

**REMEDICATION OF DWELLINGS DAMAGED
BY THE USE OF
DEFECTIVE CONCRETE BLOCKS BILL 2022**

Regulatory Impact Analysis (RIA)

**Department of Housing, Local Government and Heritage
May 2022**

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1. Summary

Summary of Regulatory Impact Analysis (RIA)	
Department / Office Department of Housing, Local Government and Heritage (DHLGH)	Title of Legislation Remediation of Dwellings Damaged by the Use of Defective Concrete Blocks Bill 2022
Stage General Scheme	Date May 2022
Related Publications Report of the Expert Panel on Concrete Blocks: https://www.gov.ie/en/publication/0218f-report-of-the-expert-panel-on-concrete-blocks/ Report from the Working Group on the Defective Concrete Blocks Grant Scheme: https://www.gov.ie/en/publication/a0bbc-report-from-the-working-group-on-the-defective-concrete-blocks-grant-scheme/ Report of the Expert Group on the Enhanced Defective Concrete Blocks Grant Scheme: https://www.gov.ie/en/publication/5cb64-report-of-the-expert-group-on-the-enhanced-defective-concrete-blocks-grant-scheme/ Available to view or download at: www.housing.gov.ie Also available – Statutory Instruments establishing initial grant scheme: https://www.irishstatutebook.ie/eli/2020/si/25/made/en/print https://www.irishstatutebook.ie/eli/2022/si/85/made/en/print#:~:text=S.I.-,No.,Assistance)%20(Amendment)%20Regulations%202022 SCSI Report On Construction Costs For The Defective Concrete Blocks Grant Scheme: https://scsi.ie/report-on-construction-costs-for-the-defective-concrete-blocks-grant-scheme/ I.S. 465:2018 protocol published by NSAI: https://www.nsai.ie/images/uploads/standards/I.S._465-2018_Web_Download_.pdf	

Contact for Enquiries Paul Benson

Email paul.benson@housing.gov.ie

Policy Options

The following policy options have been considered in relation to this Bill:

1. No Change Option - Allow the Defective Concrete Blocks Grant Scheme, as initially devised in 2020, to continue to operate despite the challenges experienced by all involved – homeowners, engineers, local authorities and the Department.
2. Development of new legislative proposals – Amend and enhance the Scheme in line with the recommendations in the Report of the Working Group with Homeowners, the Government decisions of the 30 November, 2021 and the Report of the Expert Group on an Enhanced Defective Concrete Blocks Grant Scheme.

Preferred option

Option 2 – the development of new legislative proposals for an enhanced Grant Scheme is being pursued by the Department for Housing, Local Government and Heritage through the Remediation of Dwellings Damaged by the Use of Defective Concrete Blocks Bill 2022.

2. Policy Context and Objectives

2.1 Policy Context

The cracking of external walls of dwellings in Donegal and Mayo, due to the crumbling of concrete blockwork, came to light in 2013. An Expert Panel was established in 2016 to investigate the matter and their Report was published on 13 June 2017. It concluded that the disintegration of the concrete blocks used in the construction of the affected dwellings in Donegal and Mayo was primarily due to excessive amounts of deleterious materials in the aggregate used to manufacture the concrete blocks.

On 31 January 2020, the then Minister for Housing, Planning and Local Government, with the consent of the Minister for Public Expenditure and Reform, made Regulations to provide for a grant scheme to support affected homeowners in Donegal and Mayo. The level of funding available was subject to the maximum limits depending on the remedial option recommended in the engineer's report or 90% of the eligible costs, whichever was the lesser.

Challenges arose with the implementation of this initial scheme, chiefly concerning its governance, administration and adequacy of available grant funding. This led to the establishment of a Working Group with homeowner and other stakeholder representatives in June 2021 to look at all issues which had arisen. Their Report set out a number of options in relation to the scheme for the consideration of Government.

2.2 Policy Objectives

Minister O'Brien brought a memorandum to Government on an enhanced Defective Concrete Blocks (DCB) Grant Scheme on the 30 November 2021. It included an unprecedented suite of improvements to enhance the current scheme in response to the issues identified. Among the improvements were the –

- Removal of the financial barrier to scheme entry
- Simplifying and streamlining the application process
- Increasing the –
 - grants available from 90% to 100% of allowable costs, and
 - maximum grant level from €247,500 to €420,000
- Providing for a second grant in certain circumstances
- Introducing an independent appeals process, and
- Strengthening the certificate of remediation available to homeowners.

Government approved the enhanced scheme which it is estimated at that time would cost approximately €2.2bn. A number of technical issues remained to be considered and an Expert Group was established to consider and advise on these –

- Damage Threshold for Entry to the DCB Grant Scheme
- Building Condition Assessment Report
- Parameters around Second Grant Application including Time Limits
- Time Limits on Grant approval
- Independent Appeals Process
- Requirement for Remedial Works Plan to be prepared and submitted
- Review Existing Certificate of Remediation
- Extension of the Scheme – Research on How Many Counties are Potentially Impacted
- Exempt Development Status for like for like Demolition & Rebuild
- Engagement with SCSi on Construction Costs and Appropriate Grant Rates

The advice of this Group was accepted by Minister O'Brien. It informed aspects of the proposed legislation / regulations which will deliver on the policy objectives and provide for detailed operation of the enhanced scheme.

The Government decision also called for a number of reviews to be completed;

1. Review of the I.S. 465:2018 protocol including consideration of the impact of other potentially deleterious material e.g. pyrrhotite and consideration of any potential impact on foundations
2. Review of the Irish standard for concrete blocks (including aggregates) and
3. Review of the potential impact, if any, of full cavity wall insulation on homes susceptible to damage or damaged by defective concrete blocks.

The Department has been engaging with the National Standards Authority of Ireland and a steering group comprising representatives of the Department, NSAI and Geological Survey Ireland has been established to develop a detailed scope for the required work and an implementation plan. The Chairpersons of the relevant technical committees also sit on the Steering Group. Work has begun and the various technical committees have been meeting to consider what research and reviews are required.

3. Identification of Options

3.1 No Change Option

If no changes are made, the challenges (referred to above) with the implementation of the current grant scheme will continue. The financial barrier to entry to the scheme for many homeowners would remain and there would be no opportunity to try and ensure that the worst affected homes are prioritised for remediation under the scheme. The concerns of homeowners with the current scheme would not be addressed and decision of Government to enhance the scheme would not be implemented.

3.2 Preferred Option – Implementation of the legislative proposals

Initial options for remediation under the current Scheme are set out in Table 1 below, with the enhanced options proposed at Table 2.

	Table 1 - Remedial Option Description	Maximum Approved Cost	Maximum Grant Payable
1	Demolish entire dwelling to foundation level /rebuild	€275,000	€247,500
2	Demolish / rebuild external walls (outer/ inner leafs) down to foundation on phased basis / re-render	€220,000	€198,000
3	Demolish / rebuild external walls (outer / internal leafs) down to top of rising wall on a phased basis and re-render	€210,000	€189,000
4	Demolish /rebuild external walls (outer leaf only) down to top of rising wall on a phased basis and re-render.	€75,000	€67,500
5	Demolish and rebuild outer leaf of affected walls only and re-render.	€55,000	€49,500

1. All costs are inclusive of VAT
2. Not to exceed 90% of the maximum approved cost or, 90% of actual cost of the qualifying works, whichever is the lesser.

Table 2 - Specific Improvements to the Scheme Agreed by Government	
1.	The current 90% maximum grant be increased to a 100% grant for all remediation options 1-5
2.	The maximum expenditure cap for option 1 (demolition and rebuild) be increased from €275,000 to €420,000
3.	The grant calculation methodology to be based on the cost per square foot of rebuilding the existing home, with costings which have been set by DHLGH and informed by its QS team based on first-hand experience, a review of remediation cost plans received from homeowners which are Stage 2 approved under the scheme and the SCSi re-build costing guide for 2021.
4.	The maximum expenditure caps for options 2-5 would also be increased as appropriate to reflect the allowance for alternative accommodation costs and any increases arising from the proposed cost per sq. ft. grant calculation methodology,
5.	In relation to works carried out under remediation options 2-5, a 2 nd grant <i>option</i> , will be available for such a home in the future if blockwork which was not removed as part of the initial remediation work subsequently proves defective in accordance with the IS;465 standard
6.	A new 'damage threshold' to be established for entry to the Scheme,
7.	A revised application process to be introduced which will only require the homeowner to submit an initial 'Building Condition Assessment' at minimal cost (recoupable on entry to the Scheme),
8.	The Housing Agency to act as agents for each local authority in assessment, testing and categorisation of applications received
9.	In the case of option 1 (demolition and rebuild), subject to work which is underway to identify what legal requirements may be needed to make provision for it, exempt development status will be provided for homes which are planning compliant and are being replaced on a like for like basis.
10.	Alternative accommodation costs to be included as an allowable cost, subject to a maximum of €15,000

11.	Any costs associated with essential immediate repair works related to the structural stability of any part of an affected home, which are recommended on foot of an engineer's recommendation as part of the 'Building Condition Assessment' process, to explicitly be an allowable cost, subject to a maximum expenditure cap of €5,000
12.	A new independent appeals process to be introduced,
13.	The certification process for remediated homes to be strengthened and placed on a statutory footing,
14.	The Scheme to be extended beyond the current scope of Principle Private Residences only, to also cover rental properties, subject to: the property being RTB registered on 1 st November 2021; a maximum of one rental property per household and the introduction of a clawback mechanism upon re-sale within a set time period depending on the remediation option used. Opportunities for the State to acquire such rental properties for social housing purposes will also be examined.

4. Identification of Costs, Benefits and Impacts

4.1 *Costs – No Change Option*

The ongoing costs of running the initial Scheme will continue in respect of current applications but the number of new applications will fall away. The issues will remain unresolved with obvious consequences.

4.2 *Costs – Preferred Option – Implementation of the legislative proposals*

- **Estimated cost of the original scheme excl inflation (July 2019)** **€1.4Bn**
- **Estimated cost of Enhanced scheme excl inflation (November, 2021)** **€1.83Bn**
 - (7,500 Homes @ Avg Cost of €244,000)
 - Provision for inflation estimated at 3% pa **€400M**
- **Estimated Cost of Enhanced Scheme excl inflation (May 2022)** **€2.15Bn**
 - (7,500 Homes @ Avg Cost of €€287,000)
 - Cost including Inflation Provision at 3% **€0.55Bn**
 - Cost including Inflation Provision at 5% **€1Bn**
 - Cost including Inflation Provision at 7% **€1.5Bn**

The preferred option will see costs rise significantly, as outline above, but will bring a resolution over time to the issue. Costing the enhanced Scheme (based on revised grant rates and inflation in May 2022) is challenging. Given the level of uncertainty with inflation a number of costing scenarios, as set out above, were examined.

The cost estimates provided are based on the best available knowledge at this time on the likely number of homes impacted *and eligible* for grant funding. Provision has been made for the homes thought to be impacted and eligible for grant assistance within the counties of Donegal and Mayo and the likely number of impacted homes if the scheme were to be extended to the counties of Clare, Limerick, Sligo and Tipperary. Given the possibility that the spread of impacted homes could be wider than the six counties mentioned, an additional 1,100 homes are included in the overall 7,500 estimate of the number of homes which are expected to be eligible for grant assistance.

4.3 Benefits – No Change Option

The initial grant scheme would remain in place but will not work as originally intended. The cost of the scheme will not be hugely significant but it will fail to achieve the Government objective to remediate the affected homes and the issue will remain unresolved with obvious consequences.

4.4 Benefits – Preferred Option – Implementation of the legislative proposals

The enhanced scheme will address the difficulties with the current scheme, will streamline the process for all stakeholders and will improve overall governance and administration of the scheme. Longer term improvements will also accrue from the various studies and reports which have been commissioned. These are set out in detail under Policy Objectives at (2) above.

4.5 Impacts – No Change Option

The impacts on homeowners and the number of homeowners impacted will continue to increase as homes continue to deteriorate with no real prospect of the current scheme resolving the issues.

4.6 Impacts – Preferred Option – Implementation of the legislative proposals

The proposals for remediation under the enhanced scheme will positively impact homes and homeowners and address the estimated 7,500 homes impacted and eligible for grant assistance. Specific impacts under key headings, where they arise, are outlined below;

North South and East West Relations – The exclusion of holiday homes from the enhanced scheme has been the subject of representations to DHLGH from some politicians, civic leaders and residents of Northern Ireland. Many Northern Ireland residents own holiday home properties in County Donegal in particular and have sought inclusion onto the DCB Scheme. There may be an impact on North South relations arising from the exclusion of holiday homes from the scheme.

Employment – There will be a significant increase in construction activity in the counties impacted by defective concrete blocks. With an estimated 7,500 homes to be remediated, at an estimated cost of €2.15Bn, excluding inflation, significant employment opportunities will arise in the impacted counties, but in particular in the county of Donegal.

The overall exchequer investment is expected to sustain approximately 15,000 direct/indirect jobs or an average of 1,000 jobs per annum if the spend were to be evenly spread. In reality, the spend will ramp up slowly and is expected to peak between the years 2026 and 2032 with a parallel impact on jobs sustained.

Gender Equality – There are no known impacts in this category

Persons Experiencing or at risk of poverty or social exclusion – There are no known impacts in this category

People with Disabilities - There are no known impacts in this category

Competitiveness and Industry Costs – There will be a significant financial impact for the construction industry if the proposed levy, which is to be targeted at generating an annual income of €80M, is brought into effect.

Capacity constraints within the construction sector in counties impacted outside of Donegal are not considered to be material. The estimated maximum of between 350/800 homes in such counties spread over a 15 year period should be capable of being absorbed without material impact.

The impact will be greater within Donegal where thousands of homes are impacted but there are a number of mitigating factors. The introduction of a damage threshold for homes to access the scheme will ensure a steady stream of homes being approved annually for remediation over the next 15 years. This will ensure that homes enter the scheme at the appropriate time, lessen the impact on construction capacity and lessen the potential inflationary impact of the scheme locally by ensuring that thousands of homes do not enter the scheme at the same time. It will also ensure that the worst impacted homes will be prioritised for approval. There is also some anecdotal evidence that a steady stream of construction activity being guaranteed within Donegal over the coming years is encouraging construction workers to relocate and engage with the scheme which may in turn lead to a micro economy in the construction sector within Donegal which is serviced, not just from within the Republic of Ireland but also from construction workers and firms located in Northern Ireland.

Rural Communities – There will be opportunities and challenges. Based on the current knowledge and evidence available on the likely areas impacted by defective concrete blocks, it is the case that it is affecting mostly rural counties in the west of the country. A large number of the properties impacted are known to be single rural dwellings. Significant economic and construction activity will take place in these rural locations over the next 15 years as an estimated 7,500 impacted homes are remediated. This will mean very significant economic activity and employment opportunities for those rural communities. There will be a challenge around the sourcing of alternative accommodation by a large number of homeowners who will have to vacate their homes while remediation work is ongoing. Sourcing alternative accommodation will be challenging for homeowners given the rural location and the limitations on the available supply of rental accommodation but creative solutions to overcome such obstacles are being put forward by homeowners and other stakeholders and these will receive fair consideration.

Environmental – With at least 7,500 homes to be remediated under the DCB scheme there will be opportunities and challenges in the environmental area. A significant opportunity will arise for homeowners to upgrade their homes to current building regulations standards to prevent the lock in of carbon inefficiencies. Energy efficiency grants for this purpose are available to DCB

homeowners from SEAI in the same way as they are available to non-DCB homeowners. Homes upgraded will help with the Government target for the retrofit of 500,000 homes by 2030.

Environmental challenges will arise in the context of significant demolition and remediation works and the generation and handling of construction and demolition waste. The reuse of house components, where feasible, is important in minimising the waste impacts from the scheme and contributing to the circular economy. The handling of waste is controlled under the relevant waste regulations and competent contractors are familiar with the requirements for the use of permitted hauliers and sites when it comes to handling construction and demolition waste. The classification of DCB waste as either inert, hazardous or non-hazardous is important in this regard. DHLGH has been in touch with the Connaught/Ulster Waste Management Office about the issue and it is their intention to carry out some research to inform what steps can and should be taken to quantify and manage the likely waste flow over the next 15-20 years.

5. Consultation

The Department has engaged with a broad array of stakeholders to assist it in determining the best option to provide a mechanism for dealing with the challenges arising from the existing grant scheme.

- An Expert Panel was established by the Department, and reported in 2017
- The NSAI was consulted and devised the IS 465: 2018 national standard to assess, test & categorise blocks
- Engineers Ireland established a training programme for building professional Guidelines were issue to the local authorities on operation of the initial scheme
- A Working Group was established by the Department in 2021 which included departmental and local government stakeholders – together with Members of the Donegal Mica Action Group and the Mayo Pyrite Groups. Submissions were received from Engineers Ireland, and the Group reported in September 2021
- An Expert Group was established by the Department in 2022 which included Departmental and local government stakeholders – together with DBFL Consulting Engineers, the Housing Agency, Engineers Ireland and the Pyrite Mediation Scheme. The Group reported on an enhanced Scheme in March 2022

The Office of the Attorney General, and all relevant Departments of Government will be consulted before publication of the Remediation of Dwellings Damaged by the Use of Defective Concrete Blocks Bill 2022.

6. Enforcement and Compliance

No issues are foreseen in relation to compliance with the conditions of the grant scheme, however enforcement officers, with enhanced powers, are provided for in the Bill.

7. Review

This legislation may be reviewed as the revised Scheme becomes operational, and as critical, longer term work and research is carried out on important homeowner, administrative and scientific issues.

8. Publication

This Regulatory Impact Analysis will be published on the Department's website www.housing.gov.ie once the General Scheme of the Bill is published.