

Vote 13 - The Office of Public Works

Joint Committee on Public Expenditure and Reform

30 September 2015

As Chairman of the Office of Public Works I am pleased to be here today to assist the Joint Committee on Public Expenditure and Reform in

- considering a pilot exercise to undertake a mid-year review of the position, as regards outputs and expenditure, in relation to the Office of Public Works Vote for the current financial year.
- In addition, I will brief you in relation to the OPW's emerging position on the Estimate discussions in advance of the allocations being finalised and
- thirdly, I will comment on the current performance data presented by the OPW in the Revised Estimates Volume and the output measures proposed that might add to the oversight process with a concluding comment on performance measures in general.

Mid-Year Review:

Before I present the challenges that the OPW faces in demonstrating performance on the main programme areas of the Office, I will brief the Committee on progress to date in 2015.

In terms of outputs, progress on the Flood Risk Management programme has been hampered by a number of factors such as legal challenges within the procurement process and legislative requirements relating to environmental impact analyses of schemes. These unavoidable difficulties result in long lead times in bringing these complex infrastructure projects to commencement stage. As a consequence, there are challenges in accurately identifying programme milestones in terms of output and expenditure where external factors can have a significant impact. The Committee will be aware that I have presented these difficulties here previously.

While the OPW has made every effort to advance the schemes planned for commencement and completion in 2015, specific difficulties have been encountered and have led to delays.

For example, the design of some schemes had to be revisited and required further consultation with stakeholders following the exhibition stage. In addition, despite robust planning and contract management, one project encountered procurement challenges, which resulted in the procurement process having to be terminated and restarted. These issues have impacted the OPW Vote from both an output and expenditure perspective.

In expenditure terms, the OPW Voted spend is split between two programme areas. Overall, €397 million was allocated to the Office in 2015, and expenditure to mid-year was 47% of the gross current allocation and 31% of the capital allocation. Current expenditure is on profile to breakeven for 2015 and while capital expenditure on one programme is behind profile, significant expenditure relating to major capital contracts is projected for the final quarter.

The Office has indicated to the Department of Public Expenditure and Reform that an application to vire funding between Subheads may be submitted this year and a carry-forward of capital savings to 2016 sought under the Deferred Surrender scheme, within the 10% saving permitted.

2016 Estimates:

While the scale and composition of the 2016 OPW Vote is currently under consideration, the current expenditure ceiling for the Office is €276.5 million, which is in line with the current allocation for 2015.

The 2016 ceiling will allow for the existing level of service to be maintained in relation to Property Management, Heritage Services and Drainage Maintenance, with an increase in the provision on Property Maintenance for buildings occupied by Government Departments to be funded from within the OPW Vote. A reduced requirement on unitary payments for the Convention Centre in Dublin, will allow funds to be redirected to an essential planned preventative maintenance programme now that the OPW has assumed overall responsibility for this function.

While the capital allocation in 2016 will remain constant Government has demonstrated its commitment to Flood Risk Management in Ireland with the announcement of a €430 million six year programme of capital investment on flood defence measures as part of the

Governments overall Capital Investment Plan 2016 – 2021. The programme will build on the very significant investment that has already been undertaken in flood relief works throughout the country over the last 20 years with over €410m invested in that period. 2016 will see schemes getting underway in Bandon, Skibbereen, Glashaboy, Douglas, Blackpool, Claregalway, Lower Morrell, Ennis South and Foynes on a staged basis.

In 2016, reductions in capital unitary payments will allow for an increased investment in the ongoing Office Rationalisation programme. This will ensure the State rental bill can be maintained at a sustainable level and accommodation for essential State services can be provided for in a cost-effective manner.

Output Measures

In terms of output measures, I am of the opinion that the OPW targets used in previous years may now need to be revisited. I am open to applying the principles drawn from the guidance issued by the New Zealand's Comptroller and Auditor General to improve the performance information in the Estimates and I would welcome the views of the members in the type of performance data they wish to see presented, whilst acknowledging that the Department of Public Expenditure and Reform, as publishers of the Revised Estimate, will have a key role to play in agreeing any proposed changes.

As you know, the OPW is responsible for a wide variety of functions broadly based under two main areas of responsibility

- Flood Risk Management and
- Estate Portfolio Management (which includes Heritage Services)

and I will address the challenges faced in demonstrating output faced by both programmes.

Flood Risk Management

On the topic of Flood Risk Management, the Members of the Committee are aware that, the OPW is the lead agency for the management of flood risk in Ireland.

The key purpose of this programme is to ensure that the risks associated with flooding and the impacts identified in climate change are considered and appropriate mitigation plans are put in place. The overall outcome is to reduce the risk of flooding to homes, businesses and to ensure appropriate flood risk information for planning in Ireland. However, setting performance targets and interim goals to measure this presents its own challenges.

Currently, the OPW publish output indicators on *Ireland Stat* and I would suggest to the Members that these may represent the most appropriate way to measure performance of current flood relief schemes and the impending Catchment Flood Risk Assessment and Management (CFRAM) programme.

These are

- the number of additional properties benefiting from flood relief works,
- the cumulative number of properties benefiting from flood relief works,
- value of benefit to properties (or Damage or Loss avoided in financial terms), and
- the cumulative value of benefit to properties (or Damage or Loss avoided again in financial terms),

In order to implement the State's strategy for Flood Risk Management in Ireland, the OPW has developed a Catchment Flood Risk Assessment and Management plan (known as CFRAM). The CFRAM Programme represents a major advancement in the way in which the management of flood risk is approached, moving to strategic planning at the river catchment level. It establishes a new framework for the proactive development and planning of flood relief schemes and other measures by applying international best practice.

CFRAM lies at the core of the assessment and is focused on 300 areas of potentially significant risk, known as Areas for Further Assessment or AFAs. The ongoing programme will look at all possible options to address flood risk in each AFA for inclusion in the Flood Risk Management Plans. The programme, which has been allocated additional funding from 2018, will set out a medium to long-term strategy and will prioritise a programme of work

with appropriate output measures to achieve the effective and sustainable management of flood risk.

In relation to progress to-date on the CFRAM programme, draft maps were completed for 282 AFAs by the end 2014, and for all 300 AFAs by June 2015. Over 40,000 maps have been reviewed by the OPW and Local Authorities, and have been subject to public consultation. Under the EU Floods Directive, the Flood Risk Management Plans or FRMPs are due to be reported by March 2016. This deadline will not be met until the end of 2016 due to delays in producing the flood maps

It is worth noting that in recent years the capacity to deal with Flood Risk Management has been enhanced through greater collaboration with Local Authorities. Local Authorities act as the contracting authority for certain schemes and carry out some minor works projects funded by the OPW once the works meet strict cost benefit criteria.

Estate Portfolio Management

The other main programme for my Office is Estate Portfolio Management which encompasses the management, maintenance and development of the State's property portfolio, including the conservation, protection and presentation of National Monuments and National Historic Properties in State care.

The Office of Public Works was tasked by Government with rationalising the State's property portfolio to reflect the changing numbers across the Civil Service.

Since 2008, the OPW has undertaken a major rationalisation programme which has resulted in the surrender of over 1.2 million square feet of office accommodation and yielded a cumulative reduction of over €111 million in rent, on the OPW Vote. In that period, the OPW has surrendered 276 leases with an annual rental value of €34.7m and rent reductions have been negotiated on 121 leases yielding an annual rental reduction of €8.59m.

The savings achieved and the reduction in the state property footprint are output measures reflecting the significant work undertaken by this Office over the last five years. With rents now rising, particularly in Dublin, there are mounting challenges in the negotiation of rent

reductions and in the rationalisation of properties which will need to be considered as part of the output measures to be set for 2016.

The objective of the Property Asset Management Delivery Plan (known as the PAMDP) applying to all public property holders is to achieve a more strategic approach to the management of State property. It requires all State property holders to view public property from a 'State' perspective rather than individual ownership - notwithstanding that ownership will remain the same. The PAMDP sets out a series of actions aimed at improving the planning and management of the public service property portfolio through improved co-ordination, an increased capacity to benchmark building performance, standardised building measurement, optimising the use of the State's property assets through asset sharing and more streamlined processes. As part of the Plan

- State property holders have been tasked with verifying their property data and submitting the data to the State Property Register by end-2016;
- a Property Managers' Network is to be established, chaired by the OPW;
- the application of the ISEN Standard for Facilities Management for measuring and analysing office space to OPW office accommodation is to be introduced on a phased basis over the next 2-3 years;
- a training model for public service staff is to be developed in the property asset management area by mid-2016; and
- a programme of information workshops has commenced with further rollout to be agreed with the Steering Group on Property Asset Management.

In regard to the capacity of the OPW to carry out the necessary reforms in this area, the Office is currently engaged in a business transformation process for its Estate Portfolio Management function and is leading the implementation of the PAMDP.

In undertaking this project, we aim to improve our processes to deliver better outcomes for our clients and to structure the organisation in a way that supports the most effective delivery of outputs. The ambition is to increase overall efficiency, given the significant reduction in

our staff resources, as well as optimising the stewardship of the property assets entrusted to us. Good progress is being made in relation to this, with priorities for improvement emerging around supporting our client relationships, developing our programme and project management functions, enhancing our planning capability and using better information systems. We will progress all these areas for improvement in the course of the Business Transformation, which will run until the end of 2016, and will foster and support a culture of continuous improvement which will progress further in future years.

Heritage Services

As part of its property portfolio, the OPW is also responsible for the ongoing management, conservation and protection of some 800 Historic Properties and National Monuments sites. Policy for the Heritage Services area is vested in the Minister for Arts Heritage and the Gaeltacht.

The OPW provides guide services to visitors at 70 sites nationwide, many of which attract a significant number of visitors and are key to contributing to Ireland's cultural and heritage tourism. During 2014, admission numbers to OPW's guided sites reached 4.5 million people, an increase of 33% on the 2010 levels.

From an output measurement perspective, the OPW is faced with the challenge of balancing the needs of conservation, for which output is difficult to measure with the strong desire to increase public access and visitor numbers. This challenge of balancing the demands of mass tourism arises as the visitor experience derives from the quality of the heritage "product" which is impacted by the same visitors.

Currently, the OPW has a number of internal measures in place to assess performance at visitor sites. Traditional measures include simple analyses of increasing or sustained site popularity by reference to the overall visitor numbers. Similarly, customer feedback mechanisms such as customer comment cards and visitor books at sites are employed to capture visitor experience feedback. In this digital age, the OPW are mindful that social media mechanisms such as Facebook and Twitter provide immediate and powerful feedback on the visitor experience. I am sure the Members saw recently that of the top ten visitor attractions in Ireland recommended by TripAdvisor, four are managed by the Office of Public Works, demonstrating the value these and all heritage sites bring to the tourism sector.

Client services

With regard to additional functions performed by the Office, client services performed on an agency repayment basis consume staff resources and were therefore included in the performance measures presented in past Estimates. For example, the roll out of Intreo offices across the country that provide one-stop-shops to perform functions previously offered by separate social welfare, community welfare and FÁS offices have been successfully delivered to the Department of Social Protection within a very ambitious timeframe. Similarly, the construction and fit out of seven primary schools was delivered to the Department of Education during 2014 and 2015 with a further eight schools in train. I would suggest that the work and commitment in the delivery of this accommodation, albeit funded from other Department's Votes, needs to be reflected within the OPW output measures and I would welcome the Members input into how this can be reflected in future Estimates.

General Performance Measurement

In general terms, I welcome the review of performance measurement and their consideration by the Committee. My officials and I are committed to work with this committee and the Secretariat to review the current output measures in order to produce outward facing indicators that are of relevance to the public and importantly can demonstrate clearly the considerable work being carried out by this Office and the value being achieved for invested funds.

It is worth bearing in mind, however, that the illustration of progress towards what is trying to be achieved is also important. While I accept that output performance measures should not relate to internal processes, events or milestones these can usefully demonstrate the progress being achieved in reaching targets. The outputs from the OPW are in part processes for other Departments, giving rise to outputs for their service users or the public.

In regard to the published output measures we are not going to be able to address every area immediately but, we would expect to consider all the measures in each area over the next number of Estimates. These are just a summary of the key issues facing the Office and I welcome any suggestions or comments the Members may have on these priorities and how my Office can improve the presentation of targets in order to assist in your deliberations.