

## Public Accounts Committee 11 October 2018

### The Office of Public Works Chairman's Opening Statement

Thank you, Chairman, for the opportunity to present to the Public Accounts Committee today on the expenditure and works of the Office of Public Works across its different areas of activity. The OPW is the lead body responsible for Flood Risk Management and the stewardship of the Nation's National Monuments and Historic Properties. Through these activities, the OPW interacts with, and supports communities and Local Authorities in every county in Ireland.

The third primary area of OPW activity is the management of the Nation's modern property estate including accommodation for Government staff and numerous specialist facilities such as Garda stations, court houses, laboratories, data centres, and customs infrastructure, which has become topical again now in the context of Brexit. I have provided an information briefing on Garda accommodation in advance of this meeting. Later in this statement, I will address the matters raised in Chapter 6 of the Comptroller and Auditor General's report titled 'Lease of Offices at Miesian Plaza'.

The OPW is responsible for a range of other important functions including the State Art collection, the day-to-day running of Aras an Uachtaráin and organising State visits and events. Recent examples include the May Referendum, the visit of Pope Francis, and the upcoming inauguration of the President.

#### **Flood Risk Management and Flood Relief**

As Members are aware, flooding is a natural phenomenon which can cause widespread damage and have a devastating effect on communities, property and infrastructure. This risk is likely to increase in the future, due to rising sea levels and other potential effects of climate change. Government have recognised these risks and have committed €1 billion of capital investment to Flood Risk Management over the next decade.

The OPW has responsibility for leading and co-ordinating the implementation of the National Flood Risk Policy which involves the development of a planned programme of works. In 2017, the OPW completed the largest study of flood risk ever undertaken in the history of the State, the Catchment Flood Risk Assessment and Management (CFRAM) Programme. The CFRAM Programme involved:

- analysis of flood risk across 300 designated communities, including 90 coastal areas;
- the production of 29 Flood Risk Management Plans with a prioritisation of those measures that can manage the assessed flood risk nationwide.

It includes building our capability to protect 95% of properties assessed to be at risk through 118 new flood relief schemes in addition to the 75 schemes that are complete or underway.

This capital programme was launched on the 3<sup>rd</sup> of May 2018 and we are now moving into the detailed development and implementation of these measures with the local authorities.

During 2017, the OPW carried out over €45million of capital works, including

- the completion of major projects at Bray and Foynes;
- the substantial progression of construction on schemes at Bandon, Skibbereen, River Dodder, Claregalway, and Dunkellin River;
- the provision of over €2 million to Local Authorities to carry out minor flood works;
- the commencement of new schemes in Athlone and Templemore; and
- the progressing design work on a large number of other major schemes, to be implemented in the coming years.

In addition, the OPW maintains all arterial drainage schemes completed by it under the 1945 Arterial Drainage Act. This investment provides ongoing protection to 263,000 hectares of agricultural land, through the annual maintenance programme for 11,500 km of river channel, including 800 km of embankments.

My Office manages a range of other measures to tackle local flood risk, including the OPW Minor Flood Mitigation and Coastal Protection Scheme in partnership with Local Authorities.

500 projects have been completed under this scheme protecting 6,500 properties, two-thirds of which are outside of the CFRAM study areas.

The OPW continues to support and co-ordinate sectoral led work on non-structural solutions to help protect or mitigate flood risk. Key to these is the development by Met Éireann, in conjunction with the OPW, of a national flood forecasting service. Also, a new website, [www.floodinfo.ie](http://www.floodinfo.ie) has been developed by the OPW, which is an important resource in supporting emergency response planning by Local Authorities and empowering people and communities to plan and respond to their flood risk.

### **Heritage Estate**

As caretakers of the built Heritage Estate, the OPW is responsible for the management, conservation, maintenance and presentation of some 780 National Monuments and 70 OPW managed heritage sites. Responsibilities include the day to day management and presentation of 30 major Historic Properties, gardens, parks and arboreta.

The OPW has consistently been of the opinion that the importance of the State's National Heritage cannot be overestimated, either in a cultural or economic sense. This is especially true in the context of rural regeneration and is borne out by the increase, year on year, on the number of visitors to these sites. The Office enjoyed a very successful 2017 with a total of 7.9 million visitors to OPW managed heritage sites. The leading visitor sites continue to do remarkably well including Dublin Castle, Kilmainham Gaol, the Rock of Cashel and the Phoenix Park, the largest city park in Europe, representing an enormous green resource for the people of Dublin.

In addition, a strategic partnership with the Department of Culture, Heritage and the Gaeltacht and Fáilte Ireland, has enabled the Office to develop and enhance tourism investment possibilities within the cultural and heritage estate. The broad focus of this programme is to enhance the visitor experience at sites managed by the OPW with particular reference to those less visited sites so that a greater volume of increased footfall on a wider base can be sustained. This will ensure that we continue to increase tourism numbers and the generation of Exchequer revenue.

### **Estate Management**

Efficient and modern accommodation is a key requirement for the successful delivery of many Government priorities. Estate Management by the OPW is an all-encompassing discipline of strategically aligning the use of State and leased property with Government priorities while ensuring value for money through the optimal use of resources.

Estate Management includes the acquisition and disposal of properties and leases, essential property maintenance, necessary development and retrofits, the provision of storage and mechanical and engineering works to over 70 different client Departments and Public Bodies. In order to facilitate the management of that portfolio the OPW are developing a much needed Estate Management System which will shortly go live in the Office. The system will provide centralised information to staff which will allow for effective and efficient estate management planning in the commercial environment within which the Office operates.

In terms of climate change, you will be aware that the recent Citizen's Assembly recommended that the State should take a leadership role in addressing this risk through mitigation measures, including, the retrofitting and renewables generation on public buildings. The OPW portfolio consists of over 2,500 properties and the total investment was €319 million in 2017, which included the fit out of a number of properties including Miesian Plaza.

### **Miesian Plaza**

I now wish to turn to the Comptroller and Auditor General's Chapter on the Lease of offices at Miesian Plaza.

This lease was part of the OPW's accommodation strategy to move staff from a large, 'end of life' building – Hawkins House - to a 4<sup>th</sup> Generation, energy efficient building that could support almost 1,000 staff.

Miesian Plaza, at approximately 15,000 square meters, is the largest lease acquisition that the OPW has secured in recent years, with 936 workstations. The imperative of acquiring a new headquarters for the Department of Health arose from the deteriorating condition of Hawkins House which was constructed in the early 1960s. In addition, the lease on a property on Mespil Road, accommodating the Department of Children and Youth Affairs, was due to expire and could no longer cater for the expanding requirements of that Department .

Following a review of the available properties, in what was an exceptionally tight market, Miesian Plaza on Baggot Street was identified as being the most suitable option for the Department of Health, the Department of Children and Youth Affairs, and particular units of the Department of Finance and the Department of Public Expenditure and Reform. Central to the acceptance of this as a potential location, was the proximity of the building to the Houses of the Oireachtas.

The OPW retained an independent, professional negotiation team to determine if a satisfactory commercial arrangement could be concluded. Following several months of engagement with the landlord, the negotiation team secured a 25 year lease some 15% beneath the prevailing market rent. With the addition of 5-year rent reviews linked only to the Consumer Price Index, the deal effectively insulates the State against any significant or erratic market fluctuations in the medium term. In the context of the rising Dublin property market, relating to Brexit, OPW considers this index linking to be of significant benefit.

The large-scale, permanent relocation of any group of staff is a challenging task. In the Miesian Plaza project this was particularly complex given the physical and cultural challenges of moving almost 1,000 staff spread over 4 major Government Departments. It is a common misunderstanding that the identification of a building and the securing of lease terms is effectively the end of the process – people just move in. This is not the case. In fact, it is only at this stage that the fit out process transforming the building from a grey shell to a habitable modern office, which takes up to 9 to ten months can commence.

These issues were particularly intense in the Miesian Plaza project given the ground breaking steps that were being taken relating to open plan work spaces and the dramatic reduction in the use of cellular offices. This project very quickly moved from one of mere ‘bricks and mortar’ to one of human relationships and business process reform. In the OPW’s experience, it is quite common that staff and business considerations trump those relating to the physical building itself in terms of complexity and the time needed to complete the project.

Reflecting on this project, I suspect that aspects, including the change management process, were underestimated by all those involved – and I very much include OPW in that. The protracted discussions designed to ensure ‘buy in’ and to bring everybody along on a difficult journey undoubtedly caused delays. The cost of this delay is very much regretted by the OPW and, I’m sure, all those associated with the project.

Rarely, do major projects progress without some problems. The Miesian Plaza project did experience problems including the aforementioned programme over run and an issue relating to the application of a new measurement standard. While these issues do serve to lessen the very significant value negotiated, I believe that the demonstrable benefits of the overall deal, and ground breaking business transformation outcomes, significantly outweigh all other considerations. The building that OPW has now secured, will serve as a flag ship for the State's property portfolio for the coming 25 years while accommodating some of the most important Government Departments in a LEED platinum rated office accommodation.

Finally I would like to thank both the Comptroller & Auditor General and his staff for their assistance and courtesy during the conducting of this audit. I have no doubt that the Committee and Chairman have questions on the matters I have raised and at this stage I thank you for your attention and I will attempt to answer any questions you might have.

Ends