

14 Collection of Land Annuities

- 14.1** Land purchase annuities originate from the late nineteenth century and were devised to facilitate the repayment by farmers of loans advanced to them by the former Land Commission for the purchase of land under the Land Acts. The system for the collection of annuities is administered by the Department of Agriculture, Food and the Marine (the Department).
- 14.2** The capital value of land annuities remaining to be redeemed at the end of June 2015 was just under €3 million and there were 344 remaining annuitants at that date. The last annuity is due to expire in 2052.
- 14.3** The annual accounts of the Land Commission are prepared by the Department. These comprise
- the General Land Purchase Account which records land purchase annuity receipts and
 - the Separate Credits and Estates Account which records funds held to complete purchases of lands by the Land Commission where it has not yet been possible to establish that the seller(s) had clear title to the land. The balance on the account represents all or part of the purchase price, plus any accumulated interest.

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- 14.4** The Land Act 2005 provided for the writing-off of amounts that were uneconomic to collect; these were half yearly instalments of €100 or less. This reduced the number of annuitants from 4,500 to 2,300. The remaining annuitants were made an offer to discount their redemption price ('buy-out') by 25% provided that all arrears were cleared, and 1,650 of the annuitants availed of this offer.
- 14.5** The total aggregated annuity charged to land holders was approximately €337,000 in 2014. This figure is declining each year as accounts are redeemed. Figure 14.1 sets out financial information on the collection of land annuities for the last four years.

Figure 14.1 Land annuity financial information

	2014	2013	2012	2011
	€000	€000	€000	€000
Annuity charge	337	361	371	375
Annuity receipts	400	520	352	383
Redemptions	51	84	722	30
Arrears (at year end)	1,665	1,728	1,886	1,866

Source: Department of Agriculture, Food and the Marine

14.6 The 2005 Act also provided that

- The Department is permitted to offset grants payable by it to an annuitant against annuity charges owed. The maximum amount of the grant permitted for offset is 50% of the grant due.
- No transfer of land that is subject to annuity can be registered by the Property Registration Authority without certification that all arrears have been paid.

14.7 Of the arrears at 31 December 2014, approximately €1.2 million had been due for more than six years with some arrears extending to over 20 years. The Act does not provide for the charging of penalty interest on arrears. The arrears owed by the 40 largest debtors as at 31 December 2014 was €0.9 million (2013: € 1 million) and this represented 57% (2013: 58%) of the outstanding debt.

14.8 The Department has taken a number of steps to improve the collection of arrears.

- Demands for payment which show the annuitant's up to date payment position are issued to annuitants every six months. Additionally, the Department issues letters with the payment demand to all annuitants whose arrears are in excess of €4,500. In 2014, more than 130 such letters were issued by the Department.
- Annuitants in arrears were advised of the potential savings to be made by them from redeeming annuities early – 18 accounts were fully redeemed in 2014 amounting to €50,561 (2013: €84,828).
- A total of €193,036 (48% of receipts in the year) was recovered through offset in 2014 in accordance with the Land Act 2005. Offsets in 2013 amounted to €203,000.

Progress in Establishing Title to Land Taken Over

14.9 The audited account for 2014 shows an accumulated balance of €8,862,224 in the Separate Credits and Estates Account at the end of the year.

14.10 Less than €28,000 has been released from the account over the last ten years, where title has been established (see Figure 14.2).

Figure 14.2 Value of estates discharged

Year	€000
2014	4.7
2013	–
2012	0.4
2009 to 2011	–
2008	22.6
2005 to 2007	–

Source: Audited annual accounts of the Land Commission

Administration Costs

- 14.11** The cost of the Land Commission programme is borne by the Vote of the Department. The Department has estimated that the cost of administering the programme was around €172,000 in 2014. These costs include salaries, superannuation, PRSI and overheads. The cost in 2013 was estimated at €328,000. The reduction between 2013 and 2014 has been explained by the Department as being due to staff shortages resulting in posts remaining unfilled. The cost of administering the land annuities in 2014 represents over 38% of amounts collected in the year.

Conclusion

- 14.12** Most, if not all, arrears of land annuities should eventually be collected by proper employment of the provisions in the Act which requires the payment of all land annuity arrears before the transfer of title can be registered. However, collection may take many years and the Department continues to incur high administration costs in relation to the collection of outstanding amounts.
- 14.13** Just over 0.25% of the balances held in the Separate Credits and Estates Account have been discharged by the Department in the past ten years. At that rate it is unlikely that all cases will be discharged.

Recommendation 14.1

The Department should investigate, from a value for money perspective, the proportionality of the cost of collection of outstanding annuity arrears and current income.

The Department should also consider steps to address the lack of progress in discharging estates, whether a cost effective mechanism could be introduced to complete the discharge of remaining titles and whether the funds could be surrendered to the Exchequer.

Accounting Officer's response

Agreed. The collection of annuities is currently under consideration with a view to determining the most appropriate way forward and the comments and recommendations made in relation to arrears will form part of this process. Likewise, the issue in relation to the discharge of remaining estate titles is being considered as it seems probable that the question of title in these cases is unlikely to be resolved. As part of this consideration, the surrendering of funds in the Land Commission account to the Exchequer is under discussion.

