

**Public Accounts Committee****Accounts of the Public Services 2011**
Chapter 6 (Financial Commitments Under Public Private Partnerships –
Water Services)
Chapter 16 (Central Government Funding of Local Authorities)**Department of the Environment, Community and Local Government****Opening Statement by Geraldine Tallon, Accounting Officer**
6 December 2012.

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

Chapter 6 of the Comptroller's Annual Report for 2011 addresses Financial Commitments under Public Private Partnerships. As far as DECLG is concerned, PPP procurement is used in the water services sector where it is clearly established that the approach provides the best value for money overall. Water services authorities are required to examine all procurement options in an even-handed manner and to undertake a Public Sector Benchmark assessment before a decision is taken to progress to PPP procurement. This initial assessment is based on securing the best value for money from a "whole-life" perspective, including the operation and maintenance costs in the post construction phase.

Where it is concluded that a water services scheme should be advanced as a PPP, Design/Build/Operate/Maintain (DBOM) is the preferred procurement route for new and upgraded water services treatment facilities on the basis of positive local and international experience and the high cost of traditional procurement in this area.

Chapter 6 of the Comptroller's report also references the Value for Money Review of the Water Services Investment Programme which was carried out in 2010. This VFM report supports the view that, based on experience to date, the DBOM model offers a number of advantages for projects involving the provision of water services infrastructure, including

- incentivisation of private sector contractors to optimise the whole-life cost of the project and to provide reliable treatment processes and technologies and associated mechanical and electrical equipment, through single point responsibility for design, construction, operation and maintenance,
- better allocation of risk resulting in greater certainty of final capital cost,

- encouragement to use newer technologies with associated technical and economic advantages, and
- contractually guaranteed performance and maintenance standards over the 20-year operational phase.

Overall, the DBOM approach ensures that the risks inevitably associated with large-scale infrastructure procurement are appropriately borne by the relevant stakeholders and the exposure of the Exchequer, and thus the taxpayer, to increased costs is minimised. Data available to the Department continue to reinforce the position that for larger contracts the DBOM approach provides a significant reduction in capital and whole-life costs.

Turning to particular projects, chapter 6 of the Comptroller's Annual Report gives details on 20 Water Services projects, costing €20 million or more, which the Department is funding using the PPP approach. These include 2 new projects which reached contract stage in 2011: Letterkenny Waste Water Treatment Plant and River Barrow Water Treatment Plant. The briefing paper provided for the meeting gives an updated schedule of expenditure and commitments in relation to these 20 PPP projects.

Mr. Chairman, chapter 16 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, as well as other central sources. Such funding amounted to €3.5 billion in 2011, compared to €4.4 billion in 2010.

The chapter also addresses performance measures in relation to urban wastewater treatment. The material is based on the reports published by the EPA earlier this year which set out the results of local authority compliance with the Urban Waste Water Treatment Directive, as well as information on the licensing and authorisation regime introduced by the Waste Water (Discharge Authorisation) Regulations 2007-10. The reports illustrate a number of areas where new infrastructure is required to ensure compliance with statutory limits. This infrastructure is being provided through the Department's Water Services Investment Programme. Irish Water will, over time, take over responsibility for investment in waste water infrastructure and its operation.

The report also provides an update on housing issues. As the Committee is aware, the Land Aggregation Scheme concerns land acquired for social and affordable housing purposes that can no longer be utilised in the manner originally envisaged in light of current economic circumstances and the evolution of more flexible housing supply models.

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 of some €500m at end 2011 over a reasonable period of time.

We have recently made some changes to the operation of the scheme. Up to this year, funding to redeem relevant loans was made available from the Department, and HSC Ltd. would then be responsible for the management and maintenance of lands transferred under the scheme. However, following a review of the scheme in 2012, the manner of loan redemption has been altered. Instead of using capital monies to pay off the loans of some authorities, all of the eligible matured loans will now be converted into mortgages of up to 25 years, with interest and capital payments made by the housing authority to the HFA and the amount recouped by the Department. The revised terms of the scheme were notified to local authorities in June 2012.

Applications totalling some €287m from 28 housing authorities and the National Building Agency have been received by the Department under the scheme. To end October 2012, 63 sites had been approved for inclusion in the scheme, representing some 206 hectares and just under €132.5m in HFA loans. Further details are in the briefing paper circulated to the Committee.

I have also in recent days provided material requested by the Committee in relation to the Dublin Waste to Energy Facility at Poolbeg and allowances in the local government sector.

To conclude, Mr. Chairman, the chapters before us from the Comptroller's 2011 report provide useful summaries in relation to aspects of the water services and housing areas within the remit of my Department and the local authorities, and in relation to central government funding of local authorities. Thank you.