

DÁIL ÉIREANN

AN COISTE UM CHUNTAIS PHOIBLÍ

COMMITTEE OF PUBLIC ACCOUNTS

Déardaoin, 8 Márta 2018

Thursday, 8 March 2018

The Committee met at 9 a.m.

MEMBERS PRESENT:

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|----------------------------|--------------------------|
| Deputy Bobby Aylward, | Deputy Alan Farrell, |
| Deputy Peter Burke, | Deputy Alan Kelly, |
| Deputy Shane Cassells, | Deputy Catherine Murphy, |
| Deputy Catherine Connolly, | Deputy Jonathan O'Brien, |
| Deputy David Cullinane, | Deputy Kate O'Connell. |
| Deputy Pat Deering, | |

DEPUTY SEAN FLEMING IN THE CHAIR.

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

Business of Committee

Chairman: I welcome two new members of the committee, Deputy Kate O'Connell who replaces Deputy Noel Rock and Deputy Jonathan O'Brien who replaces Deputy Mary Lou McDonald. We look forward to working with both of them. I thank Deputies Mary Lou McDonald and Noel Rock for their contributions to the work of the committee. I believe Deputy Mary Lou McDonald was a member of the committee for seven years, while Deputy Noel Rock was a member since the last general election. We wish them well in their other activities.

Deputy David Cullinane: I commend an Teachta Mary Lou McDonald for her work on the committee. She was also a member during the last Dáil. She was a formidable and very constructive member of the committee. Perhaps we might write to the two Deputies who served as members of the committee to thank them for their contributions.

Chairman: That is a good idea. We have a letter in hand from Deputy Mary Lou McDonald wishing the committee all the best in its work. We will write back to her and also to Deputy Noel Rock to thank them on behalf of the Committee of Public Accounts.

The Comptroller and Auditor General, Mr. Seamus McCarthy, is present as a permanent witness at the committee. He is joined by Mr. John Crean, deputy director of audit. Apologies have been received from Deputies Alan Farrell and Marc MacSharry. Deputy Alan Farrell will be present for the afternoon session.

Are the minutes of the meeting of 22 February agreed to? Agreed. It goes without saying last week's meeting was postponed and that it will have to be rescheduled.

Deputy Catherine Connolly: When will the witnesses from SOLAS appear? SOLAS gan solas.

Chairman: We will come to that matter when we discuss the work programme.

Item No. 3 on the agenda is correspondence, of which there are three categories. The first is briefing material and opening statements. As members can see, there is a large bundle of correspondence to be dealt with. We will move as quickly as we can, but a few items will merit a more detailed discussion.

Items No. 1117 and 1128 are briefing documents and opening statements received for last week's meeting submitted by the Department of Culture, Heritage and the Gaeltacht. As the meeting did not take place, I propose that we note but do not publish the documents and statements until the meeting has been rescheduled. We will consider a date when we discuss the work programme.

Items Nos. 1132, 1140 and 1141 are briefing documents received for today's meeting. I propose that we note and publish them. Nos. 1133 and 1145 are a briefing document and an opening statement for today's meeting from the Department of Transport, Tourism and Sport. I

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propose that we note them.

Nos. 1146 and 1147 are opening statements for today's meeting from Transport Infrastructure Ireland. I propose that we note and publish them.

Under category B, correspondence from Accounting Officers or Ministers and follow-up to previous meetings of this committee, No. 1094 is a letter from Ms Rosalind Carroll, director, Residential Tenancies Board. This was held over from the meeting two weeks ago and is information requested by the committee regarding the delay in a competitive procurement process for legal services since 2014 and an outline of legal services costs. I propose that we note and publish it. Members should feel free to comment.

No. 1102B, correspondence from Mr. Patrick Hopkins, chairperson, Charities Regulator, relates to the review of registered charities holding shares in section 110 companies on trust. At the meeting on 22 February, we decided to hold this over. I propose that we note and publish the correspondence. It will be taken into consideration as part of our report when we come to deal with corporation tax because that was the context in which the issue was raised.

No. 1112B, correspondence dated 21 February 2018, is from Mr. Joe Nugent, chief administrative officer, An Garda Síochána, enclosing updates on the Garda College, Templemore, as requested by the committee at its meeting on 23 November 2017. I propose that we note this.

Deputy Alan Kelly: The Garda Síochána has responded to the committee with a range of correspondence. I would like to highlight two issues with which I am not happy. First, when we were discussing issues relating to the Garda College, a document was sent to the then Garda Commissioner by the head of legal affairs, Mr. Ken Ruane, in July 2017. I understand it was a letter rather than a legal document but, nevertheless, the then Garda Commissioner claimed legal privilege. When the current acting Commissioner, Mr. Dónall Ó Cualáin came before the committee, I asked him whether he would release the document because the commissioner is no longer in place and one cannot claim privilege when one is no longer the Garda Commissioner. I asked for that document to be released. It is now four or five months later and we have received a two-line reply stating that the committee was previously advised in respect of the claim of legal privilege regarding the legal advice provided to the former Commissioner. The position remains unchanged. That is a joke. Frankly, it is unacceptable. It is unacceptable as a reply. It does not look as if the request was considered. It looks as if they were ticking a box to say that they came back to us - only because they were chased. On the substantive matter, the acting Commissioner has not explained why he will not release a document which was given to the previous Commissioner, who claimed privilege in the role as commissioner but who is no longer in place. How can Mr. Ó Cualáin, as acting Commissioner, claim privilege in respect of a document that was sent to the previous Commissioner, who is no longer in place? Even if he has some argument as to how he can do this, he needs to explain it to the committee. This two-line letter is an insult to the Committee of Public Accounts. It speaks volumes about what the acting Garda Commissioner thinks of the committee. We need to respond, asking that the Garda authorities write back within a week and give a full explanation as regards that document. We should also indicate that the document be released.

Chairman: I will call Deputies Cullinane and Catherine Murphy in that order.

Deputy Alan Kelly: I wish to raise a second issue.

Chairman: Does it relate to this batch of correspondence?

Deputy Alan Kelly: Yes.

Deputy David Cullinane: I have three issues and I propose to deal with them all, rather than coming in separately on each. I understand the point Deputy Kelly is making on the legal advice given to the then Commissioner. Can the Committee of Public Accounts get legal advice on whether privilege still exists when the then Commissioner is no longer in office? I presume that the legal adviser to the acting Garda Commissioner is the same person as previously, namely, Mr. Ruane. I question whether the latter is still bound by confidentiality. To be fair to everybody involved, we need certainty regarding what is the actual position.

My second point is that we did a great deal of work on this issue. In fact, we published our own report on the matters relating to the Garda College in Templemore. If one reverts to the internal audit report, the headline issue - leaving aside the salacious stuff and the madness when had the heads of different departments, who almost collapsed before us - there was recommendations made by the head of internal audit and changes were to be made. What tracking is the Committee of Public Accounts doing to ensure that those changes have been implemented? Have we stopped? Are we going to come to the issue when the next set of appropriation accounts or-----

Chairman: It is part of the current periodic report we are compiling and it is covered in that. We have asked for updates before we finalise our periodic report, which is nearly there.

Deputy David Cullinane: That is fine; that is reporting. What I am talking about is holding the Garda authorities to account. Recommendations were made. I am asking whether the recommendations were implemented? Are the changes that were promised being made? We need to give that some consideration. One could argue that we have to wait until the Garda Síochána come back before us again in the normal run of things.

Chairman: No.

Deputy David Cullinane: On foot of the seriousness of the issues and the fact that have we invested so much of our time, we need to find out what progress has been made.

Chairman: We will do that.

Deputy David Cullinane: My third point relates to something that has not happened very often in the history of the Committee of Public Accounts. I refer to the fact that efforts are being made by other politicians to undermine the work of the committee. We see it both inside and outside the Dáil Chamber. It happened in respect of this issue as well. There was correspondence from some Government Deputies criticising members of the Committee of Public Accounts for defending the work of the committee. We must defend the integrity of the committee and not allow people to make what are political charges. They are entitled to do so but those charges should not go unchallenged. We have an absolute right and entitlement to raise issues, especially those we raised in the context of Templemore. The issues in question arose on foot of an internal audit report; we did not invent them. The internal auditor said that he could not give any assurances whatsoever that the controls in place at the Garda College in Templemore are what they should be. He said he was frustrated in his work. We saw what happened. Obviously, we had an entitlement.

For other Members of the Dáil to criticise the work of the Committee of Public Account, I think they are entitled to do it, but I do not think it should go unchallenged. For former members of this committee to chastise us in the way they have done is unacceptable. Members of

the Dáil may say what they want but we have an absolute right to defend ourselves and the work we do.

Deputy Catherine Murphy: If we were not being criticised, we would not be doing the job right. I think there is an element of that too. I suspect that the former Commissioner did not receive the legal opinion in a personal capacity. I also suspect that she received it as an officeholder, namely, in her capacity as Garda Commissioner. We must be mindful that this is not exclusive to the Garda Síochána. It will arise in other scenarios. It is general advice regarding privilege but I suspect that the Garda authorities and the acting Commissioner have a right to tell us what we do not want to hear. It would be useful to receive guidance. However, I would hazard a guess that such guidance would indicate that the Garda has a right to claim privilege.

When we are tracking the issues that are outstanding, we should ensure - before we come back to do the work - that they are substantially complete in order that we might have a more meaningful engagement.

Chairman: A final question from Deputy Kelly.

Deputy Alan Kelly: We asked for a copy of the risk register in respect of the Garda College. The response to that request states that An Garda Síochána risk registers are restricted documents, with only those involved in the risk management process or the auditing of risk being provided access to them. Would that be the norm? Second, are we not entitled to copies of the risk registers? I would presume that we are entitled to them. The answer that has been given relates to An Garda Síochána's risk registers but we specifically asked for a copy of the risk register for the Garda College. Are we entitled to a copy of that register? If so, we will have to write again seeking it because the document supplied was not the one we requested.

Chairman: Would the Comptroller and Auditor General care to comment on that? Obviously as part of his work, he examined the risk register.

Mr. Seamus McCarthy: Yes, that is correct.

Chairman: What is his understanding of this committee's entitlement to a copy of the risk register for the various organisations whose accounts come under our remit?

Mr. Seamus McCarthy: I have not thought about that but my office certainly has access to the risk register.

Deputy Alan Kelly: Why was it not revealed to this committee?

Mr. Seamus McCarthy: It may be a policy matter within the organisation.

Mr. Seamus McCarthy: We will go back to them and ask about that. If there are national security issues relating to the risk register, that is fine. We will leave national security issues to one side-----

Deputy Alan Kelly: They can be redacted.

Chairman: Fine, but we are talking about the administrative processes and controls. We will ask for that information again.

Deputy Alan Kelly: Can we set a deadline of one week because we have been waiting for months for this?

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Chairman: Yes, we asked for this information last November.

Deputy Alan Kelly: That is five months ago.

Chairman: We will give them ten days. A week is a bit tight. We will ask again about the legal advice and when we get the reply within the fortnight, we can take that up with our own parliamentary legal adviser.

The other issue that has come up a number of times is criticism of this committee, which is fashionable in some quarters and systemic in others. In that context, I am going to ask the secretariat to prepare a briefing note for us that we can approve and then issue. I can think of a few issues on which this committee has been roundly criticised in the past but was upon which it proved to be absolutely correct. During the term of the last Committee of Public Accounts, Maurice McCabe arrived in here with boxes of speeding fines that had been cancelled, adding up to €5 million. That was one of the ingredients that led to where we are now. The committee was attacked right, left and centre for dealing with the Garda Síochána issue but a report by the Comptroller and Auditor General found that the committee was totally within its rights to do that. We also dealt with the so-called Grace case in the south east and were attacked right, left and centre and told it had nothing to do with this committee. Our work on that case has contributed to the establishment of a commission of inquiry. We dealt with the issue of Project Eagle and NAMA. A vague commitment had been made to establish a tribunal or commission of investigation but that had gone off the boil. Our committee's report brought the issue back to the boil and that has now happened. In terms of the Templemore issue, were it not for the work of this committee all that has unfolded would not be in the public domain but we were criticised heavily for doing that. It is important that the committee secretariat would put together a briefing note for us in order that members would have such available to them and be able to say that despite the constant criticism, this committee is dealing successfully with very serious issues.

Deputy David Cullinane: I totally agree with that. We are big boys and girls and are well able for the cut and thrust of politics. I have no difficulty with people making political charges about this committee or its members. However, a pattern has emerged in recent times. At times we obviously have to raise issues that are sensitive in our constituencies and the Chairman has given an example of such. I imagine the same applies to Teachta Kelly. We cannot have people playing us off one another and using or taking advantage of those sensitivities to stop us doing our work. We have to ask questions without fear or favour and if we are not in a position to do that, we cannot do our job. We need to collectively protect ourselves. We cannot have Teachta Kelly being attacked because he is raising issues to do with it Templemore because it might be sensitive in Tipperary-----

Chairman: Or Deputy Cullinane in Waterford-----

Deputy David Cullinane: Yes, or myself and Waterford or Deputy Catherine Murphy and the Kildare Education and Training Board.

Chairman: Yes, there are several examples.

Deputy David Cullinane: There are lots of examples of that.

Deputy Alan Kelly: I thank Deputy Cullinane for his comments. He has basically said what I wanted to express. Effectively in my own constituency, three Deputies are attacking me politically. Now, I am a big boy and I can take it. That is not the issue. They are attacking me because through the process by which this committee works, in conjunction with the Comptrol-

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ler and Auditor General, issues relating to the Garda College in Templemore have come through the pipeline and have been dealt with in here. Deputies are attacking this committee and by extension, me as a member of this committee. I have no issue with that and will take them all on, collectively or individually. The main issue for me is that they are undermining this committee and are creating a dangerous precedent whereby people who are members of this committee are to be picked on or almost victimised because of their work as members of this committee, which they are bound to do. We all leave our politics outside the door of the committee room, or at least that is what we should do, and we do our job to the best of our ability based on what comes through to us. There is a dangerous precedent being set because members of this committee will not be able to do their work, including Deputies Cullinane, Catherine Murphy and myself. The attacks are also inappropriate. In fairness to the Chairman, he has a good track record in defending this committee. When we were attacked in the Dáil, the Chairman stood up and defended the committee on behalf of all its members. As Deputy Cullinane has said, we need to identify a way in which we can defend this committee and robustly argue against criticism made of it. At the political level, we can all do our individual thing and that is fine. However, we need a process or a way in which that defensive work can be done, possibly through the Chairman. Dare I say it but some individuals in the Houses of the Oireachtas may need to be educated about the way in which information comes to the Committee of Public Accounts and the way in which it goes about its work. They are either deliberately misunderstanding or they genuinely do not understand.

Chairman: There is a break coming up between now and the Easter period during which I will ask the secretariat to work on this because it is important. We have so many cases-----

Deputy Alan Kelly: I do not want there to be a conflict in terms of the issues being in our constituencies because we all live in Ireland.

Chairman: There are many issues that we need to address. We need to demonstrate what the Committee of Public Accounts has achieved, in spite of what those who want to knock us might say. We will certainly come back to that matter.

The next item of correspondence is No. 1114B from Mr. Tony O'Brien, director general of the HSE, enclosing information requested by the committee on salary overpayments in respect of the HSE for 2016 and 2017. The figure in question is approximately €2.5 million. We will note that. The next item is No. 1116B from Mr. Fergal Lynch, Secretary General of the Department of Children and Youth Affairs, dated 20 February 2018 with further information on the quality capacity building initiative, QCBI, as requested by the committee at our meeting on 8 February 2018. We will note and publish that. Correspondence item No. 1118B is from Mr. Robert Watt, Secretary General of the Department of Public Expenditure and Reform regarding public bodies within the remit of the National Shared Services Office, NSSO, and a briefing note on the feasibility and scoping study that was carried out to determine which Departments and bodies transferred to the NSSO. We will note and publish that. The next item is No. 1120B from Mr. Kieran Harrington, Department of Health, dated 22 February 2018 enclosing follow-up information requested by this committee in respect of the Dormant Account Fund and community based models to support people with dementia. We will note and publish that. A number of issues are arising regarding the Dormant Account Fund and as a committee, we found that engagement most unsatisfactory. It was all over the place and nobody seemed to have a handle on it. We will come back to that issue as part of our periodic report. It was a glaring problem. That is all I can say at the moment about the way that account has been administered in recent times.

The next item is No. 1121B from Ms Marie Ryan of the Courts Service, dated 22 February 2018, with an information note on the court poor box. I want to highlight this because an individual wrote to me about it. The note we received about the court poor box is very interesting. The Courts Service has provided figures from 2013 to 2017 showing that the poor box received €8.917 million in the period, with payments from the poor box amounting to €8.734 million. The poor box is running at close to €2 million per annum and is now fully maintained by the Courts Service through its own accounting system. All of those payments are centralised, recorded and verifiable. The heads of the criminal justice (community sanctions) Bill are under consideration. That proposed legislation would replace the Probation of Offenders Act, which deals with this. It will come up in due course.

The most interesting part of the correspondence, however, is the comment that there are three categories of payments made to the court poor box. The figures mentioned relate to category A payments, in respect of which the correspondence states, "Such payments are accounted for in the Court office and the accounting procedures are subject to audit by both the C & AG and Internal Audit." The correspondent goes on to say there are category B payments, made directly to a named charity by producing a receipt in court. She states, "These payments are not included in the annual Poor Box receipt figures." It appears that, on some occasions, the judge can say some money should be put into the court poor box while, on others, he can ask that €200 be given to the Society of St. Vincent de Paul, for example. The person has to come back with a receipt from the Society of St. Vincent de Paul the next month showing that the payment has been made. It does not go through the system. Therefore, we do not know what is going through that system. There are also category C payments, referred to as payments made via the Probation and Welfare Service to the Garda on order of the court. It is stated, "These payments are not accounted for in the Court Office and are not included in annual Poor Box receipt figures." Therefore, there are two categories of payments not going through the accounting system. We should write to the Courts Service in this regard. It is in its interest and in the interest of the administration of justice that the service get a handle on this. One category of payments goes through the poor box and two other categories do not do so at all. I am surprised by that. I thank the correspondent for the information and for making it public. It answers questions people have on payments through the poor box that do not seem to be able to be traced anywhere. At least we are now hearing some of the reasons why this is happening. It is not the way it should be; that is all I can say. I do not want to trespass into the area of the authority of judges. Judges issue the fines and request that amounts be paid, but they should be accounted for by the Courts Service somewhere.

Deputy Catherine Murphy: Do the payments in category C, via the Probation Welfare Service or to the Garda by order, show up in the accounts of the Garda or the Probation and Welfare Service?

Mr. Seamus McCarthy: I am not aware of it but, obviously, if they were receiving funds in any form, they should be accounted for through the accounting systems. Both of the bodies are accountable.

Chairman: Sometimes one hears that money is payable to the Garda benevolent trust fund or social club. One sees instances of this reported on in local newspapers. The correspondent is clear that the payments do not go through the accounts and are not recorded or audited.

Mr. Seamus McCarthy: I am literally talking now without checking but there is a figure in the Garda Síochána Appropriation Account regarding the benevolent trust fund. There are receipts.

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Chairman: The Comptroller and Auditor General might send us a note on that.

Mr. Seamus McCarthy: I will check that out and come back to the committee.

Chairman: We will follow up on this. We are told that there are two categories-----

Deputy David Cullinane: Has the Comptroller and Auditor General ever examined whether payments to the court poor box under category A are subject to auditing?

Mr. Seamus McCarthy: To the extent that moneys are received and receipted, which is the system, that control would certainly be tested.

Deputy David Cullinane: On category B, where payments are made to charities and receipts are provided, can the Comptroller and Auditor General exercise control? How can he do so?

Mr. Seamus McCarthy: I do not audit, I do not check and I do not look for verification from the charity. That kind of-----

Deputy David Cullinane: Has the Comptroller and Auditor General made any comment on options B and C?

Mr. Seamus McCarthy: No. Again, there is the difficulty that I cannot audit the fund, which is under the control of the courts. That is specifically precluded from me.

Deputy David Cullinane: Okay.

Chairman: We will write to the Minister for Justice and Equality in respect of categories B and C. The Department says that it is bringing forward new legislation — the criminal justice (community sanctions) Bill — which must include some revision to the operation of the court poor box. We will ask the Minister to take this into consideration and give us his views on the matter.

The next item of correspondence, dated 16 February 2018, is No. 1125B, from the Minister of State at the Department of Foreign Affairs and Trade, Deputy Ciarán Cannon. Enclosed is an invitation to the committee to travel to Tanzania to view Irish Aid interventions. This is related to the Comptroller and Auditor General's chapter on the control of Ireland's bilateral assistance programme. Can we note the correspondence? Noted. The committee has already agreed that such a visit would be worthwhile, and the secretariat is liaising with the Department of Foreign Affairs and Trade on the practicalities. We note that. The matter will come back before us.

No. 1129B is correspondence from Mr. McCarthy, the Comptroller and Auditor General, enclosing a note, as requested by the committee, setting out how State bodies account for property in their financial statements. I have not had an opportunity in this regard. We will note and publish the correspondence. We need to have it in our body of knowledge as committee members.

Mr. Seamus McCarthy: It was an issue raised by Deputy MacSharry. I actually prepared the note in December but, for some reason, it is just coming now.

Chairman: That is fine.

No. 1131B is correspondence from Mr. Kevin McCarthy, Secretary General of the Department of Rural and Community Development, providing information requested at the meeting on 8 February 2018 when we discussed the Dormant Account Fund. We will note and publish

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that and take it into consideration when drafting our report on the topic.

No. 1134B, from Mr. Deaglán Ó Briain of the youth crime policy and programmes division in the Department of Justice and Equality, provides information on mentoring initiatives requested at our meeting on 8 February 2018, when we discussed the Comptroller and Auditor General's report regarding the Dormant Account Fund. We will note and publish that and take it into consideration when drafting our report on this area.

The final category of correspondence is category C, comprising correspondence from and related to private individuals and any other correspondence.

No. 1095C, dated 18 February 2018, was received from an individual in respect of a complaint regarding a case that has been the subject of appeal regarding a Department of Employment Affairs and Social Protection case. The complaint is with the Ombudsman's office. On 18 January, the committee decided to note other items of correspondence from the individual and allow the Ombudsman to complete his work. It is not for the committee to become involved in individual cases. Can we note this and agree not to circulate further items on the matter, which is before the Ombudsman? Agreed.

No. 1096C, (i) to (iii), dated 18 February 2018, is correspondence from an individual requesting that the committee make inquiries regarding hiring practices at Trinity College Dublin. The individual refers to a competition in respect of which she was unsuccessful. The matter does not come within the remit of the committee and I propose that we write to the individual directing her to the Workplace Relations Commission, which is the appropriate body to consider it. Is that agreed? Agreed.

No. 1097C, dated 19 February and from Mr. Neil McDermott of the Higher Education Authority, encloses returns submitted by each higher education institution in response to the committee's request for information regarding consultancy fees. There are a number of spreadsheet attachments.

Deputy David Cullinane: I will come back to those ones in the work programme when we get to that. On the Higher Education Authority, may I just make a point about a different issue, if I can,-----

Chairman: Yes.

Deputy David Cullinane: -----because the correspondence was raised previously? I wish to raise the issue of Waterford IT. I was informed by the head of the Higher Education Authority that, in December, the report commissioned by the authority into the funding of intellectual property and the activities relating to commercialising intellectual property in Waterford was complete, with the authority and being examined by its legal team. I was then told that the report would be published as quickly as possible, probably in January. There was a supplementary report, a different report, that examined the global issue, the bigger issue of how that area is governed. We have that report. It was published. We are going to come back to that at some point. It is now March, however, but the Waterford report still has not been published. How is it taking so long? It concerns me. Why is it with the legal team for so long? I understand and am mindful of the fact that the organisation has to protect the author of the report and the integrity of those named in it, as it may be sensitive, but we are into March and the report has been with the authority since December. It is an issue we have been working on and chasing up. Could we contact the authority again and achieve some clarity on the matter?

Chairman: Absolutely.

Deputy David Cullinane: It is very frustrating. It would be better for the institute if this were published as soon as possible. I just cannot understand why we still have not seen it although it is March.

Chairman: That is fine. With regard to No. 1097C, there are many spreadsheets and much information. Members may use that information or come back to it at a subsequent meeting. There are many spreadsheets for people to examine in detail.

The next correspondence is No. 1098 from Mr. Neil McDermott of the Higher Education Authority with details of expenditure regarding mergers of technological universities. I want to deal with this matter as I am alarmed about it. Deputy Kelly might want to speak on this issue. We asked for information on expenditure on accountancy and legal fees, due diligence, public relations and additional costs in the legal and accountancy area regarding the proposed mergers of the various technological institutes. The first proposed merger mentioned on the list is the Munster Technological University involving Cork Institute of Technology and Institute of Technology Tralee. Between 2014 and 2017 there was expenditure of €571,803 on that. I will ask Deputy Kelly to advise us if that is going ahead. If it is not proceeding, is this what he would call nugatory, or expenditure of no value? Regarding the proposed merger of DIT, involving IT Tallaght and IT Blanchardstown, €344,000 has been spent. Regarding the alliance of IT Sligo, Galway-Mayo Institute of Technology and Letterkenny IT, €3,000 has been spent and regarding Waterford IT and IT Carlow, €49,000 has been spent. Does Deputy Kelly want to comment on the proposed merger involving Cork IT? He raised this matter previously.

Deputy Alan Kelly: Yes. I raised this matter previously. Effectively, we have had to drag these figures from those involved in terms of the costs and the breakdown of them. We asked for them in numerous different ways. The total figure is alarming. More than €571,000 has been spent on a proposed merger and we do not know if it will ever materialise. The other figures are also quite disturbing. Some €344,000 has been spent on the proposed merger of DIT, Tallaght IT and IT Blanchardstown and €49,000 has been spent on Waterford IT and IT Carlow. More than €900,000 has been spent on fees for all these proposed mergers. The fact that we had to drag these figures from those involved is deeply worrying given the level of detail and questioning we went into on this at this committee. We will have to make some commentary on the scale and cost of these fees because of the potential loss to the taxpayer across the board. We need to get some answers on this. I suggest that we will have to follow up with questions based on the figures we have got here today.

Chairman: We will need to immediately write separately to Cork IT and IT Tralee-----

Deputy Alan Kelly: Absolutely.

Chairman: -----for their current position regarding the proposed-----

Deputy Alan Kelly: Merger.

Chairman: -----Munster Technological University merger, the stage it is at and the most recent decision of the boards of the respective ITs on it. We will await their replies but if it if the proposed merger is not proceeding, there is a big question to answer about that expenditure of more than €571,000.

Deputy Alan Kelly: Not alone that, but the Chairman will remember from evidence we

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went through here and documentation we sought that there were board minutes regarding this decision that were not published. There were also questions at the time about the whether the boards agreed with the merger in the first place, but yet it has proceeded at a cost. These are only legal costs and we can imagine all the other costs that will be involved on top of those.

Chairman: It includes management consultancy services.

Deputy Alan Kelly: I know, but in a proposed merger such as this one-----

Chairman: They are professional fees.

Deputy Alan Kelly: -----there are professional costs across the board. This is only expenditure of more than €571,000 in one category.

Deputy Bobby Aylward: Regarding the expenditure on Waterford IT, is that divided evenly between Waterford IT and IT Carlow, or what way is it divided-----

Chairman: I do not know.

Deputy Bobby Aylward: -----or from where did that money come?

Deputy David Cullinane: Carlow.

Deputy Bobby Aylward: That is because Waterford would never carry its share.

Chairman: Deputy Cullinane indicated he wants to speak.

Deputy David Cullinane: Forgive my ignorance here, but I understand the technological university process as I pay close attention to it, having regard to what is happening in the south east. My understanding of this is that the merger process was in place without being underpinned by legislation. The legislation was on hold for a long time; it was pretty much suspended because there were political differences. There is now a change in the sequencing where initially the institutes had to formally merge and then had to reach and meet criteria. There were benchmarks around having a set number of graduates and so on. Then there was an international panel of experts who would come in and adjudicate on the application and so on. My understanding is that the legislation is going to change to allow the merger part of it to come in at the end of the process. Much of the legal and consultancy advice was around some of that process. It is glaringly obvious and jumps out from the page that if the process involved the proposed mergers is the same, how can it be logical for those engaged in the proposed Munster merger to have spent more than €570,000 and for those involved in the other proposed mergers who are engaged in exactly the same process to have spent-----

Chairman: There were further advances.

Deputy David Cullinane: They had further advances to spend €4,000 in one case. Those engaged in the proposed Connacht-Ulster alliance spent €5,000 and those engaged in the proposed merger of Waterford IT and IT Carlow spent just short of €100,000, but more than €571,000 has been spent on the proposed Munster merger. The fees are also striking when we consider what the smaller companies charge as against what the larger companies charge. The figure for Deloitte is €190,000, Arthur Cox is listed a number of times and the figure for PricewaterhouseCoopers is €187,000. What exactly were those companies employed to do? What were they examining? We can return to this issue in terms of our work programme later. I have an issue with the continuous outsourcing of responsibility in terms of management and

consultancy in the third level sector to these agencies. Leaving that aside, more than €570,000 has been spent on the proposed Munster merger and a fraction of that cost has been spent on the other proposed mergers which are involved in the same process. Why is that the case?

Chairman: I call Deputy Catherine Murphy.

Deputy Catherine Murphy: We are constantly told about the shortage of funds in the third level sector and the risk of introducing further fees for students. That is the backdrop to the matters we are considering. The same companies appear to be used. I clicked into some tables and the I note the same entities appear. Essentially, these entities are building up a great deal of expertise which does not have to be learned by them a second time. I wonder about a scoping exercise in terms of a cost-benefit analysis that should have been done by the Higher Education Authority. That falls very much into the value for money side of matters. There should be cumulative purchase power here as well. It is as if each separate one has to incorporate that learning legal or consultancy experience. It almost reinforces those particular entities as the experts in the field to the detriment of others who may well provide a similar type of service at a lesser cost.

Chairman: We will certainly write to the Cork IT and IT Tralee enclosing this schedule and ask why their figures are so high relative to the others. We want to know which college paid the amount involved, was it paid on a 50:50 basis or by one college? As Deputy Catherine Murphy said, it has had an impact on student services. If more than €571,000 has been spent by two colleges on this project, less money has been available for student services. We will write to the Higher Education Authority asking it to give us a detailed response on this. The expenditure involved is alarming with a €1 million having been spent on some of those items. I know some of these are proceeding well in Dublin, etc., but some of them are not. We also want find out from the Higher Education Authority if, from its perspective, it is satisfied with this level of costs and what control it had regarding this merger issue? When we get a reply from those organisations, we will return to these matters.

The next correspondence No. 1101, dated 19 February, from an individual requesting further information from Tusla regarding a matter previously raised with the committee. The committee requested a response from Tusla, which we forwarded to the individual. Tusla in correspondence with the individual directed the person towards the Office of the Ombudsman and the Ombudsman for Children. The individual states she has documentation gained under free of information that supports her view that a report was suppressed unnecessarily. I do not believe we can take this matter further and the individual has been directed to the Office of the Ombudsman to examine such a claim. Is that agreed? Agreed. We cannot take any further action.

Correspondence No. 1103C, from Deputy Alan Kelly, draws our attention to an *Irish Examiner* article on UCC and a deal with the Cork Opera House.

Deputy Alan Kelly: My jaw nearly hit the ground when I read this. We have raised issues here on numerous occasions about the use of taxpayers' money by universities and colleges. I wonder whether my *alma mater* has learned anything. Obviously this is a vast sum of money. That is one thing, and UCC can make its own decisions about it, and it is not what I am questioning. At committee meetings we have had numerous discussions on what is taxpayer funding and what is not. There was a lot of discussion and argument relating to the institutions' own funding, and they stated they could use their own funding in whatever way they pleased. However, the fact of the matter in many cases we saw was their own funding was put into a pot

with taxpayers' funding and then utilised, and in many various scenarios we had to try to decipher whether this was value for money for the taxpayer. Here we have a situation where UCC is spending this amount of money and is stating it is from non-taxpayer funded revenue. I would ask the following question. If UCC did not get taxpayers' funding in the first place would it be in a position to go out and get non-taxpayer revenue to be able to do this? The manner in which UCC has explained this smacks of nothing being learned from our report of a few months back and the ongoing analysis on some colleges and universities.

Chairman: We will write directly to UCC about the agreement and the secretariat has a note of the query. UCC states it is part of a postgraduate degree and a new partnership that will see University College Cork invest in-----

Deputy Alan Kelly: The issue of whether or not this is good for the college is not something I am debating. That is a choice it has to make. Personally, I think it is ridiculous but that is a different thing. The issue for me is UCC is trying to justify it on the basis it is using non-taxpayers' revenue. Sorry, but that argument was rubbished at this committee.

Chairman: The obvious first question is whether it can demonstrate to the committee the income did not come from taxpayers' money.

Deputy Alan Kelly: No-----

Chairman: Let me tease it out. The majority of funding for most of them is public sources such as the Higher Education Authority. They get some private funding also, but I understand there is one set of accounts with all the money in the one pot and nobody can say all the money did not come from that source.

Deputy Alan Kelly: Yes.

Chairman: One would have said a significant portion of it did, but I cannot understand how it can make that statement. It cannot make that statement.

Deputy Alan Kelly: Basically, how can it justify this was exclusively non-taxpayers' revenue?

Chairman: Yes.

Deputy Alan Kelly: For me, that is impossible, and I would like UCC to explain it. It should come out publicly and state that actually the taxpayers of Ireland are paying for the majority of this because that is the truth.

Mr. Seamus McCarthy: One distinction that is made by the institutions is, for example, that student fees are regarded as non-taxpayer revenues. There are also donations and bequests. Some donations and bequests might be fundraising for a specific purpose. If there are conditions around funding such as this, then it should be kept separate and not put into the general pool of funding.

Deputy Alan Kelly: That is not explained.

Mr. Seamus McCarthy: I know. There is probably an over-fine distinction made in many cases. Another example is where a bank is paying rent for premises on campus. This is regarded as non-taxpayer revenue. These distinctions are a bit too fine. There is a distinction to be made in terms of whether the majority of funding is coming from taxpayers' sources.

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Another source of funding, obviously, is research funding, but again this is very specific. It is for specific research purposes. It cannot be diverted and used. Very often, anyway, it is from taxpayers' sources.

Deputy Alan Kelly: That is fine.

Chairman: We understand the question.

Correspondence No. 1104C is from an individual who was previously a member of An Garda Síochána. The document is dated 20 February 2018 and encloses a review of contracts relating to the provision and operation of safety cameras for An Garda Síochána. The individual provides an analysis of the GoSafe programme, about which he expresses grave misgivings in relation to value for money for the project. I propose we write to the Garda Síochána-----

Deputy Bobby Aylward: Is this another whistleblower?

Mr. Seamus McCarthy: No, technically it is not because it is an individual who has left An Garda Síochána, and he has done a piece of research, which he is perfectly entitled to do.

Chairman: This is a former garda who has a detailed report.

Deputy Alan Kelly: If we read the report it is actually a very good report. It raises a huge number of questions, and we really need to write to An Garda Síochána to ask very specific questions based on the report. I would encourage the secretariat, and there is a bit of work in it I am afraid, to go through the report and refer it on. There are some very specific questions in it, which may need to be highlighted. Ultimately, there is a serious question about value to the taxpayer based on what was there beforehand and what is there now. The decision-making process through the Department of Justice and Equality regarding how it came to put this in place is one side of it, and another is how it continued to have the GoSafe strategy in place when the trajectory as regards the costs and value to the taxpayer was certainly going in a direction that leads to many questions.

Deputy Catherine Murphy: I presume this comes out of the justice Vote?

Mr. Seamus McCarthy: It is the Garda Síochána's own Vote.

Chairman: It states in the document the contract was signed by the Minister and the Commissioner, so we need to write to the Department and the Garda Síochána. The person rightly prefaces the whole report by stating this matter was discussed by the Committee of Public Accounts on 10 July 2014, following the earlier report of the Comptroller and Auditor General. This matter came before us a couple of years ago and it is back before us again.

Deputy Bobby Aylward: Are we talking about the private speed detector vans?

Chairman: Yes. To remove any mystery about it, the gentleman who has compiled this report has put his name to it. The former member of the Garda Síochána is John O'Brien, and he has some knowledge of this particular area. We will ask for a detailed report from the Garda Síochána and the Department of Justice and Equality to address the issues. Perhaps, as Deputy Kelly has said, the secretariat can go through it and distil some of the key points rather than sending it-----

Deputy Alan Kelly: We can do that as well, but the questions are pretty obvious.

Chairman: He has them well listed in the document.

Deputy Catherine Murphy: With regard to the work of the Comptroller and Auditor General on selecting something like this, a piece of work was done in 2014. Is augmenting that with this type of analysis something that is likely to fall into a report the Comptroller and Auditor General would be doing this year? How would it find its way into the choices he makes?

Mr. Seamus McCarthy: Certainly, a large procurement on this scale would be looked at in the course of the audit of 2017 because, as I understand it, that was when the procurement occurred. An important issue here, with regard to the type of analysis that has been done and sent, is for a procurement on this scale I would expect to see that An Garda Síochána had done an exercise along these lines to establish that a proposed contract with the value of €100 million, or thereabout, was likely to deliver value for money, and to compare it to more in-house Garda Síochána speed testing with regard to what is effective. I would expect to see that all of this type of work had been done by An Garda Síochána. If it has done this work and the analysis stands up then I would not necessarily feel the need to report on it, but legitimate questions for the committee to ask are whether the analysis is in place, what are the results of it and has it been established it is likely to deliver best value.

Deputy Catherine Murphy: Can we ask these questions?

Deputy Bobby Aylward: Is it self financing? Do the fines paid cover the cost of the private contract?

Mr. Seamus McCarthy: Speaking from memory, it does not raise as much in charges as is paid out.

Deputy Bobby Aylward: Is there a cost to the taxpayer?

Mr. Seamus McCarthy: I think there is a net cost.

Chairman: That is a good basis to seek information.

No. 1106C is correspondence from Deputy Shane Cassells regarding our proposed engagement on the funding of local authorities, which is the main item for today. No. 1108C is correspondence from IBEC.

Deputy Shane Cassells: It is okay. I will be addressing them myself.

Chairman: We will note and publish that and No. 1108C. We want to discuss this IBEC letter regarding commercial rates and the funding of local authorities. Correspondence from IBEC is publishable so we will publish the letter. I do not think it wrote to us to keep a secret. We will deal with the issue of funding local authorities during the course of meeting.

No. 1109C is correspondence, dated 20 February 2018, from Mr. Fintan Gorman, chairman of Inland Fisheries Ireland, and No. 1113C is correspondence, dated 21 February 2018, from Mr. Mark Griffin, Secretary General, Department of Communications, Climate Action and Environment, both containing information requested by the committee regarding the national strategy for angling development on procedures used relating to consideration of projects and disbursement of funds. I propose that we note the correspondence and forward a copy to the body which raised the matter with the committee. Is that agreed? Agreed.

No. 1111C is correspondence, dated 21 February 2018, from Mr. Neil McDermott of the

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Higher Education Authority containing information note as requested by the committee relating to the role of secretary-financial controller in institutes of technology. I propose that we note this and forward a copy to the correspondent who raised the matter with the committee. Is that agreed? Agreed.

No. 1119C is correspondence, dated 22 February, from the Irish Environmental Forum responding to correspondence that the committee agreed to forward to the individual in question from the director general of the EPA. The forum maintains that the EPA licenses industrial plants that have caused €1 billion euro in damage as a result of their emissions. There are matters which may be worth pursuing with the EPA. This is a matter we can put on our work programme for the autumn. It is a very significant issue concerning the role of the EPA with regard to pollution caused by organisations and industrial plants the EPA licenses. We will note and hold that over for a later date.

No. 1122C is correspondence, dated 22 February, from Ms Oonagh McPhillips, acting Secretary General of the Department of Justice and Equality, providing a note relating to the wards of court. The Department states that because the wardship funds are not public funds and are subject to the control and supervision of the High Court, they cannot be audited by the Comptroller and Auditor General and that to do so would undermine the independence of the Judiciary. I propose we note the correspondence and forward a copy to the individual who has written to the committee on the topic on many occasions. The person may not be satisfied with the response. Does Deputy Catherine Murphy wish to comment? It is about wards of court.

Deputy Catherine Murphy: I have the correspondence.

Chairman: This comes from an acting Secretary General. We are publishing this. The issue of wards of court is a public matter. The one point I would make is that there seems to be a big mystery. These are administered by the judges, and rightly so. We are not trespassing there. They seem to have their own committee overseeing the investment. Perhaps when we come to do our work, such funds might be better managed by the NTMA or somebody else. We should leave the judges with their authority as trustees. In the context of funds that are for the benefit of the public, although I know it is not taxpayers' money directly and can come from insurance companies regarding claims, I think there would be more public satisfaction if they were managed by an organisation such as the NTMA. That is only a suggestion but it is one to which we might return.

Deputy Catherine Murphy: If it was the case that these funds were not being properly managed or the investments were not sufficient, it would fall back on individual families and the public purse.

Chairman: It does because there is less money for them.

Deputy Catherine Murphy: That is right.

Chairman: We will publish that correspondence. We do not need to take any action now but I assure members that the issue of wards of court will come before us again. We might consider asking for the relevant policy matter to be looked at in the context of the management of funds under the supervision of trusteeship or whatever of the judges without interfering with them. The funds might be better managed by somebody with far more experience of managing these funds than the people who currently manage them. That is not a conclusion at this point. It is only an observation. We will come back to it.

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No. 1123C is correspondence, dated 12 February, from a body called Former Local Authority Members Éire relating to a previous item of correspondence discussed on 9 November. The body has asked the committee to investigate the transfer of corporate governance responsibilities arising from the Local Government Act 2014. The correspondent also raises questions relating to the consideration of the organisation's previous item of correspondence, No. 861C. I will ask the clerk to provide the responses as requested. This is not a matter for the Committee of Public Accounts as the changes were the result of a policy decision and the implementation of the Local Government Act 2014. I do not think this is a matter with which the committee should engage further. Is that agreed? Agreed.

No. 1124 is correspondence, dated 26 February 2018, from Mr. Graham Doyle, Secretary General at the Department of Transport, Tourism and Sport providing a detailed note relating to the situation with CIÉ pensions as requested by the committee. Is it agreed to note the item and agree to publish it? Agreed. Obviously, members will want to utilise that correspondence as they see fit.

No. 1126 is correspondence, dated 8 February 2018, from a journalist providing a copy of a note from the Department of Justice and Equality and an article in *Kerry's Eye* on the court poor box. Can we note and agree also to forward him a copy of the earlier item we received on the court poor box and a copy of the transcript of our discussion on the court poor box? Agreed.

No. 1127 is correspondence, dated 21 February 2018, Deputy Cullinane regarding CIÉ pensions. We have covered that issue. The response is there. Various Members of the Oireachtas have inquired about this. We received the response. It does not deal with the issue satisfactorily but at least it is a response. I know people will take it up at other fora. We will note and publish that. Does the Deputy believe we should publish it?

Item No. 1135C is correspondence from the clerk of the Joint Committee on Communications, Climate Action and Environment relating to our proposed engagement with RTÉ requesting that the committee be mindful of its remit and avoid unnecessary duplication of the work of the Joint Committee on Communications, Climate Action and Environment in this area. The secretariat has written to RTÉ inviting it to attend a meeting in view of the fact that the majority of RTÉ's funding comes from public sources. The committee is interested in exploring how that funding is used and accounted for.

Deputy David Cullinane: As the Chairman is aware, I have raised this issue consistently. It is wise for sectoral committees to observe the work of the Committee of Public Accounts. If these committees feel that we are encroaching on their work in any way, they have an absolute entitlement to inform us about that and write to us so I have no difficulty with that whatsoever. We have consistently said that we do not want to duplicate the work of any other committee. There is a difference between the sectoral committees do and what the Committee of Public Accounts does - even in terms of who appears before the different committees. Ministers and Ministers of State appear before sectoral committees and can deal with issues of policy and so on. We do not do that. We deal with a look-back exercise, value for money and accountability. This issue arose when the Secretary General of the Department of Communications, Climate Action and Environment was here. Almost 40% of the entire budget of the Department, which I think was €170 million, was transferred to RTÉ. The Secretary General was not in a position to answer questions in the same way he was answering questions about the rest of the spend because it was a matter for RTÉ. I have very serious questions to ask about allegations of bogus self-employment and contracting of staff, which are genuine issues. There is a potential cost to the State in terms of revenue as well so they are genuine issues that need to be addressed.

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Another issue, which was probed by the Chairman, concerned whether or not a proper service-level agreement is in place between the Department and RTÉ. At no point would we want to duplicate the work of the sectoral committee nor would we want to interfere with the independence of the national broadcaster and ask questions about its decisions in terms of programmes. It was never about that and we have said so *ad nauseam*. There are specific issues we want to ask about and we have a responsibility and an entitlement to probe and ask questions about the spend of €170 million of taxpayers' money even if RTÉ is not audited by the Comptroller and Auditor General. This is a lot of money so we have a responsibility. We should write back to the clerk of the Joint Committee on Communications, Climate Action and Environment and, in a cordial way, agree because I agree with the committee's sentiments but also inform the clerk about why we want to engage with RTÉ. It is not a crossover in terms of any work that they do.

Chairman: It is not a duplication of their work.

Deputy David Cullinane: No.

Chairman: That is agreed.

Deputy David Cullinane: Has the committee written to RTÉ?

Chairman: The letter is gone. I cleared the matter some time ago.

There is one last item of correspondence. I wish to explain to the people who are watching that we have a double batch of correspondence to deal with this week due to not having a meeting last week.

Nos. 1136, 1137, 1142 and 1143 from Deputies Catherine Murphy, Cullinane, Aylward and MacSharry, respectively, request the committee to schedule a discussion on issues surrounding the strategic communications unit in the Department of the Taoiseach. I will call the Deputies in the sequence that the correspondence arrived. Therefore, I call Deputies Catherine Murphy, Cullinane and Aylward, as Deputy MacSharry is not here today, and anyone else can comment after that.

Deputy Catherine Murphy: My letter calls on the committee to consider the business case put forward for the strategic communications unit and that we invite the two Accounting Officers, Martin Fraser and Robert Watt, to attend because they will be the people who have responsibility. A business case would have had to be made by Martin Fraser to Robert Watt in their relevant roles. It would be useful for us to see the business case as it would help us to understand the inner workings of the unit and see where the separations exist, and learn the objectives for such a unit. That is what I seek, at a very minimum.

Chairman: I call Deputy Cullinane.

Deputy David Cullinane: This committee has a very clear role to play.

Chairman: It is unusual to have four separate items of correspondence from four members of the committee on the one particular issue.

Deputy Bobby Aylward: We are all concerned.

Chairman: Yes. I call Deputy Cullinane.

Deputy David Cullinane: I do not think it is unusual at all because this is a topical issue. One could also argue that political charges have been made.

Chairman: Which we will not go into.

Deputy David Cullinane: No but we need to be upfront. Political charges have been made in the Dáil Chamber by many parties, which they are entitled to make. This committee must examine the processes and procedures and the logic behind the setting up of this committee in the first place. We were told that this committee was set up to save money-----

Chairman: It is a unit.

Deputy David Cullinane: -----achieve efficiencies and to streamline communications within different Departments and the work of the public service and the Civil Service.

The difficulty is and the concern, if I can call it that, that many of us have is that the unit became something else and is being used for party political purposes. The Committee of Public Accounts has an absolute obligation to see if that was the case because all political parties are funded by the taxpayer and are given funding to use for purposes such as advertising and so on. They can spend money in many different ways but they must account for same. If a party in government used taxpayers' money in any way outside of that remit and thus had an advantage over other political parties then it would be undemocratic, wrong and, potentially, an abuse of taxpayers' money and needs to be probed.

Serious questions have been raised about the advertisement of the national planning framework and the national capital plan and how the advertisements in regional and local newspapers were done. We must, therefore, ask some obvious questions. Who authorised all of that work? Who supervised such activities? Who is accountable? Is the process working in terms of the rationale behind setting up the unit in the first place? Was the money spent for those purposes? Was the money spent for other purposes? Are we getting value for money? Are we getting efficiencies? Are we seeing changes? These are genuine questions on all of these issues. We can park the political charges because we will all make them when we leave the Committee of Public Accounts.

Chairman: I urge the Deputy to focus on this committee.

Deputy David Cullinane: We can certainly park the political charges and we will deal with them outside of this committee.

The Taoiseach took ownership of this project and I call on him to come before the Committee of Public Accounts. I also call on Mr. Fraser as the head of the public service, Mr. Robert Watt who is the Secretary General of the Department of Public Expenditure and Reform and Mr. John Concannon who has been appointed to lead the unit to come here, and others as we see fit. It is up to the committee to decide whether we should do so. I propose that we invite all of those individuals. We, the committee members, have listed some. I know that Teachta Catherine Murphy has listed other people that maybe I have not, and the same applies to Teachta Aylward. It is up to the Chairman in terms of how he proceeds. I propose that we invite all of the individuals that have been suggested by all of the Deputies, as soon as possible.

Deputy Bobby Aylward: My comments are on much the same lines as the two previously speakers. We are concerned. This matter has been in the public arena for the past week, in particular the past ten days. All of the political parties have raised this matter in the House. My

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questions are as follows. Is this an abuse of public money? For what purpose was the strategic communications unit established? Was it established to streamline information from the Government to the public? Perhaps the unit is being used for political purposes and promotion.

Chairman: Perhaps.

Deputy Bobby Aylward: I will not make an allegation. Is the unit being used to promote a particular party rather than the good of the public? The matter needs to be investigated. I agree with Deputy Cullinane that the Secretary General should be invited to come before this committee, and the Taoiseach. Perhaps there is no precedent for a Taoiseach to attend a meeting of the Committee of Public Accounts. At least the Secretary General of the Department and the head of the strategic communications unit should be invited to attend. The unit was set up last August, it costs €5 million per annum and the unit consists of 11 personnel. The Brexit unit only has half that amount of staff even though it is more important to this country. Is the unit value for money? Has taxpayers' money been wasted? Is taxpayers' money being used appropriately?

Chairman: Deputy Kelly has indicated.

Deputy Alan Kelly: I agree with the previous speakers that we should park the political side of things. Even though our concerns are all real we must consider this matter from the committee's mandate. We need to consider the business case put forward for the unit, the costs associated with the unit, the budget that was given and the recruitment process. I have heard these statements about being cost-neutral. The people who have been pulled into this unit had to come from somewhere and obviously they had to be replaced. Down the line, is there a cost? I presume there is in some cases.

In terms of the campaign, it is a dangerous scenario if a line has been crossed, as has been referred to in both Chambers of the Oireachtas on numerous occasions over the past few weeks. We need to see if taxpayers' money has been appropriately utilised. We need to get into the detail of the campaign. We need to get into the detail of the individual areas of expenditure and why the moneys were allocated. We need to see whether there is precedent in terms of other campaigns that have led to this scenario. We need to ensure that all the relevant individuals are brought before this committee as soon as possible. It would mean, from a public accounting point of view, that we can get the details as to why this unit was set up, whether there was precedent, how people were recruited, how the total budget was allocated, how the campaigns were run and the manner in which the funding for the campaigns was administered.

As part of this process, not alone do we need to bring in the Accounting Officer, we also need to bring in key individuals in the Department of the Taoiseach where the unit is based. Furthermore, it may be the case, Chairman, where we need to bring in the outside agencies that run the campaign or campaigns as well. I make that suggestion because I am afraid that some people who are accounting for funding may be delineating down how funding was being administered to outside agencies, thus creating a vacuum whereby we could not get answers, which would be unacceptable. We should also discuss or reserve the right to call in outside agencies that work for the unit.

Chairman: I take the point made by the Deputy. Others members have indicated their wish to speak and I first call Deputy Jonathan O'Brien.

Deputy Jonathan O'Brien: Yesterday, the Taoiseach said he would appear before the

Oireachtas Select Committee on Finance, Public Expenditure and Reform, and Taoiseach and deal with this matter as part of the Estimates for his Department. That is a red herring. Perhaps the Taoiseach needs to learn exactly what the Committee of Public Accounts does, as opposed to sectoral committees. He will only discuss the Estimates with the select committee and we will be unable to ask whether we are getting value for money or get details about the controls and practices that are in place, or find out who is accountable and discover who is responsible for making decisions on the expenditure. None of those matters will be covered when he goes before the select committee. As only the policy decision and the setting aside of the money will be covered, we will not be able to go into the detail. That is the reason he needs to appear before the Committee of Public Accounts, not just a sectoral committee at Estimates time.

Deputy Catherine Connolly: I agree that there is a very serious issue and that we should be very careful. I agree fully that there is a value for money issue, but we should be very careful in talking at this committee about the misuse of money for political purposes. This is an extremely important committee. We are here every Thursday with numerous reports before us that we read, reflect on and question in terms of value for money and holding institutions to account. It is extremely important that we hold them to account. I agree that there is a serious value for money issue when it comes to the strategic communications unit and would like to tease out a little more with the Chairman and the Comptroller and Auditor General how best to proceed to ask questions about the unit which have been raised by many of us in different fora. When I raised the issue, I was told the purpose was to save money. That brings the role of the Committee of Public Accounts into it. How did it save money? As my colleague said, what business case was made and who made it? Has it worked? That is an issue for us. To do it we should have immediate access to the business case made. It should be forwarded to us with all relevant documents. I agree with what has been said, but I would like to tease out what the precedent is. We are looking at something without a report before us which is a new departure for us, although I am sure it has happened before. Let us tease out these issues first and stick with the issue of value for money and to the best way to bring the matter before us before we say who we would bring in. I have no difficulty in looking at that issue, but at this point we should tease out the issues involved and establish what we want to do.

Deputy Shane Cassells: There is nothing more important than the independence of the media in doing its job. In the past two weeks I have heard that they are under extreme financial pressure and have effectively been coerced into allowing this to run because of the financial strain they are under. There is nothing more important than we have entered a sphere in which the State can buy the news. We are not living in some Russian creation; this is not Trump-land but a republic. In a democracy the independence of the media to present the news and people to disseminate are fundamental. People have become obsessed with side shows, which is unfortunate, about whether Fine Gael members were in pictures, but it goes far deeper than that.

The people running the campaign were extremely astute about what they wanted to achieve and I will tell the committee why. They dealt with the design of the page, which is the most important point, newspaper by newspaper, including the fonts used in headlines. One should not forget that it did not run as an advertorial, which is bad enough, but I will tell the committee how specific it was. The headline and subhead fonts and text style were the same as on every other page in each newspaper. The first thing one learns in journalism school is that every single newspaper uses a particular font which is unique to it. Newspapers are precise in how their readers react to them. If a newspaper engages in a redesign, it will be at pains to explain to its readers why it has changed the font. When *The Irish Times* did it a number of years ago, it was at pains to explain that it engaged in the redesign to make it easier on the eye. These

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guys were so specific that in every single newspaper the same headline font, subhead font and colours as on the other pages were used. That takes some work. The newspapers concerned have been caught out and they know it.

The NUJ has commented on the issue because it is worried that if its members and the owners of newspapers allow it to happen, we have entered a dangerous sphere. My local newspaper which is as guilty as all of the rest this week ran a full page viewpoint by Paul Murphy who is one of the most respected local journalists in the country and editor of the *Drogheda Independent* group for many years. He was my first boss when I worked with that newspaper. He said readers of the *Meath Chronicle* last week had come across details of the plan spread across the pages but that the words “advertising content” or “advertorial” did not appear anywhere in the copy. An unsuspecting reader would have assumed it was part of the newspaper’s normal news coverage. He said it had been a mistake to present the copy in this way and expected it not to happen again.

A number of experts in various fields had been asked to supply quotes about the national development plan, but they had not been told that their views would be part of advertorials paid for by the State. Even the most brazen PR stunt man or woman would not pull that one and hope to get away with it. It looks and is grubby in the extreme.

Chairman: I call Deputy David Cullinane.

Deputy Shane Cassells: Chairman-----

Chairman: I am sorry.

Deputy Shane Cassells: My point is there is no question that is more fundamental than if people can use public money to try to present spin as news and if the State is buying the news. If the Government presents its press releases, so be it, but if we have come to a point where it can pay for the design to look the same as on every other page in a newspaper, we have entered a most dangerous sphere. Newspapers know it. This is clearly a misuse of public money and one does not need to set up a commission or a committee to investigate it. Anything that fails to be presented as an advertorial and if public money is spent in doing so is a clear misuse of public money and the question demands to be answered. That the Taoiseach flippantly tried to disregard it in the Dáil is a disgrace. The Government cannot buy the news.

Deputy David Cullinane: We all have concerns and I share all of the concerns outlined by Teachta Shane Cassells about regional publications. On the face of it, it seems as if the unit pulled off a very slick, almost sly operation and our job is to test it. Allegations and political charges are being made. It is for the Dáil Chamber to deal with the matter. What we have to do as a committee is to evaluate whether there is any truth in the allegations that have been made. I have my concerns as we can see it with our own eyes. Teachta Shane Cassells was right in everything he said and I agree with all of it. We will I hope have people before us. We have to provide them with an opportunity to prove to us that the charges made are not true. That is our role.

Teachta Catherine Connolly’s point was that we needed to have a good sense of what we wanted to achieve before we invited people. That is obvious, as Teachta Shane Cassells and others said. It is obvious what we want to achieve and what the questions are and we should not delay or postpone making a decision. I have already proposed one which I will reiterate. I formally propose that we invite the individuals named and others. The first session should include

the key individuals - the Taoiseach, the Secretary General, Mr. Fraser, and Mr. Concannon, the head of the unit. They are the three key individuals. Others are also important. The Taoiseach and others have been making the point that there are bigger issues. There are, but there is a fundamental issue with how political parties are funded. If any political party is gaining an advantage over others, that is not right. There are also issues about how taxpayers' money is spent and there are now blurred lines between the communication of Government and public and Civil Service and how that has become political and party political. They are fundamental questions. The issue of value for money is then wrapped up in that and, as others have asked, whether we have achieved the savings we were promised. The Committee of Public Accounts has a clear role in that. That is our starting point and should be the avenue for those coming before us.

Deputy Catherine Connolly: I am rarely accused of not being clear. I am crystal clear. There is a serious issue here regarding value for money. I did not ask for a delay but to tease out the issue of how best we can do that in this forum. I am as critical as any Deputy outside of this forum but we have a special role on value for money. I asked that we tease out how best to bring the issue before us based on what the Taoiseach himself has said that this was to save money. I would appreciate if the Chairman could tease this out how the issue should come before this committee, with the help of the Comptroller and Auditor General. I am not talking about a delay.

Deputy Catherine Murphy: First, I would like the committee to request the business case. Second, in relation to the process for populating the unit, it would be useful to know who came from where. Were staff seconded from different Departments or were they recruited? That matters in relation to the financial aspect. We have all spoken in other forums. Different committees will do different things. I expect the Joint Committee on Communications, Climate Action and Environment will look at this, as will the Department of Expenditure and Public Reform, and it has already been raised in the Dáil. There are different strands which will be explored, and we need to separate the appropriate segment for this committee as we will not cover the entire gamut. For example, having made a complaint to the Advertising Standards Authority for Ireland, I have discovered it does not have a remit in this type of advertising, so I will write to the communications committee to ask if we have appropriate safeguards.

Chairman: Could the Deputy say that again?

Deputy Catherine Murphy: The Advertising Standards Authority for Ireland told me that it does not have a remit in the kind of advertising that was placed here. I will forward its letter to the Chairman.

Chairman: As I understand it from the past, the Advertising Standards Authority for Ireland has a clear view that it does not have a remit in relation to political advertising. This is Government, taxpayer-funded advertising, not political. What is it saying?

Deputy Catherine Murphy: I think there is a significant failing in terms of oversight and regulation from that perspective. I know complaints have gone to the Standards in Public Office Commission.

Chairman: Yes, they have.

Deputy Catherine Murphy: There are many areas to be looked at, and the two that this committee should explore are the business case and the process for populating the unit. I want

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to see the two Accounting Officers here. I would not be averse to inviting the Taoiseach, and certainly the person who leads the unit. I would be somewhat concerned about bringing in contractors at this point. We should first establish what we are talking about. If there is a deficit of information that we must test, we need these people to explore how we test that.

Deputy Alan Kelly: That is exactly what I said. I said that perhaps we might do that subsequently.

Chairman: I understand where people are coming from but as Chairman I am pointing out that the Comptroller and Auditor General has an independent constitution and I will not bring him into this debate at this time. I do not want him involved in this question which is semi-political. I will not ask him to participate. When we come to the meeting and we have Accounting Officers before us, he will prepare a note then but we must get our end of it out of the way first before we involve the independent office of the Comptroller and Auditor General. Members will understand why I am not calling him on this. There are issues of value for money, process, savings and staffing. What falls under this committee's remit is clear, namely the Accounting Officer in the Department of An Taoiseach, the Accounting Officer of the Department of Public Expenditure and Reform and perhaps other senior people. They are currently under the committee's remit and are obliged to appear before it as requested.

I am not averse to inviting the Taoiseach before the committee but, as Deputy Cullinane said in relation to RTÉ, it is important that we do not trespass on another committee. I want to explain what committee the Taoiseach is appearing before. He is going before the specific select committee, not the Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach where they discuss policy issues. It is a select committee of Deputies, no Senators are involved, and it will deal only with the Estimates for expenditure. The purpose of that meeting is to deal with the Estimate of expenditure. The Taoiseach is committed to going before that committee, as he does every year, as every other Minister goes before their relevant select committee, to get approval for his Department for the current year. He will be before that committee on 29 March, I think, when he has returned from the United States. The date has been set already. Undoubtedly, the unit will be discussed at that meeting, because he is going before it to seek approval for expenditure in his Department, which includes the strategic communications unit and all other matters in that Department. I am conscious of not duplicating work by bringing the Taoiseach before this committee. I have confidence in our colleagues on that committee to tease out these matters with the Taoiseach during the Estimates debate. Members might feel after that they did not ask all the questions that we feel should have been asked, but that meeting is already scheduled. Normal political courtesy dictates that the meeting should be allowed to take place to deal with the Estimates. However the Secretaries General as Accounting Officers are under the remit of this committee. The secretariat will be well able to write to them based on the points that have been raised on the specific reasons they need to come before this committee as Accounting Officers as soon as possible after the break.

Perhaps I am over-reaching. I am conscious as Chairman that there are several other forums where the politics of this matter may be dealt with and that the Committee of Public Accounts is not the place for party politics. I am clear about that. We will have more respect if we do a thorough job on the financial side of things and the value for money rather than party politics, in which we can all engage outside of this room.

Deputy Bobby Aylward: Is the Chairman saying that we are only raising this for political reasons?

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Chairman: No, well-----

Deputy Bobby Aylward: I do not accept what he is saying.

Chairman: I am happy for people to disagree with me but I am saying that we should start with the Accounting Officers who are under the remit of this committee. That is my suggestion but I want to hear what members have to say on that. The points have been well covered about the value for money, savings, the business case and recruitment, which is 100% under the remit of this committee to ask the Accounting Officers to deal with.

Deputy David Cullinane: To be fair to everyone, I was upfront about saying that political charges were being made but the place to make them is in the Dáil Chamber, not the Committee of Public Accounts. We were all very clear on that. We have spent a long time on correspondence, and in an effort to move this forward, given that the Taoiseach will be before the select committee, I think that bringing in the Accounting Officers would be a good starting point but we should continue to hold the position that we may want to hear from the Taoiseach at some point. Let us first hear from the Accounting Officers, and we should be able to get a transcript of what happened in that committee. An Teachta Jonathan O'Brien is a member of both committees and there may be some value in that.

Chairman: I have every confidence in him doing a thorough job.

Deputy David Cullinane: Having made a proposal previously, I agree with the process of inviting the Accounting Officers in as quickly as possible and proceeding from there.

Chairman: If members are happy, we can write to the Taoiseach arising from this and put him on notice that we may decide to ask him in. We will keep our options open and not rule it out or tie ourselves down. Having engaged in our earlier meetings, we may do so. Can we get a general agreement that we will proceed with the Accounting Officers and the head of the unit? The secretariat and I will clear the letter going out with the invitation, saying clearly the issues to be covered.

Deputy Catherine Connolly: I have no difficulty with that but I wish to clarify something. I mentioned that the Comptroller and Auditor General ought to clarify precedent on this matter, not to draw him in to anything but because there is no report before us. I asked that to tease out the process. At the very least we should ask for the business case, as referred to by Deputy Murphy.

Chairman: I will help the Deputy on that. The Committee of Public Accounts currently has before it the Department of the Taoiseach's 2016 accounts. The 2017 accounts have not yet been audited and will not come before the committee until September. The 2018 accounts are also not before us yet. Our correspondence will be in the context of the 2016 accounts and an update on developments in the Department on specific issues since then. The 2017 and 2018 accounts are not before us yet so the invitation will have to be framed on that basis.

Deputy David Cullinane: Could I add a point-----

Chairman: There is no current report on those accounts before us. We will base it on the most recent set of accounts and an update of information will be requested.

Deputy Catherine Connolly: Will the information cover this?

Chairman: Will it cover which?

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Deputy Catherine Connolly: The strategic communications unit.

Chairman: We will specifically say that.

Deputy Catherine Connolly: We will also ask for the business case and any other relevant documentation.

Chairman: Absolutely.

Deputy David Cullinane: I agree with asking for the business case. There was a very good report in *The Sunday Business Post* on this issue. The newspaper got information under a freedom of information request that relates to correspondence, emails and exchanges between the unit and the political side. If they are accurate, it was very interesting that clear direction was given around the advertisements in the regional newspapers. It would raise concerns. Given that the information has been supplied to the newspaper, all of that documentation should also be supplied to the committee, with any other relevant documentation. As much information that can be given to us should be given. It is in their interests to give the committee what has been given to the newspaper and more.

Chairman: Absolutely. If they have already circulated information to specific journalists, we will ask for it. We are agreed on where we are going now. Will people want to set a date for as soon as is practicable after the break?

Deputy Catherine Murphy: It would be useful to have that documentation beforehand so that members could digest the information.

Chairman: I will ask the secretariat. In a few days the secretariat will issue and update to the committee members about precisely where we are at. If members are busy on Thursdays, we can come in to the House on a Tuesday or a Wednesday evening to do this. I believe there would be general agreement to do that. We will start that with the Accounting Officers. The secretariat will update us after a few days. I knew this issue would take up a little bit of time so we will move on now to the next item on the agenda.

Details of the report statement and accounts received since the last meeting are on the screen now. There is a clear audit opinion for the Quality and Qualifications Ireland. We also have the Dublin Institute of Technology 2017 accounts and - here we go again - the institute procured €3.16 million of goods and services during the year without the required competitive tendering.

Deputy Alan Kelly: Are there any big ticket items within that?

Mr. Seamus McCarthy: I cannot say offhand. I do not have the number of-----

Chairman: We are writing directly to them, straight away, for a full breakdown, a full analysis and a reason it occurred.

Deputy Alan Kelly: Okay.

Chairman: No. 4.3 is the clear audit opinion of the Nursing and Midwifery Board of Ireland. The board procured €890,100 of services during the year without the required competitive tendering. We will write directly to the board to request an explanation as to why this happened. It is a significant portion of its income.

Mr. Seamus McCarthy: The board gives quite a bit of detail in the statement and in the

internal financial control, including a breakdown by the type of service and fact that tenders have issued subsequently.

Chairman: I will ask the secretariat to circulate that. If the board has already answered in that regard, we circulate it to members. No. 4.4 is a clear audit opinion for the fishery harbour centres. The clear audit opinion for the Church of Ireland College of Education is for the nine-month period ending September 2016. The report states that the review by the Board of Governors of the effectiveness of the financial control system was carried out late and did not cover the full period of account. Why is the committee only dealing with a nine-month period?

Mr. Seamus McCarthy: The Church of Ireland College of Education has traditionally operated on a calendar year basis. As of 1 October 2016 it became a constituent college of DCU, along with St. Patrick's College. The Church of Ireland College of Education was aligning with the DCU financial year, which is the end of September.

Chairman: Okay. That is reasonable. The Aquaculture Licences Appeals Board has a clear audit opinion. It is a very small organisation. No. 4.7 is the Garda Síochána Ombudsman Commission and this is a clear audit opinion. The committee is getting these audited accounts 15 months later. They took their time in getting these accounts to the Comptroller and Auditor General. It is a clear audit opinion, however, so we will just note it at that.

Deputy Catherine Murphy: It might be worth our while having a section in our occasional documentation about those organisations that have their audit in on time and with a clear audit opinion, which might reward some good behaviour.

Chairman: It would point out that if some organisations can do it, why the rest cannot do it. I take the Deputy's point. We have the work programme and will have to come back with a date for the meeting we missed last week. We will try to schedule a date. The secretariat will work on this with regard to the Department of the Taoiseach and the strategic communications unit.

Deputy David Cullinane: I want to come back to the issue of the higher education sector and the work programme. I may not have been clear at the previous meeting, so I will be a bit clearer now. So many different issues with regard to the higher education sector are being juggled at this committee and there are so many elements to it that a level of coherence is needed. I do not know if it has been done. There are some areas where we just need additional information and where we seeking information. That is fine and we will deal with that aspect. There are other areas where we need more scrutiny. The committee needs to return to some issues with Cork Institute of Technology, the University of Limerick, Waterford Institute of Technology and some education and training boards. There are also reports, published or not, and we need some level - perhaps a paper - to put some shape on to all of that. Then we can make a decision as to how to proceed. I am conscious that we do not have that.

There is a bigger issue, where a spotlight needs to be put on the Higher Education Authority. If the HEA's role is to govern and if it is about governance, then that is what it should do. The committee dealt with the correspondence around funding for independent reports, legal and consultancy and all of that, and we now have the data. What are we doing with it and how are we going to approach it? Is it possible that such a paper could be done for the committee? It could be broken down in terms of what attention is given to the various issues and what actions are needed. Some actions, for example, may just be the committee waiting on information. Other actions may be that witnesses and organisations need to be brought back to the committee again and so on.

Chairman: We will ask the secretariat to address this over the break. That concludes our discussion for today on the work programme. I propose to suspend the meeting for a few minutes to allow our witnesses to take their seats.

Sitting suspended at 10.47 a.m. and resumed at 10.50 a.m.

2016 Annual Report of the Comptroller and Auditor General and Appropriation Accounts

Chapter 8: Central Government Funding of Local Authorities

Local Government Fund Financial Statement 2016

Special Report No. 97 of the Comptroller and Auditor General on the Administration and Collection of Motor Taxes

Mr. John McCarthy, (*Secretary General, Department of Housing, Planning and Local Government*), **Mr. Graham Doyle** (*Secretary General, Department of Transport, Tourism and Sport*), and **Mr. Michael Nolan** (*Chief Executive Officer, Transport Infrastructure Ireland*) called and examined.

Chairman: In the first session of today's meeting, we will consider chapter 8 of the Comptroller and Auditor General's report of 2016, which is on central Government funding of local authorities, the Local Government Fund Financial Statement 2016 and Special Report No. 97 on the administration and collection of motor taxes. The second session will focus on the Appropriation Account for the Department of Housing, Planning and Local Government. We may not complete the first session before divisions are taken in the Dáil at 12.50 p.m., in which case the session will continue thereafter and we will take a break before the second session commences.

As chapter 8 deals with funding for local authorities, much of which is for roads, and we are also discussing the special report on the administration and collection of motor taxes, it is intended to discuss relevant matters with officials from the Departments of Transport, Tourism and Sport and Housing, Planning and Local Government and representatives of Transport Infrastructure Ireland. However, only officials from the Department of Housing, Planning and Local Government need to be here for the second session. It would be too unwieldy to deal with all these matters in one session.

The first session will focus on chapter 8 of the Comptroller and Auditor General's report of 2016, which is on central Government funding of local authorities. Members noted the importance of having a good understanding of how local authorities are funded. While local authorities are not accountable to the Committee of Public Accounts, they are substantially funded from the Central Fund, mainly through the Department of Transport, Tourism and Sport, Transport Infrastructure Ireland and the Department of Housing, Planning and Local Govern-

ment. We asked the Accounting Officers from all three bodies to appear for this reason.

We are joined from the Department of Housing, Planning and Local Government by Mr. John McCarthy, Secretary General, and his officials, Ms Maria Graham, Mr. Paul Lemass, Mr. Maurice Coughlan, Ms Lorraine O'Donoghue, Mr. Rory O'Leary, Ms Theresa Donohue and Ms Janet Jacobs; from the Department of Transport, Tourism and Sport by Mr. Graham Doyle, Secretary General, and his officials, Mr. Ray O'Leary, Mr. Dominic Mullaney, Mr. Tim Scully and Ms Marie Gleeson; and from Transport Infrastructure Ireland by Mr. Michael Nolan, chief executive officer, who is joined by Mr. Peter Walsh and Mr. Pat Maher.

I ask the Accounting Officers to be as concise as possible in making their opening statements, which will be published and noted. I am sure the weather of recent weeks placed considerable pressure on all Departments as well as Transport Infrastructure Ireland. I expect, therefore, that they had more pressing priorities than usual while preparing to appear before the Committee of Public Accounts. Given the ability of the witnesses, I have no doubt they will be able to take this meeting in their stride, as they did when dealing with everything else in recent weeks.

On behalf of members of the committee and members of the public, I thank Mr. Seán Hogan, national director for fire and emergency management, and all the staff involved in recent efforts for the commitment they showed in keeping the country as safe as possible. It would be remiss of the committee not to thank them. Mr. Hogan is not here today as he is probably still busy but perhaps he will be able to rest next week. I would also like to record the gratitude of elected Members for the fabulous work carried out by local authorities and various agencies in recent weeks. Their work is genuinely appreciated by the public. The handling of recent weather difficulties enhanced the esteem in which the public service is held by the population. People appreciated the role of public servants and their work with community and voluntary organisations. It had a beneficial impact and much good came from it, notwithstanding the difficulties we experienced.

I remind members, witnesses and those in the Public Gallery that all mobile telephones must be switched off or placed in aeroplane mode. Placing telephones in silent mode is not sufficient as they will continue to cause interference with recording equipment.

I draw the attention of witnesses to the fact that by virtue of section 17(2)(l) of the Defamation Act 2009, they are protected by absolute privilege in respect of their evidence to the committee. However, if they are directed by the committee to cease giving evidence on a particular matter and they continue to do so, they are entitled thereafter to only 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 they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable.

Members of the committee are reminded of the provisions of Standing Order 186 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 policies.

I call on the Comptroller and Auditor General to make a brief opening statement.

Mr. Seamus McCarthy: As the Chairman stated, central Government funding transfers to local authorities present a highly complex picture, with transfers from a number of departmen-

tal Votes and funds for a wide variety of purposes. In my annual report each year, I include a chapter designed to present an overview of the level and trends of such funding and the purposes for which that funding is provided. Figure 8.1 in the chapter, which is replicated on-screen, gives an indication of the many sources and flows of the funding for 2016. I should point out that there have been some structural changes in how the funding moves since the report was published. In particular, since the beginning of this year, motor tax receipts are no longer paid into the local government fund. They are now paid into the Central Fund of the Exchequer, like other tax revenue receipts. Moreover, local property tax receipts, which are collected by Revenue, are now paid directly into the local government fund, rather than into the central fund.

In 2016, the aggregate transfers of funding from central government to local authorities amounted to slightly more than €2.2 billion. Over 80% of this funding was provided either through Vote 34 - Housing, Planning and Local Government, or directly or indirectly from the local government fund. Both the Vote and the fund are administered by the Department of Housing, Planning and Local Government.

One of the key functions in administration of the local government fund is the allocation of local property tax receipts to individual local authorities using a redistribution model. The result of that redistribution is summarised in figure 8.3 of the chapter, included with the Comptroller and Auditor General's submission. The bulk of the funding transferred to local authorities in 2016 was earmarked for three spending areas; €913 million for housing and urban regeneration, representing 41% of the total; €639 million for transport investment, representing 29%; and €310 million for local authority general purposes, representing 14%. The final part of the chapter summarises the activities in 2016 of the Local Government Audit Service and of the statutory National Oversight and Audit Commission. These are the primary mechanisms through which central government funders gain the necessary assurance about the application of the funding provided to local authorities.

The 2016 account of the local government fund received a clear audit opinion. The account recorded income of just over €1.9 billion, and expenditure of €1.92 billion, resulting in a deficit of just less than €16 million for the year. The fund was financed mainly by motor tax receipts totalling €1.049 billion, local property tax receipts of €463 million and a contribution of €397 million from the Exchequer through Vote 34. However, it should be noted that on the expenditure side in 2016, a total of €318 million was paid over from the fund to the Exchequer.

Aside from sums directly or indirectly transferred to local authorities, the other substantial expense on the local government fund in 2016 was a subvention of €652 million paid to Irish Water. Members may wish to note that a further €184 million was contributed to Irish Water from the central fund of the Exchequer in 2016 in the form of capital contributions. I have dealt with the overall funding of Irish Water in a section of chapter 1 of my 2016 report.

The final part of this morning's agenda relates to Special Report No. 97, which was completed in December 2016. The report presents the findings of an examination we undertook which reviewed trends in motor tax receipts, the costs of collection of the tax and the effectiveness of controls in ensuring compliance with motor tax regulations. The examination was carried out under co-operation arrangements between the Office of the Comptroller and Auditor General and the Local Government Audit Service.

As I mentioned previously, annual motor tax receipts amounted to just over €1 billion in 2016. While the number of vehicles taxed has increased in recent years, revenue has fallen from €1.16 billion in 2014. This reflects the ongoing replacement of older private vehicles

by lower emission vehicles, which attract lower tax rates. The examination concluded that if other factors remain unchanged, decreases in motor tax revenue will continue. For example, we projected on current trends that the replacement of older private vehicles will reduce motor tax receipts by €260 million between 2015 and 2024. That is almost a quarter of the current total receipts.

Members will be aware that vehicle owners have the option to renew their motor tax for a period of three, six or 12 months. However, taxing vehicles for shorter periods is more expensive *pro rata* for taxpayers, and results in higher transaction processing costs for local authorities and for the Department of Transport, Tourism and Sport. We also found that on average, owners of older vehicles taxed on the basis of engine size renew their tax more frequently and for shorter periods when compared to owners of newer vehicles taxed on the basis of emissions.

Motor tax collection is now mainly done through the motor tax online system of the Department of Transport, Tourism and Sport. Local authorities collect a reducing share of motor tax revenue through their local motor tax offices. As a consequence of the dispersed collection system, the overall cost of administering the motor tax system is not readily identifiable. Data collected for the examination suggests that in 2014 the Department of Transport, Tourism and Sport and local authorities were incurring costs of around €49 million each year. We estimated that the cost of processing an online payment was around €5 per transaction, whereas the cost was about €10 per transaction when processed via a motor tax office.

In 2015, the online facility was used for two-thirds of transactions and increasing each year. However, there is significant variation in the online processing rate in individual counties. In Dublin and surrounding counties, close to 80% of transactions were conducted online. In Donegal, Roscommon and Longford, the rate of use of the online facility was closer to 50%. However, the examination found that there had been no recent evaluation of the factors influencing a customer's decision to pay tax online or at a local office, or the period for which they pay tax. This information would help to inform planning for the provision of services in the future, including the use of IT solutions to increase the efficiency of service provision.

We also examined the operation of controls in relation to collection of motor tax. We found that there was no current estimate of the level of motor tax evasion, and that the impact of changes in regulations governing off-the-road declarations had not been ascertained. The examination also found that there was limited validation of key information such as name, address and insurance details when taxing a vehicle. Furthermore, there had been an increase in the proportion of frequent transfer of ownership of individual vehicles, which may facilitate the evasion of motor tax because arrears are not pursued when ownership changes.

The report makes a number of recommendations concerning the need to monitor motor tax evasion and analyse transaction data to identify emerging trends and support risk-based enforcement measures. As agreed, I will introduce the Vote at the beginning of this afternoon's session.

Mr. John McCarthy: I am pleased to be here this morning to assist the committee in its examination of chapter 8 of the Comptroller's report for 2016, dealing with

central Government funding of local authorities and the accounts of the local government fund for 2016. I am joined by colleagues whom the Chairman has already introduced

At the outset, I thank the Chairman for his kind remarks at the beginning of the hearing.

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They are very much appreciated, not least by me, because they save me the embarrassment of having to explain why some of us on this side of the room probably look a little bit the worse for wear. I echo the comments and I thank everyone involved, particularly in the Department and Met Éireann as well as a range of other Departments, agencies and local authorities that came together in a tremendous national effort. Also, I note the great sense of community. Without that community effort in so many places around the country we would not have been able to respond in the way that we did.

As requested, I have provided some advance briefing for the meeting. In addition, on 14 February I provided the committee at its request with detailed information on local government financing and oversight arrangements. I will therefore keep these opening comments short.

The chapter of the Comptroller and Auditor General's annual report concerning central government funding of local authorities provides an overview of local authority expenditure and income, detailing the range of programmes for which local authorities are responsible, including housing, roads and environmental services, and the range of related funding sources.

As the chapter shows, transfers of funding from central Government sources to local authorities in 2016 totalled over €2.2 billion. The local government fund, LGF, accounted for 42% of this amount. A range of Departments, including my Department and the Department of Transport, Tourism and Sport, as well as other organisations, are involved in providing this annual funding to local authorities. The local government fund, LGF, accounts for 2016 give details of the operation of the fund in 2016. The income sources to the fund that year totalled over €1.9 billion made up of motor tax of €1.049 billion, local property tax, LPT, receipts of €463 million and a payment from the Exchequer of €397 million.

The main payments from the LGF in 2016 included LPT payments to local authorities of €453 million, a payment of €349 million to the Department of Transport, Tourism and Sport for works on non-national roads and for public transport infrastructure, a payment to the Exchequer of €318 million and a payment of €652 million as subvention to Irish Water.

As the committee is aware, from January 2018, responsibility for motor tax transferred to the Department of Transport, Tourism and Sport, with consequential implications for the local government fund. In particular, motor tax proceeds are now paid directly into the Exchequer rather than into the fund, which is now primarily a means of channelling LPT revenues to local authorities.

Funding for Irish Water is now routed through my Department's Vote and funding for roads and public transport, formerly routed through the fund, is now channelled through the Vote of the Department of Transport, Tourism and Sport. All the changes result in much greater transparency in terms of the various flows of funds involved.

In terms of accountability, as the committee is aware, under the existing policy and legislative framework, the Local Government Audit Service, LGAS, provides statutorily independent scrutiny of the financial stewardship of local authorities and other local bodies. The LGAS 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 statu-

tory audit report to every member of the local authority for their consideration at the next practicable council meeting. In addition, the audit committee of the relevant local authority will review any audited financial statement, auditor's report or auditor's special report in regard to the authority and will assess any actions taken within that authority in response to either a statement or report, and will report to that authority on its findings.

Scrutiny arrangements for local government were also enhanced in recent years with the establishment of the NOAC, the National Oversight and Audit Commission. The NOAC scrutinises local government performance in fulfilling national, regional and local mandates, scrutinises value for money where State funds are channelled

through local government and supports the development of best practice and enhanced efficiency in the performance of local government functions.

The committee has recently received at its request an update from the NOAC on its work programme. I forwarded that to the committee with my letter of 14 February.

The NOAC chair appeared with others before the Joint Committee on Housing, Planning and Local Government last November for a discussion on local government finance issues.

I and my colleagues will be happy to respond to questions or issues relating to the Department that emerge in the course of the committee's work this morning.

Mr. Graham Doyle: The Chairman has already introduced my colleagues. I thank the committee for inviting me here today. To briefly add to the Chairman's very kind words earlier, I would like to offer my thanks to the various teams within the transport family of agencies and operators, including those in the Irish Coast Guard, who worked tirelessly last week and into the weekend to ensure the safety of people throughout the recent Storm Emma. I would like to thank also An Garda Síochána, Civil Defence and local authority staff for the assistance and support given to our transport operators in restoring our transport services and in helping to keep open our road network.

I will begin with the report on central Government funding of local authorities. I hope to clarify how the Department of Transport, Tourism and Sport distributes funding to local authorities. In 2016, local authorities received over €2.2 billion from Departments. Of that, my Department provided funding of just over €620 million, representing approximately 28% of the total central local authority funding.

The roads maintenance and improvement area is by far the biggest recipient of funding from my Department representing over €570 million of the overall amount from us in 2016. Public transport received just under €40 million, with the balance allocated between grants for swimming pools, sports capital grants and tourism related projects.

The improvement and maintenance of regional and local roads is the statutory responsibility of the relevant local authority in accordance with the provisions of section 13 of the Roads Act 1993. There are three main grant programmes operated by the Department and these are pavement sealing to protect the road surface from water damage; road strengthening to lengthen the life of road pavements; and a discretionary grant, which allows for a range of activities including pothole repairs, edge strengthening, renewal of signs and lines and winter maintenance. Those three programmes account for most of the grant funding and are allocated based on the length of the road network in a particular local authority area.

The selection and prioritisation of works is decided by local authorities and is funded by their own resources supplemented by State road grants. Local authorities can also apply each year for bridge rehabilitation grants and for safety improvement schemes to address particular hazards.

As our funding is intended to supplement local authority funding, the Department continues to emphasise to local authorities the importance of prioritising roads' maintenance when allocating their own resources.

The Department has focused in recent years on developing an evidence based approach to determining long-term funding requirements for annual maintenance of the road network. The Strategic Framework for Investment in Land Transport was published in 2015. That sets priorities for investment in land transport, and estimates an appropriate quantum of investment on an annual basis. It seeks to cover the annual maintenance requirement for the network and allows some limited funding for new transport projects. In 2015, it was calculated at €1.6 billion per annum in total, with approximately €300 million of this coming from non-Exchequer sources. A sum of €1.3 billion was therefore the annual Exchequer contribution required for capital maintenance of the land transport network. The Department's evidence based approach has been influential in securing greater focus on the requirement for ongoing maintenance of the road assets.

The Building on Recovery Capital Plan 2016 to 2021 provided for a gradual build up in capital funding from a relatively low base in 2016 towards the levels needed to maintain the road network in a steady-state condition and allow for some investment in road improvement schemes.

The 2018 capital allocations are the first in a four year period of increased investment. Allowing for an additional €490 million approximately in funding allocated under the capital plan review last year, total roads investment for the period 2018 to 2021 is planned to be approximately €4.3 billion.

By 2022, we will be in a situation where the maintenance and renewal of our assets matches the pace needed to protect our infrastructure such as national and regional roads and the public transport fleet. We are acutely aware that this capital investment needs to be bolstered by current spending to support the services we deliver. The national development plan has acknowledged that also.

The national development plan shows the breadth of capital investment this Department aims to bring forward for the benefit of our citizens and our economy. Under that plan, the Department is in a position to bid for resources to move from maintaining our infrastructure to adding to that infrastructure investment in future years.

In the context of the multi-annual funding approach, the Department is now progressing a further project called the planning, land use and transport outlook 2040, working closely with our national transport agencies and the Department of Housing, Planning and Local Government. The goal is to develop a high-level outline of the amount, type and location of transport investment required to realise the strategic outcomes of the national planning framework. We aim to look at protecting past investments, catch up on under-investment, research climate change adaptation needs and analyse the future transport needs of a growing economy and a growing population. This is planned to be substantively complete by July 2018, with a public consultation planned to be issued in October 2018.

I would now like to offer some insight into the way our funding is distributed to local authorities. Funding for roads is distributed in two ways. First, the Department itself makes grant allocations directly to local authorities for the upkeep of regional and local roads and utilises Transport Infrastructure Ireland's, TII's, payments system for this purpose. Second, the Department allocates an overall sum of money to TII in respect of national roads each year. TII is then responsible for the allocation of those moneys to local authorities.

With regard to public transport investment, funding is also allocated in two ways. First, under the sustainable transport measures grant and the regional cities programme funding to local authorities is distributed via the National Transport Authority. Second, funding goes directly to local authorities under a number of programmes, including active travel towns, smarter travel and national cycle network programmes. Regarding the smaller allocations, payments for tourism activities are paid via Fáilte Ireland to local authorities. Lastly, the Department itself makes payments direct to local authorities under the sports capital programme and the swimming pool programme.

The Department also offers some supports for local authorities over and above direct funding. A good example of that is the MapRoad project, which helps local authorities to monitor and track the performance of their road networks. The system also incorporates a centralised web based licensing module which allows utility companies to apply online for road opening licenses and road works permits.

I will briefly mention the local government fund financial statements that are also being examined. I understand my colleague from the Department of Housing, Planning and Local Government has separately provided members with information on the local government fund financial statements which are also being examined and local government fund operations now and in the past. The fund has historically provided local authorities with funding to meet some of their day to day activities, including the provision of water services, roads and other public transport infrastructure, and for certain other local government initiatives. Motor tax receipts paid online are now routed directly to the Exchequer. At the time of the reports under discussion the money had been routed to the local government fund. Some moneys then came back to the Department of Transport, Tourism and Sport as appropriations-in-aid. Since the beginning of the year, my Department has received the vast majority of its funding directly from the Exchequer. The level of funding is the same as it would have been, regardless of the change in the routing of funding.

On special report No. 97 on the administration and collection of motor taxes, responsibility for motor tax policy transferred to my Department from the Department of Housing, Planning and Local Government on 1 January 2018. The functions transferred include motor tax policy and legislation, as well as responsibility for the related services provided by local authorities, including motor tax collection. In that regard, motor tax will continue to be payable in 26 licensing authorities - motor tax offices - as well as through the online motor tax facility which is managed by the driver and vehicle computer services division of the Department of Transport, Tourism and Sport which is based in Shannon. The transfer of the motor tax policy function from the start of this year brings the policy and operational aspects of the motor tax function under the umbrella of one Department. This should provide for greater cohesion in future policy and technological developments.

The Comptroller and Auditor General made seven recommendations and progress has been made on all of them. I have appended an update for the benefit of members. If the committee so wishes, I will go through the seven recommendations made and take questions as the session

continues.

Chairman: I thank Mr. Doyle and invite Mr. Nolan to make his opening statement.

Mr. Michael Nolan: I thank the Chairman and the committee for the invitation to attend. I am accompanied by Mr. Peter Walsh, director, capital programme, and Mr. Pat Maher, director, network operations. While the invitation relates to the overall funding of local authorities, I will limit my statement to the allocations for the maintenance and improvement of national roads. The briefing papers set out the significant roles our partner local authorities perform in supporting these activities.

On national roads improvements and maintenance funding provided for local authorities in 2016, Transport Infrastructure Ireland, TII, received €411 million in State funding to maintain, manage and improve the national road network in 2016. This funding also provided for PPP committed payments amounting to €119 million. The final spend by local authorities on maintenance and improvements was approximately €200 million. The balance was principally allocated to centrally procured operations, asset renewals and maintenance activities. A breakdown of the 2016 spend by category for TII and the local authorities is provided in the briefing material. The trend in capital funding provision for national road improvements was downwards in the years 2010 to 2016, inclusive, as indicated in Chapter 8 of the Comptroller and Auditor General's report on the central government funding of local authorities. This reflects the successful conclusion of the major inter-urban motorway construction programme in December 2010. The focus of TII post-2010 has been on maintaining the network and renewing assets to the extent possible but at the expense of maintaining a pipeline of new major road projects. The expenditure on national road pavements and minor realignments, safety and bridge works remained relatively unchanged through the years 2010 to 2016, inclusive. A graph depicting trends in local authority expenditure, by activity, has been provided in the briefing material.

State funding available to TII in 2018 to maintain, manage and improve the national road network is €466 million. The most notable element of TII's 2018 grant allocations to local authorities is the increase in funding made available for pavement asset renewals which is over €60 million greater than last year's allocation. Maintenance funding is, however, down by 15% on 2017 levels which will pose particular difficulties for TII's management of what is now a more extensive and high speed network. We also manage a more resilient and strategic winter maintenance system. This system is expensive to operate. Investment in such resilience has proved to be highly justified and warranted. I thank the Department for supporting TII's investment in a network of salt barns and maintenance compounds strategically located around the network. This investment was made following the experience of the winters of 2009 and 2010. We will continue to work with the Department as we review road network requirements and strategies following the recent severe weather events. Salt stocks are adequate as we approach the end of the 2017-18 winter season. Other activities associated with the running of the national road network include incident response, traffic messaging and control activities.

The recently published national development plan recognises the importance of ensuring the quality and value of past investments are maintained to a high level to ensure quality levels of service, accessibility and connectivity. Prioritisation of this type of investment is a recommendation of the recent public investment management assessment conducted by the International Monetary Fund. The Department of Transport, Tourism and Sport strategic investment framework for land transport analysis has established the investment level required to maintain, manage and renew the existing transport infrastructure to keep it in an adequate condition. This is known as steady State investment. The steady State investment requirement for the existing

network is expected to be substantially achieved by 2021. TII welcomes the commitment to increase maintenance and asset renewal expenditure over the lifetime of the national development plan to meet the required investment levels for the current transport network and as new projects are developed. The IMF report acknowledges that Ireland operates a highly developed system for determining and monitoring pavement quality on the road network and estimating the amounts of maintenance and rehabilitation funding required to maintain steady State road quality and availability.

I appreciate the Chairman's remarks about the remarkable performance of public service agencies in the past week. On behalf of Transport Infrastructure Ireland, I thank all local authority staff and motorway operation crews for maintaining service on national roads during the recent severe weather event. While my opening statement has addressed the matters raised by the committee as they relate to national roads, we will be happy to answer questions on any particular issue raised or any other matter of interest. Should we not have the information requested to hand, we will follow up with a written response.

Chairman: I thank Mr. Nolan. Before I call the first member, for the benefit of those watching the proceedings of the meeting, I would like to set the context of what we are discussing. As set out in the reports before us, public funding for local authorities comes from nine sources, including the local government fund, the Department of Transport, Tourism and Sport, Transport Infrastructure Ireland, the National Transport Authority, the Department of Health, the Food Safety Authority of Ireland, the Department of Housing, Planning and Local Government, the environment fund and other Votes. In 2016 the funding amounted to €2.223 billion. What most people would like to know is, if that is the amount of public funding from central sources, what is the overall funding figure for all local authorities, including income generated locally. The amount provided through the central fund must be connected with the funding raised locally. Perhaps Mr. McCarthy might provide us with the overall funding figure for local authorities.

Mr. John McCarthy: I will give the figures for 2016. Total revenue income in the local government system in 2016 was €4.3 billion, while total capital income was €1.7 billion, giving a total overall funding figure of approximately €6 billion.

Chairman: I thought that by capturing all nine sources we would have captured most of the funding allocated to local authorities. Mr. McCarthy is now saying only €2.2 billion comes from the sources I mentioned, which is about one third of the funding allocated to local authorities. From where does the other two thirds come? The local authorities derive income from commercial rates, planning fees, development levies, housing rent payments, housing loans, mortgage protection schemes, parking fees, waste management recycling charges, landfill levies, contributions made locally under local improvement schemes, the community involvement scheme, the disabled person's housing aid scheme, the fire service, library services, swimming pools and recreational facilities and the residue which still comes in every year under the non-principal private residence scheme. Do all of these income streams make up the remaining €4 billion approximately?

Mr. John McCarthy: Broadly, approximately 34% comes from rates, while 34% comes from the range of central government grants, including local property tax. The balance of 32% comes from the streams listed by the Chairman.

Chairman: I thought we had a comprehensive list here today, and people would have assumed that. I know Deputy Cassells will mention rates and some other issues, but there is as much money being raised locally for revenue expenditure by local authorities themselves, sepa-

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rate from the commercial rates. Essentially, central government is only a small contributor and provides a third of the funding for revenue. I presume the Department of Housing, Planning and Local Government provides most of the capital.

Mr. John McCarthy: Yes.

Chairman: Fine. It is nice to get that information. The Department will probably send us a list of the breakdown of the three thirds and-----

Mr. John McCarthy: Certainly. We can do that. It might be helpful to members to note that each year, the Local Government Audit Service produces what is called an activity report in which it pulls together the product of the audits of the 31 local authorities. It tries to give that overall national picture encompassing both the revenue flows that go to local government from central government, but also the locally generated stuff. It presents that overall picture. As the Chairman said, the Comptroller and Auditor General's chapter is designed to try to show the flows of funding from the centre to the local, but the annual activity report of the Local Government Audit Service presents the overall picture. I know from talking to the director that the report for the 2016 accounts is almost completed. It will probably be available in a couple of weeks. Once it is, I can certainly send-----

Chairman: I ask Mr. McCarthy to send it to us because it is valuable reading.

Mr. John McCarthy: Absolutely.

Chairman: I have one final question. What is the total debt of all the local authorities combined? The Department must have an approximate-----

Mr. John McCarthy: The total debt at the moment is, from memory - and one of my colleagues might clarify this - between €3.8 billion and €3.9 billion. That is my recollection but I will double check that for the Chairman. At the end of 2016, it was €3.85 billion.

Chairman: That is fine. As Chairman of the Committee of Public Accounts, I am just surprised. I know people complain about the amount of fundraising involved. I am surprised to hear that two thirds of the income of all local authorities is generated locally through rates and all the other types of income. Most of those complaints are directed at the lack of funding from the Central Fund, but in fact it is only contributing one third. Finally, most of the €1.6 million capital is from central-----

Mr. John McCarthy: Most of that is from central government. There are some situations in which a matching funding requirement might be in place for some schemes and the local authority might provide those through matching funding itself either through borrowing or other resources, but the bulk comes from the centre.

Chairman: I call Deputy Cassells. I just wanted to get the big picture before we get into specifics.

Deputy Shane Cassells: That is no problem. The Chairman is quite right to pose the questions he has posed. I am not surprised by what I have heard. I spent 17 years on the council until 2016 and am familiar with the pressures that we were under every single year in terms of self-generation of funds through parking income, rates and other levies so I am not surprised whatsoever. I was quite *au fait* with those pressures that the authorities are under.

I welcome the many witnesses and thank them all for their service not just in the past week,

but continuously on behalf of the State across the whole range of local government. Last week showed the best of the staff who work in our local authorities and all the emergency services and volunteers co-ordinating with them, and I have huge respect for each and every one of them and the work they do. As I said, we have a large number of witnesses this morning. It is the most I have ever seen at the Committee of Public Accounts. We also have a large number of reports, agendas, opening statements and accounts. In my 17 years on the council, one always would be wary of bulging agendas because the wily county manager, who at the time had the old county secretary, would stuff an agenda and make sure it was fairly big. When the councillors would come in, they would see the size of it and the fight would be gone out of them before even walking into the room. They would be happy enough to go with perhaps just works on a local road. I still remember talking to a manager in my early years as a councillor. He was nursing a pint of Guinness and he said to me, "Light agendas scare the bejaysus out of me, young Cassells, because God knows what they would ask me." I have only 20 minutes. I will focus on just one or two items and lighten this agenda.

I will kick off on the funding issue, in particular the local government fund, LGF, and people's property tax, a tax that, as we see from the information supplied, brings in some €450 million. In the broader context of the funding mechanisms, it is around 7% on that pie chart to which the Chairman referred so it is not a chief contributor. For the people who must pay the tax, it is obviously a very big charge. We know that the taxes are now under review for the charges for the coming years, and I know when Mr. Lemass was here a few weeks ago for the session on revaluation of commercial rates, he touched on the LPT very briefly, the review that was under way and the additional funds that could be raised from it. Regarding all the scenarios the Department is painting out, how much extra revenue does Mr. McCarthy feel can be derived from this fund? I am not asking him to go into the setting of policy but obviously he will present a number of scenarios and look at what is coming in in the first instance and not coming in in other areas. Can he tell me how much additional income the Department is aiming to bring in from the LPT? Is it a significant additional amount, based on the analysis of property price increases over the last five years?

Mr. John McCarthy: I will say two things about the LPT. The LPT review that has been announced and which is under way is being led by the Department of Finance. As for what it aims to achieve through that review and the terms of reference that have been set out, the Department expects the review to conclude by the end of August. The Minister for Finance's statement refers to trying to achieve relative stability in the LPT payments of those liable for the tax and to provide clear direction on the likely payments faced by households in 2020. Obviously, a number of issues are live regarding the LPT. As it is based on valuations as of the autumn of 2013, from my recollection, properties completed since then are not within the LPT net at the moment and obviously, valuations to the extent that they may have changed since 2013 will also be relevant. From the Minister for Finance's point of view, there is no predetermined outcome regarding the LPT review. There is a separate issue which is of more concern - or certainly of as much concern - to us, which is, whatever pot of LPT proceeds is available, the manner in which that is distributed between local authorities. I think at this point there is a recognition of this, and we have been looking at this internally and with the Minister. I think there is a recognition that this distribution mechanism also needs to be looked at in parallel with the broader LPT. I am not in a position to say anything more about that second piece at the moment, but the Minister will make an announcement on it very shortly.

Deputy Shane Cassells: I want to touch on this because the Taoiseach touched on it also and set out his personal views on the matter. I appreciate that the Department of Finance is

considering this in the first instance but it will surely liaise with Mr. McCarthy and all the chief benefactors of the fund. Let us look at the scenarios without any predetermined outcome. I note that when writing a piece on this issue, Dr. Brian Keegan of Chartered Accountants Ireland, referred to how the revaluation is due next year, by which time most residential properties could well have seen an uplift in value of 50% or more. The tax is calculated on a percentage of the rounded value, so if the only change made is a higher property valuation, people will see their LPT bills increase substantially. This is coming down the road very quickly for every homeowner in this State. This also coincides with the phasing out of mortgage interest relief. At the same time as losing mortgage interest relief that is benefitting households by €1,500 to €2,000 a year, people are facing a revaluation of the tax they pay on their property. Leaving aside any possible predetermined outcome, I want to ask a simple question. What is the Department's view on protecting people from the inevitable spikes in the bill they are to face if that is the outcome? Is the Department of Housing, Planning and Local Government liaising with the Department of Finance to suggest that it does not want people pay double what they are paying at the moment, that it wants to protect homeowners and keep the amount of income at the same level and in order to do so if there is a revaluation the charge would have to drop? Is the Department of Housing, Planning and Local Government painting that scenario for the Department of Finance?

Mr. John McCarthy: Our engagement with the Department of Finance as part of this exercise will be within the context of what has been laid down by the Minister for Finance. Again, going back to what he said when the review was announced, he said, "The review will be informed by the desirability of achieving relative stability, both over the short and longer terms, in LPT payments of liable persons."

Obviously one factor in arriving at an LPT liability is the valuation of the property. Obviously, the rate that is applied to that valuation is also relevant. Needless to say there are other factors at play as well. As things stand at the moment there is a power available to local authorities to either reduce or increase the LPT locally by up to 15% in either direction. What decisions are made in relation to that obviously have implications as well.

Deputy Shane Cassells: That is an interesting one because many local authorities have availed of that and have applied reductions year on year. It led to the unusual scenario of many county managers making public appeals over local airwaves not to do so, given the impact on services. That is quite unusual because as Mr. McCarthy knows county managers are quite reticent to make any public announcement, good, bad or indifferent. I have heard on my local radio station a county manager from a neighbouring county appealing on public airwaves for councillors not to do it because it would reduce the authority's income. Is the Department considering removing that power from councillors and providing a paper? Obviously, that is down to the Minister. I do not want to get into this because I will never get a straight answer. Is Mr. McCarthy suggesting to the Minister that that power should be removed from councillors because it is leaving local authorities bereft of money given that county managers, who form a very powerful lobby group, are saying that power should not be with councillors?

Mr. John McCarthy: I will say two things in that regard. One of the issues that the Minister for Finance has pointed to as needing to be considered by the review now under way is what might be termed as the remaining recommendations of the Thornhill review, which was done in 2018. One of the suggestions - I put it no stronger than that - that was made in that was that perhaps there should be a power to increase the LPT locally rather than a power to increase and decrease, but no decision has been taken on that. It was just something that was flagged. No

decision was taken on it by the Minister for Finance at the time, but he has indicated that that and other recommendations remaining on-----

Deputy Shane Cassells: Therefore it is on the table.

Mr. John McCarthy: It is there as part of that exercise. From our point of view as the Department with responsibility for local government - and again without expressing policy preferences - an important piece for us as part of the LPT exercise was that there would be discretion given to local authorities in order that local decision-making and local revenue were more connected. The power to both increase and decrease is very relevant in that context because while I would have heard some of the types of calls in media from some local authorities not to decrease the rate on the basis of how it would affect income, at the same time that can also become a driver of efficiency depending on what decisions people may wish to take. However, from our point of view, devolution of responsibility to the local authority to make decisions locally will be an important part of the exercise.

Deputy Shane Cassells: I refer to that review of the distribution of the money because obviously there is the 80% retention of money. I mentioned the Taoiseach because he talked favourably about councillors being able to fully retain what they raise locally in improving local democracy. When it comes to the equalisation of the fund, the redistribution of the 20% from the central pot based on old scenarios that existed heretofore may have been inequitable. What has been considered in respect of that? If the full amount is not allowed to be retained, will the Exchequer meet the deficit that exists for those local authorities that cannot meet their commitments through what they raise through property tax?

Mr. John McCarthy: On that issue, maybe to take a step back, in terms of the way the system operates at the moment and how LPT is allocated, as the Deputy says, there is 80% local retention and 20% goes to an equalisation fund. The purpose of the equalisation, as the Deputy well knows, is to ensure that those local authorities that have low LPT bases are brought up to what is called their baseline. However, even as the system stands at the moment, not enough LPT proceeds are derived from that 20% to get to that position for all of the financially weaker local authorities. As things stand at the moment the Exchequer is making a contribution to that pot. In future - these are conversations we have regularly with local authorities - if the pot remains as it is and some local authorities are to gain through an exercise of redistribution, inevitably that means that other local authorities would actually lose. What emerges from the LPT review, obviously if there are issues for Government to consider around whether there are implications for the level of additional Exchequer funding that needs to go in, those are decisions that would have to be made at that time.

Deputy Shane Cassells: I return to my opening question. The Department should be advising the Minister how much additional revenue it feels needs to be raised from LPT. Even though the Department of Finance is carrying out this review, Mr. McCarthy knows intricately how large these councils' deficits are and how much additional resources he feels could be obtained from LPT. As future growth patterns will primarily be in the eastern region, the deficiencies that exist in counties such as Leitrim will still exist. I go back to my opening question. How much additional revenue does the Department believe the LPT could and should bring in?

Mr. John McCarthy: On the "should" piece, I think that is determined by what - and there are many different views on this - level of service a local authority may need to provide. In terms of what an increase or a change of LPT could yield, if one looks at the system that is there at the moment and if it was never changed and if, for example, all local authorities were

to avail of the power that is there to increase LPT by 15%, then based on the decisions that were made for 2018, there is a potential gain of more than €70 million without any change in the system. Any decision by a local authority to either increase or decrease is made locally. If a local authority decides to increase by 1%, 2% or anything up to 15%, it retains the full value of that revenue increase.

Deputy Shane Cassells: I will move on to roads. In many people's minds the correlation between the payment of motor tax and the condition of the roads remains a bugbear, in terms of the number of people paying motor tax and even indeed in terms of the development levies they pay on their houses and the condition of roads around the country, which in many rural areas are absolutely in bits. In his opening statement, the Comptroller and Auditor General said that annual motor tax receipts amounted to just over €1 billion. He noted that although the number of vehicles taxed in recent years had increased, revenue is falling due to the fact that many people are changing to newer models of cars that have lower emissions and attract lower tax rates. He said that income can fall by a further €260 million by 2024. Is the goose that lays the golden eggs dying on us, given that motor taxation is such a big contributor to the local government fund? If so, what scenarios are the witnesses envisaging to address it? Are they re-examining the lower rates of tax for lower emissions vehicles, given what the Comptroller and Auditor General has predicted? As we saw this week with Toyota, manufacturers are themselves moving towards coming further in line with that.

Mr. John McCarthy: I might defer to my colleague from the Department of Transport, Tourism and Sport. Motor tax now goes directly into the Exchequer and policy responsibility has moved.

Mr. Graham Doyle: We have always had this issue about the perception that there was a direct link between the collection of motor tax revenue and what was ultimately spent on the roads. Motor tax revenues now go directly to the Exchequer in a completely separate process from us negotiating with the Department of Public Expenditure and Reform each year through the budgetary process in terms of the allocation that we are able to apply to the maintenance and upkeep of the road network. A clear situation exists this year that motor tax revenues go directly into the Exchequer and we separately negotiate for the funding that we need to distribute to local authorities, both directly by ourselves and also through the national roads piece that Transport Infrastructure Ireland looks after. That change allows us to argue that case entirely separately. To the extent that there was any risk that the fall in motor tax revenues, through the local government fund, represented a risk to our funding in a given year, that risk is now taken away from us because we deal with that entirely separately.

Deputy Shane Cassells: Let us go back again. In terms of the amount of money derived from motor tax that is going to reduce based on what the Comptroller and Auditor General has said, will Mr. Doyle tell me how that shortfall is going to be met?

Mr. Graham Doyle: In terms of the setting of rates around motor tax at budget time, these are issues that will have to be taken by the Minister for Finance at budget time-----

Deputy Shane Cassells: Chairman, I am getting really frustrated by this. We had this situation in respect of the commercial rates a couple of weeks ago as well. People in the Departments are surely painting pictures for Ministers. If the Comptroller and Auditor General is pointing out that income from this source is going to drop by a quarter of a billion over the coming years, someone somewhere is surely putting together a document describing scenarios, X, Y and Z that Departments are considering to raise revenues. We are underfunded in this

area to begin with. If a quarter of a billion in motor tax goes off the books, it is a big issue. If no one in here thinks so, that in itself is an even bigger problem. Given that the Comptroller and Auditor General has flagged the decrease, what scenarios have been set out for the relevant Minister to find the money? Is a higher tax on these lower emissions vehicles being considered by the Department?

Mr. Graham Doyle: The issue, as I understand it, has been raised for Ministers. It is an issue that has to be built into the budgetary process in terms of planning over the next years for how the Exchequer will cope with that drop on an annual basis. I think the estimate I saw recently was something in the order of about €30 million per annum. In the opening piece of the Deputy's question, though, he was concerned about the impact upon our ability to fund the maintenance and upkeep of regional and local roads as a consequence. My answer was based around the fact that-----

Deputy Shane Cassells: My opening remark was just in terms of people's correlation in their minds. I am well aware of the terms of the distribution of funds, collation of funds and so forth. My primary concern is that if a quarter of a billion goes off the books, how is the Department seeking to replace it? When is the issue going to be addressed? Will it be in this budgetary cycle? It has been pointed out that already, despite more vehicles being taxed, income keeps decreasing year on year.

Mr. Graham Doyle: There has not been an increase in the rates of motor tax in a number of years now - three or four years, I think. This is something that we will be raising through the budgetary process this year, now that this policy area has transferred across to the Department of Transport, Tourism and Sport.

Deputy Shane Cassells: Another one the Department is going to get hit with-----

Chairman: The Deputy is gone over his time.

Deputy Shane Cassells: I ask for a small bit of leniency.

Chairman: The Deputy is going to get all the time he wants today. Other members have commitments in the Chambers as well, however.

Deputy Shane Cassells: That is fine, Chairman. If the Department increases tax on lower emissions vehicles, it will quite rightly be criticised by environmental groups that are trying to support that industry. That means the money has to be raised elsewhere. The officials are going to have to say to the Minister that we had better raise it from local property tax, LPT, or commercial businesses. Everyone has to be talking together because, as the Chairman pointed out, there are multiple strands of funding coming in. What I am interested in is who is talking to everyone to make sure that enough money comes in to run the system, when there clearly is not enough money in the first place. Has increasing taxes on lower emissions vehicles been ruled out? Where are the officials going to find the quarter of a billion that the Comptroller and Auditor General said is going to disappear from the books?

Mr. Graham Doyle: In terms of issues around taxation of vehicles, the introduction of the taxation rates based on CO2 emissions rather than engine size was designed to drive the take-up of vehicles that produced lower emissions. It has been tremendously successful in doing so, to the extent that there was quite a quick change in consumer behaviour which has continued over time. In the context of climate change issues, we are now looking at introducing lots of different types of vehicles into the system-----

Deputy Shane Cassells: I only asked about the money. I asked about where the quarter of a billion is going to be found.

Mr. Graham Doyle: I am saying that, in that whole policy debate around how we tax vehicles and deal with incentivising people to take up lower emissions vehicles, it has to be all taken in the round as part of the budgetary process.

Deputy Shane Cassells: Taking it in the round is the point I am trying to make. The Chairman is trying to collate everyone in the room, which is why I am running out of time because there are so many people to ask questions. If everyone is working in silos and we are just putting the money into the Central Fund and no one is really addressing how it is coming in, or if there are decreases in income, then we have a serious issue for local government.

Guess who picks up the problem when there are problems with decreases across the board in income from other areas? The figure comes from central Government, which is what we are dealing with today. Councillors will row forever and a day about the fact that they are left without income to run the services properly that they are now expected to run, not just across the normal areas of roads and hosing but also, because of the urbanised areas that we have created, on social issues, arts issues, parks and so forth. They are the issues that communities now expect local government to resolve. How is that shortfall made up? It is made up by commercial rates. The Chairman mentioned at the outset we are dealing here with €2.2 billion of an overall spend by local government of €6 billion, which is just over one third of what is spent. Let us be honest that local business, not central Government, is the primary source of income for local government in Ireland, providing €1.5 billion in that respect, which works out at 36%. Income from commercial rates increased by €137 million or 10% between 2008 and 2015 during a period of little or no inflation. That reliance on commercial rates has increased from 26% to 37% during that period. Nobody is addressing this issue.

When Mr. Lemass was here a number of weeks ago, we discussed the revaluation process that is causing such distress for so many business around Ireland. When I asked the Valuation Office about it, it was not its officials' problem. They were only doing what they were asked. It was the Department. When I asked the Department about it, it was not its officials' problem, it was the Minister. The only people paying the bill here are the businesses of Ireland. I want to address that here today. Councillors will end up increasing commercial rates because they need funding to run the services and it is the SMEs which will pay it.

By the way, today we praised everybody for their response to Storm Emma in the past week, and rightly so. One would have found that most businesses were closed for those three or four days. They had no income coming into their shops. They do not get a rates rebate for the four days that they were shut. Interestingly, it was reported in the media that there was a bonanza in online sales during those four days. It was as busy in Christmas for them. People were stuck at home so they started buying online. However, the poor people who are running a shop, who are dependent on the door opening and who keep our town centres alive, vibrant and contributing, got hit and got no rates rebate. I think of a friend in Navan who runs a small bakery and has an additional premises up here near these buildings who pays a six figure sum on rates on them. At the end of the year, if Meath County Council is short of money, he is the guy who gets hit. When he thinks of growing his business on those tight margins and maybe employing a second person or whatever, he cannot do so because he does not have the certainty, which Mr. McCarthy rightly spoke about providing to homeowners over a five-year period on how much is due on their LPT. Business owners in this country do not have that certainty when it comes to the commercial rates bill that they will be hit with because they do not know if councillors will be

forced to increase commercial rates come the budget at the end of the year. Is this sustainable?

Mr. John McCarthy: Looking at the national rates cumulatively in 2009, the picture is that there was just under €1.5 billion for collection. In 2016, it was €1.615 billion, which, doing a quick bit of maths, is €120 million over those seven years or possibly between 6% and 7%. I cannot do the maths on the top of my head here.

A number of things need to be borne in mind. When the downturn came in 2008-2009, all local authorities were requested to maintain their annual rates on valuation, ARVs, pretty much flat, and for four to five years virtually all did. There are issues, certainly, that can arise in the context of a revaluation exercise, but it is important to remember as well that there is a process in place to protect ratepayers as a whole through which rate limitation orders are made, so that in any year in which a revaluation is undertaken, a local authority cannot gain in overall rates revenue.

Deputy Shane Cassells: I appreciate that. I do not want revisit the revaluation process today.

Chairman: I have to go to Deputy Catherine Murphy now.

Deputy Shane Cassells: I only asked one question. Is it sustainable?

Chairman: We will come back.

Deputy Shane Cassells: Is it sustainable for local government to continue whereby more than one third of income comes from the commercial rates of small and medium-sized businesses in this country? The proportion is growing. Is that sustainable?

Mr. John McCarthy: When one looks at the proportion of income that has come from rates over recent years, and judging from the figures that I have given there, even the absolute amounts have not changed massively at a national level. Yes, there would be differences locally and there would be differences in individual businesses arising from revaluations, but the overall contribution has not changed significantly. The focus in more recent times has been not so much on increasing the ARVs but on collecting and improving the collection performance in relation to rates that are levied.

Chairman: I am going to Deputy Catherine Murphy now.

Deputy Shane Cassells: It is not sustainable. It is not reflective. We have not got an insight into the impact of online sales growth in this country and its impact on small and medium-sized businesses.

Chairman: We will come back to it during the course of the meeting, but we have to go to Deputy Catherine Murphy, who is on a tight schedule.

Deputy Catherine Murphy: First, I wish a good morning or, as it is now, good afternoon to the witnesses and welcome them. I, too, would like to add my voice to those who commended the efforts that we saw over the past week. Some areas did it on tight resources. When the review occurs, in the case of some of those resources it will be beneficial to look at where those deficiencies are so that the effort can be even better in the future. I will highlight a little of that.

The Comptroller and Auditor General talked about a highly complex picture. His language is benign in relation to local government. In some of the funding, particularly in the local gov-

ernment fund, the word “opaque” does not even go there. I note that from last year the transfer of motor tax from the local government fund to the central Exchequer may make it a little clearer. Until now, the motor tax was paying for water and the local property tax was paying for roads, which seems an Irish way of doing it.

I am pleased that there will be a review of the distribution and I will explore some of that particular aspect. The baselines are an area that would be of significant concern. They predate the local property tax and have their origins in the needs and resources model from 2000. There were data collected right up to 2005, but from then on that has been the base. There have been changes in functions, such as Irish Water, and there has been a pension change recently, but probably what will bring this into sharp focus is the fact that people will want to know where their local property tax is going. It is fine saying that the local authority can retain 80%, but there is a limited amount of discretion within that. In fact, some of the self-fund aspect of it is really a replacement for what might be central Government grants to local authorities.

There are some areas that are particularly badly affected. I will describe the staffing as a case in point because that would have been captured as a need that had to be resourced in that model. For example, Meath has a population 47,000 greater than Kerry but Kerry has 435 more staff. Kildare, with 848 staff, has a population 60,000 larger than Kerry but there would be maybe 150 extra staff working in Tipperary. Some of that is historic but the problem is it does not remain static as it is quite a dynamic environment.

One aspect that does not appear to be taken account of in the distribution model is the census of population. Will Mr. McCarthy confirm that is the case?

Mr. John McCarthy: I absolutely take the Deputy’s point about the complexity of the various flows of funds and the changes that have been introduced. We may have spoken about this issue last year. The changes introduced from 2018 bring much more clarity to bear. Rather than have money coming in on one side of the local government fund and then going out of it, the local government fund is far more a vehicle that relates substantially to local property tax. On the model, as it stands, the Deputy has pointed to the needs and resources model put in place in 2000-01, at which stage we were heading into the years of what became known as the great Celtic tiger economy-----

Deputy Catherine Murphy: I am tight for time. I do not wish to be rude, but I ask for very succinct replies.

Mr. John McCarthy: Yes. I am trying to put the matter in context because the Deputy has hit the nail on the head to some extent in why we are about to launch the review of the allocations made. There is a significant historical base attached to it.

Deputy Catherine Murphy: What about the census?

Mr. John McCarthy: As the same model for LPT distributions has been in place since 2014, it has not taken account of changes in population. On the Deputy’s point about population and staffing in local authorities, the situation varies in different local authorities. Some of it depends on the extent to which they do certain things in-house or whether they contract services for delivery. Such things can influence the comparison.

Deputy Catherine Murphy: I accept that people are employed, but there probably needs to be workforce management to some degree where some of the local authorities that have to cater for an increased population are unable to play catch-up in staffing. I put some tables to-

gether to look at the trend. The trend is that in the case of County Wicklow, for example, which the Department uses as a case in point in its table for demonstration, there is total expenditure of €91 million, while in County Mayo there is a total spend of €125 million when everything is counted, although County Wicklow has a bigger population. It is the same in the case of County Tipperary and County Galway. County Tipperary has a smaller population than County Galway, it has a spend of €135 million as opposed to €104 million in County Galway. There is the same trend if one matches Limerick city and county against Fingal. In the Fingal County Council area there was a 43% increase in population in the 20 years from 1996 to 2016, but it is one of the biggest contributors to the local government fund. In Limerick city and county there are nearly 100,000 fewer people, but the area has a greater expenditure amount from all sources. It is not a question of saying one county has plenty of commercial rates income, while another receives a greater amount from other facilities and services. It is looking at the total spend. The common denominator is that one county is disadvantaged dramatically if its population is growing. There are places that did not exist in 2000. They could not be modelled, but they are now subject to this baseline. What is being examined in the review of baselines? Is it the baselines in the distribution model that will be the central piece?

Mr. John McCarthy: I cannot go into too much detail because it is being finalised with the Minister, but he will be making an announcement on it shortly. As there will be a consultation process, there will be an opportunity for the involvement of and an input from the general public and others. To refer back to the Deputy's point about population, it is one factor that can be taken into account. However, there is population distribution and the length of roads. When one looks back at the needs and resources model when it was put in place originally, up to 600 pieces of data fed into it and it became incredibly complex. One of the objectives we will be trying to achieve in the distribution exercise is trying to make it as fair as possible and equally trying to keep it as simple as possible because the complexity associated with the needs and resources model became unmanageable.

Deputy Catherine Murphy: The lack of transparency and the effort one must make to understand some of this are not healthy. I believe it will expose the funding system, given that people were told that a certain amount of their local property tax would be retained. There was a big pitch that they would see improvements in their areas, whereas there was a diminution of the fund from the point of view of motor tax and local property tax became the exclusive part of the local government fund. On the idea that 80% is retained and the self-funding aspect, is it likely to feature in any review and will there be a requirement to self-fund things such as housing and roads projects? This row takes place every year. It happens more in Dublin City Council, for example, where €106 million is collected nationally in the self-funding area and €85 million is accounted for by the four Dublin local authorities. One hears the argument that money is being taken from initiatives to deal with homelessness, whereas that would not be a feature for the bulk of local authorities throughout the country. That is sending very strange messages about how local property tax is spent. Is the Department considering such matters with reference to the self-funding aspect? Does the Department of Transport, Tourism and Sport discount the self-funding aspects when considering the grants it pays to local authorities?

Mr. John McCarthy: On the general point, I refer back to what I said to Deputy Shane Cassells. There are two dimensions. There is the overall pot of money available for allocation through the LPT and how it is to be allocated. Obviously, the 80:20 split and the self-funding aspects are critical parts of the current system. Therefore, if the overall pot of money does not change, if the 80:20 split is to change and if the level of self-funding required were to be reduced, that would mean that some local authorities would gain, while others would lose. These

are issues that will have to be considered, as well as the implications of different approaches.

Mr. Graham Doyle: The Department of Transport, Tourism and Sport allocates its funding for regional and local roads on a per kilometre basis within a local authority area. We then encourage local authorities to try to supplement it with their own funding. However, we apply our funding on a per kilometre basis in the first instance.

Deputy Catherine Murphy: Does the Department also undertake an additional condition survey?

Mr. Dominic Mullaney: No, it is not based on a condition survey. It is on a per kilometre basis. In the case of Dublin, it self-funds the main roads programmes.

Deputy Catherine Murphy: Only a tiny amount of national road funding goes to Dublin. Is it channelled through Transport Infrastructure Ireland?

Mr. Dominic Mullaney: National roads money is channelled through TII, while money for regional and local roads comes from the Department. However, in the case of the four Dublin authorities, unless they have a strategic project and small amounts for training, they do not receive moneys from us.

Deputy Catherine Murphy: I have another question about needs and resources and modelling is being done. Is it intended to look at assets or needs and resources again or will an entirely different approach be taken?

Mr. John McCarthy: Going back to what I said earlier, the objective will be to try to be as fair and as simple as possible. The more factors that one takes into account, the greater the complexity so we will be trying to get to a point where we have a set of factors that are taken into account that strike a balance between fairness and simplicity.

Deputy Catherine Murphy: I suppose we will have to wait and see what the Minister has to say on that. There are places that have a dearth of public facilities because they have not inherited them. It is very difficult to count that. What one has not got is as much of an issue as what one has, in terms of modelling any fair funding system.

Chairman: Deputy Cullinane is next.

Deputy David Cullinane: Go raibh maith agat. I welcome Mr. John McCarthy, Mr. Doyle and Mr. Nolan from Transport Infrastructure Ireland to today's meeting. Mr. Nolan has been very quiet so far but we will have questions for him, no doubt. Happy International Women's Day to everyone. I will start by asking Mr. John McCarthy to outline the different funding streams for local government.

Mr. John McCarthy: If the Deputy looks at the Comptroller and Auditor General's chapter-----

Deputy David Cullinane: I have looked at it but am asking Mr. McCarthy to give me the breakdown.

Mr. John McCarthy: Broadly speaking, local government is funded on a one-third each basis through rates, other local charges and central Government funding. In terms of funding coming from the centre, the most significant elements are the LPT allocations to local authorities which amount to approximately €500 million and the roads funding that comes from the

Department of Transport, Tourism and Sport. There are some other smaller elements of central funding as well but they would be-----

Deputy David Cullinane: They would be capital grants for projects-----

Mr. John McCarthy: Yes.

Deputy David Cullinane: The chart is very convoluted, is it not?

Mr. John McCarthy: It certainly is convoluted. To go back to what I was saying to Deputy Murphy - this may be a challenge for the Comptroller and Auditor General when it comes to doing the 2018 version of this - but I would hope that through the changes we have made in terms of streamlining different lines of funding in 2018 that this chart may be a little bit less convoluted and complex than is currently the case.

Deputy David Cullinane: I imagine that Mr. McCarthy would accept my analysis that it is very convoluted at the moment.

Mr. John McCarthy: Absolutely, yes. The Comptroller and Auditor General has described it as being highly complex and I would not disagree with that.

Deputy David Cullinane: That is an understatement because before this meeting today, I spoke to three different CEOs of local authorities to get their view of how they manage the different funding streams. They spoke of their frustration because they find it very difficult to plan or even to understand what funding might be available to them year on year. They also find it very difficult to report back to all of the different funders. They were all of the same opinion that they have many masters and each of the masters has different processes and ways of doing things in terms of accounting. My first general observation is that because it is very convoluted it can be very difficult to have high levels of transparency and accountability. Would that be something that the Comptroller and Auditor General would have been conscious of or alert to when he was preparing his report?

Mr. Seamus McCarthy: That is exactly why I did the report. It was clear to me that there was an issue. I was struggling to understand the flows of funds and I would probably be closer to many of the accounts than anybody else.

Deputy David Cullinane: I think it is safe to say that if the Comptroller and Auditor General was struggling to understand the flow of funds, then we have a real problem that needs to be addressed. Would I be right in suggesting that on page 125 of his report, the Comptroller and Auditor is referring to a collapse in funding for national roads or at least a substantial drop in funding? Would that be a fair analysis?

Mr. Seamus McCarthy: It is certainly indicating a significant drop in funding.

Deputy David Cullinane: When I spoke to the three CEOs of local authorities they all said that the collapse in roads funding is very serious for the State and for the local authorities. Roads must be maintained, as everyone knows, on a regular basis. If they are not maintained and if we do not wash their faces, so to speak, they can deteriorate. It can take up to five years but normally after three or four years we will have a problem if we do not maintain them. We have a problem now. If one drives in many rural areas, one will see the damage that has been done. Roads are subsiding, potholes are not being repaired and so on. The fact that we are not properly funding roads is a difficulty. In that context, I ask why there was a collapse in fund-

ing for roads and why the funding has not been sufficiently increased to meet demand. Has the Department of Housing, Planning and Local Government or any other Department done a cost analysis of not repairing the roads on an ongoing basis? What will it cost us if we allow the roads to get into such a state that after five years the work required to repair them is significant? Has anybody done that work, in terms of showing that not repairing them will cost us more in the long run? I will ask my former school colleague, Mr. Graham Doyle, to answer that.

Mr. Graham Doyle: I would ask the Deputy not to hold that against me. We have done that analysis and the situation is exactly as the Deputy says. If we do not maintain roads at the necessary pace, eventually that catches up with us and causes great difficulty.

Deputy David Cullinane: Where does the funding for roads come from? Who is the Accounting Officer for the funding of roads? Is it Mr. Doyle?

Mr. Graham Doyle: Yes, the funding comes through our Department.

Deputy David Cullinane: Where does it go?

Mr. Graham Doyle: It goes to the local authorities for the regional roads and to Transport Infrastructure Ireland, TII, for the national roads.

Deputy David Cullinane: We have the local authorities, the Secretary General of the Department of Transport, Tourism and Sport and TII involved here. We have a lot of different bodies dealing with the issue of roads. Why did we allow ourselves to get to a position where the funding was so low that we now have a major problem with roads? We are now getting to a point where it is going to cost us more in the long run because we have allowed a situation to develop whereby roads were not properly maintained.

Mr. Graham Doyle: In the context of the economic situation facing the country over that period, the funding was not available to us. We took a period of time to highlight that. The Deputy may have heard me earlier refer to our analysis, the strategic framework for investment in land transport, which was precisely to highlight the issue that-----

Deputy David Cullinane: Did Mr. Graham hear of the phrase “keep the recovery going”? Is that phrase familiar to him?

Mr. Graham Doyle: The phrase is familiar to me, yes. The situation at this point is that roads funding is now increasing-----

Deputy David Cullinane: By how much?

Mr. Graham Doyle: In 2018 our total roads funding will increase to approximately €880 million from approximately €760 million in 2017. We are now in a position where the funding of roads is increasing again. Over recent years we have sought to highlight exactly the point that Deputy Cullinane made earlier. One often gets a better hearing when one is seeking to put new infrastructure in place; it is slightly less glamorous to argue for the maintenance of the infrastructure that is already there. That was something that we were very anxious to do in recent years and that was the purpose of the aforementioned report. The aim of that framework document was to highlight this very issue and ensure that when we got to the point in the year where we were negotiating through the budgetary process for funding for roads and capital investment, the issue of roads maintenance was taken very seriously.

Deputy David Cullinane: I would suggest to the Cathaoirleach that it should also be one

of the issues that we highlight for our periodic report. I do not think that the increase in funding will meet the backlog of work that needs to be done, not to mention the ongoing needs. Roads must be maintained on a daily, weekly and yearly basis and we obviously have a big challenge in that regard. I accept what the Secretary General has said.

I ask Mr. John McCarthy to explain “general purpose” funding for local government.

Mr. John McCarthy: The general purpose grant was the precursor of the LPT allocation. Once the LPT was introduced in 2014, it replaced the general purpose grant. The general purpose grants were the State’s contribution to the running costs of local authorities.

Deputy David Cullinane: Was that substantially cut in recent years?

Mr. John McCarthy: If the Deputy can bear with me for one moment.

Deputy David Cullinane: Would it be fair to say general purpose funding basically funds the nuts and bolts of local government operation?

Mr. John McCarthy: It would be a contribution towards it, certainly.

Deputy David Cullinane: It was cut substantially.

Mr. John McCarthy: It was cut. However, the most significant cut though would have been between 2013 and 2014. That reflected the movement of water costs from local authorities to Irish Water.

Deputy David Cullinane: However, it was not solely because of that but it certainly was cut and has it-----

Mr. John McCarthy: The change from 2013 to 2014, in that year-----

Deputy David Cullinane: In that year, yes.

Mr. John McCarthy: -----was specifically for that.

Deputy David Cullinane: Is funding for that general purpose fund increasing year-on-year now?

Mr. John McCarthy: It has being replaced by local property tax, LPT. I think the LPT allocations in 2016 were €453 million and €517 million, and €504 million for this year.

Deputy David Cullinane: While the witness is on the LPT-----

Mr. Seamus McCarthy: I would like to point out that some of the LPT is allocated for housing and for roads. To do the comparison, if we look at the screen, we try to separate out the element that was allocated to roads, so the LPT allocation is around €310 million for general purposes or unspecified purposes. There is an unusual figure as well in 2016. If we look on the previous row, on miscellaneous services, there is a figure of €99 million which is high relative to previous years. An element of that, I think, would be for what are typically general purposes payments. They are related to one of the pay agreements, Lansdowne Road.

Deputy David Cullinane: Would it be right to say Mr. McCarthy, I do not want to be unfair to the Accounting Officers or Government, that the general purpose fund was cut. It was replaced with funding from the LPT. Is there still a significant shortfall? Is there still a signifi-

cant gap between what was there in the past and what is there now, given the replacement that took place?

Mr. Seamus McCarthy: If we have LPT allocations of around €300 million and if the change for taking out the water services was around €400 million, which was the change between 2013 and 2014, then it is about the same level on a like-for-like basis.

Mr. John McCarthy: There would be a small gain. If we look at the decisions local authorities have made in terms of LPT for 2018, the overall allocations of LPT is €504 million. If we take out the baselines, which would have worked back to the general purpose grant, there is about €355 million. If self-funding is taken out, which local authorities are now required to do for certain programmes, there would be a net increase of about €40 million.

Deputy David Cullinane: I thank Mr. McCarthy for that. I have one question on the local property tax and I want to put a number of questions then about what I see as the disjointed funding of local government and the convoluted methodology, the impact it has on local government and indeed the development of cities and towns. I will get to that in a few minutes.

On the LPT, the equalisation process was put in place to support weaker local authorities. Can Mr. McCarthy tell me what local authorities were supported, how much they were supported by and if the equalisation process for those local authorities has worked?

Mr. John McCarthy: Equalisation has been a concept since 2000 and 2001. I do not have information going back that far but I think we have some summary information for 2003. After the crash in 2008, everything was being cut back at that stage. Even after that, there was still a small slice of the cake set aside for equalisation. However, looking at the years 2003 to 2007, when things were supposedly on the up, over those five years about €66 million of funding was earmarked for equalisation purposes.

If we look at how that was distributed, it was significantly distributed towards some of the more rural local authorities. I refer to Donegal County Council, Galway County Council, Mayo County Council-----

Deputy David Cullinane: I thought it might be helpful because I want to get to the other questions-----

Chairman: The Deputy will get a second chance on this later.

Deputy David Cullinane: I have one more question. It might be helpful to move this issue on if Mr. McCarthy could write a note for the committee. I ask specifically when the equalisation process came in, where the funding went to and what counties benefited. I would also like a breakdown of the *per capita* spend for each of those local authorities. That is where we will see whether those local authorities are getting the support they need or whether they are still being disadvantaged. If the witness could come back to us with a note on that, perhaps we could follow up.

I want to make a broader point on the disjointed nature of funding. The reason I spoke to the three chief executive officers, Mr. McCarthy and Mr. Doyle is to get a sense of whether we are empowering local government to develop towns and cities. I am from Waterford. Many of the big developments that took place in Waterford recently were actually driven by local authorities. However, all of the chief executive officers I spoke to said local government funding mechanisms can frustrate and hold back reaching the potential that cities have and making

decisions that have to be made in real time. It can take two or three years, for example, from applying for funding to actually getting it.

Some local authority chief executives have to take risks. Sometimes, they spend money on the basis that they might or might not get money. Mr. Doyle will be familiar with the example of the Waterford Greenway. Everybody now says it is a fantastic project, which it is, and everybody wants to take credit for it. However, Waterford City and County Councils was left holding the baby with the cost. It invested in the Greenway at significant risk to the Council. It was left with a significant shortfall between the cost of the Greenway and what it got from the Department of Housing, Planning and Local Government because in the end the level of funding the Council hoped for did not materialise.

Similar examples could be given. I am not sure if Mr. McCarthy is aware of the Carrickphierish project in Waterford. A new neighbourhood is being developed. The chief executive officer told me the difficulty and frustration he had having to go to all of the various different Departments and agencies. They were all working in silos, and not to the project he was working to. They ended up with a neighbourhood without a library and without proper services because of the disjointed nature of the funding.

Mr. McCarthy raised issues from an accounting perspective in respect of trying to understand how it all works. It has an impact on the ability of local authorities to deliver projects. Sometimes initiatives have to be taken in real time. If they are not, then opportunities are lost. I would like Mr. Doyle to answer the question in respect of the Waterford Greenway, because it is still a sore point for those in the local authority who took a risk. I ask Mr. McCarthy to address the example I gave of the Carrickphierish project in Waterford, but also more generally because the convoluted system of funding can and does impede, hamper and hold back vision in local government. I will leave it there and come back later. I know that was a long contribution but I felt it needed to be made.

Mr. Graham Doyle: On the issue of the Waterford Greenway funding, the Department puts out calls to local authorities across the country at certain junctures when funding is becoming available to invest in greenways. It is a competitive process and each application goes through an assessment process. In the Waterford case, the Council planned to develop what is an excellent greenway through a number of phases. From recollection, I think it may have been three phases.

In respect of the first phase and the second phase, the local authority went through that process and was awarded some funding under both. If I am correct in my recollection, I think it was the chunk in the middle which was actually the-----

Deputy David Cullinane: Had the witness any correspondence from or discussions with the chief executive officer of Waterford City and County Council in respect of frustrations the Council had with the funding? Has Mr. Doyle had any interaction with the council?

Mr. Graham Doyle: I have, yes.

Deputy David Cullinane: Did it express frustration?

Mr. Graham Doyle: It did not. The council decided to develop the final section of that greenway separate to the process in which it was previously involved with us and others. It sought to retrospectively fund that-----

Deputy David Cullinane: Would it be fair to say that if it had stuck to the very convoluted process that was in place we would not have the fantastic greenway we now have? It is only because the CEO of the local authority took a risk rather than stick to the process as outlined by the Department that the job was finished and we have the greenway.

Mr. Graham Doyle: We go through a competitive process with the various applications we receive for greenways. When we have funding available, we look at the projects that have been put forward and assess them against each other. In the case referred to by the Deputy, the local authority came to us and said it had built the greenway. It spent a significant amount of money and delivered a high-quality project but the spend was in excess of what we had available for several such projects at the time and it was not possible to retrospectively fund the final stretch, to the great disappointment of some officials in my Department who hugely admired and appreciated the quality of the final product.

Deputy David Cullinane: Perhaps Mr. McCarthy will address the other point I raised.

Mr. John McCarthy: We will prepare a note for Deputy Cullinane regarding equalisation. On the issue raised of *per capita* spends per local authority, the Deputy should not be surprised to see that it does not tally because equalisation was very often a specific intervention to deal with a local issue such as, for example, the closure of a big factory and a resultant significant loss of rates which would put a hole in the budget of the local authority. It would not just-----

Deputy David Cullinane: There may be many caveats on the issue but if Mr. McCarthy produces the figures, we will sort out the caveats and make our own judgments and assumptions based on the figures with which we are presented.

Mr. John McCarthy: Absolutely, that is fine. I wanted to ensure that was clear.

Deputy David Cullinane: That is fine.

Mr. John McCarthy: On the issue of frustrations in regard to projects such as that in Carrickphierish, as mentioned by the Deputy, as we move on with the implementation of the national development plan, the new urban and rural regeneration funds provided for in the plan will give a better mechanism to ensure more integrated urban development. That will proceed on the basis of a very planned approach and an understanding of the community and other infrastructure that need to be put in place, which will involve pulling together the relevant Departments with the intention of getting a better output. I too regularly talk to local authority chief executives, who express frustrations from time to time, which I understand. However, I tell them that there is a lot of money at stake and there are times when we must ensure we are doing everything we can to ensure value for money. I am rightly here today as Accounting Officer for that process. There is an inevitable tension with local authorities in that regard but we try to work as collaboratively as we can.

Deputy Catherine Connolly: Ar an lá speisialta seo, lá idirnáisiúnta na mban agus is dócha go bhfuilimid ag déanamh dul chun cinn, tá cúigear as seachtar anseo os ár gcómhair so fáilte romhaibh. My questioning may be interrupted by a vote in the Dáil but there are many questions to be asked of the witnesses. I will stick to the issues of oversight, control, the audit service and the national oversight and audit commission and, it is to be hoped, housing and the underspend in that regard during a housing crisis.

Chairman: I do not wish to cut across Deputy Connolly but the issue of housing is in the-----

Deputy Catherine Connolly: The Chair may stop me if my questions are inappropriate but I am sticking with-----

Chairman: We have specifically indicated that we deal with Vote 34 - Housing, Planning, Community and Local Government after lunch.

Deputy Catherine Connolly: I thought it may have been relevant under this section. In terms of oversight, certainly-----

Chairman: That may be discussed.

Deputy Catherine Connolly: The question of oversight arises in this interaction. As one who, like Deputy Cassells, had the privilege or torture of serving on a city council for 17 years, my questions arise because I believe in city councils and democracy and have great respect for their staff, who are overworked, underpaid and continually moved from department to department. However, my opinion of the management of city councils is quite different. There were seven acting or full-time city managers in Galway between 1999 and 2013, which created its own problems, as the witnesses might appreciate. The Comptroller and Auditor General has produced a chapter regarding the Solas pictiúrlann, which issue was to have been last week discussed by the committee but was not. There has been major overspend in Galway on the Seamus Quirke Road, Eyre Square and the pedestrianisation of Galway city. Somebody made a mistake somewhere. It is falling apart. During my time on the council, we were told the matter of liability had been shelved in respect of the pedestrianisation of the city, which remains a huge problem. In that context, audits and this new commission are extremely important. It is the one thing which can give us hope in terms of accountability.

How many staff are assigned to the Local Government Audit Service? What complement of staff does it require? Does it have enough staff to carry out its work?

Mr. John McCarthy: There are just under 40 staff but if one takes out the clerical support there are 34 professional auditors on-----

Deputy Catherine Connolly: What is the full complement required to carry out its work?

Mr. John McCarthy: Sorry, there are 35 professional auditors currently working there, not 34.

Deputy Catherine Connolly: Thirty-five.

Mr. John McCarthy: That has been its approximate complement in recent times. It is in the process of recruiting further staff.

Deputy Catherine Connolly: Because it needs more staff.

Mr. John McCarthy: Yes.

Deputy Catherine Connolly: How many more staff does it need?

Mr. John McCarthy: It is looking for three more staff.

Deputy Catherine Connolly: It needs three more. Are there arrears in terms of the number of audits it must carry out?

Mr. John McCarthy: No.

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Deputy Catherine Connolly: No. It is up to date.

Mr. John McCarthy: Yes. There was previously an issue in terms of the length of time after the end of the year. That improved very significantly in terms of the 2016 audits, with all bar one being completed by October of the following year.

Deputy Catherine Connolly: They are audits of accounts produced by local authorities.

Mr. John McCarthy: Yes.

Deputy Catherine Connolly: How many value for money audits have been carried out? Are they discretionary?

Mr. John McCarthy: They are discretionary but the audit service has adopted a strategy of working with local authorities to ensure that the audit process of the annual accounts can be completed in so far as possible by the end of September, which is in line with approach of the Comptroller and Auditor General. The balance of available resources in the year are then used for value for money examinations. It is discretionary but it becomes more and more a part of the process.

Deputy Catherine Connolly: It is discretionary.

Mr. John McCarthy: Yes.

Deputy Catherine Connolly: How are those projects identified and how many have been carried out? Perhaps Mr. McCarthy could use Galway city or county, or both, as an example.

Mr. John McCarthy: The value for money reports carried out are usually national reports and do not focus on a particular area of the country but, rather, on a service. Some 31 reports have been completed to date by the value for money unit of the Local Government Audit Service.

Deputy Catherine Connolly: Is the value for money unit fully staffed?

Mr. John McCarthy: Yes.

Deputy Catherine Connolly: Does it need more staff?

Mr. John McCarthy: It falls within the staffing figures-----

Deputy Catherine Connolly: It is within the figures provided by Mr. McCarthy.

Mr. John McCarthy: It is part of the Local Government Audit Service.

Deputy Catherine Connolly: It has carried out 31 value for money reports.

Mr. John McCarthy: Thirty-one, yes.

Deputy Catherine Connolly: And they are carried out on a theme.

Mr. John McCarthy: On themes or particular service areas, different functional parts of the-----

Deputy Catherine Connolly: I ask Mr. McCarthy to give me a practical example of that.

Mr. John McCarthy: One of the more recent reports was on the performance of local authorities in managing and maintaining their overall corporate estate-----

Deputy Catherine Connolly: That is the oversight commission. That is a theme from the report of the national oversight and audit commission.

Mr. John McCarthy: No, I am referring to value for money report No. 30 prepared by the Local Government Audit Service.

Deputy Catherine Connolly: Okay.

Mr. John McCarthy: Another recently concluded report dealt with the coroner service, which again is a local authority function but funding for which comes through the Department of Justice and Equality and other sources. They are two examples that-----

Deputy Catherine Connolly: The review of the coroner service was a special value for money report.

Mr. John McCarthy: Yes.

Deputy Catherine Connolly: Was that in respect of coroner services in all local authorities?

Mr. John McCarthy: Yes.

Deputy Catherine Connolly: Which value for money report was initially mentioned by Mr. McCarthy?

Mr. John McCarthy: The corporate estate. The management of local authorities' corporate estate, comprising buildings, yards and so on.

Deputy Catherine Connolly: Their estates, yes. I beg your pardon. What are the most recent reports?

Mr. John McCarthy: The report on the coroner service is the most recent.

Deputy Catherine Connolly: How are those value for money audits selected?

Mr. John McCarthy: There is a value for money committee comprising representatives of the audit service, the local government sector and the Department. They identify what the areas of activity should be.

Deputy Catherine Connolly: How do they identify them?

Mr. John McCarthy: Materiality is one issue. For example, there would have been a view in the local government sector that a lack of funding and capacity to continue to operate the coroners' service was a significant issue. The materiality of that was a factor behind picking that one. Materiality would be a significant factor.

Deputy Catherine Connolly: What else? What other criteria?

Mr. John McCarthy: Pressures at any particular point in time. They would have done a report relatively recently, albeit I cannot remember exactly which year, on the relationship between the local authority and the approved housing bodies. Again, housing and the development of housing represent a particularly critical issue at this point in time. That would have

been a factor.

Deputy Catherine Connolly: I will use parochial examples, but they have a general implication. For example, the pedestrianisation of Galway city was shelved - the liability was shelved. Would it have occurred to anyone to do a value for money audit of that? There were a lot of complaints about it at the time and it remains a mess. I am not given to exaggeration; it remains a total mess and the precise wording was: "We have shelved the issue of liability for the moment". Here we are in 2018. What about a value for money audit?

Mr. John McCarthy: Ordinarily, specific local authority issues are dealt with as part of the auditor's report back to the councillors on that authority. I am not familiar with the particular example to which the Deputy refers but those specific local authority issues should form part of the normal audit if they are of a material variety.

Deputy Catherine Connolly: Are the special or value for money ones more a national thing?

Mr. John McCarthy: They are more a national perspective, yes.

Deputy Catherine Connolly: If we go back to Solas, which will come before us with the other Department, there is an absolute lack of oversight by the Department. It ended up as a special chapter from the Comptroller and Auditor General. How can that happen if the overall audit system is working?

Mr. John McCarthy: I am not familiar with the Solas one.

Deputy Catherine Connolly: It comes directly under Mr. McCarthy's Department. I know we are coming back to it separately and we were to deal with it last week. However, I raise the issue of oversight where public moneys are given for projects. Where does it come-----

Mr. John McCarthy: The funding for that came-----

Deputy Catherine Connolly: From a different Department.

Mr. John McCarthy: -----through a different Department.

Deputy Catherine Connolly: So, the Department would not have been able to-----

Mr. John McCarthy: Galway City Council provided funding from its own resources.

Deputy Catherine Connolly: I understand that. I was there. However, the vast bulk of it came from the Department with responsibility for the Gaeltacht.

Mr. John McCarthy: Arts and heritage, I think, Deputy.

Deputy Catherine Connolly: Mr. McCarthy's Department would have no say in that.

Mr. John McCarthy: No.

Deputy Catherine Connolly: In relation to the National Oversight and Audit Commission, this was a new dawn in July 2014. It is another body overseeing things so that we have accountability, which I welcome. I welcome accountability. The commission has produced 11 reports. Has it?

Mr. John McCarthy: It is 14 at this stage.

Deputy Catherine Connolly: What findings and recommendations have emerged from those reports?

Mr. John McCarthy: A number of those reports are annual performance indicator reports. As such, they look across a whole range of activities and try to demonstrate in a local authority way but also in a comparative way the performance of local authorities under a range of headings.

Deputy Catherine Connolly: I see that fig. 8.11 has set out the reports on page 130 of Chapter 8 of the Comptroller and Auditor General's report.

Mr. John McCarthy: There are 11 there, but there have been three more since that was published.

Deputy Catherine Connolly: What is emerging from those, what are the recommendations and, more important, what has the impact on local authorities been and how are they being held to account?

Mr. John McCarthy: I will take one example, which is the second last one on the list in fig. 8.11, namely the private or intersectoral review. That showed a very uneven performance in terms of local authority inspections of private rented accommodation. To the extent that there are issues emerging from reports of this kind that require us to look at policy, legislation or funding, the Department does that. As such, when we formulated the strategy for the rental sector in December 2016, we drew in a great deal of what the report was saying around the need to set specific targets for local authorities around private rental sector inspections and, more important, the need to provide specific funding to local authorities. That is now moving forward and funding has been provided for. That is just one example.

Deputy Catherine Connolly: The one after that is a review of the maintenance and management of local authority housing. Can Mr. McCarthy clarify what the Department has learned from that?

Mr. John McCarthy: From memory and with the assistance of my colleague, I note that exercise built on the report referred to above it, namely the local authority tenant satisfaction survey, which was carried out first to get a perspective from the customer's point of view. It actually yielded positive results in terms of local authority tenants and the extent to which they felt the local authority was managing their accommodation properly. On the review of the management and maintenance of local authority housing, more specifically, the purpose of the report was to identify best practice and roll it out across the local authority housing system. We were particularly concerned about the extent to which there was a need to intervene with central government funding to bring long-standing vacant properties back into use. This is now designed to be a platform which we will need to take forward to ensure that ongoing planned management and maintenance by local authorities gets us to a point where we should not really need to provide significant capital funding. In effect, the stock and the assets should not deteriorate in the way they have previously.

Deputy Catherine Connolly: That is very important and I appreciate it. On that level, the policy is good. On the ground, however, I take the example of Galway again. I live in the Claddagh area where there is a house which has been empty for almost two years for no reason. I will give some examples and then relate them back to the general position. That house has been empty for almost two years and I pass it regularly. I have checked and been told that it

is allocated but not occupied. We are into the language of Kafka as to the reasons it might be empty. One finds it is not really empty in that it has been allocated but one then realises it is not occupied. At any given time in Galway, we have 70 empty houses. We have an oversight body looking at how to improve things, but at any given time we have 70 empty houses. Some of that is due to major refurbishment, but most of them are empty for no good reason. I am trying to relate the practice on the ground to the theory. No house should be empty for longer than three or four weeks before it is turned over and allocated. This is an example from a major city during a major housing crisis. We have an oversight audit commission, an audit system and, at any given time, that number of empty houses. Where does the Department come in?

Mr. John McCarthy: Where the Department comes in goes a little bit back to what I was saying about the private rented sector and what we might now move into in terms of management and maintenance. We may set specific targets and have reporting done versus those targets to ensure that those situations the Deputy identifies can be flagged and responded to at local level.

Deputy Catherine Connolly: I welcome that as a reply but it is now 2018 with the most serious emergency. I sit here as a representative saying that is the level of empty houses and Mr. McCarthy is just saying “flagged”. These have been flagged for years.

Mr. John McCarthy: I was leaving my housing stuff to the afternoon but as the issue has been raised, I do not want the Deputy to have a sense that we are only now thinking about vacant local authority housing. We have put a significant amount of money into bringing void housing back into use over the last three years in particular and a very significant number of units have been brought back. Clearly, the Deputy is pointing to a particular example of a house in the Claddagh which has been vacant for a long time. I do not know the circumstances of that.

Deputy Catherine Connolly: I am only using one example out of 70 at any given time. I hear about all of this money and I welcome it, but the reality on the ground is so far removed from what has been said. I am not given to exaggeration. I will come back to it if I am straying onto something that-----

Chairman: Housing is specifically in the afternoon session.

Deputy Catherine Connolly: That is fine.

Chairman: We are dealing with transport and roads while the transport people are here.

Deputy Catherine Connolly: That is lovely. That is fine. I go back to transport. The funding for local authorities has been dealt with by other colleagues here. We met Mr. Paul Lemass at a meeting recently on the funding of the county councils, at which it was pointed out that Galway County Council is the third lowest funded local authority in the country due to the formula that is used. There was to be a follow up on that issue. I know my colleague might have a more nuanced approach to it. We are being told by the county manager that Galway County Council simply cannot go on with the level of funding it is receiving. That impacts at a meaningful level in people’s lives and we see that basic roads in Connemara are falling apart. I do not want to be parochial. I am raising the matter as an issue of funding for a local authority by a formula that is Kafkaesque, leaving the county council as the third lowest funded county council in the country, in a position that it cannot repair that road because it does not have sufficient funding.

Mr. John McCarthy: When I was responding to Deputy Catherine Murphy, I indicated that the general purpose funding, which is the allocation mechanism for the running costs of the

local authorities will be the subject of a review. In terms of roads, specifically-----

Deputy Catherine Connolly: When we met Mr. Paul Lemass, I understood the review was in respect of the local property tax. Will there be a major review on the allocation?

Mr. John McCarthy: Deputy Connolly may not have been present, when I was responding to Deputy Cassells, and spoke of the two processes. When the Deputy met my colleague previously, the overall review of the local property tax that the Minister for Finance had announced was in play but I was saying earlier that it was one piece of the jigsaw, the other piece is how the pot of money which becomes available through LPT is to be distributed. We will commence a review of that.

Deputy Catherine Connolly: When is that going to commence?

Mr. John McCarthy: Very shortly. It is with the Minister at present. He will make an announcement shortly.

Deputy Catherine Connolly: Is it decided when the review will commence?

Mr. John McCarthy: I cannot give the details before the Minister has signed off on them. I am trying to be as helpful as I can, but there will be more information shortly.

Deputy David Cullinane: That makes it six-nil.

Mr. John McCarthy: The ultimate success story for an Accounting Officer.

Deputy Shane Cassells: The afternoon is only getting started. There is plenty of time.

Deputy Catherine Connolly: Will the library service be dealt with in the afternoon?.

Chairman: In the afternoon session, we will deal with housing, planning, community and local government.

Deputy Catherine Connolly: Thank you Chairman. Will somebody enlighten me on transport and public transport strategies in Galway, because the city is choking at the seams?

Mr. Graham Doyle: Various agencies as well as the local authorities deal with transport. There are city grants and sustainable project funding distributed through the National Transport Authority. I know that Galway and other cities have benefited from various programmes.

Deputy Catherine Connolly: In his opening statement Mr. Doyle referred to public transport special projects.

Mr. Graham Doyle: I am not sure to what the Deputy refers.

Deputy Catherine Connolly: I was wondering what Mr. Doyle referred to, perhaps I have got it wrong.

Mr. Graham Doyle: There is a range of city-based schemes that-----

Deputy Catherine Connolly: There is a reference to limited funding for new transport projects in his address.

Mr. Graham Doyle: That specifically refers to roads projects. It was related to a study that was primarily looking at the need to maintain the road network we have got quite separately

from the need to invest in further pieces of infrastructure.

Deputy Catherine Connolly: Mr. Doyle also refers to a map roads project that helps local authorities to monitor and track the performance of the road networks. Will Mr. Doyle elaborate on that please?

Mr. Graham Doyle: Yes, that is a system that helps the local authorities deal with assessing the quality of pavement of the roads in the local authority area and allows them to deal with issues such as working with the utility companies in terms of accessing the roads for utility-related works that need to be done.

Deputy Catherine Connolly: So it is not a project on the status or the maintenance of the road, but the utilities using the road.

Mr. Graham Doyle: It has to do both with assessing the state the road is in at a point in time and it also relates to the utility companies accessing the roads for the works they do.

Deputy Catherine Connolly: I thank the witnesses.

Chairman: At this stage, I will suspend the sitting because of voting in the Chamber and to allow members to have a bite to eat.

We have not completed this session yet as we must deal with the funding of local government and the collection of motor tax before proceeding to the second session.

Sitting suspended at 1.35 p.m. and resumed at 3 p.m.

Chairman: We will resume our discussion on the central government funding of local authorities. We are joined by officials from Transport Infrastructure Ireland and the Department of Transport, Tourism and Sport because they both fund the local authority's regional and national roads. We have one or two questions on the special report on motor taxation. We will then follow on with the second part of the meeting, which I hope will be the shorter half. Deputy Deering had indicated.

Deputy Pat Deering: I welcome the witnesses and compliment them on the work in the past week. I want to focus on the local property tax and how it is distributed to local government. I welcome Mr. John McCarthy's repeated reference to fairness and that a review of the distribution process would proceed. Will he describe how the model for the distribution of local property tax was developed in the first place?

Mr. John McCarthy: I thank Deputy Deering. May I clarify that he wishes me to describe the model for the local property tax when it was introduced in 2014?

Deputy Pat Deering: Yes. How was the model for the distribution of funding developed?

Mr. John McCarthy: All right. There were a few things happening at that time. The starting point would have been the general purpose grants, GPG, as they stood at that point in time. The water related costs were stripped out of the general purpose grants on the basis that these costs were being transferred across to Irish Water. That left a figure of the net GPG minus the water costs for each local authority. When it came to deciding how the proceeds of the local property tax would be distributed, one of the key planks of the policy decision that was made at the time was that no local authority should be worse off under the new regime than under the previous one.

LPT was collected in many local authority areas. Some authorities would have been worse off compared to the previous regime and others would have been better off. One of the key planks of the policy decision was that nobody should be worse off. The decision taken was that 80% of LPT in a local authority area would be retained in that area, while the balance of 20% would go into an equalisation fund. That 20% was then used to bring up the local authorities that would have been worse off, bringing them back to where they would have been if they system had not changed. A supplementary contribution from the Exchequer was also needed to make sure that this could be done. From memory, that brought 19 or 20 local authorities back to an equivalent position to what they would have been in if the system had not changed. Then there was a balance of 10 or 11 local authorities that were in a surplus situation. The policy decision that was made, taking account of the constrained financial circumstances of the State at the time, was that to the extent that any local authority had a surplus of that kind, it could retain an amount equivalent to 20% of the yield in its area for its own purposes and the balance of 80% would, in effect, be used to replace Exchequer funding, primarily for housing but also with a certain amount for roads.

Deputy Pat Deering: I am not sure Mr. McCarthy is getting my question. I want to know exactly what model is used to distribute the money. I will give an example. I am from Carlow. The argument is made time and time again that Carlow is treated very unfairly. Carlow has a budget of €49 million and a population of 56,000. By comparison, Monaghan has a population of approximately 57,000 or 58,000. Carlow's contribution from the local property tax is €3.9 million and Monaghan's is €3.8 million - they are quite similar. However, Carlow gets a top-up of €2.2 million and Monaghan gets a top-up of €7.5 million. How do the officials calculate that?

Mr. John McCarthy: It all relates back to the situation that each area would have been in before LPT was introduced. The starting point was the GPG that each local authority had at that point. Take out the water-related costs, and every local authority had, at a minimum, to transition to the new LPT-based system without being worse off. It would have been a comparison from one to the other to get each local authority back into that situation of being no worse off.

Deputy Pat Deering: However, it is obvious that they are worse off.

Mr. John McCarthy: No. In the context of the transition from GPGs to LPT, there is no local authority worse off from that particular stream of funding. Obviously, there is other funding in respect of rates and all that. As far as the GPG is concerned, there is no local authority that is worse off.

Deputy Pat Deering: Mr. McCarthy also mentioned earlier that his Department is reviewing the system of distribution. In order to make it fairer and more transparent, which I think everybody has mentioned previously, what models are being considered? The officials are probably limited as to what they can tell us but I am sure indicate the models that are being investigated.

Mr. John McCarthy: I cannot give the Deputy too much information at the moment on the basis that it is something the Minister needs to finalise and announce. Part of the process will be to identify the factors that will bring us as much as possible to that sort of an outcome. In other words, what variables should be fed into the equation in order to determine what comes out the other side.

Deputy Pat Deering: Regarding the commercial rates, the biggest mistake was made in

1977 - over 40 years ago now - when domestic rates were abolished. That was a political decision, I suppose, and local authorities have never recovered. It is important that there is a broader based way of getting funding. As regards commercial rates, I do not mean to be parochial but, for example, the biggest employer in Carlow town in Carlow Institute of Technology. It employs approximately 700 people but it is not rateable. There are no other tools, so to speak, in Carlow for generating income. Like a lot of other towns, it lost a number of industries in recent years, such as the sugar industry and so on. There are no other ways of generating income with the exception of the plus or minus up to 15% of LPT. What other models can be considered with regard to broadening the income base over the coming period?

Mr. John McCarthy: It is a policy matter as to what potential revenue sources could be deployed, either by local or central government. Operating within the policy parameters that are in place, the Deputy mentioned plus or minus 15% in respect of LPT. Further progress on the actual collection of rates versus the amount that is levied could be made. Some local authorities have made a lot of progress in that space, while others can make further progress. One of the other mechanisms that is available within the rating space is the whole treatment of things like vacancy, and decisions that can be made as to the extent of vacancy refunds. After that, it is really a policy question as to what alternative funding sources could be brought into the frame for local or, indeed, central Government.

Deputy Pat Deering: In the context of roads, a number of different schemes were in place a couple of years ago for which local authorities, in conjunction with the Department, were responsible. There was the local improvement scheme, LIS, and the community involvement scheme, CIS, for example, which had to do with local third-party roads. Would they have been coming out of the main budget initially?

Mr. John McCarthy: I will defer to my colleague. I do remember the LIS from about 20 years ago but, to make sure the Deputy gets a more up-to-date answer, I will ask our colleagues from roads to respond.

Mr. Ray O'Leary: Ultimately, all the funding comes out of the same pot. The LIS and CIS were suspended in the face of the significant reductions in available funding for roads. We introduced the CIS - which, in a sense, leverages private contributions for work on public roads - for the first time this year as a stand-alone scheme. The schemes always existed as an option for local authorities, and the Minister, Deputy Michael Ring-----

Deputy Pat Deering: Did the funding come out of their budgets initially prior to 2018? Was there provision made that a percentage could be taken out of their budgets?

Mr. Ray O'Leary: It is either taken out of the budget at local authority level or at the central level. Ultimately, it is the same budget. The Department of Rural and Community Development, under the Minister, Deputy Michael Ring, is now funding local improvement schemes where the funding is for private roads. It is no longer under the Department of Transport, Tourism and Sport.

Deputy Pat Deering: Was there initially a budget for those schemes coming out of the main roads allocation budget?

Mr. Ray O'Leary: Yes. They were all within the overall roads budget. In the context of the overall cuts, it was decided to devolve prioritisation between mainstream road funding and CIS or LIS-type projects to local authorities in order that they could make decisions at local level as

to what was appropriate. In line with commitments in the programme for Government, the CIS has been reintroduced this year and the Department of Rural and Community Development is now funding the LIS.

Deputy Alan Farrell: I have a question on the LIS. I wanted to understand the nature of how it works as per the accounts from 2016. How is the determination made as to where money is allocated? I am clearly going somewhere with this question.

Mr. Ray O'Leary: I am sorry but could the Deputy repeat his question?

Deputy Alan Farrell: How do the officials go about creating the scheme and what are the criteria for applications?

Mr. Ray O'Leary: As I said, the LIS is no longer being funded by the Department of Transport, Tourism and Sport.

Deputy Alan Farrell: I know that; I am referring to 2016, when the Department was funding it.

Mr. Ray O'Leary: It was up to local authorities themselves to decide if they were willing. The LIS-type funding was available as an option for local authorities to use out of their overall grant for regional and local roads. We did not carve out the money at the centre or have it managed centrally. It was part of the overall pot local authorities could choose to fund depending on what the demands were in the local area. The same applied to the community involvement scheme.

Deputy Alan Farrell: The fact it was sent to the new Department suggests to me that it is something that is only considered under the auspices of rural communities. Is that a fair assessment?

Mr. Dominic Mullaney: That was probably the original intention. It is generally spent on local secondary and tertiary roads but one might equally have a housing estate where it is also applicable. One is possibly less likely to get a community involvement or contribution there.

Deputy Alan Farrell: I do not wish to be parochial on this committee; I tend not to do that. However, in recent years since the scheme was reintroduced, my experience in my constituency of Fingal, which is nearly 500 km², received nothing. When the Minister, Deputy Ring, announced a new allocation, I queried it with the council and was told that it had to fund it out of its own allocation. I am trying to understand if the criteria are precluding a council area with 1,100 km of rural non-primary roads or if it is only for local authorities that are deemed to be self-sufficient? I want to know who deems what self-sufficiency is. Maybe Mr. Mullaney can enlighten me.

Mr. Dominic Mullaney: I see the issue. As Mr. O'Leary said, prior to last year, a local authority could spend up to 15% of its discretionary grant on local improvement schemes. The Dublin authorities were not getting a discretionary grant so did not have the wherewithal to take it from that fund. It could not be done unless they decided to use their own resources to do so. They did not have any possibility of taking it from one of our grants because they were not getting a grant from us.

Deputy Alan Farrell: While it is not by design, it is effectively exclusionary in its application across the country.

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Mr. Dominic Mullaney: I suspect that they probably are eligible since 2016, when it was reintroduced by the Minister, Deputy Ring.

Mr. Ray O'Leary: Unfortunately, we are not in a position to answer questions about the criteria used by the Department of Rural and Community Development.

Deputy Alan Farrell: I understand that entirely. That is fine.

Can the witnesses give me further information on the criteria and the expenditure under the local authority swimming pool programme, LASPP, which is under the heading we are discussing, if I am not mistaken. I think that it is the local authority rather than Transport Infrastructure Ireland.

Mr. Ray O'Leary: That is funded from the sports budget of our Department.

Chairman: We are only dealing with local government today.

Deputy Alan Farrell: I might ask that this information be provided.

Mr. Dominic Mullaney: Yes, we can do that.

Deputy Alan Farrell: That is fine. I thank the Chairman.

Chairman: We have nearly finished in this section. We have still to come to housing and planning in the second part of the meeting. We will have one or two more questions and then we will finish this section.

Deputy Catherine Murphy: I have some questions regarding roads. The witnesses said that Dublin self-funds roads. Is that the case for the four Dublin local authorities?

Mr. Ray O'Leary: Yes, that is the case for all four Dublin local authorities.

Deputy Catherine Murphy: Do any other local authorities self-fund?

Mr. Ray O'Leary: Cork city is largely self-funding, as is Cork county.

Deputy Catherine Murphy: When Mr. O'Leary says they are largely self-funded, how is that determined?

Mr. Ray O'Leary: I will hand over to my colleague for the detail on it.

Mr. Dominic Mullaney: I am unsure of the exact figure, which we can get for the Deputy, but the figure for self-funding is less than €1 million.

Deputy Catherine Murphy: What is the criteria to determine that they self-fund?

Mr. Dominic Mullaney: We liaise with the Department of Housing, Planning and Local Government to establish how much self-funding occurs each year in housing and in roads.

Deputy Catherine Murphy: It goes back to the baselines.

Mr. Dominic Mullaney: Yes, it does. In terms of the Dublin local authorities, it is straightforward. The initial self-funding is all taken from roads but in the case of certain counties, Cork county just happens to be the one involved, there is a balancing figure. The housing figure is taken out first and at the end there is a balancing figure which can change from year to year.

Deputy Catherine Murphy: How is that determined? They are not the only local authorities that fall under the self-fund category under the local property tax, LPT. How does one decide on the balance between housing and roads?

Mr. John McCarthy: When that balance was initially set, the Government decided that there were certain housing programmes that should not be self-funded and should continue to receive full Exchequer funding. A pot of self-funding had to be achieved which we applied to housing programmes as far as we possibly could but there was further self-funding in some local authorities areas that needed to be recovered. That is where roads came in.

Deputy Catherine Murphy: Does the self-funding aspect of all this relate only to the funding which comes through the local property tax, or local government fund.

Mr. John McCarthy: Yes.

Deputy Catherine Murphy: Local property tax is self-funding things that would be paid for in other local authorities if there was not-----

Mr. John McCarthy: Yes, if there was not a surplus of local property tax in that area.

Deputy Catherine Murphy: And that surplus goes back to the baseline being inappropriate.

Mr. John McCarthy: Exactly.

Deputy Catherine Murphy: The witnesses said that they allocate road grants based on road length. Does road usage come into it? There is a world of difference between a road that is used by HGVs, for instance, in terms of the damage they do compared to a little rural road.

Mr. Ray O'Leary: It is difficult to aggregate that with any great precision across a whole local authority area. It is funded by kilometre length. There is an adjustment factor in Kildare and Meath as part of the greater Dublin area, because they will carry a greater share of heavier traffic flows on the local and regional roads. That is the basic model. While no model is perfect, unlike some of the comments on local authority funding, at least it has the benefit of being relatively transparent and accountable, since we know what the kilometre road length is. Generally, local authorities would be positive about it as being a reasonably fair allocation method.

Deputy Catherine Murphy: That is a very sweeping statement. I expect if one was to ask local authorities, depending on whether one was speaking to the road engineer or the councillors, one might find a different response.

We heard this morning that condition surveys are done for national roads. Why are they not done on local roads?

Mr. Ray O'Leary: Condition surveys are done on local regional roads.

Deputy Catherine Murphy: I was told the opposite this morning.

Mr. Ray O'Leary: Condition surveys are done on local and regional roads. The Deputy might remember that the Secretary General mentioned the map road system which, among other things, allows for uploading and storage of the results of condition surveys so that when local authorities are undertaking their repair and maintenance programmes, they can prioritise it by the condition of their local and regional roads.

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Deputy Catherine Murphy: I want to be clear on this. The Department allocates the grants based on road kilometres. It does condition surveys but they do not determine the level of road grants. Is that correct?

Mr. Ray O'Leary: Sorry, the local authorities, as the road authorities, do the condition surveys. When they are prioritising within their local budget for roads-----

Deputy Catherine Murphy: Say there is a county where the roads are in a disastrous condition, but there are not that many roads, they get allocated funds by kilometre. If every road needs to be repaired, it is still paid the same per kilometre as another county where the roads are in pretty good condition.

Mr. Ray O'Leary: To be frank, that would be the case. I am not aware of any county where the roads are in that good a condition. Certainly, in our engagement with local authorities and people on the ground-----

Chairman: We will try to wrap up on the transport side of the meeting, but first I will call Deputy Cassells.

Deputy Shane Cassells: On the local improvement scheme, LIS, have there been changes to the scheme for this year in terms of how projects are approved?

Mr. Ray O'Leary: As I outlined earlier, the local improvement scheme is now funded by the Department of Rural and Community Development. The Department of Transport, Tourism and Sport no longer awards funding to this scheme but, as noted by Mr. Mullaney, local authorities have the option of allocating a slice of the annual funding allocations provided to them by the Department of Transport, Tourism and Sport to local improvement schemes.

Deputy Shane Cassells: I thank Mr. O'Leary for his response. Perhaps the local government officials will comment on how this change has impacted on the administration of the local improvement scheme.

Mr. John McCarthy: I am not aware that it has impacted.

Deputy Shane Cassells: It has not impacted.

Mr. John McCarthy: I am not saying that it has not impacted. Rather, I am saying that I am not aware, and I generally would not be, if it has had any impact. Generally, when a function moves from one Department to another the whole package in that regard moves to the new Department and it is then open to the Minister of that Department to make a policy change. We would not be aware of changes to a scheme that we are no longer funding.

Deputy Shane Cassells: This goes to the heart of the point I have been making throughout this meeting. My understanding is that councillors in Mayo were informed at a meeting on Monday of changes to how this scheme works.

Mr. John McCarthy: I am sorry, but I cannot answer for the Department of Rural and Community Development.

Chairman: We will take up the matter with that Department.

Deputy Shane Cassells: I understand that following on from this change road projects cannot now proceed until they have been examined and sanctioned by that Department.

Mr. John McCarthy: I am sorry, I cannot comment.

Chairman: Was departmental sanction not always required under the local improvement scheme?

Mr. John McCarthy: The Department of Housing, Planning and Local Government has not been responsible for the local improvement scheme for 20 years now.

Chairman: I presume a list was always sent to the Department.

Mr. Dominic Mullaney: Interestingly, in regard to LIS, it was essentially devolved. It is still devolved in so far as they can pick the schemes. Based on what the Deputy is saying, the Department wants to have sight of and examine the list.

Deputy Shane Cassells: I am sure the witnesses will understand my frustration in terms of the control over local government. It is like a bold child that no one trusts to do its work, which is frustrating. Previously, engineering staff and councillors in a particular county could go about doing their own business but as things stand they now have to seek permission and sanction in this regard from the Department. Why, Chairman, when we have councillors elected by the people to do this work was this layer of bureaucracy introduced?

Chairman: I do not know the answer to the Deputy's question but the committee secretariat will write to the Department directly on the issue highlighted by him. As I understand it, TII funds the local authorities for roads projects but the Department of Rural and Community Development is now getting involved in this area. Earlier, I listed nine Government agencies which are funding the local authorities. It now appears that there is an additional funding stream which we did not know about then. The list is getting longer and this leads to very disjointed public administration.

Deputy Shane Cassells: Earlier, Deputy Cullinane engaged with Mr. McCarthy on the myriad of funding streams in existence in this area. We have now learned of another one which the Comptroller and Auditor General can add to his list for next year. This defies belief. The current process is very frustrating, in particular for the people who depend on us as politicians and the local authorities to deliver efficient services. Adding a further layer of bureaucracy does not help.

When listening to the proceedings earlier in my office I heard Deputy Deering pose very good questions about the disparity in funding, which supports my point that the system was broken before the changeover to local property tax, LPT. Its introduction exacerbated the problem. I understand Mr. John McCarthy's point that no county was left worse off but some are worse off owing to the inequitable system in terms of LPT calculation. I have discussed this issue with Deputy Deering. For example, Carlow did not have as many town councils and commissions as, say, Monaghan, which was also in receipt of general purpose grants and so on.

On the general purpose grants versus local property tax, which the Comptroller and Auditor General touched on earlier, what was the final outcome in that regard?

Mr. Seamus McCarthy: My conclusion was that it effectively replaced the quantum that was available. In other words, after the water element was taken out of local authorities the level of funding was similar to what it had been previously.

Deputy Shane Cassells: It was stated that the LPT replaced the general purpose grants.

Why not have a local property tax alongside the general purpose grants system?

Mr. John McCarthy: It was a policy decision related to the state of the national finances.

Deputy Shane Cassells: Fancy flyers were distributed to all households stating that local property tax intake would fund X, Y and Z but as I have pointed out previously that has not been the case because LPT only replaced a stream of funding which previously existed in the form of general purpose grants. Those flyers were a precursor to the strategic communications unit. This irks me greatly.

Perhaps before they leave the witnesses from TII will outline where stands the outer orbital route that will impact Kildare, Meath and Louth.

Mr. Michael Nolan: At the request of Department of Transport, Tourism and Sport, the National Roads Authority, NRA, carried out a feasibility report of this project, the report of which is currently with that Department. I do not believe any progress has been made since the report was presented to the Department. The project remains at feasibility route stage. I understand that the local authorities responsible for the outer orbital route area are maintaining a freeze on development at various road crossings so as to preserve the route.

Deputy Shane Cassells: Perhaps the Department of Transport, Tourism and Sport officials would update us on the matter.

Mr. Ray O’Leary: A number of road projects received early examination. I will ask my colleague, Mr. Mullaney, to comment further as he would be more familiar with the specifics. The outer orbital route mentioned was not one of the projects identified by Government for inclusion in the national development plan to go to pre-planning, planning and procurement and appraisal. In terms of status, this project is not progressing in terms of the priority list. The priority for the roads budget is to get us back to a level of where we are maintaining steady-state maintenance, with new projects coming on stream incrementally.

Mr. Dominic Mullaney: Again, it is a project that may be looked at as part of the appraisal process but it is still at a very early stage. It reached a particular point previously and I suspect TII might look at it again but it would be a hugely expensive project. It is on par with some of the very big projects mentioned, including the M20, but it is not as far advanced in terms of design.

Deputy Shane Cassells: On my earlier comments in regard to the general purpose grant *vis-à-vis* the local property tax, the point I was making is that we have moved from central governing funding to funding by the people via the local property tax.

Deputy David Cullinane: I refer to the final sentence of one of the conclusions reached by the Comptroller and Auditor General on page 30 of his report. It states: “A substantial part of the fall in funding levels has occurred as a result of the transfer of responsibilities from local authorities to other agencies and the reduction in capital expenditure by local authorities.” There is an awful lot in that but it sums up many of our frustrations and issues.

I have one or two questions. With regard to our reporting on this — it will obviously form part of our periodic report — the Comptroller and Auditor General was examining the various funding streams and making the point that it can be very difficult to follow the money in terms of how local government is funded. We have certainly seen that today; that is for sure.

Second, we need to make sure we are getting value for money and that there is proper accountability and transparency. Part of the problem is that there is a transfer of responsibilities from local authorities to other agencies. One of those is Irish Water, which is the big one. Who is now responsible for Irish Water? Who is the Accounting Officer?

Mr. John McCarthy: I am the Accounting Officer for the funding that goes to Irish Water and I am responsible for ensuring the necessary arrangements are in place to ensure value for money is achieved. Obviously, Irish Water itself is accountable to the joint Oireachtas committee in terms of its annual report and accounts.

Chairman: Does Mr. John McCarthy have a role in regard to Irish Water?

Mr. John McCarthy: No. This issue of a potential role for the Comptroller and Auditor General has arisen in the context of discussions at meetings of the joint Oireachtas committee. The Minister has indicated he is willing to explore that. There is a process being engaged in to consider this with a view to the Minister coming back to the committee on it as soon as possible.

Deputy David Cullinane: That is great because amendments tabled by my party when the Water Services Bill was going through the Dáil were rejected. It is nice to see another lesson is being learned from the fiasco that is Irish Water. In any event, given that the Comptroller and Auditor General is the Accounting Officer for Irish Water, I must point out that there is a service level agreement with local authorities that ends in 2025. There is a plan to move the date back to 2021 and reduce the number of full-time equivalents by 1,000. Is that correct?

Mr. John McCarthy: What the board of Ervia has said is that, as part of the process of delivering on the business plan for Irish Water which, in particular, aims to achieve operational efficiencies worth €1.1 billion, it would prefer to get to a point where the service level agreements are brought to a conclusion earlier than 2025. There is now a process of engagement with the local authorities, unions and Irish Water. The Minister has asked the parties to look at that and come back by Easter. I am basing this on memory. Equally, the Minister has made it clear this is a process through which agreement is to be reached rather than through which something is to be enforced.

Deputy David Cullinane: I understand that, and there obviously has to be negotiation with the trade unions. My point is that the objective is to reduce the workforce by 1,000. That could be done through voluntary redundancies or redeployment. The objective, we are being told, is to save €70 million in taxpayers' money by reducing the workforce. How could we save money if there were a redeployment of staff?

Mr. John McCarthy: When we talk about saving money in that context, we are referring to money in terms of the €1.1 billion in savings to be achieved in Irish Water's business plan. Local authorities are expanding their activities-----

Deputy David Cullinane: I ask Mr. McCarthy to stop there for one second. We encountered this issue in respect of shared services also. We are being told that €70 million less will be spent on staff in Irish Water but if the staff who are to go are deployed elsewhere, there will be no saving to the taxpayer. Therefore, the wool is being pulled over people's eyes again as they are being told money is being saved. We are not saving money; we are moving staff around. There is a "Yes, Minister" effort whereby we are saying we are saving €70 million because there would be 1,000 fewer staff, but if the 1,000 staff were redeployed, we would still be paying for them. They would still be paid in the public service.

Mr. John McCarthy: I will put it this way-----

Deputy David Cullinane: Could Mr. McCarthy put it in a clearer way, if he can?

Mr. John McCarthy: I will certainly do my best. If we were expanding local authority capacity in areas such as housing and did not achieve staff savings in one area we would have to fund the costs in an expanding area. The explanation is that one is, in effect, supporting the achievement of the other. Therefore, there is a net saving versus where we would have to be if we wanted to achieve what we wanted to achieve.

Deputy David Cullinane: Who can give this committee a note on how exactly €70 million will be saved by the redeployment of staff from local authorities or Irish Water?

Mr. John McCarthy: We can certainly get a note from Irish Water in regard to its business plan, the €1.1 billion in savings, what it is comprised of, and how it expects to achieve it. We can certainly provide a note on that.

Deputy David Cullinane: A helpful suggestion came from one of the local authority CEOs to whom I spoke. In any local authority area, there is investment in addition to funding for local government that comes from a myriad of Departments. The Department of Education and Skills, for example, will spend money as part of capital and current expenditure but local authorities are not informed automatically of what funding goes in. They might hear about it in local newspapers or announcements. Why can a process not be put in place so the CEOs in the councils can be directly informed of funding that comes from other State agencies? It would make sense. They could then plan and they would know what is happening in their areas, which is not the case if they are not informed. Could this be examined to improve communications? Very often, one of the arguments we hear is that there is a silo mentality.

The second criticism is that small amounts of money, such as €10,000 for this and €20,000 for that, are made available on a piecemeal basis. All these small sums could be made available as part of a bigger package. There is a sense that there is a culture of breaking up the funding to make many small announcements because it is great for Ministers to be able to make such announcements. Is this an issue that could be examined in light of how grants are administered, and the piecemeal way that grant aid to local authorities is provided?

Mr. John McCarthy: On the first point, we can certainly engage with Departments on the extent to which they are being made aware of investment - not to them but to their area. The Deputy mentioned the example of the Department of Education and Skills. In some cases, particularly Deputy Farrell's area, the local authority and the Department of Education and Skills have been very bound together, certainly in planning for schools. Therefore, there are some good arrangements working in some places. We can certainly consider that with other Departments.

With regard to grant schemes, I can speak only from our own point of view. I do not believe we have made any significant changes to the ways in which we have announced various housing schemes or grants, and there is certainly no intention to do a little bit of this and a little bit of that. We try to get the allocations out to local authorities.

Deputy David Cullinane: One CEO, whose name I will not mention, was very frustrated that announcements are being made by Ministers on housing developments at stage 1, when there is not even any planning permission. It is more about announcements than anything else. It is obviously frustrating. We had a discussion earlier on the communications unit set

up by the Government and the blurring of lines between the Civil Service and politics. There is always a need to separate the two. If there are CEOs who are expressing the concern I have mentioned, albeit privately, it is an issue for them. It is not just an issue for them, but they see it as a problem. I am relaying this to Mr. McCarthy and asking him to examine it. I refer not only to that but also to the piecemeal way in which small grants are made available, especially for rural development schemes. A little money is made available here and there. It is great for a Minister or local Deputy to be able to announce such a grant. We can all be guilty of it. There is a culture in Irish politics that we should reconsider in terms of how we fund local authorities and how we provide them with grant aid.

Mr. John McCarthy: I have just two points on that. I am quite surprised that a local authority chief executive would have a sense of disappointment, or however the Deputy characterised it, over the announcement of stage 1 of a housing scheme. That is the first formal subscription by the Department to a budget for a project. That is very important. It is what gets it moving through the system.

Could the Deputy remind me about the second issue he raised? I wrote it down but cannot read my own handwriting.

Deputy David Cullinane: I was making the point about the grant aid but Mr. McCarthy has answered it already.

Chairman: To conclude the section, I shall ask a few questions as Chairman that were not asked to date, primarily on the transport area.

Deputy Cassells mentioned that people who pay their motor vehicle tax give out if the roads in their areas are not being maintained. This link has always been there in the public mind, especially in rural areas. People who pay their motor tax expect some payback for it in terms of the roads. I want to read a paragraph from Mr. John McCarthy's opening statement in which he indicated:

As the committee is aware, from January 2018, responsibility for motor tax transferred to the Department of Transport, Tourism and Sport, with consequential implications for the local government fund. In particular, motor tax proceeds are now paid directly into the Exchequer rather than into the fund ...

The link people believe is there was firmly broken and discontinued as of 1 January. Since that date, motor tax goes straight into general Exchequer funding. I want to put this on the public record. It is no secret, but it will be a shock to most people because they have always felt that there is a link between their motor tax and the maintenance of roads. Since 1 January last, however, it is part of general taxation and it goes directly to the Exchequer. I know people will say that money can come back in the other direction to make up for it, but the direct link people perceived existed has been broken. That will come as a bit of a surprise but I wanted to say it.

I want to make a few points on the Department of Transport, Tourism and Sport. It pays special grants to local authorities for local roads. I do not want the witnesses to go into too much detail. There is a mechanism for national, primary and secondary routes, but where is funding obtained for a regional road to be improved? If a town wants an inner relief road that is not part of the national plan how does it work through the system? Is it based on submissions from each local authority? What type of ranking system does the Department have nationally? I would like a brief word on this. Do not spend too much time on it because time is running out.

Mr. Ray O’Leary: In the first instance, it is a matter for a local authority to prioritise what projects it has identified that it wants to progress in its area. I must say again I wish we were in a position to fund many more projects than we will be for a while. Essentially, the local authorities will prioritise and we will engage with them. We try to prioritise by having consideration for two or three key issues. One is projects that may be associated with industrial or other investment, perhaps releasing land for employment development. We also look at projects that might be involved in releasing land for wider development. Other projects might have the potential to enhance significantly the amenity of particular urban areas. A number of serious issues will feed into the consideration, and we will also go through a formal appraisal process. Perhaps Mr. Mullaney wants to add something to this.

Mr. Dominic Mullaney: There are two types, namely, specific and strategic. Specific is up to €5 million and strategic is €5 million or more. We are reviewing the documentation at present. As a result of all of the changes in the requirements and the public spending code, we are updating the documentation so that in the next few months if a local authority wishes to apply and prioritise, it will have access to a standard form of documentation which will set out exactly what the process involves. At present, because of the cutbacks, things are being dealt with on a case by case basis, and a certain number have got into the capital plan. We plan to put it on a more structured basis. The only caveat I would say is the amount of money we have available for that programme will be limited as we still have to bring up the steady state moneys.

Chairman: Does the Department have engineering staff to look at this or do the people in TII do that on its behalf?

Mr. Dominic Mullaney: We look at it for regional and local roads.

Chairman: Does the Department have its own engineering staff to go out?

Mr. Dominic Mullaney: We do, yes.

Chairman: My next question is for TII and perhaps the best way to deal with it is to send a note. I know it has centralised maintenance on the major motorway networks. TII states in the briefing notes that there are nine local authorities between Dublin and Cork on the M7 and M8, whereas TII has centralised this into three maintenance contracts outside of the public private partnerships. How does it ensure consistent standards in its level of maintenance? I am speaking about winter on the roads and dealing with snow and adverse weather conditions so there is consistency between the roads covered by TII and roads covered under the public private partnerships. The public does not know when it moves from one to another. How does TII maintain absolute consistency so that drivers do not get a sudden shock?

Mr. Pat Maher: Between the three motorway maintenance contracts, the three regional contracts plus the ten public private partnerships, there is a set of contract requirements. There is a very clear specification in terms of performance. We provide all of the information to these through the ICENET weather information system. This information is available in terms of decision making. Operators are required to collaborate and consult with adjoining operators to ensure there is consistency and we do not have a situation, for example, where one operator goes out and treats and another operator goes out two hours later but there is a gap between what they do. This is a fairly basic principle. This level of co-ordination also exists between adjoining and abutting local authorities and motorway networks. There is a fairly well honed system in terms of ensuring a consistency of approach between all of the different operators.

Chairman: TII might send us a detailed note, especially on how many different contracts are involved in the motorway network. Some of us use the motorways and there has been a marked improvement in recent years regarding maintenance. I am speaking about hedge-cutting, litter, barrier protection, lights and paving. TII probably has a bigger budget than the local authorities had when they were doing it. The quality has improved.

We have not touched on the special report on motor tax of the Comptroller and Auditor General. I have a couple of quick questions. We have all studied it. It is from December 2016 so it is 15 months old. We were getting to it last year and it has moved between Departments. I have a couple of quick questions, and if the witnesses from the Department of Transport, Tourism and Sport do not have the answers they can come back in writing to us. Well over 50% of people were paying motor tax online when the report was written in 2016. Do the witnesses have any idea of the current figure?

Mr. Tim Scully: At the moment it is 74%.

Chairman: That is a big increase. Last year, 74% of people taxed their cars at home at their kitchen table or on their iPad as the case may be, so three quarters of people are doing this. One would expect the Department to have staff savings at front-line cash desks in various local authorities if only one quarter of people go in to do it over the counter. That is fine. Perhaps the Department will send us an up to date chart because I am sure it has one.

The witnesses will probably not have an answer to my second question, but I really want to get one. It is very clear from the report of the Comptroller and Auditor General that the tax on older cars, which is based on engine size, is much heavier. What year did the change based on emissions come into effect?

Mr. Tim Scully: In 2008.

Chairman: The witnesses possibly know off the top of their heads, but I will not stretch it too much, so will they send us the details of the number of vehicles on the road that are pre-2008 and post-2008?

Mr. Tim Scully: I probably have it to hand.

Chairman: Mr. Scully expected to be asked this. Clearly, pre-2008 cars have a bigger engine size and the motor tax is two, three, or four times the amount for newer vehicles, which is based on emissions. It is clear most of the people taxing post-2008 vehicles do it in one fell swoop because it is only a couple of hundred euro per annum, whereas most of the people with bigger, older cars do it on a quarterly basis because it is so expensive. Many people tell me they have old cars and they cannot afford to change them. They call it a poverty tax. They cannot afford new cars and they must pay very high motor tax on their old vehicles. Do the witnesses get the point? It is almost a poverty tax. Those who can afford to get a new car get a reduced car tax because it is based on emissions. I ask the witnesses for an observation on this.

Mr. Tim Scully: I have the figures to hand. At the end of January, there were 865,000 under the old system-----

Chairman: Pre-2008.

Mr. Tim Scully: Yes, and there were 1.22 million post-2008 vehicles.

Chairman: So it is 60% versus 40% or thereabouts. The Department is probably collecting

way more from the 40% than from the 60%. Of course it is. I am sure Mr. Scully has those figures also.

Mr. Tim Scully: I have them here somewhere.

Chairman: Our guests can understand where we are coming from. This is often raised with us. People who drive old cars do not have the wherewithal to replace them.

Mr. Ray O'Leary: The difficulty is that the cost of administration does not reflect the length of time for which the tax is paid. The administration costs are the same if the tax is paid it for three months or 12 months.

Chairman: I will come to the cost of the administration in a moment. I want to address the revenue side of this issue.

Mr. Tim Scully: The committee should bear in mind that these are private, as opposed to commercial, vehicles.

Chairman: This relates to cars.

Mr. Tim Scully: The figure is €519 million. We may round it up to €520 million, versus €333 million.

Chairman: Obviously, the drivers of the 1.22 million post-2008 cars are paying €333 million euro in tax, while the drivers of the 865,000 older cars are paying €520 million in motor tax.

Mr. Seamus McCarthy: That is roughly what we projected.

Chairman: We know where that is heading. We have almost completed our consideration of this. There is a point we would be very remiss not to address. The witness has given us those answers directly and in an upfront fashion, which is great. It will save him the bother of coming back to us. When the report was compiled, the percentage of taxpayers who paid online was 67%. It is now 74% and is moving inexorably upwards.

The next question concerns the cost of processing these payments. We know that there is a penalty of 10% or 13% for paying taxes for a six-month or three-month period. Again, that is a poverty tax. It is a charge on people who cannot afford to pay for an entire year at once. They must pay an extra fee. It has been more than a year since this report. Can the witness give us an estimate of the cost of processing motor vehicle tax online versus the cost of doing it over the counter? I refer to the cost of a single transaction. Whether it is a quarterly or annual payment is neither here nor there. It obviously costs significantly less to do it online.

Mr. Ray O'Leary: It was estimated as part of the Comptroller and Auditor General's report. He commented that it can be challenging to pin down all the costs to local authorities. It was estimated to be roughly €10 per transaction in the motor tax offices and about €5 per transaction when paid via motor tax online. That supports the IT infrastructure, which is critical to the working of the local authority motor tax offices.

Chairman: How much extra does it cost a motorist to pay his or her taxes by the quarter? Let us consider the older and bigger cars. If there is a €10 processing cost per transaction, it probably costs more to pay taxes three or four times a year than it does to settle them once a year. We are informed that 75% of people are paying online and that the cost of the transaction

is €5. Can the witness provide an average figure for the extra expense involved in quarterly payments where one of those old cars is concerned? I am asking for a ballpark figure. I will not hold the witness to this.

Mr. Tim Scully: The cost of a quarterly payment is averaged at 28.25%.

Chairman: What is that as a sum of money?

Mr. Tim Scully: That is a proportion of whatever the annual charge is. If the annual charge is €100 euro, the figure would be €28.50

Chairman: No pre-2008 car is taxed at €100. An amount of €1,000 would be closer to the mark.

Mr. Tim Scully: The figure is 28% of whatever the cost is. If the annual cost is €1,000 euro, the quarterly payment is €280.

Chairman: Not only do we levy a poverty tax from people who cannot afford to change their cars, we are now ripping off the poor. The witness is saying that if he or she is liable to pay €1,000 in tax on an old car, a motorist is charged approximately €280 extra to pay by the quarter. If he or she pays online, the cost per transaction is €5. As such, the actual cost to the Department of processing four quarterly payments is €20 but it charges people up to €280 to pay in that way.

Mr. Tim Scully: I wish to clarify. A quarterly payment represents 28% of the annual cost. However, it would be 25% of the annual cost in any event, that is, a quarter of a year's payment. The margin for paying quarterly instead of annually is only 3%, not 28%. If tax is levied for a quarter, that equates to 25% of a yearly liability of €1,000, or €250. The actual cost of a quarterly payment is 28.25%. The extra expense is a margin of 3.25%, not 28%.

Chairman: I ask the witness to go through that again.

Mr. Tim Scully: If a motorist's tax is €1,000 per annum and he or she pays it by quarter, a quarterly payment would be €1,000 divided by four. That is €250. We charge €280. Instead of charging 25% for a quarter, we are charging 28%.

Chairman: How much extra is the Department charging on €250 per quarter?

Mr. Tim Scully: A sum of €35.

Chairman: Mr. Scully has just told me that it only costs €5 to process the transaction online, but the Department is charging €35. This is the point at which I am getting. If a person whose tax is €1,000 can pay in one instalment, it is €1,000. If he or she has to pay it four times per annum-----

Mr. Seamus McCarthy: That amounts to an extra €120.

Chairman: -----he or she pays an extra €120 because he or she cannot afford to do it upfront and cannot afford a new car. Mr. Scully has just told me that 75% of people pay online, for which the administrative cost per transaction is €5. If a person pays online four times a year, the cost to the Department in administrative terms is €20. However, people are being charged €120. It is a rip-off of the poor. I am not blaming Mr. Scully, but this system will change. That is a gross rip-off of people with old cars, the tax for which is very expensive. The cost of pro-

cessing the transaction is minimal, and the Department charges a person who cannot afford to make a single annual payment, and so pays by the quarter, €120 in processing fees. The actual cost to the Department when a person makes four online transactions in four quarters is €20. That is a rip-off. That is the last word. I will finish on that. I hope those present follow what I am saying. This jumped out to me when I read the report a year ago.

Deputy Alan Farrell: It would be very helpful if the Department could provide us with a fairly detailed list.

Chairman: I ask the witnesses to provide a table.

Deputy Alan Farrell: I understand exactly what the Chairman is saying and I agree with him. The design of the system is inherently discriminatory because of the disparity between the prices of motor taxation for old and new cars. Of course the disparity would get worse and worse the older the cars are. I would like to see the numbers. How many cars are on the road? I am told the figure is 2 million.

Chairman: Some 865,000 of those are old.

Deputy Alan Farrell: I would like to know how old those cars are.

Chairman: They are pre-2008 cars.

Deputy Alan Farrell: I know that. I refer to the specific year of manufacture. How far back are we going? Should we introduce a scrappage scheme? If there are a lot of cars that are 15 or 20 years old, which might, but only barely, pass the national car test, NCT, road safety and environmental issues present themselves. The point the Chairman is making is that if we can help people to replace those cars with vehicles dating from 2009 or mid-2008 onward, it may be beneficial to all of us.

Chairman: I will ask our guests to prepare that note. I am absolutely confident that all the information is available in the Department. I tabled parliamentary questions on this matter last year when I saw the report last year. I sought information on the age of cars and the Department had it. I ask that our guests provide an update to the committee as opposed to me, Deputy Sean Fleming. The Department knows the age of cars on the road. I also ask for a table of the taxes levied on cars with different engine capacities, from models of 1,000 cc up to old bangers with 3,000 cc.

Mr. Tim Scully: Would the committee like the information on engine capacity organised by year?

Chairman: No, that would phenomenally complicated. I request the age profile of the cars on the road on one sheet of paper. On a separate sheet of paper, I would like a chart showing what it costs a person to tax the old cars that were 1,000 cc, 1,100 cc and so on, on a single transaction basis, a six-monthly basis or four transactions per year. This should also list the extra costs motorists have to pay on top of their motor tax for the year. It is now on record that the cost of processing these payments online is approximately €5 per transaction. We will help the Department to be fair to motorists. That is one of the advantages of coming before the Committee for Public Accounts. This unfairness stood out when I saw the report, quite apart from the financial issue. I was waiting until we got to the end of the meeting because we did not have time to discuss it. I think everyone understands where we are.

VOTE 34: HOUSING, PLANNING, COMMUNITY AND LOCAL GOVERNMENT

At this stage we will bring this substantial section of the meeting to a conclusion. I thank witnesses from the Department of Transport, Tourism and Sport and Transport Infrastructure Ireland witnesses for being. They are free to leave. For the record, we are not formally noting the accounts for anyone at the moment, but that is not an issue because we will be producing an interim report and will note all of them in a block some day down the road. We have a procedure for doing so.

The witnesses withdrew.

Sitting suspended at 4.11 p.m. and resumed at 4.18 p.m.

Vote 34: Housing, Planning, Community and Local Government

Mr. John McCarthy (*Secretary General, Department of Housing, Planning and Local Government*) called and examined.

Chairman: We are dealing with Vote 34 - Department of Housing, Planning, Community and Local Government. We are again joined by Mr. John McCarthy, Secretary General, and officials from his Department, namely, Ms Maria Graham, Ms Mary Hurley, Mr. David Walsh, Mr. Maurice Coughlan, Ms Nina Murray, Ms Theresa Donohue, Ms Janet Jacobs. We are joined from the Department of Public Expenditure and Reform by Ms Patricia Coleman.

Because of the late hour and that the opening statements submitted by the Comptroller and Auditor General and Mr. McCarthy have been circulated, we will take them as read, note and publish them. We will proceed to the first speaker, Deputy Alan Farrell who will be followed by Deputies Peter Burke, Jonathan O'Brien and Catherine Murphy in that order.

Deputy Alan Farrell: I thank the witnesses for providing their opening statements in advance. I thank Mr. Seamus McCarthy and his team for the clear audit and Mr. John McCarthy for the work his Department has done in ensuring its books will pass muster. I note with thanks the work of the Department and the local authorities during the recent eventful weather event. Their efforts were most appreciated.

In the light of the clear audit, I have only a few questions to ask. Will the Comptroller and Auditor General elaborate on his comment that the usefulness of the programme analysis was compromised by the existence of and separate accounting for the local government fund. The issue arises from the multiple sources of funding and accounts maintained. I have no idea to what the Comptroller and Auditor General was referring when he noted a consolidation account in the Department of Employment Affairs and Social Protection. Will he provide some more detail on that point?

Mr. Seamus McCarthy: The suggestion I was making was that because the local government fund was so big, relative to the Vote, looking at effectively the business of the Department through the lens of the Vote and the programmes in it would not give one a true reflection. In discussions with the Accounting Officer since I prepared my opening statement the way in which the Vote will appear from 2018 will be different and more meaningful. The funding for Irish Water, for example, will go through the Vote. In the future the programme analysis will be more meaningful. If I had read my opening statement, I would not have read that point. Perhaps the Accounting Officer might like to add to it.

Mr. Kevin McCarthy: The Deputy will see a reflection of it in the briefing paper we provided before the meeting. The overall figures for the Vote in 2016, 2017 and 2018 are shown on page 4. The Deputy will see that the gross amount increased from €1.399 billion in 2016 to €3.263 billion in 2018. Obviously, some of the increase reflects a significant increase in funding for housing. However, a big chunk of it reflects the fact that funding that would have gone through the local government fund is now coming through the Vote. Therefore, it presents a more complete picture in the Vote.

Deputy Alan Farrell: That is appreciated. The Comptroller and Auditor General has alluded to the fact that we will have one more year-----

Mr. Seamus McCarthy: It will reflect the fact that changes have been made. I will not labour any such point.

Deputy Alan Farrell: I appreciate that the Comptroller and Auditor General would not have read the point if he had read his opening statement beforehand.

Mr. Seamus McCarthy: The point I was making about social protection was that the Votes for social protection and the Social Insurance Fund both dealt with the same type of problem, that is, income support. In order to get a comprehensive view, one has to put the two together to get a view of the supports for people of working age, those in retirement and so on.

Deputy Alan Farrell: I will spend a little time discussing the Mahon tribunal which features under the heading of audit. I was surprised to see that it was still current, given that the tribunal's report had been published in 2012. I would have expected the tribunal to have been concluded in 2013 or 2014, yet it appeared in the 2015 Appropriation Accounts. Expenditure amounted to €120 million and a ballpark figure of €40 million for additional undetermined expenditure is provided. What is that about?

Mr. John McCarthy: The Deputy is absolutely right. It is three or four years since the final report was published - my apologies, it was published on 31 July 2013 - and 21 years since the tribunal was established. To update the Deputy on the figures, at this stage we have spent just over €131 million on the tribunal. The big outstanding piece at this stage is the claims for third party costs. Arising from the tribunal, there are 319 claims, if one likes, for third party costs, of which 245 have been dealt with. They are managed by the State Claims Agency on our behalf. There are, therefore, 74 live files.

Deputy Alan Farrell: Are they particularly complex?

Mr. John McCarthy: Much of it is down to when the actual claim was submitted. Through the process, we are trying to ensure that, as far as possible, outstanding claims will be submitted as quickly as possible in order that we can dispose of them. There are 74 live files, within which there are 35 in hand within the State Claims Agency.

Deputy Alan Farrell: Does the figure provided reflect the total amount requested in the outstanding claims?

Mr. John McCarthy: The sum of €9.2 million is what has been requested on foot of the 35 claims, but the expectation is that they will be settled for about €8 million. The estimate from the State Claims Agency is that for the remaining claims that have yet to be submitted, one is probably talking about a similar figure. There is, therefore, a figure of another of €16 million in total for third party claims. In overall terms, the updated estimate from the tribunal as of last

month is that the overall cost will be about €149.5 million. Previously, the tribunal estimated that the figure might be as much as €159 million, but the experience of the State Claims Agency is that it has managed to secure significant reductions between the third party costs claimed and for what it has settled them.

Deputy Alan Farrell: The longer the process goes on, the more likely it is that a law firm or barrister will settle, as I know.

Mr. John McCarthy: On the figure of €52.3 million for costs claimed that the State Claims Agency has finalised, it settled them for €22.5 million, which represented a significant reduction.

Deputy Alan Farrell: Was there any particular reason? The Accounting Officer stated it was dependent on when bills were presented. Surely a cut-off date should have been applied. We cannot keep funding this process, given that the report was published six years ago.

Mr. John McCarthy: We explored this issue previously and it seems that legally we do not have a strong hand to bring a curtain down on it. However, the indications from the tribunal are that it expects all of the outstanding claims to have been submitted and resolved by the end of next year. That should be the back of it.

Deputy Alan Farrell: Has the administrative and secretariat side of the Mahon tribunal been completely disbanded or is it still in operation?

Mr. John McCarthy: There is a very reduced operation in place.

Deputy Alan Farrell: Is there still a payroll cost to the Exchequer arising from it?

Mr. John McCarthy: Yes. There are papers that need to be dealt with in winding up the tribunal. However, it is obviously much reduced on what it was.

Deputy Alan Farrell: Flowing from the Mahon tribunal and its findings was a recommendation that an office of planning regulator be established. Unfortunately, the recommendation has not been implemented. In 2016 a budget was provided for the new office, but it remains unexpended. The relevant legislation has been delayed repeatedly and is before the Seanad. I appreciate the Department's involvement in a range of areas in recent years, whether housing, water services or dealing with planning issues such as lapsed planning applications and applications for planning extensions, which has probably taken up its time in terms of dealing with the legislative process. However, given that the Mahon report was published in 2012, although it only became formally available in 2013, it is disappointing that a planning regulator has still not been appointed. I say this as a Deputy who has supported the Government since 2011. The findings of the tribunal relate primarily to matters in my constituency and former politicians in it. As such, the need to get planning processes right is close to my heart. This issue is worthy of attention. Chairman, given the amount of money this State has had to pay, I wanted to highlight the inappropriate bribery and-or whatever else one wants to call it back in the day by very prominent local and national politicians. I still cannot believe that we are so many years post-fact and still we do not have a planning regulator in place.

Thanks to the work of the Department there is not a huge amount of surprising elements in this part of the Vote other than the Department's failure to expend part of its voluntary and co-operative housing budget, which I understand was €53.3 million in the budgetary year of 2016. The situation was not quite as bad then as it is now, in terms of housing demand, but it was still

very bad in an historic sense. Why did the Department not expend the money?

Mr. John McCarthy: In 2016, we were really in a state of trying to crank up the public housing programme. We encountered some successes in some areas and some slowness in others. We, in a conscious way, tried to operate that whatever the total funding that was available to us for housing would be expended. We tried to fire the fuel into all of the engines and get them all up and running so that in some places, where there was a slower than expected response, we had other parts of the housing programme where we were able to deliver. In overall terms, yes, some elements of it were slower to get back up and running but we accelerated in other areas to ensure that we were able to move money and get the product, in terms of critically important housing, delivered in overall terms.

Deputy Alan Farrell: The sum is €53.3 million. That is a lot of money not to have spent.

Mr. John McCarthy: It is. In those cases, it was-----

Deputy Alan Farrell: Can the Secretary General explain, even if he has to break it down into individual subheads or programmes, how the Department did not expend, or how the voluntary and co-operative housing agencies did not spend over €50 million that was given to them for housing purposes?

Mr. John McCarthy: In that case, it was one programme in particular - the voluntary housing programme - where the bodies concerned, in terms of them scaling up their capacity. I mean we-----

Deputy Alan Farrell: Was the ability to deliver overestimated on the part of those agencies? Did a problem delay delivery? Was housing delivered in February 2017, for instance?

Mr. John McCarthy: I would say we were probably talking about, maybe, over-optimism about-----

Deputy Alan Farrell: The capacity.

Mr. John McCarthy: -----the steepness of the curve in terms of coming out of it. We were very conscious of that. We made sure that we did deliver through other programmes that would compensate for it so that in overall terms the product that we needed to get, in terms of important housing delivery, was delivered overall.

Deputy Alan Farrell: Perhaps the Secretary General can provide me with information on the capital assistance schemes that have been specifically referenced in subhead A.4. I do not mean right now. I would like a breakdown of the figures and the Secretary General can supply that information to the Clerk of the Committee in writing. This is the first opportunity that the Committee of Public Accounts has had to assess the capacity of the Department and its agencies to deliver on housing because this matter was really not applicable in 2015 to the same extent. I would like to know the details. Such information would help all of the Members of the Oireachtas to determine the capacity of the Department, the local authorities and, in this particular instance, the voluntary and co-operative housing sector.

I wish to raise another matter.

Chairman: Can I clarify a matter?

Deputy Alan Farrell: Yes.

Chairman: The Secretary General has used the term “capital assistance scheme”. People here who work in the system will understand the term but I ask him to explain what it means for the benefit of the viewers and the public.

Mr. John McCarthy: The capital assistance scheme, in effect, is a line of funding made available to approved housing bodies for the delivery of social housing. It very much focuses on special needs social housing so it is for people with a disability, the homeless or older people.

Chairman: I thank the Secretary General. Deputy Farrell, I am sorry for the interruption.

Deputy Alan Farrell: It was no problem. I probably should have made that point. On page 29 of the report there is an extraordinarily large High Court judgment in respect of a land swap arrangement for €2.51 million. Can the Secretary General give me some information on the matter?

Mr. John McCarthy: Yes. That was the subject of a previous report by the Comptroller and Auditor General going back to 2014, I think, if my memory serves me right. It dated back, and I am speaking from memory now, to a land swap that was undertaken in the mid-2000s whereby a public site in Harcourt Terrace, rather than being sold and the money used to deliver affordable housing, was swapped for discounts on housing which made them affordable. There were problems, ultimately, with the vacation of the site. The counter party to the transaction took legal proceedings and there was a judgment against the State.

Mr. Seamus McCarthy: The total figure, speaking from memory, was of the order of €35 million but it was shared by the OPW and the Department. We can get the Deputy a copy of the report which gives the details of it.

Deputy Alan Farrell: Please. That was prior to my time on the Committee of Public Accounts.

Mr. Seamus McCarthy: Yes.

Deputy Alan Farrell: I am only a recent addition, in 2016.

Finally, I wish to re-emphasise what I said at the start. The Department has done extraordinary work over the past week or so and has my sincere thanks.

Chairman: Deputy Peter Burke is next.

Deputy Peter Burke: I wish to reiterate the remarks made by Deputy Farrell. I thank the Department for the heroic efforts of its staff over the past week. Today has been a very long day for witnesses and I thank them for their patience.

I shall focus on the mortgage-to-rent scheme and will break it down into two sections. First, I will deal with the local authority sector. I think a pilot scheme was conducted by the local authorities in Dublin and Westmeath. I ask the Secretary General to outline the logistics of the scheme.

Mr. John McCarthy: The local authority mortgage-to-rent scheme was, indeed, piloted in Westmeath and Dublin city a number of years ago and then extended to all other local authorities. A bit like the mortgage-to-rent scheme for private mortgage holders, the scheme was targeted at people who are clearly in an unsustainable mortgage situation. In effect, what happens with the local authority mortgage-to-rent one is that the local authority takes ownership

of the house and the household becomes a social housing tenant of the local authority. In the private mortgage-to-rent scheme, an approved housing body takes ownership of the house and the household remains on in the house and becomes a tenant of the approved housing body.

Deputy Peter Burke: Let us say a mortgage is worth €130,000 but the market value of the house is just €65,000 so €65,000 of debt must be crystallised. There is a fund called the mortgage arrears resolution process or MARP. A premium is put on the interest rate of local authority mortgages to finance such crystallisation through the Housing Finance Agency, HFA. What is the premium on the interest rates started when the mortgage-to-rent scheme started? How much money remains in the MARP fund?

Mr. John McCarthy: I think the premium is still 0.5%. I do not think I have information on what is actually in the fund but I can come back to the Deputy with the information.

Deputy Peter Burke: In terms of trying to keep homeowners in their homes, are there many suitable mortgage-to-rent clients left in the local authority system?

Mr. John McCarthy: From that point of view, if one wants to look at the local authority mortgage arrears situation, one will be looking at the proportion of the local authority mortgage holders who are in significant arrears. At the end of 2017 there were a total of just under 16,000 local authority mortgages and 3,807 of those were in arrears of over 90 days. That is approximately 24%. That is down from almost 30% at the start of 2015. While the profile has improved there still is a significant proportion of local authority mortgage holders in the more than 90 days arrears category. I am not saying that all of those will be ultimately in unsustainable situations. Clearly, according as household circumstances change and improve that will have an impact, but there certainly is a cohort of people within the 3,800 who are likely to end up in a mortgage-to-rent type situation.

Deputy Peter Burke: What is the variable interest rate for local authority mortgages at present?

Mr. John McCarthy: It is 2.3%.

Deputy Peter Burke: In terms of reductions that were implemented through the Central Bank, if interest rates were to increase, for argument's sake, how would that affect local authority interest rates with regard to tenants not having the reductions passed on through this increase or premium that is put on them?

Mr. John McCarthy: Generally, when the HFA, working through the NTMA, has secured new borrowings or refinanced borrowings those reductions have been passed on to mortgage holders. The 2.3% is incredibly competitive versus what is available on the market. However, if the interest rate environment were to change, it is likely that according as the cost of funds to the HFA increases, that cost will probably have to be passed on to customers.

Deputy Peter Burke: In how many cases per year would the local authority be processing a mortgage-to-rent?

Mr. John McCarthy: I will give the figures for the total number of local authority mortgage-to-rent cases at this stage. It started in 2013, when it was being piloted, and there were 18 cases concluded. At then end of 2017 there were 370, so over the last four years it is an average of between 80 and 90 per annum.

Deputy Peter Burke: If we box that off, that is how the process works in the local authority system. It is the State's housing stock. One can see the clear process of how it is funded and how the target is to keep people in their homes. Let us move to the private sector and people who have mortgages from financial institutions. I believe there are 12 participating lenders through seven approved housing bodies. Can the witness talk about how the mortgage-to-rent system is working? On average, how many applications are processed per annum?

Mr. John McCarthy: We undertook a review of the private mortgage-to-rent scheme in early 2017. There were a few elements in that. One was to try to expand its coverage and try to assist more households. The other was to try to make the process work more speedily.

Deputy Peter Burke: Does Mr. McCarthy accept it is not working?

Mr. John McCarthy: I believe it is working better than it was. We probably have yet to see some of the streamlining arrangements that were put in place in 2017, but certainly the timescale from start to finish for the completion of a transaction has come down over that period of time. However, there is still an element of that which needs to work through.

Deputy Peter Burke: What about numbers?

Mr. John McCarthy: In terms of the private mortgage-to-rent I could not find the number of transactions completed earlier, but I have it now. At this stage there are 308 cases completed.

Deputy Peter Burke: Is that since its inception?

Mr. John McCarthy: Yes.

Deputy Peter Burke: That is absolutely incredible in terms of the failure of the system. PTSB issued a statement which I believe was its second statement following its intention to package loans. It stated in the last paragraph that, potentially, there are 1,000 customers who may be suitable for the mortgage-to-rent process. One can assume that those are unsustainable mortgages, yet Mr. McCarthy says such a paltry number have been passed since its inception. There is something seriously wrong here. We have not even moved on to the other banks yet in terms of mortgages that may be unsustainable and the huge ambition of trying to keep homeowners in their homes and to facilitate them in that process. I am trying to figure out why this scheme is not working. There is a massive failure here. Why is it not working?

Mr. John McCarthy: If the Deputy looks at the statistics up to the end of 2017, there were 3,800 cases submitted under the scheme. Of those, just over 2,900 were either ineligible or they terminated during the process.

Deputy Peter Burke: With regard to ineligible, is that because they are outside the parameters in terms of income limits and the value of their property, be it in Dublin or outside Dublin?

Mr. John McCarthy: Exactly.

Deputy Peter Burke: Who would put the cases forward if they did not meet the conditions of the scheme?

Mr. John McCarthy: In some cases the banks would have put them forward.

Deputy Peter Burke: Do the banks not know this?

Mr. John McCarthy: They should. Given some of the changes we made early in 2017 in

the eligibility requirements, we probably addressed some of the issues there in respect of both the value of property that can come into it and the extent to which people may be over-accommodated. As time goes by, we should see that-----

Deputy Peter Burke: Can Mr. McCarthy talk through the precise process, step-by-step, for a private lender and an individual who has a mortgage with the lender when they wish to go through the mortgage-to-rent process? We have discussed how it works in the local authority sector. Logistically, how does it work in the private sector, step-by-step?

Mr. John McCarthy: I will ask my colleague, Ms Nina Murray, to outline the process.

Ms Nina Murray: The mortgage-to-rent scheme is available to those who have been deemed by the lender through the mortgage resolution process to have an unsustainable mortgage. There is a series of interventions and forbearance measures before somebody would reach a situation where he or she is having a discussion about handing over his or her home.

Deputy Peter Burke: It is established that it is an unsustainable mortgage. It is a hugely stressful process for a homeowner to go through in terms of realising that he or she might have to give up the home and rent it afterwards. That is massive in itself for a family. However, let us say somebody comes to that conclusion and wishes to enter this process. Where does the person go from there?

Ms Nina Murray: The person engages with the lender. Together, they put an application together for mortgage-to-rent and the Housing Agency administers-----

Deputy Peter Burke: To whom do they submit the application?

Ms Nina Murray: Between the lender and the borrower, they will need to be assessed for social housing. They will have to engage with the local authority in the first instance. If the person is eligible for social housing he or she can proceed to mortgage-to-rent.

Deputy Peter Burke: I am sorry for interrupting, but let us assume that the criteria for social housing are met. To whom is the application submitted?

Ms Nina Murray: The Housing Agency.

Deputy Peter Burke: Is that an approved housing agency or-----?

Mr. John McCarthy: The Housing Agency operates under our Department.

Deputy Peter Burke: The application is submitted to the agency. What happens then?

Ms Nina Murray: If the applicant meets the criteria in terms of the valuation of the property, the applicant has been deemed by the lender to be in unsustainable mortgage arrears and the applicant has met social housing criteria, it is then made available to approved housing bodies to purchase. A number of approved housing bodies are engaged with the scheme.

Deputy Peter Burke: It is seven.

Ms Nina Murray: That is correct. The housing body will make an offer on the property to the lender.

Deputy Peter Burke: Let us stop there and refer to the crystallisation process for the debt that is in this mortgage account. We were speaking earlier about the local authorities and I re-

ferred to €130,000 where the house is worth €65,000 so there is €65,000 to be crystallised. The Department has a budget for that. Is that correct, or where does it go?

Ms Nina Murray: The matter of the underlying debt is between the borrower and the lender.

Deputy Peter Burke: The Department does not offer anything to that. The lender takes that write down.

Ms Nina Murray: We support the approved housing body to acquire the property from the lender once it has been voluntarily surrendered by the borrower.

Deputy Peter Burke: Will Ms Murray repeat that?

Ms Nina Murray: We support the approved housing body to purchase the property from a lender once it has been voluntarily surrendered by the borrower.

Deputy Peter Burke: In theory, the Department is relying on these seven agencies for the success of the scheme.

Ms Nina Murray: We are there to support the approved housing bodies to operate the scheme, which we do through financial assistance, and the Housing Agency is there to administer the scheme, etc.

Deputy Peter Burke: Where is the problem then, if the cases are so small? Something definitely does not make sense here.

Chairman: I have raised this issue by way of parliamentary question and received zero answer on it. The issue is as follows and it relates to the current mortgage-to-rent scheme. A pilot scheme was being looked at after the last mortgage-to-rent scheme was up and running. At the end of the pilot scheme, they will do a handful and in another year they might roll out some more. Ms Murray has answered the question. She said the matter is between the lender and the homeowner. The lenders still reserve the right to come after the renter for the negative equity. That has never been stated by the Department. The Department always says it is not matter for the Department. It is between the lender and the borrower and the Department does not interfere with that. If one looks at the agreements as I have, they reserve the right to contact the renter who has given up the title to the house at any stage in the future to discuss that matter. Officialdom is blind to that as it is not a matter for them; it is between the borrower and the lender. That has put a lot of people off. Under the new arrangements and the pilot scheme being looked at now, I understand the new companies coming into this field have agreed not to pursue the negative equity and to make it absolutely clear when they do the deal with the voluntary approved housing body that it is the end of the matter. Those companies will take the write-down whereas previously lenders were not giving that absolute commitment. I have encountered those cases. It might not be the answer for it all, but it is certainly an answer for some of them.

Deputy Peter Burke: It is a part of it but in terms of the approved housing bodies - the seven agencies - are they operating efficiently in relation to their component of the transaction?

Ms Nina Murray: They are purchasing individual units on a single acquisition transaction basis which, in itself, is cumbersome. There are a lot of conveyancing issues, there is a borrower, a lender and a purchaser. We are all agreed and the February review to which the

Secretary General referred was about building scale in mortgage-to-rent. Part of that is bilateral agreements and discussions approved housing bodies have with lenders to make the process more efficient. Certainly, there are upwards of 300 families who have remained in their homes and are now the tenants of approved housing bodies.

Deputy Peter Burke: I accept that fully but it is not a ringing endorsement of the seven approved housing agencies. Is it fair to say that?

Mr. John McCarthy: When one looks at the numbers that are either ineligible or opted out during the process, they account for the lion's share of the 3,857. One of the issues that arose prior to the review we completed early last year was whether all banks were really engaging with it. One of the requirements we introduced was that if a bank is not putting its mortgage holder towards the scheme, it must set out in writing why that is the case.

Deputy Peter Burke: Can Mr. McCarthy repeat that?

Mr. John McCarthy: One of the issues raised with us when we were doing the review was that it was very much left to the bank to decide whether it put a particular client in the direction of the mortgage-to-rent scheme. Where it chose not to do so, no one really knew why. One of the requirements we have introduced is that where a bank is not going to put a client towards the mortgage-to-rent scheme, it must set out in writing why that is the case.

Deputy Peter Burke: Who deals directly with the approved housing body on the application to finalise that end of the transaction?

Ms Nina Murray: The Housing Agency administers the scheme. It tracks the process once an application has been received and there have been ongoing relationships with those bodies to ensure those things tick along.

Deputy Peter Burke: Is there any concern about the locations of properties or the stock the housing bodies take on? Can they refuse an application in theory if they feel the property may be unsuitable for them in the future?

Ms Nina Murray: There is no obligation on an approved housing body to take any unit. They are purchasing it and that is the subject of a business decision. We have built into the finance we provide to approved housing bodies lots of support for them and they have been building capacity for the last number of years. The supports are there.

Deputy Peter Burke: What has changed that will lead to an improvement in the figures?

Mr. John McCarthy: There are two things. One is that we still have to see some of the benefit of the new arrangements that were introduced post February 2017. Ms Murray mentioned that it is operating on a transaction by transaction basis. There are some private finance entities which have expressed an interest in coming into this at scale where the property would remain in private ownership - by private I mean the finance house - and be leased back to the local authority. There is a market testing and expressions of interest exercise taking place at the moment on that. If it yields an outcome, that could see a real step up in scale as one would then be dealing with a small number of finance houses that would take on a chunk of potentially eligible mortgage-to-rent properties.

Deputy Peter Burke: Mr. McCarthy is talking about a private investor entering the market on a major scale. The State would rent the property from the investor. Is that it?

Mr. John McCarthy: Exactly. The local authority would rent it.

Deputy Peter Burke: For how long?

Mr. John McCarthy: It would be for a minimum of 20 years.

Deputy Peter Burke: Would that have implications for the State's balance sheet?

Mr. John McCarthy: No. It is our enhanced leasing scheme. It would be funded-----

Deputy Peter Burke: What about maintenance and all of that?

Mr. John McCarthy: We have the funding in our Vote to support the delivery of leasing units. We would just apply the funding to support the implementation of that.

Deputy Peter Burke: How far advanced is that?

Mr. John McCarthy: The closing date for expressions of interest was at the end of January and I think the Housing Agency is looking at those at the moment.

Deputy Peter Burke: As to scale, are we talking about massive private investors?

Ms Nina Murray: We took advice from the National Development Finance Agency in preparation for the expressions of interest. The agency indicated that there is a lot of interest from private equity. As such, we are expecting positive feedback to achieve the kind of scale.

Chairman: If somebody wants to do 1,000 units, is that feasible under the pilot scheme or is there a limit to the number of houses being considered initially?

Ms Nina Murray: We are looking at potentially putting an upper limit on it for 2018 but-----

Chairman: What figure, approximately?

Ms Nina Murray: We were looking at potentially 500 in 2018, but it will ultimately depend on the interest that comes in from the market. We are open to doing more than that in 2018 and certainly to making commitments well in excess of that into future years.

Deputy Peter Burke: From private finance?

Ms Nina Murray: Yes.

Deputy Peter Burke: Can the witnesses go through the staged process a local authority housing scheme must go through to get final approval from the Department? If one starts with a greenfield site, what stages does it have to through? I am not talking about massive scale. If there are ten houses, what path does that take through the Department?

Mr. John McCarthy: Under the capital works management framework, there are nine stages technically which apply to capital projects and these have been sweated down to four. The four stages are: an initial capital appraisal to set out some fairly basic information and establish if it makes sense; the design stage; the tender stage, and the tender approval. We have done a lot of work on this with local authorities over the recent past and put a targeted arrangement in place whereby a timeline is set for each stage of a project as to what the local authority and the Department have to do, respectively, to satisfy the requirements of the capital works management framework.

Deputy Peter Burke: How long on average should it take to go through the four stages?

Mr. John McCarthy: Under the targeted arrangement, from initial conception to a contractor going on site takes 59 weeks.

Deputy Peter Burke: Fifty-nine weeks.

Mr. John McCarthy: Yes.

Deputy Peter Burke: Is that a guideline?

Mr. John McCarthy: That is the target to which we are working for projects.

Deputy Peter Burke: So the Department is now working to 59 weeks. What was the average turnaround during the past two years or beyond that?

Mr. John McCarthy: It would have varied quite widely. Some of the rapid build projects we have put in place have been much shorter than that while some of the more significant capital-intensive projects may have taken longer. We are going to track things against the 59-week period, which has only recently been put in place, to be able to target that. It is important to note that during that 59-week period, the project is only with the Department - in terms of its work - for 15 weeks. Sometimes one hears commentary about the four-stage approval process as if the process is in some way slowing the thing down. In reality, within that 59-week period, a project will need to be designed and go through planning and the actual tender process. If we had no four-stage approval process, it would only take 15 weeks out of those 59 weeks because that is the time the Department is allowed to complete its work.

Deputy Peter Burke: I know Mr. McCarthy said the Department had changed to a four-stage process. While I am someone who would not compromise on quality of work, value for money etc., I also am conscious that we pay directors of services and county managers in this country very well. They are paid to take responsibility. I am concerned about what I hear anecdotally from talking to and meeting people that some people still seem to be frustrated at the pace. If we are talking about ten houses in a small scheme in a local authority that has the staff and knows what needs to be done, there is frustration that questions are going back and forth, someone is on holidays and things get delayed repeatedly.

Mr. John McCarthy: One hears it from both sides. I am not saying we are always right because we are not. That is the reality. This is why we have put the targeted timelines in place and monitor them. As we also have a single-stage process for projects of up to €2 million, it is one stage for those smaller schemes and it is a case of “on you go” after that.

Deputy Jonathan O’Brien: I welcome the officials. This is my first Committee of Public Accounts meeting and I wish it was my last.

Mr. John McCarthy: I will not say I share the Deputy’s view.

Deputy Jonathan O’Brien: I do not think I will be that lucky so I might have to apply to be leader of the party next year so I can vacate it. Page 16 of the submission concerns the housing programme. I wish to discuss some of the housing supports that are provided such as HAP and RAS. I do not have the figure relating to HAP because it is all combined into local authority housing. I know there was an additional €10 million in 2016. Do we have an overall figure for what we are currently spending on HAP?

Mr. John McCarthy: The HAP scheme was piloted in 2014 and has been rolled out progressively over the past few years. It has been available in all local authorities since 1 March 2017 so it has been in operation nationally for one year. As the cost has increased in parallel with that phased roll-out, in 2016, the outturn for HAP was €57.7 million while in 2017, it was just under €153 million.

Deputy Jonathan O'Brien: Obviously with HAP, the inspection of a property must take place within nine months. Is that correct?

Mr. John McCarthy: Under the legislation, if a property has not been inspected within the previous 12 months, it must be inspected within the following eight months. We are engaged in a process with the shared services centre in Limerick, which provides the back office support for all local authorities with regard to HAP, to get better data with regard to this issue because some local authorities had pre-existing IT systems that recorded private rental inspections and we need to do a matching exercise between those records and what is on the HAP system to be able to better understand the extent to which-----

Deputy Jonathan O'Brien: Is it fair to say we not have a figure for HAP properties that would comply with the legislation in terms of an inspection within the first nine months?

Mr. John McCarthy: Not a complete figure at this stage-----

Deputy Jonathan O'Brien: Does anyone have that figure? Do the local authorities have those figures?

Mr. John McCarthy: It is probably on two different systems. The exercise we are trying to do at the moment is to match those in order that we can get the full picture. We were discussing it a number of weeks ago.

Deputy Jonathan O'Brien: This is the problem I have with it. Based on my experience as a Deputy, the number of properties that are not inspected is significant. Last year, we paid €153 million to landlords, many of whom provide substandard accommodation. Examples include no heating, damp and windows that do not open in clear breach of safety regulations and legislation. Is the Department comfortable knowing that we are giving public moneys to rogue landlords who do not comply with the law and who are putting citizens' lives at risk?

Mr. John McCarthy: Part of the reason we are trying to pull together those two different data sets is because we are not comfortable. We want to make sure the requirements relating to inspections-----

Deputy Jonathan O'Brien: Should the Department not have done that before we decided to spend an extra €100 million on HAP this year?

Mr. John McCarthy: Perhaps. We take a certain amount of comfort from the fact that in overall terms, I do not have the 2017 figure, the figure for inspections in 2016 was just over 19,000.

Deputy Jonathan O'Brien: What percentage?

Mr. John McCarthy: Of the private rented tenancies, it is about 300,000. Under the strategy for the rental sector-----

Deputy Jonathan O'Brien: So it is a small percentage.

Mr. John McCarthy: Under the strategy for the rental sector, we have set a target that by 2021, 25% of private rental properties will be inspected each year so that, in effect, every property should on average be inspected once every four years.

Deputy Jonathan O'Brien: If a property is inspected and fails the inspection, what is the next step in the process?

Mr. John McCarthy: It depends on the nature of the failing. If it is fairly minor, there is an opportunity for it to be addressed. If it involved a notice that reflected the fact that it simply was not fit and needed to be vacated, it would have to be vacated immediately.

Deputy Jonathan O'Brien: Are there guidelines around the make-up of households for HAP? I can give an example of a single mother with three children living in a one-bedroom flat who is in receipt of HAP.

Mr. John McCarthy: The tenancy under HAP is arranged between the household and the landlord but, generally, the local authority would seek to ensure that the property is suitable for the family's needs.

Deputy Jonathan O'Brien: As the Accounting Officer, would Mr. McCarthy be comfortable knowing that public moneys are being given to a private landlord who was providing a one-bedroom apartment to a single mother and three children?

Mr. John McCarthy: If I was aware of such a case, I would ask the local authority to look into that.

Deputy Jonathan O'Brien: This is the issue. As I said, it is my first meeting as a member of this committee and I am still trying to find my feet as to the types of questions we can ask. It was my understanding that the Committee of Public Accounts looks at public money, how it is spent, whether we are getting value for money, controls, processes and accountability and does not really deal with policy issues. We clearly have a breakdown in policy here, however, which is impacting the controls that are being put in place. As a member of this committee and a Member of the Oireachtas, I am not comfortable with the fact that public money, amounting to €153 million, was paid to landlords in 2017 and we do not know how many of those landlords are providing substandard, dangerous accommodation to some of our most vulnerable citizens. I have not heard anything yet from the Department about how we are going to resolve that. Mr. McCarthy has said that the Department is looking at the two systems and trying to bring them together into one system but how long is that going to take? When can we expect such a system to be put in place? Even when it is put in place, can we be quite confident that any public money paid to private landlords is paid on the basis that they are providing a secure and safe environment in which people can live?

Mr. John McCarthy: What we are trying to achieve with regard to HAP properties specifically is to satisfy ourselves that the requirements that exist in terms of inspections are being met. In overall terms with regard to the private rental sector, we are trying to get to a point where by 2021 we are inspecting 25% of rental properties generally.

Deputy Jonathan O'Brien: In my opinion, 25% is not very ambitious. That means that 75% of properties in receipt of public moneys are not inspected and we have no idea of the standard of those properties.

Mr. John McCarthy: I may be confusing matters somewhat but there are two things at play

here. There is a very specific requirement with regard to publicly-funded properties through the HAP scheme. We need to get our systems talking to each other so that we can actually satisfy ourselves that we are meeting those requirements. In the case of HAP, the point we are working towards is ensuring that if a property has not been inspected in the previous 12 months, it will be inspected in the following nine months. That needs to apply to every publicly-funded property. The broader target is to ensure that the standard of properties in the private rental sector generally is acceptable.

Deputy Jonathan O'Brien: Mr. McCarthy is talking there about properties that may not be in receipt of State support.

Mr. John McCarthy: Yes, purely private situations-----

Deputy Jonathan O'Brien: That is where the 25% figure applies. Is that correct?

Mr. John McCarthy: Yes, exactly.

Deputy Jonathan O'Brien: So, in terms of HAP properties, we are trying to reach a position where if such properties have not been inspected within the previous 12 months, they will be inspected within the following nine months. That requirement will apply to every single HAP property. How long will it take to get to that position?

Mr. John McCarthy: That depends on the outcome of the datasets matching exercise and what that tells us in terms of where we are at the moment and what further progress needs to be made. We hope that by the end of quarter 2 this year we should have a better picture of that. Obviously, when it comes to prioritising activity from an inspection point of view, our first port of call as we increase the programme of inspection activity will be to focus on properties that should have been inspected but have not been so that we satisfy that statutory requirement in the first instance.

Deputy Jonathan O'Brien: Who will carry out the inspections? Can the Department instruct the local authorities on that? Can it give them data on the properties that have not been inspected and set targets for them or do the local authorities set their own targets? Does it depend on how many inspectors the local authorities have? Some local authorities have very few inspectors.

Mr. John McCarthy: Going back to the 25% general target, we have written to the local authorities setting a target for them. We have funding available this year so if they need to take on additional resources to reach those targets, funding will be available to them to do so. The intention is that the inspection funding line will increase over the next few years as the level of ambition increases. Depending on what picture emerges from the data matching exercise, we would then engage with each of the local authorities to ensure that they are deploying the additional resources to the priority areas.

Deputy Jonathan O'Brien: I am not familiar with the committee rules so am unsure if I am allowed to ask my next question. I ask the Chairman to stop me if I am out of order.

Chairman: Keep going.

Deputy Jonathan O'Brien: Is the Comptroller and Auditor General comfortable with the knowledge that public moneys are potentially being paid to private landlords who may not be adhering to legislation and best practice in terms of safety and so forth?

Mr. Seamus McCarthy: I certainly would have a concern. If there is a requirement in law that must be satisfied for the expenditure to take place then I would expect an Accounting Officer to be demonstrating to me that that is actually happening.

Deputy Jonathan O'Brien: I appreciate that we have increased it by €100 million but by how much will it be increased this year? What is the figure for 2018?

Mr. John McCarthy: It is about €301 million.

Deputy Jonathan O'Brien: We are doubling it again. Is that correct?

Mr. John McCarthy: Yes and that reflects the fact that it is now operational nationally since 1 March last year.

Deputy Jonathan O'Brien: So we have gone from €57 million in 2016 to approximately €245 million in 2018.

Mr. John McCarthy: Yes, reflecting the national roll out-----

Deputy Jonathan O'Brien: In that period of time have we seen any significant increase in the number of inspections?

Mr. John McCarthy: We have certainly seen significant activity in terms of inspections generally but we need to be able to work out which of those are actually HAP related inspections.

Deputy Jonathan O'Brien: Does Mr. McCarthy know of any HAP properties that have been withdrawn from the scheme because they have failed an inspection? If so, does he have a number for such properties?

Mr. John McCarthy: In terms of exits from the HAP scheme, there were 687 compliance exits. Some of those would be because of compliance issues with landlords or because of anti-social behaviour. I do not have a breakdown of that 687 but some of it would relate to property standards. Standards would certainly be a component of that 687 total.

Deputy Jonathan O'Brien: It would be appropriate to try to find out how many of those 687 exits from the scheme were because the properties failed inspections.

Mr. John McCarthy: Yes, we can certainly do that.

Deputy Jonathan O'Brien: One aspect of this is dealing with the fact that we have landlords who may fail inspections. Inevitably, part of that 687 figure will include people who will just leave a HAP property because it is substandard. In my experience people have come into my constituency office - and I am sure to the offices of other Deputies - and reported that they are living in a HAP property which is substandard. In those circumstances, I have written to the local authority reminding it of its obligation to carry out inspections but those inspections are not being carried out. They are simply not being carried out and that must be addressed. What is happening as a result is that people are exiting the HAP scheme.

A similar issue arises with the rental accommodation scheme, RAS. It is my understanding that the relevant legislation states that before a property can become eligible for the RAS, an inspection must take place up front. There is no nine month period of grace. The property is inspected and if it is deemed to meet the criteria it can be eligible for the RAS. Is that correct?

Mr. John McCarthy: That is the case, yes.

Deputy Jonathan O'Brien: How many of those inspections are being carried out before properties become RAS properties?

Mr. John McCarthy: Under RAS, it is a triangular contractual relationship between the local authority, landlord and tenant. The numbers going into RAS are much smaller than for HAP. In those cases-----

Deputy Jonathan O'Brien: There is a reason for that which I will come to in a moment. I am just wondering how many inspections of RAS properties are carried out?

Mr. John McCarthy: In those cases, the local authority has to satisfy itself that the standards are met before signing any contract.

Deputy Jonathan O'Brien: Does Mr. McCarthy know how the local authorities satisfy themselves of that? Is it by carrying out inspections?

Mr. John McCarthy: Generally it is on the basis of an inspection or a fairly recent inspection. The standards regulations are there so they know what the requirements are, so-----

Deputy Jonathan O'Brien: Is Mr. McCarthy aware of landlords providing letters of comfort to say that their property is up to standard?

Mr. John McCarthy: No, I am not.

Deputy Jonathan O'Brien: If we are saying that a RAS property is up to standard on day 1, why do we have people coming into our constituency offices who have been in RAS properties for less than six, 12 or 18 months with complaints that the property is not up to standard? Issues include no heating and in some cases, no hot water. In some cases there are windows which cannot be opened. Tenants are actually exiting the scheme. They do not want to be RAS tenants any more but want to try to get back onto the local authority housing waiting list. That poses a problem because once a tenant accepts a RAS property, there are consequences for that. Do we know why people are exiting the scheme in such huge numbers? I am sure some of it is because they are transferring to the HAP or other schemes.

Mr. John McCarthy: There is a certain amount of churn towards other forms of social housing support. A whole range of factors were reported in those leaving in 2016 but about half moved to other forms of social housing support.

Deputy Jonathan O'Brien: I will finish on the issue of housing. I will reiterate that I am extremely uncomfortable with spending €300 million on HAP this year when we have no idea what standard of accommodation we are providing to people. It is bizarre. It is something the Department needs to get a grip on very fast. It is not acceptable that that amount of money is being spent on private landlords who are screwing the system.

I will move on to the issue of PPPs.

Chairman: Which section is it?

Deputy Jonathan O'Brien: Housing PPPs.

Chairman: Mr. McCarthy got the list of issues on which the Deputy asked them to come back regarding the people who have left the HAP scheme.

Deputy Jonathan O'Brien: And the number of properties.

Mr. John McCarthy: The proportion of compliance exits.

Chairman: Just in case it is glanced over now, the request has been made by the committee.

Deputy Jonathan O'Brien: The majority of PPPs are not in housing. They are primarily in education and roads, although maybe not so much in roads nowadays. There are still a number of housing PPPs, perhaps on the regeneration side and house building. One of the issues I have with PPPs is that we are unable to get any cost-benefit analysis of PPPs so we do not know if we are getting value for money. It is an issue the IMF has raised. It has flagged concerns about it. How do we know we are getting value for money for PPPs if we cannot get access to cost-benefit analysis? Every time I have raised the issue with the Minister for Finance I am told that commercial sensitivities prevent him from providing it. Other countries can have cost-benefit analysis but we cannot. Will the Comptroller and Auditor General comment on it?

Chairman: That is exactly the topic of the next meeting. We have PPPs, the Department of Finance and-----

Deputy Jonathan O'Brien: So I have to come to another meeting.

Chairman: -----the Department of Education and Skills.

Deputy Jonathan O'Brien: So I have to come to another meeting.

Chairman: That is the sole item on the agenda on 22 March. We will have all the people in that the Deputy is talking about.

Deputy Jonathan O'Brien: Will Mr. McCarthy comment briefly on how much the Department spent on PPPs for housing this year or last year, if he has the figures?

Mr. John McCarthy: It was minimal, if anything at all. From memory, there were some very small costs for land but the costs were quite minimal because the process has not moved on through procurement yet to a point where significant costs are incurred. The PPP programme in housing is looking to deliver 1,500 social housing units in three bundles. The first of those is currently at procurement stage. The sites for the second bundle of 500 have been identified and are going through planning. I expect the sites for the third bundle of 500 to be identified later this year. It will probably be towards the end of 2019 before we actually start to see constructed units coming from the first phase.

Deputy Jonathan O'Brien: As Accounting Officer for the Department, does Mr. McCarthy believe we should be getting a cost-benefit analysis of them? Would he like to get them?

Mr. John McCarthy: There is a framework in place through the Department of Public Expenditure and Reform for how value for money is to be assessed for PPPs. The most fundamental part of that is the development of the public sector benchmark which the National Development Finance Agency advises on. The public sector benchmark is a calculation of what the provision of the asset and its management and maintenance over the period involved would actually come to if it was delivered through normal mechanisms in addition to taking account of the value of risk that is transferred to the private entity. Subject to the bidding process and what emerges through it, there is a comparison done between the cost proposed by the PPP bidder versus the public sector benchmark. A project will only proceed if the cost through the PPP process is less than the public sector benchmark.

Deputy Jonathan O'Brien: I appreciate it will be dealt with at the next meeting but the difficulty I have is even when one looks at the risk cushion, I could not get information on how it is calculated. That is a worry. We are talking about risk cushions but I could not find out how they are calculated. I am quite willing to leave it until the next meeting but I want to flag it. I was not aware it was coming up at the next meeting.

On the estate regeneration and social housing improvement, the appropriation accounts for 2016 show we underspent by €22.2 million. It says the savings that accrued were allocated to other housing programmes. Do we have an idea what the other housing programmes are? Are they within this Vote?

Mr. Seamus McCarthy: Within the programme.

Deputy Jonathan O'Brien: Yes, within the programme.

Mr. Seamus McCarthy: Programme A of the Vote.

Deputy Jonathan O'Brien: We know it did not go to voluntary and co-operative housing because there was a saving there as well. We know it has not gone to subsidies and allowances. The only place it could have gone to is local authority housing and I presume most of that went to some of the housing supports.

Chairman: The accounts show there was an overspend of €62.357 million on local authority housing. I presume a lot of that was on purchases because the Department was not building a lot.

Deputy Jonathan O'Brien: The savings we made in other areas went to purchases.

Chairman: Yes.

Mr. Seamus McCarthy: Housing inclusion supports, which is subhead A5, were also up and miscellaneous services were up by about €5 million.

Deputy Jonathan O'Brien: It was up by about €4.4 million.

Mr. Seamus McCarthy: There are movements between the various subheads. For the programme overall the difference was a spend of €4 million above what was provided. It was €847 million as opposed to the €843 million provided.

Deputy Jonathan O'Brien: Do those savings have to be spent within that particular programme?

Mr. John McCarthy: It is possible in the ordinary course of a year, depending on circumstances, to look for money to be vired between programmes, but given where we were and where we continue to be with housing, we would prioritise any savings in housing for housing. In 2017, the progress that was made during the year saw us get a Supplementary Estimate of €100 million for housing, given the priority attached to it.

Chairman: Will Mr. McCarthy send us a detailed note, because he has it in his folder, about the three PPPs that are in train, the one that is at procurement-----

Mr. John McCarthy: The three phases.

Chairman: The three different projects Mr. McCarthy mentioned, the three different bun-

dles.

Mr. John McCarthy: The three different bundles.

Chairman: Will Mr. McCarthy send a detailed note to the committee?

Mr. Seamus McCarthy: On that point, and perhaps we will return to mention it next week, there are a substantial number of PPP local authority projects - at least they were local authority projects - in the water services area but I presume all of those have been transferred to Irish Water.

Deputy Jonathan O'Brien: There is a Government cap of 10%.

Mr. Seamus McCarthy: Yes.

Deputy Jonathan O'Brien: Is that 10% across all Departments?

Mr. Seamus McCarthy: Yes, as I understand it, but the Accounting Officer will be able to deal with it next week.

Deputy Shane Cassells: I have a very quick question before the witnesses finish giving their evidence. In his opening statement, Mr. McCarthy said that as part of overall social housing delivery, 5,714 homes were built, refurbished, leased or acquired in 2016, exceeding the target of 4,240 homes. How many of the 5,714 were directly built by local authorities? I do not mean including those by approved housing bodies. I mean specific construction by the local authorities.

Mr. John McCarthy: While someone gets that information, I will break down, to the extent that I have the details in front of me, the overall figure the Deputy gave. Direct build accounted for 657. This includes both local authority and AHB builds. I will get the Deputy a breakdown of that in a minute. Acquisitions accounted for 1,957; leasing accounted for 792; the refurbishment, or voids, programme, accounted for just over 2,300. The local authority direct build within that 657 was 218, if I am reading these figures correctly.

Deputy Shane Cassells: Of some 6,000 homes, 218 were directly built by local authorities. That is it.

Mr. John McCarthy: Plus 73 more in regeneration areas. They would have been local authority build as well.

Deputy Shane Cassells: In 2017, what was the figure for direct build in local authorities?

Mr. John McCarthy: It was 824.

Deputy Shane Cassells: Is that separate from approved housing bodies?

Mr. John McCarthy: It is. That is 824, plus 234 from regeneration.

Deputy Shane Cassells: What did the approved housing bodies do then?

Mr. John McCarthy: In terms of build, their figure was 799.

Deputy Shane Cassells: How many direct build projects coming from the local authorities to the Department are awaiting funding approval where land is in place? How many of those are before the Department? What is the cumulative return we would get? What would the yield

be, that is, the cumulative total of the yield that is before the Department awaiting approval?

Mr. John McCarthy: If the Deputy bears with me for one second, I will get him that information. We publish every quarter what we call our construction pipeline. As the update for the end of the fourth quarter of 2017 is being finalised at the moment, the following figures are as of the third quarter of 2017. I do not have these broken down between local authorities and AHBs but I can come back-----

Deputy Shane Cassells: Please do. It is important.

Mr. John McCarthy: -----on that piece. We spoke earlier to Deputy Burke about the four-stage approval process. The figures I gave are sort of related to that. At the end of the third quarter of 2017, there were almost 2,900 units at stage 1, more than 1,600 at stage 2, 738 at stage 3 and just under 2,000 at stage 4, which is the tender report stage. There were 3,600 on site, and 1,460 units in the programme had been finished.

Deputy Shane Cassells: The Department obviously holds regular meetings of city and county managers regarding their upping their game and coming forward with schemes seeking approval from the Department. I see these meetings on the television. What is the average size of the schemes from each county coming forward for delivery?

Mr. John McCarthy: Again, they would be quite-----

Deputy Shane Cassells: Again, I am not talking about approved housing bodies; I am specifically talking about county councils.

Mr. John McCarthy: They are quite varied. If I were to hazard a guess, which I know I should not do, we probably are talking about 20 or 25 units as the average size. This can range from a very small infill of three or four units-----

Deputy Shane Cassells: That is just as important.

Mr. John McCarthy: -----all the way up to perhaps an 80 or 90-unit project. There was one scheme in Limerick last month, which has just been completed, comprising 81 units. It really depends on the location.

Deputy Shane Cassells: Regarding the long-term strategy, the Department is dealing with both the county councils and the approved housing bodies that do such fantastic work. The Department is dealing with the matter through acquisitions. I am harping on this issue because building has unquestionably flagged over the last decade or so. I saw very little building during my time on the local authority. We now have a scheme approved by the Department in my town, where there are about 5,000 people on the housing waiting list. The scheme is for 42 units and delivery is coming in at a cost of €11.1 million, which works out at around €280,000 per home. That is the cost of it. That was approved. The Minister of State with responsibility for housing represents my constituency. I spoke to Mr. McCarthy about this site this time last year, I think, when he was before the committee about Farganstown. This is just one example. In that big town with 5,000 people on a waiting list, that is what we are getting: €11.1 million, which is a lot of money, to deliver 42 homes. The Department is tackling this problem across a number of areas but, from the point of view of empowering the county councils, the Department faces a big challenge to make sure they step up to the mark. I would love to know what they are telling the Department. I would love to know what all the city and county managers are saying. They are all in the room together. I see them on the television. What are they saying? I have

heard money is not a problem. If money is not a problem, where is the plan from their point of view to meet their targets outside of the acquisitions, the HAP schemes and so forth?

Mr. John McCarthy: In overall terms, the ambition in respect of social housing is to deliver 50,000 units by 2021. It was 47,000 and it went up to 50,000 on foot of additional funding provided in budget 2018. This flows to some extent from the Oireachtas special committee report that was done in 2016 which referred to 50,000 as the level of ambition. Back in 2014, I think, or maybe it was early 2015, local authorities were given targets from 2015 to 2017 to be achieved. Now that the level of ambition has increased, the engagement the Deputy talks about - if he is referring to the engagement on television, I presume it was the one about five or six weeks ago - was around the targets for 2018 all the way to 2021 for each local authority to be delivered both by themselves or working in partnership with AHBs. We have told each local authority what its area is, the targets we have set and how we have broken down the targets in draft form. We have asked them to consider these. They are based on the latest housing needs assessment, the most recent of which was done in autumn of last year. Local authorities are now coming back to us on how they will deliver on that target. In the next few weeks we will finalise and publish those targets for each local authority.

Deputy Shane Cassells: In meeting those targets the Department sets a headline figure, which is fine. Is the Department trying to get them to ensure a very good equitable spread across all areas in meeting those targets, or does it not care one way or the other as long as they deliver an overall figure? In the Department's report it is just an overall figure. I had to ask for the breakdown. Is there an aversion to a policy of direct build by councils? Is there an aversion on the part of the Housing Agency to the construction of council estates again in tackling this issue? Is there an aversion on the part of chief executives of county councils to building council estates of the nature of 150 or 200 homes? If so, why?

Mr. John McCarthy: There is no aversion at all to building social housing. The pipeline that I-----

Deputy Shane Cassells: I do not want to be rude at all. I mean county council estates, the county council estates that I knew. I grew up in the middle of the town of Navan. All the estates around me in the middle of the town were county council estates. They were finely built estates from the 1950s and 1960s where people reared their families. The issues pertaining today that people see, such as social problems, were not the issues then. We had plenty of problems in 1980s Ireland, but for whatever little money we had, we did not have the problems we see now. We were able to house our people. Is there an aversion to the creation of the council estates that I knew in my youth in my town and every other town across Ireland? It is not that they do not seem to be getting built - they are not being built. Is the aversion from the Department; is it policy from the Housing Agency or from the chief executives of the councils?

Mr. John McCarthy: The policy goes back to 2007 in the Delivering Homes, Sustaining Communities document. It is very much around making sure that we build sustainable communities. We have had experience over 20 or 30 years where we developed very large monotenure housing developments, some of which have worked. An awful lot, however, have not worked. Subsequently we have had to go in and do very significant regeneration projects. Each project would be considered on a case by case basis because each one is location specific. One could certainly envisage a 100 unit social housing project in an area where there is no social housing currently. If one wanted to put a 100 unit social housing project in to an area where there are already 500 or 600 social housing units that would be a different issue. On the overall scale there is no aversion-----

Deputy Shane Cassells: Does this include the Housing Agency?

Mr. John McCarthy: Absolutely. The Department has set the overall targets and the break-down. I spoke about the figure of 50,000. Some 33,000 of this 50,000 is targeted to be built, some 6,500 is to be acquired and some 10,000 will be through leasing. Many of the leasing units will be new build also. Two thirds of the 50,000 is to be through building.

Deputy Shane Cassells: Mr. McCarthy has made the point about areas that have required major regeneration. I put it to Mr. McCarthy - and during my time on the council I continually made this point - that if the ancillary facilities were built at the get go when creating the communities in which we live, we would not experience half of the social problems that come down the line later on. Local government has a massive role in this. This does not just apply to social housing; it is also for private housing. Planners in our councils have zoned vast tracts of land, especially during the 2000s, and they did not make in any of the development plans the actual requirement for the types of social facilities required. That time bomb is coming like a train down the tracks also. Big time.

With regard to councils meeting the housing targets, when the councils comes back to the Department with their plans and they say they will meet their targets, in trying to do with direct build how many viable landbanks on average do the councils have? By viable I mean ready-to-go landbanks or landbanks that will avail of the local infrastructure housing activation fund, LIHAF? We have no available landbanks in my county and we are one of the biggest commuter counties with nearly 5,000 people on the social housing waiting lists.

Mr. John McCarthy: We are engaged in a process allied to the implementation of the targets I have spoken of. At this stage we have mapped more than 700 sites across the State for housing. As part of the process of local authorities delivering on the targets that have been set for them we have asked the local authorities to prepare strategic management plans for sites in their areas so that we can-----

Deputy Shane Cassells: Are those 700 sites State-owned parcels of land?

Mr. John McCarthy: Yes. They are either owned by the relevant local authority or, in the case of some 70 sites, owned by the Housing Agency. The intention is to nail down the target setting process because there is no point in having part of the target delivery being reliant on direct build when access to land is a problem. We are trying to match those up. In some places it is quite a different picture. Some local authority areas have very decent landbanks in the right locations and other areas do not. In some cases, where local authorities do not have land where they want it, they have partnered with private developers who have planning permission to build but have not been able to access finance. We have put those together to get social housing built through the public funding programme that is available. We have a delivery team in place in the Department of Housing, Planning and Local Government, which visits all the local authorities to go through all these issues. I believe the team has been to 22 of the 31 local authorities at this stage. I am not sure if Meath is one of those.

Deputy Shane Cassells: I know we do not have landbanks. We have the one, to which I referred, where the 42 units are being built. There are 85,000 people in the county on the waiting list, and a huge number of these, nearly 5,000 people, are in my home town. How is the Department assisting councils in the acquisition of land?

Mr. John McCarthy: The priority in the first instance is to take existing land opportunities

where they exist. This is why we are trying to go through the 700 sites that have been identified to be able to work out clearly which of those are in the right place and capable of early delivery. The second priority we have pursued, which I have already mentioned, is other lands that are not in public ownership, but with planning permissions or a developer with capacity to build other than for lack of finance. We put the public finance and the land together because significant prices are being paid for land at the moment and I am not sure it is the healthiest thing for local authorities to get in to land bidding wars and put up prices even further. This is why we have tried to max out the potential from the existing landbank, or through the associated landbank of developers. Obviously if there were still no opportunities coming through in particular local authority area we would have to look at proposals they might have to acquire land. The cost of the land is a critically important piece of it.

Deputy Shane Cassells: Okay. That is something I am aware of in the context of my county. I do not wish to delay the witness here but I would like to re-engage with Mr. McCarthy on the matter.

With regard to the cost of the refurbishment, there is a breakdown of 5,714 homes in 2016, and 2,300 of the homes are refurbishments, which is a very significant number. These are homes that were already in our existing stock. It is a huge number. What was the total cost of the 2,300 refurbishments and what is the average cost, generally, at the moment to refurbish voids and so on? I am aware that this dominates council budgets.

Mr. John McCarthy: I will get that now for the Deputy. One of the consequences of the aftermath of the downturn was that local authorities found themselves presiding over increasing numbers of vacant stock, which they did not have the capital resources to refurbish. In 2016 the figure for voids was €34.8 million. It was a combination of three elements: the main void programme, the smaller derelict units programme and the very small two-into-one programme, where units were the local authority merged maisonette units into a modern unit. On average-----

Deputy Shane Cassells: What was the total spend?

Mr. John McCarthy: It was €34.79 million.

Deputy Shane Cassells: €34.79 million for those 2,300 refurbishments?

Mr. John McCarthy: Yes. So if one looks at the three programmes I mentioned, within that there was 2,090 of what we might call voids in the normal sense. They came to just over €25 million. The 164 derelict units, which were the more serious projects, came to €7.8 million. There were 54 two-into-one units, which came to €1.89 million.

Deputy Shane Cassells: It is massive money-----

Mr. John McCarthy: It is a significant amount of money.

Deputy Shane Cassells: ----- on housing stock that we already own and are refurbishing. This is not an indictment. This is frustrating for Mr. McCarthy as it is for every public representative. Deputy Jonathan O'Brien spoke to the Comptroller and Auditor General about signing over the HAP figures. This is a serious amount of money that we are spending - €35 million - on refurbishments. I am sure Mr. McCarthy could enlighten us as to why local authorities have to board up properties at a time of a housing crisis. I can walk through certain estates and properties are boarded up. They are in a deplorable state and we have to spend €35 million on

refurbishments.

Mr. John McCarthy: I do not know the particular estate the Deputy is talking about, but in general terms because of this investment programme, the quantum of voids and boarded-up houses is very much reduced. I can recall talking to the team in South Dublin where I think from memory it has a social housing stock of just over 6,000 units and at any point in time it would have about 40 that would be in that category. Some of those are units that are boarded up for very short periods. In terms of estate management, as soon as a unit is vacated, the local authorities very often will need to go in and secure the unit to avoid antisocial behaviour or otherwise. It can actually be boarded up for short periods.

Fundamentally going back a number of years ago when we introduced this significantly increased voids programme, the situation we faced was that we were still in a very resource-constrained environment, as were local authorities, and yet we were seeing increasing numbers of vacant units. In terms of addressing the housing situation we face, the first step has to be if we have a specific number of vacant units, we need to get those back into stock so that we can get families into them. That was why even in the resource-constrained times we found ourselves in, we siphoned off a line of funding to support local authorities to bring those back into use because otherwise they would have just continued to lie idle.

Deputy Shane Cassells: As it is 5.52 p.m., I will try to be helpful. What is the up-to-date position on the office of the planning regulator?

Mr. John McCarthy: First of all, we need the legislative basis for it.

Deputy Shane Cassells: Where is it at the moment?

Mr. John McCarthy: It is provided for in the Planning and Development (Amendment) Bill 2016 which was published in January 2016. It has had a slow passage through the Houses. We have had a number of legislative priorities that have intervened. Equally, other Departments' legislation has bumped us off the agenda on quite a few occasions. It has completed its work through the Dáil. Has it completed Committee Stage in the Seanad?

Mr. David Walsh: No.

Mr. John McCarthy: It is on Committee Stage in the Seanad. Hopefully the Deputy will see that Bill getting through-----

Deputy Shane Cassells: Will the national planning framework, NPF, also come under this?

Mr. John McCarthy: It will, yes.

Deputy Shane Cassells: Is this legislation responsible for tomorrow's publication of the draft Meath development plan being postponed?

Mr. John McCarthy: I will ask my colleague from the planning side to address that.

Mr. David Walsh: We had hoped that Bill would have been in place and enacted well in advance of this current time. We have proposed an amendment that is up for consideration in the Seanad on trying to defer the long work that will take place at local authority level. There is a 99-week process to get city and county plans through the system. There are a number of plans that are either starting or about to be published.

Chairman: Draft plans.

Mr. David Walsh: These are draft plans that will be up for consideration and go out for public consultation. The challenge is that they are still working off the existing regional planning guidelines that have been in existence since 2010. For those that we were about to start, we are asking if it would be better for them to wait until the new regional spatial economic strategies are in place so that they are working off the most up-to-date information and therefore would be consistent because it will be a six-year process.

In relation to Meath, I know currently the intention is actually to have that draft plan published either today or tomorrow.

Deputy Shane Cassells: Tomorrow.

Mr. David Walsh: Tomorrow. We have issued no instructions because, of course, it is a provision that we have proposed for inclusion in the Bill.

Deputy Shane Cassells: There is no instruction-----

Mr. David Walsh: No.

Deputy Shane Cassells: ----- from the Department to the director of planning or the chief executive to postpone publication, which has been postponed from tomorrow.

Mr. David Walsh: No, because we have no legal basis for it at the moment.

Deputy Shane Cassells: Exactly.

Mr. David Walsh: Until such time as-----

Deputy Shane Cassells: The circular that has been circulated to the councillors refers to the interaction with the Department.

Mr. David Walsh: We have had discussion with councils and with directors of services and their planning teams obviously with the huge work arising now from the NPF and the preparations of the regional spatial economic strategies. However, as it stands at the moment Meath is in a very difficult position in that other councils are beginning their work to research and prepare, but the actual deadlines according to the legislation as it stands for Meath to meet that deadline-----

Deputy Shane Cassells: It was on a sound statutory footing to go ahead and publish that plan. This plan has been in preparation since the autumn of 2016 and has involved a huge number of stakeholders and statutory public consultation. It is extremely important for the development of one of the biggest counties outside Dublin, and just this week with 48 hours' notice, it has been postponed. Mr. Walsh is telling me there was no directive from the Department to the council to postpone that.

Mr. David Walsh: There was no instruction, no intervention and no advice to Meath County Council.

Deputy Shane Cassells: There was no advice to Meath County Council to do so.

Mr. David Walsh: Correct.

Deputy Shane Cassells: I find it very strange that the chief executive and the director of planning would pull the plan which had been due for publication tomorrow. There are 40 elected members who are extremely concerned for the lives of the 200,000 people that this impacts. This would offer the county a chance to thrive economically. This is as a result, as Mr. McCarthy has said, of this legislation having been stalled for ages. There is no guarantee this will be done in the Seanad by the end of April. Will anyone here give me a guarantee it will be done in the Seanad by the end of April?

Mr. John McCarthy: I cannot give a guarantee about the assignment of Oireachtas time, in fairness.

Deputy Shane Cassells: That leaves that plan in a legal limbo. Has the Department offered any legal advice to this local authority in this respect?

Mr. David Walsh: The local authority is the owner and has the devolved function in relation to its city and county development plans. It is a matter for the council to determine how it meets its legislative requirements under the Act.

Deputy Shane Cassells: Okay. Would Mr. Walsh not be concerned for all of the people given the prospective economic development and housing development, because many landbanks are impacted by this in terms of the legal standing of both the current plan and the draft plan?

Mr. David Walsh: On the legal status, a number of years ago a few local authorities were behind in their schedule in terms of being able to review their plans within the six-year timeline. Legal advice was given to a number of authorities, if they sought it, that until such time as the new plan was enacted, the existing plan continued to have effect.

Deputy Shane Cassells: Will it continue to have effect *ad infinitum*?

Mr. David Walsh: It is a question of the timing. I know in one particular case-----

Deputy Shane Cassells: Could a challenge to that be taken? Could anyone reasonably challenge that?

Mr. David Walsh: Of course, anyone can take a challenge. I think it is a matter for Meath County Council and the executive to assure themselves that any steps they are taking in relation to their plan do not leave themselves exposed to those kinds of issues. I know of one local authority whose plan was months behind schedule. It received legal advice.

Deputy Shane Cassells: Okay, that is fine. Mr. Walsh has clarified that there was no directive and no advice of any nature - implicit or explicit - to Meath County Council to postpone the publication of that draft plan tomorrow.

Mr. David Walsh: They are aware of the measure that has been proposed in relation to those authorities that will be beginning their process and that, if the legislation is passed, it will allow them to defer the publication of their plan. However, they are equally aware that that provision is still just a consideration in the Seanad.

Deputy Shane Cassells: Finally, I note that at the Committee on Public Petitions yesterday there was a petition in respect of city status for Drogheda. I thank Mr. Lemass who wrote a supporting letter providing background information in respect of that. Because the petition sought to annex a large part of Meath, in particular, Laytown, Bettystown and Mornington, its

credentials effectively were null and void. I welcome the Department's intervention in that respect. I ask that a similar circular would issue if there were any attempt to afford a Dublin mayor executive powers over any part of Meath in the same vein.

Mr. John McCarthy: I will say briefly in response that under the programme for Government there was a commitment given that a number of local government issues would be the subject of reports, initially, to Government, and then on to the Oireachtas. Two reports have been sent to Government in the last couple of weeks in relation to town local government and boundary issues between local authorities. They are being readied for publication and they will go on to the joint Oireachtas committee shortly for consideration.

There is a third report in relation to what we call "metropolitan governance" and we are working on that one. I suppose what I am saying is that issues in relation to that space will again be the subject of a report. It will go to Government, it will go to the Oireachtas for consideration and then it will come on to the policy decision process after that.

Chairman: At this stage, I will call Deputy O'Connell.

Deputy Kate O'Connell: I thank all the witnesses for being here today.

I thank the officials all for the work they have done over the past couple of weeks with the snow preparations. It was apparent that correct management saved lives. I thank them all for their commitment in that regard.

I am new to this. I am not new to the theatrics of committees which this seems to take to a new level in here. I look forward to it and hope to contribute to those in time when I find my feet.

On the €35 million being spent on refurbishments, it is a question of how long is a piece of string. I am sure it depends what state the houses are in. It depends on whether they need a lick of paint or have structural problems. For anyone to make a claim that spending €35 million on refurbishments is an awful lot of money, obviously, it is a lot of money but it depends on how many houses one is refurbishing.

If there is €35 million being spent on refurbishments, it is quite clear the Department has figures to show that some houses have a greater need. Do the officials have those figures here for us? Is it clear the ones that need a lick of paint and the ones that need a boiler? I refer to State property that is boarded up. I am sure there is significant structural issues with many of the Victorian houses. I suppose a EuroMillions figure of €35 million is a lot of money but I am sure refurbishment covers everything from gutters to foundations or whatever. In light of the previous contributors comments, Mr. McCarthy might elaborate on that.

Mr. John McCarthy: The voids programme that we are talking about here would be the more serious cases where refurbishment is required. These are not necessarily longstanding because a property can become vacant and when the local authority goes in, it can find that the property is in pretty bad nick. We would expect local authorities to be doing the more routine lick-of-paint type of stuff that Deputy O'Connell talks about as part of their ordinary ongoing maintenance and we have a programme in place now to work with the local authorities to move to a much more formalised and structured planned maintenance programme.

The voids programme that we were talking about is, as I say, for the more seriously damaged properties. We have, if you like, a budget of a maximum of €30,000 per unit that a local

authority could claim but that is broken down between individual component parts. In reality, the average under the voids programme is €18,000 per unit. As I say, it depends on the nature of the damage or the condition of the individual unit as to what exactly needs to be done to it.

Deputy Kate O'Connell: Following on from that, if the price is estimated at €35,000, what happens to that unit?

Mr. John McCarthy: I suppose we would probably expect that the local authority would make up the balance. We would certainly look and we try to be as helpful as possibly. Going back to what I was saying to Deputy Cassells, we have a more significant programme beyond the voids which we call the derelicts programme and if something was to cost significantly beyond €30,000, it is probably more a derelict unit or, certainly, heading in that direction rather than what we call a void.

Deputy Kate O'Connell: I am conscious that in 2004 Dún Laoghaire brought in a ten-year plan to deal with voids and that seems to have been very successful. I do not like to have a cut at members when they are not here but I believe, in 2004, it was Fianna Fáil that removed direct build from the local authorities, and Part V was used for developers. If Meath had done what Dún Laoghaire did, maybe we would not have had today's conversation. Mr. McCarthy might comment on that.

Mr. John McCarthy: I will steer clear of politics. There is a reality. It would not be evenly spread across the country but in large measure, pretty much most local authorities found themselves in a situation where they had a build-up of void properties. According as the downturn hit, it was not only central government's financial position that was seriously compromised. The reality was that the local government system's financial capacity was also significantly compromised. Most local authorities saw a build up of units that were vacant in those circumstances for long periods of time that required significant investment and they just did not have it. As I was saying earlier, the situation that we had to get to grips with four years ago was we had a serious housing problem which we still have, we were faced with a situation of limited capital resources - significantly less than we have now available - and at the same time we were seeing this build up of empty units, and we had to take a slice of the available capital resource and for much less money than what it would cost to build new units, put that in to getting the vacant units back into use quickly. It was, with lesser cost, to get them delivered more quickly. Obviously, according as the capital profile has increased so much over the last number of years, we are moving much more further back into direct build activity, both by local authorities and AHBs.

Deputy Kate O'Connell: I suppose my point is if one has a local authority where there are proactive politicians who see something in front of them and they decide to take action, such as Dún Laoghaire-Rathdown County Council did in 2004, changes can be made. I believe they turn around voids in approximately 12 weeks. It works. I believe the previous speaker was on the local authority in Meath at that time and spent ten years on it.

On what I intended speaking about before I got side-tracked by politics, the HAP scheme was raised earlier - I was at another meeting. There is sometimes a concern as to whether we are getting value for the HAP scheme. How does one control whether we are getting value? Maybe somebody could elaborate on that.

With big public sector construction projects, there is often concern about overruns, that the start price is not the finish price. Has the Department provisions in place to mitigate against

overruns? Has Mr. McCarthy any examples of what sort of percentages of overruns the Department is looking at currently? What is happening at the minute? What are considered acceptable overruns due to unforeseen circumstances? Has Mr. McCarthy a list of what he would consider to be acceptable?

Finally, because we all want to get home, I imagine there are often issues around the public appointment process. It is a lengthy process and, I suppose, compared to the private sector, sometimes by the time people have gone through it they may not want the job anymore. One hears anecdotal evidence of that. Is there provision in place where the Department can bring people in on a short-term basis for a year and perhaps circumvent the lengthy process that may not yield people? Could architects, quantity surveyors, site managers and so on be recruited on a short-term basis to help circumvent the lengthy process?

Mr. John McCarthy: On the question regarding the housing assistance payment, HAP, in terms of value for money there are rent limits in place for each local authority area and there is discretion to go beyond those rent limits and these provide an important benchmark against which progress can be measured. As part of the annual budgetary process, all Departments work with the Irish Government Economic and Evaluation Service, IGEES, which is based in the Department of Public Expenditure and Reform, to identify a number of programmes for review. The HAP scheme was the subject of one of those exercises last year, which concluded that the rents being paid were below average price levels in the market. While it was concluded that we needed to keep rent limits under review, there are no plans at this stage to change them.

On construction projects, I made the point earlier to Deputy Burke that one of the most important mechanisms that we put in place to try to manage the cost of social housing construction projects is the four-stage approval process. It allows us to move to the tender process, that is, from stage 3 into stage 4, with as good an understanding as possible of a site such that we have a realistic budgeted cost for the project. Under the new contract arrangements that are in place, such projects are not affected by inflation. Obviously, if exceptions arise - and they do - those need to be taken into account. As the construction programme is still at an early stage of ramping back up, there is only a limited sample available for review in terms of projects that have completed. To the extent that we have done so, on average approximately 3% to 4% have gone beyond the agreed budget.

On staffing, I am always loath to use the word “circumvent” when before the Committee of Public Accounts. Local authorities can choose to take on staff directly or, in some cases, to take on professional expertise through contractual arrangements. In many cases, it is a mixture of both. They can bring in people on temporary contracts but they must do so through a recruitment process. Since 2015, the Department has approved more than 700 staffing requests for local authorities, specifically in the housing-related area. Yesterday, we issued the local authorities with a circular on how they can avail of supports through the capital programme to cover some of the staff costs associated with building projects, whether those costs are for contracted expertise in terms of a private firm or for staff they take on, permanently or on contract. As I said, we leave judgment in this regard to the local authorities.

Deputy Kate O’Connell: Who pays the bill in that regard?

Mr. John McCarthy: The Department makes a contribution towards staff recruitment. The circular that was issued yesterday outlined some improved terms as part of that process. In many cases, as architectural and quantity survey expertise is engaged by local authorities to do work on the housing programme, it also will be doing work on other capital projects and conse-

quently, the housing programme would not necessarily fully fund that cost.

Chairman: On the national planning framework, perhaps Mr. McCarthy would send the committee a note on the cost involved in producing it, including the number of consultants and environmental experts involved and the amounts paid to them. I have no idea what producing the framework cost but I am sure it cost a lot.

Mr. John McCarthy: As requested by the Chairman, I will send a note in that regard to the committee. From memory, the two significant pieces in terms of external expertise on the national planning framework were the underlying analysis done by the Economic and Social Research Institute, ESRI, and the strategic environmental assessment and flood risk assessment.

Chairman: How many houses will the Department acquire this year through the Part V mechanism?

Mr. John McCarthy: The number certainly is increasing. This year, we hope to acquire 590 units.

Chairman: Is Mr. McCarthy familiar with the report on unfinished housing estates that was published yesterday?

Mr. John McCarthy: Yes.

Chairman: The Department is nearly there and I give it credit for that. What interaction is there between the Department and the four local authorities concerned in respect of the completion of the 1,084 vacant units within the surveyed unfinished developments? I believe the Department indicated there were 256 such estates. There are four counties that have over 100 such units on their lists. These are all counties in which there is huge housing demand. What is happening between the Department and the local authorities to wrap up this issue?

Mr. John McCarthy: Our engagement with local authorities is around every possible opportunity that exists to speed up social housing delivery. We commenced our work in relation to the unfinished housing developments in-----

Chairman: As I said earlier, most of the work is already done.

Mr. John McCarthy: In regard to the remaining unfinished units, albeit a much reduced number, if there is no local demand there are commitments in the Action Plan for Rural Development to look at rural resettlement. There may possibly be some avenues open to us in this regard. I acknowledge this is a contentious issue in many-----

Chairman: There are 135 vacant units in Laois which we could fill very easily without going outside of the county.

Mr. John McCarthy: As part of our engagement with local authorities in regard to social housing delivery, we will look to see what potential exists for us to harvest some of the remaining unfinished units.

Chairman: It is stated on page 17 of the report that savings of €2.2 million arose owing to slower than anticipated uptake in the national taking-in-charge of estates initiative. Did the Department provide any funding under this heading last year or this year?

Mr. John McCarthy: No. That was a 2016 exercise, which in some respects we wanted to

be a learning exercise. We are at a fairly advanced stage on a report arising from that exercise which will inform us on what we might do in the taking-in-charge space into the future, but we did not provide any funding for it last year or this year.

Chairman: What number of estates per local authority have not yet been taken in charge?

Mr. John McCarthy: As part of that exercise we did have that, and we may have provided it in parliamentary questions. I just do not have it with me but we can certainly send it on to the committee.

Chairman: Will Mr. McCarthy send on to us the number of estates-----

Mr. John McCarthy: Per local authority. I think we did have that.

Ms Maria Graham: I think it is about 5,000.

Chairman: Five thousand estates to be taken in charge-----

Mr. David Walsh: It is 5,500, yes, but I suppose the process-----

Chairman: Is it 5,000 housing units or 5,000 estates?

Mr. David Walsh: Estates to be taken in charge. Some of them are finished and they are still in the control of a developer but for a local authority to formally take ownership of the public area, the lighting and so on-----

Chairman: A developer might not want to take it in charge.

Mr. David Walsh: It is a question-----

Chairman: How many in the system are being considered for being taking in charge?

Mr. John McCarthy: Some of the estates that have not been taken in charge are estates which, ten or 15 years ago, were built on the back of what we call developer-provided infrastructure where there were package treatment type plants for local-----

Chairman: Yes.

Mr. John McCarthy: We have a funding line in regard to that sub-category so we can outline those details for the Chairman.

Chairman: Mr. McCarthy might send us those details. I was going to raise that anyway but the press release from Mr. McCarthy's Department yesterday refers to the unfinished housing estates and further states: "This knowledge [the knowledge the Department has obtained on that] and expanded capabilities can also now be applied towards matters of Taking in Charge and Vacant Homes Action Plans ...". We had the Minister flagging yesterday the taking in charge scheme and Mr. McCarthy is telling me today that there is no money whatever for that. I get worried when the Minister refers to the taking in charge in a press release yesterday and Mr. McCarthy is saying we have no funding for that.

Mr. John McCarthy: I mentioned earlier that arising out of the programme we did in 2016 we have been preparing a report with the lessons and all of that from that, which will now be informed also by the work that has been ongoing on the unfinished housing developments more generally. Obviously, it will then be a decision as to what that tells us and what do we need to

fund for the future.

Chairman: I will conclude on a sad note. In respect of the meeting today with the Department of Housing, Planning, Community and Local Government, we are here since 10.30 a.m. and nobody has mentioned the issue of homelessness. It is a sad reflection on the witnesses' side of the table and this side of the table that we have gone from morning to 6.30 p.m. without that word being mentioned once. It was not mentioned in an opening statement. I know there is a lot of nitty-gritty detail to be dealt with but I found it a bit depressing. That word is written in front of me all day. I have waited to hear it until now. We have got through a full meeting without it being mentioned. I am not pointing at the witnesses but it is remiss on the part of everybody here that we could go through what is effectively a full day meeting the Department of Housing, Planning, Community and Local Environment without anyone mentioning the issue of homelessness. There is a lesson to be learned from that, and I will let people take whatever lesson they want from it, but the fact that the matter was not mentioned speaks volumes. Mr. McCarthy can understand my point.

Mr. John McCarthy: I can understand the Chairman's point but, equally, I want to-----

Chairman: Mr. McCarthy answered the questions he was asked.

Mr. John McCarthy: That is not what I am saying. I want to assure the Chairman that there was generous commentary from him and others earlier about what has been done in the past ten days. A huge amount of that, in terms of colleagues here and more generally, has been on homelessness. It is on our horizon-----

Chairman: Permanently.

Mr. John McCarthy: -----permanently. That is all I am saying.

Chairman: Okay. It has been a very long day and a very long fortnight. The members will be pleased to know that we will adjourn now until our next public meeting at 9 a.m. on Thursday, 22 March, when we will meet with witnesses from the Departments of Finance, Public Expenditure, Reform and Taoiseach and Education and Skills and Transport Infrastructure Ireland regarding public private partnerships. I want to thank the Comptroller and Auditor General, Mr. Seamus McCarthy, Mr. John McCarthy and all his staff. On behalf of the Members of the Oireachtas, I will conclude by thanking all the officials in Mr. McCarthy's Department and all public servants and voluntary communities who worked so hard to bring everybody safely through a very difficult period in the past fortnight. The meeting is adjourned.

The witnesses withdrew.

The committee adjourned at 6.24 p.m. until 9 a.m. on Thursday, 22 March 2018.