

**Public Accounts Committee****Appropriation Accounts 2010 - Vote 25;****Accounts of the Public Services 2010
Chapter 22 (Central Government Funding of Local Authorities)****Department of the Environment, Community and Local Government****Opening Statement by Geraldine Tallon, Accounting Officer
15 March 2012.**

Chairman, Members. As requested by the Committee, I have provided some advance briefing for the meeting this morning and I will, therefore, keep my opening comments short.

At the outset, I should mention that the transfers of function announced on the formation of the Government a year ago resulted in assignment to the Department of Community-related functions which were the responsibility of the former Department of Community, Equality and Gaeltacht Affairs; Heritage spending became the responsibility of the new Department of Arts, Heritage and the Gaeltacht. The new Community functions fit well into the overall ethos of the Department and will provide good opportunities for alignment of Local Government and Community programmes at strategic, operational and administrative levels.

We had significant achievements during 2010 in delivering on key policies and programmes within available resources. We were again assigned the second largest capital allocation of any Department in order to implement major housing, water and other programmes.

Total spending from the Vote on the various housing programmes, including the provision of social housing and improvement and regeneration measures, amounted to €1 billion in 2010.

The significant restructuring of the social housing investment programme continued during the year, with nearly 4,500 households accommodated through the Social Housing Leasing Initiative and the Rental Accommodation Scheme. This restructuring continued strongly into 2011 and the Government's housing policy statement – published in June last year – explicitly recognised the centrality to the overall approach to social housing delivery of RAS, leasing and a new approach to supporting the accommodation needs of long term recipients of rent supplement. Along with the heightened focus on these more flexible delivery mechanisms, there was continuing emphasis on maintaining and improving the existing public housing stock. 2010 saw 1,748 units being improved as part of local authority planned maintenance programmes and 2,108 units improved as

part of the energy efficiency retrofitting programme. Finally, over 13,900 households benefited under the housing adaptation grant schemes for older people and people with a disability. The total spend ensured that the needs of over 28,500 households were met from the full range of housing measures.

Department expenditure of €495 million on Water Services infrastructure in 2010 allowed completion of 72 major water services schemes, with work continuing on a further 76 contracts at year end. Over the period 2000-2010, we added almost 1.4 million population equivalent to the capacity of water treatment systems and some 3.9 million population equivalent in wastewater treatment capacity.

In terms of programme planning, the *Water Services Investment Programme 2010-12* was published in April 2010. This Programme resulted from a comprehensive review of all projects, with input from local authorities, to ensure that projects advancing were aligned with key priorities and available resources. Water conservation, including mains rehabilitation, is identified as a key objective under the Programme.

Mr. Chairman, the chapter of the Comptroller's Annual Report for 2010 concerning Central Government Funding of Local Authorities details the range of expenditure programmes for which local authorities are responsible and draws attention to the reliance of local authorities on the Exchequer for funding through the Votes of a number of Government Departments.

The chapter also addresses some issues around water services effectiveness, and, in particular, water supply. Driven largely by both European Directives, and European Court of Justice cases, the major focus of water services investment over the past decade has been on public waste water services and group water schemes.

The *Water Services Investment Programme 2010-12*, acknowledging the progress made in addressing these areas, indicates that more expenditure will be directed over the coming years to public water supplies. This investment will concentrate, in particular, on the areas referred to in the chapter, namely, drinking water quality and unaccounted for water. Tackling leakage and promoting water conservation are key priorities for the Department, as reflected in the focus on them in the current Investment Programme.

While unaccounted for water is tracked through the reporting arrangements for Local Authority Service Indicators, this comprises both leakage from the public network and customer side leakage. Mains rehabilitation does not address customer side leakage and does not impact on consumer behaviour. The most recent *OECD Environmental Performance Review of Ireland (2010)* noted that, "the absence of household water charges impedes the development of an economically, environmentally and socially efficient water services sector". The roll-out of the domestic water metering programme is expected to achieve

savings of approximately 10% in consumption as well as significant savings through reductions in customer side leakage.

The report also highlights the issue of land acquired by local authorities for social and affordable housing purposes. A significant quantum of this land can no longer be utilised in the manner originally envisaged in light of current economic circumstances.

However, the loans associated with these lands remain (amounting to just under €500 million at the end of 2011) and the Department is taking a structured approach with local authorities, the Housing Finance Agency and the Housing and Sustainable Communities Agency to the unwinding of the overall liability over a reasonable period of time.

Under the Land Aggregation Scheme, housing authorities may, subject to approval from the Department, transfer residential lands to the Housing and Sustainable Communities Agency when the outstanding land loans from the HFA mature. Funding to redeem the loans is made available from the Department, and, following transfer of the land, the agency will prepare a report and implement a strategy for the management, utilisation and ultimate development of the land. At the end of 2011, some €110 million in HFA loans had been redeemed under the scheme.

While the associated land values will have decreased considerably in some cases, there are no additional implications for the Exchequer in transferring the land from one arm of the State (the local government sector) to another (the new housing agency). Similarly, the scheme involves no change to the means by which local authority land loans have always been recouped – that is, from the Social Housing Investment Programme.

The Department's approach to managing land loan applications from local authorities is outlined in the report of the independent review of the management of such an application by Wicklow County Council provided to the Chairman earlier this week.

To conclude, Mr. Chairman, we are operating in a very changed and challenging environment which has required us to develop new approaches across our range of programmes and to focus on the priority results to be achieved. In addressing the challenges, we will continue to work for greater efficiency and effectiveness in the delivery of our services and so maximise the contribution to economic recovery. Thank you.