PAC-R-1221

Correspondence 3C.1
Meeting 114 –
06/02/2014

Dublin Docklands Development Authority

Developments since publication of the

Comptroller & Auditor General

Special Report 77 (February 2012)

Submission to the Committee of Public Accounts (PAC)

For hearing on February 6th 2014

January 30th 2014

Executive Summary

The Dublin Docklands Development Authority (the Authority) welcomes the opportunity to make this submission to the PAC in advance of its hearing on 6th February 2014.

Dissolution of the Authority

On 31st May 2012 the Minister for the Environment, Community and Local Government announced the Government's intention to dissolve the Authority. The Minister envisaged that the Authority would remain in place for a transitional period, during that period the Authority is required to wind up existing operations, prepare the transition to new arrangements and make recommendations to the Minister on appropriate structures for the future to ensure the following;

- Maintaining and enhancing the Authority's brand and international marketability as an attractive and prime location for investment and high-value development
- Providing an appropriate set of "fast-track" planning procedures
- Continuing to involve the local community and the business sector in the regeneration project, and
- Facilitating job creation

A new Council and Executive Board were appointed in June 2012 to the Authority to oversee the transition. In addition the Board has also considered and made recommendations to Government on how best to achieve the Minister's key objectives for the future regeneration of the Docklands in a way that the Board considers will build on the positive elements of the Authority's legacy in terms of social, physical and economic regeneration. A series of key objectives and associated risks were identified to implement the Government decision, as reported on in the 2012 Annual Financial Statements.

Current Status

In July 2013 Cabinet approved Dublin City Council (DCC) as the successor to the Authority and instructed the Department of Environment, Community and Local Government (DOE) to put the final transition arrangements in place including enabling legislation. A dedicated unit within DCC is being established to carry forward the Docklands Regeneration Project upon the coming into effect of the Strategic Development Zone (SDZ) Planning Scheme and the dissolution of the Authority. DCC is providing services to the Authority to resource day-to-day operational activities and the transition of responsibilities to the DCC has commenced through this process. The key wind-up issues being addressed by the Authority include:

- Completion of remaining asset sales and discharging the Authority's remaining liabilities
- Managing and resolving, where possible, all litigation against the Authority
- Implementing the transition of the Authority's functions, obligations and responsibilities:
  - Infrastructure being transferred to DCC
  - Authority Interests in Joint Ventures and Subsidiaries to be disposed of and transferred where appropriate

This work will be substantially completed in the first half of 2014 with residual issues being transferred to appropriate State bodies.

Transition Objectives

The following table sets out these key transition objectives and the current position on each:

Figure 1: Transition Objectives

Transition Objectives	Original Risk	Progress and Current Position	Current Risk
A Ensure that there is sufficient funding in place		€12m Banking Facilities have been repaid from asset disposal proceeds.	
B Recommend structures and arrangements to support the continued regeneration of the Docklands area		An SDZ Planning Scheme has been prepared by DCC for the area covered by the Authority Section 25 Planning Schemes for the North Lotts and the Grand Canal Dock. This is currently on appeal to An Bord Pleanála. The Authority has recommended to the DOE, the establishment of a Docklands Forum to ensure the continued involvement of the local community and business in the regeneration of the Area.	
C Continue with the existing Planning Function until a replacement framework is put in place		DCC are providing ongoing resources to facilitate the continuation of the Section 25 fast track planning function.	
D Resolve the Liabilities of the Authority through realisation of maximum value for assets including intra State transfer		To date the Authority has realised c. €20m in sales proceeds from investment assets and c. €2m in other income over and above its normal rental and development levy income. These proceeds have been used to repay debts.	
E Resolve any outstanding and threatened Litigation		The high profile €100m Donatex (Bernard McNamara) case against the Authority was successfully concluded in our favour in 2013. €20m of other claims against the Authority have been successfully resolved without any cost and in one case the Authority achieved a €0.5m benefit. Remaining litigation continues to be managed out.	
F Transfer the Infrastructure in the Area to the appropriate Body		The Authority's infrastructure has been defined and agreement on what is transferring to DCC or other state agencies is in its final stages.	
G Oversee the completion, where possible, or transfer of the Authority's existing Social Regeneration Programs.		The Authority has completed projects that had commenced and continues to provide support for community and social regeneration initiatives where possible.	
H Continue with Business as usual		All statutory reporting obligations continue to be met. Significant arrears of monies owed to the Authority have been brought up to date.	
I Implement the final transition arrangements		Work is ongoing with the DOE, DCC and the stakeholders in the area to ensure that the transfer of all Authority obligations, responsibilities and commitments is as smooth as possible.	
J Ensure that there are adequate resources to implement the Transition		DCC are providing resources to facilitate the Transition arrangements.	

This briefing document is made up of the following sections

1. **CAG Special Report 77 (February 2012)**– an update on the findings and conclusion. It should be noted that the Authority did not comment on the Irish Glass Bottle site Chapter.

2. **Financial Status of the Authority** – this section charts the progress of the Authority's finances from the Special Report 77 (February 2012) conclusions on 2010 through to the Audited Financial Statements for 2012 together with an update on the current financial position.

3. **An Overview of the Docklands Project** – As the Authority is being wound up this section documents the key achievements that the project has delivered on to date.

4. **Regeneration of Docklands into the Future** – This section deals with the proposed delivery mechanism for the continuation of docklands regeneration into the future.

1. Comptroller & Auditor General Special Report 77 (February 2012)

The Special report is made up of the following:

1. Summary of Findings
2. Chapter 1 - Introduction
3. Chapter 2 – Financial Status of the Authority
4. Chapter 3 – Irish Glass Bottle Site
5. Chapter 4 – Administration of Planning Function

Chapters 2, 3 and 4 have individual conclusions. Appendices D and E detail the progress on the implementation of the recommendations from external investigations into the Authority's Finance Function (Appendix D) and Planning Function (Appendix E).

The following tables set out the up to date position under each of the conclusions and recommendations reached by the Comptroller & Auditor General.

Figure 2: CAG Special Report Update Chapter 2

Chapter 2 – Financial Status of the Authority	
Special Report	Current Position
Conclusion – Asset Realisability *In the current economic environment, the Authority faces considerable challenges to realise those assets that are potentially saleable and to generate sufficient cash flow from its investment assets in order to meet its expenditure in the medium term.*	The Authority has sold a number of its commercial investment assets and achieved open market prices. The significant sales to date include: • CHQ €10.00m • Retail Units €2.96m • Office Units €3.40m • Car Park €4.80m
Conclusion – Funding and Liabilities of the Authority *At 31 December 2010, the Authority was heavily reliant on bank overdraft, levy proceeds and amounts held in suspense pending dispute resolution. While financial statements have yet to be prepared for 2011, a preliminary review of the records suggests that the same basic position pertained at the end of that year. Looking forward to 2012, much of the cash inflows being projected or the timing of the outflows on foot of matured liabilities are contingent on events not entirely within the Authority's control and requiring negotiation and agreement with external parties. Because the Authority has limited cash reserves, any failure to realise projected income or any requirement to advance the timing of payment of liabilities would require the identification of other sources of funding*	To date the proceeds from the asset sales have been sufficient to allow the Authority to repay its Bank debt. The Authority is still in the process of selling assets. In order to protect its negotiating position it is not advisable to provide further detail but these will be reported on in the Authority's Financial Statements.
Conclusion – Internal Financial Control *The Authority's reduced staff levels and level of activity may require further alterations in its systems to cost-effectively address the risks and exposures associated with the current nature of its business. It is recognised that the same level of separation of function and supervisory control may not be achievable with current staffing levels. Accordingly, the Authority may need to review its risks and controls with a view to achieving the optimum level of control within its current resources.*	The Authority maintains a register of risks associated with each of the Authority's objectives. These are reported on to the Authority's Board on a monthly basis. The Authority has an Audit, Finance and Risk Sub-Committee of the main Board. The Authority engages an external firm to carry out an internal audit function.

Figure 3: CAG Special Report Update Chapter 3

Chapter 3 – Irish Glass Bottle Site	
Special Report	**Current Position**
Conclusion – Protection of the State Interest *The exposure of the State caused by the provisions of the 1978 Act had been highlighted by the Land Law Working Group of the Law Reform Commission in 1992 when a recommendation was made that the loophole should be closed off. The continuation of the loophole resulted in losses to the State. In March 2005, the Department of Jobs, Enterprise and Innovation had to settle a case based on this provision in the 1978 Act. Further losses arose in early 2007 when the Dublin Port Company only managed to secure one third of the sales proceeds from land to which it originally had freehold title*	No further action by the Authority required.
Conclusion – Case for Investment *The Executive advised the Board of the Authority that the joint venture bid for the Irish Glass Bottle site would be made in an over-heated commercial property market. While an assessment of the level of investment, benefits and risks of the project was presented to the Board during the decision-making process, a detailed analysis of those factors does not seem to have been carried out by the Board or management of the Authority. The Authority became involved in the joint venture to acquire and develop the Irish Glass Bottle site in order to advance its objectives under the Master Plan. The Authority recognised that in order to fully achieve its objectives under the Master Plan, a planning scheme should be developed for the Poolbeg peninsula. However, while a draft planning scheme was prepared by the Authority in December 2008, it has not been completed.*	The Authority has not made any investments since the production of the CAG Special report 77 (February 2012).

Chapter 3 - Irish Glass Bottle Site (Contd)	
Special Report	**Current Position**
Conclusion – Obtaining Authorisations *The Authority obtained Ministerial approval to borrow up to the statutory limit of €127 million pursuant to Section 30 of the Dublin Docklands Development Authority Act 1997, and to take a shareholding in a joint venture company for the purpose of acquiring property. However, the information submitted to the Department requesting the approval of the Minister did not reflect the planned scale of the project. The Authority informed the Department that the expected bid for the site was approximately €220 million. No evidence was located on audit to indicate that the Authority formally updated the Department when the decision was made to bid double that amount for the site. Consequently, consent by both the Minister and the Minister for Public Expenditure and Reform for increased borrowing and participation in the joint venture was evidently given on the understanding that the site was valued at €220 million, and on limited analysis of the Authority's financial exposure to the joint venture project. The Department has stated that there is no requirement on the Authority to report to the Minister on a case by case basis on its commercial property transactions, or to seek Ministerial approval for them. In the normal course, such transactions would be reflected in the arrangements for reporting to the Minister through the Authority's annual report and accounts, which are laid before the Oireachtas.*	In 2013 the Authority required increased banking facilities to cover its cashflow requirements while it was in the process of selling assets. This necessitated obtaining a guarantee from the Department of Finance in the amount of €1m. The request for a guarantee to the Department of the Environment clearly set out the amount that was required and the purpose for which it was intended. The Authority subsequently obtained authorisation from the Department of the Environment and a guarantee from the Department of Finance. The banking facilities have now been paid and the guarantee has expired. The Authority meets with the Department of the Environment on a regular basis and gives a progress update on the wind down of the Authority.
Conclusion – Cost Control *The Authority did not obtain its own independent valuation of the site prior to deciding on the bid to be made for the site. According to the Board minutes, the bid authorised by the Authority was largely based on an assessment of site value which was provided by Donatex Limited.* *The Authority believed at the time of signing the shareholders agreement in November 2006 that its financial commitment would be limited to €35 million. The Authority's liability increased significantly beyond the amount originally envisaged*	The Authority has not made any investments since the production of the CAG Special report 77 (February 2012). It has obtained independent valuations in advance of selling each of its assets.

Chapter 3 - Irish Glass Bottle Site (Contd)	
Special Report	**Current Position**
Conclusion – Financial Outturn *The total outlay by the Authority on the Irish Glass Bottle site transaction was €52.1 million including the value of assets transferred as part of a settlement with NAMA. The value of the site has reduced considerably since it was purchased in 2007. In addition to its direct outlay, the Authority guaranteed the borrowings of Becbay Limited up to an amount of €29.1 million and 26% of all interest due. The loans of Becbay Limited were taken over by NAMA and the guarantee provided by the Authority was called in by NAMA in January 2011. A mediated settlement was agreed with NAMA in July 2011 under which the Authority's obligations under the guarantee were extinguished in return for the transfer to NAMA of assets with an accounting net book value of €7.8 million, in full and final settlement of all sums due. The Authority has continued to vigorously defend the legal action taken against it by Donatex Limited, arising out of the joint venture purchase of the Irish Glass Bottle site, applying significant time and resources to the defence of the case.*	A particular achievement in 2012 was the Authority's success in its vigorous defence of the legal action in relation to the Irish Glass Bottle site taken by Mr Bernard McNamara and Donatex Limited. This resulted in the case being dismissed from the Commercial Court by Mr Justice Peter Kelly in March 2013. The dismissal vindicates the Authority's full and complete defence of the action and negates any further spend on legal fees and costs. The case had been running since 2009 with significant time and resource allocated to the defence of the proceedings, numerous appearances before the court, the review and production of documents on discovery, drafting of witness statements and preparation for court.
Conclusion – Management of Board Business *Where Boards include persons with an interest in a business that is regulated by a State body or that provide services to the body, there is an increased risk of conflicts of interest occurring. The Authority took steps to assure itself that its decision-making in relation to the Becbay Limited funding decisions was in accordance with its own Code of Conduct. The Executive Board minutes do not record disclosure of any other personal, professional or business interests of Board members that could represent a conflict of interest in relation to the acquisition of the Irish Glass Bottle site. In the case of certain Board sub-committee minutes, it was not possible to identify the parties referred to. Direction is necessary on the need to maintain the public record in the case of State bodies by ensuring that all parties to a decision or business discussion are subsequently identifiable whether by auditors or future Board members.*	The Authority continues to advise Board members of their responsibilities. In May 2012 the Minister appointed a new Board to the Authority. A full briefing was provided to the new Board Members. The Board adhere to the SIPO requirements for the disclosure of interests and make the appropriate annual returns.

Figure 4: CAG Special Report Update Chapter 4

Chapter 4 – Planning Administration	
Special Report	**Current Position**
Overall Conclusion – Administration of Planning Function *In 2008, the High Court found that the Authority's Section 25 process as applied to the NQIL case was defective. The Authority's Section 25 process has since been amended. Following a formal review, it was found to be satisfactory. The revised process has been applied to Section 25 planning applications since December 2008.* *In 2010, an independent review commissioned by the Authority found that the preparation of the planning scheme for the Poolbeg area was not consistent with best practice and the scheme was not robust enough to be presented to the Minister for the Environment, Community and Local Government.*	The Authority continues to operate the Section 25 process in accordance with the procedures introduced in 2009 and is ensuring that fast-track planning is available in the Docklands area. Following the Minister for the Environment's announcement in May 2012 to wind up the Authority a new planning regime for the Docklands area has been proposed. The area covered by the Authority's Section 25 Planning Schemes for North Lotts and Grand Canal Dock have been designated by government as an SDZ, with the City Council as the designated Development Agency. An SDZ Planning Scheme has been prepared by the City Council in accordance with the Planning & Development Act 2000. If approved, the SDZ Planning Scheme will ensure that fast-track planning procedures are still available in the Docklands area.

Figure 5: CAG Special Report Update Appendices

Appendices D & E	
Special Report	**Current Position**
Appendix D – King Report *Report on the Authority's Finance Function*	All of the recommendations had been actioned at the time of the Special Report and reported as such
Appendix E – Brassil Report *Report on the Authority's Planning Function*	Any recommendations that were not implemented were due to the fact that a decision was made to designate the area as an SDZ and that Statutory responsibility for this would pass to DCC.

2. Financial Status of the Authority

In this section there is an update produced for the following:

- Net Worth of the Authority – *a calculation of the surplus of assets over liabilities*
- Income & expenditure account
- Balance sheet
- Governance compliance

Net Worth

The table below sets out, at a high level, the Net Worth of the Authority as reported in its Annual Financial Statements:

Table 1: Net Worth

	2013	2012	2011	2010
	Unaudited Draft	*Audited by CAG*	*Audited by CAG*	*Audited by CAG*
Net Worth	**estimated €5m**	**€5.0m**	**€3.5m**	**€2.3m**
Change	-	*+ €1.5m*	*+ €1.2m*	*- €1.8m*

Net Worth is the difference between the:

- **Assets** that the Authority has *(i.e. amounts that it could receive if it sold all the assets),*

Less

- **Liabilities** that the Authority has *(i.e. the amounts that it owes).*

Accounting convention requires that certain assets be valued at the lower of cost or net realisable value. This means that when the original cost of the asset is compared to the value it is believed the asset would achieve on the open market the lower of the two numbers is included in the Financial Statements. The estimated value of these assets is as follows:

Table 2: Asset Values not recognised in Financial Statements

	2013	2012	2011	2010
Estimated Value	c.€2.85m	€2.85m	€1.2m	€1.2m

Income & Expenditure

The following table[1] records the Income and Expenditure of the Authority:

Table 3: Income & Expenditure Account

	Note	2012 €000's	2011 €000's	2010 €000's
Gross Surplus *(Income + Profit on Asset Sales)*	*1*	2,342	7,564	14,470
Operating Expenses	*2*	(4,713)	(4,315)	(7,620)
Area & Social Regeneration Costs	*3*	(81)	(1,208)	(341)
Operating Surplus before Impairment		**(2,452)**	**2,041**	**6,509**
Impairment of Assets *(Reduction in market value below cost)*		(2,310)	(140)	(3,842)
Net Interest Cost		(778)	(792)	(1,163)
Exceptional Items:				
– **Becbay Ltd**	*4*			(3,485)
– **Pension Fund Adjustment**	*5*	8,418		
Surplus / (Deficit) for Year		**2,878**	**1,109**	**(1,982)**
Unrealised Gains / (Losses)		(1,359)	128	196
Total Surplus / (Deficit) for Year (Equates to change in Net Worth)		1,519	1,237	(1,786)

[1] As reported in the individual audited Financial Statements for 2012, 2011 and 2010.

Income & Expenditure – Notes

Note 1: Gross Surplus

The following table shows the constituent components of the Gross Surplus:

Table 4 : Gross Surplus

	2012 €000's	2011 €000's	2010 €000's
Sale of Affordable Apartments			
– Proceeds	1,249	3,455	4,514
– Less purchase & other costs	(291)	(651)	(3,893)
Profit on Sale	958	2,804	621
Sale of Investment Assets			
– Proceeds	267		20,000
– Less purchase & other costs	(276)		(2,536)
Profit on Sale	(9)		17,464
Development Profits	500	1,000	18,085
Investment Asset Operating Costs	(610)	(318)	(5,360)
Profit on disposal of Development Assets	**839**	**3,486**	**12,726**
Development Levies	400	1,340	4
Rent Receivable	880	1,326	1,227
Service & Other Income	223	652	513
Grant re Sean O'Casey Community Centre	-	760	-
Gross Surplus	**2,342**	**7,564**	**14,470**

Note 2: Operating Expenses

The following table shows the constituent components of the Operating Expenses:

Table 5: Operating Expenses

	2012 €000's	2011 €000's	2010 €000's
People[2]			
– Staff Remuneration	1,195	1,691	2,356
– Finance outsourced services	316	239	152
– Legal outsourced services	520	481	353
	2,031	2,411	2,861
Process			
– Professional Fees (analysed in table 6)	936	832	53
– Bank Fees & Charges	191	121	354
– External Audit Fees	30	30	52
– Bad Debts	593	(263)	2,303
– Marketing	26	77	311
	1,776	797	3,073
Place			
– Property & utility costs	260	261	336
– Asset depreciation	483	684	1,199
– Administration costs	163	162	151
	906	1,107	1,686
Total Operating Expenses	**4,713**	**4,315**	**7,620**

[2] Fixed term staff contracts were not renewed when they reached their end date in accordance with the Government moratorium imposed in March 2009. As a result of staff reductions and in order to perform its functions the Authority has outsourced, by way of tender, finance and legal services. Following the announcement to wind up the Authority on 31st May 2012, remaining staff were offered the opportunity of redeployment or voluntary redundancy. The following table summarises average headcount.

Average Headcount	2012	2011	2010
Staff	15	20	30

Professional Fees

Table 6 : Professional Fees

	2012 €000's	2011 €000's	2010 €000's
Donatex Case	934	405	1,294
Internal Audit, Tax & Pension Advices	72	108	50
IT Support & Licences	121	115	110
Engineering & Planning Consultancy	15	13	162
Property Valuations	5	9	51
North Wall Case	135	-	553
Debt Collection	69	187	42
HR Advice	28	10	22
Banking Facility Renewal	12	(22)	67
Property Acquisitions	-	(35)	116
Other	45	42	58
Sub Total	1,436	832	2,525
Legal case provisions*	(500)		(2,472)
Total	**936**	**832**	**53**

*Prior to 2010 the Authority was concerned about a number of issues which it felt could give rise to litigation and had made provisions for possible settlement costs. The Authority has been successful in resolving these cases and has consequently written back provisions previously made.

Note 3: Area & Social Regeneration Costs

The following table shows the constituent components of the Area and Social Regeneration Costs:

Table 7 : Area Regeneration Costs

Area Regeneration	**2012** €000's	**2011** €000's	**2010** €000's
Maintenance of Infrastructure	189	215	198
River Regeneration	50	22	124
Planning development	28	15	98
Capital Projects	5	1,000	601
Sub Total	272	1,251	1,021
Write Back of Capital project accruals	(285)		(834)
Total	**(13)**	**1,251**	**187**

Table 8 : Social Regeneration Costs

Social Regeneration	**2012** €000's	**2011** €000's	**2010** €000's
Education & Youth Programmes	28	81	177
Community Programmes	2	15	47
Capital Programmes	61	-	(34)
Operation of Community & Housing Trusts	3	18	9
Sub Total	94	114	199
Write Back of Education programme accruals	-	(157)	(45)
Total	**94**	**(43)**	**154**

Total Area & Social Regeneration	**81**	**1,208**	**341**

Note 4 : Exceptional Items – Becbay Ltd

Settlement

In July 2011, the Authority reached an agreement with NAMA in respect of the Authority's 26% share in Becbay *(IGB transaction)* covering the Authority's liability in respect of Becbay's borrowings. The settlement comprised an intrastate transfer of assets from the Authority to NAMA. These assets had a balance sheet value of €7.85m on the date of transfer. This transfer was accounted for in the Authority's 2010 Financial Statements as a post balance sheet adjustment.

The Authority made provision against further interest liabilities in its 2009 Financial Statements which ended up not being liable for. This provision of €4.4m was written back in the 2010 Financial Statements.

The Exceptional item is summarised as follows:

	€000
Net cost of assets transferred to NAMA	(7,851)
Write back of provision	4,366
Exceptional item	**(3,485)**

Overall cost of IGB transaction to the Authority

From a review of the Authority's records the **actual** financial outlay directly relating to the Authority's involvement in the Becbay Shareholders and Subscription Agreement is as follows:

		Actual Outlay €000
1	Equity Investment in Becbay – as set out in part 1 of the First Schedule of the Shareholders Agreement	32,808
2	Paid to Becbay to allow Becbay to pay the Authority's pro rata share of interest for 2007 and 2008 pursuant to clause 2.1.7 of the Shareholders agreement	11,100
3	Settlement with NAMA – accounted for in 2010 Financial Statements	7,851
	Total	**51,759**

Ultimately, therefore, the total financial outlay of the Authority directly arising from entering into the Becbay Shareholders Agreement and Becbay Subscription Agreement was **€51,759,520**, of which **€18,951,000** (€11,100,000 + €7,851,000) was paid out arising from the guarantee provided by the Authority as part of the debt financing for the transaction.

Note 5 : Exceptional Items – Pension Fund Adjustment

Arising from the decision to dissolve the Authority the Department of Public Expenditure and Reform has confirmed that the pension obligations of the Authority will be taken on by the State on dissolution. The Board has recognised these amounts as a deferred funding asset and these amounts have been offset against the pension liability on the balance sheet. The resultant pension fund adjustment of €8.4m has been dealt with through the income and expenditure account in the 2012 Financial Statements.

Based on the 2012 valuation of deferred pension fund liabilities the **€8.4m** is expected to become payable in the following time bands:

Table 9 : Timing of deferred pension payments

	1 - 5 years *(2014-2018)*	6 - 10 years *(2019-2024)*	11 – 15 years *(2025-2029)*	16 – 20 years *(2030-2034)*	Over 20 years *(2035 +)*
Pension Payable	€1.1m	€1.2m	€1.3m	€1.3m	€3.5m

Balance Sheet

Table 10 : Balance Sheet

	Note	2012 €000's	2011 €000's	2010 €000's
Fixed Assets				
– Tangible assets	1	1,245	1,723	2,386
– Investment properties		22,951	24,380	24,380
– Development assets		-	500	605
		24,196	26,603	27,371
Current Assets				
– Development assets		45	313	1,622
– Debtors		3,881	5,725	5,957
– Cash at bank		1,307	3,592	5,297
		5,233	9,630	12,876
Creditors				
– Bank loan	2	(9,713)	(11,255)	(12,004)
– Creditors, accrual & provisions		(5,828)	(6,320)	(10,085)
– Levy creditors	3	(8,865)	(8,865)	(9,809)
		(24,406)	(26,440)	(31,898)
Net pension liability		-	(6,289)	(6,082)
Net assets *(Net Worth)*		**5,023**	**3,504**	**2,267**

Note 1: Since the 2012 year end the Authority has sold approximately €21m worth of investment assets.

Note 2: Since the 2012 year end the Authority has repaid its bank loan out of the proceeds of investment asset sales.

Note 3: Levy creditors include an amount of €2.65m which has been invoiced but not yet collected. These amounts are also shown as receivables in debtors and will be paid once received. The balance relates to amounts owed to other state agencies which are being resolved as part of the wind-up of the Authority.

Governance compliance

The Authority reports to the Minister for Environment, Community and Local Government on an annual basis under the Reporting Requirements set out in section 13 of the *Code of Practice for the Governance of State Bodies.* The following table shows the **exceptions** reported to the Minister:

No.	*Reporting requirement*	**Report – May 2012** (*Prof. Brennan on 2011 Financial Statements*)	**Report – October 2013** (*John Tierney on 2012 Financial Statements*)
i)	*Commercially significant developments*	Current financial position The Authority's financial position continues to be critical. The objective of the Executive Board is that the Authority continues to operate without permanent recourse to the Exchequer. Ultimately, the Authority will realise funds from the sale of its property portfolio, as it has done in the past. Given the state of the property market, the Executive Board would prefer not to dispose of assets at this time. Instead, the Authority would prefer to continue to arrange bridging finance until such time as there is an improvement in the market. It should be noted that threats of litigation against the Authority, if successful, could negatively exacerbate the financial position of the Authority. Government moratorium on staff recruitment The Authority continues to deliver on the Employment Control targets set down in the Croke Park Plan. The moratorium on renewal of fixed term contracts resulted in a reduction of staff by six in 2011. In addition, one member of staff resigned and another took early retirement resulting in a headcount of 15 at 31 December 2011. Staff	Wind up of the Authority Following the decision, in May 2012, to wind up the Authority a Transition Business plan was agreed by the Executive Board and is currently being implemented. Donatex case In March 2013 the action taken by Mr Bernard McNamara and Donatex Limited in relation to the Irish Glass Bottle site was dismissed from the Commercial Court by Mr Justice Peter Kelly, the dismissal vindicates the Authority's full and complete defence of the action and negates any further spend on legal fees and costs and ultimately safe guards the interests of the taxpayers.

No.	*Reporting requirement*	**Report – May 2012** *(Prof. Brennan on 2011 Financial Statements)*	**Report – October 2013** *(John Tierney on 2012 Financial Statements)*
		are being redeployed to other duties in the Authority to ensure continuation of projects and services. However, skill shortages are emerging in areas such as finance, planning and legal. I bring to your attention that a second contract was entered into with an existing staff member in October 2009 after the announcement of the Government moratorium. This was done by the former CEO without the knowledge of the Board and contrary to clear instructions from the Board to the Executive that under no circumstances was the moratorium to be breached. The matter only came to the attention of the Board for the first time at its March 2012 Board meeting. In relation to this staff member, your Department has confirmed that that person has now a contract of indefinite duration.	
ii)	*Procedures for financial reporting, internal audit, travel, procurement and asset disposals*	In relation to procurement, I draw your attention to the fact that the Authority has delayed the procurement of some services in 2011, which it is proposed will be regularised on the appointment of the new Executive Board. This was against the background of uncertainty over the Authority's future, dating back to the commencement of the current Government where the Fine Gael election manifesto had identified the Authority on a list of State Bodies it would abolish when in Government. The Authority took advice from the Procurement unit in the Dept of Public Expenditure and Reform and with officials of your Department both of whom concurred that the	Following advice taken from Government Departments, the previous Board delayed the commencement of a new procurement process in two instances, one of which was a contract for Financial Advisory Services. The current Board carried out a competitive tender process for these services and this was completed in January 2013. The second contract for IT support and maintenance service was reduced in 2013 and terminated in 2014 as part of the wind up of the Authority. A review of staff contracts, as part of the Transition plan, highlighted two corrections that resulted in a cost of €103,129 which relates to a period

No.	*Reporting requirement*	**Report – May 2012** (***Prof. Brennan on 2011 Financial Statements)***	**Report – October 2013** ***(John Tierney on 2012 Financial Statements)***
		approach taken (i.e. to roll over existing contracts on a short term basis pending clarity on the future tenure of the Authority).	up to 10 years. A settlement payment of €14,750 (Gross) was made to a staff member in lieu of time off for working unsocial hours over a five year period. A staff member awarded a payment of €88,379 (Gross) in respect of increments for the period from 2001 to 2011 which should have previously been paid. During 2012, with the sanction of the Department of Public Expenditure and Reform, four members of staff who were on two or more fixed term contracts were awarded contracts of indefinite duration.
iii)	*System of Internal Control*	In April 2012, the Authority's internal auditors, Mazars, concluded the following in relation to the status of internal financial controls within the Authority as at December 31st 2011 "audit results indicate that reasonable assurance can be placed on the sufficiency and operation of internal controls to mitigate and/or manage one or more of those key risks to which financial activities are exposed".	No exceptions reported
iv)	*Codes of Business Conduct for Directors and Employees*	No exceptions reported	No exceptions reported
v)	*Government policy on the pay of Chief Executives and employees*	Under the tenure of a previous Chief Executive (2005 to 2009), some members of staff were paid amounts above and below those for equivalent positions in the Civil Service and/or Dublin City Council. The excess amounts are very small. There is one staff member who has	The remuneration paid to the Chief Executive in 2012 €120,000 which included a €6,000 car allowance. The approved car allowance for State Employees was €3,753; however the practice of the Authority was to gross up the car allowances to €6,184. This practice has been in

No.	*Reporting requirement*	Report – May 2012 (*Prof. Brennan on 2011 Financial Statements)*	Report – October 2013 (*John Tierney on 2012 Financial Statements)*
		contractual agreements based on the previous regime which we continue to honour (salary is approximately €6,000 per annum higher than equivalent civil service scale). This staff member's contract expires in July 2012 and will not be renewed under the Government moratorium.	place for many years. It should be noted that there are no car allowances paid to any member of staff since the last eligible member left the Authority in April 2013.
vi)	*Government guidelines on the payment of Directors' fees*	No exceptions reported	No exceptions reported
vii)	*Compliance Failure*	No exceptions reported	No exceptions reported
viii)	*Significant post balance sheet events*	No exceptions reported	*I draw your attention to the following Post Balance Sheet Events that have arisen since December 31st, 2012:* Arising from the decision to dissolve the Authority, the Department of Public Expenditure and Reform has confirmed that the pension obligations of the Authority will be taken on by the State on dissolution. As a result, the Authority wrote back to the income and expenditure account an amount of €8.4m (2011: €nil) which is recorded as an exceptional item. In August 2013 the Authority repaid its bank borrowings out of the proceeds of disposal of the CHQ building from its investment asset portfolio.
ix)	*Guidelines for the Appraisal and Management of Capital Expenditure*	No exceptions reported	No exceptions reported

No.	*Reporting requirement*	**Report – May 2012** (*Prof. Brennan on 2011 Financial Statements*)	**Report – October 2013** (*John Tierney on 2012 Financial Statements*)
x)	*Travel Policy*	No exceptions reported	No exceptions reported
xi)	*Adoption of the Code of Practice*	No exceptions reported	No exceptions reported

3. An Overview of the Docklands Project

The Docklands projected started in 1987 with the establishment of the Customs House Docks Development Authority (CHDDA). It initially developed the IFSC. In 1997 CHDDA was migrated into the Authority to continue the regeneration of the greater Docklands area.

Income

From 1997 to 2012 the Authority generated approximately €535m in revenue. The following chart shows how those monies were generated:

Figure 6 : Authority Income 1997 - 2012

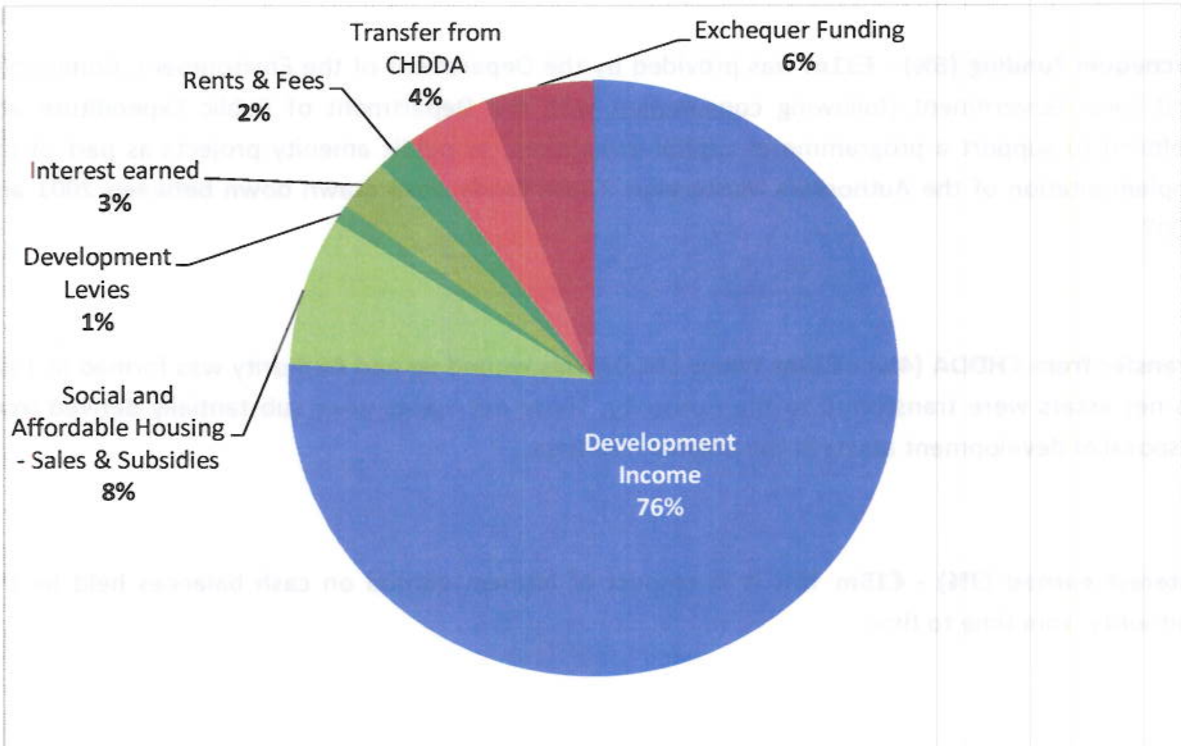


Table 11: Analysis of Income

Revenue category	%	€m
Grand Canal Development Income		232
IFSC / North Lotts Development Income		173
Total Development Income	*76%*	**405**
Social and Affordable Housing - Sales & Subsidies	*8%*	43
Exchequer Funding (to fund infrastructure)	*6%*	31
Transfer from CHDDA	*4%*	24
Interest earned	*3%*	15
Rents & Licenses	*2%*	11
Development Levy Income	*1%*	6
Total	***100%***	**535**

Development Income (76%) - €405m (being €232m from the Grand Canal Area and €173m from the IFSC / North Lotts Area). This income includes site premiums, development profits and proceeds from the sale of assets. Note does not include the recent asset sales of €21m which will be reflected in the 2013 Financial Statements.

Social and Affordable Housing: Sales and subsidies (8%) – €43m. This includes the proceeds from the sale of affordable housing, funds received to acquire social housing via the Dublin Docklands Housing Trust and subsidy payments from Dublin City Council in respect of affordable housing in the Docklands area.

Exchequer funding (6%) - €31m was provided by the Department of the Environment, Community and Local Government (following consultation with the Department of Public Expenditure and Reform) to support a programme of capital investment on public amenity projects as part of the implementation of the Authority's Masterplan. These funds were drawn down between 2001 and 2007.

Transfer from CHDDA (4%) - €23m When CHDDA was wound up and Authority was formed in 1997 its net assets were transferred to the Authority. These net assets were substantially derived from disposal of development assets in the original IFSC area.

Interest earned (3%) - €15m This is in respect of interest earned on cash balances held by the Authority from time to time.

Rents & Licenses (2%) - €11m The Authority has generated rental income from its commercial investment properties, licence income in respect of various events that were held in the area and income from its Ducting network.

Development Levies (1%) – €6m The Authority charges development levies in respect of Section 25 Planning Exemptions granted. To date it has invoiced approximately €10m in development levies of which approximately €4m remains to be collected (the Authority is actively pursuing these debts).

Expenditure/Investment

From 1997 to 2012 the Authority spent approximately €530m. The following chart shows how those monies were spent:

Figure 7: Cost / Investment Spend 1997 – 2012

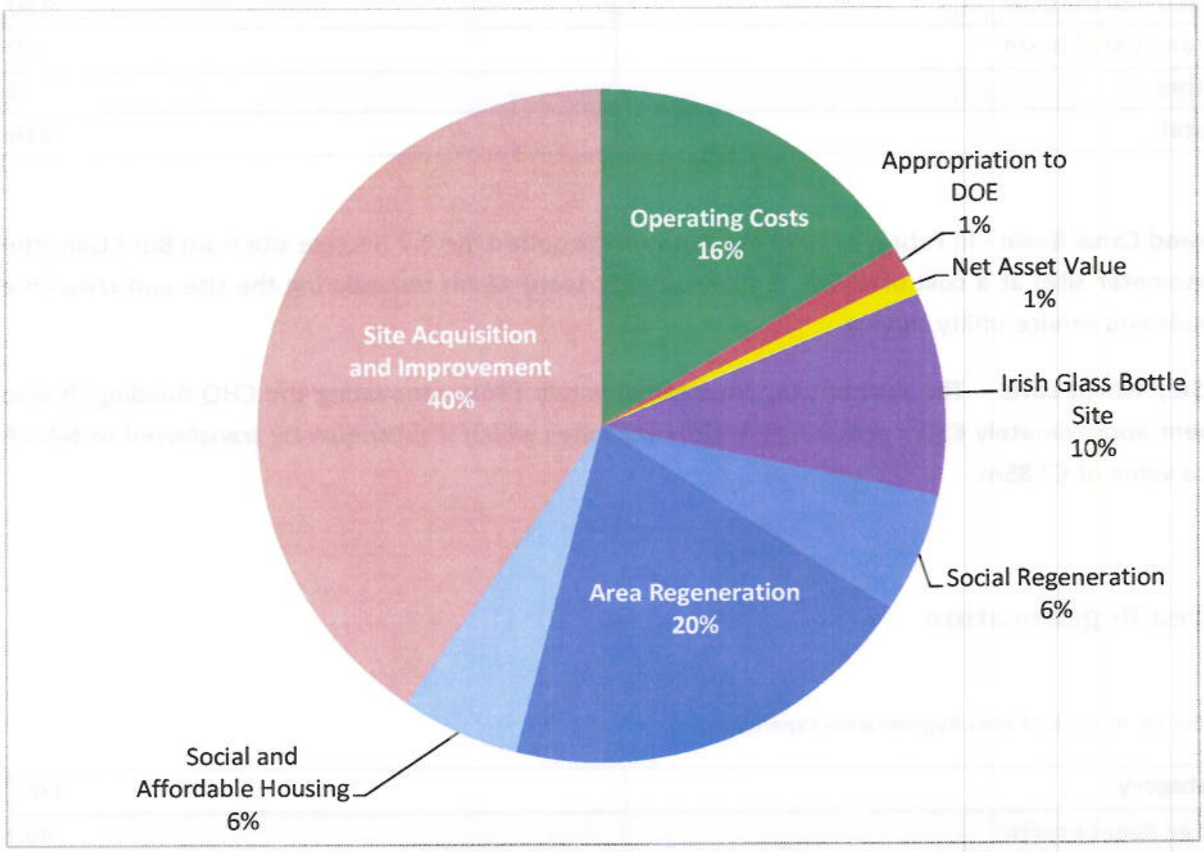


Table 12: Analysis of Costs / Investments

Cost / Investment Category	%	€m
Site Acquisition and Improvement	*40%*	216
Area Regeneration	*20%*	106
Operating Costs	*16%*	87
Irish Glass Bottle Site	*10%*	52
Social Regeneration	*6%*	31
Social and Affordable Housing	*6%*	30
Appropriation to DOE	*1%*	8
Sub Total		**530**
Net Asset Value	*1%*	5
Total	***100%***	**535**

Site Acquisition and Improvement

Table 13: Analysis of Site Acquisition and Improvement Costs

Category	€m
IFSC / North Lotts	120
Grand Canal Basin	90
Other	6
Total	**216**

Grand Canal Basin - In February 1999 the Authority acquired the 9.7 hectare site from Bord Gais (the gasometer site) at a cost of €19m. It subsequently spent €52m remediating the site and created a roads and service utility service.

IFSC / North Lotts – The Authority spent approximately €45m renovating the CHQ Building. It also spent approximately €50m acquiring development sites which it subsequently transferred to NAMA at a value of €7.85m.

Area Regeneration

Table 14: Analysis of Area Regeneration Expenditure

Category	€m
River Regeneration	39
Grand Canal Basin	32
IFSC / North Lotts	26
Other	9
Total	**106**

Grand Canal / IFSC / North Lotts – This includes the acquisition of properties in the area which were demolished to create open spaces which are used are used as public amenity areas, including the waterside area around the Grand Canal Basin and the Linear Park.

River Regeneration – This includes the building of the Sean O'Casey pedestrian bridge, a significant contribution to the Samuel Beckett Bridge and the costs associated with acquiring properties along the north and south campshires which were demolished to create public amenity areas.

Operating costs

The Authority operated over time using a mixture of internal and external resources. Its operating costs from 1997 to 2012 broadly break done as follows:

Table 15: Analysis of Operating Costs

Cost category	€m
Staff remuneration	28
Professional fees	18
Marketing and publicity	14
Depreciation costs	9
Administration and Audit costs	9
Facilities costs	5
Bank Interest and Charges	4
Total	**87**

Social Regeneration

Table 16: Analysis of Social Regeneration Expenditure

	€m
Community Development Projects	18
Community Support	7
Education & Training	6
Total	**31**

The Authority's main achievements under its social regeneration mandate are categorised under the following headings:

Education and Training – Since its establishment in 1997 the Authority has provided approximately **€6m** to fund, develop and deliver over 40 education projects and activities in the Docklands area. The aim of these programmes is to give the local communities access to highest quality education. The following are the Educational programme key areas of focus:

- curriculum enrichment and learning support
- arts and culture
- sports and leisure
- motivation and behaviour enhancement
- professional development for principals and teachers
- access to Third level education through a scholarship programme, and
- adult education and training

Community development – In 1999, the Authority introduced the Community Development Project Initiative (CDPI) which allocates funding towards capital projects being undertaken by local community groups in the Docklands area. The CDPI scheme has helped fund over 250 community projects at a total cost of **€6.58m** since its establishment. The following are some examples of the types of projects funded by the CDPI;

- Ringsend Community Centre
- Upgrading of local sports facilities
- Provision of play areas within Housing Developments
- Provision crèche facilities at a local women's centre
- Supplying mini buses for local Community Organisations

The Authority has also wholly funded a number of capital projects including the Sean O'Casey Community Centre at a cost of **€8.7m.**

Community Support - Recognising that social regeneration is not just about capital building projects and educational programmes the Authority supports a wide variety of projects that empower and benefit the Docklands communities as a whole. These projects have included;

- Schools Job Placement Programmes
- Senior Citizens Forum and activities
- Docklands Talent Showcases
- Community Football festivals and mini world cup tournaments, and
- Supporting the many Community Groups, Clubs and Associations

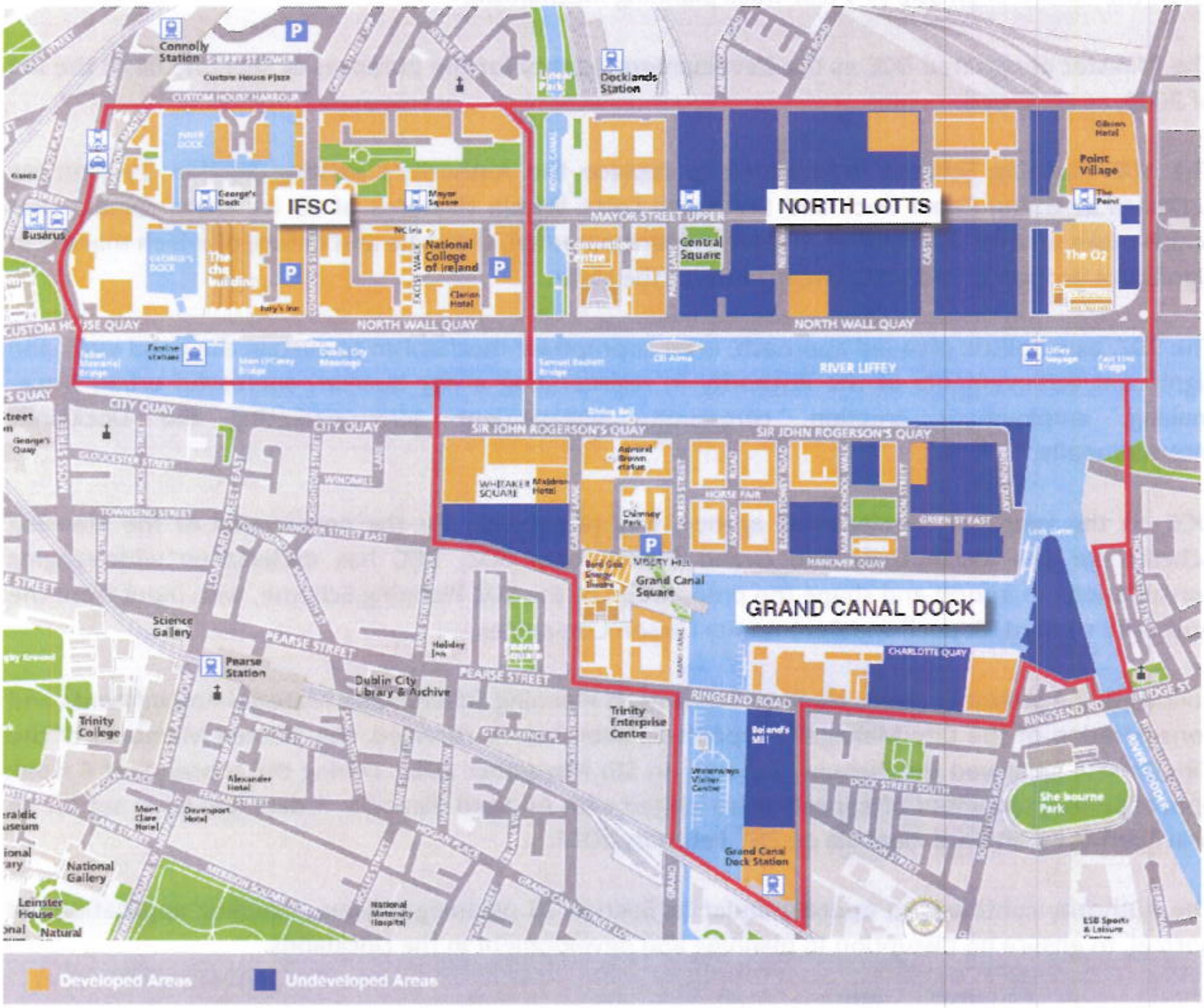
4. Regeneration of Docklands into the Future

Development Opportunities

The Authority created three planning schemes over its lifetime. The following table shows the development potential that remains and which is now the subject of an SDZ which is dealt with further in the next section.

Table 17 : Development potential

Planning Scheme	**Total land area** *(Hectares)*	**Development opportunity** *(Hectares)* Marked in **Blue** on map
IFSC/Custom House Docks	24.01	-
North Lotts	32.35	13.20
Grand Canal Docks	32.32	9.60
	88.68	**22.80**



Strategic Development Zone

Designation & Current Status

On the 18th December 2012, the Minister for the Environment, Community and Local Government designated parts of the Dublin Docklands area as an SDZ in accordance with Part IX of the Planning and Development Act, 2000.

Following the Government decision on May 31st 2012 to wind up the Authority but to retain an appropriate fast track planning framework to complete the Docklands project, the SDZ designation was proposed by the Authority and DCC.

In accordance with the provisions of the Planning & Development Act, a Planning Scheme for the SDZ Area must be prepared by the designated Development Agency. Once the Planning Scheme comes into effect, development within it will require planning permission. Planning permission shall be granted where the development, if carried out in accordance with the application or subject to any conditions which the planning authority may attach to a permission, would be consistent with the Planning Scheme. Third parties are entitled to make an observation on development proposals during the statutory five week period. However, no party may appeal to An Bord Pleanála any application for permission in respect of a development within the area of the Planning Scheme, given the nature of an SDZ as a fast-track planning mechanism.

The Minister designated DCC as the Development Agency for the purposes of section 168 of the Act of 2000, as amended.

The SDZ Planning Scheme is intended to replace the Authority's existing Section 25 Planning Schemes at Grand Canal Dock and the North Lotts. Within this area of 65 ha, there remain sites which make up over 23 hectares of development potential, the scale and nature of which make it of significant economic and social importance to the state.

The SDZ, as a holistic plan-led approach, is an appropriate mechanism to sustain the good work and significant achievements of the Authority in regenerating a city quarter, successful urban place-making, employment creation, community engagement and marketing the Docklands internationally.

DCC, as the specified development agency, was responsible for the preparation of the Planning Scheme for the North Lotts and Grand Canal Docks SDZ. DCC has undertaken wide-ranging consultations to inform and shape the preparation of the SDZ Planning Scheme, with input from the Authority's Board, Council and Community Liaison Committee.

Following the statutory public displays of the draft Planning Scheme and Material Amendments and consideration of the City Manager's reports on submissions received, the Elected Members of the City Council approved the Planning Scheme on 5th November 2013. During the subsequent 4 week appeal period, a number of appeals were lodged with An Bord Pleanála. A date has been set for an oral hearing by An Bord Pleanála on 25th February 2014.

The Authority continues to operate under its Section 25 planning powers, handling applications as normal, to ensure no disruption to planning and development in the Docklands.

Transition of Docklands Masterplan to the Dublin City Development Plan

An analysis of the existing Docklands Master Plan and provisions of the Dublin City Development Plan is currently taking place to ensure that appropriate mechanisms are put in place to deliver on broader objectives set out in the Government's decision to wind up the Docklands Authority and to facilitate the socio-economic regeneration of the entire area.

The Authority's Masterplan 2008, adopted by the Authority's Council, set out a broad range of policies and objectives for the 520ha entire Docklands Area, policies which were derived from considerable local and community consultation and input from the Authority's Council.

As part of this process, the DCC requested that the Authority's Council identify those priorities from the Authority's Masterplan 2008 which remain relevant and which the Council consider should be included in any future policy framework for the wider 520ha Docklands Area. The Authority's Council submitted its report to DCC in October 2013 and a series of workshops to discuss the report have recently concluded. It is the Authority's understanding that DCC will now proceed to prepare a statutory Variation to the Dublin City Development Plan to propose the inclusion of a specific Docklands chapter in the Plan, taking into account the views of the Authority's Council.

Future Governance arrangements

Consultative Structure

Part of the government requirement on announcement of the wind-up of the Authority was for the continued involvement of the community and business in the continued regeneration of the Docklands. The Authority mandated its Council to consider this issue and prepare a recommendation to the Board setting out a proposed consultative structure that would be established upon the dissolution of the Authority and its associated structures.

The Council recommended a remit and structure for a consultative forum to the Board in June 2013. The remit of the forum would be to provide practical support to DCC to enable it to take on the major challenges and opportunities in developing the Docklands area, with the forum focussing on economic development and investment; communication and engagement with all stakeholders on long term plans for the area and; improving the image and developing relationships in Docklands.

The forum would take the form of a specific Docklands Committee of DCC with powers and resources capable of supporting the diverse interests in the Docklands and would comprise of 21 members including an independent Chairperson, representatives of residents associations and community organisations, the business sector, the education sector, statutory and infrastructure stakeholders and DCC.

The Authority's Board endorsed the recommended structure and made a submission to the Department of Environment, Community & Local Government in July 2013. The proposal is currently under consideration by the Department.

DCC Docklands Unit

DCC, as the designated Development Agency for the SDZ and the successor to the Authority for the regeneration of the entire Docklands Area, is in the process of establishing a Docklands Unit. It is intended that the Unit will be based in the Docklands, at Custom House Quay and will be responsible for SDZ Planning Scheme implementation, the co-ordination of the proposed Docklands Forum, the social and economic regeneration of the area and its promotion as a unique City community and a location for investment.

As part of the wind-up of the Authority and the transition to DCC, the two organisations have agreed for DCC to provide to the Authority administrative and professional services and public infrastructure maintenance services up to the dissolution of the Authority. As part of this process, the transition of responsibilities to the DCC is also being facilitated. DCC assigned a senior staff member on a part-time basis as Acting CEO since the redeployment of the previous CEO in April 2013. In addition, DCC have provided professional and administrative planning services to the Authority through since April 2013, when the final professional planning staff member left the Authority under the redeployment scheme.

End page