, we redeemed loans of approximately €111 million, which would have brought that figure down to approximately €490 million. The second phase of the scheme dealt with €52 million of loans, which we are servicing at an annual cost of approximately €2.7 million but which are still in place. It is probable, subject to confirmation from my colleague, that approximately €440 million of land loans are remaining in the hands of local authorities.

Deputy Gerald Nash: If I understand Mr. McCarthy correctly, those loans have been re-packaged into 25-year annuities.

Mr. John McCarthy: Yes, under the second phase.

Deputy Gerald Nash: Okay. I understand. Could I move on to the issue of social and voluntary housing? Mr. McCarthy mentioned earlier that approximately 1,800 refurbished units have been turned over in recent times. What is the breakdown between direct build or local authority build and building by the voluntary sector? I would appreciate it if Mr. McCarthy could furnish us with those figures.

Mr. John McCarthy: The vast bulk of units in the voids programme, if I can call it that, are local authority units.

Deputy Gerald Nash: I am asking about new-build units.

Mr. John McCarthy: As part of the overall output for 2013, which is the most recent full year, the total build by local authorities would have been approximately 1,400, including new-build units, void units and regeneration programmes.

Deputy Gerald Nash: How many new units would there have been?

Mr. John McCarthy: Some 293 new units would have been completed by local authorities. A further 253 units would have been acquired by local authorities. Local authorities also took on 963 void units, 165 new units in regeneration programmes and over 200 units from the voluntary housing sector.

Deputy Gerald Nash: Is Mr. McCarthy satisfied with the Department's level of oversight of the approved housing bodies? I know work is being done at the moment to improve the regulatory framework. Substantial moneys are made available to voluntary housing bodies, some of which operate to the highest standards. In my own experience, other bodies do not operate to those standards, to be perfectly frank. Is Mr. McCarthy satisfied that the Department gets enough bang for its buck and has sufficient oversight of the expenditure of the moneys it provides to these important organisations? There is a multiplicity of these organisations at the moment. My personal view is that there is a strong argument for consolidation and further professionalisation in this sector. Is Mr. McCarthy satisfied with the level of oversight? Is he satisfied that the Department can follow the money trail?

Mr. John McCarthy: Yes, Deputy. I am satisfied that, working through the local authorities, we have a robust set of procurement and value-for-money arrangements in place. I do not

think there would be anything in the metrics, in terms of the average cost per unit, that would suggest the voluntary sector is not generating value for money. There can be a disparity between one and the other. The voluntary bodies are sometimes engaged in providing accommodation of a very specific type, perhaps for people with a disability, that attracts additional costs. I am satisfied, from that point of view, that we have a robust set of arrangements in place. We have been working on the broader issue of the regulation of the sector, which was mentioned by the Deputy. A voluntary code has been put in place in advance of the drawing up of a new set of statutory arrangements. With the permission of the Chair, I will ask my colleague, Mr. Layde, to say a little more on that matter.

Mr. Michael Layde: As the Secretary General and the Deputy have said, the importance of the voluntary sector is growing. In 2011, the Government recognised in its housing policy statement that the role of the not-for-profit sector, as it is increasingly referred to, would grow and intensify in the years to come. It is clear in that context that there is a need to look at the regulation of the sector. Deputy Nash mentioned that there is a multiplicity of bodies of this nature. The total number is approximately 500. As the Secretary General has said, they vary in size from the very small and localised bodies to the handful of bodies that are essentially operating on a not-for-profit commercial footing. The regulatory structure we are devising for them is based on the principle that one size does not fit all. We are working on a light-touch regulatory system for housing bodies in the middle tier, some of which are essentially community groups but nonetheless receive public funding from time to time. The housing bodies in the upper tier, which operate on a reasonably large scale, are probably those of the most interest. The number of such bodies in Ireland is very modest by comparison to the number of equivalent bodies in other countries. There is some potential for growth of the sector here. The larger bodies receive significant amounts of public moneys. We introduced a voluntary code as a precursor to putting the regulation of the sector on a statutory footing. The interim regulatory structure is housed in the housing agency, which is independent of the Department. Bodies are signing up to that voluntarily. As the Secretary General said, the intention is that during the course of next year, legislation will be introduced to provide for the new statutory arrangement that will come into force in 2016 and will be in line with best practice in other jurisdictions.

Deputy Gerald Nash: My colleague, Deputy Harris, touched on the issue of tribunal costs earlier. Obviously, everybody is concerned about the expenditure of public moneys. We have all expressed eagerness to provide for value for money and a level of control over legal costs. In response to that, the State Claims Agency, SCA, established a legal costs unit, which kept an eye out in terms of intervening in what might be regarded as excessive legal costs - for example, around the planning tribunal. Will the Secretary General talk me through how the Department interacts with the legal costs unit of the State Claims Agency in terms of managing those costs? The view was that those costs had got out of control and clearly the legal costs unit has tried to deal with that. Will he talk us through how the Department deals with the unit and its role in bringing costs down?

Mr. John McCarthy: I will trace through the procedure and how it works in practice. Once a tribunal rules on the principle of whether a third party is or is not entitled to costs, it is up to the legal advisers of those who are entitled to submit their claim. Once submitted to the tribunal, the claim comes to the Department and we in turn refer it to the State Claims Agency, which has been retained by Chief State Solicitor's office, CSSO, to perform that function. Following the SCA's examination of the claim and, no doubt, an element of negotiation between it and the legal professionals, the report will be sent back to the Department and we in turn refer it to the CSSO and the tribunal for review. Generally, the CSSO will accept the SCA's recommenda-

tions, subject to some exceptions where it carries out a more detailed examination itself. Our experience shows that these procedures achieve considerable savings.

Deputy Gerald Nash: Is the Secretary General prepared to give any metrics on that, in terms of the savings that may have been achieved?

Mr. John McCarthy: Looking at 2013 as an example and at the quantum of third party costs we paid that year, these reflect a reduction of approximately 40% on what was originally claimed.

Deputy Gerald Nash: How much was that in real terms - in terms of how much the Department anticipated spending on third party legal costs and what was actually spent?

Mr. John McCarthy: In 2013 we paid just under €4 million in respect of third party costs. That represented 60% of the corresponding claims submitted to us. There would have been a range of factors behind this, including some areas of work that would have been ruled not appropriate and others at rates that needed to be reduced. On a quick analysis of the 2013 payments, the order of reduction was approximately 40%.

Deputy Gerald Nash: Now that the SCA has established the legal costs unit, has the Department detected situations in which lawyers are being more realistic in terms of the bill of costs they submit? Are they less greedy?

Mr. John McCarthy: It will be interesting to look at the analysis we do in regard to the third party costs we pay in 2014 as compared with 2013. It is probably only at that stage that I will have some evidence to answer the Deputy's question. From our point of view, we are determined to work with the SCA to ensure we minimise the costs involved. I believe the 2014 analysis will, in due course, present some interesting results.

Deputy Gerald Nash: I have two further questions, one of which relates to the plastic bag levy. I am very interested to know - if Mr. McCarthy has the information - how much has been raised through the plastic bag levy year on year over the past couple of years. Has there been a decline and a change of culture in regard to the purchase of plastic bags? The reason for the introduction of the levy was to try to change behaviour. Therefore, this is one area where we are likely to see a reduction in terms of the moneys raised through the levy, indicating a change in behaviour.

On the e-voting machines calamity, the view has been expressed previously that we might as well have set a match to €25 million, as they were little use. Mr. McCarthy mentioned that the last remaining lease in this regard is being worked through currently. Where is that site and when does he expect the last lease will be closed out?

Mr. John McCarthy: I will take the second question first. From memory, the lease was in County Monaghan, where there was a 25-year lease on the property at a cost of €16,800 per annum. The property was vacated last year and a negotiated settlement has been reached, on the payment of €50,000, to end the lease. This was agreed recently. We have sanctioned for making the payment, but I am not sure it has been made yet. If not, it will be made shortly. That was the last lease.

On the plastic bag levy, when it was introduced in 2001-02, it was very much designed to change behaviour. Subject to correction, at that stage Ireland was using approximately 1.2 billion plastic bags a year. The levy has been hugely effective in changing behaviour and we have

reduced the number of plastic bags used here by approximately 95%. This obviously has an impact on the revenue that accrues from the levy, but that is a by-product. Behavioural change was our key requirement. In 2013, in the accounts of the environment fund, the levy yielded €12.8 million.

Deputy Gerald Nash: I have one final question relating to expenditure on elections, although this may not be within Mr. McCarthy's ambit in general. Something brought to my attention on a regular basis, particularly in the lead-up to elections, is that one of the significant costs is the employment and engagement of polling staff. We are told consistently by returning officers that the filling of positions is an open process and positions are advertised. However, it seems to me that hundreds of people are consistently successful in terms of achieving those positions. Generally speaking, these are people who work in the public or Civil Service. This creates some issues. In response to parliamentary questions over the past few years, the Minister has stated that his preference would be that people out of work would be considered for the positions of poll clerk, counting staff and so on. How open is the process?

Mr. John McCarthy: From a financial point of view, the process of holding elections is largely regulated through the Department of Public Expenditure and Reform. In the guidance memorandum issued, competence in doing the job, given that it is fundamental to the democratic process, would have been highlighted.

Deputy Gerald Nash: I accept that this is a requirement, and those people generally do a good job.

Mr. John McCarthy: Efficiency would also be important, with a view to getting an accurate result at the earliest possible time. The need to ensure that people who are unemployed and who are suitable are recruited would certainly have been brought to the attention of returning officers. I do not have any information available as to the extent to which that happened and I do not know whether that would have been reported back to the Department of Public Expenditure and Reform.

Deputy Gerald Nash: Thank you.

Chairman: In regard to the employment of people for count centres and so on, the general complaint is that it is all local authority staff who get the job of counting votes and so on. Of course staff need experience in all these cases but there seems to be little or no attempt to bring in some people who would have the appropriate expertise and who could be part of that process. That is the general complaint. In that context I am keen to find out from all of the returning officers how many were employed from outside rather than from the local authorities, as well as the cost of each count centre for that election. Is it possible to get that information? Does the Department have it?

Mr. John McCarthy: Generally, in terms of costs it is a matter for the Department of Public Expenditure and Reform under the charging order between the between the Department and the returning officers.

Mr. Tom Heffernan: Certainly, we can dig out the information by cost centre. I have aggregate figures on the costs before me but they are not broken down. Anyway, we could supply those to the committee.

Chairman: It would be useful to get the costs of each centre. The returning officer decides who is employed on the day of the count. Is that correct?

Mr. Tom Heffernan: Yes, the returning officer is responsible for the employment. They make returns to us in respect of their costs, expenses and charges. Our Minister regulates, by charging order, the level of fees and expenses that may be paid. They make returns to us on predetermined standard account forms.

Chairman: They would also be able to tell the Department the number of staff and the number employed from within local authorities or from outside the local authorities.

Mr. Tom Heffernan: I am unsure whether we actually get details of the numbers of staff but I can clarify the position for the committee.

Chairman: It would be helpful if you could have that information for us.

Deputy Gerald Nash: I have a related point. I am keen to know the level of pay for polling clerks and staff. This is something the Department should be in a position to answer. What is the cost to a local authority of losing those staff? Generally speaking, there would be counts or elections on days when local authorities are open and supposed to be fully functioning. Inevitably there will be costs associated with losing those staff. How is that quantified?

Mr. John McCarthy: The responsibility for the local elections rests with the local authorities. We expect them to make the arrangements as efficiently as possible. We do not collect information in respect of the quantum of local authority staff that might have been working on the local elections. For national and European elections etc. the rates of pay are probably regulated under the charging order.

Deputy Gerald Nash: What are they?

Mr. Tom Heffernan: For which election? The charging order is rather extensive. For example, the maximum for returning officers is €10,000 for contested European elections, while for an uncontested election it is €1,000. I can supply the committee with a copy of the document.

Chairman: Perhaps you could provide us with a full note on the order.

Mr. Tom Heffernan: I can give the committee a copy of the order and, certainly, I can provide a note on the issues that you have raised about breaking down the costs around the local cost centres. If we have the numbers I will clarify that issue but I am unsure whether we actually get the numbers employed by each individual returning officer. Anyway, I will certainly clarify the matter and I will give you a note on it.

Chairman: Thank you.

Chapter 4 includes reference to a lease, which you referred to earlier. The lease was terminated and a payment of €50,000 was made. I am reading a note and perhaps you could clarify it for me, please. The property was located in County Monaghan. A returning officer established the lease. Is that correct?

Mr. John McCarthy: That is correct.

Chairman: Who was it established with?

Mr. John McCarthy: I am unsure whether I have that information. I am advised that it was established. The returning officer is since deceased and the property was leased from the

returning officer's nephew.

Chairman: So he did a deal with his nephew. Have you checked out the other leases throughout the country to determine whether they were appropriate and so on? Did much of this happen? Was it commonplace for a returning officer or the officer in charge to have the freedom to decide a lease, even if it was with a family member?

Mr. John McCarthy: At the time of the disposal of the equipment in 2012, a total of 13 premises were being used to store the equipment locally. Three of the 13 were either State-owned or rent-free and, therefore, there was no requirement to end the lease. Four of the leases were terminated without additional cost. Five were retained to store manual voting equipment and, therefore, they are still used by the returning officer. The final premises of the 13 was the one to which I have just referred.

Chairman: Is this the only incident where this would have happened or where a relative or family member was involved?

Mr. John McCarthy: Certainly, it is the only one that I am aware of.

Chairman: The sum of €50,000 has been paid. Is that correct?

Mr. John McCarthy: No, it is in process. It has been agreed and we have sanction to pay it. It is in the process of being paid at the moment.

Chairman: What was the total cost of the whole project? Was it €55 million?

Mr. John McCarthy: Yes, Chairman.

Chairman: There is nothing else outstanding in that. Is that the case?

Mr. John McCarthy: No, that is it.

Chairman: Let us discuss landfill and illegal dumping. Is the total cost for licensed sites €90 million or thereabouts? The report lists the various licensed sites and the associated costs. I am referring to appendix A on page 129 of the Comptroller and Auditor General's report.

Mr. Seamus McCarthy: The figure of €99 million relates to all four categories: unlicensed sites, licensed sites, wetland creation and industrial sites, including the Haulbowline site.

Chairman: What is the figure for licensed sites?

Mr. John McCarthy: Let us examine page 11 of the briefing paper I submitted. It contains a table which shows the breakdown between unlicensed, licensed local authority, licensed private, the industrial site, that is, the Irish Ispat site, and the other site, which was a wetland creation.

Chairman: There are 22 licensed local authority sites and the cost to 31 December 2013 was €41.35 million. The estimated future cost is €840,000. If these were licensed sites, why did that happen? Were any officials within the various counties responsible for monitoring the licences or determining what was actually happening after the licences were granted? It seems to me that if individuals in each county were tasked to do this and examine the licensed sites, then those individuals, collectively, have cost the State the best part of €42 million plus.

Mr. John McCarthy: I will ask my colleague to comment on the matter but, as I understand

it, largely and in effect the local authority sites would have operated pre the introduction of the waste licensing regime under the Environmental Protection Agency. In effect local authority sites operated before the introduction of the waste licensing regime under the Environmental Protection Agency, EPA. As part of the process of licensing the sites there would have been a requirement, under the licences, to do certain capital and other works to bring them into line with the terms of the licence. In some respects it was a case of the licensing system catching up with and regularising those that were already operating. The local authorities would have contributed to those costs, apart from the €41.35 million given by the State. The State recognised that these were significant additional capital requirements for the local authorities.

Chairman: The licensed private sites are separate, costing the State €840,000 in 2013.

Mr. John McCarthy: That relates to one of the former Greenstar facilities in east Galway. It went into liquidation. The EPA has brought legal proceedings to deal with the Greenstar issue generally. There was a judgment against the EPA last April. It is considering an appeal to the Supreme Court.

Chairman: Mr. McCarthy mentioned €52 million. Is that for the Haulbowline site?

Mr. John McCarthy: Yes.

Chairman: That initiative was taken in 2012.

Mr. John McCarthy: The Department of Agriculture, Food and the Marine has taken charge of the site since 2012.

Chairman: Is there any way to recoup this money? In one instance there are legal proceedings, in another there is an effort to clean up the site at Haulbowline.

Mr. John McCarthy: It is a former industrial site that has not operated as an industrial facility since 2003 or 2004.

Chairman: What is the plan for Haulbowline?

Mr. John McCarthy: My colleague from the Department of Agriculture, Food and the Marine will answer that question.

Dr. Cecil Beamish: The Department of Agriculture, Food and the Marine took over responsibility for this site by way of Government decision in 2011. Most of the expenditure reported by the Comptroller and Auditor General predates that. It deals with demolition of the steelworks and other works that were carried out before that transfer.

The transfer initially involved a focus on the east tip, a 9 ha site where there had been extensive dumping of waste on the foreshore from approximately the 1960s and 1970s on. That had to be regularised in order to meet the requirements of a judgment by the European Court of Justice dealing with the site. The Department was given responsibility for taking it over and regularising it. In subsequent Government decisions it was also given responsibility for the former steelworks site and another area known as the south tip, both of which are outside the decision of the European Court of Justice.

Since then the Department has collated all the existing information on the east tip site, carried out a detailed quantitative risk assessment of the east tip site and was engaged in designing appropriate outline remediation plan for that site. That has led to the submission of a licence

application to the EPA, and of planning and foreshore applications in respect of the site. In parallel work has been done on the assessment of the bridge leading onto Haulbowline Island which is the sole land access. There was structural deterioration which had to be addressed in order to enable the remediation work. Work is under way on that contract to repair the bridge. Risk assessments are being carried out on the steelworks site, which is the former plant site and the south tip which Irish Steel used as a dumping area many decades back.

Chairman: Is this under the remit of the marine element of the Department?

Dr. Cecil Beamish: The Department is working with Cork County Council as its agent. Cork County Council is doing the executive work, the assessment of the area, the design and so forth. The Department has a formal memorandum of understanding with the county council on how to approach this work.

Chairman: How much is it costing?

Dr. Cecil Beamish: There are three elements: the east tip, the steelworks site and the south tip. We have just received planning approval for the east tip, which is the subject of the judgment from the European Court of Justice, and the EPA has notified us that it is making a decision on this, subject to objections. Once the two consents are in place and there are ongoing geotechnical studies on the site a detailed engineered solution for the east tip can be finalised, taking account of the conditions attached to the EPA decision and the planning permission from An Bord Pleanála.

The proposed solution is to construct an engineered structure around the edge of the east tip, which is on the foreshore. This will be a boundary 900 m long and 4 m or 5 m high. It will be rock armoured, etc. It must comply with what is required by the EPA licence. There will be an engineered cap and surface water drainage to the rest of the east tip site.

There are approximately 650,000 cu. m of waste on this part of the island. Approximately 150,000 cu. m of subsoil and topsoil will be required in a capping exercise as part of the engineered solution. The Department has applied for a licence to take some foreshore samples from an adjacent sand spit to see if some of that material can be used.

Chairman: Up to 2013 the Department spent €52.44 million.

Dr. Cecil Beamish: Most of that expenditure predates the transfer of ownership to the Department of Agriculture, Food and the Marine.

Chairman: It was the responsibility of the Department of the Environment, Community and Local Government until December 2013.

Dr. Cecil Beamish: The formal ownership transferred on 11 October 2013 but the Government had decided in 2011 that the Department of Agriculture, Food and Marine would take over responsibility for this.

Chairman: How much money was spent on that site up to the end of December, by the Government, by the Departments?

Dr. Cecil Beamish: I think the figures are in the report.

Mr. John McCarthy: We spent €52.44 million prior to the transfer of responsibility approximately two years ago.

Dr. Cecil Beamish: The Department of Agriculture, Food and the Marine has spent approximately €1.6 million.

Chairman: In total approximately €54 million has been spent to date.

Mr. John McCarthy: Yes.

Chairman: How much will be spent in 2014?

Dr. Cecil Beamish: The Department's Vote is €5.7 million in 2014.

Chairman: Is that for the year or is it to date?

Dr. Cecil Beamish: It might bring clarity if I describe the site. There are different elements. The east tip is the area to which the decision of the European Court of Justice applies, which must be remediated. It is an area of 9 ha. There are in total approximately 36 ha that are not part of the naval headquarters. There is the former plant site of the steelworks. A substantial portion of the money that was spent prior to the transfer to the Department of Agriculture, Food and the Marine may have related to the demolition of the plant and the removal of materials from the plant. My colleagues from the Department of the Environment, Community and Local Government might wish to comment in further detail on that. Most of the expenditure by my Department up to now relates to the repair of the bridge. It is a €1.85 million contract and there is the assessment of that, plus a detailed qualitative assessment of the risks on the east tip, in the steelworks and on the south tip, as well as design of the applications to the Environmental Protection Agency, An Bord Pleanála and for the foreshore consents based on the qualitative risk assessment.

Chairman: Going back to the figures, Dr. Beamish indicated that the provision in the Department's Vote for this year is €5.4 million.

Dr. Cecil Beamish: Yes.

Chairman: What is the projected figure for next year?

Dr. Cecil Beamish: As set out in the Comptroller and Auditor General's report, there is no definitive figure for the total remediation costs. This is because the design of the final remediation of the east tip was dependent on the conditions attached to the EPA licence, the conditions attached by An Bord Pleanála and the foreshore consent. There is ongoing geotechnical work around the east tip to determine the structural basis on which it is sitting and what will be needed to stabilise it. When all of that information, plus the information on where the material that will be used to cap and cover the site can be sourced and the cost thereof, it will then be possible to put together an overall engineering solution. Once that is done, it is the Department's intention to revert to Government with the design solution and its estimated cost.

Chairman: Within the timeframe to which the Department is operating, is there any further risk of EU fines or other penalties?

Dr. Cecil Beamish: We keep the Directorate General for the Environment fully updated on the plan for addressing this issue and the progress being made in that regard. The work that has been done to date in respect of the notice of decision from the EPA and the planning decision granted by An Bord Pleanála has met the requirements. The Directorate General for the Environment is understanding of the work sequence that is planned and the outcome that is intended.

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Chairman: This has cost approximately €60 million so far. Will the delegates keep us informed of what is proposed in terms of future costs relating to this site?

Mr. John McCarthy: The Chairman will see the footnote relating to future costs associated with the Kerdiffstown site. We are not in a position at this stage to say what those future costs will be. The EPA has done a huge amount of work on this issue and produced a report with a number of options. The matter will need to go to Government. I do not want to prejudice a tendering process, but I can say there will be further costs associated with Kerdiffstown. We will keep the committee informed in that regard.

Mr. Seamus McCarthy: It would be useful to have those estimates as soon as they can be provided. The recommendation was that for as long as the project is still a live project, the estimated future commitment would be identified each year in the appropriation accounts, along with the history of the full costs to date. We wanted to ensure this type of information would, on a routine basis, be put in the public domain and made available to the committee.

Chairman: Has that recommendation been accepted?

Mr. Seamus McCarthy: Yes.

Chairman: We can expect that information as we go along.

I raised the same type of issue in respect of a different site with the Secretary General of the Department of Transport, Tourism and Sport, Mr. O'Mahony, when he attended the committee last week. It is alleged that of the 57,000 tonnes of waste taken out in the course of development work on the R158 from 2004 to 2008, 16,000 tonnes were dumped on a private site. I am trying to establish who in the local authority had responsibility for overseeing that project and who will take action, if such is necessary, against the contractor that allowed this to happen. Who will lead this saga to a point where there is a solution to the problem and an estimate of the costs involved in putting the lands back to the way they were prior to this happening? How did a contractor, if that is the case, get away with this type of dumping when the work was being carried out under the nose of the county council? The location of this particular site is at Laracor in County Meath, but I understand the same type of thing may have been done at other sites. Who undertakes to investigate such incidents? It is an issue that has been passed from one agency or Department to another with little interest being shown by the local authority in question in resolving the issues that relate to it.

Mr. John McCarthy: I cannot answer the Chairman's question regarding the supervision arrangements in place for individual contracts. Road contracts are managed by the Department of Transport, Tourism and Sport and I am not familiar with the arrangements. From the environmental point of view and in respect of the suggestion of illegal dumping, I was aware that the Chairman had raised this issue. Without getting involved in the specifics of the case - the Minister is precluded from involving himself in such specifics, either planning or environmental - my understanding is that the EPA has requested Meath County Council to do some investigations and prepare a report. From an environmental enforcement point of view, that is-----

Chairman: Where did that request come from?

Mr. John McCarthy: I understand the EPA requested Meath County Council to do it.

Chairman: When was it made?

Mr. John McCarthy: I do not know.

Chairman: The reason I am raising this issue is that after questioning the Secretary General, Mr. O'Mahony, last week, I was not sure what action would be taken arising from that discussion. It is one of those issues that gets passed from one Department to another and is never resolved. I am not raising it from a planning perspective but from a cost perspective. If it is found that illegal dumping went on in the course of a road development contract, the question arises as to whether the State is exposed to any potential costs. We cannot determine that until we find out exactly what happened. If the EPA has been requested to carry out a report, can Mr. McCarthy find out how long it will take to be completed and if it will be made available to this committee?

Mr. John McCarthy: I understand absolutely where the Chairman is coming from in terms of the protection of the public purse and the risk of exposing the State to any further liability arising out of this incident. As I said, I am aware that the Chairman raised the matter with my counterpart at the Department of Transport, Tourism and Sport last week. The Department is restricted in the extent to which it can get involved in individual investigations. This does not apply to the Department of Transport, Tourism and Sport. I will follow up to ensure the committee receives a response setting out in detail when the report was requested and so on.

The issue of limiting the exposure of the State will be determined by what the investigation yields. If parties are identified as having acted illegally and can be pursued, it is open to the EPA or Meath County Council, depending on the level of illegality, to do so in a civil or criminal sense or both. It depends on the circumstances of the case and the parties involved.

Chairman: My view is simple. I would pick up the telephone, ring the Meath county manager and request a report on what happened regarding the contract. Is it not the responsibility of Meath County Council?

Mr. John McCarthy: It is the responsibility of Meath County Council operating under the Department of Transport, Tourism and Sport.

Chairman: Meath County Council answers to the Department of the Environment, Community and Local Government also.

Mr. John McCarthy: On the roads programme, it answers to the Department of Transport, Tourism and Sport.

Chairman: Will Mr. McCarthy after this meeting telephone the person responsible and ask him or her to report on what happened to the Committee of Public Accounts?

Mr. John McCarthy: I understand the person responsible is following up, but I will contact him directly.

Chairman: If Mr. McCarthy intervened, the person responsible could give us the report and it would end the chase.

A question on funding of the Tipperary hostel project arose at the meeting of the Committee of Public Accounts. It cost €4.88 million of public funds and the Department of the Environment, Community and Local Government was one of the Government agencies that contributed. It was taxpayers' money. The project has not been completed, although the money was spent on the renovation of a church and building there. I understand a local limited company

funded by the Department was involved and that there are issues around this. A Garda investigation into the project took place. How will the State protect its investment of €4.88 million, or are the Department and the State prepared to leave things as they are?

The committee wrote to the Minister to bring this matter to his attention and received a reply that did not indicate much responsibility was being taken for oversight and the next steps to be taken. I want to end the chase on this issue. Can some branch of the Civil Service, a Department or an agency, intervene to protect €4.88 million of taxpayers' money and establish how the project can be completed in the best interests of the taxpayer? The church is falling into disrepair again and the project has not been finished. A Department must take the initiative and bring all of the players together to solve the problem. A letter was written to the Minister and the Department because there is a local authority element to the matter. It did not request that the Department take responsibility for the project but rather that it take responsibility for investigating a possible solution. I am not prepared to see €4.88 million invested in this way without oversight. Taxpayers worked a long time to raise the taxes to supply the funding.

Mr. John McCarthy: The Chairman raised the issue of this project previously and communicated with the Minister on it. Total expenditure to date on it is €4.9 million. Of this, some €4.2 million has come via community employment and jobs initiatives similar to those provided by FÁS. Funding provided by Pobal and the Department amounts to roughly €330,000.

The project is in a building leased from a local authority. It was funded primarily through the now defunct FÁS. I understand a Garda investigation is ongoing, although another investigation is complete. The Minister's letter indicated the importance of what would happen in the future, as €4.9 million of taxpayers' money had already been invested. There must be a clear business case for further investment. The Tipperary county manager has corresponded with the committee through the Department of the Environment, Community and Local Government and indicated that he does not believe there is a basis for rescinding the lease from the company concerned. Perhaps when the Garda investigation is complete, this issue might be revisited and the future use of the building considered.

The vast bulk of the funding for the project came through an arrangement with FÁS, SOLAS and the Department of Social Protection that has been restructured. We are happy to support any initiative, but, given the source of funding, the project's prospects should be looked at through that lens. We will engage in any process put in place.

Chairman: Will Mr. McCarthy ask the county manager what the lease arrangement is? The Garda investigation is separate and has no bearing on my suggestions. I ask that Mr. McCarthy establish the facts through the Department of the Environment, Community and Local Government. They should then be supplied to the committee. Is the county manager prepared to move against those holding the lease? The situation is not sustainable and the company could go into receivership. What legal action can be taken? I will raise the matter with SOLAS as soon as this meeting is over.

Mr. John McCarthy: There has been correspondence on the lease issue, but I will revisit it and come back to the Chairman.

Chairman: Having a copy of the lease would be helpful.

Deputy John Deasy: I welcome Mr. McCarthy and the officials from the Department. Was he involved in dealing with nitrates ten years ago?

Mr. John McCarthy: I have been involved in many things but not in dealing with nitrates. I may simply have a familiar face.

Deputy John Deasy: I was trying to place Mr. McCarthy. A familiar face is good. I have five or six questions without a common thread.

Deputy Kieran O'Donnell: The more important question is whether Mr. McCarthy recognises the Deputy.

Deputy John Deasy: To all intents and purposes, the enterprise boards have been subsumed into the local authorities. That is a move with which I strongly disagree. I have had a very good experience with my local enterprise board, but some Deputies have not. The last place the staff and decision-making processes of local enterprise boards should be is within the apparatus of local authorities, particularly in view of their lack of appreciation of commercial and business issues. I am concerned about the success of this policy measure. I accept that Mr. McCarthy is not in a position to provide a verdict as to whether it is good or bad. However, I can ask him how the Department is going to measure how effective the enterprise boards are going to be in view of the fact that they now reside within local authorities.

Mr. John McCarthy: I thank the Deputy for his words of welcome. Somewhat like the previous discussion I had with the Chairman about roads, enterprise is now a function of the local government system through the new local enterprise offices, LEOs. Central government responsibility in this regard resides with the Department of Jobs, Enterprise and Innovation. In trying to ensure that policy at national level is effected at local level, it is through that channel - via Enterprise Ireland - that this will work. From experience, I am in a position to state each local authority, as part of the establishment of LEOs in April, has entered into a service level agreement with Enterprise Ireland. What it is that is expected to be delivered is set out in these agreements and it will provide Enterprise Ireland and the Department of Jobs, Enterprise and Innovation with a mechanism to monitor progress. I do not know what are the specifics of the service level agreements. I am aware, from my background knowledge, that they have been put in place as a way of supporting-----

Deputy John Deasy: What involvement does the Department of the Environment, Community and Local Government have with the mechanism - the service level agreements - to which Mr. McCarthy refers?

Mr. John McCarthy: We have no real involvement other than on the periphery, where there have been issues in trying to address some matters relating to staffing that arose during the transfer. This was because there were vacancies in some county enterprise boards. The local government system was asked to step up to the plate and deliver some staff savings in order to assist in the transfer. We would have been involved from that perspective.

Deputy John Deasy: Therefore, the point was to save money. If the Department has no involvement in the service level agreements, what was the point of doing all of this?

Mr. John McCarthy: The purpose of the policy the Government put in place via Putting People First which was introduced in October 2012 is to provide an expanded role for local government in the areas of community development and enterprise and wider economic development. This is a manifestation of translating it into practice.

Deputy John Deasy: Therefore, the Department is trying to interweave what local authorities do when it comes to the development of enterprise with what local enterprise boards would

have done in the past. It does, therefore, have a role.

Mr. John McCarthy: There is an element of synergy, if I can describe it in that way. Policy responsibility in the microenterprise role, which is what the city and county enterprise boards were involved with, remains with the Department of Jobs, Enterprise and Innovation and Enterprise Ireland.

Deputy John Deasy: Therefore, they are overseeing the effectiveness and success of the policy, but the Department of the Environment, Community and Local Government has no role, despite the fact that the LEOs are located in local government buildings.

Mr. John McCarthy: We have a strategic role. As central guardians of the local government system, we have a vested interest in ensuring this does actually work because it is part of the broader process of local government reform and expanding the role of local government. That takes us back to the discussion-----

Deputy John Deasy: That is very odd. It is sometimes difficult to even contact Enterprise Ireland by telephone and Mr. McCarthy is stating it is going to be responsible for determining whether what is involved is going to be a success. This is absolutely critical in the context of local development. The people with whom I have dealt for the past 20 years are very good at what they do. Mr. McCarthy is stating he, his officials and county managers really will have no say in determining whether what is being done in this regard is a success. What input does the Department have and does it deal with Enterprise Ireland? The situation in this regard is very odd, particularly in the context of the critically important role the former enterprise boards had in generating business.

Mr. John McCarthy: The CEOs have a critical role in this matter.

Deputy John Deasy: I know that, but who will be responsible for determining whether they are doing their jobs?

Mr. John McCarthy: In so far as microenterprise is concerned, it is Enterprise Ireland and the Department of Jobs, Enterprise and Innovation.

Deputy John Deasy: On local representation, an unusual phenomenon occurred on polling day in the recent local elections. I refer to the fact that voters in Clonakilty elected their own mayor. I do not know if Mr. McCarthy is aware of this, but it is an interesting development. It was considered there was a dearth of representation in the aftermath of the abolition of town councils and, as a result, voters directly elected a mayor. I am surprised Mr. McCarthy does not know this, particularly as the Local Government Reform Act does not preclude the existence of other representative structures in more localised areas. I can understand why the people of Clonakilty did what they did. I come from Dungarvan, the county town of Waterford which had a local authority and a town council for many decades. However, we have moved from a situation where there were probably close to 12 councillors living within the town boundaries to a point where there is only one. I am not going to discuss the pros and cons of abolishing the town councils, but the Act makes specific reference to the potential existence of other representative structures. The people of Clonakilty noticed this and elected their own mayor. They obviously believe this is an advantage and of benefit to the town. When it comes to twinning with other locations or inviting people to visit the town for business and commercial purposes, having a mayor is a plus. Given that the Act does not preclude the existence of different democratic structures, will the Department accept applications for funding from the relevant entities?

Mr. John McCarthy: I will explore the particular issue the Deputy has raised. The Act is a very large instrument. In terms of the entitlement to style the chair of a local authority as a mayor, to the best of my recollection, the Act provides that this is confined to towns or urban centres with a population of 20,000 or more. Under the legislation, the local government units with which we will deal from now on are county councils, city councils and the two city and county councils. These are the structures with which we engage.

Deputy John Deasy: The Act makes specific reference to these bodies.

Mr. John McCarthy: I need to check the position to see exactly what is contained in the relevant provision. The bodies in question would not be seen as local government units.

Deputy John Deasy: The Act does not preclude the existence of other representative structures in more localised areas. What is going to happen is that some people in areas and towns which are used to having such representation - for very practical purposes - will, like the people of Clonakilty, elect their own mayor. A couple of thousand people showed up the day after the local elections. This will occur again and again because they will believe there is a deficit in representation in a particular urban area. Does the Act provide for a review of the specific provisions for representation in a particular area? Will the Department consider funding the organisations that appear, for example, this one was put together by Dúchas, to co-ordinate with local bodies?

Mr. John McCarthy: I suspect the Deputy is referring to provision for arrangements for representational structures. The only local government structures formally recognised in the legislation and the only ones with which we will engage and fund are county councils, city councils and the two city and county councils.

Deputy John Deasy: That is very vague and they took the chain which was passed on to the new mayor from the previous town council. The Department needs to examine this issue. These groups are very democratic; they are not political. There is a mayor; thousands of people in Clonakilty believed it was important enough to show up and vote. There is a lacuna in this respect in the Department because there is a reference to it in the Bill. The people of Clonakilty saw this reference and acted on it. I do not see any reason the Department would not fund an organisation. Organisations appear all the time and make funding requests to it. I am surprised that it would preclude funding such an organisation which is democratic.

Mr. John McCarthy: When I said we would not fund them, it was in response to a question about the group as a local authority. We would not fund it as a local authority. I am not familiar with the body about which the Deputy is talking, but there is funding available through community development programmes and other arrangements. It would not be recognised under the law as a local authority.

Deputy John Deasy: How much is the total bill for the Tribunal of Inquiry into Certain Planning Matters and Payments, the Mahon tribunal?

Mr. John McCarthy: Up to the end of 2013, just under €106 million was paid through the Department in respect of the Mahon tribunal. The previous estimate which is mentioned in the report of the Comptroller and Auditor General was for a final total bill of €196 million. That was the tribunal's estimate. Last month, at our request, it provided an up-to-date estimate taking account of developments in the meantime such as cost orders and claims settled. Its latest estimate is that the final cost will be €159 million, of which approximately €106 million was

paid to the end of last year.

Deputy John Deasy: How many outstanding claims for costs are there?

Mr. John McCarthy: As I understand it, the tribunal's chairperson has ruled on 260 third party cost applications. The tribunal's estimate is that another 40 cost order applications will be made. The overall figure is approximately 300 cost orders.

Deputy John Deasy: How many of them have been rejected?

Mr. John McCarthy: I do not have a definitive figure. Several are the subject of legal proceedings. I think the vast bulk of the cost order applications have been approved.

Deputy John Deasy: Does "vast bulk" mean 90%?

Mr. John McCarthy: I can certainly check, but I suspect almost all applications were approved, other than those caught up in legal proceedings. There are two stages in the process - the initial ruling by the tribunal on whether a party is entitled to costs and then the party submitting its bill which is reviewed by the State Claims Agency. That is where cost reductions are achieved.

Deputy John Deasy: The property tax is collected and administered by the Revenue Commissioners. How much of the money collected will go into the local government fund?

Mr. John McCarthy: The local government fund for 2014 has been prepared on the basis of proceeds of €550 million from the local property tax.

Deputy John Deasy: What percentage is that of the overall sum raised by the property tax?

Mr. John McCarthy: The full €550 million from the local property tax will go into the local government fund.

Deputy John Deasy: Will it all go into the fund?

Mr. John McCarthy: Yes.

Deputy John Deasy: How is the figure broken down? If a particular constituency such as Kildare provides 10% of the overall property tax take, does the 10% remain within the confines of that local authority area? How will it be divided up?

Mr. John McCarthy: The Government has decided that there will be a 80% local retention rate of local property tax proceeds in the area in which they are collected. In the example the Deputy gives, if €10 million is collected in one local authority area, €8 million will be retained in that area and the balance will be retained in a central fund to support the local authorities that have a weaker local property tax base.

Deputy John Deasy: Local action groups spent €43.6 million less than was provided in Leader funds. What happened to that money? Why did the groups not spend the money?

Mr. John McCarthy: I think there was a saving of €44 million in the Leader programme in 2012. Of the total capital savings in 2012, €43 million was carried forward into 2013. The implication of the underspend of Leader funds is not that the overall value of the programme is being jeopardised. It just means it is moving on from 2013 into 2014 and there will be some further spending in 2015 to complete the programme.

Deputy John Deasy: It rolls over the same fund.

Mr. John McCarthy: Yes.

Deputy John Deasy: What reason is there for the groups not spending the money?

Mr. John McCarthy: I think it was largely due to slower than anticipated project spending by the local action groups that deliver the Leader programme. That was the primary reason behind it.

Deputy John Deasy: It is not a good idea for the money not to be spent when we have a recession. That is not ideal.

Mr. John McCarthy: We would certainly prefer to be in a position where programmes were being rolled out and delivered in accordance with the profile. It has carried forward and the pace of spend this year has picked up significantly. There is a-----

Deputy John Deasy: What is the reason for that? Mr. McCarthy understands where I am coming from. The sum of €50 million is a considerable amount. It is not being spent but is being rolled over and is going into the same fund. One of the problems we have in the country currently is that money is not moving. People are not spending money. That amounts to a great deal of GNP. The Department has regulations according to which it must operate when it comes to the projects but is there not a case to be made that the money should be spent as soon as possible? Obviously it should not be spent willy-nilly or on projects that make no sense, but money should be injected into local economies, especially in the regions where there has not been enough uplift.

Mr. John McCarthy: Absolutely. I agree that the importance of the Leader programme, particularly to rural areas, is significant. We would prefer to see the programme being rolled out in accordance with the original timeline in a way that ensures value for money, as Deputy Deasy rightly pointed out. The pick-up in spending this year is a reflection of a catching up with slower progress that gave rise to the underspend in 2012. I will ask my colleague Ms Moylette, who manages the Leader programme, to give a further flavour of some of the factors behind the underspend in 2012.

Ms Finola Moylette: The Leader programme is a large one that is delivered across the country by private limited companies. It depends largely on private individuals and community groups to make applications for funding. The financial crisis had a severe impact on those communities and local enterprises. One of the big reasons for the slower take-up was the ability of both community groups and the individual business people who wanted to take up the funding to access finance for the bridging element. The programme part-finances projects; 50% is provided in grant aid to a private individual or 75% to community group. That became a significant issue in terms of seeing the programme succeed to the end. We made a number of changes to the programme to try to allow the situation to change. We increased the grant rates and we also allowed a little more freedom to the groups in terms of the funding they put against the various measures in the programme to help them to pick that up. We can see the fruits of that now.

Deputy John Deasy: The benefits of it are evident.

Ms Finola Moylette: Yes. The take-up accelerated and the projects are now coming through to completion. We see a lot more of the pick-up in spending where the projects are now coming to completion and drawing down funding. We expect a significant pick-up this year. We could

see at the end of last year as well there was a significant pick-up in the rate of spending.

Deputy John Deasy: Based on the tweaking done by the Department, it is expected that a lot more projects will come on stream and be finalised.

Ms Finola Moylette: Absolutely. There was a slow period in the middle but once we took those actions we could see the take-up accelerate considerably.

Deputy John Deasy: Given that the spend was €44 million in 2012, does Ms Moylette have any idea of what it will be in 2013?

Ms Finola Moylette: I am not sure exactly what the underspend will be. We spent in the region of €83 million or €84 million at the end of last year and we have already spent more than €30 million this year. Normally the heavier spend element of the year would come towards the autumn. We have already seen a considerable pick-up. At this point in time it is well ahead of what it normally would be.

Deputy John Deasy: I thank Ms Moylette. I have one last question on NAMA. I do not know if anyone else has asked the question. NAMA comes before the committee all the time and we have inquired about social housing for some years. NAMA has been very slow to release properties. Could Mr. McCarthy give an explanation from the Department's point of view as to why that is?

Mr. John McCarthy: Yes. We have a very good and constructive relationship with NAMA. To give a sense of how much progress has been made, up to the end of quarter one this year, more than 4,600 units had been identified by NAMA. A total of 1,900 were confirmed to be suitable by local authorities. As things stand at the end of April, more than 750 of those have been activated and there are active negotiations and appraisals ongoing on a further 1,000 units. I will ask my colleague Mr. Layde, who has been leading for us on the matter, to add to what I say. One of the difficulties that has arisen with the NAMA units is that some of them have either been in the wrong place in terms of social housing demand or in the wrong place in terms of sustainable communities.

Deputy John Deasy: Could Mr. McCarthy define "wrong place"?

Mr. John McCarthy: It would be one of two things: first, they were in parts of the country where there was not a demand for social housing; or, second, they were located in places where there was already a significant amount of social housing.

One of the other issues is that in order to bring some of the units on stream in some cases, significant completion work would have to be done. Some of the units were not complete and ready to move into, which would have taken some time to address. With your permission, Chairman, I will ask Mr. Layde to say a few words.

Mr. Michael Layde: There have been difficulties in mobilising social housing for a number of reasons. There are two aspects to the issue. One is why certain units are rejected and the other is, in the case of units that are not rejected, what is the issue governing the pace at which they become available.

On the first point, we pursue a sustainable communities agenda and we try to avoid situations where there is a very high concentration of one tenure type. We wish to avoid the old model of a congregation of large numbers of social housing units, possibly in areas with inad-

equate services for families. There has been a process of filtration by local authorities to fit in with their own housing needs. We are revisiting that now. The Housing Agency, some local authorities and the Department are looking again at units that were previously rejected to see if we could find mixed tenure solutions that would allow some of them to be brought into service.

The situation was extremely complex at first. First, properties were not in the ownership of NAMA. The loans had transferred to NAMA but not the properties, which were still in the ownership of developers or, in some cases, receivers. As the Secretary General has said, in some cases the properties were not fully completed and issues arose in that regard. We work closely and co-operatively with NAMA. One of the actions it has taken to expedite the situation is to set up a special purpose vehicle within NAMA to which it can transfer properties. As they are resolving individual loans with associated properties, taking ownership of the properties and moving them into this special purpose vehicle for onward leasing to local authorities, it short-circuits what otherwise is a very complex process. There are no developers or receivers involved and so on. That has led to the type of acceleration we have seen more recently, and we anticipate this will continue for the rest of this year and into next year. However, the capacity of NAMA is of course finite, and as it has a finite number of properties, it is not a longer-term solution to social housing need.

Deputy John Deasy: I thank the officials for their response. The Secretary General has provided a basic explanation and has used the figure of 4,600 units to begin with, of which 1,900 are suitable. A total of 750 of these have been resolved and the Department hopes a further 1,000 are to be resolved and will be added to this and used for all intents and purposes. What is the timeline involved?

Mr. Michael Layde: Between now and the end of next year. We have not projected beyond that, as it depends. As I stated, the amount of property available to NAMA is finite. Some properties have been transferred to its special purpose vehicle, while other properties are still associated with loans. As the Deputy is aware, more recently NAMA has found it possible to accelerate the resolution of those loans. This very often can mean the associated properties cease to be available for other purposes. In other words, the matter has been resolved commercially, which of course is the underpinning remit of NAMA.

Deputy John Deasy: This is part of a major issue being faced by this country, namely, the availability of housing in general, and social housing is a big part of that. I read some figures yesterday suggesting that while it is necessary to build 25,000 units per annum, only 6,500 are being built per year. Consequently, there is a time element involved, even though it represents a small percentage of these figures. How will the Department get around this housing shortage that we probably will be facing over the coming years? Is this a huge issue for the Department? It popped out at me that there also was an underspend in the homelessness budget of €5.1 million. In general, however, can the Department give me a response on that figure of 25,000 units that some people estimate will be needed to accommodate people at a time when only 6,500 units are being built?

Mr. John McCarthy: I thank the Deputy. I suppose the social housing piece is part of the wider housing situation. The Government has recognised the need to get back to the position of having a sustainable level of construction activity in the country, including in respect of housing. Many years ago, construction probably accounted for more than 20% of GNP. It is now back to approximately 6%, and the aim of the Government's construction strategy is to restore that to a more sustainable level of between 12% and 13% of GNP. Within the construction strategy, there is a wide variety of measures, for some of which my Department is responsible.

Others, such as those pertaining to development finance, mortgage lending and so on, are the responsibility of the Department of Finance. All the issues that are connected with this or must be dealt with to support the increase in activity in the construction sector are being dealt with in this integrated way, with the Department having a very important role in that regard. Consequently, it is a major issue for us.

Specifically in respect of the social housing side, one commitment that has been made is to develop a new social housing strategy, and this will be developed by the end of the third quarter of this year. Consequently, work is progressing on that strategy, and much of the work and attention that must be devoted in this regard pertains to what potential funding mechanisms can accommodate the constraints in terms of public funding, while at the same time trying to harvest whatever capacity there is in terms of private funding, in a way that can support the maximum level of housing delivery. That social housing strategy will be designed to project forward for the five years ahead as to what the Government will deliver.

Deputy John Deasy: What does that mean? I refer to the private element Mr. McCarthy has just mentioned.

Mr. John McCarthy: One initiative we have taken in recent years is that through some of the approved housing bodies, for example, we provide a lesser amount of public funding but enough to act as a seed, if one likes, on foot of which they can attract private funding. It is this sort of mechanism. Obviously, it is also about looking at the Ireland Strategic Investment Fund and whether there are opportunities there into which we can tap in a way that does not have an impact on the Government's balance sheet and so on. Basically, any mechanisms that can contribute to the delivery of funding for social housing are being considered, while also taking account of work that has been undertaken and published recently by the National Economic and Social Council, NESC, for example.

Deputy John Deasy: The Department is kind of searching. If it uses the Ireland Strategic Investment Fund as a vehicle, it will be seeking private equity from outside the country, if necessary, to match that public funding to build houses.

Mr. John McCarthy: In effect, that is what one is talking about.

Deputy John Deasy: That is the direction being taken.

Mr. John McCarthy: It is trying to maximise the range of funding sources that are available to deliver as much as we can in respect of social housing units.

Deputy John Deasy: In other words, we effectively cannot afford to do it ourselves.

Chairman: I thank Deputy Deasy and call Deputy O'Donnell.

Deputy Kieran O'Donnell: I will follow on in that vein on the issue of social housing. In the opening statement by the Comptroller and Auditor General, he noted that in 2012, the level of spending on local authority housing fell by €56 million, or 17%. Mr. McCarthy should indicate what is the equivalent figure for 2013. I acknowledge that Deputy Deasy referred to this but I seek the number of units that were built in 2013.

Mr. John McCarthy: As for the number of units that were built in 2013, if one takes new builds and voids, regeneration and acquisitions, one is talking about just under 1,700 units.

Deputy Kieran O'Donnell: How many of those units were new builds?

Mr. John McCarthy: Sorry, Deputy; please allow me to go back, as I did not include the voluntary bodies. The figure is closer to 1,900 units. In the local authority programme, the number of new builds and regeneration units, which are equivalent to new builds, was approximately 460, and there were slightly more than 200 units on the voluntary side, which probably were largely new builds.

Mr. Michael Layde: Actually, there were a lot of acquisitions on the voluntary side.

Deputy Kieran O'Donnell: There were 460 new builds in 2013 and the level of funding that was spent in that year fell by €56 million from 2012. What was it in 2013?

Mr. John McCarthy: I will get that figure for the Deputy now.

Deputy Kieran O'Donnell: How many local authorities are currently under the Department's jurisdiction?

Mr. John McCarthy: There are 31 now.

Deputy Kieran O'Donnell: It is an average of approximately 14 units per local authority.

Mr. John McCarthy: The expenditure in 2013 on the capital side for local authority housing was €83 million.

Deputy Kieran O'Donnell: What had it been in 2012?

Mr. John McCarthy: The outturn on capital for local authority housing was €117 million.

Deputy Kieran O'Donnell: It has fallen by a further €34 million, or 30%, whereas in the previous year it had fallen by 17%. The fact is that between 2012 and 2013, the level of funding fell by €90 million, which is greater than the actual expenditure of €83 million in 2013. Am I correct in stating that the new build for 2013 by the local authorities was 460 units in total? If there are 31 local authorities, that works out at an approximate average of 14 units per local authority. Am I correct in this regard?

Mr. John McCarthy: In so far as building is concerned, that is the case. Obviously, units were delivered through leasing and the rental accommodation scheme as well.

Deputy Kieran O'Donnell: Why is this figure is so low? It seems incredible. I can only give the Secretary General my perspective as a public representative. I am a Deputy for Limerick city where housing is an enormous issue. I, no doubt like any other Deputy, note the number of people coming to their public representatives. How did our building programme get to the point where we were only building an average 14 new local authority builds per local authority in 2013?

Mr. John McCarthy: If one looks back over the past five or six years, and traces the progression of the more constrained financial environment in which we have found ourselves, in order to maximise the level of social housing output in a value for money way, we have found ourselves re-orientating our housing programme more towards instruments such as the rental accommodation scheme and the leasing programme. In an earlier discussion, I tried to put this in context. Deputy O'Donnell may not have been here at that stage, but it is no problem. As a way of trying to highlight the importance of that re-orientation in how we approached housing delivery, the example I used was that if one looked at the three years, 2010 to 2012, during which time we spent just over €38 million on leasing, that allowed us to meet the needs of about

3,500 households.

Deputy Kieran O'Donnell: Is that the rental accommodation scheme?

Mr. John McCarthy: No, this is the leasing scheme. As an alternative, if we had used that €38 million to either build or buy houses, assuming €150,000 a unit, we would only have been able to deliver about 250 houses. While Deputy O'Donnell is seeing that the new build piece has obviously reduced, it has been as part of a strategy to maximise the overall level from within the resources.

Deputy Kieran O'Donnell: On the overall level in 2013, am I correct that there were 1,900 allocations? What was the total number of new allocations, be it through leased or new build?

Mr. John McCarthy: In 2013, taking account of the build, the capital programme, the voluntary programme, the rental accommodation scheme and leasing, one is talking about approximately 5,650. In addition to that, there would normally be something of the order of about 3,000 re-lets by local authorities in the ordinary course of events.

Deputy Kieran O'Donnell: Would the number of new occupancies be 8,650, between new units and the re-letting of older units? Would that be fair?

Mr. John McCarthy: Yes.

Deputy Kieran O'Donnell: That is approximately 280 per local authority, far below the level of the waiting lists. Mr. McCarthy spoke of a strategy. The rent supplement scheme, which comes under the Department, was designed as a short-term scheme. In many cases, it has ended up becoming a long-term scheme. The RAS, from my perspective, works. It is a relatively well-administered scheme.

I have major misgivings over the way the rent supplement scheme in certain cases has operated, in terms of the level of controls. Nearly all of those on the rent supplement scheme are excellent. There are weaknesses in the scheme. I suppose I am asking Mr. McCarthy to bring it to me on a practical level. How will society, in which the Department is central, deal with a local authority housing crisis in the broadest sense when the number of units being made available on an annual basis is falling far short of the requirement and young housing applicants, many of whom are lone parents, end up living in sub-standard accommodation and find in a relatively short period of time that they have got into a physical housing poverty trap, both in the financial sense and in the level of facility provided?

Mr. McCarthy, dare I say it, is a new broom. I am setting him a challenge, not criticising the old broom but acknowledging the new broom. This is one of the most challenging areas for a public representative. I have thought long and hard about it. We are dealing with such persons every day of the week. It is something in which I have a particular personal interest. I see young people, particularly single mothers, living in dives. I would not put anyone into them. I feel an onus to help them. Mr. McCarthy might tell me what he has in mind to address the challenge, involving organisations such as NAMA and the voluntary groups that do fantastic work. How do we go about it systematically where, instead of finding mechanisms to keep people off the lists, we find mechanisms to facilitate in various different forms people to get adequate necessary housing and to not create a housing poverty trap?

Mr. John McCarthy: Picking up on Deputy O'Donnell's comment at the end on keeping people off the list, there is a very valid point - it was in a discussion with Deputy Deasy earlier

- around the connection between social housing, and what we need to deliver there, and the wider housing market because the more that we have a properly functioning housing market with supply at a level that can meet demand, the more we have price and rent issues dealt with in the market generally. Certainly, it eases the pressure on the public housing system.

In terms of providing for the future, the social housing strategy is really the vehicle which we are working through, particularly in terms of the potential funding arrangements that can be devised to support the maximum level of delivery. I might ask Mr. Michael Layde to say a few words on that.

The housing assistance payment scheme that Deputy O'Donnell has spoken about would be a very important part. He identified some of the issues associated with rent supplement. What the housing assistance payment does is bring the tenants in under a local authority-led regime with all of the benefits that that brings, and it also addresses issues around the rent being payable directly from the local authority to the landlord, avoiding some of the arrears-type issues which have given rise to some of the problems in terms of people finding themselves moving out.

Deputy Kieran O'Donnell: There is another issue with the rent supplement scheme with a tiny minority. I would not even measure it. There are issues of anti-social behaviour from tenants. Not only do they become repeat offenders, but the same landlords end up cropping up constantly. Such tenants have given the rent supplement a bad name which is completely unwarranted and they have given the greater number of landlords in the private rental sector a bad name which is completely unjustified and unwarranted. While being fair, what type of procedures is the Department bringing in to ensure that it does not have this tiny cohort destroying it for everybody else?

Mr. John McCarthy: On the anti-social behaviour issue, there is legislation before the Houses - it is before the Seanad - the Residential Tenancies (Amendment) (No. 2) Bill 2012, which will introduce some provisions that will assist in dealing with anti-social behaviour in private rented accommodation.

The other issue the Deputy mentioned relates to accommodation standards. There is a very extensive programme of inspections of private rented accommodation funded through the PRTB. Rather than just having a haphazard approach, we try to get local authorities to target those properties that are most at risk. Through the housing assistance payment scheme, coming in under the local authorities, the capacity to ensure the accommodation is-----

Deputy Kieran O'Donnell: I will finish on this point on housing because I do not want to take up too much time. With the RAS, there is a proper orientation programme to ensure people are fully aware of their responsibilities as tenants. Heretofore, that has not always been consistent under the scheme. Can we take it that it will be the case under the HAP scheme?

Mr. Michael Layde: Yes, indeed. It is fundamentally different in that rent supplement is an income support provided by the Department of Social Protection and works within those confines. HAP is a housing support. Therefore, individuals moving into that are moving into the local authority sphere. They will be social tenants and have the same rights as other social tenants but also the same obligations. The relationship-----

Deputy Kieran O'Donnell: Are the procedures that same as for the RAS?

Mr. Michael Layde: Absolutely.

Deputy Kieran O'Donnell: I am delighted with that.

How many houses does the Department propose to build in 2014?

Mr. John McCarthy: Taking together all the programmes we spoke about earlier, we are talking about just over 6,000.

Deputy Kieran O'Donnell: Is that comparable to the number for last year?

Mr. John McCarthy: It would be up a little on last year. It would be up from about 5,650 last year.

Deputy Kieran O'Donnell: The second topic I want to address is Irish Water. What physical assets are being transferred to Irish Water from the Department?

Mr. John McCarthy: The assets that will be going to Irish Water will primarily be the water and wastewater infrastructure of the local authorities. I refer to the water treatment plants, wastewater treatment plants and the pipe network.

Deputy Kieran O'Donnell: Was a value put on it? Is the Department getting paid a goodwill value or asset value for the network and various water treatment plants?

Ms Maria Graham: To clarify, as the Secretary General said, the assets are the assets of the local authorities. They are being transferred under the Water Services Act. They will be transferred by ministerial order during the course of this year. Their valuation will be reflected in the closing balance for 2013 in the annual financial statement. The previous statements would have indicated a value of €11 billion. That value derives from the local authority accounting procedures. In moving across to Irish Water, it obviously comes into the commercial accounting sphere and it will be valued from that perspective. Importantly for the customer, the regulator will be looking at all Irish Water's capital and operational costs. As part of-----

Deputy Kieran O'Donnell: The question I am really asking is-----

Ms Maria Graham: I was coming to it. In that context, the regulator will look at an opening asset base because that has an impact on what the customer charge would be. In that context, the Minister asked for advice from the regulator, which returned with a number of options around what the opening asset base would be. Largely, the value that would be put on it is related to the liabilities that are associated with the assets. I refer to the unfunded balances and non-domestic debt, not the loans associated with it. That gives the best impact for the customer because otherwise taxpayers and customers would almost end up paying for them a second time over.

There will be a line from local government accounts into Irish Water's commercial accounts but what I am essentially saying is that they will not have a value in the regulatory accounts so customers will not be paying for that a second time over.

Deputy Kieran O'Donnell: What is the position on Irish Water as an entity and its shareholders?

Ms Maria Graham: The economic value of it is held by the State wholly in the names of the Minister for the Environment, Community and Local Government and the Minister for Finance. That is in a subsidiary of the broader Bord Gáis group, which has a slightly different shareholding.

Deputy Kieran O'Donnell: It comes off the balance sheet because it is semi-State.

Ms Maria Graham: Yes. It goes off the balance sheet. The assets move from one part of the State's balance sheet to another part of it.

Deputy Kieran O'Donnell: There is actually no financial transaction.

Ms Maria Graham: No. The only financial transaction between Irish Water and the local authorities will be that it will take over their unfunded balances – in other words, some of the projects that were not complete and in respect of which there was not a financing source. There are some debts associated with non-domestic debtors which have not yet been addressed. Obviously, a hole could not be left in local authority accounts associated with that. They will make that good.

Deputy Kieran O'Donnell: What value does Ms Graham anticipate in that regard?

Ms Maria Graham: Around €200 million.

Deputy Kieran O'Donnell: How will Irish Water fund the taking over of the loans?

Ms Maria Graham: It will borrow in the long term.

Deputy Kieran O'Donnell: In essence, one could state it is paying €200 million for the goodwill of the network within in the system.

Ms Maria Graham: That would be part of it. It is the associated liabilities. The assets being taken on board require a huge amount of investment. That has been calculated as possibly being €10 billion. The gross value is €11 billion. What was important in setting up Irish Water was that it would have the financial capacity to put that level of investment in.

Deputy Kieran O'Donnell: It will be doing so over time.

Ms Maria Graham: It will be over time but at a much faster rate than the State would have been able to achieve through the financial arrangements we have had to date.

Deputy Kieran O'Donnell: Ms Graham is referring to the taking over of loans or projects to the value of about €200 million. That would be €200 million of an income to the Exchequer in-----

Ms Maria Graham: It would be €200 in income for the local authorities.

Deputy Kieran O'Donnell: In 2014.

Ms Maria Graham: Yes.

Deputy Kieran O'Donnell: The gross asset value on the balance sheets of the local authorities is €11 billion but it requires a capital investment of approximately €10 billion. The actual market value of the network has not been valued.

Ms Maria Graham: The commercial value will be judged by Irish Water, as with all commercial companies, through its accounting standards. It will examine the value of what it has taken over.

Deputy Kieran O'Donnell: It is irrelevant, really, because any profits that Irish Water makes will come back into the Exchequer anyway.

Ms Maria Graham: Yes.

Deputy Kieran O'Donnell: The €200 million will give rise to an increased water charge for the ordinary person.

Ms Maria Graham: Not necessarily. Some of it relates to funding outstanding works that are associated with the capital. In the normal course, this is something that would have been picked up during 2014 as part of a capital budget, which has gone across to Irish Water. The other part was the non-domestic debt, as I mentioned to the Deputy. That relates to a working debtors book that the company will be looking after.

Deputy Kieran O'Donnell: What investment will the local authorities have to make, beyond what Irish Water incurs, in terms of the network, as of now? What are the contingencies? Are there investments that local authorities must make before the formal transfer to Irish Water?

Ms Maria Graham: No. Irish Water has taken over as the water services authority from 1 January this year and all the investment is now being managed by Irish Water. We therefore do not have a capital line in our 2014 Estimates.

Deputy Kieran O'Donnell: Therefore no Exchequer funding is going into the local authorities.

Ms. Maria Graham: There is money coming from the Minister for Finance, through the Central Fund, into Irish Water. It is using that as part of its capital funding.

Deputy Kieran O'Donnell: Is money going directly to local authorities for water services?

Ms. Maria Graham: Not for public water services. They will continue to have a role in rural and group water schemes, but not for infrastructure.

Chairman: Deputy Eoghan Murphy has some questions, as I do. It is 1.30 p.m. now and we had hoped to finish before 2 p.m. Is it all right to continue or would the witnesses like to take a break?

Mr. John McCarthy: I am fine to continue.

Chairman: If we get a second breath, we might be here longer.

Mr. John McCarthy: I am more than happy to continue, Chairman.

Chairman: Deputy Murphy will have five minutes.

Deputy Eoghan Murphy: Mr. McCarthy and his officials are very welcome to the committee. Mr. McCarthy is probably aware that over the past three years this committee has been back and forth with his predecessor on the Poolbeg incinerator project. That is the issue I wish to address with Mr. McCarthy today. To date, about €108 million has been committed to that project over a ten-year period. The Department of the Environment, Community and Local Government is responsible for in the region of 10% of that funding, yet nothing has been built. We are quickly approaching 50% of the original costs of €266 million that were intended for that project, but still nothing has been built. Those costs have now ballooned to about €500 million according to the Dublin city manager in Dublin City Council.

Europe has told us that one of the firms was procured illegally, so they have gone since January. There is a serious conflict of interest case which has still to be adjudicated upon in Europe.

We have had four formal reports since 2012 each of which has focused on weak governance and poor financial management. The Department of the Environment, Community and Local Government has had a person on a project board but that board has never met formally, so we have no minutes as to what it has been doing for the past ten years. What is the Department's position on this project now?

Mr. John McCarthy: As the Deputy knows, the Poolbeg project is being progressed by Dublin City Council on behalf of the four Dublin local authorities. They are doing that as part of their implementation of the waste management plan for Dublin. Those responsibilities are assigned statutorily to the local authorities under the waste management Acts. Apart from some initial grant assistance of about €7.5 million up to 2005 at early stages in the project's conception, the Department has provided no Exchequer funding towards the project. It is to be funded through the contractual arrangement between the local authorities and the private partner. Accountability for the project rests at local government level and that accountability arrangement is active.

As regards the local government auditor's report, the Deputy pointed to the issues the auditor raised. Discussions have taken place by the elected members, as well as considerations by the council's audit committee. Changes that were made in the governance arrangements were subject to more positive comment in the auditor's report for 2012. The project has been discussed in the House by another committee on a number of occasions, most recently earlier this year. As far as the Department is concerned, it is a matter for the Dublin local authorities to carry the project forward.

Deputy Eoghan Murphy: Everyone who has looked at this project, from Europe to the Capita report and the local government audit services, has had a problem with it. The costs have now gone over €100 million but nothing has been built. It has been delayed for ten years. At what point will the Department look at this properly, given that it is the biggest local authority under the Department's remit?

Mr. John McCarthy: As the Deputy says, a number of issues have given rise to delay and cost factors. When the city manager appeared before the joint committee in January, he outlined some of those factors. He also indicated to the committee at that time that, assuming a favourable outcome to the remaining issues which needed to be addressed, including the issue of engagements with the European Commission, there was an expectation that the bulk of the expenditure that had been incurred would be recovered. He has also undertaken to engage with, and seek the views of, the elected members of Dublin City Council. Likewise, the other CEOs will be engaging with their elected members before a final decision is made.

If one looks at the scale of expenditure involved, when the city manager appeared before the committee in January, he cited a figure of €96.3 million. That expenditure was over a period of more than ten years. If, for argument's sake, we say it was ten years, one is talking about €10 million per annum. While it is critically important that sort of expenditure, or any expenditure, is undertaken in a value for money way, from the Department's point of view the issue is the extent to which that level of expenditure would be of a compromising nature in terms of the financial stability of the four authorities. At an average expenditure of about €10 million per annum, compared with a combined annual revenue budget for the four Dublin authorities of about €1.4 billion, it would not be significant in the sense of threatening the financial stability of the four Dublin authorities.

Deputy Eoghan Murphy: I do not wish to cut across Mr. McCarthy but he talks about ac-

countability and how the CEOs will consult with councillors. The responsibility rests with the managers, however, not with the councillors. That is because this is not a function for councillors but for the management. Mr. McCarthy is talking about a figure of just under €100 million but which will, by the end of July, be about €108 million. At that meeting in January, the city manager of Dublin City Council spoke about a cost of €500 million if this project was to go ahead. That is one third of the annual budget of those four local authorities. There is no business case for this incinerator, as was pointed out in the Capita report. At what point therefore does the Department step in? Will it be when the figure is two thirds of the four local authorities' annual funding? When will the Department step in and query what exactly is going on?

Mr. John McCarthy: The figure of €500 million to which the city manager referred was the overall cost of the project, not a figure for the expected level of local authority investment. The vast bulk of the investment in this project is to come from the private finance side. From our point of view, a critical part of the process that is to be satisfied is that there is value for money. Under the procedures, the National Development Finance Agency is the body that has been assigned responsibility by the Government for assessing projects of this kind. When he appeared before the joint committee, the city manager indicated that before any decision is made, the project will be resubmitted. It was previously certified as representing value for money, but in light of the revised contractual arrangements it will go back to the National Development Finance Agency to be certified again as to whether it represents value for money.

Deputy Eoghan Murphy: They said that to us. We know that one of the conflict of interest cases with Europe concerns how the tender was awarded to the initial consortium that came in with the local authority. There have been massive problems on the private financial side over a number of years, hence the delays. Departmental officials know that but still they have not intervened. We know that the value for money exercise to be resubmitted and redone is a technical one; it is not a business case. The Capita report said that the absence of a single business case for the waste energy project is a significant departure from generally accepted best practice in project governance and should be addressed as a matter of priority. Is Mr. McCarthy going to demand a business case?

Mr. John McCarthy: The Capita report was prepared following on from the initial issues raised by the local government audit service. It spoke in terms of there being a single business case. It was not suggesting there was no business case, but that it had not been formally compiled into one single repository. These issues have since been addressed by the city council. The commentary by the local government auditor in the subsequent report on the 2012 accounts was positive regarding the changes which had been made.

On the issue of a conflict of interest and without wishing to get into the detail of it, Dublin City Council addressed it in February when it was raised with it. It had been raised going back to 2004 and 2005 and was addressed at that stage also.

Deputy Eoghan Murphy: It has still to be adjudicated on at European level.

Mr. John McCarthy: I do not think so.

Deputy Eoghan Murphy: They have not come back yet.

Mr. John McCarthy: It was noted in correspondence between Dublin City Council and the European Commission, but I do not think there is an issue for adjudication by the latter.

Deputy Eoghan Murphy: I will have to come back to Mr. McCarthy as my recollection

from correspondence is that the Commission is going to come back to Dublin City Council on that point.

Mr. John McCarthy: We will check for the Deputy.

Deputy Eoghan Murphy: The Department will be the sanctioning authority for the project.

Mr. John McCarthy: We were the sanctioning authority for the project. In 2005 we issued a letter indicating that we had no objection to the project proceeding. The sanctioning authority role is, therefore, largely completed. What must happen now is that the value for money piece must be re-examined. The NDFA will be asked to do this.

Deputy Eoghan Murphy: If that comes back as a positive, the four city councils are free to go ahead without having to seek sanction from the Department. Is that correct?

Mr. John McCarthy: The four Dublin authorities, yes.

Deputy Eoghan Murphy: Is Mr. McCarthy happy about this?

Mr. John McCarthy: The four Dublin authorities have led the project from the start. The city manager has indicated that he believes the rationale for the project remains and that the project is needed for Dublin and the wider region. If it is certified as representing value for money, I will be satisfied.

Deputy Eoghan Murphy: What does Mr. McCarthy say to the city manager when he says the rationale for the project remains? The rationale originally was that Dublin City Council would control all waste in the Dublin region. However, a court ruled that could not happen. What does Mr. McCarthy say when he has an engagement like that with the city manager?

Mr. John McCarthy: The rationale for the project and the statutory responsibility for it rest with Dublin City Council.

Deputy Eoghan Murphy: I understand that. It does not rest with the councillors, however, as, unfortunately, it is not their responsibility under the law these days. We have had a number of problems with the project, including cost overruns, time overruns, the conflict of interests case which I think is pending, an illegal procurement and a firm having to be dismissed in January, a court ruling on who could control and own the waste, the original partner changing on us, and delays in the financing on the private side. Given all these factors, at what point does the Department consider that this is a case of local government out of control and that it must step in?

Mr. John McCarthy: According to the city manager, the project is at a point where the finance issues are being addressed. The other issues to which the Deputy referred in terms of the change in the waste market have been part of the reason the contract has been reviewed. Therefore, the contract review has taken account of these issues. The value for money certification will be provided by the National Development Finance Agency. The State is providing no funding for the construction of the project and statutory responsibility rests with the four Dublin local authorities.

Deputy Eoghan Murphy: What I hear from that is "It's not my problem."

Mr. John McCarthy: I would not like to categorise anything I say as me saying something

is not my problem. I am acutely concerned in so far as my own responsibilities go to ensure value for money and that taxpayers' money is protected. What I am saying is it is not my responsibility. Statutory responsibility rests with the four Dublin local authorities.

Deputy Eoghan Murphy: Is Mr. McCarthy aware that the manager of Dublin City Council expressed doubts about the viability of the project at a public meeting of the city council when he first came in? I understand the matter is not Mr. McCarthy's statutory responsibility and perhaps it is unfair to ask these questions. However, it is not the responsibility of councillors, as that responsibility has not been given to them. It is the responsibility of four unelected officials at management level in the local authorities. The local authorities come under the Department of the Environment, Community and Local Government. If they are getting something wrong, who is responsible for them?

Mr. John McCarthy: Ultimately, the issues in relation to the governance aspects of the project were subject to audit and raised by the local government audit service. While the decision rests with the four CEOs, there is oversight by councillors of the actual spend of the money to ensure it is spent appropriately and accounted for. Ultimately, the budget of the local authority is the responsibility of the elected members.

Deputy Eoghan Murphy: However, they cannot stop the incinerator project from going ahead. They cannot stop the four local authorities from proceeding. Mr. McCarthy referred to the local government audit service. We have sought powers to look into the local government fund. While the local government audit service is very good, the infrastructure is not in place and the powers have not been provided to allow councillors to use the information to properly hold their local authorities to account. There is a local government audit report which states financial management of the project has been weak, financial control procedures in place were not adequate and the project executive board did not meet on a formal basis and, therefore, no minutes of meetings were obtained. After ten years, when there is such an audit report, one does not turn around in a matter of one year or two and say, "We have fixed all the problems; let us go ahead with a completely different project, with a completely different rationale, at a completely different size and in a completely changed waste market." That is putting good time and money after bad.

Mr. John McCarthy: What is being proceeded with is the project as we have known it. The contractual terms, etc. are the issue that has been the subject of the re-engagement process with the private partner. The local government audit service's 2011 report is a demonstration of the extent to which the accountability arrangements through that channel work. What the auditor had to say in the 2012 report was evidence of this.

In terms of general oversight, the Local Government Reform Act which has now been implemented has introduced a number of elements to strengthen the oversight role, not least in putting internal audit committees on a statutory footing and requiring engagement between the auditor and the audit committee during the audit process. There have been a number of further strengthenings of the audit system. On the issue of following central government money into the project, apart from the initial funding provided which was not for construction, there is no central government funding going towards the project.

Deputy Eoghan Murphy: Does Mr. McCarthy have worries about Dublin City Council or any of the four authorities that pursued the project at this expense, built nothing for a decade and are happy to continue with it after four very negative reports and problems at European level? In 12 to 16 months there will be another submission for a technical exercise on the

capital costs in a public private partnership - not a business case as we understand it - and Mr. McCarthy is happy that this is to continue.

Mr. John McCarthy: The four local authorities have provided both for the committee and elsewhere explanations of why the project has taken longer to complete, with a range of factors involved, some of which are outside the council's control and some of which relate to engagements from the European Commission arising from complaints that have been made and have now been determined. The value for money assessment will be carried out by the National Development Finance Agency. The four Dublin authorities have the statutory responsibility and have gone through a process to satisfy themselves that this is the appropriate way forward because there is no central Government funding here. This is an issue for the four Dublin authorities and their capacity to recover the expenditure that has already been incurred.

Deputy Eoghan Murphy: Is Mr. McCarthy worried about legal proceedings being taken against the Department should the contract collapse and this project not go ahead because of delays that happened in the Department in the granting of certain licences?

Mr. John McCarthy: The Department is not a party to the contract and I do not think it would be helpful for me to speculate.

Deputy Eoghan Murphy: The Department has not reviewed the possibility of a legal challenge against it?

Mr. John McCarthy: Not to my knowledge.

Deputy Eoghan Murphy: Does anyone have the power to stop this project from happening, other than the four managers of the local authorities?

Mr. John McCarthy: As the city manager has said, the responsibility for the decision regarding whether this project proceeds rests with the four CEOs, but they will consult with the elected members as part of that process.

Deputy Eoghan Murphy: Consult?

Mr. John McCarthy: Yes.

Chairman: Before we move from that issue, I just want to say that I agree with everything that has been said by Deputy Murphy. The project itself is one of the best examples of how dysfunctional the whole process is in respect of this type of project - local authorities versus central funding and so on. I understand Mr. McCarthy's position. He is part of it but not part of that type of position. At the same time, while he says it is not money from central Government, it is taxpayers' money. It is ratepayers' money. There is no facility at council level to give this issue the type of scrutiny it deserves. County managers generally plough on with projects like this and the elected members have very little input, as Deputy Murphy said, in terms of who will stop this project. I agree with everything he has said. It concerns me greatly that the type of reform that is needed to address issues such as this has not happened.

When Mr. Watt from the Department of Public Expenditure and Reform appeared before us, if my memory serves me correctly, he generally agreed that the local authority and its spend should come under the remit of the Comptroller and Auditor General in some guise because there is no forum like this one locally where value for money audits or reports or even the audit itself are debated in public. That is a weakness. It is a weakness of management and controls

on money and there is an issue around how that money was spent.

I would ask the Department of Public Expenditure and Reform about how this money is being spent. Surely it must be concerned and surely it must see the need for some intervention to bring clarity to this and to possibly suggest ways of examining the spend that has already occurred and the spend that may happen. It must see the need for the project itself to be subjected to some type of central Government and administrative oversight and scrutiny. I would ask the Department of Public Expenditure and Reform to engage with local government or these four managers who are being spoken about here to determine what exactly is happening so that someone takes responsibility for the issue itself and how it is progressing, particularly given the concerns expressed by Deputy Murphy, who has raised this issue here on numerous occasions. I am asking the Department to give us a written note on how it sees it. I do not expect the Department to respond today but I do expect a written report or commentary on how it sees this issue relative to public expenditure, because, taking all of the positions away, it is taxpayers' money that is central to this, and people want to know. As I understand it, from comments made by Deputy Murphy, councillors are also concerned about it. I ask that the Department examine the structures, who intervenes and who can intervene and give us its views on all of this in correspondence so that we can pursue the matter further.

Mr. Tom Heffernan: The Department of Public Expenditure and Reform is certainly concerned with value for money issues. We have a responsibility in general terms for the value for money code. From that perspective, we can consider the issues raised by the Chairman and will certainly come back to him with a note. The Department would not have had a role in respect of the specifics of this project. I take the points that have been made and will reflect and come back to the committee with a note. As the Chairman noted, I cannot answer that today because I am not sufficiently familiar with the specifics.

Chairman: I do not expect Mr. Heffernan to answer it today. My emphasis here is on the title of his Department. It is the Department of Public Expenditure and Reform. If ever anything cried out for reform, it is this process about which we have been talking for the past number of years. I would appreciate if he would reflect on it and give us his views.

I know we are late but I just want to get answers to some questions. There is an issue relating to Carlow County Council and the Revenue Commissioners regarding who is responsible for the payment of €1 million worth of VAT. Revenue was meant to decide on this, but if it was to decide that the local authority had to pay it, that is an issue for the local authority. It is a significant amount of money. I am concerned about the legal costs in all of this and the delay in making such a decision around this VAT issue. Is it possible to get a note from the county council as to the current status of this, the level of expenditure to date on legal costs and the council's intention regarding future costs in resolving this issue? Perhaps the Department might encourage the Revenue Commissioners to resolve the matter as well, as I have done, because it is an overhanging cost. I do not think it can be quantified for the future in terms of the legal costs, but someone should bring a bit of sense to this and resolve it. Again, it is an interdepartmental issue, regardless, involving Revenue, local government and one local authority. Could the Department check on it and let me know about it?

Another issue relates to the Kilkenny central access scheme, which involves the construction of a bridge in Kilkenny city and investment in what is called the brewery site. Is the Department of the Environment, Community and Local Government investing in that site?

Mr. John McCarthy: Not to my knowledge.

Chairman: Is any agency associated with the Department investing in that site?

Mr. John McCarthy: I do not think so.

Chairman: Is the Department providing funding for either the development of the site or the construction of the bridge?

Mr. John McCarthy: We certainly would not be providing money for the bridge. If there was any funding from central government I imagine it would be through the Department of Transport, Tourism and Sport.

Chairman: I checked that last week.

Mr. John McCarthy: Is it a commercial-type development?

Chairman: The local authority owns the site.

Mr. John McCarthy: If it was undertaking a commercial-type development we generally would not provide the funding.

Chairman: I ask Mr. McCarthy to investigate the background.

Mr. John McCarthy: Yes.

Chairman: In regard to the debt carried by councils generally, can Mr. McCarthy provide a table showing the amount of money that each local authority owes?

Mr. John McCarthy: We can provide such a table. We would draw the figures from the annual financial statements of the local authorities. From memory, the overall indebtedness position at the end of 2012 was broadly unchanged from 2011. I think the figure was €4.9 billion. We provided a table setting out the position at the end of 2011 following our appearance before the committee last year and we can also provide the 2012 figures.

Chairman: I would like an up-to-date version of the table. Can a similar table be made available in respect of rent arrears on local authority houses and arrears on commercial rates and water charges?

Mr. John McCarthy: Yes. Nationally the figures for 2012 are: rates collection, 76%; housing rents, 83%; housing loans, 71%; and commercial water, 56%. As those percentages take account of accumulated arrears as well as income accruing in the year, the actual collection in the year in question would probably be somewhat higher.

Chairman: In real money terms, what is owed to local authorities, in a single figure, for arrears in rents, commercial water charges, loans and commercial rates?

Ms Maria Graham: The debts associated with commercial water will be passed to Irish Water on foot of a ministerial order later this year. We will be able to provide a figure for the amount involved at the end of 2013 in the coming months. I made reference to that in the context of other liabilities that would normally be funded by borrowing in local authorities.

Chairman: What are the figures on the moneys owed to local authorities in rent arrears and rates arrears?

Mr. John McCarthy: As of the end of 2012, rates arrears amounted to €356 million, rent

arrears were €56 million and loans were €36.5 million.

Chairman: Can Mr. McCarthy update the figures until 2014?

Mr. John McCarthy: The latest audited figures are for the end of 2012. These figures are the one year on update for the figures given last year.

Chairman: A significant amount of money remains outstanding.

Mr. John McCarthy: It is a significant amount of money. The total for collection in rates in 2012 was €1.5 billion. The figure of €355 million is obviously an accumulation over a number of years. There would have been write-offs and as well as the emergence of new arrears. We can provide the committee with further details in that regard from the 2012 annual financial statements.

Chairman: In regard to funding for victims of abuse, did the Department fund an organisation in Cork and provide it with a property? I inquired about this matter previously through a parliamentary question.

Mr. John McCarthy: I have a recollection that the Chairman tabled a parliamentary question. I cannot remember the name of the body but, from memory, I think we provided funding ten or more years ago in regard to the provision of a number of units of accommodation in Cork city.

Chairman: In respect of Leader, an issue arose in County Meath pertaining to footpaths. Is Mr. McCarthy satisfied that was a once-off case?

Mr. John McCarthy: Under the Leader programme we conduct a significant level of inspection and audit, much of which is determined by the relevant EU regulations. A 5% level of inspections are undertaken by our inspection services division. The issues that have arisen in County Meath are the subject of ongoing engagement between the Department and the board. I will not say anything more on the specific details of the issue but we have a significant programme of inspections into that sort of funding.

Chairman: Does the solid fuel trade group meet with the Department?

Mr. John McCarthy: It meets the Department regarding the extension of the smoky coal ban. I am not sure how frequently it meets us but there certainly would have been engagement prior to the extension of the coal ban in May last year.

Chairman: Does the Department maintain a list of the businesses that sell fuel?

Mr. John McCarthy: I think the EPA maintains a register. I can clarify that for the Chairman.

Chairman: I would appreciate some information on the matter. In regard to the €11 billion in assets to which Deputy O'Donnell referred, is it a fact that money will have to come from Mr. McCarthy's Department or the Department of Finance as a contribution to the repair of the network?

Ms Maria Graham: The cost of repair of the network is part of the normal capital programme. In 2013 we gave €40 million to local authorities as part of a water conservation programme. That formed part of our capital programme. The State will be giving Irish Water

some capital funding but it is intended to be in the form of equity rather than a capital grant and it will come through the Minister for Finance. The Government has made decisions about the extent of that out to 2016.

Chairman: What is the equity?

Ms Maria Graham: In other words, it is a shareholding.

Chairman: What is the value?

Ms Maria Graham: The value is in the company.

Chairman: What is the expected amount?

Ms Maria Graham: The expected amount in 2014 is €240 million and it is approximately €400 million in 2015 and 2016. The total over the period is almost €650 million.

Chairman: We are handing over €11 billion worth of assets. These were valued in some way by the local authorities, albeit not independently valued.

Ms Maria Graham: They were valued by the local authorities in accordance with the accounting principles for local authorities.

Chairman: They were not independently valued.

Ms Maria Graham: No. Obviously, however, they were audited.

Chairman: I understand that but assets worth €11 billion will transfer to Irish Water. The local authorities will not get €11 billion for these assets but Irish Water will invest €10 billion in the network.

Ms Maria Graham: The first programme is valued at €1.8 billion over the immediate period ahead. The figure of €10 billion is in respect of a period of ten years.

Chairman: It is €11 billion but the local authorities and the taxpayer are getting nothing for that except a recognition within the process of establishing how much water charges will be by the regulator. That transfer will be reflected in what the user is expected to pay in some way.

Ms Maria Graham: To clarify, what the local authorities will be getting is associated with those assets. Some were unfunded balances that they had not either financed or got capital grant-----

Chairman: The €200 million.

Ms Maria Graham: The €200 million and the non-domestic debtors that had not yet paid. They will be made good for that component of liability but they will not be paid otherwise for the assets that are being transferred.

Chairman: So Irish Water is getting €11 billion in assets and €200 million in loans. That is its business. Over the next three years, another €650 million will be provided for the network. Is that right?

Ms Maria Graham: To clarify, Irish Water is a commercial company owned by the State obviously and owned, therefore, by the taxpayer. The assets that are going are State assets. They were funded largely by the State; 75% of the funding came through capital grants. If Irish

Water, for example, had to raise finance to pay local authorities the €11 billion to pay the State, it would not be equally able to raise the same amount to invest in the assets.

Chairman: I understand that. This is another State agency. It is being given €11 billion in assets and over the next three years it will be given €650 million to repair and maintain the network and so on while €200 million worth of loans is being transferred to it as well. This is all taxpayers' money and individual taxpayers are being asked to pay a certain amount per year for water. Is that correct?

Ms Maria Graham: Irish Water will be funded by a mix of tariffs for its customers, State support in terms of free allowances and State support for a period of time in terms of State investment in the company.

Chairman: It does not look like a great deal for the taxpayer.

Ms Maria Graham: In return, the expectation is there will be a much higher level of capital delivery, twice what would have been incurred through pure capital grant. It will be, therefore, a more resilient and expanded network with a better quality of service and a more efficient operation in order that we have a water service that is more compliant in meeting EU standards, addressing public health issues and, overall, for the State and the taxpayer having an infrastructure that underpins our economic need and our future development with the customer getting good quality water. That is the long-term objective.

Chairman: I understand that but the cost the taxpayer will pay is substantial.

Ms Maria Graham: The cost to the taxpayer is significant and has been significant but the cost of getting a better service and better quality will be cheaper to the taxpayer than if we had continued with the current funding model because it will be off balance sheet-----

Chairman: Local authorities were incapable of doing it.

Ms Maria Graham: -----because Irish Water will be able to get finance from the capital markets to deliver that higher capital programme and because it will be able to drive efficiencies in operations and capital delivery through the national strategic focus and the asset management systems that have been put in place.

Chairman: Ms Graham is not the Accounting Officer for Irish Water but what we have witnessed so far from the company has not impressed many people in terms of the cost of consultants, similar to the Poolbeg project, and the cost of IT systems, iPads and a gym. All this has to be paid back by the taxpayer.

Mr. John McCarthy: Protection of the taxpayer and protection of the customer were central to the set of governance arrangements that have been in put place and the function was given clearly to the Commission for Energy Regulation to have a role in examining both the establishment and operational costs of Irish Water to ensure in effect only efficiently incurred costs are passed on to the system. The CER is at a pretty advanced stage and will move on in the next week or two in terms of its draft water charges plan, having completed that process.

Chairman: But all that money is taxpayers' money and it does not seem as if we have set out to achieve full transparency in the operation of Irish Water and I am concerned about the value for money we have received to date. To underline the commitment of the Departments of Finance or Public Expenditure and Reform to ensure Irish Water delivers and we have oversight

and so on, is the Comptroller and Auditor General auditing the company's accounts?

Mr. Seamus McCarthy: No.

Chairman: Is that not amazing? I acknowledge it is a policy matter. Perhaps it was an oversight but I cannot understand why €11 billion in assets and €200 million in loans was transferred from local authorities, which cannot be audited, to Irish Water, which will not be audited, millions of euro in taxpayer funding has been, and will be, spent on the network and, at the end of day, the taxpayer will receive bills to further pay for the water. Someone has been short-changed. The Department of Public Expenditure and Reform should ensure this is reformed, similar to the other issue we discussed, and ensure the Minister is encouraged to come forward with an amendment that provides that Irish Water, similar to EirGrid and other organisations, comes under the remit of the Comptroller and Auditor General.

I understand the Secretary General is not the Accounting Officer for Irish Water but Mr. Heffernan might ask his Department if it is satisfied with the arrangement whereby Irish Water will not be audited by the Comptroller and Auditor General and its management will not have to appear before this committee, a public forum, and defend its expenditure. It is absolutely ridiculous and it should be revisited.

Mr. Tom Heffernan: I will certainly raise the Chairman's concern with my Department but the model that was put in place for Irish Water is a model involving a commercial public utility with accountability to the regulator.

Chairman: With regard to public accountability, there is a significant infrastructure, which has been paid for by the taxpayer down through the years and which will continue to be funded over the next three years to the tune of €650 million. I am sure other arrangements will be put in place for funding from the taxpayer. Meanwhile taxpayers will pay for water. As a matter of proper transparency and accountability, the Department of Public Expenditure and Reform should ensure local government and Irish Water come under the remit of the Comptroller and Auditor General.

I thank Mr. John McCarthy and his officials for attending.

Is it agreed to dispose of Vote 25, and chapters 4, 10 and 11 of the 2012 Annual Report and Appropriation Accounts of the Comptroller and Auditor General? Agreed.

The witnesses withdrew.

The committee adjourned at 2.20 p.m. until 10 a.m. on Thursday, 3 July 2014.