



PAC-R-837

Correspondence 3A.5
Meeting 74 – 21/02/2013



Comhshaol, Pobal agus Rialtas Áitiúil
Environment, Community and Local Government

Oifig an Ard Rúnaí
Office of the Secretary General
8 February 2013.



Ms. Niamh Maguire,
Committee Secretariat,
Committee of Public Accounts,
Houses of the Oireachtas,
Kildare Street,
Dublin 2.

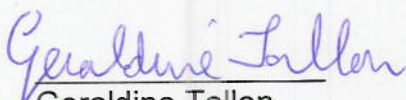
Dear Ms. Maguire,

I refer further to your letter of 12 December 2012 following my appearance before the Committee on 6 December in relation to:

Accounts of the Public Services 2011: chapter 6 (Financial Commitments Under Public Private Partnerships – Water Services); chapter 16 (Central Government Funding of Local Authorities).

I now enclose additional information on the issues raised in the course of the Committee's examination.

Yours sincerely,


Geraldine Tallon,
Accounting Officer.



1. A list of the Local Authorities that did not submit sample results from wastewater treatment plants to the Environmental Protection Agency in 2011.

The Environmental Protection Agency published a report entitled, *Focus on Urban Waste Water Discharges in Ireland*, in February 2012. Two updates to this report, *Urban Waste Water Treatment in 2010* and *Urban Waste Water Treatment in 2011*, were also published in 2012 and these address effluent quality and plant performance in 2010 and 2011, respectively.

The 2010 data show that 6 local authorities are listed as having a total of 8 treatment plants for which no sampling results were submitted. However, the EPA report notes that, in the case of 2 plants, the Waste Water Discharge License applications were withdrawn. This leaves 5 local authorities with a total of 6 treatment plants which did not submit the required samples. Details are in the tables below.

Table A: List of treatment plants where no results have been reported in the EPA report (2010)

Local Authority	Agglomeration Name	Licence No	Pass or Fail
Fingal Co. Co	Tuberburr	D0024-01	NR
Kerry Co. Co.	Feries	D0460-01 App	NR
Kilkenny Co Co.	Kilmacow	D0525-01	NR
Mayo Co Co.	Achill Sound	D0511-01	NR
Meath Co. Co.	Moynalty (WWTP taken over by MCC on 09/08/2010)	D0491-01 App	NR
	Rathmolyon (WWTP taken over by MCC on 13/04/2012)	D0490-01 App	NR

Comments on non-returns.

Tuberburr – In 2010, Tuberburr was a separate treatment plant. It is now part of the overall Swords agglomeration.

Kilmacow - footnote to the EPA 2010 Update Report states that the treatment plant in Kilmacow began operation in November 2010.

Achill Sound - footnote to the EPA 2010 Update Report states that there was no collection system prior to 2010.

Moynalty – footnote to the EPA 2010 Update Report states that the treatment plant in Moynalty was completed in August 2010. There was primary treatment prior to that date.

Rathmolyon - footnote to the EPA 2010 Update Report states that the treatment plant in Rathmolyon was completed in April 2010. There was no collection system prior to 2010.

The 2011 data published by the EPA show that sufficient sample returns were made in respect of each of the above treatment plants in 2011.

Table B: List of treatment plants where no results have been reported due to the withdrawal of licence applications

Local Authority	Agglomeration Name	Licence No	Pass or Fail
Monaghan Co. Co.	Doohamlet (Operation taken over by LA in 2012. Private in 2010)	D0473-01 Withdrawn	NR
Meath Co. Co.	Kilcloon (WWDL application withdrawn)	D0492-01 Withdrawn	NR

Comments on non-returns.

Doohamlet - footnote to the EPA 2010 Update Report states the results from Doohamlet are not presented as the discharge licence application for this agglomeration was withdrawn. An application for a discharge certificate was subsequently made by Monaghan Co. Co. in September 2012 as the discharge is less than 500 p.e. (the reporting threshold for the EPA Urban Waste Water Discharges Report is 500 p.e. or above).

Kilcloon – footnote to the EPA 2010 Update Report states that the results from Kilcloon are not presented as the discharge licence application for this agglomeration was withdrawn. An application for a discharge certificate was subsequently made by Meath Co. Co. in March 2012 as the discharge is less than 500 p.e. There was no collection system prior to 2010.

2. Details of the upper limit value of properties in respect of the mortgage-to-rent scheme.

On foot of the recommendations of the Keane Report on mortgage arrears, the Government launched a mortgage to rent scheme on a pilot basis in February 2012. This scheme was extended nationally in June 2012, targeting low income families whose mortgage situation is unsustainable and where there is little or no prospect of a significant change in circumstances in the foreseeable future. The scheme ensures that the family remains in their home, while ownership is transferred to an approved housing body who in turn rent it to the original owners.

Householders seeking to avail of the mortgage to rent scheme must:

- have been involved in the Mortgage Arrears Resolution Process (MARP) with their lender and agree that they can no longer afford to pay their mortgage loan now or in the future;
- own the property they live in, with a current market value of less than €220,000 or €180,000 depending on location;
- have their property in good condition, in a suitable location and suiting their current needs;
- not own any other property or have assets in excess of €20,000;
- be eligible for social housing;
- have a long-term right to remain in Ireland (applies to borrower).

The current market value of €220,000 applies within the functional areas of the four Dublin authorities (Dublin City Council, Fingal County Council, South Dublin County Council, Dún Laoghaire/Rathdown County Council) and Wicklow, Kildare and Meath County Councils, on the basis of higher average property values in these areas. The lower current market value of €180,000 applies to all other areas.

3. A note on the practice in local authorities to accept 'paper bonds' (insurance from the CIF) to cover a bond for a residential development

Conditions attached to planning permissions for residential development must require the giving of sufficient security prior to commencement of development. Existing guidance to planning authorities requires that they must ensure that they are in a position to draw down the security in cases where a developer fails to satisfactorily complete a residential development, or phase of a development, within the specified period.

Where a development is completed in accordance with the planning permission, the security should be released without undue delay.

The guidance specifies that it is a matter for the planning authority to determine both the level of the security and the type of security. This can take the form of the lodgement of a bond from a financial institution, a cash lodgement by the developer to the planning authority or a letter of guarantee from the Construction Industry Federation.

While the form of the bond, the amount and the terms attached are matters for the planning authority concerned, the arrangement entered into must enable the planning authority, without cost to itself, to complete the necessary services (including roads, footpaths, water mains, sewers, lighting and open space) to a satisfactory standard in the event of default by the developer.

The condition must require that the lodgement of the security be coupled with an agreement that would empower the planning authority to realise the amount of the security at an appropriate time and apply it to meet the cost of completing the specified works. Planning authorities must also ensure that, when using time-limited bonds, the bond is of sufficient duration to allow them time to inspect the development after the expiration of permission and still call in the bond if necessary. The duration of planning permission and any approved extension of that duration plus 2 years is the recommended minimum duration.

A security condition must also provide for the recalculation of the amount specified in the condition by reference to the House Building Cost Index (or the Consumer Price Index) if the development to which the permission relates is not commenced within a specified period after the granting of the permission. The bond obtained should be applied to carry out any outstanding work where needed to ensure that the development is completed to a satisfactory standard.

More recent experience in dealing with unfinished housing developments indicates that practice in relation to bonds and securities needs to be updated, revised and standardised because:

- There is a need for greater clarity in relation to the purpose of planning securities; (i.e. completion of essential infrastructure, not the whole development);
- The wording of securities needs to be standardised to ensure a consistent approach and maximise effectiveness in enforcement; and
- The level of security required, and the local authority systems needed to safeguard that these securities are kept up to date, need to be revised to ensure that they are fit for purpose.

The following specific difficulties in relation to the operation of bonds have arisen in some instances:

- Difficulties in securing new bonds to comply with planning conditions imposed because of wider difficulties in the financial markets;

- Limited or no market interest in providing open ended bonds;
- The length of time and complexity involved in getting a development taken in charge (particularly prior to the introduction of legislative changes in this area in the 2010 Planning Act), with adverse effects on the availability of bonds because of perceived riskiness;
- Complexity of clauses and sub clauses in some securities provided by some bond holders which, for example, require the planning permission to expire prior to the planning authority having the right to call in the bond or that court orders be obtained to prove non-compliance before the bond is paid.

The National Co-ordination Committee on Unfinished Housing Developments, which is chaired by Minister O'Sullivan, has been assessing the framework for the operation of bonds, taking account of existing legislative provisions, statutory guidance and practical experience in the operation of bonds, in order to determine what further policy advice and action are necessary in this regard. The Committee is currently developing proposals in respect of the issues surrounding paper bonds, and guidance in this regard will issue to local authorities in the coming months.

4. Housing Finance Agency plc

Amounts outstanding at 31 December 2012 on Land Acquisition Loans

Local Authority	€
Athy Town Council	-
Athlone Town Council	1,456,377
Bray Town Council	6,509,429
Bundoran Town Council	2,022,712
Carlow County Council	7,456,769
Carlow Town Council	-
Castlebar Town Council	-
Cavan County Council	-
Carrick-on-Suir Town Council	417,754
Clare County Council	7,528,395
Clonmel Borough Council	1,461,379
Cork City Council	40,408,593
Cork County Council	54,848,728
Donegal County Council	2,514,332
Drogheda Borough Council	39,801,177
Dublin City Council	39,664,546
Dundalk Town Council	12,865,943
Dungarvan Town Council	1,075,016
Dunlaoghaire/Rathdown County Council	36,611,446
Ennis Town Council	-
Fermoy Town Council	349,019
Fingal County Council	8,954,150
Galway City Council	31,280,383
Galway County Council	3,080,796
Kerry County Council	20,823,954
Kildare County Council	5,454,624
Kilkenny Borough Council	-
Kilkenny County Council	-
Laois County Council	9,001,924
Leitrim County Council	-
Letterkenny Town Council	-
Limerick City Council	-
Limerick County Council	1,313,402
Listowel Town Council	685,158
Longford County Council	3,019,493
Louth County Council	6,468,746
Mayo County Council	7,149,524
Meath County Council	29,745,754
Monaghan County Council	-
Navan Town Council	-
Nass Town Council	-
Nenagh Town Council	-
New Ross Town Council	-
North Tipperary County Council	-
Offaly County Council	3,193,594
Roscommon County Council	-
Skibbereen Town Council	1,456,920
Sligo Borough Council	29,939,972
Sligo County Council	9,146,958
South Dublin County Council	-
South Tipperary County Council	8,925,772
Tralee Town Council	14,605,261
Tullamore Town Council	4,836,978
Waterford City Council	4,856,653

Waterford County Council	1,520,278
Westmeath County Council	1,558,831
Westport Town Council	2,849,432
Wexford County Council	10,121,176
Wexford Borough Council	-
Wicklow County Council	22,008,627
Wicklow Town Council	3,003,244
Total	499,993,218

5. Cost comparison data in relation to the Water/Wastewater projects set out in the C&AG Report

This information is set out in the table below.

Note: Department Circular L05/06 (30 May 2006) required local authorities to prepare a Public Sector Benchmark (PSB) to assist in assessing and reviewing certain financial aspects of water services Public Private Partnerships (PPPs). The importance of the PSB is that it enables a comparison to be made on a like for like basis between traditional and PPP procurement. A new Guidance Note - **System for the Assessment and Review of PPPs Within the Water and Wastewater Sector** – was issued with the Circular and it provided general guidance on the rationale and objectives of the PSB including a standard format setting out the minimum requirements of the PSB for a water services project. The Circular required that 'a PSB should be produced for every water services PPP that has been approved to proceed as a PPP but tenders have not yet been invited.' In addition, it required that the provisions of the Guidance Note with regard to PSB should be put into immediate effect (i.e. from 30 May 2006).

DBO Contract /PPP Project	Description	PSB Completed	Cost comparison/PSB Report
Dublin Bay Wastewater Treatment Plant	Construction of the treatment plant, designed to serve a population of 1.64 million, was completed in June 2003. Odour problems which occurred at that time have now been eliminated due to the installation of odour control equipment.	Before PSB requirement, Dept. Circular L5/06	<ul style="list-style-type: none"> • <u>DBO capital cost</u> is 15% less than traditional procurement. • <u>DBO Whole Life Costs</u> 18.8% less than the pre-tender estimate.

DBO Contract / PPP Project	Description	PSB Completed	Cost comparison/PSB Report
Wexford Wastewater Treatment Plant	Construction of the treatment plant, with capacity to serve a population of 30,000, was completed in September 2004. The plant is now in operation.	Before PSB requirement, Dept. Circular L5/06	<ul style="list-style-type: none"> • <u>DBO capital cost</u> is 6% more than the pre-tender estimate but the latter does not include for risk transferred to the DBO contractor. • A pre-tender estimate for the <u>DBO Whole Life Costs</u> is not available.
Carrigrennan (Cork) Wastewater Treatment Plant	Construction of the treatment plant, with capacity to serve a population of 413,000, was completed in September 2004. The plant is now in operation.	Before PSB requirement, Dept. Circular L5/06	<p><u>DBO Whole Life Costs</u> were virtually equal to pre-tender estimated Whole Life Costs without retained risks being costed in the latter (see separate note on Carrigrennan)</p>
Balbriggan/Skerries Wastewater Treatment Plant	This project involved the construction, operation and maintenance of a sewage treatment plant with an initial capacity to serve a population of 30,000. There is potential to expand the capacity of the plant to serve a population of up to 100,000, if required. The plant became operational in September 2006.	Before PSB requirement, Dept. Circular L5/06	<ul style="list-style-type: none"> • <u>DBO capital cost</u> is 12% less than traditional procurement. • A pre-tender estimate for the <u>DBO Whole Life Costs</u> is not available.

DBO Contract /PPP Project	Description	PSB Completed	Cost comparison/PSB Report
<p>South Tipperary Wastewater Treatment Plants Group Project</p>	<p>This project involved the upgrading of seven existing sewage treatment plants and the construction of five new ones. The combined capacity of the plants serves the needs of a population of up to 123,100. The plants became operational in 2007.</p>	<p>Before PSB requirement, Dept. Circular L5/06</p>	<ul style="list-style-type: none"> • <u>DBO capital cost</u> is 25% less than traditional procurement. • <u>DBO Whole Life Costs</u> are 9.4% less than the pre-tender estimate.
<p>Dungarvan Wastewater Treatment Plant</p>	<p>Construction of the treatment plant, with the capacity to serve a population of 35,000, was completed in July 2007. The plant is now in operation.</p>	<p>Before PSB requirement, Dept. Circular L5/06</p>	<ul style="list-style-type: none"> • <u>DBO capital cost</u> is 4.7% less than traditional procurement. • A pre-tender estimate for the <u>DBO Whole Life Costs</u> is not available.
<p>Sligo Wastewater Treatment Plant</p>	<p>Construction of the treatment plant, with the capacity to serve a population of 47,000 was completed in October 2008. The plant is now in operation</p>	<p>Before PSB requirement, Dept. Circular L5/06</p>	<ul style="list-style-type: none"> • <u>DBO capital cost</u> is 20% less than traditional procurement. • A pre-tender estimate for the <u>DBO Whole Life Costs</u> is not available.

DBO Contract / PPP Project	Description	PSB Completed	Cost comparison/PSB Report
Donegal (A) Wastewater Treatment Plants	This project involves the construction, operation and maintenance of three sewage treatment plants (in Donegal Town, Ballyshannon and Rosstown). The combined capacity of the plants is designed to serve the needs of a population totalling 22,000. The plants became operational in June 2008.	Before PSB requirement, Dept. Circular L5/06	<ul style="list-style-type: none"> • <u>DBO capital cost</u> is 10.6% less than traditional procurement. • A pre-tender estimate for the <u>DBO Whole Life Costs</u> is not available
Waterford Wastewater Treatment Plant	This project involves the construction, operation and maintenance of a treatment plant with the capacity to serve a population of 100,000. This plant is now fully operational.	Before PSB requirement, Dept. Circular L5/06	<ul style="list-style-type: none"> • <u>DBO capital cost</u> is 9.7% less than traditional procurement. • <u>DBO Whole Life Costs</u> are 19.3% less than the pre-tender estimated Whole Life Costs.
Portlaoise Wastewater Treatment Plant	Construction of the treatment plant, which has the capacity to serve a population of 39,000, was completed in March 2009. The plant is now in operation.	Before PSB requirement, Dept. Circular L5/06	<ul style="list-style-type: none"> • <u>DBO capital cost</u> is 3% less than traditional procurement. • A pre-tender estimate for the <u>DBO Whole Life Costs</u> is not available.

DBO Contract / PPP Project	Description	PSB Completed	Cost comparison/PSB Report
Meath Villages Wastewater Treatment Plants Group Project	<p>This project involves the provision, operation and maintenance of treatment plants for seven villages in County Meath. The combined capacity of the plants will serve the needs of a population of 5,000. All eight plants are now operational.</p>	<p>Before PSB requirement, Dept. Circular L5/06</p>	<ul style="list-style-type: none"> • <u>DBO capital cost</u> is 6% more than traditional procurement. • A pre-tender estimate for the <u>DBO Whole Life Costs</u> is not available.
Mullingar Wastewater Treatment Plant	<p>This project involves the construction, operation and maintenance of a treatment plant with an initial capacity to serve a population of 30,000, increasing within three years to a capacity sufficient for a population of 55,000. The plant became operational in 2011.</p>	<p>PSB completed in accordance with Dept. Circular L5/06</p>	<ul style="list-style-type: none"> • <u>DBO capital cost</u> is 1.5% less than traditional procurement. • <u>DBO Whole Life Costs</u> are 2.3% less than PSB Whole Life Costs.
Castlebar Wastewater Treatment Plant	<p>This project involves the construction, operation and maintenance of a treatment plant with a capacity to serve a population of 35,000. The plant is now fully operational.</p>	<p>PSB completed in accordance with Dept. Circular L5/06</p>	<ul style="list-style-type: none"> • <u>DBO capital cost</u> is 22% less than traditional procurement. • <u>DBO Whole Life Costs</u> are 23% less than PSB Whole Life Costs.

DBO Contract /PPP Project	Description	PSB Completed	Cost comparison/PSB Report
Shanganagh Wastewater Treatment Plant	This project involves the construction, operation and maintenance of a treatment plant with a capacity to serve a population of 103,000. The plant became operational in 2012.	PSB completed in accordance with Dept. Circular L5/06	<ul style="list-style-type: none"> • <u>DBO Capital cost</u> is 7.7% higher than the PSB. • <u>DBO Whole Life Costs</u> are 13.3% less than PSB.
Wicklow Wastewater Treatment Plant	This project involves the construction, operation and maintenance of a treatment plant with a capacity to serve a population of 34,000. The plant is now operational.	PSB completed in accordance with Dept. Circular L5/06	<ul style="list-style-type: none"> • <u>DBO capital cost</u> is 37% less than PSB. • <u>DBO Whole Life Costs</u> are 30% less than PSB Whole Life Costs.
Clareville Water Treatment Plant	This project involves the construction, operation and maintenance of a water treatment plant to cater for the needs of Limerick city and its environs. The plant, which was officially opened in June 2010, has the capacity to treat around 100,000 cubic metres of water a day.	PSB completed in accordance with Dept. Circular L5/06	<ul style="list-style-type: none"> • <u>DBO capital cost</u> is 13% less than traditional procurement. • <u>DBO Whole Life Costs</u> are 12% less than PSB Whole Life Costs.

DBO Contract /PPP Project	Description	PSB Completed	Cost comparison/PSB Report
<p>Portrane/Donabate/Rush/Lusk Wastewater Treatment Plant</p>	<p>A design, build and operate PPP is being used to provide an updated and expanded main drainage system in North County Dublin, including a single waste water treatment plant at Portrane. It will cater for a population equivalent of 65,000 and have a two-year construction phase followed by a 20 year operation and maintenance period. The plant commenced construction in March 2010. The plant became fully operational in May 2012.</p>	<p>PSB completed in accordance with Dept. Circular L5/06</p>	<ul style="list-style-type: none"> • <u>DBO capital cost</u> is 17% less than traditional procurement. • <u>DBO Whole Life Costs</u> are 46.7% less than PSB Whole Life Costs.
<p>Tullamore Wastewater Treatment Plant</p>	<p>This project involves the design and building of a waste water treatment plant followed by a 20 year operation and maintenance period. The plant is intended to cater for a population equivalent of 45,000 and it became operational in May 2012.</p>	<p>PSB completed in accordance with Dept. Circular L5/06</p>	<ul style="list-style-type: none"> • <u>DBO capital cost</u> is 8.7% higher than the PSB. • <u>DBO Whole Life Costs</u> are 8.1% less than PSB Whole Life Costs.

DBO Contract / PPP Project	Description	PSB Completed	Cost comparison/PSB Report
<p>Letterkenny Wastewater Treatment Plant</p>	<p>This project involves the design and building of a wastewater treatment plant followed by a 20 year operation and maintenance period. The contract commenced construction in 2011 and became operational in 2012. The plant is intended to cater for a population equivalent of 40,000 and a sludge treatment centre to treat up to 2,500 tonnes dry solids per annum.</p>	<p>PSB completed in accordance with Dept. Circular L5/06</p>	<ul style="list-style-type: none"> • <u>DBO capital cost</u> is 6.5% higher than the PSB. • <u>DBO Whole Life Costs</u> are 3.5% less than PSB Whole Life Costs.
<p>Barrow Abstraction – Srowland Water Treatment Plant</p>	<p>This project involves the design and building of a water treatment plant followed by a 20 year operation and maintenance period. The contract commenced construction stage in 2011. The plant is intended to provide 31 million litres of drinking water per day.</p>	<p>PSB completed in accordance with Dept. Circular L5/06</p>	<ul style="list-style-type: none"> • <u>DBO capital cost</u> is 20.4% less than traditional procurement. • <u>DBO Whole Life Costs</u> are 21.3% less than PSB Whole Life Costs.

6. A note on the decision to construct and operate the Cork wastewater treatment plant (Carrigrennan) under PPP arrangements.

One of the wastewater treatment plants reported on by the C&AG is the plant situated in Carrigrennan in Co. Cork. An information note on this plant is set out below.

During the discussion at the PAC on 6 December 2012, Deputy McDonald referred to the water treatment plant situated at Lee Road in Co. Cork. A note is also provided below on this plant.

Carrigrennan Wastewater Treatment Plant

Existing Carrigrennan Wastewater Treatment Plant

Carrigrennan Wastewater Treatment Plant is located on Little Island, Co. Cork, to the east of Cork City. It treats wastewater arising from Cork City and its environs as well as from areas in the county such as Riverstown, Glanmire, Little Island (including the industries located there), Rochestown and Tramore River Valley, including Douglas and Rochestown. The wastewater plant was commissioned in 2004 and it has a design capacity of 413,000 population equivalent. It was constructed under a Design Build and Operate (DBO) Contract and it is now being operated under the Contract with a 20-year operation period. The Operation and Maintenance (O/M) Contract is currently at year 8 of the 20-year O/M Period.

At the time of construction, DBO Whole Life Costs were virtually equal to pre-tender estimated Whole Life Costs; however, these did not include costings for retained risks, which are risks that continue to be the local authority's responsibility, such as:

- co-ordination between design, civil and mechanical works
- equipment failure after the end of the 12 months defects liability period (DBO contractor is liable for 20 year O&M period)
- inflation over and above the Consumer Price Index in respect of consumables, including energy and chemicals and for sludge disposal costs.

Cork City Council having explored all procurement options concluded that the Design Build Operate route was the most appropriate and beneficial for the Council in the procurement of a Wastewater Treatment Plant at Carrigrennan. The DBO approach would provide:

1. Single point responsibility
2. Guaranteed maximum price

3. Avoidance of design/construction risks
4. Avoidance of conflicts, disputes and claims
5. Adoption of a fast track approach.

The Department examined this report and issued approval to the appointment of a Client Representative to prepare Contract Documents for the Design Build Operate procurement route.

Lee Road Water Treatment Works

Lee Road Water Treatment Plant Upgrade Contract

The proposed Cork City Water Supply Scheme – Lee Road Water Treatment Plant Upgrade - comprises the upgrading of the existing Lee Road Water Treatment Plant (LRWTP) from a design figure of 32MI/day to a capacity of 57.5MI/day. This contract has a current estimated cost of €17.5m. When completed, the project will provide security of water supply for Cork City and will ensure that the water supplied meets Drinking Water Regulation standards.

Background

Lee Road Water Treatment Plant (LRWTP) is Cork City's main source of water supply. The WTP produces over 70% of the water consumed in Cork City. The remaining 30% is supplied from Cork County Council's Harbour and City Water Supply Scheme, which has its source at Inniscarra Lake on the River Lee. Water treatment at the present Lee Road site began in 1879. Since then, several upgrades have taken place with the last major upgrade being in 1956. This last upgrade brought the design capacity of LRWTP to 32 MI/d. This, however, is well below the current output of 48 MI/d which is being produced. Currently, the LRWTP is on the Environmental Protection Agency's (EPA) Remedial Action List (RAL) and so an upgrade of the plant is required.

The original Procurement Assessment Report submitted by the Council in November 2001 compared the conventional procurement route with the DBO approach and concluded that the DBO provided the best solution to Cork City Council for the refurbishment of the Lee Road Water Treatment Works. The Department approved this approach in May 2002.

Following concerns from the staff side over consultation on this report, Cork City Council submitted a revised PPP Assessment Report in January 2008. The Council's revised PPP Assessment Report, which was prepared by consultants, concluded that there was no identifiable value for money advantage from the use of Public Private Partnership

procurement. The Council recommended that the Lee Road Water Treatment Plant should proceed with the use of Conventional (Traditional) procurement, using the Capital Framework Management Conditions of Contract, followed by in-house operation and maintenance of the plant.

The Department carefully assessed Cork City Council's Report and had concerns about the Council's recommendation in favour of traditional procurement of this project. The comparative costs in the City Council's report indicated an overall saving by using DBO, reflecting a whole life cost advantage of 1% and a capital cost advantage of 11.1% compared to traditional procurement. Furthermore, the Department did not consider that a number of risks involved in traditional procurement – including interface risks during construction – had been adequately addressed.

Issues arising

Following flooding in November 2009 and the carrying out of a flood review, a revised Flood Risk Review Report was approved by the Department in April 2011. This recommended the construction of a separate standalone plant. The estimated costs involved, based on the DBO approach, reflect a 10% anticipated saving on capital costs compared to traditional procurement and reductions in operational costs.

In April 2011, the Department requested Cork City Council to advance the preparation of Contract Documents for the upgrade of the water treatment plant and to submit them together with the relevant supporting documentation as is required by Departmental Circular L5/09. The submission of the Contract Documents by the City Council is awaited.

Cork City Council has advised the staff employed at the existing water treatment plant of the proposed DBO procurement route for the upgrading of the plant. The issue has also been put before the Environmental Committee and the Partnership Committee of the City Council. The Elected Members of Cork City Council approved the approach on 30 May 2011.

The City Council is now advancing a Part 8 Planning process for the upgrading of the LRWTP.

7. A note on the cost associated with the collection of the household charge.

2012 saw the introduction of the Household Charge, as a precursor to the Local Property Tax. Prior to the operation of the Household Charge, there was no extant database of liable residential properties in the State. During the period of operation of the Household Charge, much effort has been absorbed by the task of building that database.

As of 31 December 2012, some 1,129,521 households had been registered for the Household Charge, a compliance rate of almost 70%; €114m had been raised.

The Local Government Management Agency has been administering the Household Charge system on a shared service/agency basis for all county and city councils. The total 2012 Household Charge related costs incurred by the Agency were €7.4m, principally comprising staff, IT, banking and accommodation costs. This represents an overhead of approximately 6.5% of the revenue raised. Given that the Charge was introduced from a standing start, once-off costs were incurred which would not arise, in the normal course, in subsequent years.

The Revenue Commissioners will be responsible for the operation of the Local Property Tax. From 2014, the revenues raised will be transferred to the Local Government Fund to support the provision of local services by local authorities.

- 8. A note detailing the debt levels in each local authority. The note to include the figure for the amount of rent collected and the impact of the recession on this amount.**

Overall debt position

As at 31 December 2010, audited figures indicate that the total loans payable by local authorities amounted to €4.985 billion. This total includes borrowings related to non-mortgage loans, affordable housing (bridging finance) and mortgage lending.

The total amount of debt held by local authorities is falling. Provisional returns (unaudited) for 2011 indicate that loans payable at the end of 2011 amount to €4.865 billion. This is a reduction of €120 million compared to 2010.

The total loans payable by each local authority from the Annual Financial Statements for 2010 and 2009 are set out at Appendix 1. These figures include borrowings related to non-mortgage loans, affordable housing (bridging finance) and mortgage lending.

Under the Local Government Act 2001, local authorities must obtain the consent of the appropriate Minister to undertake borrowing (e.g. borrowing related to sports infrastructure requires the consent of the Minister for Transport, Tourism and Sport). Through the sanctioning process, the Department is assured that the level of investment in infrastructure is consistent with agreed strategic priorities. Local authorities are asked, as an essential pre-condition, to ensure that they achieve balanced revenue and capital accounts.

Rent collection levels

Local authority rents are set in accordance with a rent scheme adopted by each local council. The making and amending of rent schemes is the responsibility of local authorities as an integral part of their housing management functions, subject to broad principles laid down by the Department in Circular Letter HRT 3/2002. It is a matter for local authorities, when assessing individual households, to consider whether rents payable are in accordance with the authority's rent scheme. Section 31 of the Housing (Miscellaneous Provisions) Act 2009, when commenced, will replace existing enactments in relation to differential rent schemes. Regulations and guidelines for housing authorities to give effect to section 31 are currently in preparation in the Department. When these are made, section 31 will be commenced and authorities will have one year in which to put in place a differential rent scheme under the new provisions. It is anticipated that section 31 will be commenced during the first half of 2013.

The invoicing and collection of local charges, including rents, are a matter for each individual local authority to manage in light of prevailing local circumstances and in accordance with normal accountancy procedures. The payment of local charges is pursued vigorously and legal processes are initiated as early as possible in the collection process once it becomes clear that other methods of debt collection are not successful. Local charges may be pursued by the local authority through the courts as a contract debt.

The table below sets out collection rates for Rents and Annuities which are reported in Appendix 7 of the Annual Financial Statements of county, city, borough and town councils for each of the years 2008-2011. While the recession has placed increased pressures on household budgets in recent years, the percentage collected successfully has been in the range of 85-89% over the period.

	Total for Collection	Collected	% Collected
	€	€	
Rents & Annuities 2008	321,125,623	284,943,075	89%
Rents & Annuities 2009	338,972,703	290,540,038	86%
Rents & Annuities 2010	352,824,620	300,307,904	85%
Rents & Annuities 2011	389,546,065	330,723,484	85%

- Note 1 The total for collection in a given year includes arrears brought forward at the start of that year. This will tend to reduce the % collected.
- Note 2 Rental income from Shared Ownership has been included
- Note 3 Income from Tenant Purchase Annuities has been included
- Note 4 Arrears brought forward are shown net of credit balances.
- Note 5 Figures for 2008-10 are audited and for 2011 are provisional (unaudited).

Appendix 1 – Loans payable at end 2009 and 2010 as reported in the audited Annual Financial Statements of County, City, Borough and Town Councils

Local Authority	2010 €	2009 €
Carlow County Council	40,962,899	41,358,897
Cavan County Council	23,829,337	23,819,719
Clare County Council	119,035,823	118,908,244
Cork County Council	514,459,652	550,598,407
Donegal County Council	123,324,378	133,027,591
Fingal County Council	443,820,638	493,766,630
D.Laoire/Rathdown County Council	167,651,292	185,010,002
Galway County Council	110,126,595	120,075,130
Kerry County Council	97,283,880	98,941,063
Kildare County Council	163,566,100	164,041,579
Kilkenny County Council	55,073,315	56,080,528
Laois County Council	129,866,968	120,084,235
Leitrim County Council	16,449,042	12,649,001
Limerick County Council	65,652,024	65,759,912
Longford County Council	48,865,576	44,303,668
Louth County Council	31,438,555	35,584,343
Mayo County Council	109,749,910	93,571,125
Meath County Council	92,862,599	98,072,345
Monaghan County Council	34,845,191	35,164,449
Tipp NR County Council	53,477,681	53,433,040
Offaly County Council	66,958,610	68,895,143
Roscommon County Council	14,573,427	16,807,152
Sligo County Council	73,744,717	62,789,825
Sth Dublin County Council	261,526,564	256,587,986
Tipp SR County Council	68,981,434	72,216,009
Waterford County Council	48,286,469	49,107,339
Westmeath County Council	107,922,722	103,320,527
Wexford County Council	166,274,246	153,998,217
Wicklow County Council	94,584,015	96,387,603
Cork City Council	179,267,917	197,007,867
Dublin City Council	921,257,896	1,248,414,574
Galway City Council	117,516,778	133,071,074
Limerick City Council	25,612,289	25,824,454
Waterford City Council	84,536,828	80,033,504
Clonmel Borough Council	5,021,932	5,250,208
Drogheda Borough Council	71,587,301	76,009,172
Kilkenny Borough Council	728,220	847,261
Sligo Borough Council	42,617,756	42,335,861
Wexford Borough Council	4,649,718	4,921,663
Arklow Town Council	65,750	73,038

Athlone Town Council	3,955,029	4,226,609
Athy Town Council	4,473,650	2,336,025
Ballina Town Council	81,996	96,056
Ballinasloe Town Council	0	0
Birr Town Council	299,929	312,814
Bray Town Council	7,453,996	7,477,461
Buncrana Town Council	0	0
Bundoran Town Council	3,282,833	3,535,761
Carlow Town Council	2,750,000	0
Carrick-on-suir Town Council	420,247	418,726
Carrickmacross Town Council	0	0
Cashel Town Council	0	0
Castlebar Town Council	11,965,457	4,771,724
Castleblaney Town Council	61,343	68,410
Cavan Town Council	0	0
Clonakilty Town Council	852,896	2,291,239
Clones Town Council	171,631	179,925
Cobh Town Council	0	0
Dundalk Town Council	50,381,551	52,766,448
Dungarvan Town Council	39,369	44,735
Ennis Town Council	8,546,959	9,212,072
Enniscorthy Town Council	4,528	4,978
Fermoy Town Council	574,537	2,322,332
Kells Town Council	58,200	63,009
Killarney Town Council	3,228,865	3,532,431
Kilrush Town Council	535,888	681,559
Kinsale Town Council	195,456	212,745
Letterkenny Town Council	9,834,861	6,560,140
Listowel Town Council	815,875	967,027
Longford Town Council	3,915,903	5,462,144
Macroom Town Council	0	0
Mallow Town Council	3,814,131	3,761,691
Midleton Town Council	0	0
Monaghan Town Council	1,066,114	1,242,313
Naas Town Council	18,048,496	19,831,095
Navan Town Council	5,376,141	3,063,381
Nenagh Town Council	1,834,779	861,584
New Ross Town Council	1,072,500	0
Skibbereen Town Council	2,368,259	2,434,445
Templemore Town Council	0	0
Thurles Town Council	0	0
Tipperary Town Council	0	0
Tralee Town Council	15,117,088	21,777,374
Trim Town Council	3,048,883	3,199,822
Tullamore Town Council	8,357,585	10,881,067
Westport Town Council	5,152,959	4,244,487

Wicklow Town Council	5,991,184	7,304,973
Youghal Town Council	1,693,765	1,822,643
TOTAL	4,984,898,927	5,426,117,632