

# DÁIL ÉIREANN

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## AN ROGHCHOISTE UM THITHÍOCHT, PLEANÁIL AGUS RIALTAS ÁITIÚIL

### SELECT COMMITTEE ON HOUSING, PLANNING AND LOCAL GOVERNMENT

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*Dé Máirt, 27 Márta 2018*

*Tuesday, 27 March 2018*

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Tháinig an Roghchoiste le chéile ag 1.30 p.m.

The Select Committee met at 1.30 p.m.

Comhaltaí a bhí i láthair /Members present:

Teachtaí Dála /Deputies	
Pat Casey,	
Damien English (Minister of State at the Department of Housing, Planning and Local Government),	
Eoghan Murphy (Minister for Housing, Planning and Local Government),	
Fergus O'Dowd,	
Eoin Ó Broin,	
John Paul Phelan (Minister of State at the Department of Housing, Planning and Local Government).	

Teachta/Deputy Maria Bailey sa Chathaoir /in the Chair

## Estimates for Public Services 2018

### Vote 34 - Department of Housing, Planning and Local Government (Revised)

#### Vote 16 - Valuation Office (Revised)

#### Vote 23 - Property Registration Authority (Revised)

**Chairman:** At the request of the broadcasting and recording services, members are requested to ensure their mobile phones are turned off completely or switched to airplane, safe or flight mode, depending on their device, for the duration of the meeting. It is not sufficient to just put them on silent mode, as this will maintain interference with the broadcasting system. Apologies have been received from Deputy Coppinger.

No. 1 is consideration of the Revised Estimates for Vote 34 - Department of Housing, Planning and Local Government; Vote 16 - Valuation Office; and Vote 23 - Property Registration Authority. I welcome the Minister, Deputy Eoghan Murphy, the Ministers of State, Deputies Damien English and John Paul Phelan, and their officials. The Dáil ordered on 14 December 2017 that the Revised Estimates be referred to the committee for consideration. The purpose of the meeting is to consider the Revised Estimates and the provision of information regarding the outputs and impacts of programme expenditures. As previously agreed, we will begin with Vote 34 and then move to Votes 16 and 23. I will call the programmes and invite questions under each for Vote 34. Members will be called in the order in which they indicated.

I call the Minister to make his opening statement.

**Minister for Housing, Planning and Local Government (Deputy Eoghan Murphy):** I welcome the opportunity to discuss with the committee my Department's Revised Estimate for 2018, as well as the Votes for the Valuation Office and the Property Registration Authority, PRA, which, arising from a recent transfer of functions, are now also under the aegis of my Department. We have provided a briefing on the Department's funding for 2018, as well as other key information to assist in the work today,.

Turning first to Vote 34, the Revised Estimate sets out my Department's budget for 2018. Gross expenditure of €3.264 billion is budgeted for this year. This represents an increase of almost €1.2 billion or 55% on the provision in 2017. The gross provision for 2018 comprises €1.633 billion in current spending and €1.631 billion on the capital side. In addition, my Department's programmes will benefit in 2018 from resources of some €621 million that will be available from the Local Government Fund. While some Exchequer-neutral technical adjustments are being made between the Vote and the Local Government Fund in 2018, which I will return to later, even allowing for this, the Estimate represents a significant increase in resources for my Department. It indicates beyond doubt the priority that the Government attaches to my Department's programmes and, in particular, to supporting the initiatives set out in Rebuilding Ireland.

More than €1.8 billion is being made available in the Vote for housing programmes in 2018 – an increase of more than €500 million on the 2017 Estimate. In addition, local authorities will fund a range of housing services to the value of €92 million from surplus local property tax receipts, bringing the total housing provision to more than €1.9 billion - €778 million on the current side and €1.14 billion in capital funding. This investment will provide social housing supports for 25,500 households in 2018. More than €1 billion will support the delivery of almost 5,900 social homes through construction and acquisition. The balance of the funding will add further tenancies – and maintain existing ones - through the housing assistance payment, HAP, rental accommodation scheme, RAS, and long-term leasing. It will also fund other important housing supports and services relating to homelessness, regeneration, housing for Travellers, and programmes to upgrade existing housing, for example, energy efficiency improvements and adaptation grants. An allocation of €301 million - up €149 million on 2017 - is for the HAP, which will enable a further 17,000 households to be accommodated, as well as support the 32,000 existing active HAP tenancies. Funding of €134 million will support the operation of the RAS, including a further 600 new transfers from rent supplement.

With regard to services for homelessness, an allocation of €116 million, which is an increase of €18 million on the 2017 Estimate, will address the increased demand for emergency homeless services and assist in supporting homeless households to transition to long-term and sustainable housing solutions. In 2018, more than 3,000 exits from emergency accommodation are expected through the provision of social homes and tenancies under the housing assistance payment. The additional funding provided for 2018 will support the provision of a programme of scheduled services, expenditure on emergency accommodation and also the implementation of solutions to transition homeless households from hotel arrangements to more appropriate family hub accommodation.

The local infrastructure housing activation fund, LIHAF, will be supported by an allocation of €60 million in 2018. The fund will provide enabling infrastructure on key sites to open up lands for early development and has the potential to release the delivery of at least 20,000 new homes by 2021. At least 10%, or 2,000, of these new homes will be social housing through Part V, with additional social housing to be provided on certain State-owned sites. In addition, €15 million is being allocated in 2018 to provide infrastructure and services, for example, roads and paths, water connections and street lighting on local authority-owned sites in Dublin to facilitate the delivery of affordable housing to help households facing the greatest challenge with affordability and to create mixed tenure communities.

As the committee is aware, following the report of the Oireachtas Joint Committee on the Future Funding of Domestic Water Services and the enactment of the Water Services Act 2017, the costs of normal domestic water services fall to be met by the Exchequer. To improve the transparency of the new funding arrangements, the Government decided that from 2018 this funding is to be provided from the Vote of the Department rather than by a combination of current funding from the local government fund and capital contribution from the Minister for Finance. This is now reflected in the amount of €1.1 billion - €600 million on the current side and €500 million on the capital side - which is included this year in programme B of the Estimates for meeting Irish Water costs in respect of domestic water services and providing a capital contribution towards investment. The capital funding in 2018 is part of the overall funding of €8.5 billion earmarked in Project Ireland 2040, the national development plan, to continue to upgrade our national water infrastructure. The group water sector continues to be an important element of the water industry in Ireland. Reflecting this, a provision of €20 million was made in 2018 for capital spend under the rural water programme through which funding is provided

for group water schemes, an increase of over €2 million on the 2017 Estimate.

The new multi-annual approach to the programme which was introduced in 2016 provides enhanced funding certainty for priority investment needs in order to support the implementation of proper planning and sustainable development in rural areas, meet the requirements of the drinking water directive for rural water supplies and support the delivery of measures identified in river basin management plans to meet the objectives of the directive.

The local government fund, LGF, has in recent years been funded principally by motor taxation and local property tax, LPT, which is collected by the Revenue Commissioners. A payment has also been made to the fund from the Department's Vote. The main payments from the fund have been to local authorities, Irish Water, the Department of Transport, Tourism and Sport, as well as the Exchequer. In tandem with Irish Water funding moving from the LGF to the Vote in 2018, which I have already mentioned, we are now proceeding with other changes to the fund which aim to return it more fully to its original purpose of funding local authorities and to end circular flows of funds that had built up over the years. In particular, from this year, motor tax receipts will go directly to the Exchequer; payments in respect of road and public transport infrastructure, previously met from the LGF, will now be met from the Vote of the Department of Transport, Tourism and Sport; and there will be no further requirement for a payment from the LGF to the Exchequer. In 2018, after these changes, the position is that the income sources into the fund are estimated to be LPT of €470 million and a payment from the Exchequer of €124.8 million. My Department will make payments estimated at €620.7 million from the fund in 2018, including LPT payments to local authorities of €504 million.

LPT continues to provide a sustainable, stable, alternative source of funding for the local government sector. The 2018 LPT allocations to local authorities are broadly based on the same mechanism and principles as were agreed by Government in previous years, with 80% local retention to fund the delivery of public services and the remaining 20% being redistributed to provide top-up funding to local authorities that have lower property tax bases due to variances in property values and density across the State.

With regard to other programmes, in planning, €10 million in capital funding is being provided as the start of a multi-annual urban renewal fund amounting to €60 million in total. The fund will be directed to local authority-led projects to regenerate and revitalise urban areas. From 2019, Project Ireland 2040, the national development plan, will see greatly intensified action to transform our cities and towns through the new €2 billion urban regeneration and development fund aimed at achieving sustainable growth in these areas. Further areas of expenditure set out in the 2018 Estimate include meeting the costs of An Bord Pleanála at €17.2 million and Met Éireann at €20.9 million.

In 2017, the Government decided to assign to my Department responsibility for Ordnance Survey Ireland, the Valuation Office and the Property Registration Authority. A provision of €15.6 million is made in Vote 34 for Ordnance Survey Ireland, while the other two organisations have separate Votes amounting to €11.6 million for the Valuation Office and €29.3 million for the Property Registration Authority. These bodies are to merge to form Tailte Éireann and work is under way in my Department on this important project.

I have kept my remarks as brief as possible and focused on some, but by no means all, spending areas in order to allow for full discussion on the programmes of funding of my Department and related organisations this hear. I will be happy, along with the Ministers of State, to deal with matters members wish to raise.

**Chairman:** I thank the Minister.

**Deputy Eoin Ó Broin:** Should we proceed Vote by Vote?

**Chairman:** We will start with programme A, housing. I ask Deputies to mention the relevant subhead, if required. We will take the last three programmes, B, C and D, together and then the two Votes separately at the end.

**Deputy Eoin Ó Broin:** I thank the Minister for the presentation. The second page of the housing Vote contains a long table showing key outputs and public service activities. I seek clarity on it. I am clear on the first three rows. There are then three rows as follows: total number of social housing units to secure through social housing capital programmes; to secure through all build programmes; and to secure through local authority build programmes. Will the Minister explain the differences?

**Deputy Eoghan Murphy:** I want to get to it right. Which table is it?

**Deputy Eoin Ó Broin:** It is on the second page of the housing Vote. It is the fourth table outlining key outputs and public service activities. It is the long one. I have no query about the first three rows. Will the Minister explain the differences between the next three rows?

There is a target of 560 voids in 2018. That brings us back to the thorny subject of when a void is really a void and just an expensive standard re-let. My understanding was that the long-term voids were finished. Therefore, I am even more suspicious that the 560 voids are properties that have tenants and due to be re-let but the cost of turning them over is significantly higher than would normally be the case. Therefore, they are not long-term voids but just expensive re-lets. From where does the figure come?

My next query is about public private partnerships and enhanced leasing. Obviously, the Department has targets for current expenditure on social housing. Its ability to meet these targets will depend on the cost of the units. We know roughly the cost of the units delivered, for example, under the heading of standard leasing. I have a concern about public private partnerships. Do we know what the public service benchmarking exercise is? Do we know what the cost of the units will be over the lifecycle? Can the Minister give us any additional information at this point?

On enhanced leasing, on the basis of the limited information contained in the Minister of State's press release in January, it seems to be incredibly expensive. There is a really good deal, for example, on the percentage of market rent achieved. One does not have to cover the cost of maintenance; that falls on the local authority or an approved housing body. What is the difference in cost between an enhanced leasing unit, for example, and a standard leasing unit? Does it have a potential impact on the ability to deliver the targets included in the report?

I will come back to the issue of water services when we have dealt with housing, if that is okay.

**Deputy Eoghan Murphy:** The Deputy mentioned the target of 560 voids. The number is diminishing every year. The voids which are essentially council house vacancies are the low-hanging fruit which have been targeted by the Department for a number of years to bring them back into use as social housing stock. We are not talking about casual vacancies when we talk about voids. While previously properties had to be in the system for a length of time to be classified as long-term voids, that was removed to take away any potential to have an incentive to

keep properties as voids to avail of funding. We are talking about properties that potentially would be long-term voids if this funding was not spent to bring them back into use. It is a significant amount of funding. When we talk about a potential sum of €30,000 being spent, it is not a small amount compared with the amount allowed for under the repair and lease scheme, for example. These are properties that would be vacant if the money was not spent and so are part of the voids programme. To ensure there was no doubt about what we were doing, I took the number of voids out of the build target when we started to publish data in order that people would be clear that we were not counting them as builds. We should be clear that the number has been diminishing every year. As we get to the end of the programme, we are, I think, talking about 130 voids, but it might not even be that figure, depending on how much progress we can make with the properties in the coming few years.

Potentially enhanced leasing is very positive for the State. We are talking about the ability to leverage private finance to provide social housing, taking all of the risk on the build side that the State would not have to take. Significantly, and as reflected in the market rent that is acquired, private finance also takes on all of the liability costs for the buildings over the course of the 25 years, which is a longer-term lease than we have had previously. This takes into account maintenance fees, service charges and all of those things that a local authority might have had to pay under a different lease agreement. The private body will have to expend a significant amount of money over the lifetime of the lease agreement, which represents a considerable saving to the State. This is the reason for the 92% discount.

It is important to recognise that potential rent increases will arise every three years under the scheme and be linked to the harmonised indices of consumer prices, HICP. There is also a process under which any disagreement or difficulty that arises will be clarified. The enhanced leasing arrangement, which is coming to a finalisation point with expressions of interest, will represent a gain to the State in terms of the potential new properties that we will be able to leverage.

A question was asked about the fourth table and the second set of three rows. The first figure of 5,869 comprises 4,409 builds, 560 voids and 900 acquisitions. The second figure of 4,969 just underneath that comprises builds and voids and does not include acquisitions. The 3,209 figure relates to local authority builds and includes regeneration, voids and Part V housing. That is how the figures have been separated and explains the difference between the figures in the second set of three rows regarding the 2018 target.

**Deputy Eoin Ó Broin:** In terms of voids, the problem with the way the figures are being presented - I was one of those who asked for that figure to be removed, so I welcome that the Minister did that - is that, when the voids programme was originally introduced, it was concerned with bringing units that were effectively not part of the housing stock back into it. Regardless of whether they were included in the build figure, they were to be counted as additions to the stock, and so they should have been. If a property is vacant for six, 12 or 18 months or two years and is then refurbished, it should be considered as an addition to the stock. However, if a property that is only ten or 13 weeks between tenants costs €40,000 or €50,000 to do up, it cannot be counted as new to the stock. I made a freedom of information request to South Dublin County Council regarding its void programme last year. According to the council, the average length of time for voids to be returned under the long-term voids programme, as I call it, was 10.29 weeks.

I accept the Minister's comments about not wanting to disincentivise people or give them a perverse incentive to leave the properties vacant for longer in order to avail of funding, but we

must separate the two types of property. First is a property that is long-term void - it has not had a tenant within a reasonable period - and is effectively a new unit in the stock. Second, an expensive relet cannot be counted as a new unit, especially if it had someone in it ten, 12 or 18 weeks ago. These two types must be counted differently and the latter should be removed from the new unit figures, as they are just expensive relets. Of the 560 voids being targeted this year, I imagine that the overwhelming majority are expensive relets. They are above the €30,000 level, but they probably had tenants at some stage this year or at the end of last year. There is a genuine problem in how the Department is counting them.

Regarding the enhanced leasing scheme, I want to be clear, as I may have misunderstood the Minister's press release. My understanding is that the cost of the day-to-day maintenance of the property will rest with the approved housing body, AHB, or local authority and the cost of the structural maintenance of the property will rest elsewhere. If I am wrong, the Minister might clarify the situation. Is he saying that he has run numbers on this and that, over the 25 years, these units will be less expensive or more expensive to the State? The major difference is that, with standard leasing from AHBs, the AHBs own the units at the end of the 25 years. With this scheme, there is a 25-year lease but, if a social housing family is still in the property at the end of that time, the AHB sector will not own the unit. If the family wants to remain, there would have to be a new lease. Therefore, the cost to the taxpayer over the lifetime of the tenancy will be substantially more than under standard leasing from AHBs, which is essentially leasing to buy. Has the Minister numbers on the cost comparison between the two types of leasing within and post the 25 years?

The other point I want to make is not one for the Minister but for his colleague in finance. There is a real concern that the requirement to bring 100% capital funding to this excludes the approved housing bodies. They will not be able to buy into this. Many of the alternative investment funds that are likely to invest in this will pay substantially lower levels of tax because of their tax status. Other than the dividend withholding tax, they will pay very little tax at all on their rent roll. This means there will be an additional loss to the State. That is not a question for the Minister. I am making a point about the tax status of the vehicles that will be investing in this. Questions need to be asked about the additional benefits of this deal for those vehicles. Is the taxpayer really getting a good deal at the end of it?

**Deputy Eoghan Murphy:** When we talk about voids, we are talking about bringing social housing stocks brought back into use from dereliction. When we talk about 2:1s, we are talking about former bedsits being brought back as single-unit accommodation. Essentially, there are three different streams under the voids programme. We are not talking about what the Deputy has described as "expensive re-lets". In some cases, there is a risk that a unit will be vacant for a considerable period of time if significant investment is not made by the council, which is something that can happen just once under this particular programme.

**Deputy Eoin Ó Broin:** I do not want to cut across the Minister, but he is talking about expensive re-lets. A property that has been tenanted by the same family for 40 years or more may have had very little work done on it over its lifecycle. The cost of re-letting such a property is expensive because of the need for rewiring, reinsulation, new windows and new kitchens, etc. It costs way more. That work can be done within ten weeks under this programme, which has a high rate of finance. This kind of property is essentially being counted in the Minister's figures as an addition to the stock even though it was tenanted ten or 14 weeks earlier.

**Deputy Eoghan Murphy:** If the funding had not been put in place, it would have fallen out of the stock. It would not be there. The point of the funding is to prevent that.

**Deputy Eoin Ó Broin:** That is what I am saying. I get that.

**Deputy Eoghan Murphy:** It is a good thing that it is happening in ten weeks because if we had not provided the funding, it might not have happened at all.

**Deputy Eoin Ó Broin:** When the voids programme was first announced, it was about long-term vacant properties in the first instance. I am not challenging what the Minister is doing, but I am saying I think this needs to be spelled out very clearly in the figures so that people are absolutely clear on whether something is an expensive re-let, rather than a 2:1 or a property that has been brought back into use after being derelict for a long time. There are fundamental differences between the categories. I would challenge the appropriateness of counting as a new unit something which had a tenant in it a couple of months previously and may or may not have fallen out of stock if this additional funding had not been made available.

**Deputy Eoghan Murphy:** We are not counting such properties as new units. That is why we have separated voids out of the build target. We are counting them as voids that have been brought back into use but which would not be in use if this programme had not been put in place.

**Deputy Eoin Ó Broin:** They are added into the overall target, however.

**Deputy Eoghan Murphy:** If we did not bring them back into use, they would not be there for social housing stock. We have to do that. It is relevant to tell people that these properties would be vacant if we had not spent money to put them into use.

**Deputy Eoin Ó Broin:** Will the Minister give the committee the figures for last year and this year? I think it would be more transparent if the Minister were to break the voids down so that we know which categories they fall into.

**Deputy Eoghan Murphy:** Yes. I can certainly provide figures to the committee setting out how many 2:1s and derelict properties we are working on over the programme. It is important to note that as we work through this programme, the number of voids that have the potential to be brought back into use will decrease every year. The Department is moving towards more active management of stock through a programme that focuses on casual vacancies that require a bit of funding to ensure they can be retenanted as quickly as possible. This programme, which is separate from the voids programme, involves making investments proactively to ensure these properties do not become long-term voids. It recognises that many of the properties in question were long-term voids before they were brought back into the system. That is how the money is being spent.

The Deputy also asked about enhanced leasing and maintenance. The 92% reduced rate of rent is higher than the traditional lease, which was approximately 80%. The local authority was maintaining all the responsibility for day-to-day maintenance as well, but that is not the case under the new enhanced leasing arrangements.

**Deputy Eoin Ó Broin:** Okay.

**Deputy Eoghan Murphy:** This change is a significant benefit to the State. It is important to note it has been decided that in order to keep them off the balance sheet, these properties will not come into public ownership at the end of the 25-year period. Indeed, the State will not have the first option on them. This is important because it will allow us to leverage even greater potential to secure more housing through this stream without having a negative impact on our



ability to spend money in other areas of housing or the public good. As we get towards the end of the 25-year lease agreement, we will have to manage tenancies actively to make sure no one is exposed in a way that means he or she has nowhere to live. However, it is also important to note that over the 25 year period people's housing needs will have changed. The original needs of that tenancy will have changed in the 25 year period. The exact needs of the tenant in 25 years time are not set in stone on day one. Some work will be done of course in advance to ensure that the tenancy can be managed. Perhaps the arrangement will be rolled over. It is not for certain that the stock will necessarily be taken back into private ownership or sold off. Even if it were sold off, it is not certain who the buyer might be; it could be an approved housing body or someone else. That will depend and it will be managed closer to the end of the lease term.

Reference was made to cost comparisons for the different lease agreements. Considerable work was done between ourselves and the Departments of Finance and Public Expenditure and Reform to ensure that we were bringing in to existence a new stream of delivery that would ensure value for money for the State. It is important that this is done. Sometimes, it is difficult to make direct cost comparisons. Risk in this instance will be carried almost exclusively by the private side. This includes risk for the build, maintenance, day-to-day management and potential vacancy if the units are empty or not re-let at a given time. In those circumstances, the investors will not get their lease payments or the payments will cease. The fact is that they are tied into what will not be a free hand in terms of rent rises. That will be linked on a three year basis to the harmonised index of consumer prices. All these factors make it difficult to carry out a direct cost comparison with the traditional lease agreement that we have had with local authorities playing the management role at an 80% discount.

We have done considerable work with the Department of Public Expenditure and Reform and the Department of Finance to ensure that we are getting value for money for the taxpayer. This is an important new stream of housebuilding and homes for social housing.

**Deputy Eoin Ó Broin:** If the Minister cannot make comparisons, how can he establish value for money? What determines value for money in this scheme versus the other schemes?

I will go back to the first question I asked about the public private partnerships. I realise there is some difficulty with them. My understanding is that a public service benchmarking exercise has been carried out. I gather it is held under lock and key in order that no politician can look at it bar, I presume, the Minister and the Department. It is used to make a comparison for the successful tenders.

There is meant to be some mechanism to determine if the cost of the public private partnership consortium over the 25 years is around or less than the cost to the State of delivering the same service. Can the Minister give us any information on that? Is there a similar exercise? How can the Minister refer to value for money for enhanced leasing? What is the Minister measuring it against?

**Deputy Eoghan Murphy:** There are four value for money tests for public private partnerships and the associated benchmarks that are applied as the PPP projects are progressed, including a parallel public sector benchmark. The tests set out to see whether the project could be delivered more cheaply through traditional means. All these benchmarks and value for money measures will be made public after the contracts are awarded.

A significant amount of work has been done with the enhanced lease agreement by the National Development Finance Agency. When we go into the final lease agreement with the

people who are successful with the expression of interests, we will then carry out another value for money exercise to ensure that it all stacks up and amounts to another delivery stream that brings value for money to the taxpayer in addition to the more traditional streams. That work will be done when we go into the final agreement. The NDFA has done the pre-proofing, as it were, of the fundamental principles behind the scheme and how it will operate.

**Deputy Eoin Ó Broin:** What is the benchmark against which the those involved judge whether the projects are value for money or otherwise?

**Deputy Eoghan Murphy:** Does the question relate to the actual criteria?

**Deputy Eoin Ó Broin:** What is the mechanism to make the assessment?

**Deputy Eoghan Murphy:** They will look at the lifecycle cost of the building over time.

**Deputy Eoin Ó Broin:** What will they compare it to? With PPPs the costs are compared to the benchmarking exercise. How will it work with enhanced leasing? Is there a comparable measure?

**Deputy Eoghan Murphy:** I do not know what they are comparing it to when they do it, but obviously they are looking at the lifecycle costs of the building, the potential maintenance costs, any investment that is required and the liability that will fall on their side at the end because they will own the stock.

**Deputy Eoin Ó Broin:** I am sorry to press the Minister on this point. The Minister is saying that it will represent value for money. Yet, he is saying that he does not know what they compare it against to make that judgment.

**Deputy Eoghan Murphy:** I think in the first instance they will compare it against traditional leasing arrangements, in other words, the lease arrangements that we have-----

**Deputy Eoin Ó Broin:** The Minister is saying there will be a comparison of some kind. Is that correct?

**Deputy Eoghan Murphy:** Of course. Whenever a value for money review of a project is done, it must be judged against what we have been doing traditionally to ensure the stream is delivering something with as much value for money, or something the same ball park, as traditional schemes. Otherwise, why introduce a scheme? That is what they will do.

**Deputy Eoin Ó Broin:** Will that be published in the same way as the public service benchmarking will be published post the awarding of the PPP contract in order that we can assess it for ourselves?

**Deputy Eoghan Murphy:** Absolutely, but with all the usual caveats around certain commercial sensitivities. Certain parts of the document might have to be blacked out from public consumption.

**Deputy Pat Casey:** I thank the Minister for his presentation earlier. I have to agree. We have had the argument on the voids so I will not go back over all of that again. There is general disagreement on that. I fully agree with the remarks on the description of re-letting of a property. There will be a percentage of those every year. In every county a case like that arises, where an elderly couple die who have lived in the same property for 40 years, and it will cost over €30,000 to bring the property back into use. That does not add to the stock of local prop-

erty houses. We may have to look at voids and find a better way to describe them.

The Minister said that 3,200 social housing units were to be delivered in 2017, made up of 2,350 from local authorities and 850 from approved housing bodies. The only figures available to us are from quarter three. Quarter four figures are still-----

**Deputy Eoghan Murphy:** The Deputy is referring to the construction status report.

**Deputy Pat Casey:** That report is still not available to us. I am trying to remember what the figures were at that time. I believe there were just over 1,000 units mentioned in quarter three. Is the Minister confident that he will make up the 2,000 shortfall in the last quarter? They are not available to us so we cannot-----

**Deputy Eoghan Murphy:** To clarify, the construction status report from quarter three of 2017 mentioned that more than 3,000 homes were on-site at the time, with a further 1,000 plus units coming on-site in the coming weeks. The quarter four construction report is imminent; we will have it very soon. It points to the fact that there was a significant stream of delivery actually coming on-site for local authority and approved housing bodies. We will have the quarter four report-----

**Deputy Pat Casey:** Is the Minister confident that figure will be reached?

**Deputy Eoghan Murphy:** I am confident.

**Deputy Pat Casey:** On the builds for next year, the target for which is 5,869, the Minister has already indicated that 900 will be purchased from the open market. The Minister said after the budget last year that he realised that the State buying from the market was having an influence and that he did not see that as a sustainable move going forward. However, the proposal to buy 900 houses this year is still in place. Some 560 of those were voids. That leaves us with a figure of 4,489. Can the Minister provide a breakdown as to what that figure consists of? I am talking about direct builds by local authorities and approved housing bodies. Does this form part of the Part V housing allocation?

The Minister said that he would look at new ways of funding social housing delivery. Does he have any update on that?

I want to acknowledge the work that is being done on homelessness. The Minister has said that some 4,000 people have exited homelessness this year, and I acknowledge that. However, they have been replaced by another 4,000. The only month we have seen a reduction in homeless figures was December. For the rest of the year there has been a continual increase in the number of homeless people. We are still using hotels, despite the fact that the previous Minister had said that he hoped that practice would end by July. However, 700 families are still living in them. How are we going to get on top of this ongoing problem? We are not getting on top of it. What action can be taken? It seems to escalate on an annual basis.

**Deputy Eoghan Murphy:** I thank the Deputy for his questions. An important policy change on acquisitions was announced at the first housing summit in September. I did not believe that local authorities should compete in high-demand areas with young couples and people trying to buy homes because it was pushing up the prices of houses and was not contributing to our stock of social housing. As a result we made a policy decision to move a significant amount of that funding towards direct build by local authorities and housing bodies. That meant that there would be a 30% increase this year in the number of units directly built by local

authorities, which amounts to a figure of around 800 new homes. I did not cease the practice of acquisitions completely, because in certain parts of the country that are not high-demand local authorities can get considerable value for money by buying those properties from the market. It is quicker and cheaper to do. In places such as Donegal and Roscommon local authorities are continuing to acquire homes. For this year we are looking at a total of 7,900 new social housing homes, through builds, acquisitions and leasing agreements. Some 900 of those will be acquired, but a significant amount more than that will be directly built. The policy changed, but it did not change for low-demand areas where acquisitions make sense. That is a judgement call for the local authority.

On the build breakdown for 2018, the figure that we have for local authorities and housing bodies is roughly around 3,800. That breaks down into 2,300 from the local authorities side and 1,500 from the approved housing bodies in terms of direct builds. Approximately 600 come into the build figure under Part V. In addition, we have the 900 acquisitions to which we referred and the leasing agreements add another 2,000. That is the 7,900 figure broken down by the different build types and Part Vs. I did not mention the voids, which number 560.

The enhanced leasing agreement is a new delivery stream we have been signalling, which is now almost coming to completion thanks to the good work of the Minister of State, Deputy English, and his officials in getting it ready to go out to an expression of interest and finalising those agreements once we get into April. We are also progressing, with the European Investment Bank, EIB, the potential for a new stream of delivery for affordable housing. That is ongoing. I was in Luxembourg last month and we are having detailed discussions on a weekly basis with officials from the EIB to see if we can start to have more affordable housing at a greater scale. This is in line with the announcements I made in January, particularly the cost-rental side of those announcements.

With regard to homelessness, the Deputy is absolutely right to say the problem is escalating in certain ways when one looks at the numbers. I know the Deputy recognises that a huge amount of work has been done. We recently saw with Storm Emma the dedication of officials in my Department, local authorities, the Dublin Region Homeless Executive and the NGO sector to help people who were on the frontline of this, people who were sleeping rough, to get them into secure accommodation. Our responsibility is now to get them into sustainable accommodation. We still have a very high number of families in hotels. We moved a significant number of families out of hotels last year but families continue to present. Until we have more family hubs built - we have a rapid hub programme under development - families will have to be looked after in hotels, recognising that it is not an adequate first response. We are moving quickly to a situation where there will be more than enough rapid hub spaces in place for families to be accommodated as a first response before we get them into more secure tenancies. On the number of exits, we are doing work at the moment which I had hoped to publish before now but I will try to publish it later today or tomorrow. It addresses the number of exits that were achieved last year as well as information on more recent homeless statistics. We will put them into the public domain as quickly as we can.

**Deputy Pat Casey:** I forgot to mention with regard to the housing assistance payment, HAP, that there is an increase of €200 million in the current expenditure programme. I know we sometimes question the value of money put into HAP. Equally, we saw landlords jumping on the bandwagon because HAP will give them a greater monthly rental than they currently achieve. We all need a percentage of HAP but there is a huge over-reliance on HAP at the moment and it is just throwing good money after bad money. When will we see the pendulum

swing away from HAP and towards more long-term delivery? It is a short-term measure where we need a long-term solution. It is just a loss of good money after bad money.

**Deputy Eoghan Murphy:** It is a short-term measure in some respects but it is not necessarily a bad measure. Many people like the options that HAP gives them. They prefer to remain in the private rental sector, are happy to have the State support to be able to do that and their housing needs are being met. When one looks at the funding that is being provided this year, we have effectively doubled the budget for HAP for this year. That approximately €300 million will allow us to maintain approximately 32,000 people who are currently in HAP homes and bring approximately another 17,000 people into HAP. That is just under 50,000 people, for €300 million, who are being accommodated in perfectly good private rented accommodation. Some €300 million would not get that many homes built and we obviously would not get them tomorrow. With regard to our reliance on HAP, with Rebuilding Ireland concluding in 2021, over the course of 2020 and 2021, we will accommodate more people entering our social housing stock than we will into housing assistance payment supports in the private rental sector. Looking beyond Rebuilding Ireland to our ambition in Project Ireland 2040 to bring an additional 72,000 homes into our social housing stock through build and lease, that is how we will be able to continue to manage people moving from HAP to social housing stock that is managed by local authorities. Our ambition does not end with the Rebuilding Ireland strategy in 2021, nor is it our ambition to maintain the current balance between social housing stock and the housing assistance payment. We intend to re-balance the position in favour of social housing stock over the course of Rebuilding Ireland and into Project Ireland 2040.

**Deputy Pat Casey:** While I appreciate that, the majority of the 49,000 tenants availing of the housing assistance payment, HAP, want a permanent solution and do not want to live in private rented accommodation. I agree that a percentage of them want to live in a private rented accommodation. While HAP is a necessary scheme, it involves spending a large amount on a short-term solution to a long-term problem. Perhaps the pendulum will start to swing back at some point after 2021 and the HAP will not be required to the same extent as it is now.

**Deputy Eoghan Murphy:** Deputy Casey and I do not disagree very much on this issue on which we take a similar approach. However, Rebuilding Ireland has a target of adding 50,000 houses to the social housing stock, with a further 88,000 people on the housing list to be accommodated through the housing assistance payment. In the years leading up to 2021, people will present with a housing need the State must meet. However, given the number of homes that will be built by 2020 and 2021 and our ambitions post-2021, I believe we will be able to re-balance the position. As I stated, the social housing stock will be re-balanced away from the HAP by 2021. My ambition is to continue that process in Project Ireland 2040.

**Chairman:** Does Deputy Ó Broin wish to make a further contribution?

**Deputy Eoin Ó Broin:** I have three follow-up questions, two of which are related to the issues raised by Deputy Casey. One of the interesting questions about the figures on the number of people who exit from homelessness is the number who end up back in emergency accommodation. Professor Eoin O'Sullivan has produced some interesting research in which he tracks, on a monthly or quarterly basis, the number of people entering emergency accommodation who are first-time occupants of emergency accommodation as opposed to people who had presented previously. It may be worthwhile for the Department to link into and publish this research and information on people exiting emergency accommodation, for example, on how long they exit for and the propensity of people to return to emergency accommodation.

On the housing assistance payment, the Minister referred to many people liking the HAP option. I am interested in finding out on what research he bases that view given that the majority of people entering HAP-supported accommodation opt to be included on the HAP transfer list. This suggests they are keen to secure more permanent accommodation.

When discussing HAP, we also need to discuss the rental accommodation scheme, leasing and rent supplement, even if the numbers of people on rent supplement are meant to be declining and leasing, because all of these schemes subsidise private rental accommodation. By the end of Rebuilding Ireland, more than 100,000 people will be living in the private rented sector and receiving social housing support subsidised by the State. The figure will be the highest in the history of the State and will account for one third of the total social housing tenancies if one includes all the social housing that will be added to the existing stock. Part of the problem is that the legislation is designed in such a way as to indicate that the social housing need of these households have been met, which suggests it is permanent, whereas the experience of those living in private rented accommodation and receiving social housing support is that it is temporary.

As I state probably every time we discuss the HAP, I do not propose to get into an argument with the Minister about the scheme because we have fundamentally different views on it. However, if he accepts that people can move into council housing from

HAP-supported accommodation, he should ensure they are given access to choice-based letting and the principal means of allocating social housing. This would clearly show whether people want to move out of HAP-supported accommodation.

At what point will the Minister be able to provide figures on the cost of the affordable housing units in Dublin that will benefit from the local infrastructure housing activation fund, LIHAF? While I accept that contractual and confidentiality issues arise, I am sure the figures will be provided at some point. Can the Minister provide them now or must we wait until a later stage?

**Deputy Eoghan Murphy:** On people who exit emergency accommodation and subsequently re-present, we collect a large amount of data across the 31 local authorities. It takes considerable time and effort to drill into the data, to present them again and check them before publication. I want to do more with the information available to us. As I signalled on the previous occasion I released figures on the number of people in emergency accommodation and homeless, there is more information that we are not capturing properly or publishing. I want to try to find a way to do this while maintaining the transparency we have with regard to all of the issues we face. I may return to this when I get a chance to publish the figures for February.

On the housing assistance payment, the comment I made is based on the success of the scheme to date and the number of people currently in it versus the number who have exited it, which is comparatively low. When we view the scheme from that perspective, it is successful from the point of view of tenants. When one considers that approximately 20,000 landlords are involved in the scheme, it is also successful from the point of view of landlords. As such, I see it as a scheme that is operating successfully. I do not know if----

**Deputy Eoin Ó Broin:** I am not disputing that this is the Minister's view. The point he made was that a lot of people like the option. He seemed to suggest that they had some other option, whereas for the vast majority of people taking housing assistance payment, HAP, it is their only option.

**Deputy Eoghan Murphy:** I think a lot of people are appreciative of the fact that they are able to get private rental accommodation which they can source themselves, in a location that they want to be in and still be supported by the State, which was not the case under previous schemes. That is one of the benefits of HAP and the reason it is proving to be successful. I do not think we have a different view on HAP. I would not have designed the scheme like this way back when. This was born out of necessity, based on what faced us when we did not have the stock in place to meet the needs of our people. That said, there would still be a need for private rental support for people in the private rental market. I think it is a good thing in that it gives people flexibility and achieves certain social goods, such as promoting mixed communities. I think there should always be a State support available to help people to source their own accommodation on the private rental market. It is something that will continue. However, I am cognisant of the fact that our social housing stock is far too low. That is why Rebuilding Ireland makes the commitment to increase that stock by at least 50,000, and to build on that in Project Ireland 2040.

In relation to the local infrastructure housing activation fund, LIHAF, this would have been published by now but for Storm Emma and a few other things. As soon as Deputy Ó Broin lets me out of this committee I will endeavour to get it out this week.

**Deputy Eoin Ó Broin:** Excellent. I have a final question. Can the Minister tell us on what day this week's homelessness figures will be published? On what day and on what hour?

**Deputy Eoghan Murphy:** Again, as soon as the Deputy lets me out of committee I will endeavour to publish them as quickly as possible. That said, the last time I said that to him, I left the committee, looked at the numbers and published them, and I was criticised subsequently for my strategy in releasing them. Is Deputy Ó Broin going to do that again if I go back to my office now, pull up my figures and publish them tomorrow or the next day? Will I be criticised for taking advantage of Holy Thursday?

**Deputy Eoin Ó Broin:** To be clear, I complimented the Minister on how he released the figures the last time. It was on the publication of the previous figures that I criticised him, because he had a different media strategy. That is a matter for him and the strategic communications unit.

**Deputy Eoghan Murphy:** That was a backhanded compliment. Deputy Ó Broin is very good at those.

**Deputy Eoin Ó Broin:** Can the Minister tell us what day they will be published this week?

**Deputy Eoghan Murphy:** I am hoping to get them out tomorrow.

**Chairman:** To be fair, any data we ever look for from the Department, we receive .

**Deputy Eoghan Murphy:** I thank the Chair.

**Chairman:** We will now move on to programme B, which concerns water services. Are there any questions for the Minister here?

**Deputy Eoin Ó Broin:** I have two questions. We had a session last week on the draft revised EU drinking water directive, or the directive on the quality of water intended for human consumption, as the European Commission oddly likes to call it. At that meeting, Irish Water's representatives told us that the company had done some initial calculations based on the current

draft. Obviously we know that the current draft is unlikely to be the final draft, but Irish Water has done some financial calculations on the cost of capital expenditure and current expenditure required if that draft was to come into force. The representatives said that it would cost between €200 million and €300 million in capital expenditure. That is one-off expenditure over a period of time. There would also be a potential annual operational cost of €100 million for all of the scheme's bits and pieces.

When we asked them what that means to the current capital programme, they said that their difficulty would not necessarily arise in looking for extra money but that their capacity to deliver any additional capital expenditure operations was circumscribed by their existing programme. If they had these additional requirements, it would not be a case of approaching the Minister and asking for extra money; Irish Water simply would not be able to spend that money even if he gave it to the company. This means that other areas of activity would be delayed, for example, upgrading the wastewater treatment plants that are currently being accused of falling foul of the European Court of Justice's legal action, or the pipe upgrades.

Obviously that would create a real dilemma if the directive came into force in its current form. Rather than having an argument about whether Irish Water can have more money, we would have to decide which would be prioritised; upgrading the wastewater treatment plants, fixing the leaking pipes and trying to save water or meeting these new requirements. Has the Minister had conversations with Irish Water about that dilemma arising from the directive? If not, is that something he should be doing? Obviously it is a significant set of concerns.

In that context, and in regard to the capital investment that is outlined in the schedule, can the Minister give us an update on the progress in tackling those 38-odd agglomerations that are in breach of the urban wastewater treatment directive? Can he give us an update on any conversations he has had about the legal challenge that the Commission has put to the European Court of Justice? I understand the Minister is still waiting for an answer on that but any updates he can provide would be useful.

Can the Minister also tell us whether he is looking beyond those 38 agglomerations? The Environmental Protection Agency has identified up to 100 wastewater treatment plants which are at some level of risk. Can the Minister give us some update as to where that sits in the context of the existing capital plan?

The Minister mentioned the extra €2 million for group water schemes. I stand corrected if I am wrong but I understand that relates to the standing charge, the annual fee or subvention. The Minister obviously gave a commitment to respond to the request to look at whether additional capital investment supports would be required, as per the recommendation of the Oireachtas committee. Can he update us on that piece of work as well?

**Chairman:** For the information of the Minister, we undertook scrutiny of that directive on 8 March and 21 March. We have approved the EU directive prior to this meeting, and it has gone back. A motion has gone before the Houses and I believe it is to be heard tomorrow.

**Deputy Eoghan Murphy:** I thank the Chair, and the Deputy for his questions. We face a number of challenges in the provision of water services at the moment. We have planned a number of different capital projects to that end. The main constraints we face relate to the construction sector and the supply chain. This is something we normally face when it comes to the provision of water infrastructure. We face it when we look at all of the infrastructure provisions that need to be made. I have been speaking with the Minister, Deputy Donohoe, about a number



of different mechanisms that might be put in place to manage infrastructural development into the future, given the significant investment that is now going to go in on the capital side of most budgets, to make sure there are no unforeseen bottlenecks or that a project is not started that cannot be continued because the skills or machinery are not there. That is something we are doing on a national basis.

I am due to meet Irish Water to talk about what our priorities are in terms of the future provision of water. We need to find that balance between repairing leaks and pipes that are already there and providing new water supplies to make sure our cities, towns and villages can continue to grow, as is anticipated.

On the issue of group water schemes and subsidies, an important piece of work was done in tandem with the water Bill last year. We were working on Irish Water, and I believe members knew that a huge piece of work was being done with the private group water schemes both to ensure they were being treated fairly in terms of the restoration of subsidies and that there would be sufficient capital supports in place for the future provision of group water schemes. Perhaps the public was not aware of that work. We are about to initiate a very short review of the wider investment needs of group water schemes to look at the kind of funding they will require over the coming years. The review will consider the capital requirements, the supervision of water quality and governance arrangements. It also will look at some schemes that have been orphaned for various reasons, as well as those schemes which may wish to come in to what might be called the public water sector. We hope to have finished that work in the second half of this year and that will inform our preparations for the budget for 2019. We will be getting into that wider process in the not-too-distant future.

The Deputy also asked about wastewater and the river basin management plan to 2021, as well as the strategic funding plan. We are looking at the next river basin management plan at the moment. We have been a little bit delayed on that, and it is the subject of some proceedings. We continue to work to get this new replacement management plan finalised as quickly as possible, and we will see what happens in terms of the proceedings that are under way. As for further details on the river basin management plan and the forthcoming €1.7 billion investment in infrastructure, 276 wastewater treatment plants are being looked at, as well as the 162 at-risk water bodies where urban wastewater has been identified as a significant pressure. As we address those through the river basin management plan and as the funding is allocated, there should be some impact in terms of infringement proceedings that are currently under way.

**Deputy Eoin Ó Broin:** Does the Minister have an update on the infringement proceedings? What is the current status of those proceedings?

**Deputy Eoghan Murphy:** The case closed on 5 February of this year and the decision of the court is awaited. The Commission has also informally indicated there may be some further updates coming in respect of other urban agglomerations that have since been identified as non-compliant as well. We are in the middle of a back and forth with the Commission on this. Given what we are planning to do, we are hoping it might be able to catch up with our current position.

**Deputy Eoin Ó Broin:** I have a couple of follow-up points. I thank the Minister for that update in respect of group water schemes. I met a number of group water schemes in Mayo a couple of months back. These were older and smaller schemes. The voluntary boards are dwindling in terms of age and numbers. They expressed real concern, not on the annual subvention but about the current state of the capital infrastructure and whether they could continue.

They wanted to continue as a group water scheme. Their preference was not to merge into the public system but they were genuinely fearful of the capacity of the scheme to continue. That is an important piece of work in respect of giving those schemes a real option to remain group water schemes if that is what they want. I am sure that is one of the things the Minister will be looking at in the review.

**Deputy Eoghan Murphy:** I might have met the same group water scheme. Three options were being explored.

**Deputy Eoin Ó Broin:** I met three or four schemes but they all had similar sets of concerns. It is a general point. To return to the potential impact of the drinking water directive, the Minister has confirmed what I understood. If there are additional capital requirements, the difficulty for Irish Water will be the capacity to deliver them in respect of planning permissions, tendering and so on. Even if the directive's eventual shape does not cost €300 million to Irish Water in capital funding, if it costs €150 million or €100 million, that is still a huge drain out of the current capital plan that Irish Water has.

I am thinking in particular of the work to bring the urban wastewater treatment plants into line with that directive. Is that something the Minister is going to be looking at specifically with Irish Water? Will potential contingency plans be thought through in case that type of bill comes down the line? I know it is not a bill that would come down the line within 12 or 24 months but even €150 million or €100 million from its capital programme would be a huge shift if that had to be used to meet the requirements of this directive. When the Minister says a decision of the court is expected, has he done any risk assessments of the potential costs, depending on how that decision is made, or is he going to wait until the decision is announced and assess it at that point?

**Deputy Eoghan Murphy:** In relation to the drinking water directive, I am meeting Irish Water soon to go through it. We are looking at a new strategic funding plan for Irish Water beyond 2021. That will need to be done. The Commission for Regulation of Utilities, CRU, will have a role in that as well in respect of the role it plays in regulating the costs Irish Water might incur. We will address each of those issues as we go through that process in respect of what needs to be done to ensure we have safe drinking water for our population. It is important we can communicate positively to the public that is where the investment is going, so they can have safe drinking water.

In respect of potential infringement proceedings, we are working with the Commission as best we can. We recognise there are certain areas where more work needs to be done on our side. However, we believe we are making good progress and that should be reflected in due course.

**Deputy Pat Casey:** This morning the Minister of State, Deputy Phelan, appeared before this committee in respect of new directives for An Bord Pleanála. We were discussing the strategic housing development, SHD, process. It was identified that a number of applications were failing the pre-planning process. We were trying to understand why they are failing. Is one of the reasons they are failing the lack of water supply? If we put that into context, is there an adequate supply to reach the targets of Rebuilding Ireland in future?

In respect of commercial water, local authorities are still managing the billing and collection processes. However, we still have approximately 30 different commercial water rates. When does the Minister see harmonisation to one commercial rate water charge happening?

**Deputy Eoghan Murphy:** The An Bord Pleanála fast track process has had a number of positive decisions so far. We have had some negative decisions as well. It is almost a year since I signed the order so we wish to carry out a soft review of how it has worked to date and to see if changes might be necessary. One would have expected that some of the reasons for the decisions that have emerged to date would have been clarified in the pre-consultation period, but they were not. We need to take a look at exactly what is going on there.

To my knowledge, water infrastructure has not been a delaying factor or a cause for rejection in any of those cases. There was some media reporting last month about one significant property owner or house builder complaining to a different Department about a lack of water infrastructure and about that impeding his developments, but that turned out not to be the case in what was happening with some of his properties. We need to make sure, and it is one of the benefits of water and housing being under the same Department, that we can progress our housing plans in tandem with other key infrastructure that has to be put in place. That is what we do. We must ensure that infrastructure such as roads, lighting or water is not standing in the way of us being able to build houses because that is something we have to do.

With regard to the commercial rates, the Commission for Regulation of Utilities, CRU, is working on a non-domestic review and this programme will take place over the next 18 to 24 months. There will be a great deal of public consultation on this. Public consultation is important to ensure that as we progress this move on rates there is full understanding of what needs to be achieved and full buy-in from the people who are paying the rates. This is not something on which we are going to come to a conclusion in the near future. I wish to make sure that there is significant public consultation in advance of any new changes coming down the line. Of course, we will also be guided by what the CRU intends to do.

**Deputy Pat Casey:** As a commercial water rate payer and being from the most expensive county in the country for water, I was looking forward to the harmonisation process for the commercial water charge. While public consultation is very important for everything, a two year window to try to reach a decision on this is a little long. In fairness, we have known it has been coming for quite some time so what is the delay in harmonising commercial water rates? We were able to harmonise commercial rates between towns and counties over a five year period and there were significant differences there.

**Deputy Eoghan Murphy:** It is not being delayed. Quite a complex piece of work has to be done. However, it is not up to me, it is up to the CRU. I have been emphasising that I do not want it rushed because potentially there might be an impact on small businesses in terms of their costs of doing business. I want people to be fully aware of what might be coming down the line and what might be an additional cost for some businesses in the future. I want them to be able to prepare for that and to have adequate time to do so. Again, however, the timeline is not of my making.

**Chairman:** Are there any more questions on programme B?

**Deputy Eoin Ó Broin:** I have a question on local government but that is programme C.

**Chairman:** Yes. We will conclude on programme B and move on to programme C, which is local government.

**Deputy Eoin Ó Broin:** I have one question for the Minister. I believe he answered it earlier but he was speaking at the Minister of State, Deputy English's speed so I will ask him to repeat

the answer more slowly.

**Minister of State at the Department of Housing, Planning, Community and Local Government (Deputy Damien English):** That is a work in progress.

**Deputy Eoin Ó Broin:** Incidentally, speaking at the Minister of State, Deputy English's rapid pace was a compliment. Under the local government fund, on the first table, the total last year was €365.3 million and this year it is €124.8 million. That is a difference of €240 million. The Minister gave an explanation for that accounting, but perhaps he would repeat it a little more slowly so my slow brain can catch it.

**Deputy Eoghan Murphy:** I was told the last time I was here that a statement from me would be unhelpful or would not add anything to the meeting, so I skipped my statement that time. This time I wanted to get through it quickly-----

**Deputy Eoin Ó Broin:** The Minister's statements always add plenty to the meeting.

**Deputy Eoghan Murphy:** -----if only because I find it quite boring to read. In recent years the local government fund, LGF, was funded principally by motor taxation and local property tax, which is collected by the Revenue Commissioners. A payment has also been made to the fund from the Department's Vote. However, the main payments from the fund have been to local authorities, Irish Water, the Department of Transport, Tourism and Sport as well as the Exchequer. In tandem with Irish Water funding moving from the local government fund to the Vote in 2018, we are also proceeding with other changes to the fund which aim to return it more fully to its original purpose of funding local authorities and to end circular flows of funds that had built up over the years. That means that from this year motor tax receipts will go directly to the Exchequer, payments in respect of road and public transport infrastructure previously met from the LGF will now be met from the Vote of the Department of Transport, Tourism and Sport and there will be no further requirement for a payment from the LGF to the Exchequer. This allows for a funding stream into Irish Water without any circular transactions. It also means the local government fund is a more direct payment into local government.

**Deputy Eoin Ó Broin:** The first table in programme C shows a deficit of €240 million this year over last year. Is it the case that the local authorities are getting this funding in some other way or is it that there were services being funded with the €240 million last year that are no longer provided? If this €240 million is not a cut in funding to local government services, how is it accounted for, or is it a cut?

**Deputy Eoghan Murphy:** It is money which was paid to Irish Water last year, which is now being paid centrally from my Department.

**Deputy Eoin Ó Broin:** It was funding provided to the local authorities in 2017 which they then paid on to Irish Water.

**Deputy Eoghan Murphy:** It was money paid into the local government fund, not the local authorities, which was then transferred to Irish Water.

**Deputy Eoin Ó Broin:** So this deficit does not represent a reduction in the funding to local authorities from the local government fund.

**Deputy Eoghan Murphy:** No.

**Deputy Pat Casey:** I note a review of the local property tax is currently underway. I would

like to focus today on the local authorities' baseline in respect of which LPT plays a huge role. The baseline was established approximately 20 years ago and it has not been reviewed in any significant way in the interim. Many counties, particularly those around Dublin where there has been significant growth in populations, believe they are being disadvantaged because the baseline has not been reviewed. Can the Minister give an indication of when the baseline might be reviewed?

**Deputy Eoghan Murphy:** The Minister, Deputy Donohoe, and I established a committee to review the local property tax. As this is a tax, it is a matter for the Minister for Finance but because it is a local property tax the Department of Housing, Planning and Local Government has a significant say in how it might be redesigned, if it is to be redesigned. This piece of work has commenced. In parallel to that, my Department is reviewing the baseline and the redistribution of local property tax to the different local authorities. I recognise that some local authorities are having difficulties and that some of them think the manner in which the baseline is calculated is unfair. It is more than likely that we will not move away from the principle of a redistribution of rates from particular local authorities to others to help those that have a lower density of housing, but we will look at new criteria for the calculation of a baseline taking into account the differences between local authorities, including the length of a coastline for which a local authority has responsibility, populations and so on. The departmental review will look at how the baseline is calculated with a view to improving it while ensuring that no local authority is worse off as a result of a recalculation of how we achieve a baseline.

**Deputy Pat Casey:** I appreciate that and I fully understand the reason for the equalisation process. However, a number of counties have concerns in regard to the baseline and there needs to be clarity brought to this issue. Wicklow County Council is complaining that it is being disadvantaged as against other local authorities. There needs to be more transparency brought to the baseline figure and how it is calculated.

**Deputy Eoghan Murphy:** The Department has commenced work on review of the baseline calculation with a view to ensuring that it is fair for all counties. I agree that the manner in which the baseline is calculated for certain local authorities does appear to put them at a disadvantage and we are keen to review and change it.

**Deputy Pat Casey:** What is the timeframe for the baseline review?

**Deputy Eoghan Murphy:** The baseline review is being done in parallel with the local property tax review which the Minister, Deputy Donohoe, and I are doing. We will probably conclude our work before the departmental review is concluded but both will be announced at the same time, which will be later this year.

**Deputy Pat Casey:** Fair enough.

**Chairman:** That concludes our consideration of programme C. We now move on to programme D - planning; programme E - Met Éireann; and programme F - appropriations-in-aid. Are there any questions for the Minister under these headings?

**Deputy Pat Casey:** Is that a forecast?

**Deputy Eoghan Murphy:** I need a couple of soldiers. I am not talking about the weather.

**Chairman:** We will move on to consideration of Vote 16, Valuation Office. There are two programmes attached to this Vote and I ask members, when putting questions, to indicate the

specific subhead to which they are referring. Do members have questions?

**Deputy Eoin Ó Broin:** I have a general comment. When the officials appeared before the joint committee earlier to discuss the review of rates legislation, they and we experienced some frustration because the Valuation Office has come under a different Department and legislative code. It would be a good idea, once the Valuation Office has settled into its new home, as it were, if the relevant officials were to appear before the committee again for a more rounded discussion on rates valuation reviews, particularly in light of the point made by Deputy Casey. When all the relevant officials are located in one office, it makes for a more fruitful conversation. That is my suggestion.

**Deputy Eoghan Murphy:** One of the pieces of work we have had to do since the beginning of the year is to settle three new entities in the Department and work on the merger project. The commercial rates Bill is a priority in this term. In my wisdom, I have delegated responsibility for the legislation and the work on the Valuation Office to the Minister of State, Deputy John Paul Phelan. I want to ensure there is consistency at a political and official level. Once the three new sections have been bedded into the Department, it may be a good time to have a more detailed discussion of our work.

**Chairman:** We will now consider Vote 23, Property Registration Authority. There is one programme attached to the Vote. Given that there are no questions, our consideration of the Revised Estimates is complete.

### Message to Dáil

**Chairman:** In accordance with Standing Order 90, the following message will be sent to the Dáil:

The Select Committee on Housing, Planning and Local Government has completed its consideration of the Revised Estimates for public services for the year ending 31 December 2018: Vote 34 - Department of Housing, Planning and Local Government; Vote 16 - Valuation Office; and Vote 23 - Property Registration Authority.

*The select committee went into private session at 2.48 p.m. and resumed in public session at 2.49 p.m.*

### Business of Select Committee

**Deputy Eoin Ó Broin:** The Minister is aware of a serious problem regarding Larkfield House where 44 families have been placed in a difficult position as a result of a decision by a developer to build and tenant the property without planning permission and proper building certification. Last week, An Bord Pleanála made its determination that the refusal of the planning permission was upheld and therefore those properties do not have planning permission and South Dublin County Council has commenced enforcement. I will not ask the Minister about that. My major worry, which I know is shared by the Minister, his officials and the local authorities involved, is that these 44 families may have to present as homeless at any stage in the incoming period. We do not want that. There are tenants in the property who are the responsibility, in some shape or form, of South Dublin County Council, Dublin City County Council,

Fingal County Council and at least two other local authorities outside Dublin. Some came via the Dublin Regional Homeless Executive, so there is a fair amount of complication.

I have three points to put to the Minister. His Department needs to be as proactive as possible in working with the different local authorities and the Dublin Regional Homeless Executive to ensure the families get all the support they need so that if the planning issues cannot be resolved, they are assisted to move into alternative private rental accommodation. I spoke to officials in the Minister's Department last week and this week. They have been very helpful, but I ask the Minister to give us some reassurance that he and his staff will do everything they can to work with the other local authorities to resolve what is an incredibly stressful situation for the residents. I met with a very large group of them last night and they are hugely concerned. Some of these people have come from hubs or emergency accommodation. Those 44 families thought they were at the end of that experience and, through no fault of the local authorities or the Minister's Department but as a result, in my opinion, of the inappropriate and potentially illegal behaviour of a developer, they are now in an incredibly difficult position. I raise that with the Minister to hear what assurance he can give me and, through the committee, the families in question, that he will do everything he can to assist them during this very difficult period.

**Deputy Eoghan Murphy:** I thank the Deputy for taking the time to raise it with me formally in committee. I know he has been working with the residents to try to find an early solution for them. This is a very frustrating situation to be in where we have what appears to be a perfectly good building with tenants in it but which potentially may be an illegal building and, as a result of that potential, tenants who thought they were at home may not be in the coming weeks and months. I am aware of the work Deputy Ó Broin has been doing and that he has been in touch with my officials. They will meet the Dublin Regional Homeless Executive and officials from the local authority tomorrow to manage a proper pathway for those people affected in terms of how we will deal with this to make sure that, if we can, not one family will fall into emergency accommodation but can be accommodated directly into a new home. We are taking a proactive stance on this issue and this is thanks to Deputy Ó Broin bringing it to our attention in the first instance and the work of my officials in recognising the situation those tenants are facing.

**Deputy Pat Casey:** I do not know the full history of this case but how can something like that happen today? A developer can manage to build 44 apartments for which there was no planning permission and which did not meet building standards.

**Deputy Eoin Ó Broin:** In terms of the sequence of events, for Deputy Casey's information, a planning application was submitted and approved for 27 units in 2016. A revised planning application was submitted in 2017 to amend that to 48 units. That application was rejected and appealed to An Bord Pleanála but it appears that during the period of time the appeal has taken, which was approximately six months, the developer in question built and tenanted 44 of those units. Building control amendment regulations, BCAR, compliance certification was not received by the local authority at any stage, neither commencements, disability, fire or completion certificates. My understanding is that South Dublin County Council has inspected the premises and there are no fire safety concerns at this point, therefore, there is not an immediate evacuation concern. On the face of it, it appears the developer built and tenanted the building and did not comply with any of the building or planning regulations. An Bord Pleanála's ruling, while it is short, creates real issues in that there is a significant number of units which, according to its ruling, are not compliant with ceiling heights, numbers of units, size of rooms, etc., and the local authority now has to fulfil its statutory obligation in terms of the planning enforcement.

**Deputy Pat Casey:** A building with 44 apartment units was built without planning permission and nobody was aware of it.

**Deputy Eoghan Murphy:** A building had permission and often one relies on the close attention of people who are launching objections to the application. I am interested in this, having not yet heard how the additional units came to the attention of the planning authority. Was it through the planning authority's own work?

**Deputy Eoin Ó Broin:** No. My understanding is the building is not new but a conversion of an existing building. We had all seen works happening but they related to a conversion. It came to our attention in the first instance because housing applicants in South Dublin County Council's list wanted to take up regular tenancies and applied for the housing assistance payment, HAP. When they applied for that, South Dublin County Council, in doing due diligence, checked the building and at that point realised there was no completion certificates. At that point a planning concern was raised. The Bord Pleanála decision was pending so people were taking a relatively sensible approach, waiting for that to come out, and it came out last week. The difficulty is it does not look like any of the 44 units are built in compliance with the 2016 planning approval. I have had conversations with planning officials and I am trying to find my way around them. Some units may be in compliance with the approval.

Under the enforcement regulations, South Dublin County Council has written to the developer and has given 28 days to reply. We will have to wait and see whether the individual applies for retention or amended retention. The difficulty is that as of last week, when the residents found out, they had assumed they would be on the street within hours and there was a degree of panic. We have done much work to reassure them but there are complicating factors in the sense that people are from multiple local authorities, including some outside of Dublin. Some people are not on housing lists but could be. That is a process that must be looked at. At least ten of the households have notices to quit because their HAP applications were refused. I know that is one of the issues that will be discussed at the meeting tomorrow.

There are people there from the Dublin Regional Homeless Executive homeless placefinder service and they need some reassurance that if they identify alternative private rental accommodation in the upcoming period, they can transfer the homeless HAP and deposit into the new properties. That is technically not permissible under normal rules but they clearly do not apply. We also have five or six private rent pairs who have paid considerable sums - in some cases, a deposit of three months and rent in advance - and they are now wondering if they will get those deposits back. Threshold representatives were at the meeting last night to advise those residents. It is very complicated. If the local authorities that might have some tangential involvement are not at the meeting tomorrow, correspondence should be forwarded to them. I spoke to Marguerite in the HAP section of the Department today about that. If staff at the front line of local authorities are apprised of this as quickly as possible, individuals ringing in could be given advice relevant to this situation rather than the standard policy advice. We do not want much confusion in an already difficult set of circumstances.

**Deputy Eoghan Murphy:** I hope tomorrow's meeting will put us in that position.

**Chairman:** I thank the Minister for his indulgence.

The select committee adjourned at 3 p.m. *sine die*.