

# DÁIL ÉIREANN

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## AN COISTE UM CHUNTAIS PHOIBLÍ

## COMMITTEE OF PUBLIC ACCOUNTS

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*Déardaoin, 28 Feabhra 2019*

*Thursday, 28 February 2019*

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The Committee met at 9 a.m.

### MEMBERS PRESENT:

Deputy Bobby Aylward,	Deputy Alan Farrell,
Deputy Peter Burke,	Deputy Marc MacSharry,
Deputy Shane Cassells,	Deputy Catherine Murphy,
Deputy Catherine Connolly,	Deputy Jonathan O'Brien,
Deputy David Cullinane,	Deputy Kate O'Connell.

DEPUTY SEAN FLEMING IN THE CHAIR.

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

### **Business of Committee**

**Chairman:** We are joined by the Comptroller and Auditor General, Mr. Seamus McCarthy, who is a permanent witness at the committee. He is joined by Ms Deirdre Quaid, deputy director of audit.

Apologies have been received from Deputy Deering.

The minutes of the meetings of 14 and 21 February have been circulated. Is it agreed that they be published? Agreed. Any matter arising will be dealt with in the course of the next topic.

There are three categories of correspondence, the first of which is category A, briefing documents and opening statements. The first items are Nos. 2010 and 2015, correspondence, dated 22 February 2019, received from the Department of Housing, Planning and Local Government, providing a briefing note and opening statement for today's meeting. We will note and publish the correspondence. Is that agreed? Agreed.

Category B is correspondence received from Accounting Officers or Ministers, or both, as a follow-up to requests made at previous meetings of the committee. The first item is correspondence, dated 18 February 2019, received from Ms Rhonda Evans of the National Paediatric Hospital Development Board, providing the minutes of meetings of the finance and construction committee. They were circulated prior to last week's meeting and I propose that we formally note them today. At our meeting on 14 February we requested the board to publish the minutes of its other meetings. I suggest it also publish these minutes. It is not for the committee to publish the minutes of meetings of the board. We will note the correspondence which was discussed at the previous meeting.

The next item of correspondence is No. 1999 received from Mr. Paul O'Toole, chief executive officer of the Higher Education Authority, HEA, in reply to the committee's request for a report on the review of the relationship between Cork Institute of Technology and certain named companies and entities. Mr. O'Toole advises that a draft report is in the process of being finalised by Mazars consultants and that the HEA will consider the report when completed and revert to the committee at the earliest opportunity. We will note and publish the correspondence. The field work has been completed and a draft report is being worked on.

The next item of correspondence which is dated 20 February 2019 is No. 2000 received from Ms Elaine Sheridan, vice president for corporate affairs and finance at Waterford Institute of Technology, providing information requested by the committee following its recent meeting at which we considered Special Report No. 104 of the Comptroller and Auditor General - Waterford Institute of Technology - Development and Disposal of Intellectual Property in FeedHenry.

**Deputy David Cullinane:** There are a couple of issues with the letter received from Professor Donnelly, president, and Ms Elaine Sheridan, vice president for corporate affairs and finance at Waterford Institute of Technology. It is on the back of the meeting regarding the special report of the Comptroller and Auditor General which mentioned several documents, one of which was a memorandum sent to Professor Donnelly by a subordinate highlighting concerns about the process involved in the establishment of FeedHenry and other governance issues. I sought a copy of the memorandum. If my memory is correct, it was accompanied by an email

stating it should be sent to the president and the financial controller, but it did not reach them. The president who was vice president at the time went back to the author of the memorandum and asked questions about its contents. I am aghast that the correspondence states, "In light of the threat of legal proceedings issuing on foot of any disclosure of the Memorandum, it would not be appropriate for us to provide it to the PAC". I do not understand why there would be any legal impediment to the memorandum being provided for the committee. There has been an ongoing issue with transparency in dealing this matter. That is one of the reasons the committee has looked into the process involved in the establishment of the companies. However, there has been a full examination and the Comptroller and Auditor General has completed his report which mentions the memorandum, yet Waterford Institute of Technology is stating it cannot provide it for us for legal reasons which are not outlined, other than the possibility that certain individuals may be named in the memorandum. However, it should be possible to redact the names of such persons.

The committee also requested an information note on the shareholders in FeedHenry, given that WIT was one of the shareholders, but the correspondence states that information cannot be provided either. The information is available on the website of the Companies Registration Office, but WIT is not in a position to provide it for the committee. This goes back to the stalled HEA report. We need to refer back to the Department and ask it if it has considered appointing a statutory inspector to deal with this. If it is the case that with every item of information being sought, there is a legal impediment or legal advice is offered as to why we cannot get it, somebody with the authority to look at all of these memorandums and documents is necessary if the committee cannot get them. I propose that we write back to the HEA and the Department, with copies of the correspondence we received from WIT, to ask them their current position with regard to having another look at the report, which is stalled at present, and what the next steps will be.

**Chairman:** I have a question for Mr. McCarthy. In his report, he refers to this document that we are calling the memorandum. He obviously saw it as part of his work.

**Mr. Seamus McCarthy:** Correct.

**Chairman:** I will be guided by him. If it is suitably redacted - the committee has not seen it - Mr. McCarthy might need to check it out-----

**Mr. Seamus McCarthy:** I would not give a view-----

**Chairman:** I understand that Mr. McCarthy could not do so off the top of his head..

**Mr. Seamus McCarthy:** No.

**Chairman:** Mr. McCarthy had access to that as part of his audit. If he feels that, with suitable redactions regarding names, etc., it is safe to give it to us-----

**Mr. Seamus McCarthy:** I cannot give the committee the document.

**Chairman:** I will take Mr. McCarthy's view into consideration as to whether we should pursue it directly again with Waterford Institute of Technology on the basis of the names being redacted.

**Deputy David Cullinane:** We could write back to the institute and ask it to supply the document with whatever redactions it considers necessary. However, I do not understand why

it cannot be given. The email we received cites legal reasons.

**Chairman:** It is stated that a letter was received on 2 February from two individuals indicating that there are a number of false allegations and potentially defamatory statements.

**Deputy David Cullinane:** Was this in the memorandum?

**Chairman:** No. I will read the second paragraph of the letter. We will put it up on the screen. It states that the institute is eager to facilitate the committee. However, it also states that on 2 February it received legal correspondence on behalf of two individuals-----

**Deputy David Cullinane:** Yes, the memorandum contains a number of false allegations.

**Chairman:** -----named in the memorandum. In the letter, counsel for the individuals communicated their clients' position that the memorandum contains a number of false allegations and potentially defamatory statements which could put their clients' good names at risk and materially prejudice their commercial interests and professional reputations. The letter suggests that any disclosure of the memorandum would breach the individuals' constitutional rights of privacy and their right to their good names and would be actionable on that basis.

**Deputy David Cullinane:** My understanding of the memorandum, in general terms, is that somebody in the research office had written to Professor Donnelly, who was the vice president, raising concerns about the process and asking that the memorandum be circulated higher up. However, this was never done. In fact, Professor Donnelly came back to the person in question to ask him to substantiate the concerns he had raised. I still cannot see how that would be a difficulty.

**Chairman:** The Deputy's request now is that we write to the Department-----

**Deputy David Cullinane:** I doubt that it will give it to us now, based on this. I will not say it but I can speculate on who one of the two people is who has concerns about what is in the memorandum. We need to refer back to the Department and the HEA and ask them where they are with their report and if they are going to embark on a different course of action if they cannot publish the report that is in draft form.

**Chairman:** I wish to clarify one matter. With regard to the information given to us regarding the shareholding, they have asked us to remove it because it is not accurate. However, did we not receive that from them?

**Mr. Seamus McCarthy:** Yes.

**Chairman:** It is up to them to issue a statement indicating that they are not happy with it and we will publish any amendment they seek, but I am reluctant to take down information we received from them in good faith.

**Deputy David Cullinane:** The problem with them not giving us the information on the shareholders is because-----

**Chairman:** They cannot do it now. There is only one shareholder.

**Deputy David Cullinane:** Historically, this was about the relationship between the institute and the company. Obviously, the institute was one of the shareholders. I believe what happened, from memory, is that a confidentiality agreement was reached between the shareholders

and the institute that there would not be any disclosure. Perhaps it was with the company. Again, that raises concerns around the transparency of these processes when it is an institute of technology, a spin out company from the institute, and there are these confidentiality clauses surrounding who the shareholders are. It just adds more intrigue to the issue.

**Chairman:** We will write directly to the HEA and the Department and give them a copy of this correspondence-----

**Deputy Catherine Connolly:** I support that. It is difficult to tease out where we are going with it. The processes were working in a sense. Somebody was alerting somebody higher up that there were questions. That is my understanding.

**Chairman:** Yes.

**Deputy Catherine Connolly:** Again, we cannot see those processes. The memorandum is part of a process. Somebody is concerned and is theoretically doing the right thing. The person notices something is wrong and wants it checked out. The person alerts somebody with higher authority so everything was being done correctly, theoretically.

**Deputy David Cullinane:** To add to that, the memorandum was in the Comptroller and Auditor General's report. He cited the memorandum.

**Mr. Seamus McCarthy:** The memorandum is not in the report.

**Deputy David Cullinane:** No, I am sorry. It is referenced in the report.

**Mr. Seamus McCarthy:** The context of it is there.

**Deputy David Cullinane:** It is referenced in the report. I imagine that the Comptroller and Auditor General would have received similar correspondence from WIT regarding concerns about the memorandum when he was doing his report, but he still referenced the memorandum.

**Mr. Seamus McCarthy:** I reference the memorandum. I do not reproduce it.

**Deputy David Cullinane:** However, the context of what is in the Comptroller and Auditor General's report is that this individual raised concerns. The reason we know what happened with the memorandum is that it was in the report. The report says that Professor Donnelly, as vice president, received the memorandum. It was to be sent higher up the chain, but it was not. It went back to the person who sent the memorandum and the vice president asked for clarifications. The memorandum could be referenced in the Comptroller and Auditor General's report. Whatever the functions of the Committee of Public Accounts, and there are many questions about that at present, referencing and examining special reports from the Comptroller and Auditor General is certainly one of them.

**Chairman:** We will write to the Department and the HEA, as the Deputy suggests, and give them a copy of this correspondence. We will ask them for their current position on these matters. With regard to the shareholding, they say the information may be misleading. We will ask them to clarify what they mean. If they tell us precisely what they are talking about, we will publish that letter when we receive it. It is not for us to guess what is misleading. We are asked to remove it but I am not happy to do that just on the basis of somebody saying it is potentially misleading. They must spell out what is misleading and we will publish their letter.

**Deputy David Cullinane:** Incidentally, we also asked for the emails that would have been

exchanged between the individuals.

**Chairman:** Which?

**Deputy David Cullinane:** This researcher who sent the email-----

**Chairman:** Yes.

**Deputy David Cullinane:** -----and the responses that would have come back from the vice president. There was correspondence around the memorandum.

**Chairman:** Yes. There is an email attached to this letter with many redactions in it. I propose that we not publish that at this stage.

**Deputy David Cullinane:** Okay.

**Chairman:** We will forward this correspondence directly to the Department and the HEA.

**Deputy David Cullinane:** I am happy with that.

**Chairman:** We will ask them to follow it up and come back to this matter as soon as possible. We will write to WIT specifically on the issue of the shareholding and ask it to clarify the issue. We will publish its letter.

**Deputy David Cullinane:** We could ask for a redacted version of the memorandum.

**Chairman:** It has given us a redacted version of the memorandum today.

**Deputy David Cullinane:** No, that is a version of the emails.

**Chairman:** We will ask it to provide us with a redacted version of the memorandum too, if it is concerned about individuals being identified. That is agreed.

No. 2002 is from Professor Donnelly, Waterford Institute of Technology. It relates to the same issue. He states that the institute is seeking clarification in response to the committee's request. That was an earlier acknowledgement of the email. We received the more comprehensive reply that we have just discussed in the week following that earlier email. That is noted.

Nos. 2003 and 2007 are from the National Paediatric Hospital Development Board regarding the committee's request for written consent from Mazars before the relevant document or any part of it is disclosed. Ms Evans advises that permission was requested and is still awaited. Mazars stated that the document is confidential and we cannot publish it until their consent is given. We are waiting for that. We note that is the position and we will publish that reply.

The next item is No. 2011 from Ms Carmel Whelan, Kildare-Wicklow ETB, providing information requested by the committee about the valuation report for a building in Arklow. This is an extensive document and the valuation runs to several pages. The final paragraph of the letter includes a note from the valuer stating that, in accordance with standard practice, neither the whole or part of this report, or any reference thereto, may be included in any document or circular without prior consent. We have to ask Kildare-Wicklow ETB to get the consent of the valuer before we can publish it. It should be standard practice that whenever this committee writes to an organisation seeking a report from a consultant, we should include in our first letter a request of the organisation to get consent from the consultant. That would be better than us getting the letter and spending another couple of weeks writing back to ask the organisation to



seek consent. On foot of these types of issues arising, we need to put that request for consent in our original request.

In this case, we have the valuation report but we cannot publish it because we do not have the consent of the valuer. We have seen it and can discuss it but cannot publish it without consent.

**Deputy Jonathan O'Brien:** We should make that standard practice from now on. I acknowledge we got the valuation report for that building but there are a number of other items that we requested from the ETB that have not been forthcoming. We need to follow up on those in the same letter. There were three other things. The first was about block E of the Civic Centre in Bray. There was a list of all properties that the board is leasing which it previously owned. There was also a list of any other buildings it is leasing which did not have signed contracts. Those were the three things I was looking for.

**Chairman:** People will have noticed the format of how we handle our business since 1 January is that we have the minutes which we publish and then the secretariat always now issues, with the minutes, an internal briefing note for us.

**Deputy Jonathan O'Brien:** I have that.

**Chairman:** It is not a public document; it is our own working document. It is a members' note for follow-up items and other matters. I hope the points the Deputy has requested are covered in that document. It is being actioned if they are. If anything is not included in that, we will ask the secretariat to issue a further letter.

**Deputy David Cullinane:** I have a question on the leasing of block E in the Civic Centre in Bray about which Teachta Jonathan O'Brien was asking questions. Was that not signed off on by the board?

**Chairman:** Yes.

**Deputy David Cullinane:** That is extraordinary. The Comptroller and Auditor General is looking at the years 2016 and 2017. Will he be examining these issues in that audit?

**Mr. Seamus McCarthy:** We will consider any issues that arise in the course of the audit.

**Deputy David Cullinane:** Could there be a supplementary report on some of these issues?

**Mr. Seamus McCarthy:** Certainly, if there is a matter that warrants it.

**Deputy David Cullinane:** In this case a lease cost €8 million, including the fit-out, which was not signed off on by the board. Would that be a normal procedure?

**Mr. Seamus McCarthy:** I would prefer not to pre-judge the matter.

**Deputy David Cullinane:** Okay. Will it be dealt with in the 2016 and 2017 audit?

**Mr. Seamus McCarthy:** Any issue of concern that arises will be examined in the audit.

**Chairman:** That is fair enough. Is Deputy Jonathan O'Brien happy that the points he raised are in that briefing note?

**Deputy Jonathan O'Brien:** Yes.

**Chairman:** It is a follow-up item in the action note for the committee. I think it is covered in that.

**Deputy Jonathan O'Brien:** It says we are looking for a note about the rent-free period for the Bray Civic Centre.

**Chairman:** Yes.

**Deputy Jonathan O'Brien:** I am actually looking for everything.

**Chairman:** Including the sign-off.

**Deputy Jonathan O'Brien:** Yes, everything that relates to it.

**Chairman:** We will ask for the process of approval by the board or otherwise for the Bray Civic Centre and not just the rent-free period. We will follow that up. We will hold over this item because we are awaiting consent from the valuer. We will not publish that until we get consent.

The next item is No. 2012 from Mr. Paul Quinn, chief procurement officer of the Office of Government Procurement, dated 25 February 2019 in response to the committee's request for information on his role as a member of the National Paediatric Hospital Development Board about the code of practice for the governance of State bodies and the role of the Government contracts committee for construction. We will note and publish this. He will be coming in with Mr. Robert Watt next week and we will have a detailed discussion. This is a comprehensive letter. I do not expect the public to read all ten pages of it but I want to make a few brief points in order that people will know what Mr. Quinn is saying in this letter.

He deals with the role of the Government contracts committee for construction and he states that, in this instance, it considered a request for a derogation for the National Paediatric Hospital Development Board from the standard form of contract. He refers to the standard form of contracts and deals with certain major contracts. He gives a timeline on the National Paediatric Hospital Development Board and confirms he is a member. In the first paragraph of his letter, Mr. Quinn states that he accepts in hindsight that, in his letter to the committee of 25 January, he should have advised that he was a member of the National Paediatric Hospital Development Board, having been appointed in a personal capacity by the Minister for Health in 2013. He states that is separate to his duties at the Office of Government Procurement. He accepts that the committee should have been informed in that earlier letter that he was a member of the board.

I want to highlight one or two other points. He states that there is a capital works procurement policy and refers to the capital works management framework, which consists of best practice guidance. As a result of this, we are asking the secretariat to ensure we have a copy of this best practice guidance in advance of next week's meeting. We might be sorry we asked for it but we should see it in advance of next week because it is important.

Mr. Quinn also gives the membership of the Government contracts committee for construction. There are 22 members on that committee to consider the various items. He gives a timeline in appendix summary 2, which we will publish. There is a summary of engagement between the Office of Government Procurement policy unit, the construction contracts committee and the National Paediatric Hospital Development Board. In the second paragraph, he states that, from this early engagement, it became apparent that the scale, complexity and required



delivery time associated with the hospital presented a range of challenges. We want to know what timeline was suggested in that early consultation before next week.

In the fifth paragraph, Mr. Quinn states that the National Paediatric Hospital Development Board commenced its formal engagement with the committee in May 2014 with a view to securing a derogation. He moves on to state that there were subsequent meetings. I do not see the date the derogation was granted, and by whom, in this memo. I want the minute of the meeting at which the derogation was granted, who attended that meeting and the full minutes of the meeting. There are three references to the fact that there were meetings about this matter but no reference in the document to when the derogation was actually approved. We want that in advance of the next meeting.

I am only mentioning those items. There are a few additional bits of information we require before next week and I am flagging those so we have them here in advance. This is very complicated. There is a big issue we will take up with him but, in essence, Mr. Quinn is saying that he was appointed to the National Paediatric Hospital Development Board by the Minister for Health and, as a civil servant, he was responsible to the Minister for Health in that respect and not the Minister for Public Expenditure and Reform. He was appointed by the Minister responsible for this and he is essentially saying he is satisfied, based on the cost overruns that came to light during that summer - and I know Deputy Jonathan O'Brien wants to comment on this - that the matter was being progressed up to the HSE and the Department of Health in a proper manner. That is why he felt no reason to raise it with the Minister. He again reiterates, from his point of view, that the Minister for Health is the line Minister for this project. He is also saying he raised it with neither the Minister for Public Expenditure and Reform nor the Secretary General because they were not the line Minister.

In fairness to Mr. Quinn, I am giving his side of it because there has been much criticism on that issue. We will tease this out next week. To be fair to everyone, I wanted to say that.

**Deputy Jonathan O'Brien:** I think it should also be noted that we do not know when the Government contracts committee for construction, GCCC, signed off on it, but we know that Mr. Quinn was appointed in July 2013. While the GCCC signs off and gives the derogation, that does not give an indication or direction on the negotiations that take place beyond that. That is down to the contracting authority, which I presume in this case in the National Paediatric Hospital Development Board, NPHDB. Mr. Quinn was a member of the development board while the contract negotiations were taking place.

Perhaps the Chair will provide guidance on what exactly Mr. Quinn will discuss at the meeting next week. I certainly want to discuss with Mr. Quinn, in his role as a member of the board, some of the issues around the strategy for the tendering process and not so much in his role as chief procurement officer in the Office of Government Procurement, OGP. I seek direction from the Chair as to whether that is-----

**Chairman:** Mr. Quinn is a civil servant and a member of the NPHDB, as a nominee of the Minister for Health. Some people might not agree with his point of view that he was responsible to the Minister for Health. We have invited him before us in respect of his role on the National Paediatric Hospital Development Board, NPHDB, as opposed to his role in the OGP. We will run through those points again because some people might not fully accept what they could describe as a Jesuitical interpretation of his role, but he makes a good case on that particular point.

**Deputy Catherine Murphy:** I requested that the head of the Office of Government Procurement appear before the committee as part of our consideration of this issue. The wider point is that there appears to be an institutional gap in terms of some large capital projects. That aspect would be useful to explore in the context of process. That is part of the reason it is appropriate that the committee have Mr. Quinn before us, but the issue is not exclusive to the national children's hospital. It is useful to have an example when we try to explore how something happened. This issue is much wider in terms of capital projects and institutional gaps. If there is an institutional gap but no institutional memory, what will happen is that the mistakes will be repeated. That is central to what we are doing.

**Chairman:** Absolutely. The invitation to the Secretary General of the Department of Public Expenditure and Reform, Mr. Watt, is exactly as Deputy Murphy indicated and relates to capital projects. There is a section in this letter dealing with capital works procurement policy. We want a copy of the capital works management framework, which I am sure is a substantial document. We need to see the capital works management framework and that is essentially what we want to discuss with Mr. Watt. We do not want to focus solely on one project, although that will be part of the discussion. We want to discuss how several other projects are being managed and how the capital works procurement policy is working. Our invitation to Mr. Watt was clear on that from day one.

**Deputy David Cullinane:** I am seeking clarification on the follow-up meeting with the Department. We should ask that the Department come back in-----

**Chairman:** Which Department?

**Deputy David Cullinane:** The Department of Health. Have we set a date for that meeting?

**Chairman:** We will deal with that later in the work programme. The date we pencilled in was the week before the PwC report will come out. I see no benefit in having it then. We will come to that matter in a moment.

Next week's meeting will start at 9 a.m. and we will get down to the main business because Mr. Watt, the Secretary General of the Department of Public Expenditure and Reform, has another commitment with the Joint Committee on Finance, Public Expenditure and Reform, and the Taoiseach in the afternoon. He has requested that we finish by lunchtime and we will facilitate him on the basis that we will start at 9 a.m. We will take a short break but if we meet from 9 a.m. to 1 p.m., it should be sufficient to do our work.

**Deputy Catherine Murphy:** I have looked at relationship framework documents for banks. They can be lengthy documents but much of the content is routine material. They could absorb all of our time. It would be useful to have a short synopsis of the document from the Department, if possible.

**Chairman:** The Department will have a big folder but I hope it will have some guidance notes or operational manuals. We will request documents that summarise or list the key points and guidance for officers on the key issues as well as requesting the large document. I could probably find the document on the Department's website but we will ask the Department to send it to us in the next day or two to give us time to study it before our next meeting. We do not want it to arrive next Wednesday evening. I think we are all happy about that.

No. 2014 is from Mr. John McCarthy, Secretary General, Department of Housing, Planning and Local Government, dated 26 February 2019 providing details requested by the committee

on housing assistance payments, HAP and other items. We will discuss that when we meet the officials shortly. We will note and publish the document. We will also note No. 2017, a copy of the social housing delivery report for 2018, which we received yesterday from Mr. McCarthy. We will discuss that report with him shortly. We will note and publish this.

Correspondence under the heading C is from private individuals. We received a letter from Deputy David Cullinane, dated 18 February 2019, on Our Lady's Hospice, Harold's Cross, Dublin. The Deputy has momentarily left the room. We have received correspondence on that in recent times. It is on our work programme. We will ask the secretariat to give us an update on this issue, which we dealt with last year and on which there has been recent media coverage.

Nos. 2001 and 2008 are from Deputy Alan Kelly on the Higher Education Authority report on Cork Institute of Technology and certain companies. As mentioned earlier, we received a letter stating the report is being finalised and the HEA will consider it and revert to the committee at that stage.

No. 2004 is a letter from Deputy Jonathan O'Brien in regard to speaking at next week's meeting when officials from the Department of Public Expenditure and Reform come before the committee. The Deputy may have thought the meeting was scheduled for last week but it is this week. We will go through our work programme shortly.

No. 2009 is a letter from Deputy O'Connell requesting a number of items to be included in the follow-up information requested from Kildare and Wicklow Education and Training Board. We will note that. The additional information that Deputy O'Brien asked for in respect of a building in Bray will be included in the request for information.

The next matter is the statements and accounts received.

**Deputy Catherine Connolly:** Before we proceed, may I have a copy of the information provided by Mr. John McCarthy? One or two members do not have copies.

**Chairman:** The correspondence arrived late, so I will ask the secretariat to print off hard copies of the document on HAP payments and the social housing delivery report for 2018 for members.

**Deputy Catherine Connolly:** We could then read them before the meeting starts.

**Chairman:** I am pleased to note that no statements and accounts have been received in the past seven days.

Members will see the draft work programme on the screen. We will deal with housing this morning and the Local Government Fund and central government funding for local authorities in the afternoon. We will have one lead speaker in the morning and one lead speaker in the afternoon and a ten-minute slot will be allocated to every other speaker. We must finish our session on housing this morning.

On 7 March 2019, we will discuss the oversight and implementation of capital projects. Officials from the Department of Public Expenditure and Reform will appear before the committee in the morning. We are going to deal with the role of public officials in capital projects, not just in the context of the national children's hospital.

We will have a private meeting next week to complete our consideration of the draft periodic report for September through to the end of 2018. We had a discussion about this issue pre-

viously and the secretariat will bring forward the amendments proposed. We are nearly there in our consideration of the report. The time slots available next Tuesday for the aforementioned private meeting are 1 p.m. and 7.15 p.m. Which would suit members best? In respect of the 1 p.m. slot, I remind them that Leaders' Questions in the Dáil will begin at 2 p.m., which may be a little too tight. I suggest Tuesday evening, at 7.15 p.m., would be better, given that we will all be in Leinster House. The meeting should not take too long because we have already had a run-through on the report.

**Deputy Jonathan O'Brien:** We might not all be here.

**Chairman:** That is all right. If Deputies cannot be here, we will still put their names to the report. If Deputies have nothing to say or add to the report, we will take it as consenting to its publication.

**Deputy Jonathan O'Brien:** I was thinking of the officials more than us.

**Deputy David Cullinane:** They do not mind.

**Chairman:** We will book the 7.15 p.m. slot. The meeting will not take too long.

I wish to point out, with the media listening, that reports on the aforementioned document appeared on the front page of a newspaper yesterday. I must stress that the document sent to members by email was a working document produced by the secretariat based on its best summation of the meetings of the committee. I am saying this in order to inform members of the media that when they receive copies of such a document, they must be aware that it is not a document into which members of the committee had an input. It is not an official committee document. What was printed in the report I read yesterday may not concur with the final document issued by the committee. We intend to publish our report on Wednesday, 13 March, having signed off on it next week. Those who attend the meeting next week will be given a hard copy. No further electronic copies will be prepared or issued. Some member of the committee has acted unfairly by circulating the working document, but I do not know what I can do about that matter. There are 13 committee members, one of whom has acted unfairly. In that context, no further hard copies will be issued until the launch of the report.

**Deputy Catherine Connolly:** It is not actually the hard copies that caused the difficulty.

**Chairman:** No. What was reported-----

**Deputy Catherine Connolly:** Let us be clear. I attended the meeting the last day, but the electronic copy had been sent to the entire committee.

**Chairman:** Yes, but the electronic copy that had been sent was just a working document.

**Deputy Catherine Connolly:** Yes, but obviously it what was leaked.

**Chairman:** Its contents were reported in the newspaper yesterday.

**Deputy Catherine Connolly:** I understand that, but the source of the newspaper report was the electronic copy which had been sent by somebody.

**Chairman:** Yes, the electronic copy was given to a journalist. There are three references in the working document that may not be relevant in finalising our report. It was only a discussion document which had been prepared by the secretariat and circulated in electronic format. It

runs to between 70 and 80 pages and we need time to read it before next week.

**Deputy Catherine Connolly:** Perhaps we might include a provision whereby both sides - the sender and the recipient - would need to give permission before contents would be shared.

**Chairman:** Yes-----

**Deputy Catherine Murphy:** Alternatively, we could include something that was very off the wall and which would be bound to get into the newspapers, thus making the journalist look very foolish for not checking.

**Chairman:** That is a good suggestion. We could be tempted to do so. We will think about that one.

**Deputy David Cullinane:** We could change one word in the document given to each member and whichever one was published-----

**Deputy Catherine Murphy:** We could add a couple of zeros at the end of some figures.

**Chairman:** We have made our point. The plan is to sign off on the report next week and publish it on the Wednesday of the following week, 13 March. We want to have it done before St. Patrick's Day.

On Thursday, 14 March, we will discuss the national broadband plan with representatives of the Department of Communications, Climate Action and Environment. We want to bring our consideration of that topic to a conclusion in order that we can include our views on it in an interim report which will take some time. We have pencilled in a meeting with representatives of the Central Statistics Office, CSO, in the afternoon on 14 March. Do members consider we are taking on too much on a single day? I am happy to leave it as is, but it is the Thursday before St. Patrick's Day. I presume the Dáil will be breaking for that week. Is the afternoon on 14 March a good time to start to discuss a new topic or should we defer our meeting with representatives of the CSO? I suggest we finish our deliberations on the broadband issue on the Thursday morning and arrange a new date for the meeting with representatives of the CSO. Is that agreed? Agreed.

We had hoped representatives of the National Paediatric Hospital Development Board would come back to us on 28 March, but the report from PwC may not be completed by then. In that context, we will have to move the meeting to April. I have had a look at some of the Departments, representatives of which have not been before us recently. There are two key Departments, with which we have not discussed Votes in recent times, namely, the Departments of Children and Youth Affairs and Agriculture, Food and the Marine. I suggest we meet representatives of the former on 28 March, if members agree.

On 4 April we will meet representatives of the Department of Justice and Equality to discuss the appropriation account. There is also a chapter in the report of the Comptroller and Auditor General on Garda overtime with which we will try to deal on the same day. We may have to schedule the meeting to start at a slightly earlier time.

There is also the question of the Irish Prison Service. Some members have asked for its representatives to be invited to appear before us again. The committee received detailed correspondence from the service last week. If that correspondence which runs to more than 20 pages is considered inadequate, we must write back to seek further clarification. We should do



that first before deciding to invite back representatives of the service. When they were before us, we had a detailed discussion with them, but there were some unanswered questions which, as usual, we followed up through correspondence. We should not jump to arrange another meeting until we have completed the necessary preparatory work. Let us follow up on the correspondence received by seeking further details. When we receive them-----

**Deputy Catherine Connolly:** What is the reference number for that correspondence?

**Chairman:** It is No. 1942, dated 14 February 2019. While it is comprehensive, it does not answer every question we asked. We will go back to the Irish Prison Service to seek for more information, but I ask members to contact the secretariat if they are seeking clarification on any matter related to the service. We will write to it again to seek further clarification on certain matters.

**Deputy David Cullinane:** As some of the issues are related to policy, will we be circulating the responses to the relevant sectoral committees?

**Chairman:** We can do so.

On prisoner welfare, issues might arise involving the State Claims Agency in respect of medical negligence cases. We have established that there are only four doctors in the service and that 63% of prisoners are on medication. I have received private correspondence from people who claim that they are not receiving adequate medical treatment. I do not want this issue to end up at the door of the State Claims Agency. We want all of these bodies to have procedures in place to log all of these issues in order that the agency will be aware, in advance, of potential medical negligence cases that could cost the State a lot of money. We are looking at that broad issue. We can give the information to other committees too, but we are here to deal with the issue of medical negligence in the context of costs to the State through the State Claims Agency. We are not going to get into how the prisons are run. The committee does not need to know that information.

**Deputy Catherine Murphy:** The issue I wanted to raise concerned the State Claims Agency. Do we have any idea as to when we will be coming back to it?

**Chairman:** We will definitely be meeting again with representatives of both the State Claims Agency and the National Treasury Management Agency, NTMA, on which there is a chapter in the report of the Comptroller and Auditor General with which we must deal. The NTMA was very quick in carrying out its business and publishing its annual report. Its representatives appeared before us prior to the summer break last year to discuss the annual report. The report of the Comptroller and Auditor General was released at the end of September. It contained a chapter on the NTMA and we need to bring back representatives of the agency to discuss it. A key element of that meeting will be a discussion with the State Claims Agency on issues to do with medical negligence. We have been assembling a lot of information, but we need to close off the issue as part of our next periodic report. We will set the date for the meeting as soon as possible.

**Deputy Catherine Murphy:** Will the meeting with representatives of the State Claims Agency be related exclusively to potential medical negligence cases? We know that there is an enormous contingent liability, but it is not the only area covered by the agency. There is, for example, a significant issue in the Air Corps. Are we going to try to capture more than the contingent liability, or are we going to keep the focus quite narrow?



**Chairman:** In its last annual report the State Claims Agency recorded an estimated liability of €2.6 billion, of which approximately €2 billion was related to medical negligence cases. It is therefore the biggest element, but it is not the only element. We will look at the full €2.6 billion, the main element of which relates to health, although there are other issues. We will examine the full State Claims Agency, not just the one key aspect.

**Deputy Catherine Murphy:** That will probably be one of the most significant things we do this year because it leads to things such as a change in culture with regard to open disclosure. There are some serious recommendations we can make that will be valuable in the future. Given the extent of the potential liability, it strikes me that this should be a priority for us, even if we have to spend a number of days on it.

**Chairman:** We will schedule that-----

**Deputy Catherine Connolly:** On that, there was something I raised and about which I was to come back to the Chairman. He left the issue open and I thank him for that. It relates to medical negligence and to the prior step where independent inquiries are carried out. I have gone back to check on this and I was to come back to the Chairman about it. I have asked a very straight question regarding Galway. Over a ten-year period, how many independent investigations were carried out? It is a simple question. I also asked about the cost of any such investigations. I got back a letter which said that information is not recorded.

**Chairman:** How independent could the investigations have been if there is no record of them?

**Deputy Catherine Connolly:** I am left with my mouth open. I went back twice and in two different ways. I then went to the Minister to ask him whether he was happy with this situation. I will now refer that question and those two answers to the committee. Before we get to medical negligence, things inevitably happen because we are only human. One learns from that and one should set up an investigation, whether internal or external. I only asked about the external independent investigations. I asked how many there had been and what they had cost and the people I asked were not in a position to give me that information. They had no record of it. How can we learn, how can we now what things costs, and how can we avoid costs in the future? How can we find out how the issue ties into subsequent medical negligence cases?

**Chairman:** We are going to write again. Will the Deputy send us her correspondence so that we can follow up on it?

**Deputy Catherine Connolly:** Yes. There are parliamentary questions.

**Chairman:** If the Deputy sends it on we will follow up on it. Between now and next week, let us have a quick look at the accounts of the State Claims Agency to see whether they include information on non-medical negligence. If not, we will agree next week to write to the agency seeking this information as soon as possible so that we will have it well in advance of the meeting. On the Deputy's point, we have letters from the HSE which essentially accept that there is no learning process in the system. It is very obvious what our conclusions will be when we come to conclude our work. We have to go back through the correspondence.

**Deputy Catherine Connolly:** The HSE is saying the opposite, is it not? It is saying it sets up investigations, learns and implements recommendations.

**Chairman:** There is no training-----

**Deputy Catherine Connolly:** How can that be true if it does not even have a record of the number of investigations that have been carried out?

**Chairman:** We can see where our interim report is going.

**Deputy Catherine Murphy:** Too often when something fails we are told that it is a system failure. This is central to the kind of fragmented approach being taken. It is about processes and institutional gaps. The very least the HSE should have is a register. This issue is not exclusive to the HSE, however. It is something that cuts across various bodies. It may be something we could raise with the Department of Public Expenditure and Reform next week. It strikes me that it is the overarching Government Department in respect of the public service. If there is going to be an outside investigation, at the very least there should be a requirement to register it so that we can know that it happened.

**Chairman:** The health service has what is called the national incident management system, NIMS. We need to know whether there is a similar system in other State bodies. The State Claims Agency handles all these cases when push comes to shove. It comes under the NTMA, which happens to come under the Department of Finance rather than the Department of Public Expenditure and Reform. The Deputy's point is, however, right. We will do a little bit of research to see what information we can get in respect of the State Claims Agency and we can decide what information we need before it comes back before the committee. We are proposing to deal with the Department of Justice and Equality and that chapter in the report of the Comptroller and Auditor General on 4 April. We are going to write to the Prison Service in the meantime and if we are not happy with the replies we can consider putting it on the work programme for that day. Until we get information we cannot jump to that conclusion. We are moving the meeting with the National Paediatric Hospital Development Board to 11 April, because the report scheduled for the end of March should be out at that stage. We will then move straight on to the State Claims Agency for our next meeting after that. We have agreed that we will also have the Department of Children and Youth Affairs before the committee.

While Deputy Cullinane was out, we mentioned his item of correspondence in respect of Harold's Cross. That is in our system. We had correspondence on the issue last autumn. I know that it has appeared in the media again. I am asking the secretariat to tell us precisely where we are in that regard. We will then action the issue for the next meeting. That was agreed in the Deputy's absence.

The last thing I want to say before we briefly suspend is that the Comptroller and Auditor General issued a special report on Ireland's transactions with the EU in 2017 yesterday. It will be circulated and we will discuss it, perhaps on the day on which we will have the Department of Finance before us. We all know that in recent years we have become a net contributor to the EU. The report deals with that. I have not had an opportunity to study the report. Members can have a look at it. In the public interest and for the public's information, it is no harm for it to be seen. We will schedule discussion of it for the day on which the Department of Finance will be before us. Would that be reasonable?

**Mr. Seamus McCarthy:** That is perfectly reasonable. Part of the reason for compiling the report is that there is no single place where one can get an overview of our transactions with the EU. I felt it might be useful to present such information as a framework. There is a set of financial statements co-ordinated by the Department of Agriculture, Food and the Marine, the FEOGA accounts. I believe the committee has looked at these on previous occasions. To be quite honest, they do not give that much useful information. I was trying to suggest an alterna-

tive presentation that might be more useful and of more value to the public.

**Chairman:** One of the issues is that Department of Agriculture, Food and the Marine grants under FEOGA are audited by the auditor of the European Commission rather than the Comptroller and Auditor General.

**Mr. Seamus McCarthy:** That is correct.

**Chairman:** It is subject to the audit committee of the European Parliament rather than the Committee of Public Accounts, but it important that we at least get the picture. It is European funding so Europe audits it. I presume it also audits our contribution to the fund to ensure it is well spent in other countries.

**Deputy Catherine Murphy:** Where is this captured? There is a two-way relationship in respect of European Union money. We are now a net contributor. That is an aspect of it. Where is the oversight of it? A second aspect relates to fines. Do fines go through one Department? Have fines been levied in reality? Are they captured in individual departmental Estimates?

**Mr. Seamus McCarthy:** They are captured in individual departmental Estimates. It depends on the scheme.

**Chairman:** That is why need this collation of information.

**Mr. Seamus McCarthy:** That is the point.

**Chairman:** It is a useful exercise. Payments out go through the Central Fund. We are the only committee which looks at the Central Fund. We will look at that when we have the Department of Finance before us. That is where the funds go out. It is based on a percentage of VAT. They can, however, come directly into the Department of Agriculture, Food and the Marine or other Departments. This collation of the information will be useful.

**Deputy Catherine Connolly:** I welcome that. On a separate issue and just to keep track, we got a letter from a doctor with which we did not deal.

**Chairman:** Yes, it was on the paediatric hospital.

**Deputy Catherine Connolly:** Yes. I just want to make sure we do not forget it. I do not mind when we deal with it, but we should deal with it.

**Chairman:** I know which letter the Deputy is referring to. I will ask that it be on our schedule for next week.

**Deputy Catherine Connolly:** Alternatively we could deal with it today in private session. We have not dealt with it and it was a very interesting and informative letter. We should be seen to make a decision on it, one way or another.

**Chairman:** We will deal with it next week in either public or private session. We will suspend for five minutes while the witnesses take their seats.

*Sitting suspended at 10 a.m. and resumed at 10.05 a.m.*

### **Vote 34 - Housing, Planning and Local Government**

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

**Chairman:** The purpose of this meeting is to continue examination of Vote 34 with the Department of Housing, Planning and Local Government. We specifically met the Department in relation to housing matters in October of last year and the first session today is a resumption of our consideration of housing matters. At our second session we will deal the remainder of the Vote for the Department, including the Local Government Fund; and the Comptroller and Auditor General's 2017 report on central government funding of local authorities.

We requested that members of the County and City Management Association, CCMA, attend on a voluntary basis in order that they might assist us in our deliberations. CCMA members are chief executives of local authorities and the committee is of the view that they play a critical role in the provision of housing. I thank the representatives from the CCMA for making themselves available. While we invited them to attend in order to discuss matters relating to housing, they may stay on for the remainder of proceedings. I hope they find our deliberations interesting. The committee has discussed the fact that provision of funding to local authorities by central government is becoming more convoluted as the years go by and we are having difficulty getting our heads around what is involved. That is why the Comptroller and Auditor General has written a specific chapter on the matter. Our discussion might be helpful all round.

I remind members that the local authorities do not fall directly under the remit of the Committee of Public Accounts. We are absolutely clear on that. The representatives are here voluntarily and we thank them for coming. They are not witnesses before the committee. They are here to assist. The Secretary General of the Department is a witness but the CCMA representatives are here as invited guests to assist us and provide information that could be of benefit.

From the Department of Housing, Planning and Local Government, we are joined by Mr. John McCarthy, Secretary General, Ms Marguerite Ryan, principal officer, Ms Mary Hurley, assistant secretary general, Ms Nina Murray, principal officer, Ms Theresa Donohue, Mr. Aidan O'Reilly, Mr. Maurice Coughlan and Ms Janet Jacobs. From the Department of Public Expenditure and Reform, we are joined by Ms Clare Costello and Ms Margot Dunne. From the CCMA, we are joined by Ms Jackie Maguire, chair of the association and CEO of Meath County Council, and Mr. Conn Murray, chair of the housing committee of the CCMA and CEO of Limerick City and County Council.

I remind members, witnesses and those in the Visitors Gallery to turn off all mobile phones fully. Merely leaving them in silent mode will not prevent them from interfering with the recording and broadcasting systems.

By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to the committee. If witnesses are directed by the committee to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person or entity by name or in such a way as to make him, her or it identifiable.

Members 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 policy or policies. While we expect witnesses to answer questions put by the committee clearly and with candour, they can and should expect to be treated fairly and with respect and consideration at all times, in accordance with the witness protocol.

We will now hear the opening statement from the Comptroller and Auditor General.

**Mr. Seamus McCarthy:** The appropriation account for Vote 34 and the Local Government Fund account need to be examined together to get an understanding of the scale and nature of operation of the Department of Housing, Planning and Local Government. The appropriation account for Vote 34 records gross expenditure of €2,087 million in 2017. This was substantially greater than in 2016, when gross expenditure amounted to just under €1.4 billion, which is a 49% increase year on year.

**Deputy Catherine Murphy:** Excuse me. The statement is not on the screen and we do not have a hard copy.

**Chairman:** I apologise. We are trying to get copies. We will have it sorted out shortly. Mr. McCarthy may continue.

**Mr. Seamus McCarthy:** The Vote expenditure was spread across five programmes, as indicated in the figure which is now on the screen. Programme A, Housing, accounted for €1.3 billion, amounting to almost two thirds of the Vote's gross expenditure in 2017. Programme C, Local Government, accounted for €388 million, or 19%, and the bulk of that expenditure was accounted for in the form of a transfer of €365 million to the Local Government Fund. Programme B, Water Services, accounted for expenditure of €326 million, or 16% of the Vote total, of which €292 million related to payments to Irish Water.

The income of the Local Government Fund in 2017 was €1.86 billion. This comprised motor tax receipts of €1.02 billion paid directly into the fund, local property tax transfers from the Exchequer amounting to €477 million and the funding of €365 million from the Vote, as referred to earlier. Members may wish to note that significant changes have been made in the fund's income streams from January 2018 and the Accounting Officer will outline some of those changes for the members.

The fund expenditure in 2017 amounted to €1.83 billion. It should be noted that this included a payment to the Exchequer, at the direction of the Minister for Finance, amounting to €230 million. As a result, the net expenditure from the fund on programmes and services was just over €1.6 billion. Almost 40% of this was accounted for by a subvention to Irish Water. About 38% went directly from the fund to local authorities. Some 22% went to the Department of Transport, Tourism and Sport for roads-related spending, and a substantial part of this was subsequently transferred to local authorities for road construction and maintenance.

Because of the complexity of the various fund flows, chapter 4 is compiled to present an overview of the level of net funding provided by central Government to local authorities, the purposes for which that funding is provided and trends over time. Central Government transfers to local authorities amounted to a total of €2.66 billion in 2017, up almost 20% year on year. Most of the increase was in regard to housing and urban regeneration, which accounted for almost half of the transfers. There was relative stability in the funding provision for other



programmes in 2017.

Members may wish to note that chapter 1 of my report for 2017 includes a summary of the Exchequer funding provided to Irish Water. This amounted to a total of €1.2 billion and comprised payments of €292 million from the Vote, €639 million from the fund and a capital contribution of €270 million paid directly to Irish Water from the Central Fund of the Exchequer.

**Chairman:** Thank you. I invite Mr. John McCarthy to make his opening statement.

**Mr. John McCarthy:** I am pleased to be here this morning as Accounting Officer to assist the committee in its examination of Vote 34; Chapter 4 of the Comptroller and Auditor General's report for that year on central Government funding of local authorities; and the Local Government Fund account for 2017. I am joined by a number of colleagues from the Department, who have been introduced. I am pleased to have been able to facilitate the committee's request to have attendance on this occasion from the local government sector of our two colleagues from the CCMA, who have also been introduced. As requested, I have provided some advance briefing material for the meeting and I will, therefore, keep these comments short.

At the outset, I should note that, in 2017, a transfer of functions took place with the movement of a number of community-related programmes to the new Department of Rural and Community Development. A further Revised Estimate for the year made the necessary technical changes to the Estimate to reflect the transfer and also provided funding in the Vote of almost €293 million for Irish Water, arising from the Water Services Act 2017, to take account of the revenue shortfall due to the abolition of domestic water charges and the cost of related refunds. In addition, in the course of 2017, a Supplementary Estimate of €100 million was approved to meet costs arising under the local authority housing capital programmes.

The Department's gross expenditure in 2017, as set out in the appropriation account before the committee today, totalled some €2.087 billion. In accordance with Government accounting practice, this expenditure figure reflects the position after the transfer of functions had been completed and these additional funding provisions had been made.

The Department had significant achievements in 2017 in delivering on key policies and programmes and I will comment briefly on a number of these. As the committee is aware, implementation of the Government's six-year Rebuilding Ireland action plan is the core focus of our daily work in the Department and, indeed, across central and local government, as we strive to make meaningful, tangible and sustainable progress towards a better housing landscape. At its meeting on 25 October last, the committee examined in some detail housing supply issues arising in the context of Vote 34 for 2017. The Department's gross voted expenditure on housing programmes, as set out in the appropriation account, totalled some €1.3 billion in 2017, including the additional €100 million provided by way of Supplementary Estimate that I referred to earlier. A further €98 million was also available from local property tax, LPT, receipts to fund housing programmes of certain local authorities whose LPT allocation exceeded their LPT funding baseline, bringing the overall total resourcing for the Department's housing programmes to over €1.4 billion in 2017.

As regards 2018, gross voted expenditure on housing programmes totalled some €1.97 billion. An additional €92 million was also available from LPT receipts, bringing the overall total resourcing for the Department's housing programmes to over €2 billion last year.

Table 1, which I have circulated in the briefing paper for the committee today, sets out the



key Rebuilding Ireland targets for the period 2016 to 2021 and details the progress that has been made to the end of 2018. At the October meeting, I shared with the committee information on progress achieved in 2017. During 2018, significant further progress was made to deliver on the commitments in Rebuilding Ireland. In overall terms, housing supports were delivered to over 27,000 households in 2018 through the range of social housing measures in Rebuilding Ireland, significantly ahead of the target of just under 25,500.

Roughly one in four new homes built last year was a social housing home. The new-build figure was 85% up on 2017 and eight times higher than 2015, the year before Rebuilding Ireland began. Wider housing supply also continued to grow in 2018 with the number of new homes becoming available for use in the full year reaching 21,458, an 18% increase on the corresponding figure of 18,209 for 2017. Significant progress was also made in 2018 in advancing many social housing projects through the range of delivery mechanisms and programmes. By the end of the year, a substantial construction programme of over 19,000 units was in place to deliver further increases in the number of new social housing homes being built in the coming years.

While the numbers of homeless households supported into more sustainable housing continued to increase significantly last year, regrettably, this did not match the numbers of new households presenting to homeless services. This area of our activity, working with housing authorities and NGOs, will continue to be the focus of priority and sustained attention in 2019.

The 2019 Estimates provision for housing amounts to nearly €2.4 billion, including local property tax, LPT, receipts, the bulk of which will be devoted to the achievement of the overall 2019 target of supporting almost 27,400 households across all our social housing delivery streams. While much has been achieved in the first half of Rebuilding Ireland in addressing the issues in our housing sector, there is much work that remains to be done. There are demanding targets to be achieved in the years ahead and these will continue to be the focus of the absolute highest priority by the Department.

As the committee is aware, responsibility for the provision of public water services transferred from local authorities to Irish Water on 1 January 2014. Detailed information regarding Irish Water's progress in delivering water services is set out in its annual report for 2017.

The Government decided in September 2017 that, in line with the recommendations of the Oireachtas Joint Committee on the Future Funding of Domestic Water Services, all State funding for domestic water services should in future be provided through the Department's Vote. These new funding arrangements came fully into effect in 2018. As regards 2017, over €930 million in funding was provided to Irish Water from the Department, made up of almost €639 million from the Local Government Fund, LGF, and almost €292 million from the Vote. The latter amount comprised €114 million to take account of the revenue shortfall due to the abolition of domestic water charges and almost €178 million for related refunds to customers and necessary administrative costs.

The second year of operating under the new multi-annual capital funding framework for the rural water programme was 2017. The new structure provides greater funding certainty for priority investment needs and supports proper planning and sustainable development in rural areas. The Department recouped just over €15.3 million to local authorities during the year for capital expenditure across the six measures of the programme.

The chapter of the Comptroller and Auditor General's annual report concerning central Government funding of local authorities, which we will discuss later today, provides an over-

view 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 2017 totalled some €2.66 billion, an increase of nearly 20% on 2016. The Local Government Fund accounted for 36% 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 account for 2017 gives details of the operation of the fund during the year. The income sources to the fund in 2017 totalled €1.86 billion, made up of motor tax of just over €1 billion, local property tax receipts of €477 million and a payment of €365 million from the Exchequer, through Vote 34. The main payments from the LGF in 2017 were LPT funding to local authorities of just over €500,000; a payment of €639 million as subvention to Irish Water, which I mentioned earlier; a payment of €333 million to the Department of Transport, Tourism and Sport for works on non-national roads and for public transport infrastructure; and a payment to the Exchequer of €230 million.

As the Comptroller and Auditor General mentioned earlier, in 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 the Department's Vote. Funding for roads and public transport infrastructure, formerly routed through the fund, is now channelled through the Vote of the Department of Transport, Tourism and Sport and a payment to the Exchequer from the LGF is no longer required. Further details of these changes are in the briefing paper circulated for the meeting. When taken together, the changes result in much greater transparency in terms of the various flows of funds involved.

In terms of accountability, 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 statutory audit report to every member of the local authority for his or her 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 respect of the authority and will assess any actions taken within that authority in response to either a statement or report, and will report on its findings.

Scrutiny arrangements for local government were also enhanced in recent years with the establishment of the National Oversight and Audit Commission, NOAC. NOAC scrutinises local government performance and supports the development of best practice and enhanced efficiency in the performance of local government functions. The Comptroller and Auditor General notes in his chapter the increase in oversight of local authority spending since 2014 brought about through the operation of the commission.

Further areas of expenditure set out in the 2017 Appropriation Account include, in the planning area, meeting the costs of An Bord Pleanála, which amounted to some €17 million, as well

as Met Éireann costs of €18 million.

The matters I have referred to illustrate well the broad range of programmes and activities for which the Department had responsibility in 2017. I and my colleagues will be happy to respond to questions or issues that emerge in the course of the committee's further work today.

**Chairman:** I thank Mr. McCarthy. I notice he has a sore throat so I thank him for taking the time to make his contribution. We are here to resume our examination of Vote 34 with the Department of Housing, Planning and Local Government and we hope to complete our work this morning. We would have asked this question on the previous day and it is the only question I want to ask Mr. McCarthy. How many new houses were built by local authorities in 2018? Does Mr. McCarthy have a list of those on a county-by-county basis?

**Mr. John McCarthy:** The build output for 2018 was 4,811, which was about 96% of the target for the year.

**Chairman:** That was-----

**Mr. John McCarthy:** I am sorry. That probably includes the voids as well so we will take those out. It is actually 4,251, which was 96% of target.

**Chairman:** To get back to my question, how many of those 4,251 units were built by local authorities?

**Mr. John McCarthy:** By local authorities, it was 2,022.

**Chairman:** In the report, the figure given is 2,022 built by local authorities and then the balance. That includes the Part Vs, which are-----

**Mr. John McCarthy:** No. The Part Vs are separate. There were 2,022 built by local authorities, 1,388 by approved housing bodies, AHBs, and 841 were Part Vs.

**Deputy Catherine Murphy:** How many were Part Vs?

**Mr. John McCarthy:** Eight hundred and forty-one.

**Chairman:** Does Mr. McCarthy have a list of the local authorities which built the 2,022 units?

**Mr. John McCarthy:** Yes. All local authorities would have contributed to it.

**Chairman:** No. Does Mr. McCarthy have the list available to him? We have not seen that.

**Mr. John McCarthy:** Yes, it is published. We can get it down from the website.

**Chairman:** I ask Mr. McCarthy to arrange to get one of his staff to email it to the committee for circulation in a few minutes-----

**Mr. John McCarthy:** Yes. That is fine.

**Chairman:** -----because we have not seen that list. We had a debate on the previous day about building by local authorities versus other entities. Part V builds accounted for 841 units and these fall under the local authority remit. A further 1,388 were built by approved housing bodies. That is fine.

In terms of the speakers who have indicated, Deputy Catherine Murphy is the lead speaker with 20 minutes. The following speakers will have ten-minute slots because we will have a lead speaker in the second session. The speakers who indicated after Deputy Murphy are Deputies Connolly, Cullinane, Cassells and MacSharry.

**Deputy Catherine Murphy:** Good morning. I want to pick up on the thread relating to the figures for new houses and where they were generated. I am looking at the document provided to the committee, Rebuilding Ireland - Social Housing Delivery 2018. A note at the bottom of a table on page 2 states: "Build refers to Local Authority and Approved Housing Body construction, including traditional construction, turnkeys, rapid build delivery, regeneration and homes delivered through the Part V mechanism." Can Mr. McCarthy break that down for the committee? In, say 2018, how many of those local authority builds were turnkeys? How many were regeneration? Why does the Department not divide them up? Within that, in our work, not necessarily this year but in future years, we need to know which is which in order that we can see where there is value for money. I can appreciate, for example, that in parts of the country purchasing would be sensible but in other parts that option may not be available.

**Mr. John McCarthy:** I thank the Deputy. In terms of the figure of 2,022, 200 of those were regeneration, 768 were turnkeys and then the balance were standard build.

**Deputy Catherine Murphy:** Would Mr. McCarthy agree, therefore, that just over 1,050 were built directly by the 31 local authorities in 2018?

**Mr. John McCarthy:** The regeneration units were built by the local authorities as well.

**Deputy Catherine Murphy:** So they were, yes. That makes it 1,200 houses plus the turnkey ones. In the coming days, can Mr. McCarthy give us a breakdown of those, perhaps by way of a note to the committee on costs per house by local authority, because there are different values in different parts of the country and we can consider the value-for-money aspect in that regard? When the Department provides these statistics, why does it not give that breakdown any more? The Department used to give it. It is actually very useful.

**Mr. John McCarthy:** For the purposes of the table to the committee, we were giving it in as high a level as possible. However, we publish this every quarter and we still continue to do so. We can make that available. There is no issue with that.

**Deputy Catherine Murphy:** But the sub-breakdown.

**Mr. John McCarthy:** Yes.

**Deputy Catherine Murphy:** It is important that we see that. Mr. McCarthy stated that the new build figure was 85% up on 2017. What was the figure in 2017? What was the Department basing it on?

**Mr. John McCarthy:** The figure in 2017 was 2,297.

**Deputy Catherine Murphy:** How many of those were direct builds by local authorities, including regeneration?

**Mr. John McCarthy:** In 2017, there would have been, if my maths are correct, approximately 626.

**Deputy Catherine Murphy:** Six hundred and twenty-six were built, then it was an 85%

increase and we ended up with 1,200. It shows a bit of spin with the 85%, given the extent of the housing lists and the challenge ahead of us. It gives the impression that we are getting ahead of a crisis. We could do without presenting it in that way because it is not a fair reflection on the extent of the crisis and how that crisis is being tackled. Would Mr. McCarthy accept that?

**Mr. John McCarthy:** I would not accept at all that there is any element of spin involved here. Maybe just to step back for a minute, when Rebuilding Ireland was put in place clear targets were set for what was to be built, what was to be bought and what was to be leased, as well as targets for the rental accommodation scheme and for the housing assistance payment. When it comes to build, we have always published - every quarter for the past eight quarters - a detailed construction status report showing all of the build projects, such as the turnkeys and the traditional builds, so that there is a clear build figure. When I talk in terms of build, every one of those houses is a new-build local authority or AHB house.

**Deputy Catherine Murphy:** I will stop Mr. McCarthy there because I have limited time. It is probably the Minister I need to address. Essentially, Mr. McCarthy is dealing with what the Department has been given in terms of funding and he is stating that the Department is meeting its targets.

**Mr. John McCarthy:** Just to clarify, if the issue is whether the target is ambitious enough or whether there is sufficient funding, that is certainly for the Minister but I do not want there to be any misunderstanding. What we are reporting on is versus the targets. The numbers are matching apples with apples rather than any apples with oranges.

**Deputy Catherine Murphy:** Okay. I will skip through a few different aspects of the report. I refer to Traveller accommodation in the Appropriation Account 2017, Vote 34, A5 housing inclusion supports, which states "Savings of €4.2 million arose on traveller accommodation as a number of capital projects did not progress as anticipated." Have they progressed since because that relates to the account of 2017?

**Mr. John McCarthy:** The spend on Traveller accommodation and the progress in that space continued to be a challenge into 2018. For example, in 2018, the capital Estimate provision for Traveller accommodation was €12 million and just under €6.3 million is what was actually spent.

**Deputy Catherine Murphy:** Did the projects that could not proceed in 2017, that were accounted for by the €4.2 million, proceed in 2018?

**Mr. John McCarthy:** Some of them would have proceeded but-----

**Deputy Catherine Murphy:** Do we know how many?

**Mr. John McCarthy:** I do not have a detailed list of the individual projects but I suppose I am trying to acknowledge that the difficulties in that space have continued on into 2018.

**Deputy Catherine Murphy:** It is not a huge amount of money in the context of the budget. How many projects accounted for the €4.2 million?

**Mr. John McCarthy:** I do not have a list of the projects.

**Deputy Catherine Murphy:** Can Mr. McCarthy provide a note on the list of projects outlining the position, both in 2018 and now?



**Mr. John McCarthy:** I certainly can.

The issue of Traveller accommodation and its delivery continues to be a concern for us. Last year it did not get anywhere near where it needs to be either. There is a group looking at that and it is due to report back to the Minister of State, Deputy English, in April, with recommendations.

**Deputy Catherine Murphy:** That is fine, if Mr. McCarthy sends us a note. I am merely trying to be efficient with the time available to me.

Going back to Rebuilding Ireland, I wonder about the estimate for the Rebuilding Ireland home loan, which is a welcome initiative. Where did the estimate of €200 million over three years come from? Kildare, Fingal, Meath and Waterford, for example, have all exhausted their funds and started refusing applicants on the basis of insufficient funds in 2018. Therefore, the fund is depleted. I completely understand that is a matter for the Minister in the context of the budget for the Department and it is not for Mr. McCarthy, but what analysis was done in terms of borrowing that money and what would be required?

**Mr. John McCarthy:** It was hard to estimate what level of take-up there might be. The €200 million over three years was based on the extent to which borrowing actually was happening in local authorities up until then. We felt that the €200 million over three years was a reasonable first intervention. It was really a case of putting it out there to see what progress is made.

**Deputy Catherine Murphy:** Is further analysis being done on how that has played out?

**Mr. John McCarthy:** Yes.

**Deputy Catherine Murphy:** I presume that will work its way into policy.

**Mr. John McCarthy:** Absolutely. We are looking at the numbers of applications that had been recommended for approval by the Housing Agency and how many have been drawn down by local authorities. It is clear that it has proved to be more popular than would have been foreseen.

**Deputy Catherine Murphy:** The Secretary General talked about social housing supports. Are hubs included in those social housing supports?

**Mr. John McCarthy:** Not in the 27,000 figure. The 27,000 - the annual target we have for supports - are for build, acquisition, lease, housing assistance payment and the rental accommodation scheme.

**Deputy Catherine Murphy:** Homelessness continues to be an incredibly serious issue and we saw yesterday's figures on that. What does the Department count? From the point of view of value for money, we are looking at hubs, beds in hostels and hotels. Some of what are described as beds are actually mats rather than beds. I refer to the cold weather initiative and so forth. How is that broken down? Some of the money would be spent by local authorities. Is it captured in the Department's budget?

**Mr. John McCarthy:** The main line of funding in the Department's budget in respect of homelessness is subhead A5. In 2017, the outturn was €109 million. Generally, local authorities would match that with a further 10%. In many cases, they actually fund further services beyond that.



In terms of hubs, at this stage there are approximately 26 hubs operational nationally, the bulk of them in Dublin. They provide over 600 units of family accommodation. The Deputy absolutely rightly points to the extent to which homelessness remains a really serious issue for us. One of the main reasons for the hubs is to try to provide a better, but obviously inadequate, short-term support than would be available in hotels. Not only are they better than hotels because of-----

**Deputy Catherine Murphy:** I just want a breakdown covering hotels, hubs, cold weather initiative, etc.

**Chairman:** Does the Secretary General have that with him? If not, it can be sent on to us.

**Mr. John McCarthy:** We can certainly send it on.

**Deputy Catherine Murphy:** It would be very useful to have those figures.

The Secretary General referred to some local authorities using LPT receipts in the area of housing where the allocation exceeded their baseline. We will deal with this in the afternoon. How many local authorities are in that category?

**Mr. John McCarthy:** I do not have it in my papers here. I think it is nine. Let me count. Yes, nine.

**Deputy Catherine Murphy:** Where there is a surplus beyond the base line, it is used in two areas: roads and housing. Would some of those nine local authorities spend the money exclusively on roads? Which ones use it for both roads and housing?

**Mr. John McCarthy:** I cannot say how the roads spending breaks down among the nine because the Department of Transport, Tourism and Sport does that. However, I can say that all nine are in the housing space.

**Deputy Catherine Murphy:** Maybe we could have a list of those, showing the amount of LPT receipts going to housing. We will have another discussion on the LPT and the baseline this afternoon.

The amount budgeted for private housing grants in 2017 was €34 million and the amount spent was €44 million. The Secretary General has stated that it is a demand-led scheme. I have seen it work very effectively in making housing viable for people to live in again; it is a very good initiative. From where was that €10 million transferred? Was it transferred within or did additional money come from the Department of Public Expenditure and Reform?

**Mr. John McCarthy:** It was actually a technical transfer in that when the Estimate was originally done a certain amount of LPT was to be used by those local authorities to contribute to it, whereas in the actual distribution of the LPT proceeds, that changed. If one looks in overall terms, when the Estimate was being set, it was to be split between the Estimate and LPT, and it was going to come to €47.8 million between the two. In terms of the outturn between LPT and the Estimate, it came to €48.8 million. There was approximately €1 million in the difference.

**Deputy Catherine Murphy:** That is not very clear. The budget was €34 million and the spend was €44 million. Did the €10 million come from LPT?

**Mr. John McCarthy:** In what was finally spent in 2017 on those grants, €44 million came

from the Vote and €4.3 million came from LPT, giving a total of €48.8 million.

**Deputy Catherine Murphy:** I still do not see where the-----

**Mr. John McCarthy:** It was the distribution between the two funds. Some of the LPT was actually used elsewhere. I suppose I am saying that those LPT figures were estimate figures. When it came to actually distributing the LPT finally among programmes, it was distributed among some of the housing programmes differently, but in overall terms the total difference between the REV and the LPT was only €1 million - between the initial Estimate and the final outturn.

**Deputy Catherine Murphy:** Returning to the housing inclusion supports at A5, the Estimate was €112 million and the outturn was €118 million. This primarily deals with homelessness. The report states, “Additional expenditure of €11.4 million arose due to the increasing demands for homeless services such as the provision of emergency accommodation.” From where within the Department’s budget did that extra money come?

**Mr. John McCarthy:** In overall terms over the course of the year there was an additional €100 million in a Supplementary Estimate at the end of the year. That would have contributed to a whole range of different programmes depending on where the pressures were.

**Deputy Catherine Murphy:** That €100 million was specifically aimed at homelessness.

**Mr. John McCarthy:** No, it was for housing rather than specifically for homelessness, but it would have contributed to a whole range of programmes and pressures. Obviously there would have been some moves within individual programmes as well. The €100 million, I suppose, was where the additional capacity really arose in 2017.

**Deputy Catherine Murphy:** I thank the Secretary General.

On the approved housing bodies, we had a very useful session last week with the Irish Council for Social Housing and another agency. They talked about the possibility of being able to leverage funds from other sources. Some of that relates to putting it on a statutory basis. I understand that is obviously in the policy area, but the Department will be working on that. Where is it within the Department at this stage? Many of us would have liked to see it on a statutory basis initially. It appears to be necessary for it to be put on a statutory basis in order to bring forward the additional fund and, obviously, scale up the amount of housing that could be funded in a different way. Where is it in the context of the discussions that are ongoing? Are we nearly there in finalising the legislation for it?

**Mr. John McCarthy:** Yes, we are nearly there. We had hoped to publish the Bill in the first quarter of this year, but legislative and drafting resources have been consumed in the last while for Brexit-related purposes. If we do not get the Bill published by the end of April, I am hopeful we will certainly have it in May.

**Deputy Catherine Murphy:** Brexit is holding up an awful lot. That will be very welcome when it happens. Does the liability under the capital assistance scheme rest with the Department or the local authority, or is it part of general Government debt? Are the local authorities still counted as part of it? Where does the liability rest in this instance?

**Mr. John McCarthy:** The liabilities of local authorities are part of the general Government debt. Since reclassification, the liabilities of the approved housing body sector are also part of

the general Government debt. In reality, the loan is made by the local authority to the approved housing body, but the Department recoups the amount involved to the local authority.

**Deputy Catherine Murphy:** Therefore, it is really at Department level.

**Mr. John McCarthy:** Yes.

**Deputy Catherine Murphy:** I want to go back to the projects. As I was a member of a local authority for approximately 20 years, I appreciate that it can be difficult to get projects over the line. Mr. McCarthy might give us a synopsis of the general problems in getting projects like the provision of Traveller accommodation over the line. The amount of money available is relatively small. Does the Department engage with the local authorities? When a local authority applies for funding for a scheme, the Department agrees with the scheme and money is available, I presume it is pretty much locked down at that stage.

**Mr. John McCarthy:** The issues involved are varied. With the indulgence of the Chairman, I will ask one of my colleagues to speak about the actual practicalities involved. During our engagement with local authorities we see issues in local communities. Local engagement is needed to try to get projects across the line. Sometimes there can be issues related to engagement between the local authorities and the Traveller community. One of my colleagues from the local authorities might like to give a flavour of what it is like on the ground.

**Mr. Conn Murray:** The drawdown issues and the figures have been mentioned. I will reflect on the position in Limerick. While almost 90% of the money has been allocated, just a small amount has been drawn down, primarily because we were very late in starting the programmes for the year as a consequence of the level of negotiations required at local level with the community, the elected bodies and, more importantly, directly the community we are trying to serve. I would like to put the issue in context. This experience is right across the country in dealing with the Traveller community. In the specific case of Limerick we have had to go through the courts to have people removed from sites. We have had to use emergency planning powers to begin to construct housing accommodation on site. That required case management. I had to sit down with representatives of An Garda Síochána, the HSE, the ESB, the Department of Education and Skills and Tusla to look at individual families. In some cases, the scale of the problem is challenging. Therefore, consideration has to be given to those who best require protection and support. Therefore, the issue must be tackled on a family by family basis and that is the approach we have taken. It is slow, but it is important.

**Deputy Catherine Murphy:** Would many of the things that emerge not be obvious before a local authority makes an application for funding for a scheme?

**Mr. Conn Murray:** Absolutely, but it would not make a difference to the timelines that have to be followed. Even when we have gone through discussions, the situation can sometimes change subsequently. That is the practicality on the ground because we might not be dealing with the same families. I have referred to the particular issues that have to be dealt with. It takes a considerable period of time to go through these negotiations. Unfortunately, we find ourselves unable to proceed because agreements arrive at the last minute. That is the reality.

**Deputy Catherine Murphy:** It would be true to say this is for Traveller-specific schemes.

**Mr. Conn Murray:** Correct.

**Deputy Catherine Murphy:** That does not mean that people from the Traveller commu-

nity are not housed in traditional local authority housing or supported by housing assistance payments, etc.

**Mr. Conn Murray:** Correct.

**Deputy Catherine Murphy:** Could we receive some indication of the extent to which this happens? Are statistics kept? Would it be appropriate in the context of the number of people from the Traveller community who are being housed?

**Mr. Conn Murray:** Individual local authorities advise at local level, but we do not identify the families involved. However, we certainly have the numbers. Sometimes we have to provide specific wrap-around supports for these families and work very closely with the approved housing bodies in doing so. Some families are ready to take up housing assistance payments. The experience in the north east was that the majority of the Traveller community were housed directly, rather than in specific schemes. That was their preference.

**Deputy Catherine Murphy:** Okay.

**Chairman:** The next speaker-----

**Mr. John McCarthy:** It may be of use to the Deputy for me to clarify that an annual count of the Traveller community and how it is accommodated is done every year and published. If it is helpful, we can give the committee the latest data.

**Chairman:** Please do. Will Mr. McCarthy clarify whether the financial total figure includes those dealt with in Traveller-specific accommodation and those who are housed in normal, ordinary local authority accommodation?

**Mr. John McCarthy:** The €12 million figure I mentioned is solely for Traveller-specific accommodation.

**Chairman:** In other words, the amount spent on Traveller accommodation is far in excess of that figure. In County Laois many of them are in normal local authority-----

**Mr. John McCarthy:** They are supported in mainstream local authority housing, or in the private sector.

**Chairman:** I would have thought that historically local authorities would have been able to obtain separate funding to house members of the Traveller community in their areas.

**Mr. John McCarthy:** No.

**Chairman:** Perhaps they are required by policy to provide 10% for different groups.

**Mr. Conn Murray:** The figure for our maintenance programme for Traveller-specific accommodation was over €800,000 last year. That money came out of the maintenance budget. It is not counted in the return because it is a local issue.

**Chairman:** Okay.

**Mr. Conn Murray:** Therefore, our spend-----

**Chairman:** The figures significantly understate the amount spent on Traveller accommodation.

**Mr. Conn Murray:** In my view, yes.

**Chairman:** Has anyone sought to compile an overall figure? It would look better from the witnesses' point of view if the full spend on Traveller accommodation could be shown. Someone could look at a chart and say nothing was done last year, when, in fact, a great deal might have been done.

**Mr. Conn Murray:** We can look at that issue. When people are housed in normal housing, we treat everybody-----

**Chairman:** We are not talking about-----

**Mr. Conn Murray:** I am sorry.

**Chairman:** In a county there might be 100 allocations, with eight for Travellers. Nobody is suggesting the families, towns or locations should be identified. I am talking about the statistics.

**Mr. Conn Murray:** They are available at local level.

**Chairman:** Are they being compiled?

**Mr. Conn Murray:** It is something we can discuss with the Department.

**Mr. John McCarthy:** The figures set out how many families are accommodated in the different streams and how many are in mainstream local authority social housing. The numbers of households are compiled, but there is no corresponding figure for the cost associated with it.

**Chairman:** Okay.

**Mr. John McCarthy:** The annual count of Traveller families can be used to see how many are accommodated in mainstream social housing, the private rented sector and Traveller-specific accommodation. That breakdown is available.

**Chairman:** The Department might send it on to us.

**Mr. John McCarthy:** Yes.

**Deputy Catherine Murphy:** Is the number living in homeless accommodation included? Those of us who deal routinely with Traveller families know that they are certainly finding it more difficult than most to find rented accommodation. It would be useful to see the challenge presented in numbers also.

**Chairman:** The next speaker is Deputy Connolly. We are now down to ten-minute slots.

**Deputy Catherine Connolly:** Fáilte romhaibh. I have an awful temptation to state that we have gender equality today and might get some solution to the housing problem. I say that tongue in cheek but given the seriousness of the problem, I should not, really. Can Mr. John McCarthy tell us how many people are homeless today? What is the exact figure? "Morning Ireland" had a figure this morning. If memory serves me correctly, it was 9,000.

**Mr. John McCarthy:** It is 9,987.

**Deputy Catherine Connolly:** Of those, how many are children?

**Mr. John McCarthy:** It is 3,624.

**Deputy Catherine Connolly:** I put the same question in respect of Galway.

**Mr. John McCarthy:** I have regional breakdowns, all right, but I am not sure I have the Galway-specific ones.

**Deputy Catherine Connolly:** That is okay. On 4 February, Galway had 50 families in private emergency accommodation. This figure is from the city council. I am placing my questions in context. There were 20 notices of termination in quarter 4 of 2018 and the cost of private emergency accommodation in 2018 was €2.455 million, which sum is projected to increase to €3.57 million. The supply of suitable accommodation is diminishing and so on. That is the report in the context of modular homes, which should not have to be built in Galway. That is the context in which I am asking my questions today. While I understand that our guests are implementing Government policy, there is a certain spin to it, albeit those before us have, rightly, rejected that. If we have almost 10,000 homeless people, according to the figure supplied, there is spin going on with all of this social and public housing.

**Mr. John McCarthy:** I cannot, in terms of the work being done-----

**Deputy Catherine Connolly:** I hear Mr. John McCarthy's protestation. I will ask a number of questions on housing, but first I want to look at the accounts and at Vote 34. Can we look at governance issues and internal financial controls on page 5? I want to go quickly through this. There were internal financial control issues in relation to the management of accommodation and homelessness funding. Weaknesses were identified. Let us take the management of accommodation. How much money was in question in relation to the issues identified? There was a procurement register which should have included expiry dates for contracts - very basic stuff - and a revised procedures manual. Very quickly, how much money was involved? Have the faults identified been rectified and are the solutions in place?

**Mr. John McCarthy:** In terms of the management of accommodation, the issues that arose there were in relation to-----

**Deputy Catherine Connolly:** I see the issues. They are listed out. Is there a procurement register in place which includes the expiry dates? Is a procedures manual in place? How much money was involved?

**Mr. John McCarthy:** There is a procurement register in place now.

**Deputy Catherine Connolly:** Good.

**Mr. John McCarthy:** There were four contracts under that management of accommodation heading across catering, cleaning and security. The total across those was approximately €400,000. Three of those contractual arrangements have since been regularised and the fourth is in the process of being regularised. The tender process should get under way next-----

**Deputy Catherine Connolly:** The money amounted to €400,000, three have been regularised and one is in process. Is there a revised procedural manual in place?

**Mr. John McCarthy:** There is and we are in the process of recruiting a professional procurement adviser to ensure we get those issues right.

**Deputy Catherine Connolly:** In relation to homeless funding, how much money was in-



volved here? Issues were identified here also.

**Mr. John McCarthy:** The issues identified did not relate to any specific transaction. They were more governance issues and some of the-----

**Deputy Catherine Connolly:** That is right. I am just seeking a reply. I am reading it and I do not want to take up my time. On homelessness funding, an internal audit of the management of homelessness during 2017 noted a number of areas regarding control of oversight, which is this committee's function. What has been done in relation to that and how much public funding was involved? Have the protocols been reviewed and so on?

**Mr. John McCarthy:** The internal audit did not identify any public funds as being specifically at risk. It identified issues around process and governance. The internal audit report is produced and then a set of actions is put in place.

**Deputy Catherine Connolly:** What is the position regarding those actions?

**Mr. John McCarthy:** Those actions have been significantly-----

**Deputy Catherine Connolly:** Significantly. What has not been acted on? That might be easier.

**Mr. John McCarthy:** On that one, the latest update from the internal audit unit is that there are no outstanding recommendations.

**Deputy Catherine Connolly:** Great. Well done. I thank Mr. John McCarthy. Staying on those accounts, I will move back to look at the urban development fund. In fact, I will leave that for a moment and come back to it if I have the time. I might come back in the second round. I want to go to the housing assistance payment, or HAP, and all of the money, including HAP, that is going to sustain an unsustainable private market. I ask Mr. John McCarthy to clarify something here. I thank him for all the documents, which are extremely helpful. I want to note that. It is a good way to proceed. I am looking at the 26 February 2019 document from the Department. The second page sets out that the detailed results of the 2018 SSHA were published and showed that 71,858 households were assessed as in need of social housing. I presume that number is rising. Is that the case?

**Mr. John McCarthy:** That figure is actually down from the previous two years.

**Deputy Catherine Connolly:** That is good. Do those 71,858 households exclude HAP?

**Mr. John McCarthy:** Yes. If one goes up a little bit, one sees that it excludes duplicate applications and-----

**Deputy Catherine Connolly:** Just listen to my question because I want it clear. HAP has grown and involves a huge figure to which I will come in a moment. I think 43,000 households are on HAP. Are they excluded from the waiting list figure?

**Mr. John McCarthy:** They are.

**Deputy Catherine Connolly:** Good.

**Mr. John McCarthy:** I have mentioned that in my notes.

**Deputy Catherine Connolly:** I thank Mr. John McCarthy. We have the number given

there of 71,858 and a further figure of 43,000 households on HAP. As such, we are at over 100,000. They are not being counted on the waiting list.

**Mr. John McCarthy:** No. Under the-----

**Deputy Catherine Connolly:** That is my interpretation too. A terrible law was brought in under the previous Government to the effect that HAP was the only game in town and that one was considered adequately housed under it. We have been there before. Mr. John McCarthy does not have to disagree with me but that was the legislation brought in. HAP is the only game in town. We asked repeatedly what would happen when these applicants went into HAP and were told they were taken off the housing waiting list. Is that correct? They are taken off the housing waiting list.

**Mr. John McCarthy:** They are.

**Deputy Catherine Connolly:** They are put on a limbo list.

**Mr. John McCarthy:** They are put on a transfer list.

**Deputy Catherine Connolly:** How many are on the transfer list?

**Mr. John McCarthy:** We do not collect the numbers on the transfer list but can certainly tell from the data from the shared services centre how many HAP recipients have moved into social housing.

**Deputy Catherine Connolly:** I understand there is total confusion about this among people but perhaps I am wrong. Initially, officials were absolutely crystal clear with me in my previous life. They said it was absolutely right that they were off the waiting list. Since then, I have been told they were all included in the figures. Today, the Department is telling us "No". That is great. That is clear. Mr. John McCarthy is stating that a person on the HAP scheme for a year, two years or five years, which is the maximum security of tenure albeit some get less, is off the waiting list and is considered adequately housed by the Department and the Government under Government policy.

**Mr. John McCarthy:** Under policy, yes.

**Deputy Catherine Connolly:** Is that not shocking?

**Mr. John McCarthy:** That is the policy. I am not passing any comment on policy.

**Deputy Catherine Connolly:** Lovely. I thank John Mr. McCarthy. How much is going to HAP? According to the Comptroller and Auditor General's report, €153 million went to HAP in 2017. Is that right?

**Mr. John McCarthy:** That is correct.

**Deputy Catherine Connolly:** On HAP alone.

**Mr. John McCarthy:** On HAP. That is right.

**Deputy Catherine Connolly:** On the rental accommodation scheme alone, it was €143 million.

**Mr. John McCarthy:** Correct.

**Deputy Catherine Connolly:** I am racing through the chapter. It sets out the supports which come to a total of €636 million and which is going straight into the private market. Is that right?

**Mr. John McCarthy:** No. It is €153 million plus €143 million which comes to €296 million.

**Deputy Catherine Connolly:** The rental accommodation scheme. It is €636 million in total under rental accommodation supports.

**Mr. John McCarthy:** Including rent supplement.

**Deputy Catherine Connolly:** Yes. These payments are going directly to the private market where prices are going up and up. Is that not right? Rents are unsustainable. It is impossible. This is the report from the local authority. I am sticking to facts. It is impossible to get private accommodation in Galway, but Government policy is to put more and more money into the private market. Let us take HAP on its own. Between 2017 and 2018, it jumped to €300 million. Is that right?

**Mr. John McCarthy:** It was €277 million.

**Deputy Catherine Connolly:** Is that the precise figure?

**Mr. John McCarthy:** It is.

**Deputy Catherine Connolly:** In 2018, it was €277 million. I understood it was €300 million.

**Mr. John McCarthy:** The actual outturn was €277 million.

**Deputy Catherine Connolly:** What is the projected figure for 2019?

**Mr. John McCarthy:** It is €423 million.

**Deputy Catherine Connolly:** Mr. McCarthy must let me dwell on that figure. I am not good on figures. That is €423 million under HAP alone. What is the figure for the rental accommodation scheme, RAS? I presume it should be going down because people are getting off RAS.

**Mr. John McCarthy:** Perhaps I could go through the figures; it might be helpful if we could do a complete comparison. In 2018, in respect of which we have the final figures for the three schemes, RAS was €143 million, HAP was €207 million-----

**Deputy Catherine Connolly:** I am looking at those figures. I do not need to waste time.

**Mr. John McCarthy:** In fairness, Chair, I am not wasting time. I am trying to-----

**Deputy Catherine Connolly:** I mean I do not need to waste my time. The figures are there, so what point is Mr. McCarthy making about them?

**Mr. John McCarthy:** I am making a very simple point. I think the Deputy said that more and more money is going into this.

**Deputy Catherine Connolly:** Yes.

**Mr. John McCarthy:** What I am trying to say is that historically in Ireland, we have used rent supplement as a housing support.

**Deputy Catherine Connolly:** Mr. McCarthy can elaborate on all this. I also spent 19 years as a city councillor. I know all this. I know that RAS will go down as more and more people go into HAP. We know that. Mine is a bigger question around the enormous amount of money going into the private market.

**Mr. John McCarthy:** Just to respond to what the Deputy said about more and more money, the basic point I am making is that seven or eight years ago, in 2011, when HAP did not yet exist, the amount put into the RAS and rent supplement schemes together was €619 million.

**Deputy Catherine Connolly:** What year was that?

**Mr. John McCarthy:** That was 2011.

**Deputy Catherine Connolly:** Coincidentally, just prior to that, in Galway City Council we were told that no more funding was available for public housing. I am very familiar with this. I bore people here by repeating it. Not a single publicly funded house was constructed in Galway from 2010 until last year, when 14 houses were completed, as I understand. Is that not interesting, at a time when money was going into the private market?

**Mr. John McCarthy:** In 2011, the reality was that the country was in a very bad space economically. In that year, for example, when €619 million was going towards rent supplement and the rental accommodation scheme, the corresponding amount that was going into build, acquisition and lease programmes was €314 million.

**Deputy Catherine Connolly:** I ask Mr. McCarthy to stay with me. Nothing went into Galway city for direct social housing. We got quarterly reports. This is all factual. We got columns showing what was proposed, the amount of money, and in the final column it said “construction suspended” on every single quarterly report from 2010 forward. That is one of the major reasons we have a housing crisis. It is one of the ingredients. The State stopped building houses. Now we are going forward and Mr. McCarthy is telling me the figure is €423 million for this year on HAP alone.

**Mr. John McCarthy:** Correct.

**Deputy Catherine Connolly:** What is the figure for the rental accommodation scheme this year?

**Mr. John McCarthy:** It is €134 million.

**Deputy Catherine Connolly:** We will get all the other figures. It is going straight into the private market. When, on behalf of the policy he has to implement, Mr. McCarthy talks about social housing, he is talking about private houses with very little security of tenure. Is that right?

**Mr. John McCarthy:** What I am talking about and the point I am trying to get across is that when we look at the implementation of policy now and what the different policy elements are, since 2011, the amount of funding on an annual basis going into schemes like HAP, RAS and rent supplement has gone up by 11%.

**Deputy Catherine Connolly:** HAP was not there in 2011.

**Mr. John McCarthy:** I am taking the three together because-----

**Deputy Catherine Connolly:** Rent supplement and those payments were all temporary payments. They were to be temporary payments that became a permanent fixture.

**Mr. John McCarthy:** Yes, and that is exactly why I am trying to bring them in. We need to look at the totality of the thing.

**Deputy Catherine Connolly:** I have looked at the totality. The totality is that almost 10,000 people are homeless, which does not count those who are - I hate the words - "couch surfing", those women who are in refuges and so on. Let us be realistic. If Mr. McCarthy wants to say it is Government policy, we stick with that and the officials implement it. However, when there is a view in respect of it, that is slightly different. I find it unacceptable. It is not value for money at all, never mind the humanity, to be spending millions on accommodation in hotels, hubs and so on. There is something wrong with this policy.

I am going to be stopped but I want to ask one or two more questions. Mr. McCarthy has clarified that the legislation on voluntary houses is coming. Brexit has stalled it. In respect of inspections of the private houses, can Mr. McCarthy give me the updated figure?

**Mr. John McCarthy:** We circulated an update on the inspections data earlier in the week.

**Deputy Catherine Connolly:** Yes, just give it to me.

**Mr. John McCarthy:** I will call on my colleague from Limerick, who operates the shared service centre in respect of HAP-----

**Deputy Catherine Connolly:** Really, I am not trying to find fault, but there is a statutory responsibility to inspect. How many inspections have been carried out, are appropriate staff levels in place and if not, why? That is all I want to find out.

**Mr. John McCarthy:** I do not know if the document was circulated. It is in the second last column of the table that was attached. The total was 24,984 HAP-related inspections, which is an inspection rate of 83%.

**Deputy Catherine Connolly:** It was as low as 30% somewhere. Where was that?

**Mr. John McCarthy:** It was as low as 30% in Kildare.

**Deputy Catherine Connolly:** Does Mr. McCarthy have the figure for Galway?

**Mr. John McCarthy:** It was 46% in the city.

**Deputy Catherine Connolly:** A 46% inspection rate in Galway city. What about the county?

**Mr. John McCarthy:** In the county it was 121%. There are some that are over 100% because they are inspecting ahead of time.

**Chairman:** To clarify that chart, it presents some of the inspection rates as being over 100%. The total number of tenancies is given in the left-hand column. The number of active tenancies at any point in time might not be the total number of tenancies. Does that include the total number that have come into HAP and some that have gone out of HAP properties? When it is measured against the number of active tenancies at a point in time, the percentage is over



100% but if we were to look at the number of properties that were in HAP during the period, it might not have been over 100%. I find that unusual. Can Mr. McCarthy explain it?

**Mr. John McCarthy:** I might ask Mr. Murray to come in on that. The report points to instances where local authorities might target a particular area and go for inspections there, so they might be inspecting HAP tenancies before they are due to be inspected.

**Chairman:** What is the number of houses that have gone into HAP and are currently in HAP? Some have been withdrawn and sold.

**Mr. John McCarthy:** The figure was 44,374 at the end of 2018.

**Chairman:** How many properties were in HAP over the period?

**Mr. Conn Murray:** Approximately 55,000 tenancies.

**Chairman:** So approximately 11,000 properties had gone into HAP but are no longer in it.

**Mr. Conn Murray:** What I am saying is that approximately 10,000 have moved out of HAP for various reasons. They are tenancies that have moved on, not necessarily properties, in terms of individuals who actually-----

**Chairman:** So the one property could be counted twice.

**Mr. Conn Murray:** Over time, people will leave the property, which becomes vacant and may be used again.

**Chairman:** Have many properties gone out of HAP?

**Mr. Conn Murray:** I do not have that figure. These figures are in respect of tenancies. We measure the people in and out in that regard.

**Chairman:** I presume the officials have the records on the addresses, the statistics on properties.

**Mr. Conn Murray:** Every property is recorded.

**Chairman:** The officials might then send on the total number of properties that have been in HAP in addition to the tenancies.

**Mr. Conn Murray:** I will certainly work with the Department on whatever detail is required.

**Chairman:** I think Mr. Murray understands what I am getting at. Some properties move in and out of the scheme. It is just to give us the full picture. When we add all the figures up, they are getting very high. Some must have dropped out of the system.

**Mr. Conn Murray:** It is, but there are 45,000 people in housing.

**Chairman:** Yes, the 44,374. I accept that. Mr. Murray might send on that other information in due course.

**Mr. Conn Murray:** Of course.

**Deputy Catherine Connolly:** They are households; the figure is for the number of house-

holds, not people.

**Chairman:** Tenancies.

**Mr. Conn Murray:** Tenancies.

**Deputy Catherine Connolly:** Households; it is a lot more people.

**Mr. Conn Murray:** There might be far more people, absolutely.

**Chairman:** We could multiply the figure by three, on average.

**Mr. Conn Murray:** In fairness, it is good to see so many people getting decent homes.

**Chairman:** There are 100,000 people captured in that.

**Deputy David Cullinane:** I welcome Mr. McCarthy and his team, and Mr. Murray and Ms Maguire. I shall start with the Rebuilding Ireland report on social housing delivery that the committee has received, for which I thank the Department. On page 2 there is a breakdown of the overall delivery by delivery methods such as build, void, acquisition, leasing, rental accommodation scheme, RAS and housing assistance payment, HAP. The total number of builds and acquisitions for 2018 was less than 7,000. Is that correct?

**Mr. John McCarthy:** Is the Deputy looking at the figures of 4,251 plus 2,610?

**Deputy David Cullinane:** Yes. A 96% target was achieved for builds and the target for acquisitions was exceeded at 290%. The figures are interesting because some are under the targets with leasing reaching 50% of the target. There were more acquisitions. If one has to move from one delivery method to the other does the Department of Housing, Planning and Local Government have to get permission from the Department of Public Expenditure and Reform to do that?

**Mr. John McCarthy:** It would depend on the extent to which there may be a financial issue associated with it. Sometimes, for example, there are many parts of the State where one can continue to buy vacant stock much cheaper than building it. This was discussed when we met with some of the local authorities recently.

**Deputy David Cullinane:** Maybe I can make my question a bit sharper. Has the Department of Housing, Planning and Local Government ever had to seek permission from the Department of Public Expenditure and Reform to move from one delivery method to the other to meet targets?

**Mr. John McCarthy:** No. We would engage with the Department of Public Expenditure and Reform on an ongoing basis and accordingly as some of the financial implications of that would come to light we would engage. As I said earlier, we got additional funding in-----

**Deputy David Cullinane:** What does “engage with” mean? I asked if Mr. McCarthy’s Department had to seek permission. What is the methodology? Mr. McCarthy said “engage”. Does the Department of Housing, Planning and Local Government inform the Department of Public Expenditure and Reform of what it is doing? Does Mr. McCarthy’s Department need the permission? Is there a tug of war or tension between the Departments or is it primarily the function of the Department of Housing, Planning and Local Government and it is just informing the other Department of what it is doing? When Mr. McCarthy said he was talking to them I just

wanted to understand what the relationship was.

**Mr. John McCarthy:** It would be primarily our own function. As long as we are operating within the sanctions we have then we are fine. If we need to look for additional sanction for a particular issue then we would engage with the Department of Public Expenditure and Reform. We engage with that Department nearly on a weekly basis as we move on through the year.

**Deputy David Cullinane:** Has Mr. McCarthy read the European Commission's country-specific report on housing? An article in *The Irish Times* from 27 February states: "The European Commission has strongly criticised the Government's housing policy, suggesting rapidly rising rents, insufficient residential construction and a lack of affordable and social housing were driving increased rates of homelessness [sic] in Dublin and elsewhere." The homeless figures published yesterday are 9,987, of whom 3,624 are children. From what I can see in that report, even the European Commission can see that the targets set in 2018 and those delivered lacked ambition, and this is playing a part in a continuing housing crisis. Has Mr. McCarthy read the European Commission's report?

**Mr. John McCarthy:** I would have seen it at close to final stage. I do not believe I have read the final version but I do not think it was-----

**Deputy David Cullinane:** Does Mr. McCarthy accept its findings?

**Mr. John McCarthy:** I would accept that the ambition set out in Rebuilding Ireland flowed from an Oireachtas committee report from early 2016 that talked of needing to aim to increase the social housing stock by 50,000 homes. We were not able to aim for that figure initially in Rebuilding Ireland but we subsequently upped the ambition. That 50,000 target is one part of Rebuilding Ireland.

**David Cullinane:** The European Commission's report, and the homelessness figures published yesterday by Mr. McCarthy's Department showing record levels of almost 10,000 people, children and families, who are homeless does not suggest that the Department is getting to grips with the housing crisis. We have record levels of homelessness and, as the report says, a lack of residential construction and lack of social and affordable housing. We know this has the knock-on effect of driving up rents and we had a lengthy discussion about this the last time Mr. McCarthy attended the committee. This makes our capital city very uncompetitive in many ways. The reports and the evidence suggest that the Department is not getting to grips with the housing crisis to the extent that it is suggested. Has Mr. McCarthy accepted what the European Commission said on the lack of social and affordable housing and the impact this has on driving up rents? Does Mr. McCarthy accept that the homelessness figures published yesterday show the Department is far from getting a grip on the housing crisis?

**Mr. John McCarthy:** Rebuilding Ireland is a six year plan. It has two overarching targets. One is to get to an overall housing supply position of 25,000 homes per annum. The other target is the additional 50,000 social housing over the six years. At this point, which is halfway through the six year plan, we are where we should be or slightly ahead. We have talked at this committee previously - and the Deputy has referred to it again - about the extent to which issues in the housing space and the sub parts of the housing space are all connected with each other. If there is inadequate housing supply there are obviously more people competing for the available supply and it has knock-on consequences for rents, for house prices and for homelessness. With Rebuilding Ireland we have tried to address all of those elements of the housing space starting with the overall housing supply to get to the 25,000. The Central Statistics Office now

publishes that data, which show we are on track to achieve that.

**Deputy David Cullinane:** Okay, but the problem is that the targets - in my view - lack ambition. One can set whatever targets one likes but if they do not aspire to substantially deal with the housing crisis, one can say the targets are substantially being met. Given the level of homelessness, however, and the European Commission's report the evidence suggests that targets are not sufficient and they need to be substantially increased.

I shall move to Mr. Murray on the targets for 2018 and I wish to address the issue of builds. A total of 14 local authorities did not meet the new build targets. This is 14 out of 31 local authorities. How were 14 local authorities not able to meet their targets under new builds given the housing crisis, which is not just in Dublin but right across the State?

**Mr. Conn Murray:** I would accept it is not a Dublin problem *per se*, but a lot of the issues are Dublin-centric or east coast-centric, and this is accepted even by those of us who work outside of it. There are differences in what can be achieved during a particular year in the build programme and what can be achieved in a previous year. In our case we may have overachieved in a particular year but - and the committee has probably looked at the statistics on this - we did not get our full programme across the ground this year. When we consider why, it was because we had difficulty getting Part 8 planning through the council. We had to go back out to the community and there were slight delays. The progress for 2019, 2020 and 2021, however, will be on target.

**Deputy David Cullinane:** Sorry Mr. Murray but we are dealing with 2018. We are always being told and promised that there will be more delivery in 2019, 2020 and 2021. We can only judge each local authority on what they have delivered this year and in previous years. We are in the midst of a housing crisis. I believe that Mr. Murray's Limerick City and County Council achieved 80% of its target.

**Mr. Conn Murray:** That is correct.

**Deputy David Cullinane:** There were 112 new builds for Limerick City and County Council. This includes local authority approved housing bodies and Part V units. Does Mr. Murray believe that 122 units in a city and county the size of Limerick that are real social housing builds is an acceptable number? The target was only 80% met. It is not an acceptable target, and it is not acceptable to not meet the target and to deliver only 112 new builds when there is a significant housing crisis that also affects people in Limerick. Can Mr. Murray stand over a figure of 112 new builds for 2018?

**Mr. Conn Murray:** I can stand over the 1,171 tenancies that-----

**Deputy David Cullinane:** Can Mr. Murray stand over the 112 new builds?

**Mr. Conn Murray:** My job is to provide accommodation at local level for people under the policies that are put in place at national level and within the resources provided by the Oireachtas. We will use whatever spectrum is available to provide accommodation for people. When I talk to my council we look at the housing list and we look at who is and is not getting housed. The 1,171 additional tenancies this year is something we are actually delivering upon. Part and parcel of that is the overall spectrum of the builds.

**Deputy David Cullinane:** I would imagine that part and parcel of that overall figure given by Mr. Murray is RAS and HAP also.

**Mr. Conn Murray:** Absolutely.

**Deputy David Cullinane:** Yes. Absolutely - when I talk about new builds. I will come back to Mr. McCarthy shortly on the total spend on RAS and HAP. Moving on from Limerick, Galway City Council only met 25% of its new build target and only 27% of its overall target, which would include builds, acquisitions and leasing. Westmeath County Council only met 34% of its target and Wicklow County Council only met 55% of its new build target and 58% of its overall target. While we might have come close to meeting targets in overall terms, that is mainly because we shifted more towards acquisitions after not meeting our leasing targets. What is the Department doing about the 14 local authorities that have not met their build targets, in particular the worst performers that came substantially under target?

**Mr. John McCarthy:** To clarify, the figure of 96% is 96% of build nationally.

**Deputy David Cullinane:** I know that. It entails local authority, approved housing body, AHB, and Part V builds.

**Mr. John McCarthy:** Yes. I thought the Deputy was suggesting a substitution of acquisitions for-----

**Deputy David Cullinane:** No. I am saying that the acquisitions target was 900 but came in at 2,610.

**Mr. John McCarthy:** To make up for the deficit-----

**Deputy David Cullinane:** The target for leasing was 2,000 but came in at 1,000 or so.

**Mr. John McCarthy:** Sorry, that is fine. I misheard the Deputy. Regarding local authority builds, we continually try to work collaboratively with our colleagues in local authorities and AHBs to ensure that those who have had difficulties meeting their targets can be brought up to a 100% delivery level. Some of that involves learning from those authorities that have exceeded their targets. In some cases, it involves putting specific arrangements in place. In Dublin, for example, we have had a social housing delivery task force. We have had a similar task force in Cork and are putting another in place in Galway. What we try to do is adopt a supportive and engaging role with local authorities, understand what specific problems there may be in particular areas and work collaboratively on dealing with them.

**Deputy David Cullinane:** Before I ask two further quick questions, I will make an observation on Traveller accommodation. There has been some discussion of that. The projected spend was €12 million for 2018, but only €6.3 million was spent. Is that correct?

**Mr. John McCarthy:** Yes.

**Deputy David Cullinane:** Mr. Murray cited the example of Limerick. We would all accept the challenges he outlined in dealing with the stakeholders, including those who would benefit from the housing's provision. In responding to Deputy Catherine Murphy, he gave the example of a refurbishment or upscaling of a halting site where there were difficulties with removing tenants. Is that correct?

**Mr. Conn Murray:** There were challenges in a particular area.

**Deputy David Cullinane:** It entailed improving an existing halting site, but we are asking about new Traveller-specific accommodation. I understand the problems that may occur when



upgrading existing halting sites or Traveller-specific accommodation, but the problem is we are not meeting the targets. In fact, the only targets we set for Traveller accommodation are financial ones. We set targets for builds, voids, acquisitions, leasing, RAS and HAP and each local authority has a local Traveller accommodation programme, but does the Department set a national target?

**Mr. John McCarthy:** No. We set-----

**Deputy David Cullinane:** I do not mean of funding, but of unit delivery.

**Mr. John McCarthy:** As the Deputy rightly said, the target is best set locally where the requirements are best understood. We then engage with each local authority on the implementation of its Traveller accommodation programme and try to agree financial allocations from the available resources.

**Deputy David Cullinane:** I have a final question, but I have signalled that I want to contribute a second time, so I will expand on it then. The threshold for inclusion in the one-stage social housing delivery process increased from €2 million to €6 million. My information is that the Department had to get permission from the Department of Public Expenditure and Reform to ensure that this was within the public spending code. Has that determination been received?

**Mr. John McCarthy:** To clarify, it has not increased from €2 million to €6 million yet.

**Deputy David Cullinane:** The plan is to increase it, though.

**Mr. John McCarthy:** Yes, subject to compliance with the public spending code.

**Deputy David Cullinane:** What was the outcome of that?

**Mr. John McCarthy:** It is not concluded yet. The Department of Public Expenditure and Reform is reviewing the code.

**Deputy David Cullinane:** Has it communicated to the Department of Housing, Planning and Local Government regarding that review?

**Mr. John McCarthy:** We have engaged with it. The issue arose in the context of the budget, so it was a matter of the Department of Public Expenditure and Reform speaking to us about it. What we now have to-----

**Deputy David Cullinane:** I will revert to this matter but, so that we are clear, is the witness saying that the Department of Public Expenditure and Reform has not yet made a determination on whether the change is in line with requirements under the public spending code? That has not been communicated to his office yet.

**Mr. John McCarthy:** No. What I am saying is that the commitment to increase it to €6 million was subject to compliance-----

**Deputy David Cullinane:** I understand that.

**Mr. John McCarthy:** -----with the public spending code. That is now being fed into the review of the code. We await the outcome of that.

**Deputy David Cullinane:** My question was not about that. As the witness put it, permission has not yet been given. My question was on whether the position of the Department of

Public Expenditure and Reform regarding whether the increase complied with the public spending code had been communicated to the Department of Housing, Planning and Local Government yet.

**Mr. John McCarthy:** There is no dispute between us and the other Department. As matters stand, the increase would not comply with the existing public spending code.

**Deputy David Cullinane:** It would not comply.

**Mr. John McCarthy:** That is why it is being fed into the review of the code.

**Deputy David Cullinane:** That is what I asked. The Department has received a communication from the Department of Public Expenditure and Reform to say that the increase does not comply with the public spending code.

**Mr. John McCarthy:** I am sorry. There are so many negatives going around. What I am saying is that we are clear, as is the Department of Public Expenditure and Reform, although perhaps colleagues from that Department might contradict me if they wish.

**Deputy David Cullinane:** Maybe they could clarify the matter.

**Mr. John McCarthy:** Both Departments are agreed that a €6 million threshold for a single-stage approval process would not comply with the public spending code as it stands.

**Deputy David Cullinane:** It would not.

**Mr. John McCarthy:** That is why it was framed in such a way that, if it were increased, it would have to be dealt with in the context of a review.

**Deputy David Cullinane:** I will tease this matter out during my second round.

**Chairman:** It is interesting.

**Deputy Shane Cassells:** I welcome Mr. John McCarthy and his team and thank them for their work. I also welcome the CCMA representatives. They are two exceptional managers.

I will start with the Rebuilding Ireland figures referenced by Mr. John McCarthy. He will be aware of political charges made in the Dáil previously about massaged housing figures being thrown around. He will recognise the importance of impartiality in presenting these figures so that no matter what politicians say, we can have confidence in the impartiality of his Department. Is that fair to say?

**Mr. John McCarthy:** Yes.

**Deputy Shane Cassells:** What puzzles me then is how the Rebuilding Ireland Twitter account this past week retweeted @campaignforleo, which is the Taoiseach's political account rather than his departmental account, and the Minister for Housing, Planning and Local Government, Deputy Eoghan Murphy's political account. I have no problem with retweets where the performance of ministerial duties is concerned, but these are not departmental accounts. The tweets were political and housing related. Both included graphics that boasted about housing numbers in Dublin and clearly displayed the Fine Gael logo.

When the Secretary General of the Department of the Taoiseach appeared before us not that long ago, the issue of the infamous strategic communications unit and the blurring of lines

between news and spin or, as I call it, the buying of news were discussed. I have just come from the Dáil Chamber where we were trying to protect the mainstream media with our motion on local radio and promoting fact-based news, yet here we have the Department of Housing, Planning and Local Government using subliminal messaging. Any marketing manager - I come from that sphere - will say that imagery matters and penetrates. The Department's account, which is State owned, is retweeting @campaignforleo and @MurphyEoghan with a clearly identifiable Fine Gael logo. Why is the Department retweeting political accounts carrying the Fine Gael Party's logo on the Rebuilding Ireland account? Are there internal social media guidelines in that regard?

**Mr. John McCarthy:** The Deputy referred to the Minister's political tweet - I am sorry, but I do not know the language - or Twitter handle. Is that the right term?

**Deputy David Cullinane:** Posts.

**Mr. John McCarthy:** No. The account's actual name. To my knowledge, this would be common for Departments generally. The Minister, Deputy Murphy, does not have a "Minister Murphy" political Twitter name, and a departmental Twitter name. It would be common-----

**Deputy Shane Cassells:** It is not funny, guys.

**Mr. John McCarthy:** I am not at all trivialising it. The point that I am making is that, in the ordinary course of events, Ministers tweet their departmental and ministerial activity. That would be quite common.

**Deputy Shane Cassells:** I stated that I had no problem with that with regard to a Minister on-site carrying out his political duty.

**Mr. John McCarthy:** I am not familiar with the example that the Deputy is talking about.

**Deputy Shane Cassells:** It was last Wednesday.

**Mr. John McCarthy:** If there is some Fine Gael-----

**Deputy Shane Cassells:** Logo.

**Mr. John McCarthy:** There are guidelines in place in our social media policy. I will certainly look at that if the Deputy can give me the details.

**Deputy Shane Cassells:** Has there been any directive from the Minister about political tweets, retweets and how these are conducted by the Department?

**Mr. John McCarthy:** No. This is operated entirely by the Department.

**Deputy Shane Cassells:** Rebuilding Ireland has a standalone Twitter account. There have been contributions from Deputies this morning on the failings of aspects of any account. Surely we could have retweets by the main Opposition spokesperson, Deputy Darragh O'Brien, when he is pointing out failures, which carries the Fianna Fáil logo? We could have retweets of that so that people accessing that Twitter account can get the full picture. I have a real problem with that. We saw with the strategic communications unit an attempt, through social media, because marketing and imagery matter, to present a particular picture. These guys are well-paid and highly-educated about this fear and sending a message through a graphic. This was not a Minister on-site turning the sod. It was a Fine Gael graphic with a message. I have a significant

difficulty with that because these guys are as cute as foxes and are trying to get that imagery out. A Department retweeting that has major ethical issues.

**Mr. John McCarthy:** With regard to content or statistics, anything that we tweet or retweet is designed to focus on facts. If there is something in a graphic which has a party political element attached to it, I will look at it.

**Deputy Shane Cassells:** It is clearly a Fine Gael logo.

**Mr. John McCarthy:** I will look at that.

**Deputy Shane Cassells:** The Rebuilding Ireland report for 2018 and the outputs for 2017 and 2018 refers to 27,103 units for 2018.

**Mr. John McCarthy:** That is the total number of households supported.

**Deputy Shane Cassells:** How many people came off the list? There were 27,103 households.

**Mr. John McCarthy:** We do the list on an annual basis in the middle of the year so the last count was done-----

**Deputy Shane Cassells:** What about 2017, since Mr. McCarthy has that there too?

**Mr. John McCarthy:** The June 2018 count was 71,858 households.

**Deputy Shane Cassells:** Is that persons?

**Mr. John McCarthy:** Households.

**Deputy Shane Cassells:** I am missing something. The total output for 2017 was 25,901 units. I presume that means actual units, whether an apartment, a home or whatever else. How many persons in total came off lists? Is Mr. McCarthy saying that 71,858 persons came off the respective lists?

**Mr. John McCarthy:** Sorry, Deputy, I should have made it clear. We do an annual social housing needs assessment study which looks at the numbers on the social housing lists at any point. We do that once a year. It used to be done once every three years but now we do it once every year. The 71,858 is the number of households on the 31 local authorities' housing lists at that time.

**Deputy Shane Cassells:** Did that increase or decrease from the previous year?

**Mr. John McCarthy:** That was down from 85,799 in June 2017 and the corresponding figure in 2016 was 91,600.

**Deputy Shane Cassells:** How many people is that anticipated to increase or decrease by for this coming summer?

**Mr. John McCarthy:** On the basis of the delivery achieved in 2018 and what is expected to continue to be delivered in 2019, one expects that the number will go down again. It is a continually flowing thing as new households come onto the list and others go off.

**Deputy Shane Cassells:** Within that, is Mr. McCarthy achieving significant gains in some areas of the country where he has significantly reduced lists which is maybe being countered by

increases, especially on the eastern coast?

**Mr. John McCarthy:** One of my colleagues can correct me if I am wrong but I think in the 2018 count, the numbers on lists decreased in all but two local authorities.

**Deputy Shane Cassells:** What were the two?

**Mr. John McCarthy:** Cavan and Monaghan.

**Deputy Shane Cassells:** Okay. Maybe not the two one would expect. Will Mr. McCarthy outline the targets, anticipated outputs and potential numbers coming onto the list for 2019?

**Mr. John McCarthy:** We will have a sense of the number of households that have come onto the list. This is the difficulty with social housing lists. While there is good visibility of the numbers of households coming onto the list because they are assessed, there is not the same visibility of those whose circumstances may have changed and who may no longer be in need of social housing support. They may have moved area or may have moved out of the country. We do the count once a year because it provides an opportunity to present the full picture of the numbers that have come on and off. We will do that again in June. The target for 2019 is to support just less than 27,400 households this year. We will break those targets down by local authority shortly.

**Deputy Shane Cassells:** I will bring in the two County and City Management Association, CCMA, witnesses because Mr. McCarthy and his Department rely heavily on local authorities to implement the policy of the Government and the Department to achieve those goals. How do two counties with big populations, Limerick and Meath, feel that those net figures coming down will pan out over the next decade in breaking down those stubborn numbers? When do they feel that they could actually achieve a diminution of a significant nature of their respective housing lists? The biggest thing one hears from local authority members and Deputies who have people coming into their constituency offices is that people are on the list for eight, nine or ten years. As Mr. McCarthy said, the net figures are coming down. Where could one really put a hole in the CCMA's targets and managerial structures, taking those two counties as a snapshot? When do they think, in the next ten years, they will have their figures reduced by 50% or 70%?

**Ms Jackie Maguire:** In Meath, the amount of housing we are allocating under all the measures is slightly higher than the number of people joining the housing list. The impact of the Part V acquisitions is having a very positive effect on certain cohorts of household, especially families of three or more. With regard to housing a family in a three-bedroom house, we are eating into that when we were not in the past. The area that we see as a challenge is single accommodations, including predominantly single male applicants on the list. The emphasis and priority at present is on families, family structures and getting family homes built. We had a gap of not building housing for many years and we have seen a very positive impact in the last three years relating to that family cohort. I suspect the challenge for us will be similar across other local authorities and relates to single accommodations that we need to start building again.

**Deputy Shane Cassells:** Using the overall total as a snapshot, when would Ms Maguire envisage bringing that down to a manageable level in the next decade with regard to local authorities setting themselves targets?

**Ms Jackie Maguire:** It will be a challenge and will take considerable time. I would be loath to put years on it because it will always be brought up that I said we will have a substantial amount of the list diminished in five or six years. From our perspective, and from the perspec-



tive of numbers still joining the list, households that are still forming and the young population we have, I suspect it is still going to take at least five or six years to eat further into the demand that we see.

**Mr. Conn Murray:** There is now a combined authority in Limerick, but in the lifetime of this council, I have seen a reduction of 42% in the housing list.

**Deputy Catherine Connolly:** That was bound to happen; many have gone to HAP units.

**Chairman:** Many have gone to HAP.

**Mr. Conn Murray:** There has been a reduction of 42% in my housing list.

**Deputy Catherine Connolly:** We might get a clarification in due course.

**Mr. Conn Murray:** I have no difficulty with that. There has been a 42% reduction on the existing housing list. I worked in housing through the 1980s and 1990s. Fluctuations within the economy have always affected the level of direct builds and, as a consequence, those lists increased during those times. We need a continuation of the drive that now exists over the next ten years or longer, to keep pace with the coming challenges. Those challenges will be different. We are dealing with diverse cultures, and diversity within our cities and counties. We need to continue the drive in the context of housing over the next number of years and understand that there are going to be different requirements at different times.

**Deputy Shane Cassells:** I have a final question for the two CCMA witnesses. The CEO of NAMA was before this committee before Christmas, and spoke about the properties that were made available to local authorities, and the take-up of those properties. In fairness, both the Department and NAMA provided statistics on that. One comment made by the Housing Agency that irked me at the time was that there was an over-concentration of supply of social housing in particular areas. I recognise that the witnesses from the CCMA are representing managers of all local authorities. What generally is their attitude on that issue? I am conscious that a manager from Limerick is present. I have covered the issues facing the regeneration programme there and the need to address historical issues. The witnesses will also be aware of good housing estates in my home town of Navan. I have a philosophy that is perhaps different from that of the Housing Agency on this issue, because I believe in affordable social housing on a significant scale. I recognise the progress being made in puncturing those numbers to the level we have seen. Can the witnesses comment on large scale housing?

**Mr. Conn Murray:** We come from similar backgrounds, so I understand perfectly the importance of local authority estates and how good they are. However, I have also lived the challenge of managing housing in Limerick and seen how a policy from the 1970s has destroyed many lives, which have had to be rebuilt. I have seen the NAMA figures being bandied about, and I examine at what was offered in my location. Of the houses offered, 20 were holiday homes and golf estates. That is absolutely unacceptable in the context of what we are trying to do. In other instances sites, rather than houses, were offered. They were rejected for good reasons; they were not acceptable for the type of need we have to meet and the locations required at this point in time. We would not refuse houses unnecessarily; I assure the Deputy of that. Our job is to try to provide as many people with homes as we can, but we have to do it as best we can in the context of what is on offer.

**Deputy Marc MacSharry:** I welcome the witnesses. Not many people come here voluntarily.

**Deputy Shane Cassells:** The numbers will dry up.

**Deputy Marc MacSharry:** It is helpful from our perspective. The great reduction in housing lists and the great work being done in Limerick is a credit to Mr. Murray and his team. Is the same policy in place nationally for the HAP and rental accommodation schemes? Does every local authority consider people to be off the list if they are in receipt of HAP? My sense is that different local authorities take different approaches to that.

**Mr. John McCarthy:** Under the Housing (Miscellaneous Provisions) Act 2014, if one is supported through HAP, one's housing need is considered to have been met and so one comes off the housing list. However, all HAP recipients are given the option of going onto the transfer list, which is the mechanism all local authorities use to provide for movements within social housing supports locally. That might be someone in a mainstream social home which no longer meets his or her needs and who might need to move to another larger home. It is operated locally, and perhaps one of my colleagues could discuss its operation.

**Mr. Conn Murray:** To pick an example of the use of choice-based letting, which exists in most authorities at some point in time, a particular authority recently carried out a study, in which it was found that, on being offered a place on the transfer list, only one third of those on HAP were interested in going back into local authority housing. They preferred to stay where they were. That is a genuine reflection of where some communities are. I cannot say that is reflected across the country at this stage, but it is something we are looking at. Choice-based letting is an opportunity to enable people to focus on where they want to be within their own community. It is sometimes the case that where they are currently residing is more suitable.

**Deputy Marc MacSharry:** If one is in HAP, one can apply for a transfer, and by that means can be considered for a council house or apartment if one is available.

**Mr. Conn Murray:** That is correct. The use of choice-based letting means that if one specifies a preferred area and a house comes up in that area, he or she will have a chance to get it.

**Deputy Marc MacSharry:** I do not believe there is a consistency across all local authorities on that.

**Mr. Conn Murray:** We will certainly address that.

**Ms Jackie Maguire:** It is the case that when one enters HAP in our area, a person is given the choice of going on the transfer list. I imagine it is the same in all local authorities. Most tenants will accept that initially, but we have certainly found that people come back and ask to be removed from the list. That does not preclude them from rejoining the list at a later date again. They are all given the choice to go on the transfer list.

**Deputy Marc MacSharry:** I will come back to that issue in a minute. On funding from central government, what criteria is used to decide the funding local authorities receive? Does it involve horse trading or is there a set criteria? How does central government decide to give Leitrim X amount of funding and Wexford Y funding? How is the funding allocation arrived at?

**Mr. John McCarthy:** The most recent target setting exercise we undertook was for 2018. We will issue 2019 targets shortly. We used the housing needs assessment study, which I spoke to Deputy Cassells about, to proportionally break down the overall national target between individual local authorities. The allocation is based on evidence and the proportionate share of

need across the country.

**Deputy Marc MacSharry:** Is any recognition given to the fact that one county might be ready and another might not?

**Mr. John McCarthy:** The Deputy has probably seen that some local authorities came in beyond 100% performance last year. The reason for that is that we gave local authorities targets, but let them know that if they were further along the pathway and could deliver more than their targets, they could. We have funded local authorities to go beyond their targets, which is reflected in the performance reports which have been released.

**Deputy Marc MacSharry:** There is a four-stage process involved. A county manager makes contact with the Department and tells it that there is a site in his or her county with sufficient space for 50 units. Mr. McCarthy will probably throw statistics at me and talk about 59-week turnarounds and so on. In practice, there is an administrative merry-go-round that somewhat baffles me. If Developer A goes to Meath County Council and states he or she has 100 acres and wants to build a certain number of units and provides the design, the local authority's planners and various experts will either grant planning permission or not. If it is granted, the developer will build. Why, then, do we make local authorities jump through so many hoops and engaged in toing and froing with the Department and the building unit in Ballina? It goes back and up and down in this four-stage process. During a Dáil debate I brought into the Chamber what was called the streamlined version, which was ironic given how thick it was. We seem to have most of this expertise in local authorities already so why are we passing information up and down? Why does the planner in Leitrim or the architect in Meath, who have the expertise, have to be second guessed by somebody in Dublin or in the building unit? A private developer wants to go in, get planning permission and build. The lead time for assessments in the private sector is 18 months to two years but, in the public sector, it can be as bad as three to six years depending on the case. What are we doing about this? There seems to be a level of unnecessary bureaucracy, which is bound to be adding costs, never mind time and delivery delays.

**Mr. John McCarthy:** The Deputy referred to projects that might have taken three to six years from gestation to completion. Inevitably, there have been projects of this type. What happened in the crash and in the years immediately afterwards was that many projects in the system ground to a halt. It was quite a few years before they came back. The Deputy rightly pointed to the importance of things not bouncing backwards and forwards between the Custom House and local authorities. He and other representatives rightly find this frustrating. I find it frustrating and I know my colleagues here find it frustrating. This is why we and the sector sat down to agree timeframes for the completion of the four-stage approval process so we could all be held to account for what we are doing.

To go back to the Deputy's first question which, if I have interpreted it correctly, is on why we have the four-stage approval given what happens with private development, the real issue is it is because they are public funds, for which I am here to be accountable. To protect public funds, the public spending code applies to public programmes to try to ensure we get best value for money.

When we speak about second guessing, I would like to think the second guessing that might arise would be where a proposal might come forward in which the cost is beyond what we would expect it to be. This is where value engineering comes in, to see whether we could re-design the scheme in some way that would get us a better value for money outcome. From a cost control point of view, this is the real value of the four-stage approval process. As we go

from preliminary design to post planning we can see whether the detailed design or planning approval added costs. We have opportunities at stages along the way to see whether we can do something to address additional costs that may arise. Its prime purposes are cost control, the protection of public funds and achieving value for money. Colleagues from the local authorities experience it from the other side. I am quite happy to-----

**Deputy Marc MacSharry:** I experience it from where I sit and in terms of value for money and costs of course we want adequate oversight. We are speaking about local authorities and people of integrity. I will come to auditing local authorities in a second. It is not rocket science that the cost per building we expect in Sligo is X per square metre which it might be different in Dublin. There are broad parameters that any good valuation house or quantity surveyor house could provide, so that if Ms Maguire tells the Department 150 houses are ready to be built in Navan, she is happy with the design scheme, provides the cost and states all the local authority needs is the money, the Department can cross-check it against the market through quantity surveying expertise and give the local authority the money so it can get on with it. We would get the same value for money.

This is not about policy. The policy is to build houses. I have read the four-stage process and I rolled around laughing. I do not know how a local authority sets about building anything. The expertise is available. We are not talking a national children's hospital level of complexity. People either have the expertise or not and most local authorities do. On-site quantity surveying and tendering expertise may not be there but for a relatively small cost it could be procured.

What metrics and analysis are there to show our four-stage process has saved us X, given X percentage better value for money or increased units or outturn? My sense is that with the best will in the world the four-stage process costs money, is bureaucratic, causes delay and certainly does not capture what we seem to be calling a national housing emergency. We either trust local authorities to do this or we do not. This might free up a lot of staff that heretofore have been very involved in the four-stage process. That is fine. We could create an enforcement division and let them go on tour to make sure everything is being done right throughout the country or pop into the local authority in Sligo or Leitrim to ask how everything is being done. The delivery of units, which is the policy and what we are all about, would be much better. It is just a suggestion.

The local authorities are not responsible to the Committee of Public Accounts. Mr. McCarthy is the accounting officer for local authorities and a large amount is given from the Department to local authorities. Is it correct that the Department does not audit them?

**Mr. John McCarthy:** The Local Government Audit Service is an independent office. It is part of the Department but it operates statutorily independently.

**Deputy Marc MacSharry:** Am I correct that it audits a sample each year?

**Mr. John McCarthy:** No, every local authority is audited every year.

**Deputy Marc MacSharry:** Does the Local Government Audit Service go to the Department with the results?

**Mr. John McCarthy:** It is statutorily independent so it audits the accounts and reports back to each local authority individually. Annually, the director of audit produces a composite report, which is very important in drawing together any common issues that might have emerged through audits and issues that might be important for us to reflect on from a policy or legislative

point of view. It is an independent auditor and its audit report is to each local authority.

**Deputy Marc MacSharry:** But not to the Department?

**Mr. John McCarthy:** No.

**Deputy Marc MacSharry:** Theoretically, and I am sure they are all excellent, if there was a basket case, we would not know.

**Mr. John McCarthy:** Once the audit reports go to the council they are published so they are in the public domain. The director of audit produces a composite overall annual overview so any significant issues the audit service considers to be important from a policy or legislative point of view will emerge through this process.

**Deputy Marc MacSharry:** Who has competence to tell the local authorities they would want to sort themselves out?

**Mr. John McCarthy:** The audit report is to the local authority. Audit committees were put in place following the Local Government Reform Act 2014. Perhaps my colleagues will speak about the practical local workings out of this. They are hugely important in terms of considering the auditor's report and reporting back-----

**Deputy Marc MacSharry:** It is up to the local authorities to sort themselves out.

**Mr. John McCarthy:** No, they are statutorily obliged. There is a process in place under the Act and regulations that the audit report must go to the audit committee. It needs to be considered. It must also be sent to each local authority member. Clear oversight responsibility is in place.

**Deputy Marc MacSharry:** We have no function with regard to Irish Water and neither does the Comptroller and Auditor General - more is the pity. Last year, did the Department have to give €291 million?

**Mr. John McCarthy:** I referred to it in my opening statement. I do not have my stuff on Irish Water with me because we are dealing with it this afternoon.

**Mr. Seamus McCarthy:** I think the total was €1.2 billion.

**Mr. John McCarthy:** Yes and it was spread across different-----

**Mr. Seamus McCarthy:** There was €270 million for-----

**Mr. John McCarthy:** Yes; there was a contribution by the Cabinet.

**Deputy Marc MacSharry:** Irish Water was set up as and is a semi-State company.

**Mr. John McCarthy:** Yes.

**Deputy Marc MacSharry:** Therefore, it has a commercial mandate, albeit there are no charges to be paid by households or whatever else.

**Mr. John McCarthy:** Yes.

**Deputy Marc MacSharry:** I seek guidance on the following. Is there a legislative angle or current legislation that permits the Comptroller and Auditor General to play a role in consider-



ing the accounts of Irish Water? Obviously, there is a huge amount of money involved. There are lot of rumours that many millions of euro of our money go into Irish Water which certainly is doing excellent work. In the Secretary General's view, what might have to happen if it were allowed?

**Mr. John McCarthy:** I will speak off the top of the head because it is included in my other papers for the afternoon session.

**Deputy Marc MacSharry:** No, it is okay. I apologise.

**Mr. John McCarthy:** That is the only qualification I want to make. This issue arose when water service related legislation was before the line committee, from memory, in late 2017 and early 2018. I think the Minister indicated that he was favourably disposed towards exploring the potential for the Comptroller and Auditor General to play a role. Again, the Comptroller and Auditor General can either correct or contradict me on anything I say, in case I am not entirely accurate, but there are a number of complexities. Irish Water has been established under company law as a company and its accounts have to be audited by what is called a statutory auditor. For these purposes the Comptroller and Auditor General is not a statutory auditor. The matter is also complex in the sense that Irish Water is a subsidiary of Ervia, the accounts of which also have to be audited. They are dealt with in accordance with the Companies Acts.

There is a third issue that needs to be considered, not so much perhaps from a formal audit point of view but from the point of view of value for money, similar to what the Comptroller and Auditor General might do in the case of the bodies he audits. There are value for money review arrangements in place through the Commission for the Regulation of Utilities. All of Irish Water's operating expenditure and capital plans have to be submitted to the commission which has to approve them. It will only approve expenditure that it regards will be efficiently incurred. There is a very elaborate value for money regime in place through the commission. These issues are being looked at, but that is one of the matter that obviously will need to be considered.

**Deputy Marc MacSharry:** Has the Department established metrics to show that the four-stage process had led to a saving of X or Y amount of money and an increase in the number of units available, or is there any such analysis available?

**Mr. John McCarthy:** I can certainly give the Deputy case studies, but I do not want to mention the names of local authorities.

**Deputy Marc MacSharry:** That is fine.

**Mr. John McCarthy:** There was one project where, at its highest point, the budget proposed was €5.35 million. Having gone through the four-stage approval process, it is actually being implemented at a cost of €4.17 million. For another project, at its highest point, budget proposed was €8.86 million, but it is being implemented at a cost of €7.12 million. There are very clear examples to show how the process has actually worked in getting better value for money.

I think the Deputy mentioned the enforcement division going on tour. The issue with it is as follows. What the four-stage approval process gives us is an opportunity to capture and consider potential increases in cost before they actually happen to see if can we actually strip some of them out. Ultimately, it is the Exchequer and the taxpayer that fund projects. With the enforcement division approach, very often one will have lost that opportunity because matters

will have moved on.

**Deputy Marc MacSharry:** I thank the Secretary General.

**Deputy Jonathan O'Brien:** I have questions about the housing assistance payment, HAP, scheme for Ms Maguire and Mr. Murray. The documentation given to us indicates that 24,984 inspections were either carried out or arranged last year. What is meant by the term "arranged"? Have the inspections not yet taken place or has a date of inspection been set?

**Mr. Conn Murray:** There is a requirement to arrange for an inspection to take place within the first number of months of the tenancy. When we say it has been arranged, one has to follow through and actually carry it out.

**Deputy Jonathan O'Brien:** Does that happen in all cases? Yes, it does. As many as 24,984 inspections were carried out. How many failed?

**Mr. Conn Murray:** I am sorry, but I do not have those statistics in front of me.

**Deputy Jonathan O'Brien:** As many as 2,009 inspections were carried out by Mr. Murray's local authority. From his knowledge of the area, does he know how many failed inspections there were?

**Mr. Conn Murray:** No, I do not. We would not allow a HAP scheme payment to be made if it was not appropriate to do so; therefore, it would not happen.

**Deputy Jonathan O'Brien:** The problem with the HAP scheme is that sometimes the tenants are already in a unit when an inspection takes place.

**Mr. Conn Murray:** I am sorry, but I do not have those statistics. As I said, we operate a shared service.

**Deputy Jonathan O'Brien:** What happens when a tenant enters a property under the HAP scheme which fails the inspection when it subsequently takes place? What happens in such a scenario?

**Mr. Conn Murray:** My understanding is - I do not have a specific case in mind - that we will find an alternative location for the individuals involved.

**Deputy Jonathan O'Brien:** Will they remain in the property and be prioritised for the provision of alternative housing?

**Mr. Conn Murray:** It will be done as quickly as possible. We use the place finder service.

**Deputy Jonathan O'Brien:** I will outline my difficulty. While I do not doubt that the system is meant to kick in, I do not believe it does. I know from my own experience in Cork city where I was a member of the council for 11 years and from people who come to my constituency office that some of the most squalid properties are HAP tenancies. There are health and safety issues, yet a fortune is being paid to private landlords. In most cases, inspections do not take place and, when they do and the properties fail, the tenants are just left there. Perhaps other members of the committee might have heard about cases and, if so, they can correct me, but I have yet to hear of one case where a HAP tenancy failed an inspection and the tenant was transferred out of it as a matter of priority. I just do not believe that happens.

**Mr. Conn Murray:** I can only speak about what happens in my local authority. I know that

it does happen.

**Deputy Jonathan O'Brien:** Does Ms Maguire know how many HAP tenancies in her local authority area have failed inspections?

**Ms Jackie Maguire:** I do not have the exact figure, but I know the issues involved. We find that one might have to make a number of inspections. It can be difficult to gain access or make arrangements with landlords. One might have to make two to three calls. One may find some of the issues involved are minute in nature and not related to health and safety.

**Deputy Jonathan O'Brien:** Does Ms Maguire recollect any tenant in her local authority area being moved out of a HAP property owing to poor conditions.

**Ms Jackie Maguire:** No, I do not have that information to hand.

**Deputy Jonathan O'Brien:** Can Ms Maguire recollect any case in which it has happened?

**Ms Jackie Maguire:** As I said, I do not have the information to hand.

**Deputy Jonathan O'Brien:** Can Mr. Murray recollect one case in which it has happened?

**Mr. Conn Murray:** I am aware of cases in which it has happened.

**Deputy Jonathan O'Brien:** Does Mr. Murray mean where tenants were moved out?

**Mr. Conn Murray:** Yes, where tenants were moved out because of issues that had arisen. As we did not receive co-operation at local level, we had to take action.

**Deputy Jonathan O'Brien:** Because they had been taken off the housing list, were the individuals concerned prioritised for rehousing in alternative HAP properties? How does the process work?

**Mr. Conn Murray:** In fairness, if we are dealing with a family in conditions in which they should not be living, we do give them priority, but that has nothing to do with the housing lists or anything else. They will still remain on the transfer list if they subsequently require a local authority house.

**Deputy Jonathan O'Brien:** Does Mr. Murray or the Department have figures for the numbers who enter homelessness from HAP properties?

**Mr. Conn Murray:** Did the Deputy say "enter homelessness from HAP properties"?

**Deputy Jonathan O'Brien:** Yes.

*(Interruptions).*

**Mr. Conn Murray:** No. As far as I am aware, that does not arise. I am looking at the overall statistics.

*(Interruptions).*

**Chairman:** Will Mr. Murray, please, explain what he said? Of course, the issue arises every day.

**Deputy Jonathan O'Brien:** Let us say somebody is a HAP tenant-----

**Mr. Conn Murray:** Yes.

**Deputy Jonathan O'Brien:** ---and, for whatever reason, has to leave a HAP tenancy. It is usually because they get an order to quit under the three grounds that a HAP tenancy can be terminated. Do we have any numbers for individuals or tenancies entering homeless services from HAP properties?

**Mr. Conn Murray:** I do not have the statistics for the general sector. As a shared centre, we are a transaction-based operation.

**Deputy Jonathan O'Brien:** I appreciate that.

**Mr. Conn Murray:** We provide the statistics from that perspective.

**Deputy Jonathan O'Brien:** It is okay if Mr. Murray do not have that information.

**Mr. Conn Murray:** I do not have it.

**Deputy Jonathan O'Brien:** Is the Department aware of such data or is it even collated?

**Mr. John McCarthy:** We do not have that data. Going back to the property standards issue and the exits from HAP that are reported to the shared services centre, 343 is the latest figure for terminated tenancies arising because of property standards.

**Chairman:** Is that in the past year?

**Mr. John McCarthy:** No, it is cumulatively.

**Chairman:** Over how many years?

**Mr. John McCarthy:** It started on a pilot basis in 2014 and it became fully operational-----

**Chairman:** How many were last year?

**Mr. John McCarthy:** I do not have the annual breakdown.

**Deputy Jonathan O'Brien:** Over four years we are talking about approximately 70 per year.

**Mr. John McCarthy:** It probably would not have been even as it would have been rolled out on a phased basis over three or four years. In practice, it is reported that in many cases the issues that arise in terms of inspections can be dealt with in conjunction with the landlord over a reasonable period. The 343 cases are a reflection of those that were seriously non-compliant.

**Deputy Jonathan O'Brien:** Do we have the data to back up the claim that many of the issues can be resolved very quickly?

**Mr. John McCarthy:** I may not have it here but in terms of broader inspections of private rental accommodation beyond just HAP tenancies, that would be the reflection back to us from local authorities. I do not have the figures with me but there is an element of granularity.

**Deputy Jonathan O'Brien:** I put it to the Department and the representatives from the city and county managers that there is a major issue with the quality of HAP accommodation. Speaking from experience and the number of people coming into my constituency office who do not have basics such as heating or hot water or who are experiencing leaks and windows

falling out, I know that there are major health and safety issues. These people are getting no support from local authorities and are basically given the option of staying in the property they are in or entering homelessness services. I do not believe it is not a major issue. I do not know if we are keeping that kind of data but if we are not, I suggest that we should.

The biggest reason for people entering homelessness services is a landlord giving a notice to quit on the grounds that a family member is moving in, major refurbishment work is to be done or the property is to be sold. I have come across many cases - certainly not a handful - where these are not the reasons. The tenant may be evicted on those grounds but a couple of months later the property would be up on *daft.ie* with a massive increase in rent. I put it to both the Department and city and county managers that this is a loophole to get around rent caps in certain areas. I wonder if there is any evidence to support that.

**Mr. John McCarthy:** Looking at the number of families presenting as homeless in Dublin, the view from the Dublin Region Homeless Executive is that approximately 40% of these have had tenancies coming to an end in the private rented sector. Approximately the same amount arise because of what are called “family reasons”, etc. We certainly hear anecdotal evidence similar to what the Deputy has described, where a notice to quit might have been served on the basis of a property being sold or used by a family member before the property comes back on the market. There is an item of legislation going through both Houses designed to strengthen the enforcement powers available to the Residential Tenancies Board, RTB, to be able to track those sorts of cases and it has just finished Second Stage in the Dáil. Some issues are still being considered with a view to introducing amendments on Committee Stage or possibly in the Seanad. The matter has been brought to our attention and although we do not have hard data, we want to put the RTB in a position to be able to track and identify those cases and deal with them as appropriate.

**Deputy Jonathan O’Brien:** Mr. Murray mentioned there was a 42% reduction in the housing waiting list in his area. Is there a corresponding figure for the number of people on the housing transfer list?

**Mr. Conn Murray:** My list is currently at 260 or 265.

**Deputy Jonathan O’Brien:** Has there been an increase or decrease?

**Mr. Conn Murray:** The transfer list stays relatively stable. These are people who have declared, for many reasons, why they are seeking it. Most of those are at a personal level.

**Deputy Jonathan O’Brien:** Is it Mr. Murray’s experience that people who come off the housing list are not being put back on a transfer list? For example, I would imagine the 42% reduction arises because people are getting HAP tenancies, although the witness might correct me if I am wrong. That would not happen in all cases but it would be a certain percentage.

**Mr. Conn Murray:** Absolutely.

**Deputy Jonathan O’Brien:** Mr. Murray is not seeing a corresponding increase in the transfer list.

**Mr. Conn Murray:** I will explain. The transfer list consists of people directly applying for transfers. People who go into HAP have an option in terms of a transfer and an offer will go in that regard if they choose to move from their locality. In Limerick County Council, 38 people came from the rental accommodation scheme to direct housing and 79 people came across from



HAP. We had 529 new HAP tenancies. There are currently approximately 2,000 HAP tenancies within the city and county.

**Deputy Jonathan O'Brien:** With regard to social housing delivery output, the total new build numbers at the end of quarter 4 for 2018 was 4,251. There is a breakdown, with 841 units under Part V of the Planning and Development Act 2000 and 1,388 units from approved housing bodies. That leaves 2,022 new builds so can we get a further breakdown of that 2,022? How many were constructed from the ground up, how many came from regeneration and how many were turnkey?

**Mr. John McCarthy:** Of the 2,022 units, 200 came from regeneration and were from the ground up. My colleague from Limerick might-----

**Deputy Jonathan O'Brien:** When the witness states they were from the ground up, would they have been council properties that were knocked and rebuilt?

**Mr. John McCarthy:** No. In 2017, the Lord Edward Street project was in a regeneration area but it was an entirely new project, for example.

**Mr. Conn Murray:** In fairness, that was in the plans going back to the early 2000s but it never got off the ground. It was a very difficult site. As it was within the regeneration area, it was counted as regeneration but it was a brand new build of 184 units in total.

**Deputy Jonathan O'Brien:** The Knocknaheeny regeneration is my area. I am sure our guests are familiar with it. The project will give rise to no net increase in the number of houses because we have knocked everything and are rebuilding those units. These are classed as new builds but we are not getting any additional homes. These are the figures I am trying to get. Of the 2,022, how many are new properties that did not exist previously as part of a regeneration where properties were knocked and rebuilt? How many additional houses did local authorities build?

**Mr. Conn Murray:** I get the point and I understand the underlying criticism that if we go with a turnkey property, it would not be a direct build. The focus is on direct builds but the number of homes we provide is what counts at the end of the day. Regeneration is not simply a process of rebuilding houses. It is a revitalisation of those communities, which is far more than just restoration or rebuilding houses.

**Deputy Jonathan O'Brien:** I am well aware of that and this is not a criticism.

**Mr. Conn Murray:** I am sorry but it sounds like it.

**Deputy Jonathan O'Brien:** I am sorry if Mr. Murray takes it that way. It is not a criticism. I am very familiar with regeneration. I know exactly what it is about. It is about turning years of bad planning into better, sustainable communities. That does not help a person who is languishing on a list for ten years. These are the figures I am trying to get at. How many new or additional houses did the local authority build?

**Mr. Conn Murray:** In total, there are 695 in the current plan that we have agreed with the communities for delivering. Of those, 300 are either in construction or being delivered currently, and the balance is already going through the stages with the Department. That is a ten year plan and we are already four years ahead of that. Overall they are the units we have to provide. I cannot go back over the history of it and say how many were demolished. All I know

is what we are doing to work with the community to deliver homes.

**Deputy Jonathan O'Brien:** That is fair enough. I have a final question, although I definitely want to come back in. Does the Department have those figures? The witness was about to give me the breakdown. I believe it was 200 regeneration.

**Mr. John McCarthy:** That is right. I believe these were the figures we talked about with Deputy Catherine Murphy.

**Chairman:** Can we have a breakdown of that list and of the locations?

**Mr. John McCarthy:** Yes, we discussed this earlier. The 2,022 figure is broken down as follows: 1,054 are standard build; 768 are turnkey; and 200 are regeneration.

**Deputy Jonathan O'Brien:** The local authorities built an additional 1,054 houses last year.

**Mr. John McCarthy:** Sorry, would the Deputy repeat that?

**Deputy Jonathan O'Brien:** The local authorities built an additional 1,054 houses last year.

**Mr. John McCarthy:** No, they built 2,022.

**Deputy Jonathan O'Brien:** No, I am talking about the local authority direct build units.

**Mr. John McCarthy:** We are very clear in Rebuilding Ireland that if a house is added to a local authority stock, be it built on local authority land or through commissioning a private developer who has land in a place where the local authority does not, it is still an addition to the local authority stock. We have been very clear from the outset in Rebuilding Ireland that these multiple strands of delivery are all part of the equation.

**Chairman:** We have been here since 10 a.m., so we will take a five minute sos. There will be votes in the House at 1.30 p.m. so we will complete this debate on housing by then. Following the votes, we will take a short break and be back as soon as practicable, having agreed a time. In the meantime, we will suspend for five minutes and will resume with Deputy O'Connell.

*Sitting suspended at 12.33 p.m. and resumed at 12.41 p.m.*

**Chairman:** We are now back in public session.

**Deputy Kate O'Connell:** I thank the witnesses for coming before us. How many households are supported by the Department through the help-to-buy scheme, HAP, Rebuilding Ireland home loans, acquisitions and new builds? I will move on to the next question if someone is getting the answer for Mr. McCarthy.

I hear from my colleague beside me that the help-to-buy scheme has been a great success. At the time, there was much talk that it was an inflationary proposal and that it would cause prices to increase and would not be successful but I have been informed that 10,000 people have taken this up, the budget is gone and the Government is looking at increasing the budget. Could Mr. McCarthy talk me through the successes of the parameters set at that time? I refer to the €500,000 price cap, the maximum purchase price of €320,000, the five-year tax rebate period and the successes of an initiative the Department came up with. I am trying to be positive about housing.

In respect of HAP, I read a Library and Research Service, LRS, document because I was struck by some of the commentary here - I was not here earlier but I was keeping an eye on proceedings - about HAP tenancies. The figures from the LRS not the Department's figures - show that 44% of notices to quit are because of arrears where people not paying rent. Perhaps there is something I do not understand here but a person providing a HAP property is usually a private citizen, an accidental landlord or someone in the business, who has a property. According to the LRS the number of people being given notice to quit for rent arrears is 44%. One can combine the next two figures. The figure for notices to quit because the landlord wishes to sell the property is 20% while the figure for notices to quit to because of family use is 8%. I agree that a bit of messing might be going on within that 28% but I want to be sure that the correct information is going out from this committee. It is almost being put out there that people are being thrown out of HAP homes under false pretences and that the house or apartment is then put on the market. Could Mr. McCarthy elaborate on those figures in order that we can get the facts out today? Has he any answer to my first question before I move on to the next question?

**Mr. John McCarthy:** I hope I at least have some answers to the Deputy's questions. I will take them in pieces if that is okay. The total number of social housing households supported under Rebuilding Ireland last year was just over 27,100. That breaks down as 17,926 on HAP, 4,251 through build programmes, 560 voids, 2,610 acquisitions, just over 1,000 leasing units and 755 RAS units. Although some of the individual elements came in under target while others came in over target, in overall terms, the figure of 27,103 was 6% ahead of the overall target for the year.

**Deputy Kate O'Connell:** These are homes. We are not counting people. These are units

**Mr. John McCarthy:** These are households. They are tenancies. If there are three or four people in a house, in terms of the numbers of people supported, one would multiply-----

**Deputy Kate O'Connell:** If we decided tomorrow to get rid of HAP, what would it do to that figure next year?

**Mr. John McCarthy:** I suppose it comes down to what we would do with the money that is available-----

**Deputy Kate O'Connell:** I am more concerned about what we would do with the families. Where would we put them? How many families-----

**Mr. John McCarthy:** Of course, that is the ultimate concern but I am at the intermediate step because what happens to the families depends on what we do with the money. If we took the money being provided to HAP and RAS and transferred it to capital programmes involving building or buying, we would only manage to support a fraction of the more than 18,000 people supported through RAS and HAP. If we took the associated funding for those two programmes in 2018, which between them would have come to €420 million, and applied it to capital programmes, we would not even support 1,000 households.

**Deputy Kate O'Connell:** What I am getting at is that HAP almost seems to be like a bad thing in some people's minds. If we just got rid of it to be populist, I assume we would put the money into building houses. However, the problem is that it takes time to build houses. What do we, therefore, with the families in the interim period? I have failed to find an answer to this question about what we would do with that cohort of people in the interim period from anybody. I think Mr. McCarthy has given me an answer.

**Mr. John McCarthy:** To expand and to put it in a bit more context, if we take the three years from 2016 to 2018 and what one might call the current funded programmes, which are primarily HAP and RAS, they supported approximately 90,000 households. If we took the money that was used over those three years and put it into capital programmes to build or buy, we would probably managed to assist approximately 5,500 households so there would be-----

**Deputy Kate O'Connell:** -----85,000 are on the street

**Mr. John McCarthy:** There would be 85,000 households for which we would not have a solution. It is important to put it in context. If we look at Rebuilding Ireland and the six-year profile of what we aim to achieve, as we started out in 2016 we recognised that, as we spoke about earlier, we were coming from a situation in which the local authority building programme and, indeed, the approved housing body building programme had virtually ground to a halt due to lack of funding. We recognised that in the early years of Rebuilding Ireland, as the build programme and other elements ramped up, we would be reliant on the rental accommodation scheme, RAS, and the housing assistance payment, HAP, to a greater extend. As one looks through the six years one will see that the mix of elements changes. We aim to be assisting more households through measures other than HAP and RAS than through HAP and RAS combined when we get to the end of Rebuilding Ireland in 2021. That is an important evolution that takes account of the reality of an increasing funding envelope as the years go on and of where we came from in terms of actual activity. As I have said, the build programmes had literally ground to a halt.

The Deputy also raised the issue of the help to buy scheme. I am probably not the best person to speak about this scheme as it is a tax measure but I know from engagements on the issue that almost 10,000 households have been approved under the scheme.

**Deputy Kate O'Connell:** This means that 10,000 people are now in homes funded by themselves and supported by the scheme who otherwise may not be.

**Mr. John McCarthy:** Yes.

**Deputy Kate O'Connell:** We could potentially add these to the 85,000 people we mentioned a minute ago.

**Mr. John McCarthy:** Indeed. The Deputy also asked about the Rebuilding Ireland home loan. As of the end of January, approximately 575 households had drawn down the loan. With regard to arrears in the private rental sector and the issue of notices to quit, the Residential Tenancies Board's annual report for 2017 gives a broad breakdown of the main reasons for notices to quit. Some 44% were related to rent arrears, 20% to landlords selling properties, 8% to landlords wanting the property for a family member, and approximately 8% to refurbishment. There are other factors but they make up smaller percentages. Those are the main ones.

**Deputy Kate O'Connell:** I am sorry to interrupt Mr. McCarthy but I will hone in on something in respect of refurbishment. It is important to say that buildings need maintenance. There is a certain argument out there in this regard. I understand that and there are landlords who use these reasons to get rid of people, but there are also genuine people out there who need to maintain their buildings. I hear from real people who are renting in the real world that sometimes it suits them to move out for a few weeks. People often move back into the same unit because if a genuine landlord is trying to provide genuine high-quality accommodation, the landlord may put in insulation and do the pipes and a tenant with whom he or she has a good relationship may

move somewhere for a few weeks while it is being done and then move back. There is almost an argument that refurbishment never has to happen but we know from looking at the history of Dublin city and at the lack of refurbishment in tenements in the Georgian inner city that we had a similar problem generations ago. I would like to note that today.

**Mr. John McCarthy:** It is absolutely reasonable to accept that we all have a collective interest in ensuring that properties are periodically refurbished so that we maintain high standards. We just had a discussion about the quality of accommodation. The question had raised another question but I have forgotten it.

**Deputy Kate O'Connell:** We will leave it for a second because I do not want to take up too much time. I want to ask about interruptions in the supply chain. When Private Members' Bills come through the Oireachtas, they sometimes create uncertainty. I refer to things like the Anti-Evictions Bill 2018. As we saw to some extent with the review of Rebuilding Ireland a few years ago and the changes in rules in respect of apartments, any uncertainty in the market halts the market temporarily. Does the uncertainty around the Anti-Evictions Bill present real risks to supply in terms of landlords pulling back from the system because of the uncertainty created in these Houses?

**Mr. John McCarthy:** I will be careful in answering this question.

**Deputy Kate O'Connell:** I do not have to be as careful as Mr. McCarthy.

**Mr. John McCarthy:** I will not comment on any individual Bill or proposal but-----

**Deputy Kate O'Connell:** Really what I am looking at is anything-----

**Mr. John McCarthy:** -----the number of landlords and properties in the private rental sector has tapered away. The reduction has not been massive but it has reduced a little bit over the last 18 months to two years. It is not rocket science. Anybody who is in property or business would say that uncertainty is worse than the wrong kind of certainty.

**Deputy Kate O'Connell:** I am looking at people leaving the market. In 2012, it was 8,500, going down to 3,250 in 2017. There is a downward trend. There is a narrative that being a private landlord is a very lucrative business. If there was much money in it, people would not be leaving the market.

**Mr. John McCarthy:** Individual landlords are a mixed bunch. The vast majority of them are people who own one or two properties. Their own circumstances change.

**Deputy Kate O'Connell:** Yes, 86% of them own one or two homes.

**Mr. John McCarthy:** Their own circumstances are very different. Some may still be paying mortgages on those properties. Others may not be. It is a very mixed sector.

**Deputy Kate O'Connell:** On the Land Development Agency, there is a narrative that the State is handing loads of lands over to people to build houses for private owners. Will Mr. McCarthy, as quickly as possible, summarise the concept of the Land Development Agency and outline the mix, the minimum social housing proportion, and the plan in that regard? From looking at the figures, I believe social housing is being ramped up. We are in a great place but there is a huge issue in respect of affordability when it comes to people's net pay at the end of the week. In business studies, we were told that one should spend 30% on rent or mortgage payments but we are now in a situation in which so much of families' incomes are going on rent



or the mortgage that they basically cannot live. I am concerned about affordability for people with young families. Will Mr. McCarthy articulate how this use of State land will help those real people?

**Mr. John McCarthy:** To return to part of my earlier conversation with Deputy Cullinane, Rebuilding Ireland tries to recognise that we have issues right across the housing spectrum - all the way from the incredibly difficult situations of people in homelessness through to the rental sector and the delivery of social housing and housing in general. We need to address the issues in all those strands and we are doing that. One of the issues raised consistently is around the use of public land. People ask why public land is not being brought into use for housing to a greater extent. There is a significant uptick in the use of land owned by local authorities, particularly for social housing, but there is also land in wider public ownership. The Land Development Agency was established to lead the process of bringing parcels of available public sector land into use for multiple purposes related to housing, including general housing delivery and the delivery of social housing through Part V.

There is also a 30% minimum for affordable housing. The aim is to contribute to addressing the housing delivery issues that exist in all of those strands of the housing market. The other aspect in terms of affordability is the serviced sites fund which is designed to support local authorities bringing some of their lands into play for affordable housing. The first round of approvals under that fund were issued in December and there will be another call for proposals under the fund issuing shortly. Initially, it was targeted at the Dublin, greater Dublin, Cork and Galway authorities. We have now asked other authorities to look at the affordability issues in their areas. As such, the second call will be wider once we have completed the analysis of the economic assessments local authorities provide.

**Chairman:** Deputy, I have to move on at this stage.

**Deputy Kate O'Connell:** I thank Mr. McCarthy.

**Chairman:** There is a maximum of 30 minutes left and there are three speakers. Someone else might come in. We will do six or seven minute slots and there may be five minutes at the end. After six minutes, we will move on as I do not want anyone to miss out. Members should take six minute slots each. It is the same sequence as this morning of Deputies Catherine Murphy, Catherine Connolly and David Cullinane.

**Deputy Catherine Murphy:** I have just a few questions and the time will be tight. Rebuilding Ireland is a Government policy which the witnesses are required to carry out. Mr. McCarthy referred earlier to 50,000 houses per year. The all-party Oireachtas committee produced its report in 2016. The No. 1 item in the report in terms of the conclusions was to increase the social housing stock owned by local authorities and AHBs by at least 50,000. That would be a minimum of 10,000 builds per year. In what year will there be 10,000 builds?

**Mr. John McCarthy:** Stock is not just "builds". It includes acquisitions. We consider stock to include long-term leased units which are available in many cases for 25 years. The 50,000 is a combination of all three to be achieved by 2021.

**Deputy Catherine Murphy:** Will that be achieved by 2021?

**Mr. John McCarthy:** We are on target to achieve it.

**Deputy Catherine Murphy:** Page 6 of Rebuilding Ireland sets out the housing ambition to

2021. It says that by 2021, the needs of more than 87,000 households will be met through supporting them into secure tenancies in the private rental sector, HAP and RAS. It is the ambition that 87,000 households will be in HAP or RAS. Is the Department projecting that?

**Mr. John McCarthy:** That is the target for the number of new households to be supported through those mechanisms over the six years, the 87,000.

**Deputy Catherine Murphy:** The predominant response to the housing list is HAP and RAS up to 2021.

**Mr. John McCarthy:** As I was saying earlier in discussion with Deputy O'Connell, the mix of housing solutions over the course of Rebuilding Ireland will change. It is changing already and, when we get to 2021, we will assist more households through measures other than HAP and RAS.

**Deputy Catherine Murphy:** I am just looking at it from a value-for-money perspective.

**Mr. John McCarthy:** Yes.

**Deputy Catherine Murphy:** Rents are escalating and if one builds a lot of houses, one influences the housing market for people who are not on housing waiting lists because there is increased supply. There is value for money in the approach that is taken. Last week, when the Irish Council for Social Housing appeared before the committee, its representatives set out an ambitious plan if a regulation was put on a statutory basis in respect of the number of houses they could build. They were being held back by virtue of not being on a statutory footing. I have always accepted that people have to live somewhere while houses are being built. However, the way it is playing out is perhaps the most costly way by virtue of the time it is taking. Other funds could have been leveraged from, for example, credit unions and the European Investment Bank. In 2021, we are looking at 87,000 households, which will be enormously expensive. Does Mr. McCarthy have a figure on what it will cost at its maximum?

**Mr. John McCarthy:** I do not have forward projections of current expenditure. They are dealt with on an annual basis. It is important to bear in mind that of the 87,000 households to be supported under HAP and RAS, a significant proportion will include people who move from rent supplement across to have their social housing needs met. It is a process that has been under way since 2014. Coming back to the discussion with Deputy O'Connell, and as Deputy Catherine Murphy has acknowledged herself, there is a need to provide supports for people within the envelope of resources available to us. The mix that is there involves a significant build-up of the permanent social housing stock as well as significant numbers in HAP and RAS.

**Deputy Catherine Murphy:** Does Mr. McCarthy have figures for the average price across acquisitions and builds? The numbers are small enough and it may involve different parts of the country, which might distort things, but he has the figures, I ask that he provide them to the committee.

**Mr. John McCarthy:** The average cost for a traditional build is approximately €212,000. The average cost for an acquisition depends. AHB acquisitions are marginally cheaper at approximately €170,000 whereas local authority acquisitions are approximately €177,000.

**Chairman:** I ask Deputy Murphy to allow the other members in.

**Deputy Catherine Connolly:** Let me just go back to HAP. There is nothing wrong with

a sense of any scheme providing support. We need to support people. When it is the major player in the housing market, I have a serious problem regarding value for money. When a figure doubles within a year and continues to increase, I have a serious problem as a member of the Committee of Public Accounts. Built into that is lack of security and many other problems. That is just in respect of HAP, which has been enshrined in legislation as, in its implementation, the only game in town. Mr. Murray and Ms Maguire are from the CCMA. Have they had a function over the past number of years of feeding back their experience to the Government about the rising housing crisis - “Yes” or “No”?

**Mr. Conn Murray:** Yes, where we are invited to various Oireachtas committees, we participate-----

**Deputy Catherine Connolly:** Separate from the Oireachtas committee, was the association invited in by the Department? Did its members provide feedback on the rising housing crisis? I take Galway for example where no construction of any social house took place from 2010 onwards. I am sure it is the same in other local authorities. Was that fed back through the association, namely the rising crisis that was going to be created?

**Mr. Conn Murray:** It is a matter for each individual authority.

**Deputy Catherine Connolly:** Did Mr. Murray hear my question?

**Mr. Conn Murray:** Could I answer it?

**Deputy Catherine Connolly:** I do not mean to take Mr. Murray short but I have only a few minutes. In the specific role, did the association feed back to the Department the rising crisis as a result of an absence of direct local authority housing construction? Was that fed back through the association?

**Mr. Conn Murray:** Through the housing committee, we are in constant contact with the Department on the issues.

**Deputy Catherine Connolly:** Mr. Murray is chair of that housing committee.

**Mr. Conn Murray:** Currently, I am chair of the housing committee.

**Deputy Catherine Connolly:** How long has Mr. Murray been chair?

**Mr. Conn Murray:** Since last October.

**Deputy Catherine Connolly:** Was Mr. Murray on the committee prior to that?

**Mr. Conn Murray:** No. Prior to that, I was chair of the CCMA. However, on a previous occasion, I was chair for a period of five years.

**Deputy Catherine Connolly:** Are there documents available that show that the committee of which Mr. Murray is a member fed back to the local authority to say, “For God’s sake, look at what is going to happen. If no housing is built, it is going to create a huge crisis”. Are there documents or minutes of meetings where I can see that - “Yes” or “No”?

**Mr. Conn Murray:** I would not have thought so. It was not our specific role.

**Deputy Catherine Connolly:** But Mr. Murray is chair of the housing committee now.

**Mr. Conn Murray:** Yes, but we are not the policy setters.

**Deputy Catherine Connolly:** No. I was very specific. Did the association feed back the facts on the ground to the effect that there was no construction of local housing and that a crisis was on the horizon? Was that fed back to the Government?

**Mr Conn Murray:** With the greatest respect, I work through my council and I use my local authority to feed back into central government.

**Deputy Catherine Connolly:** “No” is the answer so I will move back now-----

**Mr Conn Murray:** No. That was not what I said.

**Deputy Catherine Connolly:** Did Mr. Murray feed back?

**Mr Conn Murray:** Through my local authority, yes.

**Deputy Catherine Connolly:** No. He did not feed back to Department as a result of his committee. A rising crisis from 2010 onwards with no construction-----

**Mr Conn Murray:** I think that would be unfair.

**Deputy Catherine Connolly:** I accept that. I hear what Mr. Murray is telling me.

**Ms Jackie Maguire:** Could I make a comment on that?

**Chairman:** It is the role of the CCMA.

**Ms Jackie Maguire:** Well, it is the role of the CCMA. We are just a voluntary body that just comes together to do our business.

**Deputy Catherine Connolly:** That is okay.

**Ms Jackie Maguire:** Obviously those issues are fed back from each local authority.

**Deputy Catherine Connolly:** That is fine. That is what I wanted to clarify.

I wish to ask the Secretary General about the task force in Galway. Does he accept that Galway City Council and Galway County Council have utterly failed to deal with the crisis and that is why the Department set up a task force?

**Mr. John McCarthy:** The data that we have published show that both councils have had serious difficulty in achieving their targets, so-----

**Deputy Catherine Connolly:** Okay. Had the Department a role in contributing to the difficulties of the local authority by not providing funding for direct build from 2010 onwards? Does the Secretary General accept the Department did not provide funding?

**Mr. John McCarthy:** The position in relation to funding for direct build is that no local authority was disadvantaged more than any other.

**Deputy Catherine Connolly:** In Galway City Council, construction was suspended in 2010, 2011, 2012, 2013 and 2014 because of no money. Does the Secretary General accept the Government had a role in creating the crisis?

**Mr. John McCarthy:** What I am saying to the Deputy is-----

**Deputy Catherine Connolly:** “Yes” or “No”.

**Mr. John McCarthy:** These are not “Yes” or “No” issues.

**Deputy Catherine Connolly:** Did the Department provide funding over that period to avoid a crisis? Why was there no direct build house construction in Galway until last year? That is a simple question.

**Mr. John McCarthy:** I can recall back in 2010 reading reports that talked about-----

**Deputy Catherine Connolly:** 2011, 2012-----

**Mr. John McCarthy:** ----- the volume of vacant housing that existed in Ireland and that we would end up having to knock housing. Everybody knows that the funding that was available right across Government was absolutely shredded in the years immediately following the crash. The Deputy is asking if the Department has in some way disadvantaged Galway. What I am saying is that the issue that arose in relation to the funding of housing programmes affected all local authorities across the board and there was nothing specifically that we did to disadvantage Galway.

**Deputy Catherine Connolly:** I use Galway because I am familiar with it, but it has universal application. A housing crisis did not arise overnight; it was created. I saw those reports confirming that there was no funding and housing was suspended. I see no feedback to the Department outlining that there was a major crisis looming. We are now seeing HAP and all the others rising in the market. The biggest cause of eviction is failure to pay rent. Unfortunately the two ladies are not here. Regarding HAP, a certain amount is given by the local authority and the tenant has to come up with the rest. Is that correct?

**Mr. John McCarthy:** The tenant has to make a differential rent-----

**Deputy Catherine Connolly:** It used to be known as under-the-counter payments; now it is over the counter. In Galway, someone who gets a certificate might get €1,000 or €1,200 and the tenant has to magically come up with a couple of hundred euro to get accommodation. Is that correct - “Yes” or “No”?

**Mr. John McCarthy:** Sorry, Chair, I have to be allowed to answer the question and it is more than “Yes” or “No”.

**Deputy Catherine Connolly:** I am asking about a tenant who gets a HAP allocation. It is a “Yes” or “No” question. Does that person have to come up with more cash themselves out of their own pocket in addition to what they are getting under HAP?

**Mr. John McCarthy:** It depends on the circumstances of the household.

**Deputy Catherine Connolly:** In my experience in Galway the vast majority of people receiving HAP have to come up with extra money out of their pockets.

**Mr. John McCarthy:** I do not know the specifics of Galway, but in the administration of HAP - again colleagues in the local authority system can attest to this - they will look at the circumstances of each individual household and they will not agree to enter into a HAP tenancy if they feel that it will end up stretching the household and giving rise to an arrears situation.



**Deputy Catherine Connolly:** That is the theory. On the ground in a crisis people have to come up with money out of their own pockets. Government policy the officials are implementing is actively pushing prices continually upwards and nobody can get accommodation. We know from the reports that they are finding it difficult.

**Mr. John McCarthy:** Approximately 44,000 tenancies are supported by HAP and there are more than 300,000 tenancies in the private sector. There are limits in place in relation to HAP. They are designed to ensure that it does not have an inflationary impact.

**Deputy Catherine Connolly:** The system is created for unsustainability. It is maintaining the crisis and lack of tenure. Galway has any amount of land zoned for residential development, public land and State land. There is no masterplan. There are the docks, Ceannt station, Dyke Road and 115 acres out at the airport. There is no masterplan to look at that in terms of public housing. We have one agency after another fiddling with parcels of land but no commitment to doing an overall plan on public housing. It is not value for money and we should return to it.

**Chairman:** I call Deputy Cullinane. Time is tight. He has a six-minute slot.

**Deputy David Cullinane:** Traveller accommodation is subject to the Housing (Traveller Accommodation) Act 1998. Each local authority is required to develop a Traveller accommodation plan and it is up to each local authority to deliver on its plan. The Department allows for an overall spend nationally but does not set targets for an overall figure of units. We established that earlier. Is it not the case that over the past three years while funding has increased, most local authorities are not even reaching their own targets? We know that six of the 31 met their targets. Ten had no delivery at all and the rest did not reach their targets. Is it fair to say that responsibility for the failure to deliver Traveller accommodation lies with the local authorities?

**Mr. John McCarthy:** Evidently, from what the Deputy says, if a local authority is given an allocation for Traveller accommodation purposes and it ends up not spending it-----

**Deputy David Cullinane:** The Secretary General is the Accounting Officer for the Department. The buck stops with the Department when it allocates funding for a specific purpose and that funding is not drawn down. Under Rebuilding Ireland, the Secretary General will be very quick to claim credit for reaching all the targets. Some of the methods might have been different as we discussed earlier - acquisitions were up and leasing was down. We have far from reached our Traveller accommodation targets; it is in fact 50%. How could ten local authorities not have done anything at all? Does that indicate a structural problem?

**Mr. John McCarthy:** It indicates that there is certainly an issue that needs to be addressed and that is why the group I referred to earlier has been looking at this and is due to report to the Minister in April to see what those issues are and how we can actually-----

**Deputy David Cullinane:** Has the Secretary General's frustration with non-delivery manifested itself in the Department having communications with local authorities, either the representative body or individually? If they are responsible for the failure to deliver Traveller accommodation, what communication takes place between the Department of Housing, Planning and Local Government and the local authorities on this issue?

**Mr. John McCarthy:** There is regular engagement between the Department and local authorities, individually and even collectively. I think in our last engagement with local authority chief executive officers, the issue of the under-delivery and underspend was raised specifically.

**Deputy David Cullinane:** Would it be fair to say that local authorities need to get their act together and start delivering on their own plans and on Traveller accommodation once and for all? Every time we have a discussion on this issue - we have had several of them - the excuses are rolled out but there are no changes. The Secretary General has mentioned a report to be published in April. That may or may not make some structural or policy changes. The delivery of Traveller accommodation in the State is poor. Under the Act, responsibility for that lies with the local authorities, two of whose chief executives are in the room. They have to take responsibility for that, but the Department must ensure they do their job. That is why I am asking the Secretary General, as Accounting Officer, if there are very robust engagements with the local authorities to ensure they do their job.

**Mr. John McCarthy:** There are very robust engagements between the Department and local authorities on housing generally. Colleagues from the local government system will attest to that. Where there are issues in terms of delivery, be it in Traveller accommodation or any other area of activity, our collective ambition is to understand, to surface and to address those issues in the earliest possible-----

**Deputy David Cullinane:** We will await the report in April. At a future appearance before the committee, the Secretary General might discuss that report.

Earlier I mentioned that the threshold for inclusion in the one-stage social housing delivery process increased from €2 million to €6 million. The Secretary General said that that proposal did not meet the requirements under the public spending code rules. That means it has not been put in place. What was the genesis of that proposal?

**Mr. John McCarthy:** As I understand it, it arose in discussions as part of the last budget.

**Deputy David Cullinane:** Was it not discussed as part of the review of the confidence and supply agreement? Was that its real genesis?

**Mr. John McCarthy:** It may have originated there.

**Deputy David Cullinane:** It was one of the two initiatives we were told would solve the housing crisis, or at least one of the changes that were made in housing. As it turns out the change was not made because it cannot currently be done. Is that correct?

**Mr. John McCarthy:** It cannot be done at the moment because of the public spending code.

**Deputy David Cullinane:** The public spending code is being reviewed. What is the timeline for that? Ms Costello is from the Department of Public Expenditure and Reform. Is there a timeline for reviewing the public spending code?

**Ms Clare Costello:** It is an ongoing process. There have been some updates in 2018. Some guidance on appraisal techniques will be issued in the first quarter of this year. One of the things that will be covered will be this-----

**Deputy David Cullinane:** What is the timeline for that?

**Ms Clare Costello:** That will happen by the end of this quarter.

**Deputy David Cullinane:** The third issue is the serviced sites fund. This was another change that was made to allow local authorities to offset the cost of servicing sites and land to allow for affordable units. What is the target number of affordable units to be delivered in

2019?

**Mr. John McCarthy:** From memory, €100 million in funding is available for this year. The Minister recently addressed the delivery of houses in parliamentary questions. It will be 2020 before houses are actually delivered, because that funding-----

**Deputy David Cullinane:** I did not ask about 2020. Was any target set for affordable housing units to be delivered in 2019?

**Mr. John McCarthy:** Not under the serviced sites fund, because it is designed to put in place and fund the infrastructure on which houses will then be built.

**Deputy David Cullinane:** Again, this is part of the hard sell to convince us that we are turning a corner on the housing crisis. Some €100 million is being made available over three years as part of this, but in 2019 there will be no delivery whatsoever. There is no target and there will be no delivery. There is a pilot project in Dún Laoghaire consisting of a cost rental scheme for affordable rent systems. Is Mr. McCarthy familiar with that one?

**Mr. John McCarthy:** There is indeed.

**Deputy David Cullinane:** What are the entry level rates for that?

**Mr. John McCarthy:** The procurement process is close to being finalised. It is a 150-unit project, 50 units of which will be cost-rental units. It will be targeted at the same cohort as the affordable purchase scheme, which has income limits of €50,000 for a single person household and €75,000 for a dual income household.

**Deputy David Cullinane:** This is my final question. What is the total amount that the State has spent on subsidising private accommodation for people with a social housing need? I imagine that would include the housing assistance payment, HAP, the rental accommodation scheme, RAS, and perhaps some leasing. There are two elements to the leasing scheme, lease-to-lease and lease-to-own. What is the total projected spend for 2019 on housing people with a social housing need in the private sector?

**Mr. John McCarthy:** I have the HAP and RAS figures for 2019 to hand. RAS amounts to €134 million and HAP amounts to €423 million.

**Deputy David Cullinane:** What is the total figure?

**Mr. John McCarthy:** It is €557 million.

**Deputy David Cullinane:** Is that for 2019?

**Mr. John McCarthy:** Yes.

**Deputy David Cullinane:** It is projected to increase again in 2020. I saw a prediction that it will increase to €900 million. I refer to the total spent on subsidising people in private accommodation, including leasing.

**Mr. John McCarthy:** Our spending on HAP this year will be €423 million. Current funding figures are decided each year as part of the budget, but next year's spend will certainly not be €900 million.

**Deputy David Cullinane:** It goes up every year. How much has been spent by local au-

thorities on new builds as opposed to acquisitions?

**Mr. John McCarthy:** The spending on builds in 2018 was €742 million.

**Deputy David Cullinane:** Very well. I yield to my colleagues.

**Deputy Jonathan O'Brien:** I will use my six minutes to tease out some of the issues that local authorities see in the provision of housing. I have no doubt that if it was up to them, they would house everyone on their lists in the morning. I am not suggesting there is some conspiracy to keep people on lists. What are the main barriers the witnesses see in their positions on local authorities? Is the main issue funding, planning, a lack of land, contractors or skilled labour or a combination of all of those factors?

**Mr. Conn Murray:** The Deputy's last comment is right. There is a combination of issues. There is no single issue. We came from a very low base. We had to start again in getting the right skills and people. That took time. That is a fact of life. 2018 saw one of the worst winters for quite some time where the construction programme is concerned. That affected our operations. Did we have issues in the very beginning? Previous Deputies referred to the processes. We have been in discussions with the Department and we have agreed on a good process. There is a four-stage process that takes 59 weeks and a single-stage process that is slightly shorter than that. That is the time period. It has taken us time to get through that process but we are running it well. Hence, on occasion, an acquisition is far better and of far more value. Hence, a turnkey, on occasion if it is presented to me, is of far more value. That is reflected in the overall figures that have been produced at the end of the year. The barriers are always there and there are always issues. There might be an issue with the land, the location, the community or indeed the council itself. Some of the committee members' parties will know what is involved in Part 8 applications. It is hard to get them through, despite the willingness to provide social housing. Those are the realities.

**Deputy Jonathan O'Brien:** In recent weeks, we have heard a great deal in the media about politicians objecting to housing developments. Is that something local authority chief executives see in their own areas, or is not such a big issue?

**Mr. Conn Murray:** In fairness, the council has supported us. It was not easy for its members. There was a split down the middle between different parties, many of whom are represented here today. That is a fact of life. That is local politics. It is the nature of the democratic system at local level. We have to go through that. The Part 8 system is a critically important part of that negotiation.

**Deputy Jonathan O'Brien:** In Mr. Murray's experience, is the objection to the housing itself or to the type of development? I know that in some cases people have issues concerning road access or traffic management. The problem may not be the housing development itself.

**Mr. Conn Murray:** That is a very fair comment. People are not against social housing, but we have land in some very settled areas that have not been developed for years. We are moving into them and this disrupts a community. It therefore takes time to make the necessary adjustment when putting new housing in. Settled communities are disrupted. That is a fact of life. That is part and parcel of it. It is not an objection to housing *per se*. Locals acknowledge that traffic issues might increase or school provision might not be sufficient. There are planning issues which need to be addressed.

**Deputy Jonathan O'Brien:** I imagine one of the difficulties with acquisitions or with re-

lying on the private sector to build assets and then buying them, that is, the use of turnkeys, is a poor mix of developments. Mr. Murray can correct me if I am wrong. In Cork, 50% of the housing waiting list is made up of single people. We are not building any properties to cater for that cohort. Most of the turnkey developments are three-bedroom or four-bedroom properties, which are more suitable for families. Is the type of development a difficulty when local authorities look at housing lists and try to plan for the years ahead? Is there even scope to take concern on board or is it just a case of needing to build or purchase as much as possible now to address a crisis?

**Mr. Conn Murray:** There are two aspects to that. We have to ensure that we do not make the mistakes of the past and that we look for a sustainable mix in tenure. There is a role for the Land Development Agency, LDA, in avoiding this type of situation arising again. There is a place for drawing up master plans for locations. Our development plans can then determine what the mix should be. That plan should allow for single accommodation, two-bedroom houses and three-bedroom houses as the need arises. That is certainly the way we would approach any private sector developers coming to the table at this stage. We want the appropriate mix, not just what might sell on the market. We dictate or determine the type of use or mixed tenure that is built. We have acquired 200 acres and are now drawing up a master plan for the development of more than 3,000 units. Some 26 ha of that is within the local authority area, so we are advancing delivery. We are using the local infrastructure housing activation fund, LIHAF, and we have already built two schools on behalf of the Department of Education and Skills. Pre-planning is important for the future. At the moment, we have to try to get as much accommodation as possible while trying to keep that sustainable balance.

**Deputy Jonathan O'Brien:** Is downsizing an issue in the local authorities in Mr. Murray's area or from his experience of dealing with other city and county managers? Some of the evidence I have is that we have individuals in three and four bedroom properties who wish to downsize and are finding it very difficult to do that due to red tape and so on.

**Ms Jackie Maguire:** To comment on our own case, we have had a couple of instances where people have chosen to downsize, which has helped the situation in relation to the housing of families. We were in a position to be able to rehouse them to either apartment accommodation, which they chose because they wanted to be near the centre of town, or whatever suited them given their particular circumstances. The issue we have as local authorities is gathering information on the level of under-occupancy within houses. We need to do that. Obviously, it has to be the tenant's choice but we would have had some positive experiences in the past 18 months of people coming forward willingly to say they wish to give up their house to live nearer the centre of town or because they might want to be in an apartment block or near various services, depending on their circumstances.

**Deputy Jonathan O'Brien:** They may need assisted living.

**Ms Jackie Maguire:** Exactly, yes. The numbers are not huge but it certainly is happening.

**Chairman:** I will put a few quick questions before concluding this session. I have a general observation to make about the Department and it is nothing to do with the Secretary General. It is a historical issue. I will put my question by way of giving examples. If we ask the Department of Employment Affairs and Social Protection for the number of people in receipt of jobseeker's allowance, it can provide that information every week. If we ask the HSE for the number of medical cards it has issued, it can provide an answer today, tomorrow or next week. It knows how many medical cards have been issued and cancelled. In terms of the Revenue



Commissioners and PAYE, everybody can have their tax credits up-to-date on a weekly basis and it is all done online in real time. When we come to Mr. McCarthy's Department, and this is not personal to him, I ask him to address the historical deficit, as I would call it, in that regard. He cannot do it now; it is a long-term project. We ask for the number of people on the housing lists and the Department produces a list once a year. Imagine if the Department of Employment Affairs and Social Protection only had information once a year on the number of claimants for all its schemes or the HSE only had information the number of people on medical cards once or year. Imagine if the Revenue said it would issue one tax clearance or tax credit certificate to last for 12 months. Mr. McCarthy's Department is almost medieval in terms of its statistics system. He should not take this personally. Every other Department is up to date. The Department of Housing, Planning and Local Government gets its figures from local authorities. I cannot understand why, in this day and age, there is not a standardised system in the Department across every local authority. Let us say the Department compiles its housing list in the middle of the summer and has 70,000 people on it. It then processes 400 cases a week in the different local authorities and 26 people are taken off the list because they have been allocated housing. It is beyond comprehension in this century that the Department does not have a list setting out the figures for each local authority every week. That should be available every day if the system was up to date. I find it strange. The Department is very busy but we are used to people having up-to-date information. Even the letter we got today in response to the question on net need refers to exclusions, for example, duplicate applications, those already in receipt of social housing support, which is one of the issues we have been talking about, or who are on a transfer list. The next sentence states: "While data is not available on the numbers of households under each of the above headings ...". If officials from the Department of Employment Affairs and Social Protection came in here and made comments like that, we would be amazed. As a long-term plan, the flow of information is extraordinary. Mr. McCarthy might want to respond-----

**Mr. John McCarthy:** I do.

**Chairman:** -----but from this side of the table, can he understand our view of that?

**Mr. John McCarthy:** Absolutely.

**Chairman:** This idea of having a statistic once a year is-----

**Mr. John McCarthy:** I can see that-----

**Chairman:** Mr. McCarthy can take it as a positive comment to help improve the situation.

**Mr. John McCarthy:** I am always-----

**Chairman:** He can use the committee to get a budget from the Department of Public Expenditure and Reform to do it.

**Mr. John McCarthy:** I am always very conscious that sessions like this can be very helpful in giving perspective back to us on which we obviously need to reflect. I would make three comments in response to that. Some of the bodies the Chairman cited are single bodies. We do a lot of our work through 31 local authorities and one of the things we continually struggle with is the local authority saying, "You are collecting too much information from us and you are harassing us for this, that and the other." We always try to strike a balance.

To come back to the point the Chairman made on the transfer lists and why we have not collected data in respect of that, historically we have viewed that as being a matter to be admin-

istered locally. We do not want to add it to data collection we are doing from local authorities.

In terms of the housing list, unlike the number of claimants who are on jobseeker's benefit or something like that, those are the actual people who are in receipt of it. That would be very obvious to the Department of Employment Affairs and Social Protection or any organisation that would be managing that. They would know exactly how many they are paying. We can say through the local authorities and the approved housing bodies how many households are being supported. The difficulty with the list, and the Chairman talked about having figures every week or every month, and the reason we have to do it as a once-a-year exercise is that what we will capture every week and every month is people who are going onto the list. We will capture some who are coming off it by virtue of being allocated but we will not capture people who have come off the list by virtue of their circumstances changing. Otherwise, local authorities would need to be continually engaging with everybody on their lists.

**Chairman:** I understand that and we will not dwell on the point. When the list is available the Department knows the number of applications and knows that so many houses have been allocated or that approved housing bodies have taken people off the list. There will be people on the list who, as time passes, will no longer be interested. I understand that. We are not asking the Department to go back over every application but if it had an automated system, it could collect the basic information and then, on a less regular basis, hound the local authorities to verify the list and so on.

**Mr. John McCarthy:** Believe it or not, we have gone from doing this once every three years to once every year.

**Chairman:** I understand that, and the reason is that there is probably a lot of manual work involved. That is why the local authorities speak of being harassed. If this process was automated, we would have somebody in the housing Department who could provide the number of applications processed this week and the number of applications on hand but not yet processed. That is the big issue we have with this. The form is so complicated, it can take weeks on end to process. I have never seen an application going in and being approved on the first presentation of the form because the volume of information is extensive, and rightly so. We did not even talk about the number of unprocessed applications that are in the system. If this was the Department of Employment Affairs and Social Protection, the debate today would be about the delay in processing. We did not even talk about the cases on Mr. McCarthy's desk that have not been processed yet. I ask Mr. McCarthy to take what I am saying as referring to automation. I am not talking about manual work. I am just saying that other Departments are more up-to-date in that regard. I accept it is a big project and not something that cannot happen today, tomorrow or next year. I think Mr. McCarthy gets the point. The Department probably needs it all the more because there are 31 local authorities and we now have various approved housing bodies involved. That is probably a greater reason for the Department to have it than a single line Department, if Mr. McCarthy knows what I mean. I am just making the point. Mr. McCarthy can take it as a project to be looked at down the road.

I ask Mr. McCarthy to send to the committee the figure for the local authority housing stock at the end of each year for the past five years. Are the figures up or down? I know the buy-to-rent-----

**Mr. John McCarthy:** The National Oversight and Audit Commission publishes data on that so we can give that to the Chairman.

**Chairman:** I have another question, and Mr. Murray might know the answer. How many people have transferred from rent supplement to the housing assistance payment, HAP, since the scheme began? If that figure is not available, it can be sent to us.

**Mr. John McCarthy:** Of the approximately 55,000 tenancies that have been set up, from memory, about 24.5% or 13,221 are transfers from rent supplement.

**Chairman:** How many have still to be transferred from rent supplement? I presume the plan is to close rent supplement.

**Mr. John McCarthy:** North of 20,000 more still need to transfer from rent supplement.

**Chairman:** We are not half way. How many have been transferred from rent supplement to HAP?

**Mr. John McCarthy:** We have transferred 13,221.

**Chairman:** Are you saying there are another 20,000 to be transferred?

**Mr. John McCarthy:** Yes.

**Chairman:** How long have we been doing this?

**Mr. John McCarthy:** HAP is only fully operational nationally since 2017.

**Chairman:** We are not half way there yet.

**Mr. John McCarthy:** The biggest local authorities were the last to come into the scheme.

**Chairman:** That is normal in shared services. I understand that system too. However, I am surprised that there is still so far to go.

**Mr. John McCarthy:** Last year was the first year for the large Dublin authorities.

**Chairman:** Send the committee a detailed note on that. You have the information and statistics. People on rent supplement are on the housing list, but people on HAP are not. Is that correct?

**Mr. John McCarthy:** Correct.

**Chairman:** By changing the name from rent supplement to HAP in the coming short period 20,000 people will be taken off the housing lists. You will have the problem solved by changing the name of the scheme.

**Mr. John McCarthy:** In fairness, Chairman, it is not just about changing the name. There are two key benefits in moving from rent supplement to HAP. One is, and we are not fully there yet as is obvious from the earlier discussion, better inspections of properties, which would not have been a feature in rent supplement, so we can get to a point of being satisfied that we are utilising good quality accommodation. There is a second crucial element for HAP recipients. Unlike with rent supplement whereby they lose their entire support when they reach a certain threshold in terms of their circumstances changing-----

**Chairman:** They can work.

**Mr. John McCarthy:** -----with HAP they can work. Their differential rent changes but

they continue to receive a support.

**Chairman:** I understand that, but the reduction of 13,000 in the number on the housing list is as a result of people moving from rent supplement to HAP. Another 20,000 will come off the national housing waiting list when they are transferred. You understand my point. Am I interpreting it reasonably?

**Mr. John McCarthy:** That is the situation under the law.

**Chairman:** The regeneration programme was mentioned earlier. There is a small one in Portlaoise and I see the benefit of it. I presume the 200 you mentioned are specific projects, not one here and there. There are probably six or-----

**Mr. John McCarthy:** They are small in number.

**Chairman:** Can you give the committee a list of the ones you are referring to for last year, how many houses were in the areas before regeneration started and how many will be there when it is finished? In some areas there are fewer houses at the end of it, although there might be other facilities. I believe the Deputy was trying to find out if the regeneration figure of 200 is increasing the housing stock, replacing it or if the 200 was replacing 300 that were there. Mr. Murray might have some information on that.

**Mr. Conn Murray:** To return to the point I made earlier, these are totally re-planned areas. To compare what was there with what is there now is not accurate. To be honest, it is not showing the right picture, but I understand the point you are making.

**Chairman:** I will be helpful to you. When you are sending us that short report, give us a brief description of each scheme, what is envisaged and the new facilities so we can get the full picture of the scheme. We are examining housing now, but I take your point that there is far more to it. I know that from the scheme in Portlaoise. It will give you the opportunity to give us the full context of the things that were done in just a short paragraph.

**Mr. Conn Murray:** We will be delighted to do that.

**Chairman:** We are just looking at housing figures and housing stock now. I am almost finished. I am a little rusty on this but does somebody have to be on the housing waiting list to get HAP?

**Mr. John McCarthy:** Absolutely. One is assessed as being in need of social housing and to be an approved social housing applicant.

**Chairman:** By and large, it is an income of under €30,000 for most people to be on the housing list. That is not much more than combined social welfare payments. There is very little income.

**Mr. John McCarthy:** There are three bands - €25,000, €30,000 and €35,000. They are net figures. They are the figures after tax and PRSI.

**Chairman:** Perhaps you will send us that schedule so we are accurate if we are making a comment.

**Mr. John McCarthy:** Absolutely. There is a map which shows the different bands.

**Chairman:** I understand that people can get employment and they can pay extra. I have

never encountered a scheme in which somebody did not have to pay extra, on top of the HAP payment. Are there any cases where the HAP covers the full rent?

**Ms Jackie Maguire:** There would be. There are cases where the allowance covers the rent.

**Chairman:** In other words, the landlord is quite happy to take the HAP payment.

**Mr. Conn Murray:** That has been our experience for the last couple of years. That might change as rents go up-----

**Chairman:** Send the committee statistics on the number of cases where the HAP covers the rent. I know some landlords who are quite happy to take the HAP payment and leave it at that.

**Ms Jackie Maguire:** The tenant then has to pay the differential rent. Others will top up.

**Chairman:** In some cases, I am aware of landlords who seek no additional rent. They just take the HAP. Perhaps they are not over-stretched and are happy with that. There are still some good people who are not looking for the last penny from the scheme. My point is that one has to be on a very low income to get into HAP initially. Is that correct?

**Mr. John McCarthy:** The €35,000 net figure-----

**Chairman:** Is that net of income tax?

**Mr. John McCarthy:** Yes, so it is approximately €47,500-----

**Chairman:** However, social welfare income is counted, such as carer's allowance and extra things.

**Mr. John McCarthy:** Yes, it is household income.

**Chairman:** It is net income. That is an important distinction. You mentioned that the average cost of building a local authority house last year was €212,000 versus €177,000 for buying. The issue in Laois is that the local authority has eased off on acquisition because it was competing against other local families who were trying to get a start. It could have bought everything in sight but somewhere along the line it decided it was not being fair to other people. One can go in and out of the housing market. I understand you are relying on the chief executive to use some judgment on what is good for the overall environment. I doubt that anybody wants the local authority to go into an estate, buy everything available in that estate and let nobody else in.

**Mr. John McCarthy:** No, absolutely not. The very strong view conveyed to us from many local authorities is that there remain significant parts of the country where there is still second-hand stock available on the market-----

**Chairman:** At a good price.

**Mr. John McCarthy:** More importantly, in terms of the point you are making, Chairman, it is a good price and has not been sold. I am aware of that from the part of the country where my parents live. There are two three-bedroom, normal, semi-detached houses on either side of my parents' house that have been for sale for €195,000 for two years and they have not been bought. From the point of view of sustainable communities and the efficient use of public infrastructure, if those opportunities remain and the local authority is not competing with other purchasers, and if they are vacant for that long it is not, we do not wish to put more infrastructure in to stretch the water pipe further outside the town and put another scheme outside it. We



have to examine these on a case-by-case basis.

**Chairman:** Does the €212,000 you mentioned for the building cost include the site cost?

**Mr. John McCarthy:** Yes.

**Chairman:** Okay, that is important.

**Mr. John McCarthy:** To be fair, what it would reflect in terms of site cost is in many cases a historical cost-----

**Chairman:** It could be quite low.

**Mr. John McCarthy:** -----so it would be much lower than corresponding values today.

**Chairman:** The final issue is the rent to buy scheme, and I might have used the wrong phrase. It is for people who have been in mortgage arrears where an approved housing body is willing to buy it from the finance company and rent it over a long term to a tenant.

**Mr. John McCarthy:** Are you referring to the mortgage to rent scheme?

**Chairman:** Yes. You have to approve those houses. How many applications have gone through? The local authority has to approve the house as suitable for the tenant. It will not let a person who is a single occupant of a four-bedroom house and whose mortgage is in arrears participate in the mortgage to rent scheme. Tell me about that scheme.

**Mr. John McCarthy:** To date, 445 households have been completed. They have moved into the mortgage to rent-----

**Chairman:** That is very little considering what one hears about the number in arrears.

**Mr. John McCarthy:** Another 987 are active or going through the process at present. We carried out a review of that scheme in 2017, if memory serves. A few things in the scheme were acting as restrictions so we increased the thresholds for the value of properties. We also increased what we call the over-accommodation so we could get more people into it. That has brought more into it. Mortgage arrears remain a significant issue for the housing market but it has been improving over the last two years. It is a very big step for any household to cede ownership and become a tenant. They tend to explore every other possible avenue beforehand.

**Chairman:** How long has the scheme been in place?

**Mr. John McCarthy:** It was introduced in 2014.

**Chairman:** Mr. McCarthy is saying that in four or five years, 400 cases have been processed but 900 are in the system. We are now back to processing the waiting list. In each year since the scheme was established, how many applications have been made and approved and how many were outstanding at the end of the year? It seems more cases are bogged down in the process than have come out the far end. The scheme has been running for a number of years now. I would have expected difficulties to have been ironed out by now. Last week, we asked the representatives of the various housing bodies whether negative equity arises. The Department needs to know that. I was shocked that the approved housing bodies could not answer the question because they are sitting down with the tenant and the Department. They are paying the money over. If a property is in negative equity, I understand the relevant financial institution can still go after the mortgage holder. Can Mr. McCarthy give a definitive answer on that?

**Mr. John McCarthy:** That is the situation.

**Chairman:** Will Mr. McCarthy clarify that because it has been a stumbling block? Some people were ready to go. Somebody advises them that they could be caught for €50,000 at any time if their property is in negative equity. Mr. McCarthy must have picked that up in the cases that are locked in the system. He should clarify that in writing.

**Deputy Catherine Connolly:** Mr. McCarthy clarified that a person comes off the waiting list when he or she secures HAP accommodation. What rights do persons in HAP accommodation have? They will be adequately housed and will have moved off the waiting list. In Galway, they may have been waiting for a local authority house since 2002. When their turn comes for an allocation, they are offered a HAP tenancy. Once they accept a HAP tenancy with in-built security, do they have any rights? Are they placed on a transfer list?

**Mr. John McCarthy:** They have the option to go on a transfer list and they would then be allocated or they would be entitled to be allocated in accordance with the local authority's own transfer list.

**Deputy Catherine Connolly:** They are in a HAP tenancy but every time the allocation section comes up, all the people on the transfer list are considered for a local authority house.

**Mr. John McCarthy:** They would be considered for whatever proportion of allocations would go to the transfer list in accordance with the local authority's own arrangements.

**Deputy Catherine Connolly:** I might come back to Mr. McCarthy on that.

**Chairman:** We will suspend until 3 p.m. When we resume, we will complete our discussion on Vote 34, Local Government Fund and Chapter 4 of the Annual Report of the Comptroller and Auditor General on central Government funding of local authorities. I thank everyone for the long morning session. Hopefully the afternoon will not be as long.

*Sitting suspended at 1.55 p.m. and resumed at 3.10 p.m.*

**Chairman:** We are resuming our consideration of the remainder of Vote 34 with the Department of Housing, Planning and Local Government. We are also considering the Local Government Fund and Chapter 4 of the Comptroller and Auditor General's 2017 report, which deals with central government funding of local authorities. I ask Mr. McCarthy to introduce any new witnesses who have joined him for this afternoon's session.

**Mr. John McCarthy:** I am accompanied by Ms Maria Graham, Mr. Patrick O'Sullivan and Mr. Rory O'Leary, as well as Mr. Maurice Coughlan and Ms Janet Jacobs from this morning. We also are still accompanied by our two colleagues from the local government sector who were with us this morning.

**Chairman:** I will start for the moment. Our colleagues will be coming in as the vote in the Dáil concludes. I want to ask a couple of questions about the Local Government Fund. A few years ago, almost €2 billion was provided through the fund. There was €1 billion in motor tax receipts. We used to have the Exchequer contribution and the local property tax, LPT, as well. That amounted to €1.9 billion in 2016. That figure has since decreased. It is estimated that it will be €650 million in 2019, mainly from the LPT and the Exchequer contribution. I will ask a question about the Local Government Fund before I hand over to Deputy Cassells as the first lead speaker. In a nutshell, the bulk of the funds that used to go through the Local Government

Fund are not going to go through it any more. The main item in there, aside from the Exchequer contribution used to fund local authorities, which is something that could be done directly through the Department's Vote, is the LPT. By and large, the LPT is the other real source of income in there now. That is actually collected by the Revenue Commissioners in any event. Then it is transferred to this fund before being distributed onwards. Does Mr. McCarthy, as the Accounting Officer who is responsible for that account, accept that there might be a case to be made for saying the fund is no longer needed, given that it has decreased to one third of the throughput it had a couple of years ago and most of what is now going through the account could as easily be dealt with through the Department's Vote? I would like Mr. McCarthy to respond to that question. He can see where the account is going.

**Mr. John McCarthy:** I suppose that maintaining the Local Government Fund, albeit in narrower form with motor tax now going separately into the Exchequer, still provides a transparent vehicle for the assignment of LPT receipts very clearly for the local government system, and for coming out the other side in a way that might not be as transparent if the receipts were simply going into the Exchequer and coming out through the Vote. I think it still has value from a LPT point of view. It shows very clearly the ins and outs and the use of LPT, as part of the Local Government Fund, for local government purposes.

**Chairman:** The Exchequer contribution comes directly from the Department's Vote.

**Mr. John McCarthy:** Yes.

**Chairman:** Where does it go from there?

**Mr. John McCarthy:** Some of it is used to supplement LPT receipts, in cases of local authorities that need to be supported through equalisation. Some of it is used to cover rates payments for water infrastructure. Then there is a range of other funding lines, many of them to support things like shared services or water services loans that local authorities still hold and which the Exchequer has said it will support. The big items in there are for LPT purposes and in respect of water rates. There is an additional subvention or line of funding to local authorities to cover increases in pay costs.

**Chairman:** Okay. We all understand that the line of income is now very limited compared with what it used to be a few years ago. Does the famous plastic bag levy go in there?

**Mr. John McCarthy:** No, that goes into the environment fund.

**Chairman:** There is a Local Government Fund and an environment fund. Mr. McCarthy might help us with this.

**Mr. John McCarthy:** The environment fund has the proceeds of the plastic bag levy and the landfill levy.

**Chairman:** What is the throughput in that fund? Is Mr. McCarthy is the Accounting Officer for it?

**Mr. John McCarthy:** It has been gone from us for two or three years.

**Mr. Seamus McCarthy:** It is between €30 million and €40 million.

**Chairman:** Is there not a valid point to be made from an administrative point of view in favour of combining the two accounts? The money is coming in from a specific source and

going out.

**Mr. Seamus McCarthy:** The environment fund comes under the Department of Communications, Climate Action and Environment.

**Chairman:** It has moved.

**Mr. Seamus McCarthy:** It used to be-----

**Chairman:** It has now moved to another Department.

**Mr. Seamus McCarthy:** Yes.

**Mr. John McCarthy:** Yes.

**Chairman:** Mr. McCarthy is not the Accounting Officer.

**Mr. John McCarthy:** No.

**Chairman:** I am raising this point because the throughput is a fraction of what it used to be. I understood the need for this account a couple of years ago. Maybe there is still a need for it, but I suggest it is a lesser need. Deputy Cassells is the first speaker in this afternoon's session.

**Deputy Shane Cassells:** At previous meetings on this issue, I tried to tease out issues relating to central government funding to the local government sector and from the local government sector to the local authorities. I was a long way down the rabbit hole by the end, but I was none the wiser. We will go at it again. In his opening statement, the Comptroller and Auditor General spoke about the "complexity" of the issues pertaining here. That is putting it mildly. I want to start by asking Mr. John McCarthy about local authority current expenditure *per capita* by county, as a percentage of the total local authority current expenditure *per capita*. The Department provided us with figures in respect of that last year. I want to understand this because I spent 17 years on the council trying to grapple with these issues. I know councillors are still grappling with them. I am sure people in certain counties must scratch their heads when they look at the real disparities between counties. According to the 2017 figures that were provided when we were doing the accounts last year, County Meath is at the bottom of the list with a spend of €537 per head. County Meath is at the bottom with 61%. County Leitrim, which has a population half the size of Navan, is up near the top at 118%. I know there have been good managers in County Leitrim in the past decade or so, but that is crazy. I want to understand how the Department is working to try to reconcile these figures. It is not acceptable that County Meath, which has a population of almost 200,000, is bottom of the chart. Shortly after the start of this year, my town council Bill was killed during a private scrutiny hearing. In course of the knifing that took place at the committee hearing, the Minister of State, Deputy Phelan, mentioned that the Department, in coming forward with new initiatives, was looking at the methodology being applied to all counties. I would appreciate it if Mr. McCarthy could expand on that.

**Mr. John McCarthy:** We have had discussions on this issue on a number of previous occasions. As the Deputy has said, the *per capita* funding to local authorities varies quite a bit between them. I will set out where we are in terms of LPT-related funding of local authorities. When we made the transition from the old general purpose grants to the LPT in 2014 or 2015, the policy decision taken at the time was that no local authority should be worse off. A particular approach to distributing the LPT was then decided on. It involved some money going into an equalisation fund. Even that was not enough to ensure that all local authorities would not be

worse off. That is why some of the Exchequer contribution to the fund is used to supplement those local authorities.

The provenance of the distribution has an origin that goes back quite some time. It can be traced as far back as the needs and resources model in 2000, which covered a range of factors. I mention it because the figures that the Deputy has referenced are *per capita* ones. The needs and resources model, which dates back 20 years, was-----

**Deputy Shane Cassells:** I do not want to get into that now, as I just want to determine how we can work forward from that point and how the Department will rebalance funding strands, given that funding is embedded currently.

**Mr. John McCarthy:** Absolutely. The issue that the Minister of State, Deputy Phelan, mentioned when he was before the committee related to a consideration of what a better approach might be or what combination of factors could influence any additional revenue that might come from the LPT.

**Deputy Shane Cassells:** If there was a buoyancy-----

**Mr. John McCarthy:** Exactly. Two exercises are under way. The LPT is the Minister for Finance's responsibility and he has been undertaking a review of it. In parallel, the group that the Minister of State established is considering the basis on which any buoyance that emerged in the LPT in future would be distributed and what a fair and balanced basket of variables to be taken into account would be, for example, population or God knows what. That group has been working. The intention is to try to bring both processes to a conclusion in parallel.

**Deputy Shane Cassells:** Are the chief executives of the local authorities involved in that work?

**Mr. John McCarthy:** Yes. We have had involvement from the administrative and political sides of local government as part of our review.

**Deputy Shane Cassells:** That review will be welcome. Mr. McCarthy anticipates an increase in the overall LPT take because some people will no longer have exemptions, there will be new builds and so on. I have discussed with the Taoiseach his commitment that all counties should retain their LPT revenues in full. My county, which is a net contributor, would welcome that, but there are only so many net contributors. Simultaneously, the Taoiseach has stated that no county will be left worse off. How do we square that circle? If we are saying that all counties will retain their LPT revenues, the likes of Dublin, Meath and Kildare would welcome that, but the likes of Leitrim and Cavan will be left in the same situation. Will the buoyancy be eaten up to fund that retention? If Meath gets to retain all of its LPT, will another strand of our funding be cut to balance that out? Deputy Catherine Murphy raised this matter and, I am sure, will revisit it. We ended up being a net contributor to roads and housing when we were not previously. Will the witness address this point, please?

**Mr. John McCarthy:** The answer to that is primarily tied up in the outcome of the review exercise that the Minister for Finance is undertaking. As the Deputy pointed out, a range of issues arise concerning what will happen to exemptions from LPT and the political commitment to 100% local retention. All of those elements are being fed into the review group exercise that the Minister for Finance is leading. Until such time as it is completed, there is probably not much more that I can say. As I told this committee when the issue arose previously, if one local authority were to gain in a situation in which the pot of money did not change, then other



local authorities would inevitably have to lose. The question of additionality - no one losing and other things still being achieved - would have to be considered. It is being examined by the Minister's group.

**Deputy Shane Cassells:** I acknowledge that these are different Departments, but I will ask again. I appreciate that the Taoiseach's commitment is a political one rather than a departmental one, but it seems extremely strong and I envisage that, given its firmness, the Department of Housing, Planning and Local Government is examining how to square that circle as part of the review. It inevitably will have significant ramifications for the funding structure. There are other commitments, for example, there will be no significant income increase after the bands are examined. All of these elements cannot be equal. How will this piece of magic be achieved without a cut in another funding strand? I will move on to that subject shortly.

**Mr. John McCarthy:** It all comes down to what the mix would look like if all of those ingredients were put into it. Obviously, it could look like a number of different things. It would look one way if additional money came into play and another, much different, way if additional money did not come into play. All of these issues are being considered in the round as part of the Department of Finance review group's exercise to determine the best way of pulling them all together and what the ultimate settling point will be.

**Deputy Shane Cassells:** I hit the Secretary General last year with the point about how all things cannot be equal. He has nearly referred to it himself. When the LPT was introduced, I was a councillor and felt aggrieved that the general purpose grant would be diminished by the same amount as the LPT accrued. In real terms, we were no better off. People anticipated a strengthening of local government that would allow us to make more significant achievements in the public sphere but that did not happen to the extent it should have. I am not saying that it did not happen full stop, as it did. I acknowledge what councillors in my county dealt with at the time. On Monday, Oireachtas Members from our county received a briefing. We had been carrying a debt of €10 million, but that is now down to €1 million. The council is doing exemplary work in that regard. Due to the removal of the general purpose grant when the LPT was introduced, though, we did not achieve what we wanted to. By saying that we will give every council its own LPT revenue without leaving any worse off, are we again giving political commitments that will result in the impoverishment of local government? That circle cannot be squared.

**Mr. John McCarthy:** As part of the transition in 2014 and 2015, the commitment that no one would be worse off was honoured. Indeed, some authorities were better off, albeit not to the extent that might have been the case had other policy decisions been taken. There is not much more I can say about how some of these political and policy issues will be married without knowing the outcome of the review group's work.

**Deputy Shane Cassells:** Is the Department preparing on the basis that it will have to address the issue of those counties that are currently in receipt of equalisation funds? I will put it another way. What is the total accumulated amount paid by the likes of Meath, Kildare and Dublin into the equalisation fund? That is probably a better way of getting to the heart of the issue. How many net contributors are there?

**Mr. John McCarthy:** Nine. One of my colleagues might be able to get me the figure for what those local authorities contribute. I believe €97 million is in effect the 20% that goes into the equalisation fund.

**Deputy Shane Cassells:** That is what goes into the pot to be redistributed among the 20 odd other authorities.

**Mr. John McCarthy:** Exactly, and it is not even enough to ensure that all of the other local authorities are not left in a worse off situation.

**Deputy Shane Cassells:** How much is the top-up from the central Exchequer?

**Mr. John McCarthy:** The top-up from the central Exchequer is €41 million.

**Deputy Shane Cassells:** Meaning that €138 million is required. That is no small amount in terms of commitments being made.

The other major issue I raised last year is on the income side, namely, that relating to rates. Again, I am conscious of the Comptroller and Auditor looking at the significant amount of money coming in to local government. This is one of the few areas where the council has a mechanism to raise money. I have made the point in the past decade that dependency has continued to grow at a time when there was major restraint on the part of local authorities as a result of the recession. I am conscious that the Local Government (Rates) Bill 2018 is before Dáil Éireann. On Second Stage, I made the point that the Bill does not go far enough and that the dependency on rates nationwide is really worrying. IBEC has also made this point. Many of the statutory measures being brought forward reflect things that are already being done by councils. Meath County Council has initiated many measures and some counties would have high collection rates. Is the Department looking at trying to increase central funding and introducing other funding mechanisms in order to try to reduce the dependency to which I refer? Having exercised restraint for perhaps the past eight years or so, the temptation is that the heads of finance of local authorities might be of the view that, in the context of this year's budgets, they might be able to bring in more funding via an increase in rates because the new councillors may not know what they are doing. Will the Department attempt to try to increase central funding to dissuade heads of finance from attempting to put that potential increase before councillors?

**Mr. John McCarthy:** The focus of central government revenue-related funding to local authorities very much relates to the issue of local property tax issue. If one looks at the period from 2014 to 2017, the proportion of revenue funding for local authorities generally and nationally has reduced in terms of the reliance on rates. In 2014, it would have accounted for approximately 36% of revenue funding. In 2017, it was 33%. Its proportionate share has decreased slightly but certainly the restraint in respect of rates has been very much the call from the centre in recent years. In large measure, that has been respected but, again, colleagues from the local authorities may want to comment on that.

**Deputy Shane Cassells:** I would appreciate listening to the opinions of our guests from the CCMA on that. Mr. John McCarthy stated that the main area of central funding comes through the local property tax. That is a half misnomer because the people pay into a fund from which they are getting revenue. We do not have a general purpose grant. Are we heading towards a scenario - and we see from the chart that the Comptroller and Auditor General produced - whereby local government is becoming more dependent on Departments to try to fund schemes. Let me provide an example. The Department of Rural and Community Development, under the Minister, Deputy Ring, might fund development or the Department of Transport, Tourism and Sport might provide funding for services. These funds are coming into the system. Is Mr. John McCarthy stating that this is the way it will be in the future?

**Mr. John McCarthy:** What I would say is that, in the context of the local government policy document in 2014, it was very much envisaged that local authorities would become the agents that would deliver for central government. It was envisaged that there would be relationships between Departments, other than the Department of Housing, Planning and Local Government, with the local government system. If one looks at the revenue income to local authorities from central government - and leaving aside the local property tax - again, that has increased proportionately in recent years. In 2014, it would have accounted for approximately 21%. By 2017, it had risen to 28%. As Deputy Cassells states, an increasing element of funding is coming through other Departments as a result of two developments. The first of these reflects the coming into effect of the policy position that envisaged local authorities not just delivering services on behalf of the Department of Housing, Planning and Local Government but on behalf of Government generally and the second relates to changes in departmental functions in recent years has seen some functions transferring to other Departments.

**Deputy Shane Cassells:** Does the Comptroller and Auditor General find it difficult to get a handle on the total amount spent in this area, particularly in view of the increasing use of different mechanisms? It is bit similar to when we discussed the expenditure relating to the Office of the President. When one looks at that office, it appears that the spend is very small until one realises the other elements involved, namely those relating to the Garda, the Army, etc. All of the Accounting Officers involved would have to be brought together in one room in order to try to obtain a real sense of what is being spent in this area.

**Mr. Seamus McCarthy:** It has always been complex in the area of local government. We have been producing a version of Chapter 4 since at least 2008. It should become more transparent and more straightforward with the changes that have taken place but I reserve my position until I see how 2018 works out.

**Deputy Shane Cassells:** These scheme are all very welcome and councillors are benefiting in terms of urban regeneration and what the Department of Rural and Community Development announced a few weeks ago. From the point of view of the Department of Housing, Planning and Local Government, however, €62 million plus in funding was announced by the Minister, Deputy Ring. Local authorities can apply to the Department for that funding. This money from the Department of Rural and Community Development will be spent. Does the Comptroller and Auditor General have a role in ensuring that it is spent correctly?

**Mr. Seamus McCarthy:** It will always be important to be able to relate outcomes and outputs to the resources that are provided. As a result, we need to track this and ensure that there is visibility and transparency around it. We will consider the matter and I will certainly come back to the committee if I feel that there is a need for change or for greater clarity in respect of it.

**Deputy Shane Cassells:** May I ask the CCMA representatives to comment on rates?

**Ms Jackie Maguire:** I will comment on rates. As previous speakers indicated, the area of local government finance is complex. Revenue does not come from one source. When we get funding from other Departments, it is for a specific purpose. This means that money from the Department of Transport, Tourism and Sport is spent on roads, etc. It is increasingly more complex and the sources, not just from the Departments but also the State agencies, be it Enterprise Ireland, through the local enterprise offices, LEOs, the National Transport Authority or whatever.

We would all have a different view of the local property tax. It is one area in respect of

which we, as a representative group, would not agree. I have to argue it from both sides. Having spent some time in Leitrim County Council, I am aware that the county is a beneficiary but that, for example, County Meath is a net contributor. Each local authority has been guaranteed baseline funding and that is required in order to deliver the service. One then has to look to at where a local authority has discretion, which is in the area of other charges. Predominantly, that would be commercial rates. For the past ten years, there has been no significant increase in rates. In the past two years, some local authorities have moved to giving a general increase in the commercial rate for specific purposes, be it within their own counties. I know that we have not increased commercial rates in County Meath since 2007. Our purpose has been to expand the rate base rather than increase the rates.

**Deputy Shane Cassells:** Among Ms Maguire's counterparts in the CCMA, is the issue of funding a topic that would come up at meetings, particularly in view of the fact that it is the major contributor to the finance of local government and acknowledging that there is potential to increase the rates because the good times are back?

**Ms Jackie Maguire:** No. Local authorities generally respect the need to work with the small and medium businesses in their counties. They also contribute to sustainable communities because they have people working locally. Most chief executives would be loath to look for an increase in rates unless they really needed the funding or there was a specific purpose. The legislation allows for a specific rate increase for a bid scheme or whatever, or if it is to be spent on a specific purpose. Some local authorities have had the need to do that. It is more that we consider how we can support our local businesses, maybe by giving them incentives to pay. That has assisted in the collection levels, which have increased. I refer to incentive schemes to pay on time or to pay electronically over a period. That does increase the local authority's income take. The funding of local government as a topic has generated a lot of debate over the last number of years. No disrespect to our Department colleagues but we would argue that we need to be put on a firm footing. We saw the local property tax as doing that because it is collecting-----

**Deputy Shane Cassells:** I am a great advocate for autonomy and for councillors to be autonomous. However, I have seen examples across the country of councillors abusing that autonomy and I have no problem in saying so. They were whittling away at that base and left their councils bereft of funding. Our neighbouring County Louth would be a prime example.

Can Mr. John McCarthy explain the local government innovation and reform figure under the LGMA heading in the statement of income? In the 2017 accounts, it went from €3.8 million to €2.1 million.

**Mr. John McCarthy:** I will double-check that. I think it was to support the shared services programme that the local government sector is putting in place. One of the biggest initiatives, as the Chair will be aware, is the MyPay shared service in Portlaoise. That funding figure depends on the status of some of those initiatives at a particular point. The shared payroll service, MyPay, would be the most prominent of them.

**Deputy Shane Cassells:** Representatives of the Valuation Office attended a separate meeting. The slowness of the revaluation process was raised. I am aware that many counties are back up now in terms of that process, which will have an impact. I know the Valuation Office is a separate organisation but the negative press associated with some of those decisions and the long gaps in the revaluation process will cause exceptional impacts on many businesses. Does Mr. McCarthy wish to comment on the work in that area? It impacts on his customers, who

form that rates base.

**Mr. John McCarthy:** I suppose what I would say, and the Deputy has pointed to it himself, is that the purpose of revaluation exercises is to try to ensure that the rateable valuations that are put in place are as up to date and as fair as possible. The difficulty that has arisen has been around the length of time the revaluation process has taken.

**Deputy Shane Cassells:** Does that worry Mr. McCarthy? We saw it when we met representatives of the Valuation Office. Before they even get down to the south, to Kerry and so on, they have to go back up for revaluation in other parts of the country.

**Mr. John McCarthy:** There is a lesson there around making sure that the revaluation process is conducted in as timely a manner as possible in future, so that significant variations in rateable valuations are not allowed to build up over time. If there is a shock to come, it should not be one that builds up over a long period.

**Deputy Shane Cassells:** Is there interaction between the Valuation Office and the Department in terms of how that is to be achieved?

**Chairman:** A vote has been called in the Dáil.

**Deputy Shane Cassells:** That was my last question.

**Mr. John McCarthy:** There would be a lot of interaction between us. As part of the Estimates process, we engage on behalf of the Valuation Office to make sure it is sufficiently resourced. There was a lot of ongoing engagement, even before the Valuation Office came under our stewardship just a year ago.

**Deputy Shane Cassells:** Was it a resourcing issue or was it just that it had not been engaged in for such a long time? Was the problem to do with processes?

**Mr. John McCarthy:** Certainly there was a resourcing issue over a period. As was the case for most public sector organisations in the early part of the decade, there was significant tightening of resources. One of the things that has emerged from the revaluation process is that 60% of ratepayers have seen their liability fall and 40% have seen it go up.

**Deputy Shane Cassells:** I acknowledge that. It is the type that is falling into the 40% that is the killer.

**Mr. John McCarthy:** Exactly, and the period between revaluations means the change can be more significant than if they were done on a more timely basis. They would then be more measured and more manageable for individual businesses.

*Sitting suspended at 3.45 p.m. and resumed at 4 p.m.*

**Chairman:** We are resuming our consideration of Vote 34 with the Department of Housing, Planning and Local Government.

**Deputy Jonathan O'Brien:** I want to ask a few questions for the purposes of getting information. I am pretty sure of the answers but I want to have them confirmed. If a local authority is a net beneficiary of the local property tax and it decides to cut the tax, does this come out of the authority's discretionary funding and it is not given the extra?

**Mr. John McCarthy:** Yes.



**Deputy Jonathan O'Brien:** I presume this is the same if the local authority is a net contributor or decides to cut it: everything comes from the authority's own discretionary funding.

**Mr. John McCarthy:** Yes.

**Deputy Jonathan O'Brien:** The funding itself is pretty complicated. There are many different streams of funding coming into local authorities from various Departments and agencies and I want to touch on some of them. I was looking, for instance, at the total funding that goes into local government from across all Departments, including the local property tax. We are almost back up to the 2011 levels of funding. It is slightly under that level but we are almost there or thereabouts. There are huge discrepancies, however, between some local authorities. Dublin City Council is currently 31% higher than it was in 2011. South Dublin County Council is 25% higher and Dún Laoghaire-Rathdown County Council is 26% higher. All of the other councils are less and are not meeting that. Is there a reason for this? Is it because there are capital projects happening in those areas? Is additional funding coming from the Department of Transport, Tourism and Sport, for example, to meet particular projects or is it perhaps to balance out the *per capita* funding rates?

**Mr. John McCarthy:** If the figures at which the Deputy is looking include capital funding, then he would be hitting the nail on the head.

**Deputy Jonathan O'Brien:** The parliamentary question referred to all central funding to local authorities. I presume this includes capital funding also.

**Mr. John McCarthy:** It probably would, yes. The capital funding piece can skew things from one local authority to another purely by virtue of the timing of a significant project happening in a local authority area.

**Deputy Jonathan O'Brien:** In 2011, the total funding going into the Cork County Council area was €121 million. Now it is only €70 million. That is a significant difference.

**Mr. John McCarthy:** What was the earlier year the Deputy mentioned?

**Deputy Jonathan O'Brien:** It was 2011 when the funding was €121 million. The actual funding for 2018 - at 31 October - which was in the parliamentary question-----

**Mr. John McCarthy:** If I correctly interpret the figures the Deputy has quoted, it is partly due to the changes around water. The funding that would have been going to local authorities in 2011 to fund water services is now going to Irish Water.

**Deputy Jonathan O'Brien:** I will now turn to the funding that comes from various Departments. I am aware, for instance, how it works with housing. If the local authority has a housing project it wants to get done, the local authority funds that and applies to the Department for reimbursement. This is the way it works currently, is it not?

**Mr. John McCarthy:** Yes, and the payments would be on a phased basis according as progress is made.

**Deputy Jonathan O'Brien:** Would that be the same for all Departments, for example, with road projects and road upgrades?

**Mr. John McCarthy:** It is my understanding that it would, because it is a common principle that operates across public financial procedures generally.

**Deputy Jonathan O'Brien:** Will a representative from the County and City Management Association, CCMA, explain how this system works for its members? From experience I am aware that we had periods of delay between the council having to pay out for a project and getting the reimbursement. It sometimes could be nine months by the time we had put in all the paperwork and got the money. How do council managers bridge those funding gaps in the meantime?

**Ms Jackie Maguire:** By and large, there has not been much of a gap lately between expenditure happening at local authority level and the recoupment. At times there may be a layover but that has to be dealt with through the cashflow. Claims from Transport Infrastructure Ireland, TII, and the National Transport Authority, NTA, are recouped monthly and we have a system we must log on to. It is their system but it is integrated. We make the claim and it comes straight into the council's bank account on a particular date. One is managing this all the time. Similarly, particularly on the capital side in housing, we make recoupments as we incur the costs and then draw them down. There can be a lag but as of late, it is not significant.

**Deputy Jonathan O'Brien:** When I was on the local authority I recall there would be a long lag. Is that gone now?

**Ms Jackie Maguire:** That is gone, yes.

**Deputy Jonathan O'Brien:** That is good. On other projects for which councils can apply for funding, I remember in my day on the local authority, adaptation grants required the council to come up with 50% of the funding and the Department would come up with the other 50%. Is this still the case?

**Ms Jackie Maguire:** Yes, as it is on a lot of the schemes. For housing adaptation we have to come with 20% of the cost. This is met through internal resources such as receipts from the sale of houses or through our own revenue funding. We would have to fund other schemes by about 25%, especially capital schemes. If it is capital, it is funded through the development levies. If it is revenue spend it is through the revenue account and the council would make provisions within the budget each year.

**Deputy Jonathan O'Brien:** Would the CCMA perceive council management being obliged to come up with some of the funding upfront as a barrier to works taking place or to works the councils would like to see take place?

**Ms Jackie Maguire:** Not necessarily, but it could be a challenge at some particular times. The local authorities have to produce a capital report on a three-year rolling cycle. This is presented to their members each year. In this report the management has to estimate what its council's capital receipts are going to be. This may be from grants or development levies, for example. Because of the growth in the private sector, the development levies have been increasing over the years. This has to be matched with the spend in the council's capital account. Some of that must be spent for specific purposes. If the council collects levies for roads it must spend it on roads. If it is collected for community facilities, it must be spent on community facilities.

**Deputy Jonathan O'Brien:** If it is not spent does it just roll over?

**Ms Jackie Maguire:** With the development levy, when levying the condition at the planning permission stage, the council is levying it because it knows it has to provide those services, be they playgrounds or community centres. The cost of those must be built into the capital plan,

and must be spent over a period of time, otherwise it must be refunded.

**Deputy Jonathan O'Brien:** There have been no increases in rates. Ms Maguire is correct that rates were increased in Cork City Council, but they were ring-fenced for tourism promotion and for selling the city, which would benefit businesses in general. It was very successful. One of the difficulties I see in Cork is that the rate base has narrowed in the city centre. It may have expanded when one looks at the overall rate base, but in the city centre there are shops lying idle in Patrick Street, which does nothing for attempts to promote the city. Is it within the scope of local authorities to provide rate breaks to new businesses wishing to open up, or is the legislation clear that the rate must be charged?

**Ms Jackie Maguire:** The rating legislation is very clear; there must be a charge. There is a refund mechanism available where the building is vacant on the date the rate is made. A refund is available, but it varies across local authorities. It can be anything from 0% to 100%, and most cities would not give a 100% refund in order to ensure that owners of those properties have let them. The owner must prove that he or she has been trying to let his or her business but for some reason cannot do that. Usually, in the very large urban areas, a full refund would not be given because one is trying to encourage the owners to make use of the building by getting a business back into it and getting footfall back onto the high street.

**Deputy Jonathan O'Brien:** Is it the case that there is no scope to provide a rate break for the businesses taking up leases on vacant properties?

**Mr. John McCarthy:** The legislation going through the Houses on rates at the moment includes a provision to allow local authorities to create rates alleviation schemes for particular purposes. One of those could be the Patrick Street urban renewal-type concept. Subject to that legislation getting through, we will then have to make regulation to work out how that will actually work in practice. It is trying to provide a mechanism through which the local authorities objectives in some areas, be it regeneration or otherwise, and other activities for levying rates can be married together in a more coherent way, in order to give local authorities more flexibility.

**Mr. Conn Murray:** We have been looking for something like this for quite some time as a sector. We want the flexibility to operate on the ground and to be able to respond to exactly these types of issues. We have used various schemes at various times to enable vacant property to be brought back into use by working with them and providing local grants through councils, which almost subsidises the rates over a period of time in order to get buildings back into use. The fact that the legislation is starting to come is critically important.

**Deputy Jonathan O'Brien:** The rates are based on square footage and location, rather than the profitability of a business.

**Mr. Conn Murray:** I am always mystified by rates valuations. I have never delved into it; it is something we are simply advised on.

**Ms Jackie Maguire:** The Valuation Office values the premises and we are given that figure. The local authorities have a multiplier, and by applying that one can work out how much a business would pay in rates. The valuation of the building is carried out entirely by the Valuation Office, which is independent of local government.

**Deputy Jonathan O'Brien:** Do the witnesses believe that is a good scheme? There might be two identical buildings next door to each other which have the same rates. One might be

occupied by a multinational and the other by a local small business, but there might be a huge difference in terms of profitability.

**Ms Jackie Maguire:** The valuation is normally based on the amount of rent that one might expect to pay for a particular type of business, along with the profitability of the company. In Meath, 75% of our rate payers are small to medium businesses. The multinationals pay a high percentage of the actual rate take, but represent a small number of our account holders. There can be a vast difference between what the global companies pay and what small to medium one-off businesses pay.

**Deputy Jonathan O'Brien:** I do not want to make a presumption, but I imagine if one is a business owner with a number of overheads and who might be struggling, the rates bill might be one of the last things to be paid. Utilities and goods have to be paid for as businesses cannot operate without them. The level of rate collection is pretty high, which I believe is down to each individual local authority working with local businesses. Is it common or rare for a business to be shut down for non-payment of rates?

**Ms Jackie Maguire:** That would happen very rarely. In many cases we work with businesses and allow them to pay the rates over a period of time and create payment plans for them. It is not in our interest to shut down any business for the non-payment of rates.

**Deputy Jonathan O'Brien:** If a business goes bust and owes rates, what happens to those rates? I presume the landlord does not take on that debt or pass it on to any new tenant. What happens that debt?

**Ms Jackie Maguire:** There was a change in the legislation governing that area. The debt would remain; we hold it on our books and try to follow it. Only the very hard cases refuse to pay anything, and those people will end up in court.

**Deputy Jonathan O'Brien:** Is it the case that the local authorities will not chase the landlord or any new tenants for rates?

**Ms Jackie Maguire:** No. The legislation changed in that area. In the past the actual amount outstanding stayed on the building regardless.

**Deputy Jonathan O'Brien:** It was the case that a new tenant could receive a rates bill for a period in which it was not a tenant.

**Ms Jackie Maguire:** Yes. That does not apply any more.

**Mr. John McCarthy:** The Deputy mentioned different types of businesses and their rates liability. Between the small businesses and the multinationals, the data from across the local authorities in 2016 indicated that about 70% of businesses would pay less than €5,000 per annum in rates. That reinforces the point Ms Maguire made that there can be a small number of very large players which would pay a significant share of the commercial rates income to local authorities.

**Deputy Catherine Connolly:** I thank the witnesses for being here all day. I often think that if a section of the private sector was subjected to the same scrutiny we would have a much better country. Are we dealing with chapter 4 now?

**Chairman:** Yes.

**Deputy Catherine Connolly:** Our role concerns governance and ensuring procedures are in place. I started this morning by asking questions about the other chapter, and the witnesses gave me assurances on it. Is it correct to say that the Local Government Audit Service audits each of the 31 local authorities?

**Mr. John McCarthy:** That is correct.

**Deputy Catherine Connolly:** Are there enough staff in that office? Some €2.1 billion has been allocated to the local authorities from the Exchequer. What is the oversight here? What is the staff situation with the internal audit service? Are there vacancies?

**Mr. John McCarthy:** There are currently 32 staff in the audit service, and they are all members of one or other of the accounting bodies. They are all professionally qualified. There are a small number of administrative staff to support their work as well. From time to time, with retirements, etc., there is a certain turnover and there are some vacancies.

**Deputy Catherine Connolly:** What is the full complement necessary to carry out the work properly?

**Mr. John McCarthy:** It is 32, plus a few administrative staff. There would normally be around 35 qualified staff and we have held competitions to recruit staff, with varying degrees of success. We have brought in external expertise to supplement that process because we felt the process did not get people for us as quickly as we needed them.

**Deputy Catherine Connolly:** The Department recruits people from outside.

**Mr. John McCarthy:** Yes.

**Deputy Catherine Connolly:** A body of work needs to be done with all 31 local authorities. Is there a plan of work each year?

**Mr. John McCarthy:** There is a statutory code of practice that governs the auditing process, which kicks in pretty much once the year is over. It requires local authorities to complete draft financial statements by a certain date, after which the audits are to be completed. As each audit is completed-----

**Deputy Catherine Connolly:** Is the record in this area good? We often see delays but it is improving, as we saw in the VEC sector. Is there a problem with accounts being done on time by local authorities?

**Mr. John McCarthy:** There have been improvements in the recent years.

**Deputy Catherine Connolly:** What is the worst and what is the best?

**Mr. John McCarthy:** The deadline for draft accounts is 31 March. I do not have the numbers of how many complied with that last year but the trend is in the right direction. The objective the audit service sets for itself is to have all audits completed by the end of October.

**Deputy Catherine Connolly:** That is, October of the same year.

**Mr. John McCarthy:** Yes. All the 2017 audits had been completed by October 2018.

**Deputy Catherine Connolly:** Are there any emerging issues?



**Mr. John McCarthy:** One of the key things we look for is for the director of audit, who is the head of the Local Government Audit Service, to compile an overview report each year. The value of that is that it pulls together all the 31 audits to see if there are common issues.

**Deputy Catherine Connolly:** What common issues are emerging?

**Mr. John McCarthy:** Some are around procurement, specifically, the professionalisation of procurement. Issues that have arisen in the past include the need for internal audit functions to be sufficiently resourced.

**Deputy Catherine Connolly:** Did any issues arise relating to internal audit in local authorities in 2018?

**Mr. John McCarthy:** I have not received the 2017 overview report of the director of audit. It should be finalised in the next couple of weeks. In previous years, we would have followed these things up. My recollection is that issues in internal audit were followed up fairly promptly in most local authorities. Ms Maguire was previously chair of the finance committee.

**Ms Jackie Maguire:** The local government auditor would prepare management letters to bring issues to the attention of the executive.

**Deputy Catherine Connolly:** And they would be brought to the attention of councillors in due course.

**Ms Jackie Maguire:** Yes. The audit committee in each local authority has a role-----

**Deputy Catherine Connolly:** I understand that and we get this every week. Are the processes working? Are there enough staff in place? What are the common issues, if any, that are emerging year after year? The issue of procurement arises at each of our weekly meetings. It is a serious issue if internal audit has a lack of staff or other resources. Can Ms Maguire state that the 31 local authorities are okay with their internal audits?

**Ms Jackie Maguire:** Each local authority has an internal audit function and an internal auditor.

**Deputy Catherine Connolly:** I know that. Are they sufficiently resourced?

**Ms Jackie Maguire:** It depends on the local authority and the level of activity. Resources can range from two or three people to a vast section, as is the case with Dublin City Council.

**Deputy Catherine Connolly:** I know that.

**Ms Jackie Maguire:** It is all relative.

**Deputy Catherine Connolly:** Do certain local authorities not have sufficient staff to carry out their internal audit functions? What are the recurring themes other than procurement? I would be delighted to hear that there is none but a sizeable amount of money is involved and we are looking at governance and procedures here.

**Ms Jackie Maguire:** We would like to take internal audit in the local government sector to a more professionalised level than is the case at present.

**Deputy Catherine Connolly:** What does that mean?

**Ms Jackie Maguire:** We would want to have somebody with qualified audit experience. Most would have done various types of courses, such as degrees, but we would like the same level to apply across the sector. We have our own procurement officers in each local authority who enable checks to be carried out in each department, including procurement compliance.

**Deputy Catherine Connolly:** I am trying to identify any gaps of which we should be aware. Last week, a group indicated that all of its governance procedures were in place but that did not stop what happened, which was not very good.

**Mr. Seamus McCarthy:** I included the National Oversight and Audit Commission, NOAC, in the report. That oversees the work of all local authorities and its workload at the time I was finishing the report included work on the performance of the audit committees and the local authority internal audit function. I do not have an update on that work but it should give an indication of the sufficiency, quality and frequency of the work. Perhaps the Accounting Officer would know if those have been completed.

**Mr. John McCarthy:** The NOAC has completed the work and all its reports are published.

**Deputy Catherine Connolly:** It has published a report recently. Where is it available?

**Mr. John McCarthy:** It is available on its website, which I can give to the Deputy.

**Deputy Catherine Connolly:** That would be worth looking at.

**Mr. John McCarthy:** One of the things it pointed to is the importance of audit committees in local authorities working with the head of internal audit in each local authority to carry out a review of skills and capacities in the internal audit function. They need to ensure there is no gap or, if there is a gap, to fill it.

**Deputy Catherine Connolly:** The audit committee needs to work more closely with the head of internal audit. What other issues have emerged?

**Mr. John McCarthy:** Another issue relates to the timeliness of filling vacancies in the internal audit function of a number of local authorities.

**Deputy Catherine Connolly:** How often has it arisen and for how long have the vacancies to which Mr. McCarthy refers been in existence?

**Mr. John McCarthy:** The auditor comments on that as part of his or her audit report. It varies in different local authorities.

**Deputy Catherine Connolly:** Mr. John McCarthy is from the Department. I am asking him what has been drawn to his attention. I support local authorities and I wish they had more power but we need governance and we need assurance that procedures are in place.

**Mr. John McCarthy:** This would be drawn to my attention as an issue but the details of how long a delay might be are not drawn to my attention. I am interested in systemic issues. It is down to the audit committee, working with the chief executive and the internal audit function in the local authority, to address the issues. If the issue affects more than one local authority then, from a governance and oversight perspective, it is of interest to us.

**Deputy Catherine Connolly:** Mr. John McCarthy stated that the committee needs to work more closely with the head of internal audit. He also stated that there are vacancies. Have any

other issues been brought to his attention?

**Mr. John McCarthy:** The NOAC pointed to the importance of best practice and of ensuring that the internal audit functions in local authorities were operating to the standards of the Institute of Internal Auditors. Those standards are relevant to the internal audit functions of all organisations.

Ms Maguire has referred to the issue of improving the professional qualifications of people within internal audit functions. Another thing to which they pointed was, I suppose, proper multi-annual audit programming that gets the best out of internal audit functions in local authorities.

**Deputy Catherine Connolly:** Let us go back to value for money and I will then come to the commission, which compiles reports of which this is one. Does it compile a number of reports?

**Mr. John McCarthy:** Indeed.

**Deputy Catherine Connolly:** Are the reports done on a thematic basis?

**Mr. John McCarthy:** Largely on a thematic basis. It also will have engagement with particular local authorities.

**Deputy Catherine Connolly:** What themes have been examined?

**Mr. John McCarthy:** It has looked at a number of things. It has looked at the activities of local authorities in the housing area.

**Deputy Catherine Connolly:** The Secretary General can back to us with the information as it is late in the day.

**Mr. John McCarthy:** I certainly will. The Deputy will see this on its website when I get her the link. The commission has carried out things like satisfaction surveys to understand what do members of the public actually think of the service they are getting from their local authority. It has undertaken reviews of the audit reports that go to the members of the local authorities. It produces the annual performance indicators reports across a whole range of areas of activity. It did a review of housing management and maintenance and engaged with a lot of tenants.

**Deputy Catherine Connolly:** Has the commission made recommendations in its reports?

**Mr. John McCarthy:** Absolutely, yes.

**Deputy Catherine Connolly:** Who monitors the implementation of the recommendations? Implementation is an issue that regularly crops up with every organisation. There are great reports and recommendations but then there is an issue with the actual implementation of them.

**Mr. John McCarthy:** One of the things - and again in terms of practical implementation at a local level, one of the colleagues may wish to comment - we obviously are mindful of any issues. I have talked about the issues around internal audit. It is on our radar too, to make sure that we keep an eye on that as to how that is being addressed within local authorities and to make sure it is addressed at a practical level.

One of the other reports, for example, a review on local authority housing management and maintenance, gave us important information on what was actually happening in terms of investing in the maintenance and management of the asset that was being publicly funded. It

is informing work that is now going on to move towards a sort of a planned maintenance programme.

**Deputy Catherine Connolly:** Does that include empty local authority houses?

**Mr. John McCarthy:** Not so much. It was more around tenants and the extent to which they were getting a service-----

**Deputy Catherine Connolly:** In terms of maintenance.

**Mr. John McCarthy:** -----in terms of responsive repairs and all that sort of stuff. It was useful in terms of informing work that we are now taking forward with the sector around a planned maintenance approach to ensure that we actually get to a better position in terms of investing in the assets.

**Deputy Catherine Connolly:** Both of those services are vital. Are they not?

**Mr. John McCarthy:** Absolutely.

**Deputy Catherine Connolly:** The internal audit plus the commission.

**Mr. John McCarthy:** Absolutely.

**Deputy Catherine Connolly:** Plus the implementation of those. I have run out of time and I am afraid that I am going to be stopped. I have a particular interest in libraries. I do not know whether libraries come up under this section but I saw it. I will take urban regeneration because it was mentioned in chapter 4. I refer the Secretary General to Annex 4B of chapter 4 on page 45, which shows that the amount spent on urban regeneration has increased from €50 million, to €60 million and then €78 million. I ask the Secretary General to forward a breakdown of the amount spent on urban regeneration projects.

**Mr. John McCarthy:** We can come back to the Deputy, certainly, with a breakdown in relation to that.

**Deputy Catherine Connolly:** That is fine.

**Mr. John McCarthy:** Some of that would be-----

**Deputy Catherine Connolly:** European funded.

**Mr. John McCarthy:** -----the housing regeneration projects that we talked about earlier on.

**Deputy Catherine Connolly:** A breakdown of that would be very helpful.

**Mr. John McCarthy:** We will certainly do that.

**Deputy Catherine Connolly:** Lastly, I wish to mention staffless libraries and the wonderful initiative that we do not need human beings manning libraries. Where are we with that initiative, which was rolled out as a pilot project. Has sense prevailed or is the Department persisting with staffless libraries?

**Mr. John McCarthy:** I will offer a comment, Deputy, even though I probably should not because it is the responsibility of the Department of Rural and Community Development.

**Deputy Catherine Connolly:** I will happily miss my bus if the Secretary General is going

to comment.

**Mr. John McCarthy:** Deputy, I would not have it on my conscious that I kept her from her bus. Sorry, I do not mean to delay her. Libraries have been part of the remit of the Department headed by the Minister, Deputy Ring, for the past two years.

**Deputy Catherine Connolly:** I see.

**Mr. John McCarthy:** We did have responsibility for them prior to that. The open libraries initiative, and I am sure the Deputy will come back to this again with one of my colleagues whenever they are in, was not really around dispensing with staff within the library service. It was to try to provide a more open and flexible resource that would be available. I think we actually had data at the time and, again, I confess now I am speaking historically. I do recall data, at the time, that even after the introduction of the open library initiative we actually had more staff working in libraries than before.

**Deputy Catherine Connolly:** The Department does not deal with it any more.

**Mr. John McCarthy:** We do not.

**Deputy Catherine Connolly:** It is dealt with by the office of Deputy Ring.

**Mr. John McCarthy:** It is the Department of the Minister, Deputy Ring.

**Deputy Catherine Connolly:** Does the Secretary General know whether the rolling out of funding for libraries is based on the concept of staffless libraries? Is it conditional? Originally, it was.

**Mr. John McCarthy:** I really could not say, Deputy.

**Deputy Catherine Connolly:** I thank the Secretary General.

**Ms Jackie Maguire:** I will comment but the Deputy should feel free to pack up and go.

**Deputy Catherine Connolly:** I said I would happily give up my bus if the Secretary General was going to stray into the area of comment as I wanted to hear his comments. That is all I meant.

**Ms Jackie Maguire:** In the area of open libraries, there are about eight of them, just operational. They do give a 24-7 service.

**Deputy Catherine Connolly:** Without staff on-----

**Ms Jackie Maguire:** We could not do it. The opening hours of the libraries in which they are have been extended in most of them. As for library staff numbers across the sector, obviously they are only in particular ones. I have 12 libraries, if the Deputy knows what I mean, and it is only in one. We have extended the opening hours within all of them, however, because more funding is available to us. It is not a detriment.

**Deputy Catherine Connolly:** Is that without staff?

**Ms Jackie Maguire:** No. We have extended the ones where it is not. In my case, we have 12 libraries and we have extended the opening hours in five of them for longer periods and put in more staff. We only have the open library in one of them. So it is a 24-hour service that



that town gets in respect of that library, in terms of both collecting the books and bringing them back. The initiative has been quite popular. We have not, in any way, diminished either the library staffing or the library hours. In fact, we have expanded them.

**Deputy Catherine Connolly:** Excuse the bad pun, given we are discussing libraries, but there are a number of narratives as that was not the information we received on the ground from library staff. If it is not the authority's area anymore, then I will not take up more time but there are certainly many narratives-----

**Ms Jackie Maguire:** It is our area.

**Deputy Catherine Connolly:** It is under the council's remit.

**Ms Jackie Maguire:** Yes. Like all of the revenue funding-----

**Deputy Catherine Connolly:** The funding is coming through the Department.

**Chairman:** The other Department.

**Deputy Catherine Connolly:** Yes.

**Ms Jackie Maguire:** For the capital funding. The day-to-day revenue-----

**Deputy Catherine Connolly:** Ms Maguire is in a position to answer my question. It was rolled out as a pilot project. Were research and analysis carried out on that pilot?

**Ms Jackie Maguire:** There were. There are eight pilots-----

**Deputy Catherine Connolly:** I have run out of time. Deputy Catherine Murphy is waiting to contribute and I do not want to be selfish. Could we be provided with an update on the pilot project and the assessment and analysis carried out, please?

**Chairman:** Either from the CCMA or the Department. Who would provide the note?

**Deputy Catherine Connolly:** It would not be from that Department.

**Ms Jackie Maguire:** We will work through the Department.

**Chairman:** The Department of Rural and Community Development.

**Ms Jackie Maguire:** Yes.

**Mr. Conn Murray:** It is the appropriate Department.

**Chairman:** The issue does not fall under this Department's role.

**Deputy Catherine Connolly:** Not any longer.

**Chairman:** However, the CCMA is involved in it.

**Deputy Catherine Connolly:** I understand.

**Chairman:** We will ask the Department of Rural and Community Development to revert to us on this issue, given that it affects local authorities.

**Deputy Catherine Murphy:** I will start on Irish Water, the figure of €292 million, the sig-

nificant staffing levels and the significant transfer of capital assets, which ran to somewhere in the region of €11 billion. I am reading from the end of page 19 of the appropriation accounts. I have asked several times about the audit falling under the remit of the Comptroller and Auditor General. When Irish Water was set up, the intention was different from what it is now. What is the current position in that regard?

**Mr. John McCarthy:** Certainly. We also discussed this with Deputy MacSharry earlier. The question of a potential role for the Comptroller and Auditor General in the audit of Irish Water arose in, I believe, late 2017 when legislation was before another committee. The Minister indicated that he was amenable to having that possibility explored. One of the questions asked this morning was about the issues that had cropped up as part of that exercise. I will mention a couple of them. First, Irish Water is established as a company under the Companies Acts. That legislation requires audit by a statutory auditor and the Comptroller and Auditor General is not a statutory auditor for that purpose. That raises the prospect of there being two audits.

**Deputy Catherine Murphy:** By whom are they audited at this stage?

**Mr. John McCarthy:** Deloitte is the auditor for Irish Water.

**Deputy Catherine Murphy:** As such, there would have to be a change to the legislation if Irish Water were to come within the remit of the Comptroller and Auditor General. Is that what Mr. McCarthy is telling us?

**Mr. John McCarthy:** On the basis of the work we have undertaken which is not complete, it would require a change to the legislation.

**Deputy Catherine Murphy:** We are not about to see something.

**Mr. John McCarthy:** It would require a change to the legislation.

**Deputy Catherine Murphy:** I refer to page 22 and the reference to the Office of the Planning Regulator. I note the comment that legislation had not gone through in that year, but it has gone through since. Is it an independent office or will it continue to be within the remit of the Department because the final say is with the Minister?

**Mr. John McCarthy:** Its functions and independence are set out very clearly in the legislation to which the Deputy referred. It will be a body under the aegis of the Department in the same way An Bord Pleanála is a body but operates entirely independently of the Department.

**Deputy Catherine Murphy:** On the same page there is mention of a development contribution rebate scheme. The following is not completely related, but as development contributions came in, it was determined in the context of the overall Government debt that some of the money had to be held on deposit. One could only spend what was coming in that year. Is that still the case?

**Mr. John McCarthy:** In overall terms, for the sector as a whole, it falls into the space of borrowing versus the repayment of borrowings, income from development levies and the spending of them. The issue has to be managed from a general Government balance perspective. I am not sure it has been a significant issue in terms of the actual spend in the more recent past.

**Deputy Catherine Murphy:** Might it depend on which local authority is involved? I imagine the experience in Fingal, Meath, Kildare and the outer suburbs of Galway and Cork

might be different from the general experience.

**Ms Jackie Maguire:** For a number of years, it probably did not have an impact. However, in the current climate private development has increased significantly, as have development levies. There are strict criteria in determining on what they can be spent and the time limit involved. It may affect us in the next year or two and we may need to engage with the Department on the general borrowing requirement and the restrictions it might impose on us. Currently, it is probably not an issue, but I suspect it will become one.

**Deputy Catherine Murphy:** There is a visual aspect in relation to the very large amount of money held on deposit, whereas there are things that need to be done. One tends to find that the areas where there is rapid population growth are also in the main the areas with a low baseline. There will be the additional questions, but I wanted to ask about the baselines. When I listened on the monitor earlier, I heard that body of work was ongoing. Local government budgets start to be worked out in August and are concluded in September. Is the change likely to happen before the local government budgets are set this year?

**Mr. John McCarthy:** The overall review of local property tax is being led by the Minister for Finance, but I suspect it probably will. In terms of timing, 30 September is the date by which local authorities must make their decisions on variations to local property tax rates, while decisions on budgets generally extend from October into November or, in some cases, December. However, I suspect it will be finished before then.

**Deputy Catherine Murphy:** If the impact is to be neutral overall, it tells me something about how it might go.

**Mr. John McCarthy:** For the purposes of clarity, I was not predicting that would be the outcome.

**Deputy Catherine Murphy:** I hope not because in that case there would be no change.

**Mr. John McCarthy:** I was simply saying that if that were to be a parameter, one local authority would gain, while another would lose. I was not in any way predicting that would be the outcome. As I said to Deputy Cassells, a range of factors have fed into the exercise and we await the outcome.

**Deputy Catherine Murphy:** I want to get some of the detail as it would be easier than submitting a parliamentary question. The basis for the distribution of the fund, albeit there have been some changes, is the needs and resources model. There is no factoring in of increases in population. By my reckoning, in the main, it is based on what happened previously. That means we are using the population in 1996 as the determining factor in the provision of services in any given area. Does Mr. McCarthy agree?

**Mr. John McCarthy:** For some local authorities which are in surplus, population changes translate into more houses. By virtue of this fact, the local property tax base is stronger, albeit only 80% is retained locally, while 20% goes into the equalisation fund. Going back to the needs and resources issue-----

**Deputy Catherine Murphy:** It is just the population about which I am talking. I am familiar with what happened at that time. In the needs and resources model what a local authority had at a point in time was counted and it was resourced. If it had six swimming pools, one received funding to ensure it could continue to have six swimming pools. If it did not have

any swimming pool, it was not factored in as a need. That was the basis of the model. It was a snapshot in time, albeit across a range of metrics. If the population was static, it was prior to 2000, around the time the needs and resources model-----

**Mr. John McCarthy:** That was when it was introduced, but it evolved and was used as a basis for seven or eight years after that. It would have taken changes into account.

**Deputy Catherine Murphy:** I have tracked its evolution and it was modest enough. There were changes and an elaborate gathering of information in order to make them. However, it did not fundamentally shift things like staffing and capital funding backed up for libraries and so on. It did not change very much. I take as an example County Meath and use the 1996 population figures, the ones I have in front of me. In 1996 Meath County Council had a staff of 645. In the same year Kerry County Council had a staff of 1,080. Even though there were 50,000 more people living in County Meath, Meath County Council had 300 fewer staff. It does not take a genius to figure out that services are poorer in a county the population of which is growing more rapidly. That has been the profile.

**Mr. John McCarthy:** Some of the figures can mask the extent to which some local authorities have in-house staff to do certain things, whereas others contract services from outside. In some local authority areas the population may be smaller but the geography could be more challenging. There are other things that also come into play.

**Deputy Catherine Murphy:** There may be but in the main, one finds that if one puts some areas at the top and some at the bottom, the common denominator will be that the areas that have a rapid and sustained population growth will tend to be the ones with a lower ratio of staff. I was in a local authority when the crash happened and essentially all of the temporary staff were the first to go. It is a much more precarious situation.

There are whole areas of Fingal, such as Ongar and Tyrrelstown, that did not exist when the needs and resources assessment of fiscal equalisation was modelled. How can one possibly count the services that are required in these areas?

I am looking at the gross expenditure in terms of a fair distribution of resources. I am using the 2016 figures to comment on the gross expenditure of local authorities. One cannot spend what one has not got, but I refer to counties, such as the ones that have been used in the analysis that I have seen, namely, counties Mayo and Wicklow, in describing how the local property tax works. One finds the gross expenditure tracks the same, that is, one will find areas that are quite large net contributors in terms of local property tax that have a lower gross expenditure and a higher population than other areas. If one were to land from Mars and look at this, one would say there was something very strange and that it would not be possible to do that review without a sizeable amount of additional money if it was to be a fair review for those rapidly developing areas. I apologise; I am having a rant. I admit it drives me absolutely bananas to see the impact this is having on local property tax where counties that are net contributors are adjacent to counties that are net recipients. There is a perception of that area being poorer when in actual fact it is probably better off in terms of library opening hours, swimming pools or greater ability to engage with people on the investment that is needed. I hope there will be a sizeable change in that but I am not holding my breath, having waited for 20 years.

My final question is on the Housing Agency and relates to the revolving acquisitions fund. Is the Housing Agency a separate agency for the purposes of auditing?

**Mr. John McCarthy:** The Housing Agency were with us at the session last October and the Comptroller and Auditor General audits the Housing Agency.

**Deputy Catherine Murphy:** That is totally separate. Why would it appear in this?

**Mr. John McCarthy:** Because there is funding going through from the Department to the Housing Agency.

**Deputy Catherine Murphy:** What I did note is that while the commercial rates have not been increasing at budget time, the overall take from commercial rates as a proportion of local government funding has been increasing quite significantly. It actually made up a significantly bigger chunk in 2016 than it did in 2009, for example, and the big difference is the general purpose grant had shrunk and local property tax came in as a lower contribution to it. Is that a fair reading?

**Mr. John McCarthy:** We had a bit of a discussion on this earlier with Deputy Cassells. The proportionate share of rates in the revenue funding of local authorities, certainly from 2014 to 2017, has actually come back slightly. It was 36% in 2014 and was 33% in 2017. In fact the actual quantum, if one looks at the revenue income from rates, has largely stayed static. According to the accounts the yield from rates would have been exactly €1.5 billion in 2014. In 2017, the figure had dropped to €1.476 billion.

**Deputy Catherine Murphy:** Is that coming from a growing sector?

**Mr. John McCarthy:** The view from our chief executive colleagues is that to the extent that certain local authorities may have seen their rates income increasing to an extent in the past number of years, it has been around buoyancy from economic activity as opposed to any significant increases in the rateable valuation.

**Deputy Catherine Murphy:** I thank Mr. McCarthy.

**Chairman:** I thank the Deputy. I have a few final questions myself.

Who funds the regional assemblies?

**Mr. John McCarthy:** They are funded primarily through the constituent local authorities rather than from the Department.

**Chairman:** I am looking at the document entitled "Overview of the work of Local Government Audit Service Year ended 31 December 2016". The public might not appreciate this document, which has 64 pages of outstanding material and analysis. Whoever did this work must be complimented.

**Mr. John McCarthy:** When I was responding to Deputy Connolly earlier, I was referring to the 2017 version of that document. We put a lot of store in that document because it represents to us in the Department-----

**Chairman:** We have to hand the 2016 document.

**Mr. John McCarthy:** The 2017 document is being finalised at present and it should be ready in the next few weeks. Once all of the audits are finished in October, it pulls them all together.

**Chairman:** I understand that the audits have to be done in October, including the motor tax



offices and the regional assemblies. When the Secretary General has the document, I ask him to forward it to the committee secretariat.

When I look at all the issues, the loans, the balances, the mortgages, the collection rates and everything, it shows the income, the capital income and expenditure. We can see that Sligo has a massive deficit, whereas the local authorities in Dublin and Cork have built up funds. It is great to see all this information.

When the Department comes to talk to the local authorities, does it deal specifically with the collection of rates, rents, and so on? I must say that the percentage collection is fairly good. If one finds that one local authority has the poorest percentage rate of rent collection, how does the Department deal with it?

**Mr. John McCarthy:** The Chairman mentioned rates, so I will take that as an example and mention one of the things we did in 2016. In overall terms, the rates collection level was starting to come back up. That was good but there was quite a variation between the best and the worst. This is a reflection of how we do it generally in that we have an engagement with the sector and say-----

**Chairman:** When Mr. McCarthy refers to the “sector”, to what is he referring?

**Mr. John McCarthy:** I mean the 31 local authorities.

**Chairman:** Does the Department call up the finance officers? Will Mr. McCarthy explain what he means?

**Mr. John McCarthy:** It would be through the CCMA, at chief executive level or at a more granular level, there are sub-committees on housing. Mr. Conn Murray is the chairperson of the CCMA housing sub-committee and there is a sub-committee on finance as well. We engaged with the local authorities to try to get improved performance across each of the 31 local authorities, rather than separating them into the category of being very good and the category of not so good. We sat down and collectively worked through a target for increased rates collection across the local government sector. In the first two years of that exercise, the target was exceeded. This is a practical demonstration of where we used some of the information that was pulled together in the overview report to follow up with the sector on a number of issues.

**Chairman:** Based on the most recent report, what is the issue of most significance that the Secretary General wants local authorities to address this year?

**Mr. John McCarthy:** I have not seen the 2017 report,-----

**Chairman:** No, but the Secretary General must have a-----

**Mr. John McCarthy:** -----but one of the issues that needs to be-----

**Chairman:** What is next on the list?

**Mr. John McCarthy:** The never-ending list. One issue is that of local authority land debt. We made a number of interventions in that space in 2009 and 2010 to assist local authorities. Subsequently, we no longer had the resources to do that. We are now back in that space. As the social housing programme is building up, we are finding a vehicle to address some of those issues. In a number of local authorities, a significant land debt still remains. We need to work with them on finding ways to look beyond just using those lands for housing, for example, using

some of the other funds like the urban regeneration fund to pull together a pool of resources that can unlock those lands and deal with the debt issue.

**Chairman:** I take it that the Department has a list of landbanks owned by local authorities.

**Mr. John McCarthy:** Yes. They are all-----

**Chairman:** It is often asked why the State is not building on them. Are they all suitable for houses? Are some unsuitable?

**Mr. John McCarthy:** Seventy-one sites were taken into the land aggregation scheme.

**Chairman:** Where are they now?

**Mr. John McCarthy:** At this stage, there is-----

**Mr. Seamus McCarthy:** They are gone to the Housing Agency.

**Mr. John McCarthy:** I am sorry. I thought the Chairman meant where they were in terms of development.

**Chairman:** Both. That is the first answer, now for the next.

**Mr. John McCarthy:** At this stage, approximately 25 of those sites are in the social housing construction programme. An exercise of engagement with the AHB sector was completed in recent weeks and, from memory, a further 17 or 18 sites are about to move into the social housing programme. Everyone accepts that some of the lands were bought with an eye to the longer term. Those will not come into development for the next five years but may do so afterwards. We have all the local authority lands for residential development mapped on the Rebuilding Ireland website, so we can see where they all are. We have a good picture on the extent to which some local authorities have landbanks for immediate and longer term development versus those that may have certain land issues in areas. That forms part of the factors influencing some local authorities to take advantage of turnkey opportunities in areas where they do not have land.

**Chairman:** How many landbanks did not go into the land aggregation scheme or the sustainable communities scheme of years ago? Relatively speaking, did half or a third of them go into the scheme? The Secretary General must have an indication of the hectareage involved.

**Mr. John McCarthy:** I can give the Chairman the figure in-----

**Chairman:** The Secretary General can send it on to us.

**Mr. John McCarthy:** Yes, as the question needs to be considered in terms of acreage and the associated land debt. The latter shows how much of the debt was taken into the scheme versus how much remains.

**Chairman:** The Secretary General can send that information to the committee in due course.

I have already praised the excellent report. It raises a further issue, that of the 180 entities. I assume that these are various local authority companies undertaking local activities.

**Mr. John McCarthy:** Yes.

**Chairman:** Has the Department concerns in that regard? Is the Department aware of any major problem with their governance, directors, loan term agreements, accumulated losses in-

curred or going concern qualifications?

**Mr. John McCarthy:** We have worked with the Local Government Audit Service, LGAS, on ensuring that, from a materiality point of view, there will be a reflection of those matters in the annual financial statements. Perhaps my colleagues will provide a reflection of what that might translate into in practical terms.

**Chairman:** They are to be mentioned specifically in a certain note in the local authorities' accounts.

**Mr. John McCarthy:** Yes. That gives us greater visibility of the situation. Many of those companies are small and single purpose and have no issues attaching to them.

**Chairman:** Local heritage or something like that. I understand the nature of them.

I wish to address the reason the Secretary General is before us, that being, Vote 34 and the financial statement. I will ask a few straightforward questions about the Department's accounts as I go through this document. In the year under review, the Department did not go through the proper procurement process in respect of €145,000 for temporary security measures around the hoarding erected at the Custom House. I could understand there being temporary measures for the first few weeks or months where the OPW had erected something because it was doing a job, but that is a large figure. Was the Department unable to go through a tendering process? I am on the bottom of page 4 of the appropriation accounts. Why is the figure so high? I can understand temporary security being required for a week or three, but why did that figure grow so large?

**Mr. John McCarthy:** There was an understanding that we were tapping into a contract that the OPW had with the firm in question. As it transpired afterwards, however, we could not tap into that contract. As such, the situation needed to be regularised after the event. It has since been regularised along with two other cases that are referred to in-----

**Chairman:** I see the other figures. That is the largest one.

**Mr. John McCarthy:** I spoke to Deputy Connolly about them.

**Chairman:** I will move on to major capital commitments on page 14. How did the Priory Hall refurbishment work out? At the end of 2016, the Department expected that would cost it approximately €20 million. At the end of 2017, the cost had grown to €48 million. What is the final or current position?

**Mr. John McCarthy:** My housing colleagues are with me. Priory Hall was done in a number of phases. Blocks 1 to 8 were done initially and we then moved on to the remaining blocks. That accounted for a significant part of the difference between the two figures. The earlier phase of Priory Hall was a difficult one, with a great deal of learning around fire safety, pyrite and other issues. It was useful learning, though. When it came to phase 2, and going by memory, the unit cost was quite a bit lower.

**Chairman:** The information on page 14 relates to the end of 2017 and is 14 months old. Will the Secretary General send us a note updating the committee on each of these projects, especially the newer ones at Cherry Orchard in Ballyfermot, St. Aidan's in Brookfield, Tallaght, and Ballyboden in Rathfarnham?

**Mr. John McCarthy:** Yes.

**Chairman:** The 2017 figures are large. The Secretary General's update might set out the projects' status, estimated cost and, briefly, what was involved. The estimated cost of these projects added up to approximately €155 million at the time. I am sure it grew to much more. The Secretary General does not need to find the information now.

**Mr. Seamus McCarthy:** The Department has to do it by the end of March in respect of 2018 anyway.

**Chairman:** It will be an audit.

**Mr. Seamus McCarthy:** Yes.

**Deputy Alan Farrell:** I do not believe the Secretary General heard the Chairman.

**Mr. John McCarthy:** I am sorry. The Chairman is asking about the 2018 accounts but I was looking at the 2014 accounts.

**Chairman:** The Department will have put together its up-to-date accounts in recent weeks and will be sending them in soon. Prior to all that, I would like the up-to-date assessment of how these projects stand and a summary note. Local people might know what the Ballyboden project might be, but others might not. The committee members would not know what each project entails. The Secretary General can provide us with an update as well as a paragraph describing the projects. What we have here are just the figures.

**Mr. John McCarthy:** They are the major capital commitments. What the committee is seeing in the 2018 accounts, it will seem more of in 2019.

**Chairman:** These are the 2017 accounts.

**Mr. John McCarthy:** I am sorry. The point I am trying to make is that, as the social housing programme ramps up, the number of projects costing more than €10 million will increase and, therefore, will fall to be-----

**Chairman:** This figure will grow larger.

**Mr. John McCarthy:** Exactly.

**Chairman:** The Secretary General can provide us with an update on the projects included in the 2017 accounts. We will get to the projects falling in 2018 in due course.

**Mr. John McCarthy:** Indeed.

**Chairman:** On the next page, will the Secretary General provide a note updating us on the regeneration project at Dolphin House in Dublin 8?

**Mr. John McCarthy:** Okay.

**Chairman:** The figure seems high. I will not ask for all the infrastructure projects in Cork city, but could Mr. McCarthy tell me generally what infrastructural projects had a net cost of €72 million?

**Mr. John McCarthy:** Those are projects that are being funded under the local infrastructure housing activation fund, LIHAF. They are pieces of infrastructure to open up lands for private housing.

**Chairman:** The Donabate distributor road in Fingal, for example, has a figure of-----

**Mr. John McCarthy:** It is going very well. I was out there.

**Chairman:** It is a good progress report. That is important. That is the reason I mention that. That is progressing. That is fine.

**Deputy Alan Farrell:** I thought it was to finish, allegedly, on budget.

**Chairman:** Mr. McCarthy might give us a note seeing as Deputy Farrell is present.

**Deputy Alan Farrell:** I hope that is the case.

**Mr. John McCarthy:** From memory, I think the actual tender cost that came in on that one was slightly less than the approved budget.

**Deputy Alan Farrell:** Yes, that is correct.

**Chairman:** I will move on to the infrastructure fund, which is note A9 on page 18. The estimated provision is for €50 million and only €1.6 million has been spent. I know Mr. McCarthy said it takes time. It is stated that it refers to alleviating critical infrastructure blockages and to accelerate the delivery of housing in key areas. Mr. McCarthy had estimated €50 million, which is grand. Could he give us an update on that as it is a year on? From recollection, it is a big amount and he must have some indication about the situation. He can come back to us with the information.

**Mr. John McCarthy:** The issue that arose in 2017 in relation to the LIHAF scheme is that we insisted that local authorities would enter into written agreements with developers in terms of what would be delivered for the public investment that was taking place, and that did take considerably longer than we expected and longer than we liked, but it was an important part of ensuring that we will get the outcomes that we want.

At this stage, under the scheme, one project has been completed and four commenced construction last year, including the one to which Deputy Farrell referred. Another seven to eight projects will probably be started by the middle of the year and the balance will come through and will most likely get under way in the second half of the year.

**Chairman:** The easiest thing would be for Mr. McCarthy to send us a note. He can send it to the secretariat.

**Deputy Alan Farrell:** When responding to the committee on LIHAF, Mr. McCarthy might give us an indication of how many projects that have gone out to tender have been awarded that are in or around or less than what was expected? That would be helpful in terms of looking at that spending stream in the future because, no doubt, it will expand in the years to come.

**Chairman:** Finally, I come to page 22 of the appropriation accounts. Under the heading, the Office of the Planning Regulator, there is an estimated figure of €450,000 but nothing happened. What is the purpose of that regulator and is the office up and running?

**Mr. John McCarthy:** The reason there was no spend is because the legislation underpinning it only concluded in the Houses in the middle of 2018.

**Chairman:** So nothing happened in 2018 either.



**Mr. John McCarthy:** What happened afterwards in 2018 is that a lot of the preparatory work was undertaken and a recruitment process was carried out to select the new regulator. That person has been selected and I expect that the office will formally be established over the next four to five weeks.

**Chairman:** Is that in the coming weeks?

**Mr. John McCarthy:** Yes.

**Chairman:** Has the regulator's name been made public?

**Mr. John McCarthy:** It has indeed. It is the current chief planner in the Department, Mr. Niall Cussen.

**Chairman:** Right, okay. I did not know that. For people who are watching the Committee of Public Accounts - people do watch because we always get messages afterwards - could Mr. McCarthy explain to them the difference between this regulator and An Bord Pleanála? The public will not know the difference so perhaps Mr. McCarthy could tell us what the difference is.

**Mr. John McCarthy:** The primary role of An Bord Pleanála is to decide on individual planning appeals, or in some cases single consents, so, for example, large-scale housing developments of more than 100 units go directly to An Bord Pleanála, into a one-stage process, but it is very much focused on individual cases. The regulator that is now being established is a response to the Mahon tribunal and it is provide independence of oversight and advice to the Minister in relation to things like zoning decisions and whether the Minister should exercise his power of intervention in relation to development plans and related issues. It is very much at the more macro level rather than the micro level. An Bord Pleanála deals with individual projects and decides whether they should get planning permission.

**Chairman:** Has this role been carried out to some extent in-house in the Department up to now in terms of giving advice to the Minister?

**Mr. John McCarthy:** There would have been an element of that for sure, and some of that work will now move into the new office.

**Chairman:** Up to now it has all been done in the Department.

**Mr. John McCarthy:** Yes, it will be done in a more independent space.

**Chairman:** I am from Laois which is one of the first counties to have a ministerial order for our plan when the then Minister of State, Mr. Dick Roche, was in office. I am more than familiar with the process. Some of the names Mr. McCarthy just mentioned would have discussed the issue with the Minister. A formal structure is being put in place. Up to now the Department was doing it. A previous Oireachtas committee made recommendations. Ministerial direction hit local authorities out of the blue. Eventually, the matter was discussed in an Oireachtas committee. Subsequently, Mayo County Council was also subject to the process and the lack of consultation was highlighted. The process has improved now. The Minister outlines his intention and the local authority has an opportunity to respond. There is a bit more common sense involved.

**Mr. John McCarthy:** Yes, there is a bit more engagement.

**Chairman:** It may have just taken time to develop the legislation. The situation has improved.

My final question relates to planning policy. The estimated spend was approximately €500,000 and there is quite a bit of underspend. That was mainly due to the fact that anticipated expenditure to carry out the strategic environmental assessment of the wind energy development guidelines was not required in 2017. A lot of people are waiting for the guidelines. Are they finished? I hear they are imminent. This was for 2017, so obviously in 2016 it was expected that this would be done soon. Is that job done yet, or published?

**Mr. John McCarthy:** It is very close to the final version for publication. It is ready for the final round of consultation. Two things happened-----

**Chairman:** Is there another round of consultation after this?

**Mr. John McCarthy:** Yes. Just to take a step back-----

**Chairman:** Could Mr. McCarthy take me through the process, because I have heard this every year for the past four years, and the Ministers have been saying that every year for the past four years also. Where are we on it?

**Mr. John McCarthy:** One of the things that did happen was that it became apparent that strategic environmental assessment was required. They had to go through this process arising from a European Court of Justice, ECJ, judgment so that delayed the process.

**Chairman:** That is correct. How long was the delay?

**Mr. John McCarthy:** We are probably talking about the guts of a year. I will come to you on it, Chairman.

**Chairman:** I have a parliamentary question specifically on the issue in my office.

**Mr. John McCarthy:** It would have been an extensive enough process. The other piece that has delayed us of late is that new World Health Organization, WHO, guidelines have come out in relation to it which we want to factor into the final draft that goes for consultation. I expect that we will be putting a final draft out for consultation, subject to the Minister's approval, before Easter.

**Chairman:** That will go through a consultation process for a couple of months and then it will be reconsidered.

**Mr. John McCarthy:** The aim is that it will be finalised by mid-year.

**Chairman:** Does Mr. McCarthy hope to have the guidelines issued, subject to approval by mid-year?

**Mr. John McCarthy:** Yes.

**Chairman:** Could Mr. McCarthy send us a note on that because there are many people in various communities watching the proceedings and one of their main concerns about the guidelines not coming through is that the old policy, which was drafted a long time ago, is now the basis on which local authorities have to make a decision. When were the existing guidelines introduced?

**Mr. John McCarthy:** In 2006.

**Chairman:** Mr. McCarthy will understand the reason for concern. In 2006 a big wind turbine was 30 m high, now they are 186 m high. They bear zero relationship to turbines that have been going through the planning process in respect to the guidelines that local authorities are obliged to use. Somebody in the Department has not been fair to either the communities or the local authorities, expecting them to use guidelines for wind energy generation that are out of date given the advances in technology. I do not comment on what the guidelines will contain, for better or worse, but it will give some certainty to local authorities, those who are making applications and people who are opposed to developments. People need certainty. Could Mr. McCarthy send a detailed note on the timetable? When did the WHO guidelines come into play?

**Mr. John McCarthy:** It was only in the last couple of months.

**Ms Jackie Maguire:** Just before Christmas.

**Chairman:** That is a new issue I had not heard about previously. Is that in connection with noise?

**Ms Maria Graham:** The guidelines look at setback distance. There is a relationship between that and noise. The WHO guidelines have been updated regarding noise which is why the guidelines have had to be refreshed and looked at again.

**Chairman:** It did not deal with the flicker from the blades but noise.

**Ms Maria Graham:** No.

**Deputy Alan Farrell:** Will that cover building regulations for housing construction? Will that be factored in? The WHO guidelines relate to noise and are not specific to wind energy generation.

**Ms Maria Graham:** I am not sure about that but I have only been looking at it with regard to wind.

**Mr. John McCarthy:** I think they are specific to wind energy.

**Deputy Alan Farrell:** My apologies. I know there are WHO guidelines on general noise.

**Mr. John McCarthy:** There are, and they feed into noise plans that local authorities do on behalf of the Environmental Protection Agency, EPA, etc. I am pretty sure that these are specific to wind energy.

**Ms Maria Graham:** They specifically raise wind, which they had not previously.

**Deputy Alan Farrell:** I see. My apologies.

**Chairman:** I thank the witnesses for their time. Much of what was said is of interest to the public. Our job as the Committee of Public Accounts is not just to interrogate the figures but to help the public understanding of what goes on and to get information out. People who are interested in this area will have picked up information during the day. That is part of what we are doing here. I thank the two local authority chief executive officers representing the CCMA, Ms Jackie Maguire and Mr. Conn Murray. It is their first time before the committee and I am grateful that they attended. I thank Mr. John McCarthy and all the officials from his Department. It has been a long day. I thank the officials from the Office of the Comptroller and Auditor Gen-

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eral and the Department of Public Expenditure and Reform, which got off lightly enough today.

Our next public meeting is next Thursday, when we will meet officials from the Department of Public Expenditure and Reform and the Office of Government Procurement on the oversight and implementation of capital projects and the role of public officials on State boards.

*The witnesses withdrew.*

The committee adjourned at 5.25 p.m. until 9 a.m. on Thursday, 7 March 2019.