

# Annual Report 2005



**National Development Finance Agency**

*Stepping up the pace*





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**National Development  
Finance Agency**

Mr. Brian Cowen, T.D.  
Minister for Finance  
Government Buildings  
Upper Merrion Street  
Dublin 2

29<sup>th</sup> June 2006

Dear Minister,

I have the honour to submit to you the Report and Accounts of the National Development Finance Agency for the year from 1 January 2005 to 31 December 2005.

Yours sincerely,

A handwritten signature in blue ink, which appears to read 'Michael J. Somers'.

Michael J. Somers  
Chairman

# Directors

Michael J. Somers (Chairman)	Chief Executive National Treasury Management Agency
Anne Counihan (Chief Executive)	Director of Legal & Corporate Affairs National Treasury Management Agency
Fred Barry*	Chief Executive National Roads Authority
Ann Fitzgerald	Executive Chairperson National Consumer Agency
Stewart Harrington*	Director Killeen Properties Limited
Tony Jones	Business Consultant
Peter McManamon	Chairman Ceva Inc.



Michael J. Somers  
(Chairman)



Anne Counihan  
(Chief Executive)



Peter McManamon



Ann Fitzgerald



Tony Jones



Stewart Harrington\*



Fred Barry\*

The Board met on five occasions during 2005.

\* Appointed on 23<sup>rd</sup> November 2005 on a non-statutory basis pending the passing of legislation increasing the size of the Board.



Overview

# Delivering Infrastructure

## OVERVIEW 2005

2005 was a very significant year for the National Development Finance Agency. On 26<sup>th</sup> July 2005 the Government published its decision to substantially expand the role of the Agency to include the procurement and delivery of key infrastructure projects by way of Public Private Partnerships (PPPs).

The Government decision involved the establishment of a “Centre of Expertise” within the National Development Finance Agency (the Agency), which will be responsible for the procurement and delivery of PPP projects. The decision directed that the Agency focus initially on the Health, Education and Justice sectors in order to generate deal-flow and build up expertise. A project, once procured and delivered by the Agency, is handed back to the relevant Department/Government Agency on a turnkey basis.

This is a significant change in the way major infrastructure projects have been procured to date in these sectors. The creation of a Centre of Expertise and sustainable deal-flow will deepen the Irish PPP market and attract further international capital and expertise to Ireland.

In 2005, the Agency provided advice on a number of key infrastructure projects, including the following:

- **Social and Affordable Housing**
  - Infirmary Road
  - O'Devaney Gardens
  - St. Michael's Inchicore
  - Jamestown Road
  - Dominick Street
  - Bridgefoot Street
- **Roads and Rail**
  - Waterford Bypass
  - Luas Extensions
  - M3 Clonee to Kells
  - N7 Limerick to Dublin route
- **Justice Sector**
  - Criminal Courts Complex
  - Thornton Hall

# Delivering Infrastructure

- **Education**
  - Cork School of Music
  - 27 Schools PPP Programme
- **Tourism and Sport**
  - National Conference Centre
  - Lansdowne Road
- **Environment**
  - Dublin Waste to Energy Project
  - South East Region Waste Treatment Plant
  - Waterford Region Sewerage Scheme
  - Greystones Harbour
- **Digital Hub Development**

During 2005, the Agency completed its advice on twelve projects including, some of the key projects listed above.

To date, over 90 projects have been referred to the Agency since its establishment on 1<sup>st</sup> January 2003.

The new procurement and delivery role within the Agency is in addition to its role as a financial adviser to State Authorities<sup>1</sup> who are obliged to consult the Agency on all public investment projects with a value of €20 million or more. The new Centre of Expertise role is addressed first in this report, followed by the financial role.

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<sup>1</sup> The definitive list of the State Authorities is attached in Appendix 1.



Centre of Expertise



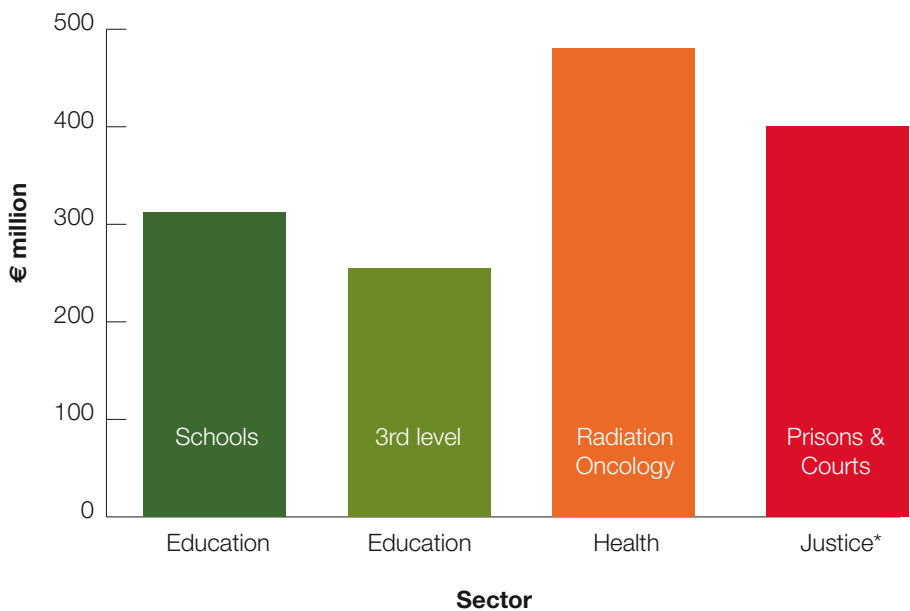
New Developments

# Centre of Expertise

The Agency, in fulfilling its new role as a procuring authority, has full responsibility for preparing contract documents, going to tender for the project, evaluations of tenders, selection of preferred bidders, contract negotiations and monitoring the construction of the project.

Since the Government decision in July 2005, the Agency, through the Centre of Expertise, has already commenced work on over €1 billion worth of projects within the Education, Health and Justice sectors.

Centre of Expertise PPP Budgets



*\*Current budget allocation for all Justice PPP projects. This will be revised in the upcoming estimates.*

Centre of Expertise



Education

# Centre of Expertise

## EDUCATION

€320 million – 27 schools – PPP Programme

€255 million – Third Level

This involves a rolling programme of 23 new post-primary schools and 4 new primary schools which are being procured on a Public Private Partnership basis. The procurement process began immediately following the announcement of the first bundle and the last of the schools is scheduled to be delivered by 2009. The schools will be Designed, Built and Financed, partially Operated and Maintained by the private sector for a period of 25 years before being handed back to the State. The first bundle consists of the following 4 schools:

- St. Mary's CBS, Portlaoise, 850 pupils.
- Scoil Chríost Rí, Portlaoise, 850 pupils.
- A new community school in Ferbane, Co. Offaly, 450 pupils.
- A new community college in Banagher, Co. Offaly, 550 pupils.

The procurement process for all 27 schools is being managed by the Agency. A panel of multi-disciplinary technical advisers were procured by the Agency on behalf of the Department of Education under a Framework Agreement, involving one single EU procurement for all 27 schools. The Framework Agreement for technical advisers will speed up procurement for subsequent bundles. Queries from over 100 interested parties, both foreign and Irish, were received by the Agency in the EU competition for the appointment of technical advisers.

In addition to the appointment of technical advisers the Agency has completed the following tasks:

- Formation of the Project Board and team structures to deliver the project.
- Appointed advisers to assist in the delivery of the project, including, Insurance advisers for the entire schools programme and Legal advisers.
- Conducted two Risk Workshops to produce Risk Allocation Matrix in order to:
  - Identify Risks.
  - Quantify Risks.
  - Allocate risk to party best placed to manage it.
  - Evaluate the identified risks.

# Centre of Expertise

- Prepare the Public Sector Benchmark for the approval of the Department of Education and Science.
- Prepare the Project Information Memorandum and Prequalification Questionnaire.
- Prepare Output specifications.
- Conduct due diligence of project specific issues in order to identify and mitigate project risks as they are identified.

As the project progresses the Agency will also perform and manage the following tasks:

- Prequalification of bidders.
- Preparation of Invitation to Negotiate documentation.
- Financial & Technical evaluation of bids.
- Address bidders queries.
- Negotiation with Preferred Bidder.
- Value for Money Report.
- Contract and Financial Close.

The first bundle of schools project is to go to the market in 2006 and work has already commenced on selecting the second and third bundles in parallel with this procurement.

Work has also commenced on preparing a large programme of Third Level accommodation projects worth some €255 million. The Agency will also procure and deliver these projects using the PPP model.

The use of PPPs to deliver schools and colleges will result in innovative designs and accommodation and will free up principals' and teachers' time to concentrate on teaching.



Centre of Expertise



Health

# Centre of Expertise

## HEALTH

### *In excess of €400 million capital – Radiation Oncology Treatment Centres*

In July 2005 the Government approved a national network of radiation oncology centres to be put in place by 2011. The capital investment involved will be in excess of €400 million procured via Public Private Partnership and funded by unitary payments from the Exchequer over some 25 years. The PPP is planned to be a single Design, Build, Finance, Maintain and partially Operate project.

The Centre of Expertise as part of the Agency has responsibility for the procurement of the project including radiation oncology equipment (linear accelerators, CT scanners, and all other ancillary equipment) and the construction of the vaults and associated facilities. The network will consist of:

- Four large centres at St James’s Hospital in Dublin and Beaumont Hospital in Dublin, Cork University Hospital and University College Hospital Galway.
- Two integrated satellite centres in Waterford and Limerick to be managed by Cork and Galway respectively.
- Arrangements with Northern Ireland health authorities for services for patients in the North West in Belfast City Hospital initially with further work to pursue the joint provision of a satellite centre for the North West linked to Belfast.
- Arrangements to ensure continuity of St Luke’s expertise and ethos in the service.

To date the Agency has visited and established working relationships with top Radiation Oncology Centres in the United States and the UK to ensure that Ireland is up to speed with Best International Practice. A Clinical Output Specifications Group, which is part of the Health Service Executive has been established and is responsible for determining the clinical requirements of the project. A similar group assisted by Technical Advisers will be established shortly and will have responsibility for the preparation of the accommodation/building output specifications.

# Centre of Expertise

The Agency have given presentations and advised the HSE on all aspects of the PPP procurement process including the development of timelines, format of output specifications and contract documents, and procurement guidelines. The Agency issued tender documentation for process mapping. This involves mapping the patients' journey through the radiation oncology services, which includes patient diagnosis, patient referral, clinical care and the requirement for appropriate support services, patient follow-up and clinical audit. Advisers were appointed in November 2005 to report on resource requirements for delivery of the project and expertise available in the market. This report was complete in March 2006.

There are only three major manufacturers of Linear Accelerators worldwide:

- Elekta (Swedish – ex Phillips)
- Siemens (German – manufactures in the U.S.)
- Varian (U.S. – ex General Electric)

This network means an investment in 23 additional linear accelerators to bring the total number of linear accelerators in the public sector up to 36, acceptable by any international standards. The number of linear accelerators and their location are shown in Table 1 below:

Location	No. of new linear accelerators
St James's Hospital, Dublin	13*
Beaumont Hospital, Dublin	7*
University College Hospital, Cork	7 up from 4
University College Hospital, Galway	5 up from 3
Waterford	2
Limerick	2

Table 1: Linear Accelerators.

*\*Note: Six of these linear accelerators will be transferred from St Luke's Hospital*

As well as performing the procurement role, as with all other projects the Agency will ensure that the Radiation Oncology project will provide Value for Money for the State.



Centre of Expertise



Justice

# Centre of Expertise

## JUSTICE

### Mountjoy Prison Replacement

In January 2005, the Minister for Justice, Equality and Law Reform announced a Government decision to purchase a 150-acre site at Thornton Hall in North County Dublin to serve as a location for a new prison complex, to replace the existing Mountjoy Prison complex.

The present medium-security prison suffers from overcrowding and dates from the 1850s. The facilities on the new site are to accommodate a minimum of 1,200 prisoners, male and female and will include:

- A new male prison.
- A new female prison.
- Ancillary support services such as in-cell sanitation and dedicated medical and educational facilities.
- A courthouse that will be linked to other courthouses around the country by state-of-the-art video conferencing facilities thus reducing the need to transport and escort prisoners to court hearings across the country.

The Agency advised that a site should be purchased by the State upfront to expedite the procurement and this has been completed.

The Agency is involved in detailed work on the procurement of this project. This is a Design, Build, Finance and Maintain PPP project. Expressions of Interest were received in April 2006 from six international consortia. The consortia will be shortlisted and Invitations to Negotiate will be issued in 2006.

# Centre of Expertise

The Agency's Template Project Agreement has been used as the basis for preparation of the Project Agreement for the Thornton Hall Prison PPP Project. To date, the Agency has been involved in reviewing the Project Information Memorandum, Pre-Qualification Questionnaire, draft Invitation to Negotiate and draft Project Agreements. The Agency has also evaluated the expressions of interest received against the evaluation criteria and prepared a detailed report on the evaluation for the project board. The Agency has hosted a risk workshop to produce the Risk Allocation Matrix for the project. Presently, the Agency is developing the payment mechanism and facilitating the preparation of the Public Sector Benchmark.



*Aerial photograph of Thornton Hall  
Picture courtesy of Irish Prisons Service*

# Centre of Expertise

## **Cork Prison Development (Spike Island)**

In May 2006, the Minister for Justice, Equality and Law Reform announced a €70 million prison is to be built on Spike Island in Cork Harbour. A detailed brief has been provided to the Office of Public Works (OPW) and preliminary draft designs of the new prison complex are being prepared. The OPW are also looking into possible sites from which to build a bridge to the island. The Spike Island prison will house a significant prison complex, with separate sections for male and female prisoners and young offenders.

The Agency is currently assisting the Irish Prison Service in assessing the procurement options for this project.

## **Bundle of Courthouses**

In March 2005 the Minister for Justice, Equality and Law Reform, announced that he has given approval to the Courts Service to progress nine “greenfield” court projects, by way of Public Private Partnership.

Projects to be progressed include full District and Circuit Court services for locations in the Greater Dublin area and in North Kildare. They also include similar court service projects in a number of other locations on the Eastern Seaboard, in the North-West, the South-East and the South-West. The project is currently at the early evaluation stage.

# Centre of Expertise

## TEMPLATE PROJECT AGREEMENT

The Agency has developed a Template Project Agreement for use in PPP accommodation projects. This Template Project Agreement is currently being used on two Centre of Expertise projects, namely the First Bundle of Schools and the Mountjoy Prison Redevelopment. The Template Project Agreement includes a Risk Allocation Matrix specifying which risks are transferring entirely to the private sector, which risks remain with the State and which risks are shared. Each risk is allocated to the party best able to manage it thus ensuring optimum Value for Money on each project for the State. For example, when the State is providing the site for a project, and the private sector is designing and constructing the building, the normal risk allocation should be that the State supplies the site with outline planning permission and the private sector obtains full planning permission. Another example is where a finalised deal is being refinanced on more favourable financing terms. The allocation of savings made between the public and private sector have historically been the subject of protracted negotiations and the State has not always received the optimal share of savings. The Template Project Agreement provides that the State must always receive a minimum of 50% of any such savings.

The Template Project Agreement will contribute to streamlining much of the legal process, speed up negotiations and will assist in reducing bid costs incurred by tenderers. It has taken months to negotiate the Project Agreement in most of the Irish PPPs to date and, therefore, anything that can reduce such costly negotiations should be welcomed by both the public and private sector. It will also have the advantage that the market and the State know where each side stands and that the State is protected with respect to the key financial elements of the deal as these can only be changed in exceptional circumstances. Bid costs in Ireland have been very high relative to other countries on some of the early PPPs and the new agreement should serve to reduce them in a major way.





Snow Leopards born at Dublin Zoo.  
Photo by Frank Miller,  
courtesy of *The Irish Times*

Unleashing Potential

# Financial Advisory Role

## ENGAGING THE NATIONAL DEVELOPMENT FINANCE AGENCY

State Authorities are obliged to seek the Agency's advice on all financial issues arising in connection with a major project or group of projects, having a capital value in excess of €20 million, or if less, a project that is considered to be of national importance. State Authorities (see Appendix 1) include all Government Departments, Local Authorities, the Railway Procurement Agency, the National Roads Authority, CIE and others including Harbour Authorities and Universities. However, the final decision on the structure and financing of a project remains a matter for the appropriate Minister.

There are a number of steps in the process on which the Agency is consulted.

- The preparation of the Public Sector Benchmark (a key step in the appraisal of a PPP project). This represents the risk-adjusted estimated whole-life cost of the project – expressed in terms of net present value – were it to be provided by the public sector. It forms the basis for setting an overall budget for the process and for the subsequent evaluation of private sector bids on a Value for Money basis.
- Assistance in the Outline Business Case and cost-benefit analysis.
- Facilitating Risk Workshops and performing risk analysis.
- Analysing the financing component of invitations to tender and assessing such tenders from a financial perspective.
- Ensuring that the State side has a comprehensive financial model of the full life of a project and there is a clear allocation of the risks associated with each project as between the State and the private sector.
- Advising on the best financial package for State infrastructure projects – the mix and nature of Exchequer/private sector funding that is appropriate having regard to the risks inherent in the project.
- Compilation of Value for Money Reports.
- Negotiating with preferred bidders on behalf of State Authorities on the financial terms and conditions included in financial and legal agreements.
- For Centre of Expertise projects, the Agency is responsible for all aspects of procurement in addition to the above.

# Financial Advisory Role

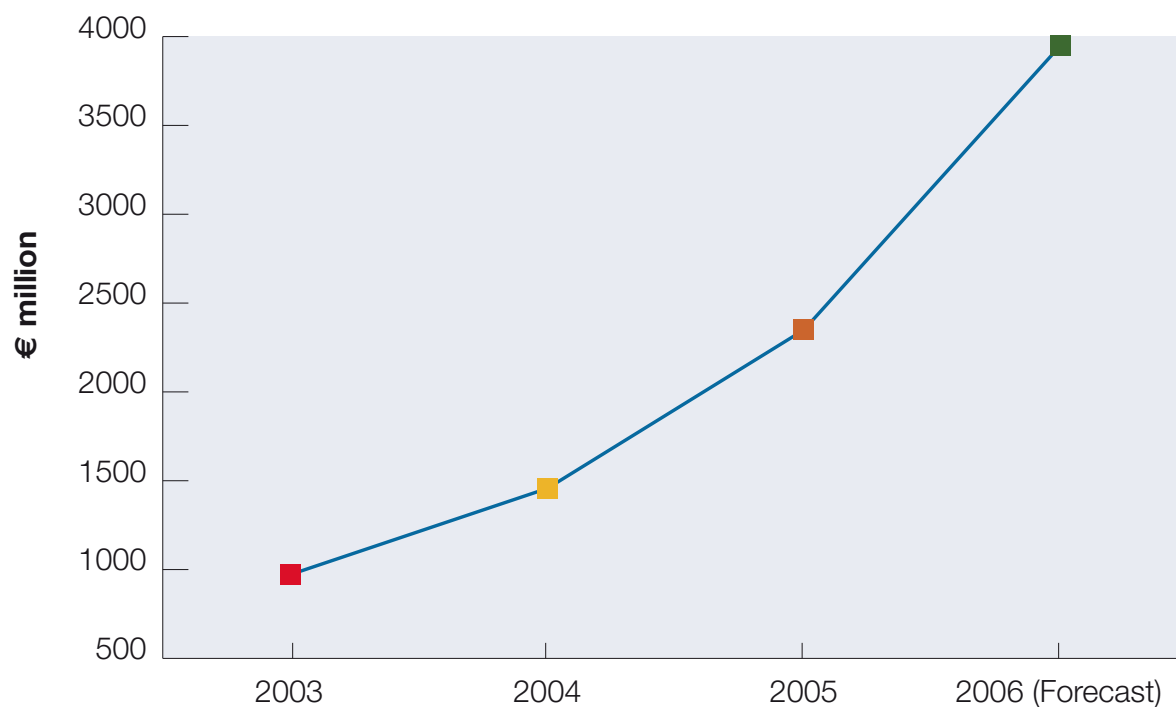
The Agency endeavours to bring dynamism, energy and focus to the work which it provides to State Authorities. It seeks to add value to the transactions on which it advises, and views the State Authorities as its clients.

In 2005, the Agency completed its financial advice on twelve infrastructure projects, including the following: Infirmary Road Redevelopment, the Dublin Waste to Energy Project, Cork School of Music, the Digital Hub and financing Projects for CIE.

The significance of these twelve projects to the State is shown by the fact that their combined capital value is approximately €900 million.

The significance of the role played by the Agency in delivering capital projects is shown by the cumulative value of the projects on which the Agency has completed its advice since its establishment on 1<sup>st</sup> January 2003. This was almost €2,400 million by end 2005 and is expected to reach almost €4,000 million by the end of 2006.

## Cumulative value of projects on which NDFA has completed its advice







Network

# Financial Advisory Role

## PROGRESS ON CAPITAL INVESTMENT PROJECTS

The key infrastructure projects in each sector which made significant progress in 2005 and in which the Agency had active involvement are as follows:

### Roads & Railways

#### Roads

The Agency assisted the National Roads Authority (NRA) on financial aspects of the following projects which are progressing ahead of schedule:

- M1 Dundalk Western By-pass which was Designed, Built, Operated, Maintained and Financed by Celtic Roads Group (Dundalk) Ltd. under a PPP. It is a 30-year contract financed by tolls. It opened in September 2005, five months ahead of schedule, and had a total cost of €340 million, (excluding land costs) with the construction element amounting to €160 million.
- Fermoy Bypass – Direct Route (Fermoy) Ltd was awarded the contract to Design, Build, Operate, Maintain and Finance the N8 Rathcormac – Fermoy Bypass under a PPP. This project, which was awarded on 21<sup>st</sup> June 2004, is currently ahead of schedule and is due to open in late 2006 with an expected total cost of €320 million.
- M4 Kilcock – Kinnegad motorway – The EuroLink consortium was awarded the PPP contract on March 2003. The motorway opened in December 2005, ten months ahead of schedule and had a total cost of €550 million.
- N25 Waterford Bypass was awarded to Celtic Roads Group (Waterford) Limited as a PPP contract and the construction of the road commenced on 24<sup>th</sup> April 2006. The estimated cost of this road is €300 million.

To date, approximately €700 million of private finance has been committed to the State's road building programme.

# Financial Advisory Role

## Luas Extensions

The Railway Procurement Agency (RPA) requested the Agency to provide financial advice on two Luas extension projects. The first involves a 7.5km extension to the Luas Line B1, from Sandyford to Cherrywood through lands, which are largely undeveloped and are zoned for high-density residential and commercial development. It is expected that the main contract will be Design and Build only. The proposed extension will be funded approximately 50% from the collection of levies from developers along the route, with the balance coming from State funding.

The Agency is also financial adviser to the RPA in relation to the 1.5km extension of the Luas Line C1, from Connolly Station to the Point Depot. The cost will be part funded by the collection of levies from developers.

The Agency provided financial assistance to CIE in 2005 which resulted in the attainment of €55 million in Exchequer funding.

In November 2005 the Government launched the “Transport 21” programme to address the under-provision of transport infrastructure in Ireland, and will involve significant input from the Agency in terms of financial advice. It is a €34.4 billion plan over ten years (with €8 billion funded by Public Private Partnership), which includes the development of seven new light railway (Luas) lines, two metro lines and a grand central station in the centre of Dublin. This translates into a daily investment of approximately €9 million over the life of the programme.



Photo courtesy of the Railway Procurement Agency

# Financial Advisory Role

## Social & Affordable Housing

The housing projects have been a major success for the State and the Agency has played a key role in these projects. They involve the regeneration of both the social and physical needs of the areas involved. The dilapidated social flats and houses are being replaced by greatly enhanced social and affordable homes with enviable community facilities. In return, the private sector developer is allowed to build and sell an agreed number of private homes at market value. In line with Government policy, these projects are being procured in aggregate on a budgetary neutral basis. The projects in the pipeline at the moment will involve the creation in total of 800 new social and 980 new affordable homes. In addition to the new homes, the community will obtain the benefits of community centres, sporting facilities, health centres, open spaces, playgrounds, swimming pools and transport connections.

The success of these projects has brought, and will continue to bring, a new lease of life to previously socially deprived areas of Dublin. This is a model which can be reproduced on a countrywide basis.

Projects currently in procurement/development are shown on Table 2 below:

Housing Regeneration Projects				
Project	Social	Affordable	Private	Status
Fatima Mansions	150	70	396	The Elliot/Moritz consortium was awarded the contract in June 2004 and the first occupants of the social housing moved in October 2005.
O'Devaney Gardens	281	250	292	Negotiations ongoing with the Preferred Bidder. Michael McNamara & Co./ Castlethorn Consortium.
Infirmity Road	-	160	40	Michael McNamara & Co. Ltd. awarded contract December 2005.
St. Michael's Inchicore	165	75	480	Request for Tenders issued 15 <sup>th</sup> May 2006. Bids expected in August 2006.
Jamestown Road	-	240	60	Negotiations ongoing with the Preferred Bidder.
Dominick Street	120	-	190	11 Expressions of Interest received 12 <sup>th</sup> May 2006.
Bridgefoot Street	-	60	135	6 Expressions of Interest received 19 <sup>th</sup> May 2006.

Table 2: Housing Regeneration Projects

# Financial Advisory Role

## Fatima Mansions – Pilot Project

The old flats in the Fatima Mansions complex in Dublin, which dated from 1949, are currently being demolished on a phased basis and the site is being redeveloped with high quality housing with associated community facilities. This was the pilot project for all the Dublin City Council Social and Affordable Housing PPP projects. Whilst subsequent projects are refining the model, the basic structure remains the same.

The Design, Build, Finance contract was signed by Elliot-Moritz Construction in June 2004. The private sector takes the full risk for the Design, Construction and Finance for the entire development. Full construction of the first phase of social housing (110 social houses) was completed in September 2005, i.e. in one year and three months. A ceremony to mark the first tenant moving into their new accommodation took place on 3<sup>rd</sup> October 2005. Planning permission for phase 2 has been granted with construction scheduled to be completed December 2008.

The State transferred seven acres to the developer in return for the construction, in the following order, of:

• 150 Social dwellings
• 70 Affordable dwellings
• Neighbourhood Centre & Crèche
• Retail units
• Playgrounds, swimming pool, indoor sports hall, gym, playing field, and gardens

Only when the Social and Affordable dwellings are delivered for occupancy, can the developer build the private units. A Luas Light Rail Station was also built on the site.

Following the successful completion of Phase 1 of the Fatima project a number of similar housing redevelopments are progressing towards construction stage.

The Agency’s involvement in this project included preparation of the Public Sector Benchmark, providing advice to Dublin City Council in relation to the financial elements of all contracts, and evaluating the financial models submitted by the bidders.

The Infirmary Road housing scheme reached financial close on 8<sup>th</sup> December 2005 and the contract was awarded to Michael McNamara & Company. The provisional preferred tender for the O’Devaney Gardens regeneration is the Michael McNamara & Company/Castlethorn consortium. O’Devaney Gardens is the largest of the Dublin regeneration projects. Financial close is scheduled for Summer 2006.

# Financial Advisory Role

## Justice

### Criminal Courts Complex

The Criminal Courts Complex will deliver a newly designed and purpose built, state-of-the-art criminal courts facility for central Dublin to accommodate all criminal court business currently located in various sites within and around the Four Courts. The building will stand as a landmark civic building whose design and appearance will make a significant contribution to the architectural form of Dublin. The project is located at the junction of Infirmary Road and Parkgate Street in Dublin 7.

The Complex will provide:

<ul style="list-style-type: none"><li>• 22 courts in circa 25,000 square metre area</li></ul>
<ul style="list-style-type: none"><li>• 100 secure holding cells</li></ul>
<ul style="list-style-type: none"><li>• Jury assembly area and Jury Rooms</li></ul>
<ul style="list-style-type: none"><li>• Facilities for the public, witnesses, vulnerable witnesses, victims, defendants and the media</li></ul>
<ul style="list-style-type: none"><li>• Facilities for the judiciary, barristers and solicitors</li></ul>
<ul style="list-style-type: none"><li>• Consultation rooms</li></ul>
<ul style="list-style-type: none"><li>• Library</li></ul>
<ul style="list-style-type: none"><li>• Accommodation for the Bar Council</li></ul>

The Criminal Courts Complex will end the situation in the Four Courts where there is a mix of family law cases, commercial law cases and criminal law cases all taking place in the one building.

There was substantial market interest in this project with eleven Expressions of Interest received in June 2005. These have been short listed to three. Bids were received in February 2006 and following a comprehensive evaluation process, Babcock & Brown were selected as the Preferred Tenderer for the project. The Agency is participating in the detailed negotiations with the Preferred Tenderer, which are well advanced. The complex will be designed, built, operated, maintained and financed by the PPP company.

# Financial Advisory Role

The Agency has been involved in this project since March 2003 and has assisted the Courts Service with the financial assessment of the project and in the project approval process. The Agency prepared a financial model for the project and facilitated the risk workshop, both of which were inputs in compiling the public sector benchmark. The project is expected to be fully operational in 2009.

## Tourism

### National Conference Centre

The National Conference Centre will be a modern, purpose-designed facility located in the Dublin area and is necessary if Ireland is to realise its full potential in the hugely valuable international conference market, which is estimated to be worth €40 billion. The importance of the Conference Centre has been emphasised by the Irish Tourist Industry Confederation who described it as “the missing link in Dublin’s tourism structure”. It is being procured by PPP and will provide a landmark building consisting of:

- A main conference auditorium with a minimum capacity of 2,000 delegates in plenary session.
- A banqueting hall for a minimum of 2,000 persons.
- An exhibition hall.
- A business and communications centre.

The SDICC Consortium (a consortium including Treasury Holdings and John Sisk & Son Limited) was announced as the Provisional Preferred Tenderer for this project in November 2005. The PPP company will be responsible for designing, building, operating, maintaining and financing the Centre. Contract close is anticipated in Summer 2006. The consortium is currently in detailed negotiations with the Project Board (the Department of Arts, Sports & Tourism, the OPW and the Agency). This has been a long and complex procurement and the Agency has been heavily involved in negotiations and provided material assistance in advancing the project.

### Lansdowne Road

The Agency is providing advice to the Department of Arts, Sports and Tourism on the Lansdowne Road project. This will involve the redevelopment of the stadium into a 50,000 capacity all-seater stadium which will be a world-class sporting facility. The budgeted cost of the stadium is €365 million, of which €191 million is being provided by the State. The planning application for the stadium was lodged in January 2006 and the stadium is scheduled to be built by 2009.

The Agency has provided financial advice on the financial projections for this project at the request of the Government.





Environment



# Financial Advisory Role

## Environment

### Dublin Waste to Energy Project

This project, undertaken by Dublin City Council and the Department of the Environment, Heritage and Local Government with the assistance of the Agency, involves the construction of a Waste to Energy Plant which will process up to 600,000 tonnes of non-hazardous waste from the Dublin Region. Following the identification of a service provider to enter into a PPP with Dublin City Council (acting on behalf of the four Dublin Local Authorities) in 2005, the planning and regulatory process has commenced. The service provider identified is Elsam, a Danish company.

In addition, the waste to energy plant could potentially provide district heating for 60,000 homes and electricity through the National Grid for 50,000 homes.

The Agency provided advice as required throughout the procurement process. In particular, the Agency advised on discount rates to be used in the preparation of the Public Sector Benchmark and was responsible for managing the final review of the Preferred Bidder's financial model.

# Financial Advisory Role

## South-East Region Waste Treatment Plant

The South-East Region is appraising the potential for building a waste treatment plant including South Tipperary County Council, Carlow County Council, Kilkenny County Council, Wexford County Council, Waterford County Council and Waterford City Council. The Agency has facilitated the preparation of the Public Sector Benchmark for this project and the procurement process is expected to commence in 2006.

## Waterford Region Grouped Towns and Villages Sewerage Scheme

The Waterford Region Grouped Towns and Villages Scheme is being undertaken by Waterford County Council to provide seven towns and villages with waste water treatment facilities. This project is part of the Water Services Investment Programme for which the Government allocated €3.2 billion (1999 prices).

The Agency facilitated a Risk Workshop with the project board and client's representatives and is currently assisting in the drafting of the public sector benchmark.

## Greystones Harbour

The Greystones Harbour Project will be one of the most challenging civil engineering and architectural projects to be undertaken in Ireland over the coming years. It involves the provision of a new Harbour and Marina, together with enhanced public and community amenities, backed by residential and retail development. The project is a Design, Build, Finance and Maintain PPP involving Wicklow County Council and Sispar and is expected to cost in excess of €300 million. Contract close is due to take place in 2006\*.

# Financial Advisory Role

## Education

### Cork School of Music

The Cork School of Music reached contract close in September 2005. The capital cost of the project is €60.2 million. The project is a Design, Build, Finance and Operate PPP for twenty-five years and the PPP company is Hochtief Developments Ltd. The school will be a state-of-the-art facility and will accommodate approximately 400 full-time and 2,000 part-time students.

It will be the first purpose built building of its kind in Ireland, consisting of specialist tuition areas, rehearsal hall, live recording studio, drama suite and lecture rooms. It will include the most advanced IT, communication and specialist audio systems integrated together to form a world-class environment for audio teaching and learning. The school was the first educational PPP project undertaken in the State. It will make a significant contribution to the regeneration of Cork City Centre. Construction is scheduled to be completed by September 2007.

## Communications, Marine & Natural Resources

### Digital Hub

The Contract to develop the Digital Hub was signed 29<sup>th</sup> November 2005 with Manor Park Homebuilders Ltd and P Elliot & Co Ltd. This is an initiative to create state-of-the-art infrastructure to support the clustering of Irish and international digital media companies. The site consists of nine acres around the Liberties in Dublin's city centre and is an important step in the urban regeneration of the area. It will create a mixed-use development, consisting of enterprise, residential, retail, learning and civic space.

# Financial Advisory Role

## PIPELINE OF PROJECTS

The Agency has seen a large increase in the number of projects being referred to it and has a healthy pipeline of projects going forward. Many of these projects are still in the development phase. Some examples of projects coming down the line include:

- Department of Education & Science – the Dublin Institute of Technology. Grangegorman, capital value €850 million.
- Railway Procurement Agency – Seven new light railway (Luas) lines, two metro lines and a grand central station in the centre of Dublin. Estimated total capital value €7.4 billion.
- Office of Public Works – Decentralisation Programme. OJEU notice seeking Expressions of Interest was recently issued.
- Department of Arts, Sports and Tourism – Redevelopment of the Abbey Theatre.
- Wicklow County Council – Marina at Bray Harbour.

## DELIVERING PUBLIC INVESTMENT PROJECTS

The Agency's role in delivering major capital programmes is set out as follows in the Programme for Government<sup>2</sup>:

*"The NDFA will enable the Government to apply commercial standards in evaluating financial risks, costs and options associated with projects thereby ensuring that the best financing package is availed of in each instance."*

The Government's economic strategy includes spending up to 5 per cent of Gross National Product per annum on capital projects in the 2006 – 2010 period (on average approximately double the percentage in other EU countries).

<sup>2</sup> Programme for Government, published June 2002.

# Financial Advisory Role

Prior to the establishment of the Agency there was no designated corporate finance expertise available to the Irish Government. Instead, groups of consultants and other experts were brought together, at considerable expense, to advise on individual projects. On completion of each project, the project team was discontinued and the body of knowledge, including its expertise within the public service, was largely lost.

In fulfilling its role, the Agency is also in a strong position to participate in initiatives to improve the quality and delivery of infrastructure projects and has made submissions to Government in this regard.

A strong PPP market north and south of the border has greater appeal to international consortia and is a practical consideration for many companies considering the deal flow in Ireland. The Agency was the joint sponsor with the Strategic Investment Board of Northern Ireland of the first all-island infrastructure conference. This was held in Dundalk in February 2006 and was attended by 350 delegates, some of which will potentially be key players in developing future infrastructure.

The Agency has presented at other conferences during 2005, which have been aimed at developing the market for PPPs in Ireland. As the market deepens, the wider level of interest from the private sector will result in greater competition and ultimately bring additional Value for Money to the Exchequer. These conferences have included the major international banks, construction firms, operations & maintenance firms, legal and other experts.

The Agency ran and organised the first Risk Workshop Training course in November 2005 in conjunction with the Department of Finance. It was attended by the key State Agencies and Government Departments who are involved in PPP projects. The course contributed towards increased understanding of assessing the risks and ultimately Value for Money in PPPs. Subsequent courses have been conducted in 2006 to satisfy the demand.

# Capital Investment Programme

Total investment in infrastructure under the Multi-Annual Investment Framework over the next five years (2006 – 2010) is budgeted at €43.5 billion, allowing Ireland to maintain investment in infrastructure at nearly twice the EU average. Of the €43.5 billion, approximately €5.5 billion will be funded by the private sector via PPPs based on availability payments. These are PPPs funded by the State rather than by user charges to the public, such as road tolling.

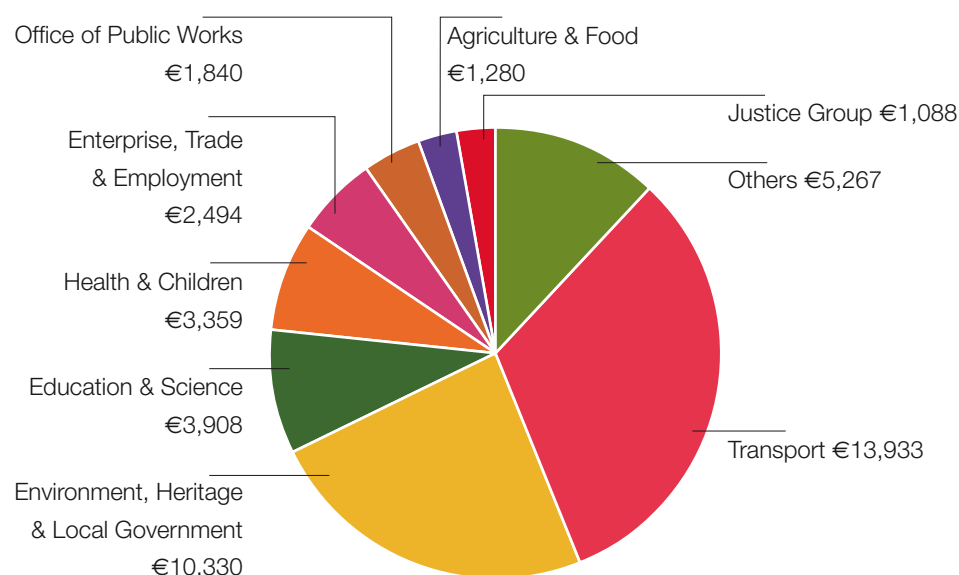
In addition to the €5.5 billion allocation for projects funded by availability based payments, there is no upper limit on projects undertaken by means of PPP where the PPP can be funded entirely by user charges.

Multi-Annual Capital Investment Framework 2006 – 2010	
	€ Million
Transport	13,933
Environment, Heritage & Local Government	10,330
Education & Science	3,908
Health & Children	3,359
Enterprise, Trade & Employment	2,494
Office of Public Works	1,840
Agriculture & Food	1,280
Justice Group	1,088
Others	5,267
<b>Total</b>	<b>43,499</b>

Source: Budget 2006

## Multi-Annual Capital Investment Framework 2006 – 2010

### Summary Chart of Expenditure by Department (€ m)



Given the increasing level of capital expenditure by the State, the Agency will have a key role in providing advice to the State Authorities on the procurement and optimal financing of projects.

# National Development Finance Agency Functions

The National Development Finance Agency Act, 2002, lists the Agency's principal functions as being:

- To advise State Authorities on the optimal means of financing public investment projects in order to achieve Value for Money;
- To advance moneys including repayable loans and equity and to enter into other financial arrangements in respect of projects approved by any State Authority;
- To provide advice to State Authorities on all aspects of financing, refinancing and insurance of public investment projects to be undertaken by means of Public Private Partnership (PPP) or within the public sector; and
- To establish special purpose companies in order to finance projects.

The Government decision of July 2005 added the following functions to the role of the Agency:

- To enter into a Public Private Partnership arrangement with a view to transferring the rights and obligations under such an arrangement to any State authority.
- To act as agent for any State authority in connection with the entry or proposed entry by that State authority into a Public Private Partnership arrangement.

While sponsoring Ministers will continue to be responsible for all aspects of the assessment and approval of projects, including the decision to use the PPP route and the setting of project budgets and output specifications, the Agency will be responsible for the procurement and delivery of the final turnkey solution. This will involve preparation of contract documents, running the tender competition, evaluation of tenders, selection of preferred bidders, contract negotiations and monitoring of the construction of the project.

## THE BOARD OF THE AGENCY

The Board of the Agency consists of a Chairman and six ordinary members. Its ex-officio Chairman is the Chief Executive of the National Treasury Management Agency. The Minister for Finance appoints the ordinary members for a five-year term. The Board appoints one of its members, other than the Chairman, to be Chief Executive Officer of the National Development Finance Agency.

Two new board members, Fred Barry and Stewart Harrington, were appointed by the Minister for Finance in 2005 on a non-statutory basis pending the enactment of legislation. Fred Barry is the Chief Executive of the National Roads Authority and Stewart Harrington is a Director of Killeen Properties Limited and Lifestyle Sports Limited. These recent appointments recognise the increased role and responsibilities of the Agency in infrastructure development in Ireland.

The Chairman and the Chief Executive Officer of the Agency are required to give evidence to the Committee of Public Accounts of Dáil Éireann. Such evidence covers the regulation and propriety of all transactions of the Agency, the economy and efficiency of the Agency, and the systems, procedures and practices employed by the Agency. Evidence was given to the Committee on 10<sup>th</sup> March 2005 and 9<sup>th</sup> March 2006.



Structure



# National Development Finance Agency Functions

## STAFF

The functions of the Agency are performed through the National Treasury Management Agency under section 11 of the National Development Finance Agency Act, 2002. In common with the other functions performed through the NTMA, the Agency is staffed by persons who are employees of the NTMA.

The NTMA currently has eleven professionals dedicated exclusively to the work of the National Development Finance Agency. These employees have experience and expertise in a number of disciplines including project finance, law, accountancy, economics, corporate finance and risk management. In addition to the full-time employees allocated to the Agency, other NTMA staff and facilities are used, as required, including information technology, security, legal, and financial control, as well as specialists in real estate, equity markets and the bond and money markets.

The recruitment of further professional personnel with financial expertise is ongoing and it is expected that the number of staff will rise as further public investment projects come on stream. The Agency is taking steps and anticipates a rise in staffing levels to at least 20 staff dedicated solely to the National Development Finance Agency's work in order to deliver the increasing level of PPP deal flow.

The Chief Executive and the Board would like to express their appreciation for the efforts of all staff involved in the Agency's operations.

# Public Private Partnerships

## PUBLIC INVESTMENT PROJECTS

Under the National Development Finance Agency Act, 2002 the Agency is required *“to advise any State Authority of what, in the opinion of the Agency, are the optimal means of financing the cost of public investment projects in order to achieve Value for Money”*. These projects can be delivered via traditional procurement methods or via PPPs. In traditional tendering arrangements, Government Departments determine the exact specifications of the project and seek tenders and quotations for work on this basis.

The evolution of alternative procurement strategies, such as PPPs, have emerged to address the increasing complexity of modern infrastructural projects and to exploit the expertise and innovation that exists within the private sector to deliver these complex projects in a timely, cost effective manner.

A PPP is an arrangement entered into by a State Authority with a partner from the private sector for the purpose of delivering a project or service traditionally provided by the public sector. The main focus of a PPP is to achieve Value for Money for the Exchequer through the use of private sector competencies and allocation of risk to the party best able to manage it.

In practice PPPs are a variety of contractual structures ranging from full “design, build, operate and finance” projects to “operation and maintenance” contracts. In reality there is no overarching definition. It can cover a wide range of activity and is constantly evolving.

# Public Private Partnerships

## KEY CHARACTERISTICS OF PPPS

- Shared responsibility between the State and private sector for the provision of infrastructure and services.
- A significant level of risk taken by the private sector.
- A long-term commitment by the public sector to the provision of quality public services.
- Achievement of better Value for Money and optimal allocation of risk.

Each potential PPP project undergoes a PPP appraisal to assess whether the project would be best delivered under a PPP structure or via traditional procurement methods.

Getting the risk transfer right is crucial to achieving Value for Money in PPP deals. As the State can always raise finance at cheaper rates than the private sector, it is essential that savings be achieved through the optimal allocation of risk.

## PUBLIC SECTOR BENCHMARK

In line with the Department of Finance's guidelines<sup>3</sup> regarding the appraisal of projects, a Public Sector Benchmark must be prepared in respect of all PPP projects. This Benchmark is a comprehensive risk-adjusted, whole-life costing of a project under traditional procurement conditions. The role of the Agency is to facilitate a financial and risk analysis of the inputs used to calculate the Benchmark, which is expressed as a single monetary figure. The Benchmark has to be prepared and approved by the relevant Department and an Affordability Cap set before the evaluation of tenders can take place.

The following costs are taken into account when calculating the Benchmark:

1. Construction costs.
2. Operating, maintenance and life cycle costs.
3. Risk costs over the whole life of the project.

<sup>3</sup> Interim Guidelines for the Provision of Infrastructure and Capital Investments through Public Private Partnerships: Department of Finance, February 2005. Currently being updated.

# Public Private Partnerships

Relevant risks attached to the project are identified and quantified, including: planning risk, design risk, construction risk, operating risk, demand risk, political risk, legislative risk and project specific risks. All private sector bids are measured against the Public Sector Benchmark/Affordability Cap.

The Department of Finance's guidelines on Public Private Partnerships and the PSB are currently being revised by the Department in consultation with the Agency, with the objective of streamlining processes so that infrastructure may be delivered more quickly to the State.

## GOOD NEWS FOR PPPs

So far in Ireland, sixty-eight projects have been identified with PPP potential and ten of these have been contracted, and are in operation. The experience of using PPPs thus far shows how innovation by private developers can deliver badly needed infrastructure speedily. The main advantage of PPPs is their speed of delivery and their record in this regard is very good: for example the M4 Kilcock–Kinnegad motorway opened in December 2005, ten months ahead of schedule.

The National Maritime College was built under a PPP in eighteen months and came in on time and on budget. The building work on the Cork School of Music is currently running several months ahead of schedule.

The first phase of the first housing PPP was also completed ahead of schedule. The contract on Fatima Mansions was signed at the end of June 2004 and on 3<sup>rd</sup> October 2005 the social housing residents were moving into more modern accommodation. A construction period of one year and three months demonstrates just how fast the private sector can deliver the finished product.

One of the most positive signs about the Irish PPP market is the level of international interest. Expressions of interest in various competitions have been received from Irish, Australian, British, Dutch, French, German, Portuguese and Spanish companies, which means there is a lot of competition in the market and that keeps costs down.

The Irish Business and Employers Confederation (IBEC) published the results of its second PPP Survey in November 2005. The survey revealed a marked improvement in sentiment by the private sector towards progress achieved by the public sector in developing the Republic's PPP market. The Chairman of the IBEC PPP Council said "the survey results point to an increasing optimism in the industry that momentum can be restored to the whole PPP arena".

# Public Private Partnerships

In the UK, there have been a number of reports released in recent years, which reported on the success of PPPs as a method for procuring capital projects. A sample of the conclusions from these reports shows that:

- 81% of Local Authority contract managers report that services are being delivered in accordance with their expectations all or most of the time.

*Source: 4ps Review of Operational PFI and PPP Projects 2005 (4ps is the UK local government's project delivery specialist)*

- 98% of projects surveyed were meeting Service Level Agreements and 71% were delivering more than contractually specified.

*"Effectiveness of operational contracts in PFI" BSA/KPMG 2005*

- 78% of projects have been delivered to price agreed at contract.

*National Audit Office "PFI: Construction Performance" February 2003*

- 88% of projects have been delivered on time or early.

*HM Treasury: "PFI: Meeting the Investment Challenge" July 2003*

- Projects were largely completed on time, on budget and to specification. There was also evidence on some projects that the standard of the works was better than would have been found on a public procurement project.

*European Investment Bank, "Evaluation of PPP projects financed by the EIB" March 2005*

To illustrate the success of PPPs abroad, in Australia, it was announced in November 2005 that all federal departments and agencies seeking funding for new investments in projects involving asset based procurement with a whole-of-life cost in excess of A\$100m must be considered for delivery by a PPP type-arrangement and that Cabinet must give a detailed explanation where this is rejected.

# Appendix 1

The following is a list of the State Authorities that currently are obliged to consult the Agency under the National Development Finance Agency Act, 2002, in respect of major public investment projects. The list has been extended since the Act was passed and may be further extended by the Minister for Finance.

## **State authorities as listed in the Schedule to the Agency Act, 2002:**

A Minister of the Government.

A local authority.

The Commissioners of Public Works in Ireland.

The National Roads Authority.

A health board established under the Health Act, 1970.

The Eastern Regional Health Authority.

A university within the meaning of the Universities Act, 1997, other than Trinity College and the University of Dublin.

The Dublin Institute of Technology.

A college within the meaning of section 2 of the Regional Technical Colleges Act, 1992.

A vocational education committee within the meaning of section 7 of the Vocational Education Act, 1930.

Courts Service.

A harbour authority within the meaning of the Harbours Acts, 1946 to 1976.

## **State authorities subsequently added to the Schedule to the Agency Act since 2002:**

Bus Átha Cliath – Dublin Bus

Bus Éireann – Irish Bus

Córas Iompar Éireann

Iarnród Éireann – Irish Rail

The Railway Procurement Agency

Digital Hub Development Agency

# Financial Statements

The Agency provides advice to State Authorities on the procurement, delivery and financing of projects. However, these projects remain on the balance sheet of the relevant Department and do not appear in the Agency's accounts.

Section 20 of the National Development Finance Agency Act, 2002 obliges it to keep, in such form, as may be determined by the Minister for Finance, all proper and usual accounts. The accounts have to include a separate account of the administration fees and expenses incurred by the Agency in the performance of its functions. However, as explained above, the staff who work on NDFA matters are exclusively employed by the National Treasury Management Agency.

The administration expenses incurred by the Agency in 2005 and 2004 are as follows.

	<b>2005</b>	<b>2004</b>
	€	€
Fees & Expenses of Board	32,128	30,000
Audit Fees	<u>4,800</u>	<u>1,700</u>
	<u>36,928</u>	<u>31,700</u>

## Administrative costs borne by National Treasury Management Agency

In addition to the above expenses, the administrative costs incurred by the National Treasury Management Agency in the performance of the Agency's functions amounted to €2,758,892 (2004 €1,808,859). These costs are included in the administration expenses of the National Treasury Management Agency and are charged on the Central Fund. The NTMA does not seek reimbursement of these costs from the State Authorities.





Financial Statements

# Financial Statements of the National Development Finance Agency for the Year Ended 31 December 2005

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# Board Members and Other Information

## BOARD MEMBERS\*

Michael J. Somers – Chairman

Anne Counihan – Chief Executive Officer

Ann Fitzgerald

Tony Jones

Peter McManamon

## AUDITORS

Comptroller & Auditor General

Dublin Castle

Dublin 2

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\* Two additional board members, Fred Barry and Stewart Harrington were appointed on 23<sup>rd</sup> November 2005 on a non statutory basis pending the passing of legislation increasing the size of the Board.

# Statement of Agency's Responsibilities

The Agency is required by the National Development Finance Agency Act, 2002 to prepare financial statements in respect of its operations for each financial year.

In preparing those statements, the Agency is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate;
- disclose and explain any material departure from applicable accounting standards.

The Agency is responsible for keeping in such form as may be approved by the Minister for Finance all proper and usual accounts of all moneys received or expended by it and for maintaining accounting records which disclose with reasonable accuracy at any time the financial position of the Agency.

The Agency is also responsible for safeguarding assets under its control and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



**Michael J. Somers**

*Chairman*

National Development Finance Agency



**Anne Counihan**

*Chief Executive Officer*

National Development Finance Agency

**27 June 2006**

# Statement on the System of Internal Financial Control

## RESPONSIBILITY FOR SYSTEM OF INTERNAL FINANCIAL CONTROL

On behalf of the National Development Finance Agency (“the NDFA”), we acknowledge the responsibility for ensuring that an effective system of internal financial control is maintained and operated.

The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely period.

## KEY CONTROL PROCEDURES

In accordance with Section 11 of the National Development Finance Agency Act, 2002 the NDFA performs its functions through the National Treasury Management Agency (the Agency).

The Agency has taken steps to ensure an appropriate control environment by:

- clearly defining management responsibilities;
- establishing formal procedures for reporting significant control failures and ensuring appropriate corrective action.

The Agency has established processes to identify and evaluate certain risks by:

- identifying the nature, extent and financial implication of risks facing the Agency including the extent and categories which it regards as acceptable;
- assessing the likelihood of identified risks occurring;
- assessing the Agency’s ability to manage and mitigate the risks that do occur;
- assessing the costs of operating particular controls relative to the benefit obtained.

# Statement on the System of Internal Financial Control

The system of internal financial control is based on a framework of regular management information, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular it includes:

- a comprehensive budgeting system for the administration costs of the Agency;
- regular reviews of periodic and annual financial reports which compare financial performance against forecasts;

## KEY CONTROL PROCEDURES

- setting targets to measure financial and other performance;
- formal management disciplines.

The Agency has an internal audit function, which operates in accordance with the Framework Code of Best Practice set out in the Code of Practice on the Governance of State Bodies. The work of internal audit is informed by analysis of the operational risks to which the Agency is exposed, and annual internal audit plans are based on this analysis. At least annually, the Internal Auditor provides the Agency with a report of internal audit activity. The report includes the Internal Auditor's opinion on the adequacy and effectiveness of the system of internal financial control.

The Agency's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal auditor (currently PricewaterhouseCoopers), the executive managers within the Agency who have responsibility for the development and maintenance of the financial control framework, and comments made by the Comptroller and Auditor General in his management letter or other reports.

## ANNUAL REVIEW OF CONTROLS

For the year ended 31 December 2005, the Internal Auditor has conducted a review of the effectiveness of the system of internal financial controls and has reported this to the Chief Executive, National Treasury Management Agency who is also the Chairman of the NDFA Board. No issues arose in the review by the Internal Auditor.



**Michael J. Somers**

*Chairman*

National Development Finance Agency



**Anne Counihan**

*Chief Executive Officer*

National Development Finance Agency

**27 June 2006**

# Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

I have audited the financial statements of the National Development Finance Agency for the year ended 31 December 2005 under the National Development Finance Agency Act, 2002.

The financial statements, which have been prepared under the accounting policies set out therein, comprise the Accounting Policies, the Income and Expenditure Account, the Administration Account, the Balance Sheet and the related notes.

## **RESPECTIVE RESPONSIBILITIES OF THE AGENCY AND THE COMPTROLLER AND AUDITOR GENERAL**

The Agency is responsible for preparing the financial statements in accordance with the National Development Finance Agency Act, 2002, and for ensuring the regularity of transactions. The Agency prepares the financial statements in accordance with Generally Accepted Accounting Practice in Ireland. The accounting responsibilities of the Agency are set out in the Statement of Agency's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland. I also report whether in my opinion proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my audit.

I review whether the Statement on Internal Financial Control reflects the Agency's compliance with the Code of Practice for the Governance of State Bodies and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements. I am not required to consider whether the Statement on Internal Financial Control covers all financial risks and controls, or to form an opinion on the effectiveness of the risk and control procedures.



## BASIS OF AUDIT OPINION

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## OPINION

In my opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Agency's affairs at 31 December 2005 and of its income and expenditure for the year then ended.

In my opinion, proper books of account have been kept by the Agency. The financial statements are in agreement with the books of account.



**John Purcell**

**Comptroller and Auditor General**

**29 June 2006**

# Accounting Policies

## BACKGROUND

The National Development Finance Agency (the “NDFA”) was established by order of the Minister for Finance on 1 January 2003 under the National Development Finance Agency Act, 2002.

In July 2005, the Government decided to centralise in the NDFA all the procurement delivery skills needed for Public Private Partnership (“PPP”) project procurement in designated areas, initially commencing with a programme of PPP projects in the Justice, Health and Education areas. The NDFA will be given a mandate to procure the projects on behalf of the designated State authorities (with input from the sponsoring Government Department to extent considered necessary) and to hand them over to the relevant Government Department after construction is complete. The NDFA will undertake the procurement after all policy issues are cleared, output specifications are set and the Public Sector Benchmark for the project has been signed off by the sponsoring Government Department. It is envisaged that the legislative amendments necessary to assign these additional functions to the NDFA will be enacted during 2006.

The significant accounting policies adopted in respect of the National Development Finance Agency are as follows:

## BASIS OF PREPARATION

The financial statements have been prepared in accordance with the National Development Finance Agency Act, 2002 in a format approved by the Minister for Finance.

The financial statements summarise the transactions and financial position of the National Development Finance Agency.

## REPORTING PERIOD

The reporting period is the year ended 31 December 2005.

## REPORTING CURRENCY

The reporting currency is the euro, which is denoted by the symbol €.

## INCOME RECOGNITION

Income is accounted for on an accruals basis.

## EXPENSES

Expenses are accounted for in the year in which they fall due.

Expenses incurred in respect of the administration of the Agency are charged to the Administration account.

Fees and expenses incurred in respect of the Agency’s financing and advisory functions are charged to the Income and Expenditure account.

# Income & Expenditure Account

## for the year-ended 31 December 2005

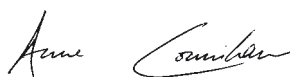
		2005	2004
	Notes	€	€
Income	1	36,928	31,700
Transfer to Administration Account	2	(36,928)	(31,700)
Net Income for the period		-	-



**Michael J. Somers**

*Chairman*

National Development Finance Agency



**Anne Counihan**

*Chief Executive Officer*

National Development Finance Agency

**27 June 2006**

The statement of accounting policies and notes 1 to 9 form part of these accounts.

# Administration Account

## for the year ended 31 December 2005

		2005	2004
	Notes	€	€
Transfer from Income & Expenditure Account	2	36,928	31,700
Administration expenses of Agency	3	(36,928)	(31,700)
Net income\ (expenditure)		<u>Nil</u>	<u>Nil</u>



**Michael J. Somers**

*Chairman*

National Development Finance Agency



**Anne Counihan**

*Chief Executive Officer*

National Development Finance Agency

**27 June 2006**

The statement of accounting policies and notes 1 to 9 form part of these accounts.

# Balance Sheet

31 December 2005

		2005	2004
	Notes	€	€
<b>Assets</b>			
Debtors	4	<u>4,800</u>	<u>1,700</u>
<b>Liabilities</b>			
Creditors	5	<u>4,800</u>	<u>1,700</u>
<b>Total Assets less Liabilities</b>		<u>Nil</u>	<u>Nil</u>
<b>Representing</b>			
Accumulated Reserves	6	<u>Nil</u>	<u>Nil</u>



**Michael J. Somers**

*Chairman*

National Development Finance Agency



**Anne Counihan**

*Chief Executive Officer*

National Development Finance Agency

**27 June 2006**

The statement of accounting policies and notes 1 to 9 form part of these accounts.

# Notes to the Accounts

## 1. Income

	2005	2004
	€	€
Central Fund	<u>36,928</u>	<u>31,700</u>

## 2. Transfer to Administration Account from Income & Expenditure Account

This amount of €36,928 represents the amount required to cover the administration costs of the Agency.

## 3. Administration Expenses

The Administration expenses of the Agency are detailed below on an accruals basis:

	2005	2004
	€	€
Fees & Expenses of Board	32,128	30,000
Audit Fees	<u>4,800</u>	<u>1,700</u>
	<u>36,928</u>	<u>31,700</u>

In addition to the above expenses, the administrative costs incurred by the National Treasury Management Agency in the performance of the NDFA's functions amounted to €2,758,892 (2004 €1,808,859). These NTMA costs are included in the administration expenses of the National Treasury Management Agency and are charged on the Central Fund. The NTMA does not seek reimbursement of these costs from the State Authorities.

# Notes to the Accounts

## 4. Debtors

	2005	2004
	€	€
Central Fund	4,800	1,700

## 5. Creditors

	2005	2004
	€	€
Accrued Expenses	4,800	1,700

## 6. Accumulated Reserves

	2005	2004
	€	€
Net income for the period	-	-
Closing balance	Nil	Nil

## 7. Contingent liabilities

The National Development Finance Agency had no contingent liabilities at 31 December 2005.

## 8. Related parties

### Minister for Finance

The members of the Board of the National Development Finance Agency as given on page 3, were appointed by the Minister for Finance under section 12 of the Act.

Under section 7 of the Act the Minister may guarantee the repayment of borrowings of the Agency or any special purpose company formed by the Agency in the performance of its activities. No such guarantees have been given during the period.

## 9. Approval of Financial Statements

The financial statements were approved by the Board on 29 March 2006.







**National Development Finance Agency**

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**National Development  
Finance Agency**