

**Draft**

**OFFICE OF PUBLIC WORKS**

**VOTE 10**

**Comprehensive Expenditure Review**

**2012 – 2016**

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**Executive Summary:**

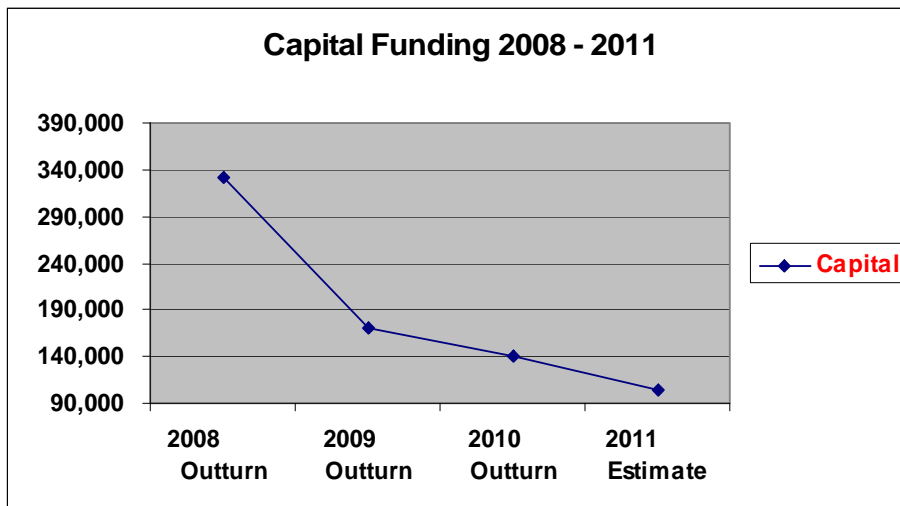
The Department of Public Expenditure and Reform (“the Department”) has requested all Government Departments to carry out a comprehensive review of expenditure in the context of recent economic difficulties.

The Office of Public Works (“the Office”) has reviewed its own functions and activities to align them with the reduced resources available and to ensure allocations are directed towards investments which can have the greatest economic and social impact.

However, in tandem with the internal review, the Office is well aware of it’s key role in facilitating the shared services provided to other Government Departments and the public particularly in the areas of accommodation, procurement and flood risk management. While efficiency gains have been introduced within the Office it is critical that the Office continues to facilitate other Departments and Local Authorities in achieving efficiencies and protecting essential services as far as possible with reduced resources.

The OPW Vote allocation has been severely cut over the last number of years and any further reduction of funding – in particular capital funding – will prevent the OPW from fulfilling its core functions particularly in the areas of Flood Risk Management and Estate Portfolio Management, which includes the Heritage buildings.

- The OPW Gross Vote (excluding NCC) has been reduced by 43% from €634.861m, in 2008, to €359.884m in 2011.
- Capital funding is now €103.8m - down from €31.536m in 2008 (excluding NCC) - a reduction of nearly 70%.



OPW has three programmes on Vote 10 two of which are **capital funding** dependant.

- The **Flood Risk Management** function in the Office has spent the last number of years developing the capacity to ensure a comprehensive and holistic approach to flood prevention in Ireland. A reduction in expenditure in the period to 2016 could be achieved by delaying (or cancelling) one or several of the schemes not already contractually committed and listed here: Mallow; Clonmel; Ennis; Fermoy; Carlow;

Waterford City; Bray; Templemore; Clontarf; Tullamore; Enniscorthy; Claregalway; River Dodder; Arklow; Bandon; Cork City; Skibbereen; Dunkellin. The impact of this however would be a continued exposure in these towns and communities to flood risk and the associated damage and economic losses.

It is important to note that each scheme is subject of a full cost/benefit appraisal and the average benefit/cost ratio across the programme is in excess of 4 to 1.

In light of recent severe flooding throughout the country, particularly in 2009/2010, there is public expectation that these schemes will progress and considerable public opposition to any could be expected.

The Flood Risk Management programme is currently unable to place Bray Flood Relief Scheme in 2011 due to uncertainty of funding in 2012.

- **Estate Portfolio Management** contains capital funding for the maintenance, repair and construction of building stock to provide accommodation to Government Departments and other agencies. Reductions in the capital funding to date has compelled OPW to focus almost exclusively on works to preserve, and replace where necessary, building fabric (roofs, structure, mechanical and electrical systems, accessibility etc) on the 2,000 plus State buildings (including Garda occupied premises) for which the Office is responsible.

Unitary payments on the NCC are pre-ordained and already contractually committed.

The Forensic Science Laboratory projects, Kevin Street Garda and National Library Repository are ready to be placed but cannot due to restrictions on funding.

In common with other construction projects there is an employment dimension to the civil engineering and building projects which the OPW manages to deliver the programmes discussed above and is referred to at Appendix 7.

On the **current side** the OPW have refocused all functions of the Office to deal with essential priorities of Government. The remaining current resources are now concentrated in these areas in order to meet the imposed reductions in allocation. However, any further reductions in funding will:

- jeopardise the upkeep of the fabric of prestigious and operational buildings leading to an increase in repair / reinstatement works at a future date, and additionally create the risk of future liabilities for the State in the area of health and safety terms;
- limit the ability to continue with the successful office rationalisation programme in Dublin which has yielded significant immediate and long term savings for the Exchequer;
- reduce public events and opening hours of heritage sites despite the obvious positive impact on tourism of the efficient running of the services and the potential for growth in the Cultural Tourism area.

Despite the above, OPW will surrender the imposed savings on the current side of the Vote to meet the required €5m adjustment in 2012 and a further €4m in 2013 and €4m in 2014. The main part of the reduction will be on the Rents Subhead with pro rata reductions in all other areas of the Vote.

**Any reductions in capital investment are not sustainable and will impact on the Offices ability to secure the State property portfolio, meet contractual commitments, limit the damage to the public and businesses from flooding events and deliver long term savings to the Exchequer.**

## 1. Core functions of OPW:

The Office of Public Works (OPW) is charged with the administration and execution of a number of separate and diverse areas of Government services accounted for in three main areas. These and their objectives are:-

**Flood Risk Management** – To minimise the flood risk exposure of households and businesses from fluvial and coastal flooding;

**Estate Portfolio Management** - To manage, maintain and develop the State's property portfolio.

**National Procurement Services** – to leverage value for the State through Strategic purchasing, education and the development of a centre of expertise as a support to State agencies.

**Corporate Services** The primary functions is supported centrally by Corporate Services.

### Vote 10:

The gross allocation for the OPW in 2011 amounts to €378.753m (Vote 10).

|                                   | 2011 REV | 2012  | 2013  | 2014  |
|-----------------------------------|----------|-------|-------|-------|
|                                   |          |       |       |       |
| <b>Capital Allocation</b>         | €19m     | €20m  | €20m  | €20m  |
|                                   |          |       |       |       |
| <b>Current Allocation</b>         | €286m    | €286m | €286m | €286  |
| <b>Current Reduction Sought</b>   |          | €5m   | €9m   | €3m   |
| <b>Reduced Current Allocation</b> |          | €281m | €277m | €273m |

### Agency Services:

OPW services are generally delivered from Voted funds. The OPW Vote however does not represent the full scope of OPW activities. A significant element of funding is also managed on behalf of other Departments using monies voted directly to them by the Oireachtas and therefore not specifically included here. These were valued at €102m in 2010. The priorities for this element of funding will be reviewed as part of the relevant Departments' own comprehensive reviews.

### Non OPW Voted Expenditure 2008 – 2010:

|                             | 2008   | 2009   | 2010   |
|-----------------------------|--------|--------|--------|
|                             | €000   | €000   | €000   |
| <b>Sundry Works</b>         | 66.156 | 68.859 | 61.178 |
| <b>Property Maintenance</b> | 29.870 | 20.081 | 21.169 |
| <b>Sundry Rents</b>         | 16.135 | 16.360 | 15.252 |

|                      |                |                |                |
|----------------------|----------------|----------------|----------------|
| <b>Miscellaneous</b> | 0.000          | 5.410          | 4.819          |
| <b>Totals</b>        | <b>112.161</b> | <b>110.710</b> | <b>102.420</b> |

**Other Services:**

The Office also performs specific roles accounted for elsewhere which demand OPW input and resources on a continuing basis e.g.

- advising on architectural matters
- developing sustainable energy options
- conducting universal access audits
- examining and implementing flood protection proposals
- sourcing, assessment and acquisition of sites for primary schools
- procurement issues related to specific projects (e.g. Thornton Hall Prison, National Concert Hall, National Conference Centre, the Irish Jouth Justice facility at Oberstown, Lusk).
- Art Management within the State portfolio
- administration of the Local Loans Fund
- certification of certain sports grants on behalf of the Department of Arts, Heritage and Gaeltacht.

These functions demonstrate and reinforce the “shared service” nature of the Office only possible through the cross functional capacity of the OPW staffing cadre. However, any measures of outputs of the Office must take cognisance of these functions when, examining the resource inputs consumed by the Office.

**Architectural Services:**

While the service does not have a budget per se it has been reviewed on an ongoing basis over the past number of years. The focus of the service has now shifted from major projects, assisted by the private sector for about 50% of the workload, to predominant reliance on the in-house service. While three major projects are still being handled in-house i.e. Forensic Science Laboratory, Thornton Hall Prison and Lusk Detention Centre as well as a number of smaller projects, resources are now also being directed to attend to the many aspects of the estate portfolio that were somewhat under-resourced in busier times. In support of OPW's duty of care, particularly to its heritage buildings and protected structures, and its obligations under legislative enactments and government policy, resources are being assigned to the following activities:

- Buildings utilisation and occupational surveys supporting the property rationalisation programme.
- Full condition surveys and reporting on the existing owned estate.
- Establishing a programme of planned maintenance for all buildings.
- Upgrading the energy efficiency of the owned estate.
- Master planning controls for future developments particularly in multi-building complexes.
- All works, planning and controls associated with the portfolio of Special Buildings.
- Execution of the programme of planned maintenance and minor capital works related to available funding.
- Conservation research and studies and planned essential works for protected historic properties.
- All upgradings to meet the requirements of the Disability Act 2005.

## 2. Format of Review and Reform in OPW:

The structure of the review in OPW was based on the 2011 pilot estimates. In essence, the new Estimate presentation attempts to align input resources – i.e. staff and money – with demonstrated tangible outputs – for each of the main areas of OPW activity. This has facilitated the publication of meaningful output targets and impact or performance indicators for rationalised programmes in the Estimates.

The OPW programmes in 2011 are

### **A - Flood Risk Management (€59.444m)**

*To advise Government in relation to policy development and legislative requirements for flood risk management. To develop programmes and measures to reduce the national level of flood risk to people, businesses, infrastructure and the environment.*

To deliver this outcome we have set the following objectives:

- Identify flood risk across the country on a river catchment basis.
- Prioritise measures, structural and non-structural, to manage the risk
- Deliver strategic information support to other bodies particularly Local Authorities (LA's) in their Planning & Development and Emergency Response roles.
- Reduce the existing level of risk through major and minor capital works schemes, primarily for centres of population.
- Deliver the requirements of the EU Floods Directive.

### **B - National Procurement Service (€0.962m)**

*Through the provision of professional procurement services and advice the NPS will ensure that the public service can efficiently and effectively access the best value goods and services in a legally compliant manner thus enabling the provision of superior public services.*

To deliver this outcome we have set the following high level goals:

- Optimum efficiency and effectiveness in Strategic Sourcing.
- Provision of a learning, development & guidance opportunities for public service customers and suppliers.
- Development of an eProcurement platform as a major channel for business transactions.

### **C - Estate Portfolio Management (€298.394m)**

*High Level Goals:*

*To manage the State's property portfolio effectively, ensuring that its potential is maximised and that it is used efficiently in terms of value for money, sustainability, space and energy consumption.*

*To implement programmes and projects to provide built accommodation and facility solutions for Government and State clients whether in new, existing or rented premises.*

*To manage the State's Heritage and Cultural property portfolio in a manner that conserves and protects while maximising and improving public access, presenting the sites to best advantage and ensuring that visitor enjoyment and education experiences are enhanced.*

### **Reform in the OPW:**

This review in the OPW is being undertaken against a background of ongoing reform within the Office in recent years. While all Departments have been asked to undertake a comprehensive review of expenditure for 2012-2016 it is worth noting that, in recent years, the OPW has made a very substantial contribution to savings already achieved in Government expenditure.

The Office actively reviews expenditure in all areas of Voted and Agency funding on an ongoing basis in order to remain within reduced resource allocations which in recent years have far outweighed the average reductions across all Departments. The OPW has endeavoured to implement innovative and creative responses to the reduction in its resources.

Examples of the OPW's ongoing reform agenda are identified throughout the review but some primary examples are:

- **the rationalisation of the office accommodation portfolio** particularly within the greater Dublin area on foot of the opportunities presented by the decentralisation project. The reduction in State rents which includes an element of early buy out penalties for lease surrenders has been significant in recent years and further opportunities will present themselves in the coming years. **However in order to avail of the opportunities presented by lease breaks and space rationalisation there will be a need for upfront investment to cover costs of dilapidations on surrender of leaseholds and fit-outs of new less expensive buildings. A directive role for OPW in implementing these changes is also seen as critical to the continued success of the rationalisation programme.**
- The benefit of applying a consolidated approach to the State rental obligations has been demonstrated in recent years. A similar approach is being advocated in the proposals to strengthen the shared service aspect of our property maintenance service by **centralising the essential maintenance function relating to the fabric of state owned buildings** within that service. The establishment of maintenance priorities centrally, using risk management and cost benefit measures, is considered the most prudent approach to safeguarding the State's property portfolio. The Office has written to your Department in recent months with proposed reforms in this area (Finance Circular 1/94).
- The **National Procurement Service (NPS)** is a shared service provided by the OPW. Through the provision of professional procurement services and advice, it assists central Government Departments and Agencies to efficiently and effectively access the best value goods and services in a legally compliant manner. Since it was established in 2009, the NPS has overseen and supported Government Departments in making savings in the order of €1 million across the public sector.

### 3. Funding 2008-2011:

It is important to recognise that OPW has been to the forefront of introducing significant reforms in the past number of years in order to remain within reducing allocations. These have allowed OPW to refocus resources on core activities and in some areas have facilitated funding reductions across all Departments with the introduction of shared procurement services and more efficient and effective Government accommodation.

#### **Funding from 2008 - 2011**

|                             | <b>2008<br/>Outturn</b> | <b>2009<br/>Outturn</b> | <b>2010<br/>Outturn</b> | <b>2011<br/>Estimate</b> | <b>2012<br/>Estimate</b> | <b>2008 -<br/>2011 %<br/>Decrease</b> |
|-----------------------------|-------------------------|-------------------------|-------------------------|--------------------------|--------------------------|---------------------------------------|
| <b>Pay</b>                  | 112,457                 | 106,644                 | 97,277                  | 97,293                   | 95,920                   | -13.48%                               |
| <b>Capital</b>              | 331,536                 | 171,308                 | 139,750                 | 103,800                  | 98,363                   | -68.69%                               |
| <b>Current-<br/>Non Pay</b> | 190,868                 | 200,400                 | 175,352                 | 158,791                  | 156,551                  | -16.81%                               |
| <b>Total</b>                | <b>634,861</b>          | <b>478,352</b>          | <b>412,379</b>          | <b>359,884</b>           | <b>350,834</b>           | <b>-43.31%</b>                        |
| <b>Staff<br/>Numbers</b>    | 2,140                   | 1,907                   | 1,830                   | 1,813                    | *1,853                   | -15.28%                               |

*Excludes NCC payments*

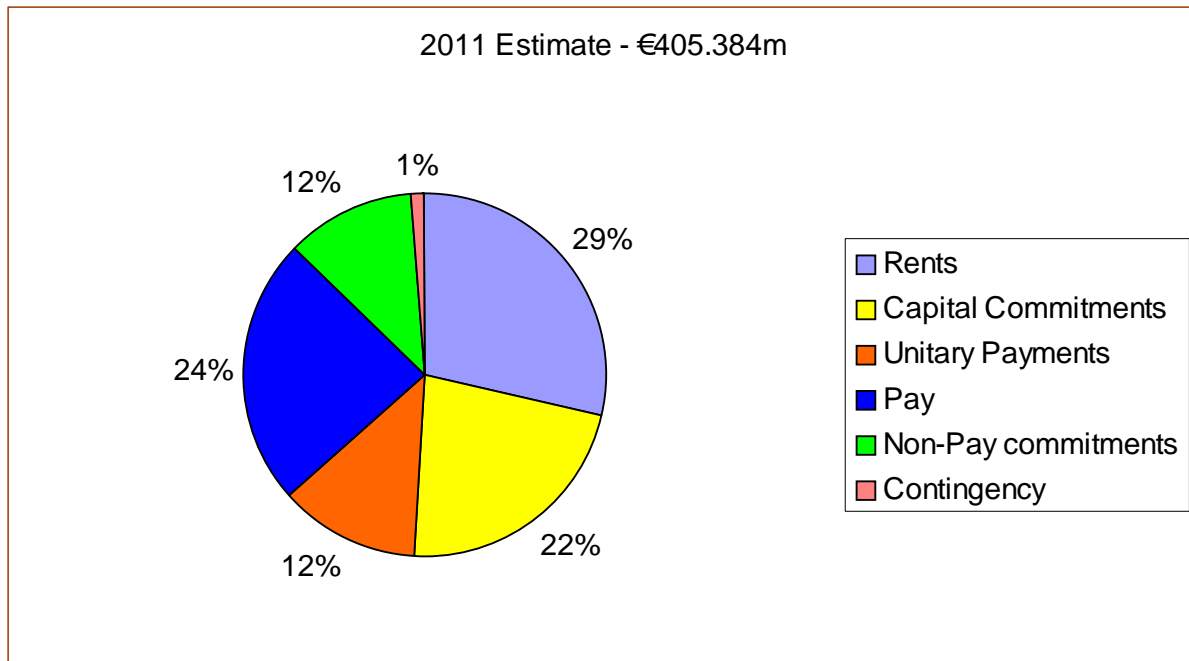
*Includes Admin & Capital Carryforward*

*Staff number at 31 March 2011*

*\* Staff ceiling*

#### **2011 Allocations**

The pie chart below demonstrates OPW's commitments in 2011.



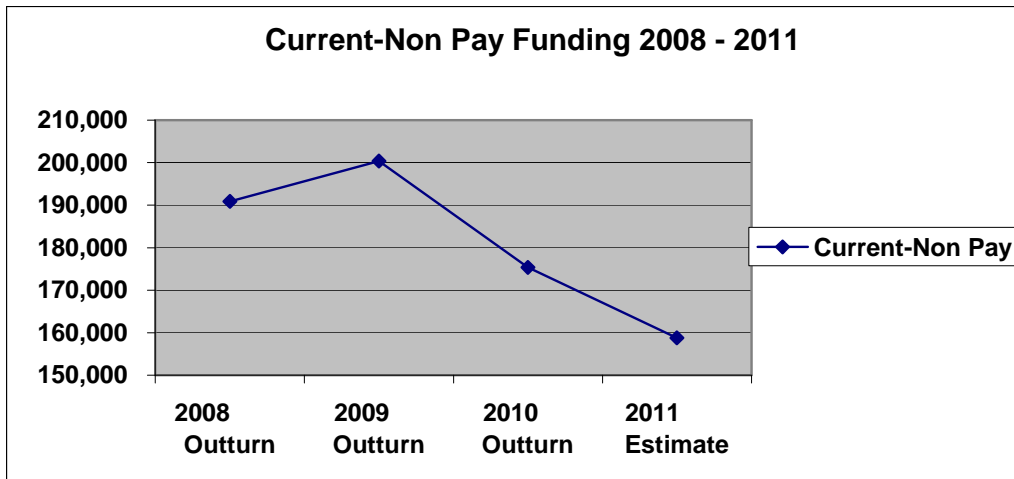
The non-committed funding of less than 1%, which is held as a contingency, on the Vote illustrates the difficulties in remaining within allocation in 2011. Unanticipated expenditure items - which are commonly accommodated on Vote 10 - could potentially result in an overall excess on the Vote totalling €8m in 2011 are illustrated below:

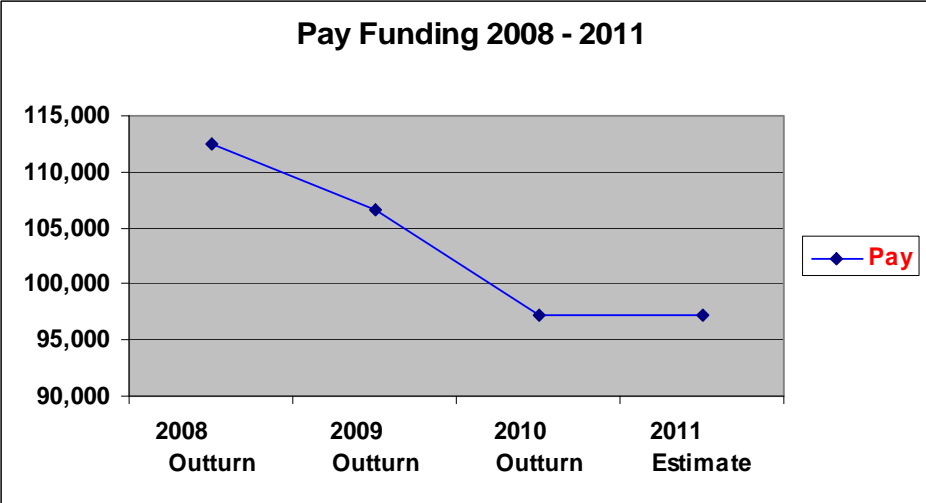
|                          |                                          |   |               |
|--------------------------|------------------------------------------|---|---------------|
| <b>Unitary Payments</b>  | - Subhead C11 (formerly F6)              | - | <b>€3.7m</b>  |
| <b>Rents, Rates etc</b>  | - Subhead C9 (formerly F3)               | - | <b>€1.5m</b>  |
| <b>Vacant Properties</b> | - Subhead C10 (formerly F4)              | - | <b>€0.4m</b>  |
| <b>State Visits</b>      | - Subhead C7 and C8 (formerly E and F1)- |   | <b>€2.45m</b> |

As your Department is aware the unitary payments are unavoidable and relate to outstanding VAT liabilities to the Revenue Commissions which are contractual commitments by Government as advised to OPW by the NDFA.

The cost of the State visits by the Queen of England and the President of the United States of America which have been widely praised will be in the region of the €2.45m estimate provided to your Department and will be incurred on a number of Subheads. Spend to date is €2.1m.

No provision is included in 2011 or future years for dilapidations claims or fit-out costs relating to the ongoing programme of lease surrenders.





#### 4. A. Flood Risk Management (€59.444m)

##### 2011 Allocation

| Subhead                                         | Current       | Capital       | Total         |
|-------------------------------------------------|---------------|---------------|---------------|
|                                                 | €000          | €000          | €000          |
| A.3 - Purchase of Engineering Plant & machinery |               | 800           | 800           |
| A.4 - Hydrometric & Hydrological & Moniroting   | 1,410         |               | 1,410         |
| A.5 - Flood Risk Management                     |               | 41,000        | 41,000        |
| A.6 - Drainage Maintenance                      | 16,234        |               | 16,234        |
| <b>Total</b>                                    | <b>17,644</b> | <b>41,800</b> | <b>59,444</b> |

##### High Level Goal:

The policy outcome of the Flood Risk Management (FRM) programme is

*To advise Government in relation to policy development and legislative requirements for flood risk management. To develop programmes and measures to reduce the national level of flood risk to people, businesses, infrastructure and the environment.*

To deliver this outcome we have set the following objectives:

- Identify flood risk across the country on a river catchment basis.
- Prioritise measures, structural and non-structural, to manage the risk
- Deliver strategic information support to other bodies particularly Local Authorities (LA's) in their Planning & Development and Emergency Response roles.
- Reduce the existing level of risk through major and minor capital works schemes, primarily for centres of population.
- Deliver the requirements of the EU Floods Directive.

##### Rationale, Objectives and Continuing Relevance

The objective of the Flood Risk Management Programme is to effectively address both existing and potential future flood risk throughout the State in line with national flood policy and the requirements of the EU Floods Directive. Experience over the last number of years and predicted climate change impacts, indicate that there is a continuing need to manage flood risk at a national level.

##### Programme Benefits

The benefits of the Programme include

- Lessens risk to life and health.
- Reduces disruption and damage to households, businesses, infrastructure and agriculture.
- Impacts positively on availability of commercial and individual flood insurance.
- Assists planners in ensuring more sustainable future development.
- Enables effective targeting of the State's future flood risk management investment.

## **Programme Effectiveness**

### *Strategic Assessment*

The principal work programme to deliver the FRM programme is the Catchment Flood Risk Assessment and Management (CFRAM) process. The outputs from a CFRAM study is a Flood Risk Management Plan, which includes identification of existing and future flood risk, flood maps and a prioritised set of measures to manage the risk in the river catchment, assigning responsibilities to OPW, LAs and other bodies as appropriate.

There is a framework contract in place to appoint consulting firms to deliver the CFRAM plans. Three contracts have been placed to date, with the remainder to be paced by end 2011, including the cross-border catchments with Northern Ireland. The timescale for delivery of the set of Plans is to meet the EU Directive requirements.

The catchment-based approach of the CFRAM Studies represents savings to the state of in excess of €15m through economies of scale when compared against the approach taken to date whereby individual flood risk locations were assessed through individual projects. There are, in addition, very significant savings whereby many flood risk assessments that would otherwise be required on a county-by-county or town-by-town basis for the preparation of Development or Local Area Plans are being delivered centrally through the CFRAM Programme.

The investment cost of the programme is €5m per annum for the period 2011 to 2015 inclusive, and is the main priority for the Flood Risk Management Programme. The investment outlined is the minimum required to meet the statutory obligations arising from the transposition of the EU Floods Directive into Irish law through SI No. 122 of 2010.

### *Capital Investment to Address Existing Risk*

- The existing flood risk is ameliorated through a programme of capital flood relief schemes. Each scheme is subject of a full cost/benefit appraisal and the average benefit/cost ratio is in excess of 4 to 1 across the programme. The most recent Ennis has a Cost benefit ratio of 13.4:1.
- Various mechanisms are used to deliver the schemes most effectively. These include
  - OPW schemes through construction contract or by direct managed works,
  - LA as contracting authority with OPW funding, or
  - works in conjunction with other LA schemes such as main drainage contracts.
- There are currently a total of 33 schemes in the Programme at present, at a total budget cost in excess of €350m. Of these, 12 are under construction or nearing completion, 8 are scheduled to commence construction during 2011, 8 are scheduled to commence construction in 2012 / 2013 and 5 are at various stages of planning.
- Non-structural measures such as providing on-line information and data to people and businesses at risk of flooding, and providing on-line information on historic floods, are also supported through the Programme.

## **Programme Efficiency**

The output from each CFRAM process is a Flood Risk Management Plan setting out a prioritised set of measures to manage the flood risk in the catchment area. It includes sets of flood maps to support the planning and development decision-making process, the development of emergency response plans and provides information on flood extents to the public at large on-line. Information on the extent and probability of flood risk at a national level is important for a range of state

services.

The capital schemes deliver a reduction in the level of flood risk in the town/city in question to an internationally accepted level of risk. A full cost/benefit analysis and environmental impact assessment is carried out.

Through the outsourcing model developed, we have delivered the service envisaged in the Implementation Plan for the Flood Policy Review without recourse to the full staff resources identified in the Plan.

### Previous Evaluations

A VFM study was completed in 1999 on the Arterial Drainage Maintenance programme showing 13.6:1 benefit: cost ratio for the programme.

A 2008 Value for Money review by Goodbody Economic Consultants concluded that project appraisal of OPW major flood relief schemes exceeded Department of Finance requirements. The study identified improvements in project management processes, which have, in the main, been implemented.

### Expenditure Assessments

The effects of reducing the capital allocation to Flood Risk Management for 2012 below the 2011 allocation would include

- Continued exposure to flood risk in the areas such as Waterford, Bray, Claregalway Templemore and Clontarf along with significant reduction in projects availing of the Minor Works funding
- Projects at an advanced stage of design and public consultation would not be placed, such as Bandon, Skibbereen, Dunkellin and the River Lee in Cork City.
- Significant level of adverse public reaction
- Increased insurance costs or unavailability of cover for affected businesses and homes.

|                                            | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------------------------------|------|------|------|------|------|
| Allocation                                 | €45m |      |      |      |      |
| Contractual Commitments                    | €36m | €19m | €10m | €8m  | €2m  |
| Projects scheduled to be placed in 2011    | €12m | €22m | €18m | €15m | €6m  |
| <b>Total</b>                               | €48m | €41m | €28m | €23m | €8m  |
| Projects to be advanced and placed in 2012 | -    | €10m | €8m  | €2m  | N/A  |
| <b>Total</b>                               | €48m | €51m | €36m | €25m |      |

*\* Does not include projects due to commence in 2013*

## Options for Capital Savings

A reduction in expenditure in the period to 2016 could be achieved by delaying (or cancelling) one or several of the schemes not already contractually committed and listed here: Mallow; Clonmel; Ennis; Fermoy; Carlow; Waterford City; Bray; Templemore; Clontarf; Tullamore; Enniscorthy; Claregalway; River Dodder; Arklow; Bandon; Cork City; Skibbereen; Dunkellin.

In light of recent severe flooding throughout the country, particularly in 2009/2010, there is public expectation that these schemes will progress and considerable public opposition could be expected.

If the allocation for 2012 remains at €41m (i.e. this year's allocation excluding 2010 carryover) it would mean that not all of the pre-works stage schemes could proceed this year or that the Minor Flood Mitigation Works Scheme would have to be substantially curtailed. If the allocation were cut to 70%, several of these schemes and / or the Minor Works scheme would be affected. The deceleration of the programme at this critical stage would in fact jeopardise the investment in resources in recent years in developing the capacity to undertake schemes and would also result in very negative publicity for Government.

Even if the allocations for each of the years to 2016 were to remain at this year's level, it will be necessary to extend the timelines for schemes currently in the Programme. It would not be possible to advance substantially additional schemes e.g. those that may emanate from recommendations of ongoing CFRAM programme.

## Potential Implications of further reductions

### Capital

- Delay or cancellation in delivery of the capital and minor works programmes resulting in continued exposure to flood risk and adverse public reaction.
- Reduced capacity to advance further schemes, arising from the outputs of Catchment Flood Risk Management Plans.
- Prohibitive cost, or unavailability, of flood cover in at-risk areas and general increased cost of insurance premia to the public and businesses due to losses from flooding.
- Increased national requirement for emergency response and humanitarian aid arising from flood events.
- Failure to prepare for adaptations to climate change.
- Loss or disruption of economic activity.
- The current level of capital expenditure is delivering a significant return in damage avoided and economic activity arising from investment in schemes, and, in terms of the aggregate level of exposure, represents a low level of investment on a national scale.

### *Staffing:*

The number of major schemes in hand overall has increased by more than 60% in the past two years while the number of staff administering them has reduced slightly. Further staff reductions are not considered feasible.

## **Current expenditure**

### ***Maintenance of existing schemes and Data Collection [Subheads A3, A5 and A6]***

Under the Arterial Drainage 1945 and 1995 Acts and the Coast Protection Act 1963, the OPW is required to maintain completed schemes in effective condition. This provision includes maintenance of flood relief schemes in urban areas completed under the 1995 amendment to the 1945 Act and coastal protection schemes constructed under the 1963 Act (responsibility for the latter transferred in 2009 to OPW). These additional responsibilities are being addressed without additional resources.

Hydrometric data is required for the design, construction and monitoring of flood risk management infrastructure, and the operation of certain control structures. Such data is essential for the CFRAM process, and is also important at a national level in environmental and climate monitoring, and water resources management.

OPW's maintenance and hydrometric service is carried out through a number of regional offices employing a total of 280 permanent staff. Approximately 50 temporary staff are also employed during the summer.

A study by PriceWaterhouseCoopers / Ferguson McIlveen in 1999 concluded that the cost benefit ratio of drainage maintenance activities at that time was 1:11 and that enhanced maintenance would result in a ratio of 1:13.6. The maintenance programme was enhanced over subsequent years through substantial increases in productivity. OPW understands that changes in recent years in relation to EU farm payment schemes and concerns regarding food security would support the case for sustaining current maintenance levels.

A Strategic Review of the Hydro-meteorological Monitoring Programme completed in 2008 found that expansion of the existing hydro-meteorological network was required to meet the requirements arising from the Flood Policy Review and the EU Floods Directive, and would be cost-beneficial to the State.

### ***Options for Savings***

A target saving of 1.5% per annum or €0.265m of the current programme is being set for 2012 with similar reductions in each year in the period 2012 to 2015. This will be achieved through the recruitment moratorium, efficiencies in the operation of services delivered and further development of outsourcing arrangements.

### ***Expenditure:***

Expenditure on maintenance did not increase significantly over the last ten years and has fallen since 2008 by 16% (Table 1) and savings have been achieved in line with recent budgetary requirements. A review of the existing responsibilities arising from the legislation will be undertaken to identify if further savings can be achieved.

**Table 1****Maintenance Funding from 2008 - 2011**

|                                                                                  | <b>2008<br/>Outturn</b> | <b>2009<br/>Outturn</b> | <b>2010<br/>Outturn</b> | <b>2011<br/>Estimate</b> | <b>2008 - 2011<br/>% Decrease</b> |
|----------------------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|--------------------------|-----------------------------------|
|                                                                                  | <b>€000</b>             | <b>€000</b>             | <b>€000</b>             | <b>€000</b>              |                                   |
| <b>A.4 – Hydrometric &amp; Hydrological Investigations &amp; Monitoring (H1)</b> | 1.540                   | 1.396                   | 1.305                   | 1.410                    | -8.44%                            |
| <b>A.6 – Drainage Maintenance (H3)</b>                                           | 19.576                  | 17.713                  | 16.807                  | 16.234                   | -17.07%                           |
| <b>Total</b>                                                                     | <b>21.116</b>           | <b>19.109</b>           | <b>18.112</b>           | <b>17.644</b>            | <b>-16.44%</b>                    |

**Staffing:**

The structure and resources assigned to the maintenance and data collection area have been reviewed in 2010. The number of maintenance regions has been reduced from 4 to 3 providing savings on professional and technical staff numbers. The current moratorium has significantly reduced staff resources in this area and outsourcing is utilised for elements of the programme.

**Potential Implications of further reductions****Current**

- Failure to meet the minimum legal standards in relation to statutory maintenance responsibilities and increased flood risk.
- Adverse landowner reaction, including potential compensation claims.
- Potential risks arising from external legislation in the areas of environment, flooding and health & safety.
- Capacity to maintain core functions arising from loss of staff and failure to invest in fixed installations, plant and machinery.
- Inability to respond in an appropriate manner to extreme weather events.
- Loss of states investment in drainage schemes
- Loss of agricultural capacity.
- Failure to acquire key strategic datasets necessary for sustainable economic activity.

**2011 Output Targets for Flood Risk Management:**

- Complete major flood relief schemes in Fermoy North and Johnstown Co Kildare
- Continue major flood relief schemes in Mallow South and West, Clonmel North and East, Mornington, Carlow Phase A.
- Commence major flood relief schemes in Ennis Lower, Carlow Phase B and C, Bray, Phase 2B of River Dodder, Tullamore and Fermoy South.
- Commence flood relief schemes on Waterford City Phase 2, 3 and 4, Templemore and River Wad in Dublin, subject to third party approvals.
- Progress major flood relief schemes through design at Bandon, Claregalway, Dunkellin River Galway, Enniscorthy and the Lower River Lee in Cork City.
- Commence a major coastal flood defence scheme in Clontarf, Dublin, subject to third party approvals.
- Launch of a further Programme of Minor Coastal and Non-coastal works in 2011, and completion of 2010 allocations.

### Impact Indicators

|                                                                   | 2008   | 2009   | 2010   |
|-------------------------------------------------------------------|--------|--------|--------|
| 1. Number of major flood relief schemes at Construction stage     | 5      | 8      | 11     |
| 2. Number of major flood relief schemes At pre-construction stage | 10     | 9      | 14     |
| 3. Level of funding provided to Local Authorities                 | N/A    | €1.7m  | €9.9m  |
| 4. Number of Local Authority projects funded                      | N/A    | 42     | 193    |
| 5. Kilometres of drainage channel maintained                      | 2001km | 2010km | 1960km |
| 6. Number of bridges/structures repaired/replaced                 | 276    | 194    | 185    |
| 7. Kilometres of embankments maintained                           | 27km   | 39km   | 26km   |

### Ongoing Reforms:

- OPW is exploring using another State organisation's Fleet Management System rather than purchasing / developing its own system.
- Flood Mapping and related data is providing Local Authorities with important information not previously available (or not readily available) to them.
- Increased flexibility was introduced to optimise efficiency in implementation of flood mitigation measures in co-operation with Local Authorities e.g. measures identified by Joint OPW / Galway County Council (GCC) Group were funded by OPW and undertaken by OPW, GCC or OPW and GCC.

## 5. B. National Procurement Service (NPS) (€0.962m)

### *High Level Objective:*

*Through the provision of professional procurement services and advice the NPS will ensure that the public service can efficiently and effectively access the best value goods and services in a legally compliant manner thus enabling the provision of superior public services*

To deliver this outcome we have set the following high level goals:

- **Optimum efficiency and effectiveness in Strategic Sourcing**

To optimise the efficiency of, and the value for money obtainable from, all sourcing activities thus enabling our public service clients to gain access to quality goods and services to support their business processes.

- **Provision of a learning, development & guidance opportunities for public service customers and suppliers**

To facilitate the provision of learning, development and guidance opportunities that will assist both procurers and potential suppliers develop appropriate skills to enable them operate at optimum capacity in all procurement related business.

- **Development of an eProcurement platform as a major channel for business transactions.**

To ensure the availability of a world- class, eprocurement platform affording maximum visibility for procurement campaigns.

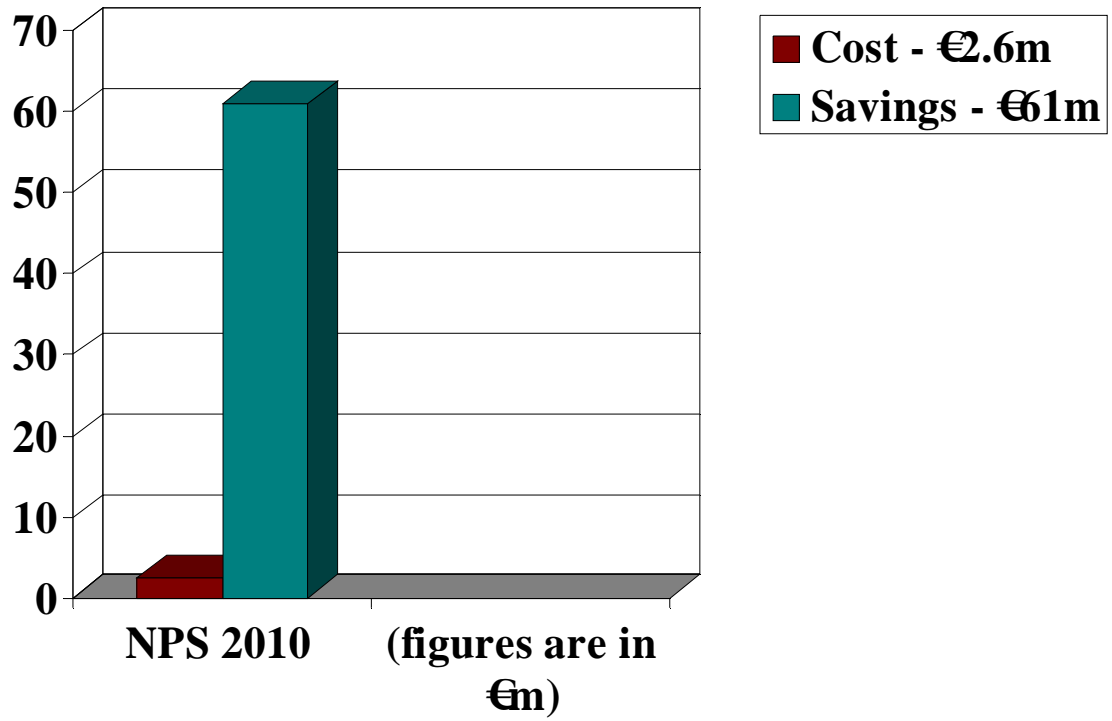
### **Rationale**

The establishment of the National Procurement Service (NPS) is part of an overall vision for Public Procurement, which sees policy and operational structures working together. The NPS has been tasked with centralising public sector procurement arrangements for common goods and services (excluding the construction sector) and since its establishment it has focused on achieving excellence in strategic procurement, the education and development of both buyers and suppliers and the advancement of electronic Procurement initiatives.

### **Efficiency**

Operating costs for the NPS are estimated at approximately €2.5 per year –excluding Publication Services. Since the NPS was established in 2009, it has overseen savings in the order of €1million across the public sector. This does not include the administrative savings associated with the availability of centralised contracts. NPS Contracts and Framework agreement are being used by over 173 Public Sector Bodies including Central Government, Local Authorities and 3rd Level Education Bodies. Energy contracts are also being used extensively at approximately 500 Health Service Executive (HSE) locations including Hospitals, Health Centres, Offices and Houses.

**NPS 2010 Expenditure vs Savings Achieved**



## **Outputs and Associated Outcomes**

### **Strategic Sourcing**

The categories of goods and services procured centrally by the NPS are being expanded ambitiously to maximise the economies of scale available from aggregation. It is anticipated that the value of these contracts will exceed €1 billion by end 2011. NPS national frameworks are available for commonly acquired goods and services, e.g. stationery supplies, paper, vehicles, advertising etc. and should be used by all public bodies as availability, and expiry of existing contracts, allow.

NPS Framework for ICT consumables will be available by end 2011. Also, managed print services and low value purchase cards will be available across the public sector by end 2011. This is subject to there being no legal challenges.

National energy contracts for electricity, gas and oil will be in place and will be used by 80% of public bodies by end 2011.

In the event of insufficient participation by public sector bodies with these contracts, mandatory use of NPS Frameworks/Contracts must be considered. Savings of up to 25% are possible on certain contracts yet the take up by public bodies has not yet exceeded 25% of users. The Minister for State has challenged all public bodies to avail of these contracts, at the earliest opportunity.

New Model / Standard Tender and Contract Documents are being disseminated for use by Central Government with a recommendation that they be adopted by all public bodies.

Standard Standstill Notices will be disseminated for use by all public bodies by end of 3<sup>rd</sup> Qtr 2011.

### **Outcomes:**

- Significantly reduced costs through a reduction in tendering / procurement processes and improved specification of requirements and improved stock management.
- Elimination of diverse contract practices
- Focus on Specification and Award Criteria
- Reduced requirement for out-sourced legal services
- Reduction in business costs
- Lower overheads that will be passed on to Taxpayer
- Assurance that EU and National Law is complied with

See Appendix 5 for details of existing frameworks and contracts put in place by the NPS, and those that will be established during the second half of 2011.

## **Client Education and Guidance**

The NPS has established itself as a centre of excellence for the provision of procurement advice, and for the implementation of procurement policy in line with best practice and Government initiatives, whilst ensuring compliance with EU Directives and National Legislation. To date the NPS has hosted over 35 Supplier and Buyer Education events. As a result over 1,000 Small and Medium Enterprises (SME's) have benefited from workshops and presentations across the country. Events include training re Standard Documents and Remedies Directive, continuation of Excellence in Procurement Seminars for Buyers and delivery of information sessions for suppliers. The NPS also closely collaborates with InterTrade Ireland, Enterprise Ireland and ISME, Winning in Tendering, IBEC, Chambers of Commerce and other bodies where upskilling can be fostered.

### **Outcome:**

- Administrative Savings across public sector as identified by international benchmarking
- Increased participation / competition for public sector contracts

## **eProcurement**

The development of e-procurement strategies in line with the EU Action Plan will continue to ensure standardisation of processes and administrative efficiencies for both public sector buyers and suppliers. The NPS have launched a new one-stop-shop website in April of this year covering all procurement needs ([www.procurement.ie](http://www.procurement.ie)), including information on accessing NPS contracts, guidance, legislation and forums to enable procurement knowledge to be widely shared amongst procurement professionals working in the Public Sector.

The NPS will also complete the upgrade and manage the operation of the new eTenders website by end of 2011. This is subject to there being no legal challenges.

The upgrade will include:

- tender submission and award facilities
- contract management facility
- eCatalogues
- eAuctions (reverse auctions).
- Suppliers will be able to maintain their company credentials through the National Supplier Register.

The yearly cost of running eTenders, €62,000, is a fraction of what it would cost to advertise the 5,000 tenders that appear on the website every year in national newspapers. This does not include the administrative savings achieved by being able to upload tender document electronically and the savings achieved by being able to target all relevant suppliers to ensure competitive tenders.

A National Multi-Stakeholder Forum on eInvoicing' was established by the NPS on 30 May 2011. It is the responsibility of the Forum to develop a strategy to promote e-invoicing at national level Appendix 4.

Outcome:

- Reduced costs through simplification of Procurement Process.
- eAuctions will enhance the competitive process and lead to better financial outcomes for the public sector, when used in appropriate markets.
- eContract Management will for the first time enable contracting authorities to monitor all their contracts from a central location leading to cost efficiencies.
- eInvoices could save businesses in Ireland €246m annually. This is an estimate (based on % of GDP based on European figures) and serves as an indication of the potential of eInvoicing.

**Staffing:**

The NPS has an authorised staffing level of 33. Taking into account vacancies, job sharing etc., the unit is currently working below its authorised level by 3.6 Full Time Equivalents. In order for the NPS to manage the contracts currently in place and to deliver on new markets, additional resources above its current authorised strength are now urgently required.

**Impact Indicators**

|                                                            | <b>2009</b> | <b>2010</b> |
|------------------------------------------------------------|-------------|-------------|
| 1. Savings achieved on existing public service contracts   | €29.3m      | €8.8m       |
| 2. Number/Value of framework contracts in place            | 14          | 27/€300m    |
| 3. Number of training initiatives for buyers and suppliers | 5           | 27          |
| 4. Number of registered users on eTenders                  | 57,723      | 67,023      |

Following the direct reduction of €9m on all Departmental procurement budgets, the NPS worked with all Departments and public bodies to achieve greater savings and efficiencies in their procurement activities.

A review of the Government Publication service is included at Appendix 4.

**Government Publications**

In parallel with this Comprehensive Expenditure Review, the Government Publications Office have carried out a review of the Government Publications Sales Office at Molesworth Street, Dublin 2.

The annual cost of running the Sales Office is circa €300,000 – staff and rent costs are responsible for most of this total.

The level of activity in terms of both the number of customers and the revenue from publications sold has declined during the past three years. In terms of the value of publications sold the trend during the last three years and a prediction for the current year is set out in the table below.

| <b><u>Year</u></b> | <b>Percentage Decline In Sales Revenue Compared To Previous Year</b> |
|--------------------|----------------------------------------------------------------------|
| 2008               | 13.30%                                                               |
| 2009               | 21.50%                                                               |

|      |               |
|------|---------------|
| 2010 | 24.50%        |
| 2011 | 7% (Estimate) |

The two main reasons for the decline are that Departments and the Houses of the Oireachtas are increasingly changing to publication on the web exclusively as an alternative to printing in the case of reports and similar communications thus reducing supply. The drop in economic activity has also affected demand.

Total revenue at the Sales Office for the year 2011 is expected to be in the region of €110,000. Footfall is not necessarily directly related to sales revenue in that some callers are just seeking general information. However, there has been a significant reduction in the number of members of the public visiting the Sales Office.

The general area served by the Sales Office is Dublin city and visitors to the Dublin 2 area from other parts of the country. A mail order service is provided by the Claremorris office for all other areas of the country. This is increasingly used by many customers based in Dublin who find it more convenient than calling to Molesworth Street in person. Orders are accepted by telephone, email and FAX. Payment may be made by Debit/Laser Card, Electronic Funds Transfer or cheque. The current Mail Order service in Claremorris has the capacity to serve the needs of Sales Office customers without additional resources. It could be extended by the addition of a web based shop if necessary and would provide a potential significant saving on lease costs in Dublin 2.

## 6. C. Estate Management Portfolio

### **High Level Goals:**

*To manage the State's property portfolio effectively, ensuring that its potential is maximised and that it is used efficiently in terms of value for money, sustainability, space and energy consumption.*

*To implement programmes and projects to provide built accommodation and facility solutions for Government and State clients whether in new, existing or rented premises.*

*To manage the State's Heritage and Cultural property portfolio in a manner that conserves and protects while maximising and improving public access, presenting the sites to best advantage and ensuring that visitor enjoyment and education experiences are enhanced*

The Estate Portfolio Management programme consists of a number of distinct functions in the estate management area as follows:

- (a) Property Management including Purchase of Sites and Buildings - C.6, 9 & 19
- (b) Project Management - C.7
- (c) Property Maintenance - C.8
- (d) Heritage Services - C.12
- (e) Unitary payments - C.11
- (f) Grants - Subhead C.1 & 2
- (g) Presidents Household Staff - C.3

**(a) Property Management:** The OPW is responsible for the accommodation needs of all Departments, while continuing to achieve best use of State property assets through a balance of ownership, leasing and disposal and to maintain and upkeep the State property portfolio.

| <b>Funding from 2008 - 2011</b>                | <b>€000</b>             | <b>€000</b>             | <b>€000</b>             | <b>€000</b>              |                                   |
|------------------------------------------------|-------------------------|-------------------------|-------------------------|--------------------------|-----------------------------------|
|                                                | <b>2008<br/>Outturn</b> | <b>2009<br/>Outturn</b> | <b>2010<br/>Outturn</b> | <b>2011<br/>Estimate</b> | <b>2008 - 2011<br/>% Decrease</b> |
| <b>C.6 - Purchase of Sites &amp; Buildings</b> | 38.920                  | 5.286                   | 8.193                   | 1.000                    | -97.43%                           |
| <b>C.9 - Rent, Rates etc</b>                   | 130.591                 | 148.994                 | 127.908                 | 115.944                  | -11.22%                           |
| <b>C.10 - Fuel, Electricity and Water</b>      | 1.837                   | 1.690                   | 1.706                   | 1.322                    | -28.03%                           |
| <b>Total</b>                                   | <b>171.348</b>          | <b>155.970</b>          | <b>137.807</b>          | <b>118.266</b>           | <b>-30.98%</b>                    |

The Office is particularly responsible for the management of rental space used to accommodate Government Departments. The annual allocation on Vote 10 for rents, rates etc in 2011 is €15.9m however the projected outturn is currently €17.5m.

The utilisation of space in office accommodation provided to Government Departments both in Dublin and provincially is now critical with the roll-out of decentralised accommodation. Economies in terms of space and cost, particularly in the Dublin area, is a crucial element of the property management function of the Office, and the OPW is aware of the importance and scale of the task, particularly in the current economic climate. As part of this ongoing exercise OPW is

pursuing a rationalisation strategy in relation to the central Dublin portfolio with a view to achieving significant savings in rent through lease surrenders.

Under the Programme for National Recovery OPW has been mandated to achieve savings of 15% on the rental budget. In this regard:

- Every lease that has a break clause or expiry date is being critically examined.
- OPW policy is to avail of break options/expiries unless there is an absolute business case for remaining in particular buildings.
- Accordingly, savings in Subhead F3 for the period 2012 – 2014, have been identified following an intensive review of properties available for lease surrender and rent reduction.

The total savings anticipated on a base requirement in 2011 of €16m will be as follows:

|                                  | 2012             | 2013             | 2014             |
|----------------------------------|------------------|------------------|------------------|
| <b>Surrenders</b>                | <b>3,610,648</b> | <b>3,702,755</b> | <b>2,053,678</b> |
| <b>Rent Reductions</b>           | <b>1,423,670</b> | <b>500,000</b>   | <b>500,000</b>   |
| <b>Total Saving</b>              | <b>5,202,655</b> | <b>4,279,836</b> | <b>2,977,101</b> |
| <b>LESS New Rent Requirement</b> | <b>699,000</b>   | <b>493,000</b>   | <b>250,000</b>   |
| <b>Nett Saving</b>               | <b>4,335,318</b> | <b>3,709,756</b> | <b>2,303,678</b> |

#### **Surrenders:**

High cost, long-term leases in Dublin City reaching expiry have been a particular focus for the relocation of occupants and surrender of leases. These include some high profile properties such as:

#### **Rent Reductions:**

In conjunction with the surrender of leases an ongoing programme of securing rent reductions is being pursued. In this regard while particular attention will be paid to Dublin City locations - rent reductions will be sought at all scheduled rent reviews, it is expected that gross savings of the order of €2.4 million should be achieved over the 2012 to 2014 timeframe.

#### **New Requirements:**

New lease requests for the period 2012 – 2014 will be subjected to stringent criteria, with a limited number of prioritised projects being identified, mainly for new Social Protection Local Offices and Garda accommodation. This provision will show a strong contraction over this three-year period. Rental costs for new leases will average approximately €500,000 per annum for each of the three years 2012 – 2014. This is significantly lower than in recent years (e.g. €1.4m in 2010) when many Departments were expanding their accommodation.

#### **Dilapidations:**

Appropriate provision must be made for minor fit-outs and dilapidations in order to pursue the surrender programme.

**Buy Outs**

On occasion, the opportunity for property acquisitions of existing leased properties may arise. The purchase of a premises at Clare Street, Dublin in 2010 for resulted in considerable savings in lease payments on the OPW Vote and is now a valuable asset in State ownership. Where similar opportunities materialise the availability of up front funding will be critical and may be sought on an individual case basis given that the investment can result in long term savings for the State.

**(b) Project Management:** A number of individual projects and ongoing programmes (over 740 projects are underway or in planning) will be managed in 2011 as part of the project development and management aspect of the programme, under Subhead C7 with an estimate of €55.5m in 2011 and €1.95m in 2012.

**C.7 Funding from 2008 - 2011**

|                                                       | <b>2008<br/>Outturn</b> | <b>2009<br/>Outturn</b> | <b>2010<br/>Outturn</b> | <b>2011<br/>Estimate</b> | <b>2008 - 2011<br/>% Decrease</b> |
|-------------------------------------------------------|-------------------------|-------------------------|-------------------------|--------------------------|-----------------------------------|
|                                                       | <b>€m</b>               | <b>€m</b>               | <b>€m</b>               | <b>€m</b>                |                                   |
| <b>C7 - New Works<br/>Alterations &amp; Additions</b> | 257.186                 | 120.591                 | 88.977                  | 55.500                   | -78.42%                           |

*Includes Capital Carryforward*

The above table shows the reduction in funding on Subhead C.7 from 2008. The significance of the reduction is that it will not be possible for OPW to proceed with large scale projects in the 2012 – 2016 period. Examples of projects which cannot proceed without ringfencing funding are

- Forensic Science Laboratory
- Kevin Street Garda Station
- Athlone Garda Station etc
- Wexford Garda Divisional HQ

With the already very significant reductions in the capital allocation under Subhead C7, down €201.7m from 2008 the focus of OPW has been on the undertaking of relatively small capital works primarily aimed at the preservation of the existing building and property stock in good serviceable condition rather than in the construction of new buildings. Examples of this are renewal of roof and building fabric, including mechanical and electrical services, at the National Gallery of Ireland, the National Archives premises Bishop Street, Leinster House, Johns Road Revenue Computer Centre, Kilkenny Garda Divisional HQ – there are many more.

The areas covered by Subhead C.7 can be defined under particular headings

| <b>Capital Expenditure</b> |                   |                                                      |                 |
|----------------------------|-------------------|------------------------------------------------------|-----------------|
| <b>Programme</b>           | <b>Spend 2010</b> | <b>Minimum<br/>Estimate<br/>Requirement<br/>2012</b> | <b>Appendix</b> |
|                            | <b>€m</b>         | <b>€m</b>                                            |                 |
| Culture Institutions       | 10.702            | 3.514                                                |                 |
| Garda                      | 12.459            | 15.810                                               |                 |

|                                                 |               |               |  |
|-------------------------------------------------|---------------|---------------|--|
| Office Refub/Fitout                             | 23.202        | 8.860         |  |
| M&E                                             | 16.885        | 2.382         |  |
| Heritage                                        | 6.929         | 6.721         |  |
| Universal Access                                | 0.863         | 1.367         |  |
| Health & Safety                                 | 0.953         | 1.155         |  |
| Decentralisation                                | 4.642         | 7.294         |  |
| Leinster House Programme                        | 1.979         | 1.180         |  |
| Department of Social & Family Affairs Programme | 0.423         | 0.019         |  |
| Department of Agriculture and Food Programme    | 0.033         | 0.423         |  |
| Minor New Works                                 | 9.870         | 6.775         |  |
| <b>Total</b>                                    | <b>88.940</b> | <b>55.500</b> |  |
| Other Projects in Planning                      |               | 50.00         |  |

### **Garda Programme :**

With the completion of new replacement Garda Stations at Ballincollig, Co Cork and Castleisland, Co Kerry, at the end of 2011, there will be no significant Garda Station building under construction come the commencement of 2012. If a higher level of funding was available we would be able to advance major Garda construction projects at Galway, Wexford and Kevin Street. However the scale of each of these projects is such that, was any one of them to be proceeded with, it would expend such a high proportion of the low funding resources available that we would be unable to undertake the higher number of smaller scale projects that have been prioritised by An Garda Siochana eg at Athlone, Glanmire, Blarney, Macroom, Kilkenny (accommodation for Assistant Commissioner and staff ), Dundrum, etc. There are in addition a large number of “ minor new works” prioritised by An Garda Siochana eg cell refurbishments to meet proper standards, accessibility works at older Station premises, necessary upgrades for operational requirements.

There is a necessary requirement for constant renewal at approximately 1,000 Garda operational premises ( 700 Garda Stations ) throughout the country and there are currently 20 projects in planning or ongoing on Garda premises. A detailed business case for projects in planning can be provided on request.

### **Office Refurbishment / Fitout :**

The proposed office rationalisation, referred to under Property Management, whereby rental properties are vacated when lease breaks and expiries permit, will necessitate expenditure to render replacement accommodation, be it State owned or leasehold, suitable for Departmental use. In addition there are a number of State owned office premises eg Sarsfield House, Limerick, Geological Survey premises, Beggars Bush, Department of Transport offices, Leeson Lane, where there are serious fabric deterioration issues that require remediation.

In common with the Garda Station portfolio there is also a necessary requirement for building services renewal eg replacement of obsolete alarm and intruder systems, lifts, heating and air conditioning plant, accessibility issues, insulation problems, inadequate toilet facilities. These are the normal needs of an office portfolio of the scale for which OPW is responsible.

Only one significant new office premises is planned for in the near future ( 2012 ) – the replacement of obsolete temporary buildings at Castlebar for the Department of Social Protection. Advancing projects such as new Driver Test facilities at Dundalk and new OPW Drainage facilities at Headford, Galway has been deferred until the funding position is clarified.

Detailed business cases can be provided on request.

### **Decentralisation :**

Pending a Government decision in regard to the Decentralisation programme generally, there is only one project currently under construction – offices for the Irish National Immigration Service for the Department of Justice at Tipperary. These are due for completion middle of 2012. Legacy costs relating to the handover of decentralised offices are dealt with below.

### **Heritage and Cultural Institution properties :**

Major fabric and renewal works are required at a number of the Cultural Institutions – IMMA, National Gallery, National Archives, National Library. There is also a programme of improvements at historic properties such as Dublin Castle to bring these buildings and facilities to a proper functional and operational standard to accommodate public access and user requirements which supports the tourism imperative which is a basic tenet of current Government policy. There are dozens of such properties, many requiring upgrade. These are prioritised by OPW in line with available resources. Appendix outlines the objectives, rationale etc of the programme.

### **Universal Access to Public Buildings :**

There is a continuing programme to render public buildings accessible in compliance with current legislation. This requires investment on a continuing basis. A detailed case for investment in the programme is at Appendix .

**(c) Property Maintenance:** A sum of €36.7m, half of which relates to the pay requirement of a direct labour force, primarily in Dublin, is provided under Subhead F1 in 2011 for property maintenance tasks in relation to a portfolio of 2611 assets with an estimated value in excess of €3bn. (*A separate exercise on estimating the value of State Property held by the Office is underway*).

The expenditure allocation in 2012 cannot be further eroded without serious risk to the fabric of buildings, leading to even greater repair and or reinstatement costs and emergency works. A potential risk is the standard of accommodation, particularly in older buildings. If this falls below the minimum health and safety and general access requirements the State as property owner, occupier and employer would be left in indefensible positions.

Potential implications of any adjustments would include:

- Considerable reduction in strategic care and management of the property and building stock.
- Exposure to Health & Safety risks through a reduction in the care of State property.
- Exposure to increased costs on unmaintained properties.
- Circular 1/94 provides that exempted buildings will have their maintenance costs met in full from Vote 10. These prestigious buildings involve very considerable expense which is met from Subhead F1. Any reduction of the allocation would negatively impact on the care and routine maintenance of these properties. Specifically, the proposed reduction, if applied to Subhead F1, would mean that significant health and safety works at exempted buildings

such as the National Gallery, National Museum, National Library, Leinster House etc. would be impacted. I refer to letters to your Department in recent months on the need to review Finance Circular 1/94.

Facility management services, will continue to be delivered at Dublin Castle Conference Centre, Farmleigh, Aras an Uachtarain, Castletown House, and Kilkenny Castle from within the allocation.

No provision has been provided on Vote 10 for the accommodation needs of Ireland's hosting of the EU Presidency in 2013.

### **Decentralisation**

Since 2005, twenty seven new decentralised offices have been occupied by Government Departments and Agencies. Seven of these offices are temporary leased offices for 'early-movers' to a permanent office now on-hold. The majority of these offices do not have completed documentation (safety file, digital project manual, fire register etc.) and have not been formally handed over to OPW Property Maintenance Section.

A number of these decentralised offices have persistent outstanding problems, which are unlikely to be resolved by contractors or developers, as many are no longer in business. This situation imposes a particular added workload for the Regional Offices and a potential liability for the State. As most of these buildings are designed to high sustainability standards, with the building fabric and systems fully integrated, so reactive maintenance can be more complex.

In addition, there are nine un-occupied sites that must be secured and kept safe. The Decentralisation programme was considered primarily a capital development and no resources (either staffing or funding) have been provided for the on-going maintenance of these forty-one additional properties. Additional detail on the buildings now in State care can be provided if necessary.

### **(d) Heritage Services:**

A sum of €36.1m, of is provided for Heritage Services under Subhead C12 in 2011. The heritage programme conserves and maintains in excess of 700 national monuments, 26 national historic properties and over 60 visitor service centres. The investment allows the service to deliver a premium visitor experience, while educating visitors on the significant historic aspects of national heritage sites, and has a key role to play in Ireland's economic recovery in the Tourism sector.

According to Failte Ireland, "*Cultural tourism ...is an area of fast growing growth worldwide, growing at 15% per annum according to the World Tourism Organisation. Cultural tourism is estimated to be worth over €2 billion annually to the Irish economy*" With revenues such as this being generated, it is prudent policy to invest with the aim of continually developing and enhancing facilities to increase visitors, both domestic and overseas. As outlined in the Programme for Government, "*(W)e will target available resources at developing and co-ordinating niche tourism products and activity packages that are attractive to international visitors focusing on food, sports, culture, ecotourism, activity breaks ...and festivals.*"

The service will cater for over 2.5 million paying visitors in 2011 providing much needed added value to the tourism sector nationwide.

The high proportion of direct labour in Heritage Services (almost 75% of the allocation €26.9 relates to the pay requirement) limits the discretion for any significant savings beyond the pro rata distribution of imposed reduction without a major redundancy programme.

At the historic sites, a continuing programme of planned maintenance, adopting best architectural and conservation principles, will protect site fabric from deterioration and damage. The OPW will manage and prioritise a works programme, partly in conjunction with the Department of the Environment, Heritage and Local Government.

The Potential Implications of further reductions would be numerous.

- A large number of public events may need to be re-examined, e.g. funding of events, activities, workshops, visitor facilities and exhibitions at various sites.
- Conservation studies, stone surveys and archaeology will need to be cut back in advance of works which would have a negative impact on service delivery capacity.
- Parks that are opened and closed on a regular basis and access to National Monuments currently facilitated by caretakers may have to remain closed due to lack of funds for staff costs.
- Limits on the provision of guide services at monuments and historic properties and which could lead to the closure of Heritage sites/visitor centres or a significant reduction in opening times
- postponement of essential maintenance and Health & Safety Works including the many normal care and maintenance works at heritage sites and buildings.

Unfortunately the Heritages Services area has been historically underfunded and requires additional funding to implement any meaningful reform in this area. Keeping the sites opened and maintaining services to visitors has been a priority management objective for a number of years. However, developments under consideration in the area include an on line booking system for visitor services, the development of self guiding applications and tools at visitor sites and increased co-operation with the local communities in the provision of services.

**(e) Unitary Payments: National Conference PPP Centre (€380m, NPV).** The OPW is the contracting authority for the National Conference Centre and is responsible for the administration of unitary payments. The level of funding unitary payments is contractually committed until 2035. Therefore, unitary payments cannot sustain any reduction in funding.

**(f) Grants:** The OPW administers certain grant payments on behalf of the Government. 2011 will see grants made to Dublin Zoo and Glasnevin Cemetery in the amounts of €0.5m and €1m. The continuation of grant payments from Vote 10 will be subject to the availability of funding.

**(g) Presidents Staff:** OPW covers the cost of wages and allowances for the household staff at Áras an Uachtaráin.

#### Estate Portfolio Management 2011 Output Targets

- The rental outturn for 2011 will be reduced below €16m.
- Value for Money and Policy Review of Property Management Services to be finalised and published.
- Building and refurbishment programmes will continue to be managed subject to funding.
- Ongoing programmes of Maintenance, Universal Access and Mechanical and Electrical Works will be undertaken across the OPW property portfolio.

- Protection and improvement works will take place at Historic Properties.
- Further improvement works at Glasnevin Cemetery and completion of major contract at Dublin Zoo.

### **Impact Indicators**

|                                                                                                                         | <b>2008</b> | <b>2009</b> | <b>2010</b> |
|-------------------------------------------------------------------------------------------------------------------------|-------------|-------------|-------------|
| 1. Annual Rental Outturn                                                                                                | €131m       | €149m       | €128m       |
| 2. Number of leases surrendered                                                                                         | 33          | 8           | 40          |
| 3. Floor area surrendered – square feet                                                                                 | 133,743     | 39,607      | 295,947     |
| 4. Building projects in planning, under construction or nearing completion some of which are not funded by the OPW Vote |             |             |             |
| Major > €0.5m                                                                                                           | N/A         | N/A         | 291         |
| Minor < €0.5m                                                                                                           | N/A         | N/A         | 478         |
| 5. Number of properties maintained                                                                                      | 2,300       | 2,300       | 2,300       |
| 6. Numbers of visitors at staffed Heritage Services sites                                                               | 3,382,429   | 3,298,424   | 3,296,884   |
| 7. Car Park spaces surrendered                                                                                          |             |             | 620         |

### **8. Administrative Budget** ( €46.584m)

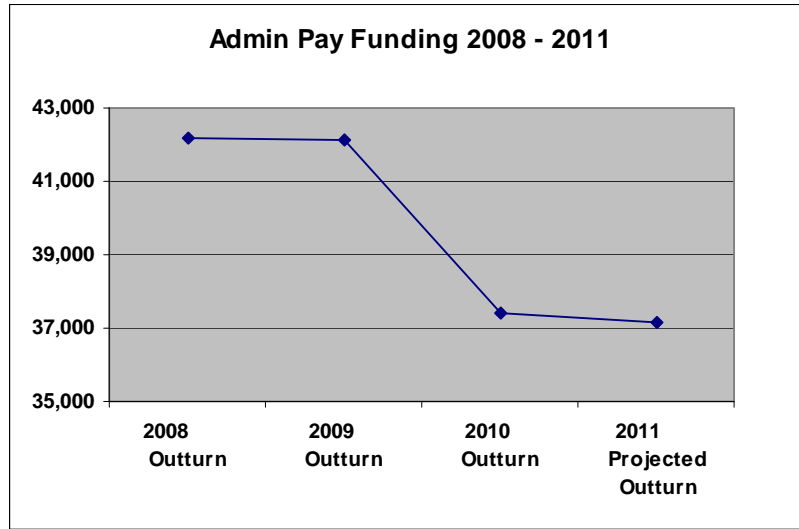
#### **Administrative Pay**

The allocation for administrative pay in 2011 is €38.672m. This a reduction of €3.5m or 8.3% on the 2008 outturn figure.

In order to comply with the reduced allocation a number of measures were introduced in August 2008 and remain in place as follows:-

- No staff replacements/promotions
- No merit pay
- No Board performance Awards
- No career break returns except where 12 month waiting period has expired
- No reciprocated staff intake
- No re-gradings
- No further allowances
- No students
- No term time replacements
- No maternity leave replacements

- No approvals to applications from individuals for increases in worksharing time without a corresponding decrease by another member



| <b>Overtime 2008 - 2010</b> |                     |                     |                     |                                   |
|-----------------------------|---------------------|---------------------|---------------------|-----------------------------------|
|                             | <b>2008</b>         | <b>2009</b>         | <b>2010</b>         | <b>2008 - 2010<br/>% Decrease</b> |
| <b>Established</b>          | 279,306.23          | 282,590.87          | 180,079.02          | -35.53%                           |
| <b>Industrial</b>           | 7,447,029.90        | 5,170,539.55        | 5,039,817.34        | -32.32%                           |
| <b>Total</b>                | <b>7,726,336.13</b> | <b>5,453,130.42</b> | <b>5,219,896.36</b> | <b>-32.44%</b>                    |

*Includes Week 1 of 2009 paid from 2008 budget*

**Staff Numbers from 2008 – 2011 –**

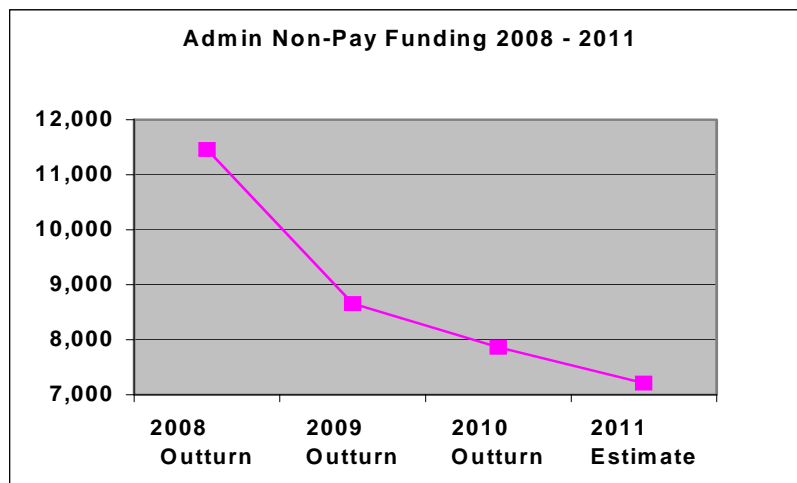
|                                | <b>2008</b>  | <b>2009</b>  | <b>2010</b>  | <b>2011<br/>(31 May)</b> | <b>2008 -<br/>2011 %<br/>Decrease</b> |
|--------------------------------|--------------|--------------|--------------|--------------------------|---------------------------------------|
| <b>Established</b>             | 718          | 671          | 645          | 644                      | -10%                                  |
| <b>Industrial</b>              | 1,285        | 1,236        | 1,185        | 1,161                    | -10%                                  |
| <b>Total</b>                   | <b>2,003</b> | <b>1,907</b> | <b>1,830</b> | <b>1,805</b>             | <b>-10%</b>                           |
| <b>Established<br/>Numbers</b> | 741          | 749          | 669          | 656                      | -11%                                  |
| <b>Industrial<br/>Numbers</b>  | 1,467        | 1,467        | 1,224        | 1,201                    | -18%                                  |
| <b>Total</b>                   | <b>2,208</b> | <b>2,216</b> | <b>1,893</b> | <b>1,857</b>             | <b>-16%</b>                           |

**Administration Non-Pay**

The allocation for administrative non-pay in 2011 is €7.212m. This a reduction of €4.2m or 37.05% on the 2008 outturn figure.

Further efficiencies to be identified to remain within budget include:

- Curtailment of telephony services. Introduction of VOIP facilities.
- The purchase of replacement office machinery and necessary improvement works to staff accommodation will not be possible.
- The budgets for travel, incidental expenses, post and office premises expenses will continue to identify efficiencies to remain within budget.



## 7. Public Consultation:

As part of the expenditure review process, the Government invited the public to put forward suggestions and proposals for making further savings, for introducing reforms and efficiencies in spending programmes and in the design of delivery of public services. A number of proposals were directed at services provided by the OPW and were considered as part of the review. A summary of the issues raised are attached at Appendix 27.