

5 Progress under the Land Aggregation Scheme

5.1 The Department of the Environment, Community and Local Government (the Department) supports the acquisition by local authorities of land for social and affordable housing.¹ In previous years, this included the authorisation of borrowing by local authorities for this purpose from the Housing Finance Agency (HFA).² The total value of land acquisition loans drawn down by local authorities from the HFA in the period from 1999 to 2013 was €821 million. The total outstanding principal in respect of all HFA local authority land loans at the end of 2015 was €468 million.

Land Aggregation Scheme

5.2 A land audit conducted by local authorities in 2010 to identify land purchased for residential development but where there was little prospect of development in the next ten years indicated that there were 259 sites covering 775 hectares. The total loan value (capital and interest accumulated by 2010) owed by local authorities on these sites was €500 million.

5.3 Following the difficulties experienced by local authorities due to rapid falls in the housing market and a collapse in land values, the Land Aggregation Scheme (LAGS) was established in 2010. The purpose of the scheme was to alleviate the financial burden on local authorities of redeeming loans from the HFA, where development had not proceeded and where loans had fallen due for payment.

5.4 Under the scheme, local authorities could for a nominal fee transfer residential development land on which there were outstanding HFA loans to a special purpose body called the Housing and Sustainable Communities Agency (the Housing Agency).³

5.5 The scheme closed in December 2013 and at that time the Department had approved 73 sites with a total area of 247 hectares in the scheme.⁴

Progress in transferring land under the scheme

5.6 Progress in transferring land to the Housing Agency since 2014 is shown in Figure 5.1.

Figure 5.1 Summary of land transfer status, June 2014 and July 2016

	Number of sites	Area in hectares	Number of sites	Area in hectares
	June 2014 ^a	June 2014	July 2016	July 2016
Transferred	41	105	67	224
Contracts exchanged (outstanding issues)	8	33	3	6
Contracts received and under review	7	38	1	2
Transfer process in progress	17	71	2	15
All accepted sites	73	247	73	247

Source: Department of the Environment, Community and Local Government

Note: a Chapter 6 of the Report on the Accounts of the Public Services 2013.

1 In July 2016, the name of the Department was changed to the Department of Housing, Planning, Community and Local Government.

2 The HFA was established to provide finance for housing development to local authorities.

3 A company called the Housing and Sustainable Communities Limited (HSC Ltd) was established for the purpose of managing lands transferred under the scheme. This body was placed on a statutory footing in 2012 and called the Housing and Sustainable Communities Agency.

4 The Land Aggregation Scheme was previously examined in the Report on the Accounts of the Public Services 2013.

- 5.7** The Department stated that the Housing Agency is responsible for managing the transfer process including technical and legal aspects and that the relevant local authorities and the Housing Agency continue to prioritise the work to resolve all outstanding matters affecting the remaining transfers. Each local authority must ensure that transfer conditions are met and the Housing Agency must satisfy itself that any required actions have been satisfactorily undertaken prior to any land transfer taking place.
- 5.8** The Department stated that it maintains regular contact with the Housing Agency regarding progress made on land transfers and has asked it to prioritise the finalisation of the small number of remaining sites with the local authorities concerned.

Accounting for sites

- 5.9** Each site accepted into the scheme is transferred to the ownership of the Housing Agency for a nominal fee of €1 per site. The Housing Agency is responsible for the management and maintenance of the lands transferred under the scheme. However, the Housing Agency does not have the authority to dispose of or develop a site without ministerial sanction. The Housing Agency's financial statements report the sites at a nil value. While the Housing Agency retains any proceeds arising from the disposal of a LAGS site, the intention is that the sites will be used primarily for public housing purposes rather than being sold.
- 5.10** The sites are not recorded as assets in the Department's Appropriation Account.
- 5.11** Legal advice has been sought from the Chief State Solicitor's Office regarding the accounting treatment of the LAGS sites given the conditions of the scheme and, in particular, the restrictions placed on the Housing Agency in respect of how it may use or dispose of LAGS lands. The Chief State Solicitor's Office is currently examining the issues raised.

Changes in LAGS funding mechanism

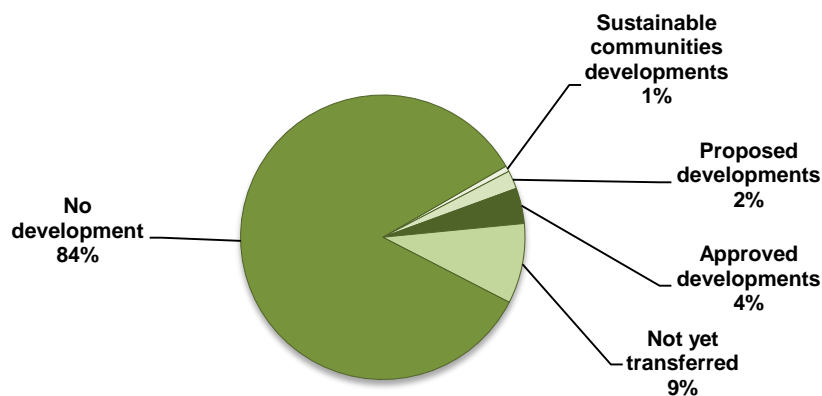
- 5.12** The Department incurred costs of €111 million in 2010 and 2011 to redeem the loans related to the 47 sites which were initially agreed for transfer under the LAGS. Under the first iteration of the scheme, the Department made funds available to the relevant local authority to redeem the maturing loan in full. Such recoupment of a loan payment by a local authority could occur prior to the transfer of lands to the Housing Agency. Annex A gives details, as of July 2016, of the sites transferred to the Housing Agency under the initial arrangements of the scheme.
- 5.13** In 2012, revised arrangements were introduced whereby the loan from the HFA was converted to a mortgage of up to 25 years. In 2014, the value of the annuitised loans of the remaining sites to be transferred was estimated at €52 million and it was anticipated that there would be an ongoing funding requirement by the Department of €2.68 million per year, depending on the interest rates in force. Under the revised arrangements, capital and interest payments made by the local authority to the HFA can be recouped by the local authority from the Department, subject to the transfer of the land to the Housing Agency. Annex B gives details, as of July 2016, of the sites transferred to the Housing Agency under the revised arrangements of the scheme.
- 5.14** From 2013 to 2015, the Department paid a total of €2.2 million in respect of annuitised loans. Payments made in this period were lower than anticipated because of the delay in transferring sites to the Housing Agency.

- 5.15** In line with the principles governing the self-funding of housing services from surplus Local Property Tax (LPT) receipts and the delegated expenditure sanction from the Department of Public Expenditure and Reform, each local authority's LPT self-funding obligation must be met before Exchequer funding can be provided under relevant programmes. Surplus LPT receipts can only be applied to programme costs that would otherwise have qualified for central Exchequer funding.¹
- 5.16** Consequently, the expected outturn of €2.68 million Exchequer funding per year may not always be expended as certain local authorities may have an outstanding LPT capital self-funding requirement when claims are received in the Department.²
- 5.17** In the period January to September 2016, claims for €1.72 million under LAGS have been made by local authorities with €0.85 million being designated as being funded by LPT, leaving a net amount of €0.87 million charged to the Department's vote.

Development of land after transfer to the Housing Agency

- 5.18** Following the transfer of the land from local authorities, the Housing Agency is required to prepare a report and implement a strategy for the management, utilisation and ultimate development of the land in question, including valuation in the event of proposed land disposal. The Housing Agency seeks input from the relevant local authority and other interested bodies in respect of the land in question when preparing this report. The progress of development on land included in LAGS is set out in Figure 5.2 below.

Figure 5.2 Progress in developing residential housing sites on land acquired under the LAGS, July 2016



Source: Department of the Environment, Community and Local Government

- 5.19** In relation to the progress being made on sites for housing development, ten hectares of land on seven sites have been approved for delivery of 185 housing units. Another two hectares of land on four sites are being progressed with the potential to deliver over 30 housing units.

¹ See Chapter 4 on Central Government Funding of Local Authorities for further details of LPT allocations to local authorities.

² In 2016, ten local authorities were required to self-fund housing services from surplus LPT receipts.

- 5.20** The Department has stated that a LAGS site has been selected as the location for a key Path Finder project under the Government's Rebuilding Ireland Housing Plan published in July 2016. The project will deliver 150 homes in a mix of social and affordable houses/apartments. The Housing Agency is working on a joint venture basis with an approved housing body and Dún Laoghaire-Rathdown County Council to develop the project.
- 5.21** Two LAGS sites have been approved for sustainable communities' purposes
- a portion of a site (1.6 hectares) was transferred to the Department of Education and Skills for the development of a major school building project in Cork
 - a small site was transferred to a community council in Limerick for the development of a playground.
- 5.22** The Department stated that a key goal of LAGS is to contribute to the social capital of the State by making land available as appropriate to facilitate the development of sustainable communities. While the focus of the scheme is the development of land for social housing purposes, consideration can also be given under the scheme to initiatives and projects that support the formation and development of sustainable communities.
- 5.23** The Department also stated that the focus of the scheme was initially on the transfer of the sites from the ownership of the local authorities concerned to the Housing Agency. This focus has now shifted to the management, maintenance and development of these lands. Since January 2016, teams from the Department have visited and met with local authorities to progress housing developments and, as a result, the Department expect to see a more efficient passage of projects through stages of the approval process in the coming months.
- 5.24** The Department stated that the process for delivery of social housing units on LAGS lands is no different from the process with regard to local authority owned lands. The delivery of housing on scheme sites and other State owned sites is a key priority under *Rebuilding Ireland: An Action Plan for Housing and Homelessness*, which was published in July 2016. In addition to the LAGS sites that are already being actively developed, under Action 2.7 of this action plan, the Housing Agency, working with the Department and the relevant local authorities, will develop a "Strategic Management Plan" for each LAGS site to advance them to housing development stage at the earliest opportunity. This action is timetabled for delivery in the first quarter of 2017.

Utilisation of local authority land bank for housing

- 5.25** In relation to the progress on the development of sites by local authorities identified in the land bank audit, the Department stated that following on from the audit, the Housing Agency, in conjunction with the Department and the County and City Management Association, prepared a database of local authority owned lands and LAGS lands. The database of local authority sites is also being used to generate an interactive map of local authority and LAGS sites showing their location, size, boundaries and other information. The Housing Agency is currently gathering detailed location and boundary data for any non-LAGS sites which are not already mapped in detail. It is envisaged that this work will be completed later in 2016.

- 5.26** The Department stated that the Housing Agency has used the data gathered to prepare an updated national level overview of all local authority lands with potential for housing development and this in turn has fed into the development of the Social Housing Strategy 2020. In addition, *Rebuilding Ireland: Action Plan for Housing and Homelessness* focuses on increasing the supply of homes for all tenures. The potential for housing development from lands in State ownership is a specific area that will be actioned. The action plan contains specific measures with regard to the active land management of State-owned sites, including those held under the LAGS.

Conclusions

- 5.27** Although the LAGS was established to support local authorities by alleviating the financial burden in servicing loans taken out from the HFA where land acquired for social and affordable housing had not yet been developed, the focus has now shifted to the management, maintenance and development of these lands. The delivery of housing on scheme sites and other State owned sites is a key priority under *Rebuilding Ireland: An Action Plan for Housing and Homelessness*, launched by the Department in July 2016.
- 5.28** Since 2012, the Department had annual funding obligations estimated at over €2 million per year for up to 25 years in respect of annuitised loans. In line with the principles governing the LPT self-funding framework, no Exchequer funding is to be provided to a local authority with a self-funding requirement unless that authority has applied the full extent of its self-funding requirement across all relevant self-funding programmes. The Exchequer requirement for LAGS may be reduced where certain local authorities have not achieved the full extent of their self-funding requirement at the time of the claim, as the claim must then be offset against outstanding LPT obligations.
- 5.29** The transfers of six of the 73 sites accepted into LAGS have not been finalised more than two years after the scheme closed for further applications.
- 5.30** To date no housing units have been completed on LAGS sites although a number of sites are currently being developed. Development has been approved in respect of 185 homes on seven LAGS sites and proposals are being worked up in relation to another 180 homes across five sites.
- 5.31** Over 1.6 hectares of land on two sites has been transferred to the Department of Education for a school and to a community organisation for a children's recreational facility to promote sustainable communities.

Annex A Local Authority sites transferred under the LAGS by area, July 2016
Approved for transfer under initial arrangements

Local Authority	Year of purchase	Hectares purchased	Hectares approved for transfer	Transfers completed July 2016
Carlow County Council	2001	3.20	1.89	1.89
Carlow County Council	2001	4.04	3.23	3.23
Clare County Council	2007	4.40	4.41	4.41
Cork County Council	2000	0.82	0.50	0.50
Cork County Council	2000	2.03	1.31	1.31
Cork County Council	2000	3.28	2.02	2.02
Cork County Council	2001	3.46	2.26	2.26
Cork County Council	2001	15.26	13.48	0
Cork County Council	2002	1.65	1.65	1.65
Cork County Council	2002	2.76	1.34	1.34
Cork County Council	2007	5.26	5.26	5.26
Dun Laoghaire-Rathdown County Council	2001	3.20	2.80	2.80
Fingal County Council	2000	24.21	24.21	24.21
Galway County Council	2002	5.44	2.50	2.50
Kildare County Council	2000	8.76	7.93	7.93
Kildare County Council	2002	8.49	8.49	8.49
Kildare County Council	2003	4.04	4.04	4.04
Kildare County Council	2003	4.16	4.16	4.16
Naas Town Council	2001	5.66	5.66	5.66
Laois County Council	1999-2001	1.98	1.98	1.98
Laois County Council	1999	5.62	1.50	1.50
Laois County Council	2000	3.10	3.10	3.10
Laois County Council	2001	1.25	1.25	1.25
Laois County Council	2003	3.56	1.72	1.72
Limerick County Council	2000	4.17	3.46	3.46
Limerick County Council	2001	1.71	0.52	0.52
Limerick County Council	2001	1.67	1.21	1.21
Limerick County Council	2002	2.34	1.48	1.48
Limerick County Council	2002	2.37	2.07	2.07
Meath County Council	2001	4.39	4.39	0.00
National Building Agency	2001	2.20	2.20	2.20
National Building Agency	2001	3.30	3.30	3.30
National Building Agency	2003	1.96	1.96	0.00
Offaly County Council	2002	3.67	2.87	2.87
Sligo County Council	2001	1.31	1.31	1.31
Sligo County Council	2001	1.66	0.22	0.22
Sligo County Council	2003	13.00	11.80	11.80

Local Authority	Year of purchase	Hectares purchased	Hectares approved for transfer	Transfers completed July 2016
Tralee Town Council	2001	14.33	8.28	8.28
Waterford County Council	2000	6.40	4.30	4.30
Waterford City Council	2002	2.93	2.93	2.93
Wexford County Council	2000	2.86	0.95	0.95
Wexford County Council	2000	5.00	4.39	4.39
Wexford County Council	2001	2.30	0.71	0.71
Wexford County Council	2001	3.15	0.52	0.52
Wexford County Council	2002	10.88	0.73	0.73
Wexford County Council	2002	4.21	3.40	3.40
Wicklow Town Council	2000	6.03	2.90	2.90
TOTAL		227.47	172.59	152.76

Source: Department of the Environment, Community and Local Government

Annex B Local Authority sites transferred under the LAGS by area, July 2016
Approved for transfer under revised arrangements

Local Authority	Year of purchase	Hectares Purchased	Hectares approved for transfer	Transfers completed July 2016
Carlow County Council^a	2002	2.20	2.20	2.20
Cork County Council	2000	2.46	2.46	2.46
Cork County Council	2000	1.40	1.40	0.00
Cork County Council	2001	3.63	3.63	3.63
Cork County Council	2001	3.98	3.98	3.98
Cork County Council	2000	13.35	8.59	8.59
Cork County Council	2002	1.30	1.29	1.29
Cork County Council	2003	1.16	1.16	0.00
Cork County Council	2003	0.13	0.13	0.13
Dundalk Town Council	2005	3.09	3.09	3.09
Fingal County Council	2001	7.30	7.30	7.30
Fingal County Council	2002	3.34	2.77	2.77
Laois County Council	2002	1.49	1.49	1.49
Laois County Council	2002	0.92	0.92	0.92
Laois County Council	2005	1.03	1.03	1.03
Laois County Council	2005	1.03	1.03	1.03
Laois County Council	2005	0.74	0.74	0.74
Laois County Council	2005	2.13	2.13	2.13
Limerick County Council	2001	2.50	1.25	1.25
Offaly County Council	2004	1.42	1.22	1.22
Tullamore Town Council	2005	5.79	4.34	4.34
Sligo Borough Council	2001	15.18	15.18	15.18
Wexford County Council	2001	2.99	0.76	0.76
Wexford County Council (2 sites)	2001	10.64	5.96	5.96
TOTAL		89.20	74.05	71.49

Source: Department of the Environment, Community and Local Government

Note: a A loan on a further site in Carlow (not included) was redeemed in full due to its low value (€50,000).