

Land Aggregation Scheme (LAGS) – History

In view of the significant level of media coverage that this matter has received over the past two weeks, the report hereunder clarifies the position on the current status of lands which the Council was seeking to have included and funded under the national LAGS Scheme.

The Land Aggregation Scheme (LAGS) was announced in April 2010 with the intention of gradually unwinding approximately €600 million worth of loans taken out by Local Authorities (with the approval of the Department) from the Housing Finance Agency to purchase land for the Social and Affordable Housing Investment Programmes. This was intended to happen over a ten year period with the full redemption of capital and interest outstanding on applications approved for inclusion.

However, it became clear that the level of funding being provided would not be sufficient to support the scheme and in June 2012 following a review of the operation of the scheme by the Department of Environment, Community and Local Government, the terms were revised so that the loans that had matured or were due to mature were either to be repaid or converted into annuity loans. Under the revised LAGS, from 2013 the Department would recoup the full cost of the capital and interest payments rather than redeem the loan as before.

In December 2013 the Department, following consultation with the Department of Public Expenditure and Reform, informed the Local Authorities that the level of expenditure on LAGS was unsustainable given the budgetary position nationally for 2014 and the scheme would be discontinued. Funding would continue to be available for the recoupment of annuity loan payments to Local Authorities for lands already approved into the scheme but that no new submissions would be considered.

Land Aggregation Scheme (LAGS) – Cork County Council

Cork County Council submitted thirty three sites involving 38 loans totalling €48.3 million. Fifteen of the sites have been accepted into the LAGS, involving 18 loans totalling €20 million. The remaining eighteen sites, involving 20 loans, have not been covered by LAGS, for a variety of reasons. The total outstanding on these loans is €28.3 million. In order to manage the burden of this debt on the Councils revenue budget, the remaining loans were converted to interest only on 1st January 2014 for a period of 5 years. The total interest payable in 2015 and provided for in the 2015 adopted budget is €565,000.

In relation to the sites not accepted for inclusion in the scheme, none of them have been rejected on the basis of them being undevelopable or unsuitable for housing as is being reported in the media. There is no reason given on any site which would render it to be undevelopable or unsuitable for housing. The primary reason given in many cases is that it does not appear practical to take them into the LAGS Scheme with reasons stated for each individual site such as that a site may require works on site, may require infrastructure to be provided to assist with development of the site, that there may be proposal to use part of the site for other purposes etc., and issues which may have implications for the development potential of the site.

In all cases these sites were purchased by the Council between the years 2000-2006 at a time when there was a progressive social housing construction programme and when the Council needed to be proactive to ensure that it would have a continuing level of land

opportunities for future development. All sites were purchased on the basis that in due course, once developed for housing, that the full cost of their purchase and development are recoupable as part of the normal conditions associated with progressing social housing projects.

The €2.2bn recent Budget provision for social housing, the publication of the recent Social Housing Strategy which provides for clear, measureable actions and targets to increase the supply of social housing, and the development of a Land Management Strategy by the Housing Agency will have positive implications for local authorities in developing their lands for social housing purposes. Consequently opportunities that may not have existed in the recent past are now available to local authorities to begin developing and building on these lands. Cork County Council is presently considering lands that have not been accepted into the LAGS Scheme for the provision of social housing. In the event that the lands prove to be surplus to requirements then alternative options for their use, including their disposal will be considered.

Cork County Council is not prepared to release details in relation to the individual sites as such information is commercially sensitive and could cause a financial loss to the Council as any negative exposure could potentially deter any prospective buyer from showing any interest in these or any other lands that may be placed on the open market.

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