

DÁIL ÉIREANN

AN COISTE UM CHUNTAIS PHOIBLÍ

COMMITTEE OF PUBLIC ACCOUNTS

Déardaoin, 06 Nollaig 2012

Thursday, 06 December 2012

The Committee met at 10.00 a.m.

MEMBERS PRESENT:

Deputy Paul J. Connaughton,
Deputy John Deasy,
Deputy Paschal Donohoe,
Deputy Colm Keaveney,

Deputy Mary Lou McDonald,
Deputy Eoghan Murphy,
Deputy Gerald Nash,
Deputy Kieran O'Donnell.

DEPUTY JOHN MCGUINNESS IN THE CHAIR.

BUSINESS OF COMMITTEE

Business of Committee

Mr. Seamus McCarthy (*An tArd Reachtaire Cuntas agus Ciste*) called and examined.

Chairman: Deputy McCarthy has been replaced by Deputy Keaveney. I thank Deputy McCarthy for his contribution to the Committee of Public Accounts and I welcome Deputy Keaveney. I wish him well in his work on the committee. Are the minutes of the meeting of 22 November 2012 agreed? Agreed.

We will review the minute of the Minister for Public Expenditure and Reform on our report on the VAT charge on the National Aquatic Centre at next week's meeting when the latest issue raised by Dublin Waterworld can also be discussed. At next week's meeting we will deal with the draft report on the HSE, which will finish off that work and we can publish the report before Christmas. For the meeting with the Department of Foreign Affairs and Trade in respect of Votes 28 and 29, we will circulate the Department's interim report on the misappropriation of funds in Uganda and a memo on the issues arising from the committee's visit to Mozambique last week.

Next Thursday a delegation from the public accounts committee of the Gauteng Provincial Legislature of South Africa will be in Dublin and we will arrange a short meeting of Members who are available to meet the delegation early on Thursday afternoon. The clerk will be in contact with Members.

Correspondence has been received since the meeting of Thursday, 22 November 2012. No. 3A is correspondence from Accounting Officers and-or Ministers.

No. 3A.1 is correspondence, dated 21 November 2012, from Mr. Brian Purcell, Secretary General, Department of Justice and Equality, providing information requested by the committee at its meeting of 25 October 2012.

No. 3A.2 is correspondence, dated 26 November 2012, from Mr. Brendan Ryan, chief executive officer, Courts Service, providing information requested by the committee at its meeting of 25 October 2012. I propose it be noted and published.

No. 3A.3 is correspondence, dated 26 November 2012, from Mr. Tom O'Mahony, Secretary General, Department of Transport, Tourism and Sport providing information requested by the committee at its meeting of 15 November 2012 regarding Mr Garry Coughlan and Aer Lingus. I propose to note it.

No. 3A.4 is correspondence, dated 26 November 2012, from Mr. Seán Ó Foghlú, Secretary General, Department of Education and Skills, providing information requested by the committee at its meeting of 1 November 2012 regarding Mr John Curry and County Wexford VEC. I propose to note it.

No. 3A.5 is correspondence, dated 27 November 2012, from Mr. Ray Mitchell, assistant national director, parliamentary and regulatory affairs, HSE, about providing further information requested by the committee at its meeting of 8 November 2012. I propose to note and publish it.

No. 3A.6 is correspondence, dated 28 November 2012, from Ms Geraldine Tallon, Secretary General, Department of Environment, Community and Local Government, providing further information requested by the committee at its meeting of 31 October 2012. I propose to note and publish it.

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No. 3A.7 is correspondence, dated 27 November 2012, from Ms Orla McPartlin, chief superintendent, An Garda Síochána, providing further information requested by the committee at its meeting of 1 November 2012. I propose to note and publish it.

No. 3A.8 is correspondence, dated 27 November 2012, from Ms Clare McMahon, chief executive officer, County Wexford Vocational Education Committee, providing information requested by the committee at its meeting of 1 November 2012 regarding Mr John Curry and County Wexford VEC. I propose to note it.

No. 3A.9 is correspondence, dated 29 November 2012, from Mr. Ray Mitchell, assistant national director, parliamentary and regulatory affairs, HSE, amending correspondence dated 19 November 2012, the reference number of which is PAC-R-739, 3A.4, point 3, which was noted at PAC meeting of 22 November 2012. I propose to note and publish it.

No. 3A.10 is correspondence, dated 28 November 2012, from Mr. Seán Ó Foghlú, Secretary General, Department of Education and Skills, providing information requested by the committee at its meeting of 25 November 2012 regarding public sector allowances paid to third level lecturers to mark exam papers. I propose to note it.

No. 3A.11 is correspondence, dated 28 November 2012, from Ms Geraldine Tallon, Secretary General, Department of Environment, Community and Local Government, regarding the statutory audit report to the members of Dublin City Council for the year ended 31 December 2011 on the Poolbeg Incinerator.

Items numbered 3B are individual correspondence and-or complaints. No. 3B.1 is correspondence, received on 22 November 2012, from an anonymous source, regarding the location of the national children's hospital. I propose to note it.

No. 3B.2 is correspondence, dated 14 November 2012, from Mr. Michael Brosnan, North Circular Road, Dublin 7, regarding Mr. Charles Farrell. I propose to note it.

No. 3B.3 is correspondence, dated 21 November 2012, from Mr. John Moriarty, Dublin Waterworld Limited, regarding the National Aquatic Centre VAT dispute. I propose to note it. We will deal with this next week when we deal with the minute of the Minister in response to our report on the VAT charge on the National Aquatic Centre.

No. 3B.4 is correspondence, dated 22 November 2012, from Mr. Terry Melia on public sector procurement reform. I propose to note it and forward it to the Department of Education and Skills for a note on the matter.

No. 3B.5 is correspondence, dated 23 November 2012, from Mr. Owen Cooke on Fáilte Ireland. I propose to note it and forward it to the Department of Transport, Tourism and Sport for a note on the issue.

No. 3B.6 is correspondence, received 27 November 2012, from Mr. Garry Coughlan regarding Aer Lingus. Earlier correspondence from the Department has dealt with the issues raised by Mr Coughlan.

Items numbered 3D are documents relating to the committee meeting of 22 November 2012. No. 3D.1 is correspondence, dated 30 November 2012, from Ms. Geraldine Tallon, Secretary General, Department of Environment, Community and Local Government, regarding briefing paper on matters to be considered at the meeting of 6 December 2012. I propose to note and

publish it.

No. 3D.1 is correspondence, dated 30 November 2012, from Ms. Geraldine Tallon, Secretary General, Department of Environment, Community and Local Government regarding an opening statement. I propose to note it. Items numbered 4 deal with reports of statements and accounts received since 22 November 2012. No. 4.1 is Dublin City University; No. 4.2 is the Irish Sports Council; No. 4.3 is the Commission for Energy Regulation; and No. 4.4 is Pobal. The accounts of the Commission for Energy Regulation will be dealt with at our meeting of 17 January 2013.

The work programme is now on screen. The draft programme covering the period January to April 2013 will be discussed next week. Is there anything members wish to raise under any other business?

Deputy Paschal Donohoe: I would like to thank everyone who was involved in the preparation of the report on public sector allowances, particularly those in the secretariat. To go from where we were when we discussed the issue initially to having the finished volume in our hands the next day was a great achievement and happened thanks to the commitment and effort of a number of people. It was a report that was well received and will play a role in the debate that will ensue. Everyone who was involved in its preparation deserves our thanks.

Deputy Kieran O'Donnell: I would like to echo those remarks and thank Mr. McEnery of the committee secretariat in particular, along with his colleagues, for the often unseen work they do. We give them a hard time but the work they do is recognised. It was a good launch and a serious document that will inform Government and public thinking. I thank everyone who was involved in making this the sort of document for which the Committee of Public Accounts is renowned. The committee's reputation is enhanced by the document, which was well put together and covered all the main points.

Deputy Gerald Nash: I would like to be associated with those comments. It was an example of the Committee of Public Accounts at its best. The report was fair and balanced, as people would be entitled to expect from the committee. I also thank Mr. Ted McEnery and the secretariat for their hard work under some pressure from us. It succeeded in exposing some of the myths about public sector allowances. It has become part of the national conversation about those allowances and which of them should be retained and which should be dispensed with. They can now be negotiated around consolidation of core pay. The ultimate comment is that from the point of view of our own allowances, many of the recommendations found their way into the Minister for Public Expenditure and Reform's budget speech yesterday. We should be proud that we are part of that debate and that action was taken on foot of that.

Deputy Eoghan Murphy: I congratulate all those working in the secretariat on their hard work. We set ourselves an almost impossible timeline for the amount of work we needed to do. We managed to arrange all the meetings and during proceedings we got more detailed information at the Committee of Public Accounts than had previously been given. A huge amount of additional work was necessary. Everything had to be done quickly but we were still able to launch the report on time and it had an influence on the budget and other proceedings. That is a good thing for us and I commend all those involved. I also thank the Chairman for steering the meeting so well.

Chairman: I join members in complimenting Mr. Ted McEnery, all of the staff, and the Comptroller and Auditor General. The substantial amount of work that went into the report

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and the tight timeframe were mentioned during the launch. I would also say to members that the examination of witnesses during the process was key to the information in the report. The examination was very positive and made it very worthwhile for those who came in with their respective organisations. I thank the members for the lengths they went to get to the exact information required to inform that public conversation. That was the important part. The launch went well and reflected well on the members of the Committee of Public Accounts.

Before he arrived, we welcomed Deputy Keaveney to the meeting. I hope his stay on the committee will be an enjoyable time. We look forward to his contributions.

Can we agree the agenda for Thursday, 13 December at 10 a.m.? Next week's meeting will deal with the broader macro issues relating to public private partnerships, whether they offer value for money and the extent of the State's commitment to PPPs. Deputy McDonald raised the specific issue and we want to look at the analysis that is ongoing at central government level on the future use of PPPs. We will meet the Department of Public Expenditure and Reform and the National Development Finance Agency to deal with these matters. The agenda for the meeting will be chapter 6 of the report of the Comptroller and Auditor General on financial commitments under public private partnerships in 2011. The National Development Finance Agency financial statements for 2011 will be included in that meeting.

Deputy Eoghan Murphy: Now that we have the critical review of the Local Government Audit Service and the Office of the Comptroller and Auditor General in front of us, will we discuss that at this meeting?

Chairman: This was an issue that was raised previously with the Secretary General regarding the audit of local government and the proposals at the group meeting to discuss the possibility of the amalgamation of the Comptroller and Auditor General's office and the Local Government Audit Service generally. We can discuss that at today's meeting.

Deputy Eoghan Murphy: The second last paragraph of the review seems to state the two agencies are not to be merged. Does the Comptroller and Auditor General have a comment? We talked previously about our ability to look into local government spending after it leaves the central fund. This might even have been raised in the Chairman's Bill about bringing it into the Comptroller and Auditor General's office.

Chairman: The Minister launched a document recently that suggested there would be a different audit office and procedure relative to local government, which runs against the belief I have that they should all be together in one office. It is a policy matter but we can still discuss it with the Secretary General and perhaps the Comptroller and Auditor General.

Mr. Seamus McCarthy: The Government has decided in the context of reform of local government to put in place an alternative system for looking at system-wide issues in the local government sector. That decision having been made, the proposal to merge the Local Government Audit Service into the Office of the Comptroller and Auditor General does not now arise. There are no proposals to change my mandate on the audit of central government funds spent locally. We have reported on that spending to the extent that current legislation allows, and I intend to keep a focus on central government funding spent at local level. Including the responsibilities of the Department in the oversight of that spend. Clearly, policy matters are not something I would get into.

Deputy Eoghan Murphy: The last paragraph of the review refers to enhanced co-oper-

ation between the Comptroller and Auditor General's office and the Local Government Audit Service. As we going to get more oversight of local government spending?

Mr. Seamus McCarthy: No. In the course of reviewing the work of both offices, and how we might cooperate, the reform agenda places an emphasis on shared services. To the extent we can cooperate and assist the Local Government Audit Service in its work, we will do all we can within the resources we have. Another possibility is to carry out coordinated audits where we would both focus on a related issue. Obviously I must make my decisions about what I can consider I can and should do about central government spending. We will talk to one another more another about reporting priorities. Obviously we must see how this other chamber of review will operate.

Deputy Kieran O'Donnell: Under current legislation can an Oireachtas committee follow the money trail of the local authorities? The Committee of Public Accounts follows the money trail for all Departments, with the exception of the local authorities. Is there a mechanism under the legislation where another committee, such as the Joint Committee of the Environment, Culture and the Gaeltacht, can follow up on the expenditure of local authorities?

Mr. Seamus McCarthy: I am not that familiar with the operation of the Environment, Culture and the Gaeltacht committee, but I would image the same sort of limitation would apply to it as applies to the Committee of Public Accounts. What the Department has been doing, and the Secretary General will be able to give a broader view, is to ensure there is local accountability for local decision making. A certain element of funding is raised locally.

Deputy Kieran O'Donnell: Under the current system, to whom does the local authority auditor report?

Mr. Seamus McCarthy: The reports are presented to the relevant local authority.

Deputy Kieran O'Donnell: To whom does the local authority report?

Mr. Seamus McCarthy: To the elected members of the local authority.

Deputy Kieran O'Donnell: After they report to the elected members does the report go to the Department of the Environment, Community and Local Government?

Mr. Seamus McCarthy: All of the reports would go to the Department of the Environment, Community and Local Government. The Department is in a position to have an overview of expenditure.

Deputy Kieran O'Donnell: Is that a function of the Department of the Environment, Community and Local Government?

Mr. Seamus McCarthy: Yes, that is where it exists.

Chairman: We should continue with this line of questioning when the Secretary General comes before us.

Chapter 6 - Financial Commitments under Public Private Partnerships

Chapter 16 - Central Government Funding of Local Authorities

Ms Geraldine Tallon (*Secretary General, Department of the Environment, Community and Local Government*) called and examined.

Chairman: I ask the members, witnesses and those in the Visitors' Gallery to turn off their telephones because the interference affects the sound quality of the transmission of the meeting. It applies particularly to those who leave their telephones on the desk in front of the microphone, which picks up the noise and means the proceedings cannot be transmitted properly. I ask members and witnesses to observe that request during the meeting.

By virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of the evidence they are to give this committee. If they are directed by the committee to cease giving evidence in relation to a particular matter and they continue to do so, they are entitled thereafter only to a qualified privilege in respect of their evidence. Witnesses are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise nor make charges against a Member of either House, a person outside the Houses or an official either by name or in such a way as to make him or her identifiable. I remind members of the provision within Standing Order 163 that the committee shall refrain from inquiring into the merits of a policy or policies of the Government or a Minister of the Government or the merits of the objectives of such policy or policies.

I welcome Ms Geraldine Tallon, Secretary General of the Department of the Environment, Community and Local Government, and invite her to introduce her officials.

Ms Geraldine Tallon: Good morning Chairman and members, I am accompanied by: Mr. Des Dowling, assistant secretary, Mr. Ronan Mulhall, principal officer; Mr. Philip Nugent, principal officer; and Mr. Maurice Coughlan, finance officer, will join me shortly.

Chairman: Will the officials from the Department of Public Expenditure and Reform introduce themselves?

Ms Marie McLoughlin: My name is Marie McLoughlin and I am a principal officer.

Ms Annette Connolly: I am Annette Connolly, assistant principal officer.

Chairman: Before I call on the Comptroller and Auditor General to introduce today's business, I should outline how the committee proposes to deal with Vote 25 and the chapters that relate to the Department in the Comptroller and Auditor General's report. At a previous meeting with the Accounting Officer, because of the wide breadth of the issues that fall under the remit of Ms Tallon, the meeting went on for over five hours. I propose to avoid this in the future and the only way to do so is to spread the examination over a number of meetings. We have therefore separated the examination of the environmental issues and today we will deal with two aspects, namely, the funding of local government, chapter 16, and the use of public private partnerships in the provision of infrastructure, mainly relating to water and wastewater facilities. At a future meeting we will deal with the wider issue of the Vote and also chapter 26

- motor tax and chapter 27 - environmental issues.

I now call on the Comptroller and Auditor General to introduce the chapter and the report.

Mr. Seamus McCarthy: The first segment of chapter 16 was prepared by drawing together relevant information from a number of accounts to give an overview of the level of central government funds provided to local authorities and the purposes for which those funds are provided. In 2011, central government funds provided to local authorities totalled just over €3.5 billion. That represented a reduction of more than €900 million on the amount provided in 2010 and was down over €2.2 billion from the peak in 2008. Directly or indirectly the Vote for Environment, Community and Local Government provided €1.3 billion to local authorities in 2011 and the Vote for Transport, Tourism and Sport provided €1.2 billion. A further €561 million in non-Exchequer source funding was paid to local authorities from the local government fund. Over the year, the local government fund has been financed mainly by motor tax receipts and an annual Exchequer contribution. In 2012, the Exchequer contribution has been replaced by the proceeds of the household charge payable by owners of residential property. This charge which is being collected by the Local Government Management Agency is an interim measure and is to be replaced by the property tax announced yesterday by the Minister for Finance in his budget speech.

Just over one third of the centrally sourced funding was applied to road improvement and maintenance, with a further one fifth used for housing and urban regeneration projects. The general purpose grants are provided to assist local authorities to bridge the gap between their other income and the cost of services they provide. These also accounted for one fifth of the funding provided. Chapter 16 also looks at the measures available to assess the performance of urban wastewater treatment infrastructure. In the past decade over €3 billion has been spent on wastewater infrastructure. Overall responsibility for water services in the State lies with the Department of the Environment, Community and Local Government, while the local authorities provide and maintain public water services. The new commercial semi-State body, Irish Water is to take over that responsibility from the local authorities. The 1991 EU Directive on Urban Waste Water required different levels of waste water treatment depending on the characteristics of the catchment area and the type of water body into which the waste water is discharged. It also requires regular monitoring of the discharges from treatment plants. The Environmental Protection Agency reports on the level of treatment in place and the performance of treatment plants which enables the level of compliance with the directive to be assessed. However, the 2008 and 2009 data was published only in February 2012. The data for 2010 was published in June 2012. The usefulness of the data is reduced by the delay in publication but both the Department and the EPA have indicated that the causes of these delays have been addressed and from now on the performance data for any given year will be published by the end of the following year.

Treatment plants where secondary treatment is provided can fail to meet the directive requirements for two main reasons, either because too few discharge samples are tested or because the samples failed to meet the quality standards. In 2010, 94% of plants provided the required minimum number of test results. Included in the 6% of plants that did not meet the testing requirements are five that did not submit any results to the EPA. Just over 40% of plants did not meet the required minimum discharge quality standards. Given the level of investment that occurred over recent years, there is a need to identify the causes of this and the corrective action required. In addition in 2010 there were 18 catchment areas where the level of wastewater treatment required by the EU directive is not yet in place. It is estimated that the required

treatment will not be in place in all areas until 2015. Information is not available on the cost per unit of waste water treatment which is a central aspect of performance. The report recommends that the Department examines the feasibility of providing such costs measures.

Chapter 6 focuses on the Exchequer's financial commitments under public private partnerships, PPPs. In many cases, local authorities use PPPs to provide for the treatment of water and wastewater. At the end of 2011, the Department had incurred expenditure in relation to 20 PPP projects, two of which reached contract stage in 2011. Total expenditure by the Department up to and including 2011 was approximately €648 million, with future commitments amounting to €37 million. While these figures relate to local authority schemes that receive an Exchequer contribution, it should be noted that all PPP contracts entered into by local authorities require prior approval by the Minister for the Environment, Community and Local Government. PPP projects entered into by local authorities without direct Exchequer support are not included in the figures in the chapter.

A value for money review of the water services investment programme that was undertaken by the Department of the Environment, Community and Local Government in 2010 concluded that the use of PPPs to provide water treatment plants can offer benefits over traditional procurement, including quicker construction, greater certainty of final capital cost, increased use of newer technologies and guarantees of performance and maintenance standards. The Department has indicated that compared with traditional procurement, PPPs can provide savings of between 10% and 20% on capital costs and savings of between 5% and 10% on operational costs. Department of Public Expenditure and Reform guidelines require that an assessment of the value for money to be achieved from a PPP project be carried out before a project proceeds. As few of these assessments have been published, however, public understanding of the factors affecting the achievement of value for money is limited. The chapter recommends that such assessments should be published.

Value for money testing is based on comparing the long-term costs of PPP procurement with those associated with direct public investment and operation. The new forms of contract that were introduced for major public works contracts in 2007 increased the level of certainty of final capital costs for non-PPP projects. This may have implications for the relative value for money to be achieved from PPP projects. It is important that the testing reflects this change in the nature of conventional public procurement. When projects have been in place for a number of years, an evaluation of the value for money actually achieved would be useful in identifying lessons to be learned for future projects. Such post-implementation reviews are important in identifying actual value achieved and ensuring the lessons learned from PPP projects are identified and used to inform decisions about future publicly-funded investments regardless of how they are procured. I will deal further with these general points in the context of next week's meeting with representatives of the Department of Public Expenditure and Reform and the National Development Finance Agency.

Ms Geraldine Tallon: As requested by the committee, I provided a briefing paper in advance of this meeting. Therefore, I will keep my opening comments short. Chapter 6 of the Comptroller and Auditor General's annual report for 2011 addresses financial commitments under public private partnerships. As far as the Department of the Environment, Community and Local Government is concerned, PPP procurement is used in the water services sector where it is clearly established that the approach provides the best value for money overall. Water services authorities are required to examine all procurement options in an even-handed manner and to undertake a public sector benchmark assessment before a decision is taken to progress to

PPP procurement. The initial assessment is based on securing the best value for money from a whole-life perspective, including the operation and maintenance costs in the post-construction phase. If it is concluded that a water services scheme should be advanced as a PPP, the design, build, operate and maintain model, which is known as the DBOM model, is the preferred procurement route for new and upgraded water services treatment facilities on the basis of positive local and international experience and the high cost of traditional procurement in this area.

Chapter 6 of the Comptroller and Auditor General's annual report refers to the value for money review of the water services investment programme, which was carried out in 2010. The value for money report supports the view that, based on experience to date, the DBOM model offers a number of advantages for projects involving the provision of water services infrastructure. For example, it incentivises private sector contractors to optimise the whole-life cost of the project and to provide reliable treatment processes and technologies and associated mechanical and electrical equipment through single-point responsibility for design, construction, operation and maintenance. It also leads to a better allocation of risk, resulting in greater certainty of final capital cost. It encourages contractors to use newer technologies with associated technical and economic advantages. It involves contractually guaranteed performance and maintenance standards over the 20-year operational phase. Overall, the DBOM model ensures that the risks inevitably associated with large-scale infrastructure procurement are appropriately borne by the relevant stakeholders and the exposure of the Exchequer and the taxpayer to increased costs is minimised. The data available to the Department continue to reinforce the position that for larger contracts, the DBOM model provides a significant reduction in capital and whole-life costs. Chapter 6 gives details on 20 water services projects costing €20 million or more which the Department is funding using the PPP approach. They include two new projects - the Letterkenny wastewater treatment plant and the River Barrow water treatment plant - which reached contract stage in 2011. The briefing paper we provided for this meeting gives an updated schedule of expenditure and commitments in relation to these 20 PPP projects.

Chapter 16 of the Comptroller and Auditor General's report, which concerns central government funding of local authorities, details the range of expenditure programmes for which local authorities are responsible. It also draws attention to the reliance of local authorities on the Exchequer for funding through the Votes of a number of Departments, as well as other central sources. Such funding amounted to €3.5 billion in 2011, compared with €4.4 billion in 2010. The chapter also addresses performance measures in relation to urban wastewater treatment. This material is based on reports published by the Environmental Protection Agency earlier this year, which set out the results of local authority compliance with the urban wastewater treatment directive and information on the licensing and authorisation regime introduced by the Waste Water (Discharge Authorisation) Regulations 2007-10. The reports illustrate a number of areas where new infrastructure is required to ensure compliance with statutory limits. This infrastructure is being provided through the Department's water services investment programme. Irish Water will, over time, take over responsibility for investment in wastewater infrastructure and its operation.

The report also provides an update on housing issues. As the committee is aware, the land aggregation scheme concerns land acquired for social and affordable housing purposes that can no longer be utilised in the manner originally envisaged in light of current economic circumstances and the evolution of more flexible housing supply models. The Department, the Housing Finance Agency and the Housing and Sustainable Communities Agency are taking a structured approach to the unwinding of the overall liability - some €500 million at the end of 2011 - over a reasonable period of time. We made some changes to the operation of the

scheme recently. Up to this year, funding to redeem relevant loans was made available from the Department and HSC Limited was then responsible for the management and maintenance of lands transferred under the scheme. Following a review of the scheme in 2012, the manner of loan redemption has been altered. Instead of using capital moneys to pay off the loans of some authorities, all of the eligible matured loans will now be converted into mortgages of up to 25 years, with interest and capital payments being made by the housing authority to the Housing Finance Agency and the amount recouped by the Department. The revised terms of the scheme were notified to local authorities in June 2012. Applications totalling €287 million from 28 housing authorities and the National Building Agency have been received by the Department under the scheme. By the end of October 2012, 63 sites had been approved for inclusion in the scheme, representing some 206 ha. and just under €132.5 million in Housing Finance Agency loans. Further details are in the briefing paper circulated to the committee. I have also in recent days provided material requested by the committee on the Dublin waste to energy facility at Poolbeg and allowances in the local government sector.

The chapters before us from the Comptroller and Auditor General's 2011 report provide useful summaries of aspects of the water services and housing areas within the remit of my Department and local authorities and in respect of central Government funding of local authorities.

Chairman: May we publish Ms Tallon's statement?

Ms Geraldine Tallon: Yes.

Deputy Paul J. Connaughton: I welcome the delegation. On public private partnerships, the Secretary General indicated they deliver between 5% and 10% better value than other ways of completing waster and water projects. Given that the Department does not carry out value for money assessments on plants until after they have been completed, how can it be sure it is securing savings of this magnitude?

Ms Geraldine Tallon: Each of the plants under the design, build, operate and maintain approach is evaluated at the start on a whole-life cost, taking into account the full lifetime costs of the plant. We have figures for whole-life cost for the plants based on the design, build, operate and maintain approach compared with the typical costs of traditionally procured schemes. We also have operational costs for the individual schemes over the number of years in which they have been in operation. This is beginning to give us a sense of how robust the overall whole-life costing provided in advance is.

A whole variety of factors influence the operation of wastewater treatment plants and it can be difficult to anticipate in advance all of the associated costs and factors.

Deputy Paul J. Connaughton: The public-private partnership approach has only been used in recent years to develop wastewater plants. Are wastewater plants still being constructed using the traditional approach?

Ms Geraldine Tallon: Yes, quite a few plants in the programme are being procured by traditional procurement means. In respect of the contracts over the period from 2010 to 2012 for treatment plants, 27 water plants and 54 wastewater plants were completed by way of traditional contract. In respect of treatment plants completed by way of design, build and operate, DBO, contracts for the same period, there were 36 wastewater DBO contracts providing 65 wastewater treatment plants and there were three water schemes by way of DBO. There is, therefore, a balanced position based on the initial evaluation. As I stated, 54 wastewater

plants were completed by way of traditional contract and 65 were completed by way of DBO contracts.

Deputy Paul J. Connaughton: Considering the savings the Department believes public-private partnerships will deliver, does it lean towards the PPP approach? Why would the traditional approach be selected if greater savings and efficiency can be achieved by means of public-private partnerships?

Ms Geraldine Tallon: We go down the PPP route where the initial evaluation determines that it will be more effective over the full life cost. However, if the initial evaluation, based on the public sector benchmark, indicates that this will not be the case, we use traditional procurement. We have traditional procurement now by way of fixed price contract, rather than variable price contracts which used to be the position. We have fixed price contracting since 2007 and this provides a good basis for comparison. Every wastewater treatment plant is, in a sense, customised to its location. Many issues arise relating to the size of the collection system, the topography of the area, whether it is a pumped or gravity system, the type of treatment provided, the loading on the plant, the management of the loading into the plant, the form of sludge treatment or whether it is an inland or coastal plant. There is a wide range of factors involved and the technology is complex. Every assessment is done on a site specific basis, depending on the range of factors that applies in an individual location. There can be a significant variation in the cost and the whole-life costings depending on the particular factors that apply in any given location.

Deputy Paul J. Connaughton: Taking into account all the factors Ms Tallon outlined, what is the timeframe for completing the process from the moment a local authority decides a wastewater treatment plant must be built until it works with the Department?

Ms Geraldine Tallon: When we take all the factors to which I referred into account, we operate on the basis of a three year rolling programme for the water services programme. A range of contracts in the three year programme are going through planning and into construction. Ideally, we like to see plants moving through planning and construction to completion with a five year period. Again, however, a range of site specific features, particular planning issues, including objections and environmental impact issues, can effect plants in individual locations. Ideally, we look to a five year horizon for the development of this type of infrastructure.

Deputy Paul J. Connaughton: It can take five years from the moment a contract is started until it is completed.

Ms Geraldine Tallon: From the moment a contract is started to when it finishes can be less than five years. I include the planning phase when I refer to five years. The construction phase for a contract is very dependent on whether the contract is specifically for a treatment plant or whether it is a treatment plant and collection system. Generally, treatment and collection are separate contracts in practice. However, a treatment plant may be for secondary treatment only; secondary treatment with nutrient reduction; secondary treatment with nutrient reduction and sludge treatment; or may include a sea outfall. There are different aspects to the type of infrastructure being provided. These plants tend to be site specific.

Deputy Paul J. Connaughton: On the Environmental Protection Agency and the level of compliance in respect of certain waste management plants, why was data from 2008 and 2009 only published in 2012? What was the reason for the delay?

Ms Geraldine Tallon: The EPA was introducing a new data management system. That was partly the cause of delay. We also had new regulations on urban wastewater discharge authorisations in 2007 as a result of which we required local authorities to put a system in place to apply for licences to the EPA. The agency issues licences and then monitors on the basis of these licences. The system has been a little slower than we would have liked but as the Comptroller and Auditor General indicated in his address, a data management system is being put in place and we hope the EPA will produce results in the year after the reports are provided by the local authority. The system the EPA now has is to transfer real time data from the local authorities and plants to the EPA.

Deputy Paul J. Connaughton: How quickly will this be done given what occurred in the past?

Ms Geraldine Tallon: From now on, it is intended that all of the data for 2012 will be available before the end of 2013 and will have been analysed and compiled by the EPA in the following year so that one will have the 2012 information in 2013.

Deputy Paul J. Connaughton: Why did five plants not submit any results to the Environmental Protection Agency? How were they able to get away with failing to provide results? What is the current position regarding this information?

Ms Geraldine Tallon: It is, unfortunately, unacceptable behaviour on the part of individual local authorities. However, the Department is putting in place a new system. Given that the State has obligations to the European Union in terms of compliance with the urban wastewater treatment directive, we would be concerned in those kinds of circumstances. We would have been in contact with local authorities in those circumstances. There is a detailed sampling regime in place. We would be concerned that authorities carry out the sampling and provide the results on that basis.

Deputy Paul J. Connaughton: What are the implications for those five local authorities that did not submit any information to the EPA on the water treatment plants, or are there any implications for them? What are the consequences for that not happening?

Ms Geraldine Tallon: The consequences for that not happening are that we cannot give any assurance that the treatment plants operated in compliance with the required standards in that period but that situation has been rectified. The regulations are in place. Licences are being processed by EPA and for the future we expect to see full monitoring results from all authorities. There has been a significant improvement in performance by authorities in terms of the sampling regime. There was a failure due to lack of sampling in 30% of cases in 2007 but that had reduced to 3% in 2010, therefore, authorities are taking this responsibility seriously.

Deputy Paul J. Connaughton: Of those five that did not submit information have they submitted that information now?

Ms Geraldine Tallon: Yes.

Deputy Paul J. Connaughton: Is there no local authority that has not submitted that information at this point?

Ms Geraldine Tallon: I could not be certain as to what the situation is to date because the information goes directly to EPA and we see the results in EPA reporting. The EPA is finalising its reporting for last year at the moment. We expect to see a report in the next couple of weeks

but I have not seen it as yet. I will not commit in advance.

Deputy Paul J. Connaughton: To go back to the point once more, for those who did not submit the results, was there a financial implication for those local authorities or any penalty or punishment for failing to do that?

Ms Geraldine Tallon: There was not any specific penalty or punishment for not doing that.

Deputy Paul J. Connaughton: Is it intended that there would be in the future? If local authorities are not compliant to the strictest of levels is there any intention to change that position into the future?

Ms Geraldine Tallon: The whole issue of imposing financial penalties on local authorities is quite difficult as they have got reduced resources as Departments and all of us have in the current climate. If a local authority is penalised financially that reduces its capacity to perform even further for the future. This is a subject of some interest and concern in the local government division. I would be inclined to the view - I may be speaking loosely - that if there is a view that a local authority should be penalised in some way that, perhaps, it might be better to look at limitations on the discretion available in particular circumstances rather than saying that financial penalties are necessarily the way forward because financial penalties, unfortunately, compromise capacity further.

Deputy Paul J. Connaughton: I understand that but considering that we are asking primarily rural dwellers to register their septic tank to help with the safety of water management, does the Secretary General not believe that those people would expect local authorities to perform to an extremely high standard? That five local authorities did not submit results is shocking for those people.

Ms Geraldine Tallon: I accept that. That we are requiring the licensing and management of septic tanks, means that local authorities should be exemplars of best practice in terms of the operation of their own systems and the provision of required data.

Deputy Paul J. Connaughton: As of today what is the total number of septic tanks registered in the country?

Ms Geraldine Tallon: The total number of septic tanks registered is around 290,000. I am not sure if all the registrations have been processed. The figure off the top of my head is slightly less than that. In that figure of 290,000 I include both registrations on hand and registrations processed. It is of the order of 290,000.

Deputy Paul J. Connaughton: What is the total number of septic tanks expected to be registered?

Ms Geraldine Tallon: Something over 400,000.

Deputy Paul J. Connaughton: How many of those were registered in the first three months when there was a discount?

Ms Geraldine Tallon: I would have to check on that figure for the Deputy.

Deputy Paul J. Connaughton: What is the closing date? What is the last date for registering one's septic tank?

Ms Geraldine Tallon: It is in early February 2013.

Deputy Paul J. Connaughton: What is the Department doing to continue to publicise the fact that one must register for those who have not done so?

Ms Geraldine Tallon: The registration is being operated by the local government management agency which is providing public awareness. There has been a public awareness campaign involving advertising and, I think, people are generally familiar with the requirements at this stage.

Deputy Paul J. Connaughton: If after that time there are people who have not registered their septic tank, what is the next legal action?

Ms Geraldine Tallon: If people have not registered on time they have committed an offence under the relevant legislation.

Deputy Paul J. Connaughton: On that basis then, the local authorities have committed an offence by not submitting any information to the EPA.

Ms Geraldine Tallon: I do not think that we have an offence in legislation for the non-submission of information to the EPA but as I have tried to stress, that situation has been rectified and authorities are very much aware of their compliance obligations.

Deputy Paul J. Connaughton: Just one last point, in regard to the household charge, what is the current number of households registered for that charge?

Ms Geraldine Tallon: The current number of households registered for the household charge as at 28 November is 1,108,497. That is the precise number at that date.

Deputy Paul J. Connaughton: What is the total number expected to pay the charge?

Ms Geraldine Tallon: The total figure is of the order of 1.6 million.

Deputy Paul J. Connaughton: On that basis, each individual local authority is trying to collect the charge from those households who have not yet paid. Is each local authority working on the same system? Are they all sending out letters and reminders at the same time or is it up to the individual local authority as to how they do that?

Ms Geraldine Tallon: No, the local authorities are well structured within a framework by the local government management agency to pursue the household charge debt. I might ask my colleague who heads the local government division to comment on the performance of local authorities in that regard.

Mr. Des Dowling: In terms of the overall numbers, as the Deputy is aware, we start from the position that the State is building a database, as in the past there has not been a database, of properties and addresses associated with them. Based on the CSO figures, it was estimated that there are 1.6 million liable properties. As the Secretary General has advised, based on the most recent data, that is about 1.1 million properties, therefore, the task is to seek to secure compliance in respect of the remainder; that is being done through a combination of means, but ultimately to identify liable properties. When we secure names and addresses we may be able to obtain waivers of some kind but that is the target figure.

The local authorities are engaged in two processes. At the overall level they are trying to

ensure that people will come forward. In his Budget Statement, the Minister for Finance requested people to pay the charge. Second, in terms of the completion of the database - this is an important foundation to a fully functioning property tax - a series of data sharing measures have been taken to try to build up the database. On foot of that, the Deputy will be aware that letters were issued to a range of property owners to check whether they were already on the database by virtue of a slight difference in formulation of the address and, if not, to seek payment. That process has continued. Over time we expect a gradual increase in the number of payments coming through. The ultimate target is to achieve maximum compliance, based on the number of households being 1.6 million, but we have never been able to be precise on this because the State has not a comprehensive list available to it. In extreme cases, it is open to local authorities to take prosecutions with regard to properties, where they are satisfied there is a liability arising. That will be a matter for the courts to deal with in due course.

Deputy Paul J. Connaughton: Is there still contact between the Department and the local authority trying to collect this money?

Mr. Des Dowling: That is a very important consideration. We can talk in terms of the overall level of adjustment that has taken place, but as the Secretary General has said, it is critical in terms of the overall funding position of local government and in terms of individual cases to pursue this to the maximum.

Deputy Paul J. Connaughton: What would Mr. Dowling's view be of the fact that some of the people who are receiving letters have already paid the charge?

Mr. Des Dowling: I appreciate that is an irritation for people. It is a side effect of a combination of things. First, the State has not had the database available to it. While people have dealings with a variety of organisations, the State has not had a property tax system and, therefore, does not have a robust single database of names and addresses. The question is how we can get that. What has sometimes happened where people have received these letters is that the address with another organisation, such as the Property Registration Authority, has been slightly different. The local authority, therefore, cannot assume that is the same address or person as is on the "paid" list. This is a source of irritation for people who have paid. In the national interest and for the benefit of the country as a whole, we ask that people bear with us as the State builds this address database.

Deputy Paul J. Connaughton: I understand that. However, I would probably use a different word to describe the situation than "irritation". Some of the people who received what they saw as a threatening letter saying they had not paid their charge are very elderly. These people were being patriotic in paying the charge, despite not liking the charge. Yet, they received this letter and were then asked to make a phone call to a number but found it hard to get through to talk to someone. This is causing significant concern. The argument being made to me is that the Department should be chasing the people who did not pay rather than chasing people who have paid.

Mr. Des Dowling: That is a clear concern. The absence of the database makes it very difficult to say who the people are who have not paid, because of not having a name and address for which one can be fully certain there is a liability. Under law, the requirement with regard to the liability is for self-declaration in the first instance. Naturally, it is upsetting for people who have paid and do not want to be bothered again by the State. These letters are only issued where there is some difference between the address which was supplied when the charge was paid and the address in something like the database of the Property Registration Authority, which is the

legal registration of the property.

Deputy Paul J. Connaughton: Can it be assumed that if someone who received a second such letter rang up and confirmed the charge had been paid, that person would not receive a third such letter?

Mr. Des Dowling: Hopefully, that would be the case. We cannot answer with certainty with regard to the potential further 500,000 transactions that may be involved or say that everything will run smoothly. However, the objective is to minimise any inconvenience to people as we build up the database and secure this vital funding for the State.

Chairman: Before I call on the next speaker, Deputy Naughten asked about the five authorities that have not sent back their reports. Can the Secretary General name the five local authorities that have not responded?

Ms Geraldine Tallon: I could not name the five of them off the top of my head.

Chairman: Can we get those names?

Ms Geraldine Tallon: Certainly, yes. We can provide them, but I cannot name them off the top of my head.

Chairman: How many local authorities report altogether? What is the total number of reports expected?

Ms Geraldine Tallon: We would expect the 34 main local authorities to report on behalf of their areas.

Chairman: Only five out the 34 did not report, but the Secretary General cannot name those five.

Ms Geraldine Tallon: I am not sure of the five.

Mr. Seamus McCarthy: May I come in here. The reports in question are in respect of five treatment plants that have not returned sample results.

Deputy Paul J. Connaughton: Is that one per local authority or are they in one area?

Mr. Seamus McCarthy: I do not have that level of detail. In total, there are 538 treatment catchments and some 106 have no secondary treatment. The reporting obligation relates to areas where secondary treatment is expected as a minimum. Of those, 182 did not comply with the standards, either because the samples breached the limits or because there was an insufficient number of samples given.

Deputy Paul J. Connaughton: It is remarkable we do not have the detail of the five in question.

Mr. Seamus McCarthy: As I recall, the EPA report contains information on each one, certainly by local authority area. Also, annex E of my report gives, by local authority, the number of plants in each area and whether they comply or fail to comply because of insufficient number of samples or quality failure. Those figures are on page 218 of the report.

Chairman: If those five are contained in the report, it should be possible to identify the five in question before the end of this meeting. Deputy Connaughton asked about the house-

hold charge and raised the issue of payments being paid but letters still being issued seeking payment. It seems to me that citizens who have complied and paid are being put to great inconvenience to clarify that payment was made as it is almost impossible to get through to the contact number provided. Even when they get through, they are quizzed as if they have done something wrong, although they have been acting properly in making the payment. I suggest that in order to be of greater assistance and deal with the inconvenience being caused, some extra staff or arrangements should be put in place to respond to people who have paid. How far has the Department got with regard to establishing the database of property owners? Is it near completion?

Mr. Des Dowling: Ultimately, the figures on payments tell the story with regard to completion, that the State does not know precisely but the estimate is 1.6 million properties. Some 1.1 million, or slightly more, have been identified. Therefore, there are potentially 500,000 further properties around the country which could be liable and which must be identified clearly in terms of address and property owner for the database to be complete. This database is the bed-rock in terms of a fully functioning property tax. In the absence of the database, the Oireachtas has put in place a process of self-declaration and some 1.1 million properties have been identified in this manner. A significant task remains to identify the remaining properties. This can only be done either by individuals coming forward or the State being able to put together data which gives enough information to be able to identify a liability.

Chairman: Can Mr. Dowling give some assurance to Deputy Connaughton and the committee regarding how these queries are being dealt with? Can they be dealt with more efficiently in view of the fact that these payments have been made?

Mr. Des Dowling: We will engage further with the Local Government Management Agency to try to ensure it is as convenient as possible. We recognise that it is inconvenient for people and we are asking for their forbearance in terms of trying to build something which the State needs, ultimately, to provide services and funding. We will work with the agency to try to ensure this is as convenient as possible.

Chairman: I call Deputy Nash.

Deputy Gerald Nash: Do the witnesses, as senior officials in the Department with responsibility for local government, find it acceptable that a considerable number of local authority members, who are drawing salaries from local authorities, have decided, in their wisdom, not to pay the household charge? We have a curious situation whereby those who are responsible for drafting and adopting local authority budgets have decided that they will not comply with the law and contribute to the budget from which they are drawing a salary. In many ways, that is a policy matter for the Minister but I believe that enabling legislation should be introduced to require them to pay. Do the witnesses have a view on this?

Mr. Des Dowling: I would not like to discuss the issue of individual liability. Local authorities, as the Deputy knows, have tried to cross-reference the extent to which other services might be linked to payment of the charge and this, of course, can be a contentious area.

Deputy Gerald Nash: It would not take a huge leap of imagination to apply the same principle to local authority members.

Mr. Des Dowling: We cannot do that. Ultimately, it is a matter for the courts to ensure compliance with the law and it is only in the courts that such matters can be dealt with, where

liability is clearly determined.

Deputy Gerald Nash: I assume the Department would encourage local authority members and everybody else to pay the household charge and, indeed, the property tax, as it is the law of the land.

Mr. Des Dowling: We would also encourage all Deputies to pay.

Deputy Gerald Nash: I note that approximately one fifth of centrally sourced funds went into housing and urban regeneration. Do the witnesses have any idea of what proportion of centrally sourced funding went on housing during the boom? Clearly a new view is emerging from the Department and the Minister of State with responsibility for housing that there is a range of different ways in which local authorities can provide adequate long-term housing, including, for example, long-term leasing, the rental accommodation scheme and so forth. It would appear the Department and local authorities are disengaging from the direct provision of social housing units and are doing more work with the voluntary housing agencies. How does the provision of housing funding now compare with six or seven years ago? What sort of reduction have we seen?

Ms Geraldine Tallon: The funding for housing comprises a capital and a current element. There has been an enormous change in the past five years in the total budget, as Deputy Nash has suggested. I do not have the precise figures but I can say that the total funding for housing purposes a number of years ago was greater than €1 billion, in both capital and current spending, and that is now down to less than half that amount.

Deputy Gerald Nash: Much was made of the measures introduced by the Department and local authorities to provide affordable housing to people who were in a position to apply and who met the qualifying criteria. We have moved into a new space in this regard. Under the new arrangements, how many of the former affordable housing units will be sold and how many will be allocated, as per the traditional social housing allocation model?

Ms Geraldine Tallon: We had quite a difficult situation with affordable housing when the crash happened. The provision of affordable housing and measures to increase supply had been a strong policy focus between 2004 and 2006 in particular. Supply was increased in that period, but by the end of 2009, there was a residue of unsold affordable housing within the local government system. At that stage, we had 3,700 unsold affordable housing units on the books. We also had other units in the process of being provided, so there was an additional delivery of 480 affordable housing units in 2010 and a further 84 units in 2011. In essence, we had more than 4,000 unsold affordable housing units in the system.

Local authorities and the Department have had to take a pragmatic view as far as the use of affordable housing is concerned. Our main approach has been to seek to transfer the housing units across to social leasing, that is, the provision of the houses to approved housing bodies for onward leasing. Approximately 2,200 of the unsold affordable units have been absorbed into the social leasing scheme. In areas where houses were not attractive or where we could not make a match in terms of social leasing, we have transferred those units into the main housing programme, that is, they have been transferred to local authority ownership. Effectively, they have been bought as part of the social housing stock. There are approximately 600 units which fall into that category. A small number of sales of affordable housing units have continued to happen also. At this stage, taking account of the numbers of units that are now in social leasing schemes, transferred to the social housing investment programme or sold, we have approxi-

mately 600 unsold affordable housing units still in the system.

Deputy Gerald Nash: How many people are on the social housing waiting list nationally?

Ms Geraldine Tallon: At present, it is difficult to say how many are on the social housing waiting list. We do a three-yearly assessment, as the Deputy knows, and the last assessment showed there were just over 98,000 people on the waiting list. That number is relevant for a point in time and the numbers on the list fluctuate constantly at local authority level. The figure was of the order of 98,000.

To return to the Deputy's previous question on the extent of the reduction in housing funding, housing capital funding is down by over 70% since 2008. At its highest point, we had €1.7 billion in the housing programme, including more than €1 billion for the main local authority housing.

Deputy Gerald Nash: We have a substantial housing waiting list, undoubtedly, but there was an expectation that unsold NAMA units, for example, would have provided a social dividend in terms of the provision of social housing. How many units does the Department expect to come on stream next year through NAMA?

Ms Geraldine Tallon: As Deputy Nash knows, this has been a source of considerable concern for the Minister and Minister of State with responsibility for housing and both have been very actively engaged with NAMA, as has the Department. NAMA has identified approximately 3,000 units which are potentially suitable for social housing. These are being assessed by the Housing Finance Agency on behalf of local authorities. We have an expectation overall that we would deliver approximately 4,000 units under social leasing next year. These include property transfers from NAMA. The NAMA units are complex to deal with because they vary between receivers and liquidators. There are many complexities associated with the transfers. We hope for something approximating 4,000 units through social leasing inclusive of NAMA transfers in 2013.

Deputy Gerald Nash: What is the precise cost to the Department of the mortgage-to-rent scheme introduced last year?

Ms Geraldine Tallon: I will ask my colleague from the housing division, Mr. Philip Nugent, who has been involved in the development of the mortgage-to-rent scheme, to address that question.

Mr. Philip Nugent: Only one single transaction has been completed so far.

Deputy Gerald Nash: One transaction. Is that correct? How long has the scheme been in place?

Mr. Philip Nugent: The scheme was announced by the Minister in June. However, it is worth bearing in mind that there are more than 500 applications or cases in the works. An overall timeline from the initiation of the process to the end is involved. In other words, there must be a green light from the lender, the local authority must have deemed the person eligible, the lender must agree that mortgage-to-rent is the appropriate solution, and the borrower must agree to progress down the mortgage-to-rent route. From inception to finalising the transaction we believe the process will take between six and eight months.

Deputy Gerald Nash: What are the major blockages?

Mr. Philip Nugent: This compares well with other jurisdictions.

Deputy Gerald Nash: It compares well with analogous schemes. What analogous schemes can the Department point to in terms of informing the development of this scheme?

Mr. Philip Nugent: Scotland has been operating a mortgage-to-rent scheme for the past two years. There is a mortgage-to-rent scheme in England. These are the two main examples we looked at.

Deputy Gerald Nash: How many units have been considered to date under the aegis of the scheme in Scotland?

Mr. Philip Nugent: I am not entirely sure but from an original overall pool of the order of 1,500 offers made in 2010, I believe the number of completed transactions was rather low, less than 100. There is a high attrition rate.

Deputy Gerald Nash: Mr. Nugent should correct me if I am wrong. The qualification criteria includes a property being valued at under €180,000. Is that correct?

Mr. Philip Nugent: Yes, outside of Dublin.

Deputy Gerald Nash: Does that include the commuter belt counties of Louth, Meath, Kildare and Wicklow?

Mr. Philip Nugent: It would do, yes.

Deputy Gerald Nash: These counties would have a higher rate in terms of the value of a property. Will Mr. Nugent explain it to me again? Is the figure of €180,000 across the board?

Mr. Philip Nugent: No, it is €180,000 outside of Dublin.

Deputy Gerald Nash: Outside of Dublin?

Mr. Philip Nugent: In the Dublin area it is €220,000. There is a capital and a current element to the funding arrangement. For example, let us consider the transaction completed this year. The capital element comes out of the capital assistance scheme, which is a funding line for approved housing bodies for the provision of social housing units. The current funding for the ongoing leasing costs comes from the main leasing programme on the current side.

Deputy Gerald Nash: What are the counties where one of the criteria is €220,000?

Mr. Philip Nugent: The same funding arrangement applies. It is a mixture of capital and current.

Deputy Gerald Nash: Are they Louth, Meath, Kildare and Wicklow?

Mr. Philip Nugent: Yes. Funding would be drawn down-----

Deputy Gerald Nash: Or is it only Meath, Kildare and Wicklow? I am asking for a particular purpose. I represent the Louth constituency and there is some confusion about the counties involved in terms of the higher qualification criteria of €220,000.

Mr. Philip Nugent: I can come back to the Deputy with a full breakdown of the list.

Deputy Gerald Nash: I would appreciate that. Where are the major obstacles? Are the

banks and lending institutions playing ball? There is a sense that they are not and that they are dragging their feet. This is causing considerable problems for people in difficult circumstances. Will the deputation answer my question on the cost of the scheme to the Department?

Mr. Philip Nugent: The cost will depend on the number of transactions completed. It splits into capital and current elements. For example-----

Deputy Gerald Nash: What has been allocated for this year?

Mr. Philip Nugent: This year we are meeting the costs from within the existing provision. It is coming from within capital assistance scheme and the leasing programme. It is impossible to say for 2011 because there has been only one transaction. The breakdown of the estimate for next year has not been fully finalised yet in terms of what is going into the capital assistance scheme and leasing. Let us consider the average price of an acquisition - €180,000. The capital element provided by the Department would be approximately €43,000. The remaining balance would be drawn down as loan finance by an approved housing body. There is a current cost associated with that in terms of the leasing. That is how it would break down on a per unit basis.

The Deputy asked where the obstacles might lie. It is important to bear in mind that it is a big decision. Even if someone is at the end of their tether with mortgage arrears and has been struggling for some time, it is still a rather difficult transition for such a person to move from being a home owner to a tenant. We have built a couple of cooling off periods into the system, one formal and one informal. Applicants can waive their cooling off period but there is a 28-day period and a further period of approximately 40 days at different stages in the overall process. That is one delay factor. People need time to become conditioned to the idea that they will be losing ownership of their home.

Moreover, it is difficult to say from the Department's perspective because it is not our specific remit to pressurise financial institutions to accept this. It is being rolled out as part of the overall mortgage arrears resolution process, for which the Central Bank and the Department of Finance have responsibility. All mainstream lenders are engaging with us and the Housing Finance Agency at this stage. Almost all of them have brought forward possible cases for inclusion in the scheme. The sub-prime lenders have been more active but I imagine it is easier for some of them, who do not envisage a future in lending in Ireland and therefore they may be quicker to initiate those end-of-the-line conversations with people. There has been a reluctance by some institutions to have that difficult conversation with people and to say they believe a person's days as a home owner are numbered. There was a certain reluctance to have that first conversation. However, at this stage all the main lenders are engaged. Now that we have gone through the process we know what is involved. We are at an advanced stage with others and there will probably be some more completions this year. We envisage it should run smoothly next year.

Deputy Gerald Nash: What about more completions? What does the Department anticipate by year's end?

Mr. Philip Nugent: We will not reach double figures but there may be a further six or seven cases completed by the end of the year.

Deputy Gerald Nash: What about next year? I accept it may be difficult to extrapolate into next year. I accept as well that the Department will not have targets. It is a demand-led scheme in some ways. Will the Department elaborate on expectations for the number of people who

will successfully secure mortgage-to-rent arrangements next year? Is that possible?

Mr. Philip Nugent: It is very difficult to say. We have said there is a capacity constraint issue as well related to the number of approved housing bodies capable of operating the scheme, because it involves drawing down loan finance. Traditionally, approved housing bodies have tended to rely on 100% grant funding and this means there is a rather small pool of approved housing bodies. I would not like to say because it is impossible to make an informed guess.

Deputy Gerald Nash: What are the collection levels for commercial rates in 2010 and 2011 in percentage terms? Has the Department noticed a steep decline year on year?

Ms Geraldine Tallon: The Deputy will appreciate there has been something of a decline in revenue collection in local authorities given the current difficult circumstances. Rates tend to be an indicator of the health in the economy and the ability to pay in that area is something of an indicator as well. In 2007 the commercial rates collection percentages-----

Chairman: Will whoever has mobile telephones check them, please? There has been considerable interference since the beginning of the meeting and we do not know where it is coming from. Please check your telephones. If you leave them on the desk they will continue to interfere with the transmission of the meeting even though they may not be turned on.

Ms Geraldine Tallon: The Deputy asked about the collection level of rates. The collection of commercial rates in 2007 was 93%. The level of collection has decreased somewhat in recent years. In 2010, rates collection was 81%; in 2011, the rate was 76%. There has been something of a dropping-off for reasons of economic stress.

Deputy Gerald Nash: Under new funding arrangements for local government the household charge is to be replaced by the local property tax. How reliant will local authorities be on commercial rates as a sustainable way of funding local government? The funding base is broadening. Everybody will be making a contribution of one sort or another. Is it anticipated that the burden of commercial rates on hard-pressed businesses will be lightened in that case?

Ms Geraldine Tallon: Local authorities have acted to contain and seek to reduce costs for ratepayers over recent years. In a number of cases reductions have been made while in other cases the rates have been held steady. Rates form a significant part of the overall income of local authorities. We expect this to continue to be the case. The household charge has replaced the Exchequer contribution to the local government fund, and property tax will replace the Exchequer contribution to the local government fund. It is likely in future years that property tax will replace motor tax revenue in the local government fund. This will mean that local government will be self-sustaining and motor tax will become part of the Exchequer taxation regime to a greater extent. We expect that commercial rates will continue to be a significant part of the income of local authorities. These rates amount to approximately 30% of the overall revenue base. This may be a slight decrease on previous years but it still amounts to a significant proportion of local authority funding.

Deputy Gerald Nash: I have a question about the non-principal private residence charge, NPPR, which is to be discontinued presently. The non-principal residence charge is a self-assessed charge which has provided significant revenue for local authorities. People who registered for this charge were issued with e-mail or postal reminders. However, I am aware of instances in which additional charges have been applied for late payments but e-mail reminders were not received. I accept this is a self-assessment process and that the obligation to pay re-

mains with the owner of the second or third home. Will the Department consider advising local authorities to issue gentle reminders to owners? I understand reminders are not being issued.

Ms Geraldine Tallon: The number of properties covered by the NPPR has increased over the past couple of years. This charge has been an important revenue source for local authorities. It is anticipated that 337,000 properties will be covered in 2012, compared with 332,000 in 2009. The decision is that the NPPR will continue for one year only. Therefore, this charge will disappear in light of the new Government decision on property tax.

Deputy Gerald Nash: Is there any possibility of issuing reminders to people of their obligation to pay the charge? I know that in some cases this payment is not high on an individual's list of priorities. As a result of late payment such individuals are encountering additional charges. They claim they did not receive reminders. I accept there is no obligation on local authorities to issue reminders.

Ms Geraldine Tallon: There is no obligation in law for local authorities to issue reminders. However, the charge is an important source of revenue for local authorities. I understand that they issue reminders. This may not be consistent-----

Deputy Gerald Nash: Not in my experience.

Ms Geraldine Tallon: -----but I understood that the majority were sending text reminders to property owners who are registered on their database.

Deputy Gerald Nash: I have a question about bonds submitted to local authorities under planning legislation. I am aware of the practice of local authorities accepting paper bonds - insurance from the Construction Industry Federation, CIF - to cover a bond for a residential development. This practice is of concern to me. The CIF is effectively insuring a development in lieu of a cash bond. In some circumstances developers who had previously issued cash bonds then decided to access CIF insurance rather than providing the cash bond to the local authority. This was the practice in a number of local authorities. I am aware that some local authorities have had difficulty in accessing paper bonds - in other words, CIF insurance. This practice does not provide adequate protection for residents. I am aware that in some cases it has been difficult to draw down the bond if a developer goes into receivership and a housing estate remains uncompleted according to its planning permission. What guidance has been issued by the Department to local authorities about these paper bonds, as they are known? There seems to be confusion in the local authorities with regard to drawing down these bonds.

Ms Geraldine Tallon: I am not aware that the Department has given specific guidance about paper bonds as opposed to cash bonds.

Deputy Gerald Nash: The CIF has been operating this practice for quite some time. I am concerned if the Department does not have a view. Estates need to be completed. Cash bonds are more straightforward but an insurance bond from the CIF is more complex.

Ms Geraldine Tallon: I will check that situation and revert to the Deputy. I am not in a position to give a view. However, I am not aware of local authorities accepting paper bonds as opposed to something more robust. I will ask Mr. Nugent to comment later in the meeting.

Deputy Paschal Donohoe: I welcome the Secretary General and her officials. I wish to discuss Chapter 6 of the report of the Comptroller and Auditor General, which deals with financial commitments under public-private partnerships. I refer to a report by the UK national audit

office on that country's use of the equivalent partnerships, which are called private finance initiatives. The report concluded that the use of private finance may not be as suitable for as many projects as in the past. It concluded there is insufficient data to demonstrate whether the use of private finance has led to better or worse value. The debate continues in the United Kingdom about whether the PFI model is the right way to go for the delivery of major construction works. The M25 motorway was delivered by a PFI and this has led to quite a few unforeseen costs. One of the other conclusions the National Audit Office reaches is that too often Government has failed to identify, collect and use the data it needs to help support decision making in relation to public-private partnerships, PPPs, in the United Kingdom.

Does that type of critique apply to us in Ireland? Are we demonstrating the rigour that will be needed in the future to ensure public private partnerships deliver what is needed for the taxpayer and the State?

Is Ms Tallon aware of that report? Has it been brought to her attention?

Chairman: Ms Tallon may answer the question, but next week the Department of Public Expenditure and Reform and the National Development Finance Agency, NDFA, will attend the committee. This is the very issue with which we want them to deal. Your question is relevant to that, Deputy. You are ahead of your time.

Deputy Paschal Donohoe: Thank you, Chairman, but do you know what, I'm still going to ask it. After what you said, I have the feeling its relevance is growing by the minute. I will ask exactly the same question next week.

Is Ms Tallon aware of the report?

Ms Geraldine Tallon: Deputy Donohoe said the report was from the UK Treasury?

Deputy Paschal Donohoe: It is from the National Audit Office, which is the UK equivalent of the Comptroller and Auditor General's office.

Ms Geraldine Tallon: I recently saw an extract from the report and found it interesting. We do not use private finance in the water area, so all the projects about which we are talking here are design-build-operate-maintain, DBOM. They are not design-build-finance, DBF.

We have found that the projects that attract private finance are of a higher scale than the majority of our projects. Our understanding is that a project of less than €40 million to €50 million would not be suitable for private financing because of high set-up costs, due diligence and so on. We have come to the view that as things stand in the water services area DBOM has given the best value, from our point of view. We have to look at cost of finance for water services, and private finance is somewhat more costly than the public finance we have provided. We look at issues of project management experience, delivery and risk. In general, while I was interested in the references in the report I am not in a position to say I can relate it to our water services operation. Whatever about other areas of PPP, in the water services area we have not, so far, used private finance. It may be a matter for the future, in terms of Irish Water. I do not know.

Deputy Paschal Donohoe: Ms Tallon quoted paragraph 6.13 of the Comptroller and Auditor General's report which states that a capital cost of less than €40 million to €50 million would not be suitable currently for private finance. That is the point she was making.

Accepting that with regard to water services, some of the observations of the Comptroller

and Auditor General could apply to transport and traffic projects.

The first sentence of paragraph 6.5 of the Comptroller and Auditor General's report states, "VFM [which I assume is value for money] appraisals are carried out for all proposed major public investments and a PPP cannot proceed unless it is found likely to deliver better value than traditional procurement. However, few VFM reviews of PPP projects have been published." The traditional rationale for that practice is commercial sensitivity.

Ms Geraldine Tallon: My colleague from the Department of Public Expenditure and Reform may wish to comment on this one, since that is from where the initial response came.

Ms Maria McLoughlin: The Department of Public Expenditure and Reform, previously the Department of Finance, has been responsible for putting in place the guidelines and rules for the public private partnership process. As part of that, there is a requirement for a number of value for money tests to be conducted at different stages of the projects. Value for money is a factor in the consideration of all projects.

Deputy Paschal Donohoe: Do value for money appraisals happen for all PPPs?

Ms Maria McLoughlin: It is an absolute requirement, yes.

Deputy Paschal Donohoe: Are they conducted periodically? In the Clonee-Kells or Limerick tunnel projects, for example, is a VFM appraisal conducted after construction and then during the life cycle of the project or does it happen just once?

Ms Maria McLoughlin: Our Department is responsible for putting in place the guidelines. They require that value for money tests are conducted at different stages before the contract is entered into. Management of the projects is a responsibility of the sanctioning authority which would be the Department that put in place the project. The tests would be a matter for them and not for our Department. Our responsibility is to put in place the guidelines. It is up to the sanctioning authority to implement them.

Deputy Paschal Donohoe: Given the concerns some commentators are raising about the cost of public-private partnerships, or their equivalents in other countries, whose job is it to run regular appraisals to make sure any PPP is delivering on its original assumptions?

Ms Geraldine Tallon: It is our job, in an operational sense. I absolutely accept that.

The operation of PPPs is a relatively new area for us. We had some discussion earlier on this with Deputy Connaughton. Of the 20 projects, nine have a public sector benchmark. The other 11 predate the requirement for public sector benchmarking and the DBO is based against a pre-tender estimate.

We have specific information for each of the nine projects that are subject to the public sector benchmark. The DBO capital cost for the Castlebar waste water treatment plant, for example, was 22% less than traditional procurement and the DBO whole life cost was 23% less than the public sector benchmark. We have to review the project in construction and in operation. My information on the Castlebar waste water treatment plant is that the operational cost for 2009 was €720,000 and the operational cost for 2010 was €676,196.

Deputy Paschal Donohoe: It is one thing to have the cost; it is another to know the cost represents good value and whether the money could have been better spent elsewhere. When a project is up and running - given that we are dealing with a third party here, namely, the op-

erator - how regularly is it monitored to ensure the various targets, etc., relating to it are being achieved?

Ms Geraldine Tallon: The operator in those cases is in a contract with the local authority for operation and maintenance over the 20-year period. The local authority owns the infrastructure, which will revert to it at the end of the contract period. Those contracts provide for increases in CPI terms but for nothing else. They are not, for example, subject to review after a period. In the water sector, a number of contracts are with single major operators in the Irish market. I refer to Anglian Water, Veolia and Water Ireland, which have between six and ten treatment plants in operation. These companies are able to apply economies of scale in respect of those plants in the context of the purchase of chemicals and energy. They tend to provide good value in operational terms. Our experience with them so far is positive.

Deputy Paschal Donohoe: I understand that. I am, however, asking a different question. Where there is a contract with a third-party operator and when the project with which that operator is involved is up and running, how often does the relevant local authority check that the criteria and objectives relating to a that project have been met? I am not so concerned with regard to whether the contract is still being honoured, I am seeking to discover whether the kind of value it was anticipated to deliver is still being obtained. Does Ms Tallon understand the distinction I am making? If a wastewater plant is built and is up and running, we would normally seek to establish whether it is delivering in respect of what was originally envisaged in the context of costs, etc. Based on this information, we can then establish whether, for example, it has proven to be 20% more effective than would have been the case if the taxpayer had paid for it to be built. After that point, how often do we monitor the position to ensure the relevant project is still delivering the kind of value for money originally anticipated?

Ms Geraldine Tallon: I am not sure that we actually do what the Deputy is suggesting. I take his point, particularly as I have laboured a little to try to obtain further clarity in respect of what he is suggesting. We look closely, on an annual basis, at operational costs. Local authorities look particularly closely at them because they are obliged to pay the contractors and it is in their interest to ensure that plants are performing to deliver licence standards, etc. I am not sure, however, whether we have engaged in the kind of ex-post evaluation the Deputy is suggesting in the context of whether, for example, Castlebar delivered the 23% efficiency expected of it. The Deputy's point is valid and I should raise it with the Local Government Audit Service, which is currently responsible for capital appraisal spot checks on the PPP projects. This is something we should carry through more effectively in operational-----

Deputy Paschal Donohoe: Ms Tallon is not labouring the point. I am trying to tease out a point of distinction. I have looked at the audit reports produced in the UK. I accept that many more such reports have been compiled in the UK, which is a bigger country and has a far greater need than Ireland for built infrastructure. We carry appraisals at the capital stage. When projects are up and running, however, how often do we check to ensure that targets relating to them are being met? I am referring to the operational rather than the capital stage.

Ms Geraldine Tallon: We probably could be better at going back after the event in a financial sense. We do go back after the event in an operational sense. When I look at the operational figures for the DBO contracts and I see that in some cases the operational cost has decreased whereas in others it has increased, I am obliged to wonder why the latter is the case. In some instances this results from an increase in the load or capacity into the plant and the fact that the contract allows for a charge per unit of capacity. Local authorities are very good at monitoring that sort of operational aspect. An authority must manage the collection network and the efflu-

ent discharge licences issued to particular commercial or industrial operators in an area. These projects are very much a partnership between local authorities and plant operators. Generally, the DBO applies to the treatment plant but it does not apply to the collection network. That network has many implications for the treatment plant because the quality and load of the effluent going in conditions both how the plant will perform and the cost of that performance.

There are operational issues about which local authorities would be extremely concerned, particularly as they are responsible for paying contractors. We have not, on behalf of the State, gone back after the event - in the manner suggested by the Deputy - and investigated whether the 23% efficiency has been achieved. I accept that it may not yet have been achieved in the case of Castlebar. This is something we should factor in to the audit process for these types of expenditure.

Deputy Paschal Donohoe: Perhaps the real question relates to whether we are still achieving the 23%. I am concerned with regard to what happens when PPPs are put in place in other jurisdictions. For example, the previous Labour Government in the United Kingdom put in place a large number of private finance initiatives. The benefit of this for many countries is that they can build a great many things but the cost does not appear on the national balance sheet. Some of the companies that were involved in delivering projects of this nature obtained much larger profits than was anticipated. In other instances, the loss to the taxpayer was a great deal higher than originally envisaged. What happens is that once the relevant item of infrastructure has been built, the operational aspects relating to the contract kick in and this can give rise to unforeseen consequences. This is why I am zoning in on the point with regard to what we can do to make the value-for-money appraisal continue to operate across the entire lifecycle of a project as opposed to just applying in respect of the capital investment stage.

Ms Geraldine Tallon: We would welcome a view from the Department of Public Expenditure and Reform in the context of PPPs generally. However, there is a distinction to be drawn between the kind of PPPs which obtain in the water sector, which involve public funding, and those in the transport sector, which involve private financing.

Deputy Paschal Donohoe: Does the Department of Public Expenditure and Reform have a view in respect of the point I am making? Ms Tallon indicated that her Department focuses on what happens when the project is built and provides a template in that regard. Thereafter, it is the responsibility of the contracting body to ensure the project is working in the way that was originally envisaged. The latter represents a potential vulnerability in the context of this approach. Would it not be possible to take a more centralised approach to assist local authorities and the Department of the Environment, Community and Local Government in carrying out the type of work to which I refer in the way we would desire?

Ms Maria McLoughlin: Perhaps I should have elaborated a little more on the position. In addition to value-for-money tests - both as the contract is being drawn up and before it comes into force - the public private partnership guidelines issued by our Department also provide for post-project review after the contract has been drawn up. This means that in addition to ensuring a contract should go ahead by means of PPP in the first instance, the sanctioning authority - that is, the body responsible - should, during its lifetime, subject it to post-project review on an ongoing basis. The details of how that should be conducted are provided for within the guidelines. It includes "ongoing contract management" to ensure that the full benefit is derived from the specific requirements within the contract. Essentially, the framework we put in place is not simply to make a decision at the onset of a project but to ensure during its lifetime that it will also be subject to that type of review.

Deputy Paschal Donohoe: Does the Department play a role in that phase?

Ms Maria McLoughlin: The role of our Department is to put the structures in place and then to-----

Deputy Paschal Donohoe: I appreciate that the Department cannot micro-manage what is going on in every agency, but does it know if that is happening? Does it check if the work is being done?

Ms Maria McLoughlin: It would be fair to say that public-private partnerships, are relatively new in this country, and my colleague may add a further comment on this. The ongoing review and post-project initiating management of them is something we are developing and of which we are getting more experience. The NDFA, the experts who advise Departments on projects, has begun to do more of that in terms of looking back on the projects that have begun. As the Deputy said, the UK has 770 PPPs compared to-----

Deputy Paschal Donohoe: And they come in on time as well.

Ms Maria McLoughlin: We are also part of the European network of PPPs and we are involved with our colleagues in refining and developing our expertise in this area. It is something of which we are conscious and have provided for within the guidelines. Essentially, implementation of the guidelines and what is contained in them is really a matter for the sanctioning authorities.

Deputy Paschal Donohoe: I will follow that up with the people at next week's committee hearing because it is an important area.

Mr. Seamus McCarthy: I would add the point that I am not aware of any review having been carried out of a PPP; I could be wrong about that but I have not seen one. A point we have been making since we first looked at PPPs is that it is very important to carry out that exercise. As to the timing of it, the first one we looked at was the pilot project on schools in 2003 and the expectation was that after a period of operation of approximately five years there would be a look-back at the value that had been achieved, but I am not aware that has been done. I said in my opening remarks that I will return to these points for next year week's meeting. There is a value to be gained from having a look-back on a project when it becomes operational. There are potential lessons to be learned at that point around what is in the design of the capital infrastructure put in place that might be valuable for projects that are procured traditionally. One can take the benefit of some of the design element because often a decision can be made around investment in capital that would save on running costs. If there are such lessons to be learned, one wants to pick up on them very quickly and incorporate them into traditional or conventional direct procurement. Over the longer period, one can get a view in this respect. Specifically, as in the case of the point we made about road projects, the assumption around demand for the project did not materialise. There may be lessons one wants to learn from that about how one would design the next project. One can only do that if one has a look-back review.

Deputy Paschal Donohoe: I will leave it at that. I was not aware of the point Mr. McCarthy just made. The core point I have been trying to tease out is that I have no doubt the value-for-money work takes place at the capital part of a project. I am sure that is the case and that it is rigorous and well done. When the project has been up and running for a number of years at what point does a similar process kick in order that everybody can learn from it? That is something I will follow up on next week.

Deputy John Deasy: I welcome Ms Tallon. I will concentrate for the most part on housing. Can Ms Tallon indicate the current number of individuals on the social housing lists as of 2012 versus those on them for past few years?

Ms Geraldine Tallon: We do an assessment of housing needs on a three-yearly basis. There is movement on the list in intervening times at local authority level. Therefore, the list fluctuates all the time as people move in and out of social housing. Our current figure for those on the housing list in the last latest three-year assessment is 98,000.

Deputy John Deasy: As of when?

Ms Geraldine Tallon: As of 31 March 2011.

Deputy John Deasy: There are no more up to date figures than those.

Ms Geraldine Tallon: We will be starting our three-year process again next year.

Deputy John Deasy: How is that trending compared to the previous three years?

Ms Geraldine Tallon: There were approximately 56,000 people on the previous housing list. Therefore, it had increased significantly in the period from 2008 to 2011.

Deputy John Deasy: The Department's figure for housing finances or initiatives is €742 million for 2011. Can Ms Tallon give a rough breakdown of that?

Ms Geraldine Tallon: The 2011 housing figures?

Deputy John Deasy: I have a figure of €742 million for the different housing initiatives; €742 million was spent under the Vote on housing initiatives.

Ms Geraldine Tallon: The figure of €754 million is the overall Vote outturn on the housing programme for 2011. Apart from administration, the breakdown of that figure is approximately €319 million for local authority housing, €101 million for voluntary and co-operative housing, approximately €65 million for social inclusion measures, €182 million for housing regeneration and improvements, €62 million for private housing grants, and approximately €8 million for other subsidies and allowances.

Deputy John Deasy: Of that €319 million, can Ms Tallon break that down further, if possible, and by that I mean the amount for new builds versus schemes such as RAS? I am trying to ascertain the percentage of that €319 million, in particular, that was being spent on the different schemes and how that is trending and has been trending for the past three or four years.

Ms Geraldine Tallon: Inevitably it has been trending downwards in recent years as far as capital provision is concerned and trending upwards as far as current provision is concerned.

Deputy John Deasy: Has Ms Tallon any idea of the figures?

Ms Geraldine Tallon: For local authority housing, the capital outturn for 2011 was €189 million and for the rental accommodation scheme, which is current provision, it was roughly €116 million. In 2012, in our estimates for this year, our figure for the rental accommodation scheme is €135 million and our figure for local authority housing is €112 million. I do not have figures for the previous years but our approach to social housing in recent years has been a reduction in capital provision, a reduction in new local authority construction or, if one likes, an increase in the size of the local authority capital estate; a decrease on that side and an increase in

social leasing using the rental accommodation scheme and other sources including the intention to seek to utilise NAMA properties. As that change has taken effect in recent years the social housing capital has reduced and the current provision has increased.

Deputy John Deasy: Okay.

Ms Geraldine Tallon: We have within the overall provision sought as far as possible to retain capital funding provision for housing regeneration because of the extent of investment requirement, in particular in the Limerick regeneration process which is relatively new, the Ballymun regeneration scheme which is more mature and there are other areas of investment under the housing regeneration programme. That is a particular focal point in terms of capital provision, as is specific capital provision within the capital assistance scheme which was mentioned earlier where funding is provided to voluntary housing bodies for particular categories of housing needs - housing for the elderly or disabled.

Deputy John Deasy: There has almost been a doubling in the three years to which Ms Tallon referred. The figures are €98,000 versus €56,000. We are trending, as any Deputy or councillor is aware, towards the RAS scheme and social leasing schemes. The Department invested an additional €20 million compared to last year in this particular area. How successful is the Department with regard to the numbers? Are more people being housed through the schemes? Could the Secretary General give me an idea of how effective the Department has been with regard to outcomes for people?

Ms Geraldine Tallon: We are seeking to maintain to the greatest extent possible the highest volume of output that we can, while we are inevitably and unavoidably constrained on the financial side. Construction output in terms of housing households through construction and acquisition has reduced significantly in recent years. The number of households with needs met through construction and acquisition was just over 4,000 in 2009 but was less than 1,000 in 2011. As against that, the number of households whose need was met by leasing was approximately 430 in 2009 and was nearly 1,200 in 2011. We have had to change the method of provision but we have sought as far as possible within that change to continue to provide suitable, appropriate accommodation for the maximum possible number of households. The type of provision has changed.

Deputy John Deasy: I understand that. The figures bear that out, but I am just trying to figure out whether the Department is housing as many people as it was.

Ms Geraldine Tallon: Overall, no. It is not quite as many as we were. That is the reality.

Deputy John Deasy: The affordable schemes were discontinued in 2010. Could the Secretary General give me an idea on how many units are outstanding and what the Department is planning to do with those units? By that I mean, either selling the houses or integrating them into social housing.

Ms Geraldine Tallon: We have had a difficult experience in the area of affordable housing. We had a strong focus on increasing supply of affordable housing in the first half of the decade, up to 2007. At the time we crashed we had built up a supply in that area so that by the end of 2009 there were 3,700 unsold affordable houses on the books with local authorities.

Deputy John Deasy: By 2011?

Ms Geraldine Tallon: No, by the end of 2009 there were 3,700 unsold affordable houses

and a much reduced market for such housing. Further affordable houses were delivered in 2010 – 480 – and a smaller number – 84 – in 2011. The number of unsold affordable houses in 2011 was 4,200. A substantial number were taken into the social leasing scheme in the years since 2009. A total of 2,200 houses are either operational, are approved or in the process of transition into social leasing. We have also transferred a number of unsold affordable houses to the main social housing programme. In effect, they have been bought by local authorities rather than by private purchasers. Approximately 600 have transferred-----

Deputy John Deasy: Was that through the Housing Finance Agency?

Ms Geraldine Tallon: No, directly through the housing capital programme. A total of 600 houses have transferred into the social housing investment programme at this stage. A small number of houses have been sold. Sales have been agreed in 38 cases and approximately 700 were sold in recent years. At present there are just over 600 unsold houses.

Deputy John Deasy: Does the Department leave it up to the local authority to determine whether they are sold or used for a particular purpose?

Ms Geraldine Tallon: We have to rely on local authorities to manage the housing programme within their own areas. It is not possible to micro-manage every aspect from the Department, but we work actively with local authorities and have housing action programme meetings twice yearly at a detailed level between the housing teams in the local authorities.

Deputy John Deasy: Does the Department not have a policy per se? Does it rely on local authorities to determine how they use the affordable housing stock?

Ms Geraldine Tallon: We must rely on local authorities to seek to match housing stock in their area to the greatest extent possible to the profile of need within those areas. At a broad level, we can say that we wish to see the unsold affordable houses used productively as quickly as possible and as effectively as possible but it is not realistic for us to seek to match social housing need to exact provision.

Mr. Nugent from the housing division wishes to add something. It is not practical for us at a micro-level to be able to relate specific housing to specific cohorts of need on a local authority's waiting list because such lists fluctuate on a weekly basis in any event.

Mr. Philip Nugent: To pick up on what the Secretary General has said, it is a matter for local authorities to determine on a unit-by-unit basis what is the most appropriate, effective alternative deployment of the unit but the Department did issue comprehensive guidance setting out the list of six or seven options.

Deputy John Deasy: Does the Department have an oversight role?

Mr. Philip Nugent: We have an oversight role. We have set the parameters for-----

Deputy John Deasy: What about the 700 houses that were sold? Did local authorities inform the Department that they intended to sell some of those houses and give a good reason for their sale?

Mr. Philip Nugent: In the case of the 700 houses that were sold, they were sold for their original intended purpose as affordable housing so local authorities would not inform us in those cases. We do not need to know. That is what the houses were provided for. However, if local authorities proposed to buy into permanent social housing stock a number of unsold

units then the Department would need to know and would have to approve those acquisitions. Similarly, if they transfer into the social housing leasing programme on a temporary basis, the Department would have to give that the green light, but if they are being sold for their original intended purpose, the Department will hear about that as a statistical return.

Deputy John Deasy: How much is owed to the Housing Finance Agency, HFA, by local authorities in respect of land acquisition for social and affordable housing?

Ms Geraldine Tallon: I am not sure I can give the Deputy a figure for land owed for affordable housing as such. The value of land acquisition loans overall taken out from the HFA over the period 1999 to 2009 is about €650 million.

Deputy John Deasy: Do any local authorities stand out with regard to the figures? Are there any local authorities that would be more ambitious with regard to-----

Ms Geraldine Tallon: I can give the Deputy a breakdown on the land. About €160 million of the loans is related to affordable housing provision and the balance to social housing.

Deputy John Deasy: On that €650 million figure, do any local authorities stand out more than others?

Ms Geraldine Tallon: There is a broad distribution across the local authorities. We rely on local authorities to make prudent provision for land banks. The standard arrangement was that local authorities made prudent advance provision for housing for the future. The housing programme has now changed and there is an issue around the extent of land and the level of land banks available.

Deputy John Deasy: I refer to commercial rates. The figures Ms Tallon gave earlier were significant, namely, from a 93% collection of commercial rates down to 76%. We all would accept and understand the reasons for that dip. Is it the same when it comes to water charges?

Ms Geraldine Tallon: There has been a reduction in the collection rates for water charges.

Deputy John Deasy: Are those similar?

Ms Geraldine Tallon: This is a feature across the board, unfortunately. The collection rate for commercial water was about 54% in 2011. It was 59% in 2007.

Deputy John Deasy: As Ms Tallon is no doubt aware, an amalgamation of city and county councils in Waterford is ongoing. I want to make a case that myself and others have made with regard to rateable town council areas, in my case, Dungarvan, and raise a factual situation that is problematic. When Dungarvan Town Council is compared to the city and county councils, the two other rateable local authorities, the rates are much lower. It is well run and has been well run for many years. The administration of the local authority has done very well. It has been effective with regard to its rate base and its commercial rate figures but it is now facing a potential equalisation of rates in the city and county councils, and it appears Dungarvan has the potential to increase its commercial rates. It is worth thinking about that. We raised that issue in different forums when this local government document was announced but we did not get much of an answer. I got the impression that people had not thought about those town councils that had a low commercial rate number and because of the amalgamation the effective result would be that their rates would increase. In some cases these town councils, and other Deputies have given examples from their constituencies, were well run and well administered. It resulted in lower

rates in that particular local authority. It would be worthwhile for the Department to consider the effect of amalgamation and a difference in the scheme when it comes to the collection of commercial rates by local authorities. It must be considered because efficiency will not be rewarded if those commercial rates go up. Is that something the Department has thought about?

Ms Geraldine Tallon: It is a very real issue that would concern us and is the subject of active consideration. We have had an implementation committee in Limerick which is a little ahead of Waterford, and there are real issues in terms of disparity in rate levels as between Limerick city and county councils. An implementation committee is about to start work in regard to Waterford and I would expect that the kind of issue the Deputy raises will be a live issue in that context. As Des Dowling has been directly involved in the Waterford situation, I might ask him to comment specifically on the point the Deputy made. It is a valid point and one we will have to take into account in the overall local government reform but it is very specific also in the areas of amalgamation, particularly in Limerick and Waterford.

Mr. Des Dowling: It is a significant point. As the Deputy said, there are variations between the towns and the surrounding county and in part this is efficiency, but it is an indication also that this is where business often is located and where the rate base will be, and Dungarvan is a case in point. There is variation around the country in that in some cases the town rate is higher than the surrounding county rate. We have an opportunity in that regard, as the Secretary General stated. The Waterford group is kicking off, so to speak, tomorrow. I am going there to meet them as part of their first meeting and I will reinforce this point when I meet them.

The Deputy can take it that the ambition, and again this is in the context of a difficult financial position generally, would be to try to harmonise around the lower rate where that is possible. The Minister will be making allocations for next year very shortly but for last year, certainly in the Limerick case, the allocation was adjusted to try to ensure that Limerick City Council could bring down its rate closer to the county level.

Within the constraints of resources available to us we would seek to reinforce merger processes and the particular issue the Deputy raised is a very serious one which we will have to see how we can manage. It is not easy where there is a big gap between either a town or county or between a city and county that is merging but it is very necessary to do it. It is hinged against, first, retaining a significant funding base for supply of services but, second, supporting and encouraging business in the area concerned, and rates are a big element of that. We will certainly pursue that channel.

Deputy John Deasy: I thank the witnesses for their responses. My final question has to do with the same document. This matter has been raised in internal meetings and it has been raised publicly as well. It has to do with the city status of Waterford city. There appears to have been some ambiguity with regard to the city's status when this document was launched and discussed. When we asked questions internally we were assured that legislation would clarify this issue and end the ambiguity with regard to the status of Waterford city. Can the witnesses respond to that and provide some clarity with regard to the legislation that we would expect next year?

Mr. Des Dowling: Yes, Deputy. I know it is a matter of considerable concern, Waterford being the oldest city in the country there is a concern to ensure that status is not lost but it must and can be done within the context of a single authority. Clearly, it will be a matter for the implementation group to recommend what the city and metropolitan area will involve. None the less, we foresee no difficulty in preserving the identity of Waterford city. That is also the

case in Limerick where, obviously, this has been an important point from an historical perspective. There has been nothing so far in the proceedings and work to date that would suggest it is not possible to do what is proposed. We would still have to work out the precise formula in the legislation. We have never foreseen any difficulty with this. However, there is probably an adjustment whereby people can say there is a difference between the local authority for the county as a whole embracing city and county, as we note at present, and the embracing of the city identity within that. As part of the overall construct of the civil district, one could see that one of the categories would be characterised as Waterford city. I imagine the same would apply to Limerick.

Deputy John Deasy: I need to clarify this. I thank Mr. Dowling for his response. He needs to confirm that this will be dealt with in the legislation. That was the response and what we were led to believe when this document was issued. Can Mr. Dowling confirm that the city status of Waterford will be set out clearly in law?

Mr. Des Dowling: I have to tread carefully with regard to the policy approach. All I can say is that in the local government committees' examinations of these questions, they did not stumble over the question of the city approach. Obviously, however, this would be a matter for the Minister and Oireachtas to legislate for in due course, if that is the appropriate policy approach. However, there is very strong recognition that city identity must be retained and preserved.

Deputy John Deasy: I thank Mr. Dowling.

Chairman: I call Deputy McDonald.

Deputy Mary Lou McDonald: I apologise for arriving late to the meeting.

Let me deal with the PPPs. Most people work on the assumption that PPPs involve a *quid pro quo*, in other words, that there is private provision of capital for infrastructure and that, in return, the State gains. It is worth saying at this meeting that this is not the case with water infrastructure, which is the subject I want to explore. State money is used for water infrastructure projects. I am putting this on the record because nine out of ten people, even very well-informed people to whom I talk, assume a PPP involves some private investment, if not 100% private investment, at the outset. That is not the case in respect of these projects.

With regard to the value-for-money argument, the State provides the capital. The construction, operation and maintenance are done privately. What the State really does is hand over great revenue-generating potential to private hands. Is that a fair comment?

Ms Geraldine Tallon: I am not sure that would be absolutely fair to say. Obviously, there is a return to an operator. What the State gets for its investment is expertise, capacity, scale of operation and assurance in terms of operation. These are important plants. They are the subject of a compliance regime at EU level, and they are complex to design and operate. They are costly in terms of chemicals and energy. The State gets an insurance that the plant is well maintained and run, operates to its design standards and complies with EU legislation. The investment must bring in expertise at a scale that is capable of generating an economy of scale and efficiency. As I stated, one finds that perhaps eight, nine or ten plants in various areas are operated by a single entity which, as a consequence, has muscle, for example, in terms of energy costs.

Deputy Mary Lou McDonald: Let us just reverse a little. I take it from Ms Geraldine Tallon that expertise, capacity and skill do not exist in the public system.

Ms Geraldine Tallon: No, I would not say that either. We are talking about circumstances in which there are over 500 agglomerations under the urban wastewater directive. We have a relatively small number of PPPs within the overall number. They are plants of scale and complexity. Although I say we attract particular capacities and advantages for those DBOs, I do not suggest there is no capacity in the local government system. The DBO does offer advantages that were identified in the report of the Comptroller and Auditor General. It has helped to accelerate the infrastructure provision. There is a single point of responsibility for the design, construction, operation and maintenance that creates circumstances in which a private operator does optimise the whole-life cost of the project.

Deputy Mary Lou McDonald: Yes.

Ms Geraldine Tallon: There is certainty in terms of the capital cost and better allocation of risk within the project. Private operators are encouraged to use newer technologies that have associated economic and technical advantages. As I stated, there is a contractually guaranteed performance and maintenance contract in place for 20 years. However, we are talking about plant in the wastewater area that may be for a population equivalent of 5,000 or many multiples of that.

Deputy Mary Lou McDonald: While I appreciate that, I would have thought there would be as much certainty about capital costs and maintenance in the public system as in the private system. I believed that the deciding factor between standard procurement and the PPP model was value for money. In other words, I believed it was more cost-effective to operate through a PPP.

Ms Geraldine Tallon: It is more cost-effective to operate through the PPP for large-scale projects that are covered by PPPs or for the bundles of projects that are covered by PPPs. We have the specific information in the case of the whole-life cost pertaining to those schemes that have gone down the PPP route. However, I have also said that we have many contracts over the same period procured by way of traditional procurement methods, and they are operated in the traditional way by local authorities. For example, the contracts completed in the period 2002 to 2012 contained 54 wastewater treatment plants contracted in the traditional way through the local government system. There are 35 contracts, encompassing 65 wastewater treatment plants, procured by way of DBO. In terms of water, there were 27 treatment plants procured by standard, traditional procurement, and three by way of DBO contract. Consequently, the decision and the analysis are on a site-specific basis in each case. We are not taking a decision in principle that design-build-operate, DBO, is right and traditional procurement is wrong or that DBO confers a particular set of advantages that in no circumstances could be achieved through the traditional procurement system. In each case, the decision and the evidence are based on site-specific analysis.

Deputy Mary Lou McDonald: I have that and I thank Ms Tallon. In its value for money model, does the Department calculate revenue forgone? For example, Veolia obviously is not doing this for the good of its health. It becomes involved in such a contract because it is a generator of revenue, which is absolutely legitimate from its perspective. Does the Department factor in the aforementioned revenue forgone to the local authority in this respect?

Ms Geraldine Tallon: There is a significant cost in the provision of wastewater treatment. No matter how one goes about it, it is costly to meet the standards.

Deputy Mary Lou McDonald: Accepting that-----

COMMITTEE OF PUBLIC ACCOUNTS

Ms Geraldine Tallon: It is costly to meet the wastewater treatment standards that must be implemented. It is costly to maintain water quality and is costly to provide drinking water of sufficient quality to meet the drinking water quality standards. Irrespective of whether it is a DBO or a local authority contract, a significant operational cost is involved. From the perspective of a DBO, we have found that we have 20-year operational contracts. These are contracts that do not allow for review or cost increase, other than by way of consumer price index, CPI, over the period of the contract. Given that a contractor knows, when going into a DBO, that it must operate the contract for a 20-year period, there is a very large incentive from the outset to be highly efficient in respect of design, as well as with regard to the type of treatment and the plant operation. Consequently, an inherent efficiency is built in to the operational cost contracts for DBOs.

Deputy Mary Lou McDonald: While that is very interesting, it does not answer my question. I will attempt to rephrase it. Commercial private entities will enter into such schemes, legitimately from their perspective, not from the joy of building new infrastructure, but because that infrastructure in commercial terms represents a revenue generator for them. Other than that, they do not do so from the joy of providing drinking water *per se*. It strikes me that any kind of credible value for money analysis must factor in that revenue which goes to a private entity because, as Ms Tallon pointed out, it will be doing the running and operating, as against that revenue coming back into the public system. I simply am asking Ms Tallon whether the Department factors that in and if not, why not? If it does, as I hope it does, what is the scale of that return into a private purse rather than back into the public purse?

Ms Geraldine Tallon: I do not understand what the Deputy means by revenue coming back into the system. These are costly plants to operate, however they are provided.

Deputy Mary Lou McDonald: How many plants does Veolia operate?

Ms Geraldine Tallon: It operates eight or nine plants.

Deputy Mary Lou McDonald: While I do not wish to zone in on that particular company, let us use it as an example. It operates eight or nine plants.

Ms Geraldine Tallon: I am informed it operates six out of my list of 20.

Deputy Mary Lou McDonald: Okay, six plants. I am working on the assumption that it is not operating simply at a break-even position in respect of the operation of these plants. I am working on the assumption that it is turning a profit for its efforts. That is logical.

Ms Geraldine Tallon: That is logical.

Deputy Mary Lou McDonald: Can Ms Tallon tell members what that would be in the case of Veolia?

Ms Geraldine Tallon: No, I cannot tell members what would be the profit to Veolia. I can tell members what is the operational cost for the plants that are operated in that way on an annual basis for recent years. If the plants were not-----

Deputy Mary Lou McDonald: While I appreciate that information, I am not asking Ms Tallon that question. From the point of view of the taxpayer, I am positing that the State provides the capital to construct these six plants in the case of this firm. In accordance with the contract, it then carries out the construction, operates and maintains. I am not questioning that,

as that is sound. In equal turn, the company returns a profit for its efforts. The State has funded the construction phase and the company carries out the work. In other words, we are paying for that and the tab is on the State. The company then maintains and operates the system at a profit. Consequently, the profit it makes is profit forgone in respect of the public system. This is quite a straightforward proposition and is just common sense. I am asking Ms Tallon-----

Ms Geraldine Tallon: However, the counter to what Deputy McDonald is saying is that by way of traditional procurement, the State would also commission a contractor to design and build a wastewater treatment plant. If there is no involvement by that contractor in the subsequent operation and maintenance, there is no incentive for the contractor that is involved in the design and build to build in economy or efficiency of a particular kind or scale. The difference in the case of a design-build-operate-maintain, DBOM, contract-----

Deputy Mary Lou McDonald: Is Ms Tallon saying that it did the construction-----

Ms Geraldine Tallon: -----is that one is looking at the cost on a whole-life basis and one would expect to see that the contractor is pricing on such a basis and must price on the basis of operation and maintenance over 20 years. This has implications for the initial design and for the type of treatment and infrastructure, that is, the technology applied in the plant. There are advantages from the perspective of a DBOM operator on the whole-life basis but, equally, there are advantages for a local authority.

Deputy Mary Lou McDonald: With all due respect to Ms Tallon, it does not make sense to me to state the only method by which one would get sound construction or technological excellence is to use that kind of model. This is unless Ms Tallon is saying that because the contractor gets the whole piece, whereby it gets to construct, operate and maintain, it somehow discounts on the cost of initial construction. Is that what she is saying because this simply did not make sense to me?

Ms Geraldine Tallon: No, I am not saying that at all. I told the Deputy that quite a significant number of plants have been developed using traditional procurement and quite a number have been developed using DBO-----

Deputy Mary Lou McDonald: I know that but-----

Ms Geraldine Tallon: -----and so I am not stating one can only get value through one system. I am telling the Deputy that we carry out site-specific and design-specific analysis in each case and that whichever form of procurement provides the best whole-life cost assessment will be the direction in which we will go. Both models are widely used, not just in Ireland but elsewhere.

Deputy Mary Lou McDonald: I am interested in unbundling this PPP model because that is what I have raised with Ms Tallon. I will try this again. One presumes it is accepted that private operators, which construct with State money but then maintain and operate these plants, turn a profit. Ms Tallon cannot provide the committee with figures on what that profit might be. Logically, where the profit is accruing to a private entity, that is revenue forgone to the public authority. I do not make a value judgment on this day as to what way that is. However, as a matter of fact, that would be the case. It occurs to me, therefore, that if Ms Tallon were to be thorough in her value for money appraisal, she would build in and account for that profit margin and return. It might be that she would find - notwithstanding that there is a return to the private operator - it was still more efficient because of operational requirements within the public

system, if one were to publicly operate and manage the plants. That could happen, as she said, on a site by site basis. However, I am hearing from her that that piece of the value for money puzzle has not actually been factored in.

Ms Geraldine Tallon: All costs have been factored in. The entire basis on which a private operator is going to operate is factored in. I do not understand why the Deputy is saying some elements are left out.

Deputy Mary Lou McDonald: Does Ms Tallon know what profit is generated by the six plants operated by Veolia?

Ms Geraldine Tallon: I do not have that specific level of detail.

Deputy Mary Lou McDonald: Why not?

Ms Geraldine Tallon: They are contracts between the local authorities involved and the operators. The figures I have relate to the whole life cost compared with either the pre-tender estimates or public service benchmarks.

Deputy Mary Lou McDonald: I thank Ms Tallon for that information, but why would she not have that information on profit?

Ms Geraldine Tallon: In situations where plants are operated by DBOM, the State effectively has a certain guarantee of performance and maintenance. Therefore, there is a positive from its point of view. As I said, they are plants operated on a basis that generates economy of scale across water services provision. However, I come back to the point that plants are procured by traditional means and DBOM.

Deputy Mary Lou McDonald: I understand all of that. Ms Tallon is saying a lot of interesting things that are tangential, but I am troubled nonetheless. She says these decisions are made on a whole life model and the basis of value for money, which is as it should be. However, now she tells us that the revenue generated from these contracts is not known to her and, therefore, not quantified by her or her Department and not factored into the whole life model. That seems to be an incredible omission. I am not in a position to make a judgment plant by plant or decision by decision. However, I am alarmed that in the case of service infrastructure that generates revenue and profit - that is why these private operators are involved in the game - the quantum of profit is not calculated. A balance needs based on common sense to be struck to see if it is the best value for money model for the State to manage, maintain and operate this infrastructure, or would it, in fact, make more sense for the private entity to carry it out? The only way one can make that decision and have a fully thought out value for money appraisal is to have an understanding of the profit margins being generated.

Chairman: I will ask the Comptroller and Auditor General to comment on it.

Deputy Mary Lou McDonald: Certainly.

Chairman: The questions the Deputy has raised are as relevant to the agenda for for next week's meeting.

Deputy Mary Lou McDonald: I appreciate that.

Mr. Seamus McCarthy: My office has not looked at the detail of the financial models that would underpin PPPs in the local authority area because I obviously do not have a remit in that

regard. We have looked at the financial models which are complex for other projects such as the courts complex near the Phoenix Park and the convention centre. In these models one will see a profit element built into the costings for the public-private partnership side, often including developer costs and so on. Therefore, the model is a construct before the off. There would normally be an assessment, about which the committee would probably be able to talk to the National Development Finance Agency, of whether the cost elements built in were reasonable and seen to be so. This should be properly weighed against the risks the private partner is taking. What we do not and never can have a sense of is that as a purchaser of the project, one does not know what the profit outturn is for the developer. I do not think there is any way one can know this. One can re-examine what one thinks it should have cost when one sees how the project has unfolded. One can re-do the value for money model, but one cannot know what are the private sector costs or whether it has made the profit included in the model, or more, or, in fact, whether it could have made losses. I think there have been some losses in the United Kingdom. Therefore, there is an element of risk for their profitability.

Deputy Mary Lou McDonald: I thank Mr. McCarthy. I have a clear sense of the cost side of the equation, but my question is on the return side. I appreciate that where private finance is involved, there is cause to strike a balance in terms of risk. I do not accept, however, that is the same when the State is providing the finance for projects. If there is a risk, it is of a much more minimal effect. I have made that point and hope we will return to the matter next week.

Ms Tallon gave us figures for the project in Castlebar and said, in response to Deputy Paschal Donohoe, that it was 22% more cost effective to go the PPP route.

Ms Geraldine Tallon: Yes.

Deputy Mary Lou McDonald: Will Ms Tallon quickly run through the other projects and give us the same statistic for each of them?

Ms Geraldine Tallon: The DBO capital cost of the Wicklow treatment plant was 37% lower than the public sector benchmark and the whole life cost was 30% lower. The cost in Shanganagh was 7.7% higher than the public service benchmark, but the whole life cost was 13.3% lower than the public service benchmark. The DBO capital cost of the Clareville water treatment plant was 13% lower than the traditional procurement cost and the whole life cost was 12% lower. The DBO capital cost of the Portrane-Donabate-Rush-Lusk wastewater treatment plant was 17% lower than the traditional procurement cost and the DBO whole life cost was 46.7% lower than the public service benchmark. The DBO capital cost of the Tullamore treatment plant was 8.7% higher than the public service benchmark, but the whole life cost was 8.1% lower than the public service benchmark. As members will see, the figures vary quite a lot in terms of the specific plant involved. They also vary in terms of the capital cost and the whole life costing.

Chairman: Ms Tallon might let us have a copy of that document.

Ms Geraldine Tallon: Yes.

Deputy Mary Lou McDonald: Does Ms Tallon have figures for the others?

Ms Geraldine Tallon: The Letterkenny plant was 6.5%, higher than the public service benchmark. For capital purposes, it was 3.5% less than the public service benchmark on whole-life cost. The capital cost for the Barrow extraction plant was 20.4% less than traditional procurement and the whole-life cost was 21.3% less than the public service benchmark. A number

of the plants involved in DBO do not have a public service benchmark because they predate the public-private partnership, terms. These are compared against a pre-tender estimate.

The DBO capital cost of the Dublin Bay treatment plant was 15% less than traditional procurement while the whole-life cost was 18.8% less than the pre-tender estimate. The DBO capital cost of the Wexford treatment plant was 6% more than the pre-tender estimate. I do not have a whole-life cost figure available for this plant. For the Cork treatment plant, the DBO and the whole-life cost was equal to the pre-tender estimate. Again, it predates the public sector benchmark requirement.

Deputy Mary Lou McDonald: What was the capital figure?

Ms Geraldine Tallon: I do not have a capital figure for that here. The DBO capital cost of the Balbriggan-Skerries treatment plant was 12% less than traditional procurement but I do not have a whole-life cost on that. The DBO capital cost of the south Tipperary treatment plant was 25% less than traditional procurement while the whole-life cost was 9.4% less than the pre-tender estimate. The DBO capital cost of the Dungarvan treatment plant was 4.7% less than traditional procurement. I will provide an up-to-date and complete table on these figures to the committee as soon as possible. The DBO capital cost of the Sligo treatment plant was 20% less than traditional procurement, based on a pre-tender estimate. I do not have a whole-life cost for this plant.

Deputy Mary Lou McDonald: I am conscious of time. It would be very useful if all members could have that information circulated to them. Is the Cork treatment plant the one situated on the Lee Road?

Ms Geraldine Tallon: Yes.

Deputy Mary Lou McDonald: That was locked in a dead heat according to the Department. There was much of a muchness yet it went the PPP route.

Ms Geraldine Tallon: That was equal to the pre-tender estimate.

Deputy Mary Lou McDonald: Please explain to me how the decision was taken for that to be commissioned, constructed and operated through the PPP model.

Ms Geraldine Tallon: The plant in question was completed ten years ago. I do not have too many details about this. However, as the Deputy said it was a dead heat but the estimate did not include for the risk transferred to the DBO contractor.

Deputy Mary Lou McDonald: They were not investing in finance.

Ms Geraldine Tallon: The types of risk involved in investing in these plants relate to ground conditions for the provision of the plant, for example.

Deputy Mary Lou McDonald: I do not follow. Can I offer Ms Tallon some information on this particular case?

Ms Geraldine Tallon: It was completed in September 2004.

Deputy Mary Lou McDonald: That is correct. However, I have heard from elected members of the local authority at the time that an instruction was given that it was to be done via PPP. If not, the money would be not forthcoming. I accept that is hearsay but that is what I was

told. I would appreciate if Ms Tallon would investigate this particular case and come back to the committee with a concrete rationale as to why, in this dead heat, preference was given to a private approach rather than through the local authority. I would appreciate it if she came back to the committee with details and not generalisations about a general sense of risk. I am led to believe by people close to this case that it was a policy bias on the part of the Department and there was a certain level of, if not coercion, certainly strong encouragement that PPP would be the preferred route. I am also told there was a suggestion that if it did not go that way then the funding would not be forthcoming. If that were true, it would be a most serious situation. I am asking Ms Tallon to go back and investigate that matter to the very best of her abilities and give the committee some answers to it.

Ms Geraldine Tallon: I will provide a note to the committee on the Cork treatment plant. I cannot comment on this at this stage. I am very surprised and astounded by the use of language such as coercion by the Department. I will certainly investigate the matter and provide a note to the committee as far as that plant is concerned. The plant is operating efficiently. In operational costs, it was €5.47 million in 2009, €5 million in 2010 and €5.2 million in 2011. The operational costs vary a little bit. My figures show me, however, that the operational cost has reduced significantly between 2009 and 2010.

Deputy Kieran O'Donnell: I welcome Ms Tallon and her colleagues. We are encountering many cases of people who want to pay the household charge but are having difficulties coming up with the funding. What flexibility do the local authorities have to introduce an instalment payment system? Considering that the household charge is gone by 1 January and the property tax, as announced, will not be introduced until July, there is a window of opportunity of six months to show some flexibility in this regard. Will the Department give a direction to the local authorities to facilitate instalment payments? How much did implementing the household charge cost the Department administratively? We are making repeated calls to local authorities to give some leeway in paying the charge.

On another issue, letters for payment certainly were issued in recent times to the deceased. An elderly man told me a letter was sent to his late wife, who had passed away three weeks previously. It was distressing and should not have happened. I rang the local authority straight away and the advice I got was that it had come from the Department of the Environment, Community and Local Government and was not a local authority issue. We are looking for value for money but it is not always about the policy. It is about how the policy is implemented. The household charge was cumbersome and difficult to pay. There are constituents coming to my office who cannot afford to pay the household charge immediately and want to pay it by instalments. I spending hours on the telephone taking up officials' time trying to hammer out an arrangement. I want a direction from Ms Tallon. As the household charge is gone from next year and the property tax does not kick in until the middle of next year, it affords the opportunity to give some leeway to those who have not paid to date.

I would like Ms Tallon to address the household charge where it concerns the issue of estates. Estates in receivership are not exempt from the household charge while estates that are not in receivership and where developers are still doing work, possibly resulting in such estates being in a far better condition, are exempt. What will be the Department's involvement in devising a register? Above all else, it must be consistent and fair.

Can Ms Tallon do something now, such as giving a direction to all local authorities to give leeway in terms of an instalment arrangement? How much has it cost to date? What is the case with a proper register of estates? Can Ms Tallon explain how the situation arose whereby the

deceased were getting letters?

Ms Geraldine Tallon: I will ask my colleague from the housing division, Mr. Des Dowling, to respond to those points.

Mr. Des Dowling: There are a range of points. On the question of completing the database of properties, it is estimated that approximately 1.6 million properties are liable. The State does not have information on the addresses and the owners of those properties, and the legal position following the legislation passed by the Oireachtas is that it is a system of self-declaration. To complete the remaining properties that we estimate are liable, we need a combination of further self-declaration by the individuals concerned or some data sharing whereby we have some information about the properties, but this information is not necessarily either comprehensive or up to date. This is very upsetting for people, particularly where there is a death and notification is received in relation to the charge. The particular case mentioned was obviously upsetting because there was a very short period between the death and the letter arriving.

As I commented earlier, however, the State, in terms of building this, looks to a very high degree of forbearance on the part of individuals to help us to build this database. The State is putting in place a system of residential property tax which it has not had previously and it can only do it on the strength of having an up-to-date list of addresses and the owners, and thus the people liable for it. Obviously, the effort is to try to complete this and to do it by virtue of contacting the owners of the properties. As was discussed earlier, we need to make this as convenient as possible for people to verify whether they have paid the charge or, on the other hand, to pay the charge.

The legislation is in place and it sets out the arrangements which apply to the payment of the charge. We cannot make policy at this meeting but I hear what the Deputy is saying. I am aware there are individuals who would wish to discharge their liability. It is a delegated responsibility to local authorities to use the care and management arrangements which mirror those that apply in the Revenue Commissioners.

Deputy Kieran O'Donnell: One of the local authorities told me it could only facilitate an instalment up to 31 March because, as far as it was concerned, that was when it expected the household charge to kick in again for the following year, but the household charge is no longer in existence. I ask the Department to contact individual local authorities to advise them that they now have a window of a further three months up to the end of June to facilitate those paying the household charge.

Mr. Des Dowling: The situation is in transition because we will have legislation coming before the Houses almost immediately which, among other things, will have to deal with the transition and the role of the Revenue in this regard. There is a window of opportunity for people to try to settle these matters on perhaps more preferential terms than will arise later.

Deputy Kieran O'Donnell: I appreciate that. I do not want to take up time. Will the Department speak to the local authorities, which are under its remit, and tell them that they should be able to give perhaps a further three months for people to have cleared the household charge before the property tax comes in? It would make an enormous difference to people in terms of facilitating the payment. I am conscious of the time. Can I take it that the Department will do that?

Mr. Des Dowling: What we can do is communicate to ensure people are as clear as possible

on their obligation.

Deputy Kieran O'Donnell: Do the local authorities have the flexibility to take it up to the end of June if they wish? If, for instance, €100 is owing, do they have the flexibility to say to the individual that, as long as he or she clears it before the end of June, they will provide for payment on an instalment basis up to the end of June?

Mr. Des Dowling: There is no specific provision in the legislation at the moment to provide for that on a universal basis.

Deputy Kieran O'Donnell: I will come back to that.

Ms Geraldine Tallon: In fairness, it is a matter that one should come back to in the context of the legislation to come before the House, and we cannot comment on that in that context at this stage.

Deputy Kieran O'Donnell: What has it cost the Department of the Environment, Community and Local Government to date to implement the household charge?

Mr. Des Dowling: I do not have a precise figure. It is in low single figures and, I suppose, it should be. We will come back to the Deputy, if we may, with the precise figure. Could I comment, Chairman?

Chairman: Yes.

Mr. Des Dowling: In the note, we will cover the fact that these costs, of course, are not just to do with the transaction but, because the State has not had this database, is that building up, and there is a total and whole process around that-----

Deputy Kieran O'Donnell: The Department could give some indication of the split between the administration of collection and the fact of the database coming into being.

On the auditing of local authorities by the Department, how many staff are there in the local authority audit section within the Department? Some €3.5 billion was allocated to local authorities in 2011. The Secretary General might give an indication.

Ms Geraldine Tallon: At the moment, in the audit service we have 33 staff.

Deputy Kieran O'Donnell: Of those 33 staff, how many are inspectors who would go out to the individual local authorities to do work?

Ms Geraldine Tallon: Virtually all of them are involved, apart from one or two. We have a small number of people centralised in a value for money unit but virtually all, apart from the director of audit, are actively involved in either supervising or auditing in the field.

Deputy Kieran O'Donnell: How many of those are qualified accountants or auditors?

Ms Geraldine Tallon: They are all qualified staff.

Deputy Kieran O'Donnell: In what area?

Ms Geraldine Tallon: In accountancy and audit. They are professionally qualified staff in the audit service.

Deputy Kieran O'Donnell: If a situation arises whereby they report back that there is a

difficulty with funding or whatever, what is the process of how the Department interacts in terms of getting value for the taxpayer in respect of local authority spending, similar to what we do in terms of general public bodies where the Comptroller and Auditor General conducts his audit of individual Departments, the Secretary General comes before the committee and there is public accountability from both the audit and public viewpoint? I ask for an explanation of the process of local authority funding in terms of who prepares the reports and to whom they are made available.

Ms Geraldine Tallon: The local government audit service is a division of the Department. However, local government auditors are independent in their discharge of the audit function.

Deputy Kieran O'Donnell: To whom do they report?

Ms Geraldine Tallon: They report to the elected members of the councils they are auditing.

Deputy Kieran O'Donnell: Do they report to the Department in any way?

Ms Geraldine Tallon: When they have reported to the relevant local authority, the report goes before the elected members and is normally dealt with by the audit committee of the local authority. The director of audit provides a copy of the audit report to the head of the local government division in the Department. As far as the Department is concerned, we review the findings of reports and if issues arise in regard to particular areas or schemes, we generally consult within the Department to assess and review the situation. The local government division holds annual meetings with local authorities and meets more frequently with authorities that are financially pressured in the current climate. We normally assess the outcomes identified in audit reports and, if necessary, we write to the manager with our views or invite the local authority in for a discussion. Our procedures have tightened considerably in recent years and have been reviewed in detail by the EU and IMF in the context of the indebtedness of the State generally. I will ask Mr. Des Dowling to comment on the specifics of how we operate from that point of view. The formal position is that the local government audit report goes to the elected members and the city or county manager is accountable to them for its findings.

Deputy Kieran O'Donnell: The auditors are reporting to the members of the relevant local authority. The Department allocates a significant share of the funding for local authorities. How does the Department get to the point where it is absolutely confident that the taxpayer is getting value for the money that goes into the local authority system? How does it ensure the money is spent efficiently? I assume that the role of the local authority auditor is purely to account for the money allocated. Am I correct in saying that its remit does not extend to efficiencies?

Ms Geraldine Tallon: Not entirely.

Deputy Kieran O'Donnell: Am I clear?

Ms Geraldine Tallon: The Deputy is clear but he is not entirely correct.

Deputy Kieran O'Donnell: Enlighten me.

Ms Geraldine Tallon: As far as the Department is concerned, moneys flow from the Department to local authorities in a range of ways. We provide a general purpose grant from the local government fund alongside a range of separate budget lines in housing, water and community across the Department. It is a complex situation. The funding flows through a variety

of mechanisms and programmes which operate their own controls in terms of allocation, spending and accounting for spend. In examining individual authorities, the local government audit service will make a judgment on the approach to be taken on the audit. Generally it devises an audit plan for the authority. The auditor will make an assessment on the scale of particular programmes and projects and the materiality of expenditure relative to the total budget of a local authority to determine the basis on which to take an overview or drill down into particular areas. That is a function for the auditor individually and a code of practice governs his or her operations.

Deputy Kieran O'Donnell: How does the Department ensure it is getting value for the taxpayer's money?

Ms Geraldine Tallon: As far as we are concerned the first line of defence is the local authority's management, which is responsible for prudently managing funds assigned for particular purposes and for spending grants under the local government fund effectively.

Deputy Kieran O'Donnell: Does the local authority manager report to the Department?

Ms Geraldine Tallon: The local authority manager reports to the elected members because they determine the budget annually.

Deputy Kieran O'Donnell: Who is accountable to the Department for the funding provided? Does anybody in the local authority system report to Ms Tallon or one of her colleagues in terms of how the money is spent? The Comptroller and Auditor General plays a different type of role from that of local authority auditors. His role is to investigate Departments to determine how money is spent and whether the taxpayer got value for money. Is the same happening in the local authority system? I am probing for the audit trail. Are the local authorities operating as separate islands?

Ms Geraldine Tallon: They are not operating as separate islands. Each manager is accountable to his or her elected members for the budget. In terms of areas of capital spend, we have a discipline from the Department and very close contact with our colleagues in the local government system, including managers, finance officers and capital programme managers.

Deputy Kieran O'Donnell: Does the Department conduct occasional audits on particular programmes?

Ms Geraldine Tallon: We certainly do and, as I noted earlier, we hold meetings twice yearly with, for example, the housing departments of local authorities to discuss housing action plans and every aspect of housing provision to assess funding allocations and outputs for the money provided. We also receive a broad overview and assessment from the local government division. The local government audit does not necessarily deal with the 34 local authorities as independent islands because it also includes a value for money unit which carries out horizontal studies across the local government system on issues of concern. A series of reports have issued over the years on value for money. The Comptroller and Auditor General includes a chapter in his annual report on the flow of central funds to local authorities, which provides a further cross-check on Exchequer spending in the local government system.

Deputy Kieran O'Donnell: May I make a suggestion to Ms Tallon based on the committee's interest in this area? I ask the Department to investigate the systems it has in place in respect of the €3.5 billion that goes to local authorities. I understand a local government review group was established, with membership from the Departments of Environment, Community

and Local Government and Finance. I hope the review will result in a system that gives the public confidence in the way funds flow from the Department to local authorities. I have an idea. Local authorities do great work and I was a member of a local authority as well. Our role as a committee is to ascertain whether the systems are robust and whether they can be improved. Perhaps it can be examined in the context of the new procedures being put in place.

Ms Geraldine Tallon: I understand the Deputy's point, which is absolutely fair. It is a live issue given that the action programme for effective local government provides now for a national oversight and audit commission. That is the place in which we will look at the standards and approach for the future. We will also in that context look at the ways and means of ensuring greater consistency and mutual co-operation between the Local Government Audit Service, LGAS, and the Comptroller and Auditor General's office because there is a shared interest in the quality of audit on the one hand and the outcome for investment on the other.

Deputy Kieran O'Donnell: I thank Ms Tallon.

Deputy Eoghan Murphy: I thank Ms Tallon and her officials for attending. The Chairman mentioned at the beginning of the meeting the time spent discussing issues on the previous occasion Ms Tallon appeared before the committee and I take full blame and responsibility for that because we went over the Poolbeg incinerator proposals in detail. I will be as brief as possible addressing that but we received interesting documentation in the past week and over recent months since she last appeared.

Value for money has been discussed a great deal during the meeting. An important part of the work of the committee relates to value for money reports and how they are conducted within the Civil Service and the wider public sector in order that we can be confident in them. In 2005, a value for money audit was carried out on the Poolbeg incinerator proposal. At that point, €27 million had been spent on the project and nothing had been built but it was confirmed that the project represented value for money. Two years later, another value for money audit was carried out and a further €22.5 million had been spent with nothing built and the project still considered to be value for money. That audit was carried out by the National Development Finance Agency, NDFA. I do not know whether the committee will have an opportunity to discuss this with the agency.

Chairman: NDFA officials will be in next week.

Deputy Eoghan Murphy: I will take up with them how the value for money audits were carried out. People and public representatives have questioned the need for the incinerator, its location, size and cost, the potential liability on the taxpayer and the mismanagement of the project for more than a decade. We went through many of these issues when Ms Tallon appeared before the committee previously, and I will not go over them again, but it was only this year that light was finally shed on the costs of the project and where money has been spent. More than €80 million has been spent to date and nothing has been built. There have been overruns in practically every area of the project.

The report from the Local Government Audit Service is damning but the project is still going ahead. I would like to go through the report and get Ms Tallon's opinion on the different issues raised in it. Appendix 1 is a review of expenditure to the 31 December 2012 on the thermal treatment plant. On page 17, it states:

[T]he financial management, as part of project management by the Environment and

Engineering Department for this project, has been weak ... No proper classification of expenditure on an invoice basis was available to account for monies spent on this project at the initial audit stage (April 2012) ... There is no evidence of monitoring of detailed budgets or financial forecasts ... It is also noted that the Project Executive Board did not meet on a formal basis and therefore no minutes of meetings were retained.

What does Ms Tallon make of this audit report on the Poolbeg incinerator?

Ms Geraldine Tallon: I am concerned by this audit report on the Poolbeg incinerator. It is an important and necessary piece of work in terms of the costs incurred to date. I received it recently. It was the subject of recent discussion at Dublin City Council on Monday evening. On Tuesday, after that city council meeting, I invited the city manager in to give his view to me and to hear my views on this report, and I am aware of the process that Dublin City Council is putting in place in this regard. However, I have said I am concerned by it and I am concerned to be kept fully abreast of further assessment which will be carried out within the city council and the response management will make to the city councillors on it. I understand the report will be the subject of discussion at the Dublin City Council audit committee today and there is an intention to have a full and detailed audit committee meeting on the report in January. That is the direct accountability as far as this is concerned.

Deputy Eoghan Murphy: Ms Tallon referred to direct accountability. It has been like pulling teeth out of officials for public representatives in this constituency because we have witnessed the finances escalating over a decade to more than €80 million with nothing being built. I will go through the client representative costs and the detailed breakdown Ms Tallon provided the committee a few months ago later. All the while officials both in the city council and the Department have acted like there was nothing wrong and nothing to investigate. The words Ms Tallon used the last time she appeared before the committee were, "There is nothing to investigate here", when, clearly, there was something to investigate. With regard to accountability, no public representative for the area is in favour of the project. I am interested that Ms Tallon invited the city manager in because my understanding was he did not report to her on this issue. Previously, when we discussed this, Ms Tallon said she had a member on the project executive board.

Ms Geraldine Tallon: The project advisory board.

Deputy Eoghan Murphy: I take it that met on a formal basis because the project executive board did not.

Ms Geraldine Tallon: Yes, it did.

Deputy Eoghan Murphy: Does Ms Tallon understand the concern I am raising about where accountability lies? She mentioned a process under way in Dublin City Council but the councillors have been trying to stop this project since it began.

Ms Geraldine Tallon: At the same time, I would have to put some emphasis on the fact that this project arises out of the Dublin regional waste management plan, which is a plan adopted by the Dublin authorities.

Deputy Eoghan Murphy: Yes, it is, but who takes responsibility for the problems laid out in the audit report?

Ms Geraldine Tallon: The city management.

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Deputy Eoghan Murphy: It is the city manager's responsibility but, ultimately, he is responsible to somebody.

Ms Geraldine Tallon: He is responsible to his elected members.

Deputy Eoghan Murphy: The city manager?

Ms Geraldine Tallon: Yes.

Deputy Eoghan Murphy: Who is the city manager elected by?

Ms Geraldine Tallon: The city manager is ultimately accountable to the elected members of Dublin City Council.

Deputy Eoghan Murphy: But Dublin City Council members have no responsibility for waste management. That has always been the problem. Even though the councillors voted against the incinerator ever getting off the ground, it still went ahead because the city manager and his officials wanted it to and, therefore, he was not held accountable or responsible to the city councillors. Ms Tallon called him into her office earlier this week. Is he accountable or responsible to her?

Ms Geraldine Tallon: He is not accountable or responsible to me for what he does in this regard. He is responsible and accountable to the elected members of Dublin City Council. This is not an Exchequer-funded project; it is a public-private partnership project.

Deputy Eoghan Murphy: But some €8 million or €9 million of Exchequer money has gone into it from the Department.

Ms Geraldine Tallon: Yes.

Deputy Eoghan Murphy: It is Exchequer-funded, therefore, in part.

Ms Geraldine Tallon: It is Exchequer-funded to the extent of approximately €7.5 million of a grant provided in the period 2001 to 2005 for the initial part of the client representative costs. There is no project funding for this project from the Exchequer or from the Department.

Deputy Eoghan Murphy: There is because the money that has been spent is taxpayers' money. Exchequer money did come in from the Department initially. It is tied up in the more than €80 million that has been spent.

Ms Geraldine Tallon: The Exchequer money which came in, supported by the Cohesion Fund, related to the contact for the client representative.

Deputy Eoghan Murphy: Which was a part of the incinerator project. It is part of the breakdown of costs Ms Tallon provided to me herself. Of course the client representative cost is part of the project and that is Exchequer funding, which came from her Department. She, therefore, has a responsibility for that money. In addition, because the LGAS is under the aegis of the Department and it carried out the audit, she has a responsibility for the contents of the report. She has a further responsibility regarding the city manager because she called him into her office to discuss it.

Ms Geraldine Tallon: I would not like to give the impression that I am shirking responsibility here because that is not the case. I have identified and said to the Deputy that I am concerned by the findings of this report. This report is new and recent, and we are absorbing it. At

the same time the position, as I have outlined it to the Deputy's colleague, is that local authority management is responsible to the elected members of the local authority and the Local Government Audit Service reports to the elected members of the local authority.

The Deputy said the elected members have no responsibility in relation to this project, but they absolutely have responsibility because they vote money - they are the people who determine the budget for Dublin City Council on an annual basis. This is spend from Dublin City Council's budget. It is absolutely the job of the Dublin City Council elected members and their audit committee to assess this and to raise questions or to address it as they see fit.

Deputy Eoghan Murphy: I am not saying it is not.

Ms Geraldine Tallon: I understand they have set out a process through their audit committee under which they will do that and that is absolutely correct and appropriate. I have lots of interests with all local authorities in the area of waste management because of the responsibility we have for waste management policy and waste management legislation, and the ownership we have of community legislation and our obligations at EU level in terms of our performance under the waste framework directive. So there are lots of reasons I would be talking to any individual local authority or specific local authorities in the waste area, but at the same time there are very direct accountabilities within local government for spend and for the application of policy in specific circumstances and for the adoption of policy within a local authority. They are being properly exercised in the Dublin City Council situation.

Deputy Eoghan Murphy: This is not any other particular project - it has been a political hot potato since it began and we have discussed it in committee before. It has been an issue for previous Ministers and is an issue for this Minister. Again I am not talking about policy; I am talking about the actual project implementation on which we have committed money from the Exchequer both from the Department and through the Department to local government, from taxpayers through the local authority and we also have a representative involved in some way in the project. Ms Tallon has taken a keen interest in it. I have not said this is not the responsibility of councillors in Dublin City Council. I have not said they do not have a role in addressing this issue and I am not claiming that anyone is trying to shirk responsibility.

Part of my problem here, as I outlined before, is that I do not know who has responsibility. When Ms Tallon appeared before the committee previously, I asked her how much money the city manager could spend on this before being told to stop. When is that point reached? The financial management and governance of this project has been weak. We have had this discussion before with another authority whose representatives appeared before the committee. At that time we were discussing legacy issues that had occurred five or six years previously. We are now dealing with something that is active in our time while this committee sits and money is still being spent. In terms of the city manager's response, to which I will return because it is also dealt with in the audit report, it plans to continue to spend money on things such as client representative costs, which is of concern.

I now wish to go through some of those details to get a better idea of the city manager's perspective given that Ms Tallon has spoken to him on that point.

Chairman: I wish to ask one question for clarification. If the members decided tomorrow morning not to spend any more money, they just have to vote against it. Is that it?

Ms Geraldine Tallon: That would be a matter for the members.

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Chairman: I am asking about the process. I understand for whom it is a matter. If they decided that they were not going to continue to fund this - I am just following up on the information Ms Tallon gave Deputy Eoghan Murphy - it is then a matter for the members to make that decision. If the manager puts before them a plan to spend a particular amount on this project again, the members can exercise their vote to support it or not to support it. That is the question because the Deputy said earlier that the members were against this or wanted to stop this project. In fact according to what the Secretary General has said, it is in their hands as to whether the manager spends more money on this. Therefore they decide "Yes" or "No" by voting on his estimate.

Deputy Eoghan Murphy: That is interesting and that is not the way I understood it. I always understood-----

Chairman: I am just trying to clarify.

Deputy Eoghan Murphy: I thank the Chairman. I always understood that waste management was an executive function and it did not fall to the members, including how the money was spent on waste management. I do not understand-----

Chairman: I am just trying to clarify this.

Deputy Eoghan Murphy: I thank the Chairman.

Ms Geraldine Tallon: Dublin City Council has had its budget meeting for 2013. Dublin City Council has adopted its Estimates for 2013. I have not seen its Estimate for 2013 - that is a function of Dublin City Council. I do not know how detailed the figures are or whether it can be traced down to individual projects. That is a matter for the Dublin elected members to question their management in the context of the adoption of a budget for 2013.

Deputy Eoghan Murphy: Absolutely. Does Ms Tallon accept it is also a matter for us?

Ms Geraldine Tallon: I am not sure I accept it is.

Deputy Eoghan Murphy: Who commissions the Local Government Audit Service? It is the Department of the Environment, Community and Local Government. This is an appendix to that report so the Department must have a responsibility for this. Apart from the fact that the Department has spent money on it, it has also commissioned an audit which is pretty damning. The Department has also called in the city manager. So there is responsibility in the Department. If there was not, it would not have called him in.

Ms Geraldine Tallon: It is a matter of great public interest for a whole variety of reasons. This particular plant is a very significant plant in terms of our future capacity to comply with waste legislation. So we have an interest in it in terms of waste policy at a broad level. We have an interest in it in terms of its compliance with our new waste policy, A Resource Opportunity. It is of concern for us in that broad policy context. If I come back to the very specific questions the Deputy is raising, this is a plant within a regional management plan adopted by the elected members of Dublin City Council. Yes, it is a matter for the executive of Dublin City Council to proceed with the implementation of the elements of the regional waste management plan. Yet, it is a matter for the elected members of Dublin City Council to oversee, supervise and require its management to account to it for the implementation of a plan which they adopted. It is also a matter for Dublin City Council to hold the manager and the management to account for the spending of money which it has adopted as part of its Estimate.

Deputy Eoghan Murphy: However it is not a matter for the Department of the Environment, Community and Local Government.

Ms Geraldine Tallon: The Local Government Audit Service provides - if one likes - the technical and professional support for the city council to enable it and assist it to question in the same way that the Comptroller and Auditor General provides the evidence for this committee to question Accounting Officers in terms of the discharge of their functions.

Deputy Eoghan Murphy: When the Comptroller and Auditor General does that with Accounting Officers here, it is a matter for us and we discuss it. When the Local Government Audit Service does it for the Department with what is happening in local government spend, it is a matter for the Department.

Ms Geraldine Tallon: As I have said to Deputy Murphy, the Local Government Audit Service does it for the elected members of the local authority.

Deputy Eoghan Murphy: That service is under the responsibility of the Department of the Environment, Community and Local Government. They are staff from the Department. Their salaries are paid and there are lines of management there.

Ms Geraldine Tallon: Yes, but legislation provides that it is absolutely independent in the performance of its audit functions. So they do not answer to me in terms-----

Deputy Eoghan Murphy: However, they report back to the Secretary General.

Ms Geraldine Tallon: They report to the elected members of the local authority.

Deputy Eoghan Murphy: However, the Department gets the report.

Ms Geraldine Tallon: We have an interest in the financial health of the local government system - a very big interest, obviously. As we have discussed here, lots of Exchequer money flows through local government so we have a considerable interest in the local government system - yes. All local government audit reports come to us. All local government audit reports are placed on our website. The Local Government Audit Service provides a composite annual report - an activity report. That activity report in the Local Government Audit Service is sent to the Oireachtas Joint Committee on Environment, Culture and the Gaeltacht. So there is a relationship, but in formal terms in the specifics of accountability, this project-----

Deputy Eoghan Murphy: The audit report goes to the Oireachtas Joint Committee on Environment, Culture and the Gaeltacht.

Ms Geraldine Tallon: Yes, the broad activity report.

Deputy Eoghan Murphy: The committee might then question the Secretary General on it also and she would answer questions on the content of the audit reports.

Ms Geraldine Tallon: The local government auditor has attended on one occasion.

Deputy Eoghan Murphy: They can do that and I presume we can do so here. Ms Tallon seems to be outlining that the Department has an interest in the project, the financial management and the governance but no responsibility. If the city manager had refused to come into her office, would that have been acceptable?

Ms Geraldine Tallon: I beg the Deputy's pardon.

Deputy Eoghan Murphy: If Ms Tallon had asked the city manager to come to her office to speak to her about the audit report, could he have refused to do so?

Ms Geraldine Tallon: I would be very surprised if that had happened.

Deputy Eoghan Murphy: Could he have done so? Is there any kind of chart or piece of legislation that says that he reports to the Department in any regard?

Ms Geraldine Tallon: I do not think so. I have never had occasion to ask myself whether there is a formal obligation in legislation but there is a general obligation in local government legislation on local authorities to provide any information to the Minister that is requested. In those circumstances, we take the view that providing information to the Department is covered by the general obligation on local authorities to provide information to the Minister.

Deputy Eoghan Murphy: I will move on from the point about responsibility as I want to get into the detail of the audit report. The second paragraph on page 17 states that the total paid to the client representative amounts to €28.4 million including public relations costs compared to the original contract for €8.3 million. The continued employment of the client representative should have been reviewed as far back as 2005 in accordance with procurement guidelines. The guidelines were breached and there is a significant budget overrun. Ms Tallon confirmed earlier that the Department paid some money directly for client representative costs so there is a direct interest there in terms of responsibility. I am wondering whether the Department at any stage asked about the increase in the money being spent or whether the procurement guidelines were being followed.

Ms Geraldine Tallon: We agreed to pay money on the basis of a specific contract amount in 2001. We paid on an instalment basis between 2001 and 2005. We made it very clear that the grant provided at the time related to the contract amount at that point and that the Department was not in a position to and would not provide any further financial support for the client representative costs. The support related to a preplanning study and early activity by the client representative. We did not have any involvement after 2005.

Deputy Eoghan Murphy: It is amazing when one sees the different things that come up in different Departments. A delegation from the Department of Defence appeared before this committee to talk about public money the Department spent in respect of the Red Cross. It said that when that Department spends money, it makes sure it is spent correctly. It stated that it did not care what the Red Cross did with the rest of the money that it raised on the back of it and other public money. The Department spent its money and looked after that. We see the same situation here. The Department of the Environment and Local Government spends its €8 million to €9 million from the Exchequer, makes sure it was spent on what it said it would be spent on and then worries no more about it. The problem with that is that the project continued after the Department had spent its money and I think it still had a responsibility as the Department responsible for the environment and local government as costs continue to go out of control. In 2005, when the Department's contract ended, that is when, according to the audit report, there should have been a review in accordance with procurement guidelines as to the client representative that was being engaged and the costs that were being spent yet that did not happen. I suppose the Department did not 'care'. Is that the right word to use?

Ms Geraldine Tallon: I am not sure that is a reasonable or realistic comment to make. The Department has been concerned about this project in broad waste policy terms for a long time but we do not have management ownership of the project. That rests with the manager of Dub-

lin City Council.

Deputy Eoghan Murphy: How many times has the city manager been called into Ms Tallon's office to discuss this project?

Ms Geraldine Tallon: This project would have been discussed on number of occasions over the past five or six years of my tenure in the Department. I could not tell the Deputy how many times it would have come up in discussion because it is a large and active area of waste policy. I would have discussed it in a waste policy context rather than in terms of the specific management of this project.

Deputy Eoghan Murphy: Ms Tallon appeared before this committee in March 2012 and we spent almost an hour talking about the Poolbeg project. We did not talk about policy but about the project itself and the money that had been spent in cost overruns. Has Ms Tallon spoken with the city manager since then about the project, how it was being implemented, how the money was being spent and whether the right checks and balances were in place?

Ms Geraldine Tallon: We have spoken on numerous occasions in the intervening period because I have provided further information to the committee that was requested. That is information I can only source from Dublin City Council because, as I have said, it is not a project being funded as part of a public capital programme. We do not have any ownership of, responsibility for and approval process associated with it.

Deputy Eoghan Murphy: There are significant interests to the point that the Department would now look into the details. Prior to 2012, would the Department have had conversations with the city manager, not on the policy aspect of this project, but on the details and implementation of it?

Ms Geraldine Tallon: Not really. I would regard that as a matter for Dublin City Council.

Deputy Eoghan Murphy: Even as costs continued to rise? There was a jump of €20 million between 2005 and 2007, which were the two years in which value for money reports were produced. This was the case even when the Department thought the €17 million it had invested in the project was like a drop in the ocean at less than 10% of the actual costs coming up to the beginning of 2012.

Ms Geraldine Tallon: I am not sure that Deputy Murphy is correct in referring to those reports as value for money reports. They were undertaken as part of the assessment of the public-private partnership competition. The first report related to the assessment of the tender provided by the private operator. Subsequent to that, the contract was awarded to Elsam. Subsequent to that, the company awarded the contract was taken over by a different company and there was a corporate restructuring within the takeover process. Dublin City Council was required to go back under capital appraisal and public-private partnership guidelines to establish whether this takeover constituted a continuation of the contract or a basis upon which a new procurement was required. It was a public sector benchmark study as opposed to a value for money study in those cases.

Deputy Eoghan Murphy: In a letter from June 2007, the chief executive of the NDFA told the city manager, John Tierney, that it was a value for money report. Are there different types of value for money reports? Perhaps there are but I have it here that this is what the chief executive of the NDFA said. He described it as a value for money report. The city manager was provided with that report and a number of other reports by the chief executive of the NDFA in

2007.

Ms Geraldine Tallon: I will ask my colleague, Mr. Mulhall, who has been involved with this and the project advisory board to comment because those reports were carried out in the context of the tender award and the tender consortium reconfiguration.

Mr. Ronan Mulhall: I suppose this touches on some points raised earlier. The NDFA provides that the proposed approach by a public-private partnership should represent value for money compared to a public sector benchmark. The NDFA examines the proposed public-private partnership approach against a public sector benchmark, which would be the more traditional route, to see whether going this route represents value for money. The review in 2007 was to see the corporate restructuring did nothing to change the initial view.

Deputy Eoghan Murphy: I understand the distinction Mr. Mulhall is making but I am not sure of the relevance of the point. To decide whether option A or B represents better value for money one must examine both options with regard to how the money would be spent, the value and other various aspects. By 2007 the project had already cost almost €50 million and nothing had been built.

Mr. Ronan Mulhall: It involves an examination of the project over its lifetime. The National Development Finance Agency, is better placed to explain its methodology but essentially it comes to a cost for the entire project over its lifetime. It finds a benchmark over the project's lifetime, including its operational lifetime, and states it equates to X and then compares this to the proposed project agreement and PPP arrangement with the private partner.

Chairman: Mr. McCarthy wishes to speak. Some of the issues raised with regard to the NDFA can be taken up next week.

Mr. Seamus McCarthy: Deputy Murphy is touching on a distinction between appraising the project to establish whether for example, building an incinerator to deal with waste is optimum from an economic point of view and the value for money test carried out by the NDFA, which is with regard to the best way to procure it. There is quite a distinction between the two. As the Deputy stated, if a project is undertaken on the basis that capital costs will be €100 million but after time elapses it turns out the project will cost €160 million, obviously one must revisit it. However, one must consider the economic case for the project separately and after one decides it is still worth doing the project then one can decide whether it is better to do it by conventional procurement or by PPP. Two issues are raised.

Deputy Eoghan Murphy: This is very helpful and it brings me to my next point, which is on the Hennessy report commissioned by a previous Minister. Why were none of these issues raised in the report? Why did they not come to light in the Hennessy report, which examined the lifetime of the project, its economic benefits and impacts?

Ms Geraldine Tallon: The Hennessy report worked within very specific terms of reference. It was based on a number of scenarios for waste growth and diversion in the Dublin region. It was not a value for money study. It was with regard to the quantum of waste in the Dublin region, policy instruments for the diversion of waste and examining whether to favour alternative forms of waste technology or solutions. These could have had implications for the plant so the report identified a series of scenarios within which the plant's financial framework could be affected.

Deputy Eoghan Murphy: Did it examine how money had been spent previously?

Ms Geraldine Tallon: No it did not. The Deputy is aware of what is in the Hennessy report as it has been published with some redactions.

Deputy Eoghan Murphy: I have seen it. We discussed whether the Hennessy report was worth the time and money spent on it. If I remember correctly it was difficult to come to a conclusion on that point. However, it does not seem to have been worth it at this stage.

Ms Geraldine Tallon: It was for a different purpose.

Deputy Eoghan Murphy: Yes, and unfortunately it does not suit our purpose today. To continue with the audit report and the issue of client representative costs, we received correspondence from the Department on 30 May 2012 which included a breakdown of costs incurred on the Poolbeg waste energy project. It went into some detail with regard to the costs and we discussed it at the time. I stated it raised more questions than it answered. I am sure Ms Tallon saw the correspondence before it was issued but I know she will not remember it. I have a copy in front of me and I will go through a couple of the points in it.

While the audit report discusses money spent it does not question enough of the areas in as much detail as I would like. Under the first heading, a bulleted list is provided for client representative costs. This list includes the preparation of various reports including PPP assessment, procurement of a design model, and the development and implementation of a public consultation and information strategy. The correspondence sent to us by the Department mentions stakeholder consultation and public relations and other costs with regard to public awareness, other consultancy design, market soundings and the cost of a public awareness office in Ringsend. When I see the bill for €25 million for client representative costs under one heading which includes public consultation and information strategy, and I see a separate bill for just over €4 million also including all of these things, I am concerned about duplication or the project being seen as a potential cash cow by certain people who can get money for all types of things without properly explaining themselves.

Prior to Ms Tallon sending this correspondence to the committee was there a discussion about the various items detailed? Was it discussed with the manager at the time? Did anyone at the Department examine it in detail and raise questions? The second heading is with regard to other consultancy and Dublin Waste Energy Limited was paid €1 million. However, Dublin City Council is part of the Dublin waste to energy consortium.

Ms Geraldine Tallon: This is information we provided to the committee from Dublin City Council. It was not information generated in the Department and it is not information on which the Department carried out an assessment with Dublin City Council.

Deputy Eoghan Murphy: Was Ms Tallon concerned about this information, which the Department received from Dublin City Council before it was sent on to us?

Ms Geraldine Tallon: It was a categorisation done by the city council and it is its responsibility. In broad terms I am concerned about the findings of the audit report, and it is of concern that so much had to be spent on this project before it came to construction. However, I must state it is a responsibility of Dublin City Council management.

Deputy Eoghan Murphy: Heading No. 5 on page 19 of the local audit report states Dublin City Council paid Dublin Port Company €8.5 million for its interest in the Pigeon House Road and Shellybanks Road under a compulsory purchase order in September 2011. Was the valuation for this CPO done in 2011 or was it from a previous date?

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Ms Geraldine Tallon: The Deputy is asking about operational matters of Dublin City Council and I cannot give him an answer.

Deputy Eoghan Murphy: I asked the same questions on the previous occasion when Ms Tallon was before us with regard to when the CPO was issued, when the price was paid and when the valuation was determined.

Ms Geraldine Tallon: I told Deputy Murphy the valuation at the time of the service of notice to treat is the basis for a payment in a CPO.

Deputy Eoghan Murphy: We discussed it with regard to the 2007 CPO but not the one that was meant to issue in 2010 which according to this took place in September 2011. At the time Ms Tallon stated she would follow up on this point and I would very much appreciate it if I could receive detailed information on the CPO process for the lands in question with regard to what prices were paid and when the valuations were made.

Ms Geraldine Tallon: I expect all of the detail of this report will be examined-----

Deputy Eoghan Murphy: This detail is not in the report.

Ms Geraldine Tallon: -----in considerable further detail by the Dublin City Council audit committee. I have asked the manager to give me a report when he has the outcome from the audit committee. Until then there is not very much more I can provide to the Deputy. I expect the Dublin City Council audit committee will do this job in a forensic way. It is its role and function. The Deputy is involving the committee in a parallel process.

Deputy Eoghan Murphy: It is a necessary process.

Chairman: What is the timeframe for this report? When does Ms Tallon expect it?

Ms Geraldine Tallon: I understand the Dublin City Council audit committee will meet the local government auditor today for a general review of the audit. A date in late January has been set for a full and detailed assessment of this particular part of the audit report. There will be a report following that meeting.

Chairman: When is Ms Tallon likely to receive that report? Will it be February?

Ms Geraldine Tallon: I expect to get it in the first quarter of next year. At that point, I hope to have the considered view on direct responsibility-----

Chairman: When the report is available, perhaps we could examine it.

Deputy Eoghan Murphy: I accept that. I also accept Ms Tallon's position and I will not raise further points on the audit report. However, the project's deadline has been extended time and again because the private partner cannot find the financing and due to problems on our end such as foreshore licences. When Ms Tallon attended the committee previously, she told us we would have the report from the local audit unit after the summer. August was the deadline for the final extension of the contract, but it has been extended yet again into the first quarter of next year. Ms Tallon has told us that the Department is considering the matter, that she is concerned, that the Department has an interest but no responsibility and that she will revert to us with more details in the first quarter of next year.

I am concerned that the project is running away from us like a freight train towards a cliff.

People are trying to stop it, but it seems to be out of control. As the Committee of Public Accounts, we need to have a proper handle on the matter. As stated at this and the previous meetings, the project is a significant one. It is not just another project undertaken by a local authority. For this reason, we need to be fully apprised of all of the details as they become known. Of course councillors have responsibility, but we do as well, given the fact that Exchequer funding - taxpayer's money - has been committed, including in the form of centrally provided funds to local authorities. Further funding will be committed in the form of the new charges to be levied on taxpayers.

Ms Tallon mentioned that she met the city manager on Tuesday. He has given his response on pages 21 and 22 of the audit report to the issues raised. To be fair to the Dublin City Council manager, he is not present to answer, but I wish to note a number of issues. I do not expect the Secretary General to answer for him. He stated: "The Waste to Energy Project has proved extremely challenging indeed more challenging than other controversial projects that the Environment and Engineering Department has been involved in such as the Regional Waste Water Treatment Plant." This refers to the Ringsend wastewater treatment plant, which has gone over time and over budget by more than €40 million and has been a significant imposition on constituents.

We are told in black and white that the projects are being run by the same section of Dublin City Council. They are significant for the Dublin region. As we know from the private partners, the incinerator is not just for Dublin but for the country as a whole. Both projects are experiencing significant problems. Ms Tallon, as the Secretary General of the Department of the Environment, Community and Local Government, has an interest in them. If we do not comply with certain EU directives or guidelines, we will face considerable fines. This is an issue for Ms Tallon and the Minister. What does Ms Tallon make of the fact that the same section in the council is experiencing considerable problems with two significant projects? At what point will she and the Minister decide to step in and assume responsibility because the council is not handling the projects properly?

Ms Geraldine Tallon: The situations are different. I have a considerable interest in the Ringsend wastewater treatment plant as well as a considerable responsibility for the spend on same, as it forms part of the public capital programme. I am not fully up to speed, but I am familiar with the background to the issues involved, namely, the design, the capacity, overloading, the need for further treatment, etc. It is not fair to compare the two projects or to conclude automatically that, given the problems at Ringsend and the difficulty with the Poolbeg incinerator, there is serious fault within the management of Dublin City Council.

Deputy Eoghan Murphy: Both projects are handled by the exact same department in the exact same local authority and are in the exact same area - namely, the Poolbeg Peninsula - yet this does not concern Ms Tallon.

Ms Geraldine Tallon: They are very different projects.

Deputy Eoghan Murphy: I know, but surely Ms Tallon must be concerned. These two projects were significant problems for Dublin City Council before I became involved in politics, and they still are. It is not a coincidence. They have been run by the same department of the same council.

Ms Geraldine Tallon: They are different projects with-----

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Deputy Eoghan Murphy: One is an incinerator and the other is a wastewater treatment plant; I know they are different projects.

Ms Geraldine Tallon: -----different considerations in each case. I am concerned about this report, the findings and the manager's response. I have made clear that I expect to see a thorough assessment by the Dublin audit committee and a further response from the manager. He gave an initial response at a broad yet sufficient level. It was a detailed response to the city council on Monday night. That is where accountability for taking this matter forward lies.

Deputy Eoghan Murphy: I am given-----

Chairman: We must conclude. We have given this issue a fair hearing.

Deputy Eoghan Murphy: I have more points.

Chairman: We must leave by 2.30 p.m.

Deputy Eoghan Murphy: I appreciate Ms Tallon's concern, but my problem is that it has not been present previously. The problem with financial and governance weaknesses did not just appear from out of the air. They have always been there.

I will make two final points on the city manager's response. When he refers to the delays and why the client representative costs overran, my interpretation is that blame is being placed on the fact that the project was submitted to public scrutiny. I will not ask Ms Tallon to comment, but I would not accept any such viewpoint.

I am alarmed by the second last paragraph on page 22, which reads: "Arrangements have now been put in place to engage separate Client Representative services for the Construction and Commissioning phase of the project." The client representative services have overrun by 200% to date, are in breach of procurement guidelines and have been run appallingly. No one in the area, elected or non-elected, believes they should be used. Currently, there is no private financing for them. Money is being spent, yet the manager's response to the report is to continue spending money on client representative services, which comprise only a part of the project. We are not even discussing the build. This is frustrating. I wished to make this point because our committee has a responsibility in this regard. Ms Tallon stated that she had concerns and an interest, but she also has responsibility. The committee must keep this project on its radar until it is concluded and finally, I hope, put to bed. Where public money is concerned, there is a tendency not to admit when it has been spent badly. We should not throw good money after bad.

Chairman: I will wrap up this part of the meeting. While Deputy Murphy asked the questions and Ms Tallon kindly went through the details with him, these concerns are shared by other members of the committee. It is important that we see the report. As Deputy Murphy requested, we will keep the project on the radar. There is a concern about the level of spending. I could go into detail in terms of the report before us, but Ms Tallon has given us her time and a fair hearing. We will return to the matter. When she has the other report, she might make it available to us.

I have a series of questions, but it is too late.

Deputy Eoghan Murphy: The Chair normally gets in before me.

Chairman: I was giving the Deputy a chance.

Deputy Eoghan Murphy: I thank the Chairman.

Chairman: Actually, it was difficult to stop the Deputy.

Deputy Eoghan Murphy: I warned the Chairman.

Chairman: Yes. Given the keen interest in the local government audit, as expressed by Deputy O'Donnell - I, too, have a keen interest in this issue - we will come back to the issue again in the new year. I propose to leave chapters 6 and 16 open and to deal further with them and the EPA early next year. We will come back to these issues again in terms of local government audit, in particular the review of the local government audit service and Office of the Comptroller and Auditor General, the report on which, it appears to me, had not been finalised when the announcement about the new audit service was made. There are issues in this regard which require further address, including the indebtedness of local authorities generally.

Perhaps Ms Tallon would forward a note to the committee on the debt levels in each local authority area. We have already received a note in respect of commercial rates and water. Perhaps Ms Tallon would indicate in that note the percentage collected each year in respect of local authority rent and whether the amount is decreasing owing to arrears and so on.

I sympathise with Deputy Deasy in regard to the city status issue. I wish him luck in that regard. I hope Waterford is not as short changed as was Kilkenny when its city status was being debated. Kilkenny believed itself to be a city and wanted this acknowledged in legislation. However, despite that we believed we had won that debate we discovered in the small print that it would have that status for ceremonial purposes only. The devil is in the detail of the legislation, as well as everything else.

I would also welcome comment from Ms Tallon, although not today, on the McLoughlin and McCarthy reports. I am putting them on the record today so that we can revisit them again. They are of concern to me.

As I stated, chapters 6 and 16 will remain open. I thank the witnesses for attending today's meeting.

The witnesses withdrew.

The committee adjourned at 2.35 p.m. until 10 a.m. on 13 December 2012.