



National Development Finance Agency

ANNUAL REPORT 2010



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Gníomhaireacht Náisiúnta
d'Fhorbairt Airgeadais

National Development
Finance Agency

30 June 2011

Mr. Michael Noonan, TD
Minister for Finance
Government Buildings
Upper Merrion Street
Dublin 2

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 2010 to 31 December 2010.

Yours sincerely,

John C. Corrigan
Chairman

BOARD MEMBERS



John C. Corrigan (Chairman)
Chief Executive
National Treasury Management Agency



Brian Murphy (Chief Executive Officer)
Director
National Treasury Management Agency



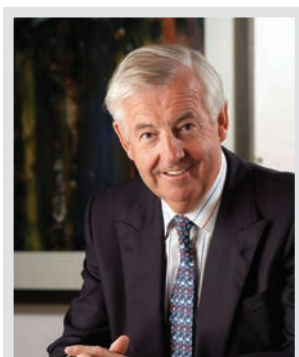
Fred Barry
Chief Executive Officer
National Roads Authority



Liam Berney
Industrial Officer
Irish Congress of Trade Unions



Ann Fitzgerald
Chief Executive Officer
National Consumer Agency



Stewart Harrington
Director
Killeen Properties Limited



Tony Jones
Business Consultant



Peter McManamon
Chairman
Ceva Inc

The Board met on 6 occasions during 2010.



NATIONAL DEVELOPMENT FINANCE AGENCY – ROLE AND FUNCTIONS

The National Development Finance Agency (NDFA) was established on 1 January 2003 in accordance with the National Development Finance Agency Act 2002 to provide a financial advisory service to State Authorities in respect of capital projects over a certain size – at present €30 million – under guidelines issued by the Minister for Finance. All projects being procured by way of Public Private Partnerships (PPPs), regardless of size, must be referred to the NDFA for advice. The NDFA performs its functions through the National Treasury Management Agency (NTMA).

Prior to the establishment of the NDFA, there was no established project finance expertise available to the Government. Instead, groups of consultants and other experts were brought together 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.

The NDFA has the legal authority to borrow and advance up to €5 billion in respect of projects approved by any State Authority, to form companies for the purposes of financing a public investment project and to advance moneys to such companies. To date it has not been required to provide funding directly.

The NDFA (Amendment) Act 2007 significantly expanded the role of the Agency to include the actual procurement of all PPP public capital projects except transport projects, which are already provided for in the mandates of the relevant transport State Authorities, and local authority PPPs.

The procurement function complements the financial advisory function already established within the NDFA and is also governed by guidelines issued by the Minister for Finance.

Total staffing in the NDFA is currently 38, approximately half of whom provide financial advisory services and half provide project management services.

The key services provided by NDFA include:

- financial, risk and insurance advice
- preparation of Public Sector Benchmarks (this Benchmark is a comprehensive risk-adjusted, whole-life costing of a project under traditional procurement conditions, expressed as a single monetary figure)
- preparing contract documents
- going to tender for the project
- prequalification of bidding consortia
- evaluation of tenders
- selection of Preferred Tenderers
- contract negotiations
- assessment of value for money
- signing PPP contracts on behalf of the Government Department/State Agency
- monitoring the construction of the project
- administering the contract to “turnkey stage” and hand-back over a staged transition period to the sponsoring agency

In performing its duties, the NDFA is required to have due regard to the guidance and directions issued by the Minister for Finance in relation to the financing and procurement of public investment projects, in particular the *Guidelines for the Appraisal and Management of Capital Expenditure Proposals in the Public Sector* (2005), the *National Procurement Policy Framework* (2005), the *Guidelines for the Provision of Infrastructure and Capital Investments through Public Private Partnerships* (2006) and the *Framework for Public Private Partnerships* (2001).

OVERVIEW 2010

The NDFA is currently advising State Authorities on over 50 active projects, which are referred to it as and when required. NDFA has advised on 48 projects which have a combined capital value of over €6.5 billion, of which 26 are PPPs.

The NDFA provides financial advice on all projects referred to it, in addition to which it is also the designated procurement authority for ten active projects. Of these projects, six have been formally handed over to the NDFA for procurement – involving three discrete bundles of schools (a total of 18 schools), the first and second bundles of Third Level Institutions (a total of 11 facilities) and the redevelopment of the National Concert Hall (recently cancelled).

Some highlights of the progress which has been made in a number of projects by the NDFA during 2010 and in the first half of 2011 are as follows:

- The NDFA's first procurement project reached construction completion in September 2010: four post-primary schools providing accommodation for 2,700 students in Laois and Offaly were delivered within budget and occupied on time for the start of the new 2010/11 school year.
- The Second Bundle of Schools referred to the NDFA reached financial close in June 2010. Construction work on all sites commenced immediately after contract signing. These six schools will provide accommodation for approximately 4,700 students and are due to be occupied variously between September and November 2011.
- The competition for the Third Bundle of Schools is progressing well with tenders due to be received in July 2011 from three shortlisted candidates. This bundle will provide accommodation for 5,700 students across eight schools.

- The First Bundle of Third Level Institutions project is at an advanced stage with a Preferred Tenderer having been appointed in February 2011 following a competitive tender process. This includes developments at Limerick Institute of Technology, University of Limerick, Cork Institute of Technology and Dun Laoghaire Institute of Art, Design & Technology. The tender documentation was issued to the short listed participants in respect of a Second Bundle of Third Level Institutions in February 2011 and a Preferred Tenderer is expected to be appointed in the fourth quarter of 2011.

- The NDFA, in its capacity as financial advisor, is supporting the National Roads Authority in the procurement of two PPP roads projects, which are at an advanced stage. A Preferred Tenderer was appointed to the N11 (Arklow-Rathnew, incorporating Newlands Cross) scheme in June 2011 by the National Roads Authority. It is expected that a Preferred Tenderer will be appointed to the N17/N18 (Gort-Tuam) scheme during the second half of 2011.

The NDFA is also advising the National Roads Authority on a second tranche of Service Areas which was launched in May 2011.

- The NDFA continues to provide financial advice on a number of significant infrastructure projects in the transport, justice, waste and water sectors. NDFA acts as financial advisor to the Health Service Executive on a number of high profile health projects including the National Paediatric Hospital, Sligo General Hospital and Galway University Hospital. These projects will assist in improving national productivity and competitiveness, support sustainable employment and deliver vital infrastructure for social needs.



- In 2010, formal Value for Money opinions were issued in respect of the following two projects:
 - Second Bundle of Schools: to provide approximately 4,700 places
 - St Vincent's University Hospital: development of a new ward block including the cystic fibrosis unit
- The NDFA has engaged with multilateral funders who are capable of providing cost effective funding to Irish infrastructure. The European Investment Bank (EIB) is providing €44 million funding to the Second Bundle of Schools, which are now under construction, and will be supporting the Third Bundle of Schools. The EIB has also agreed to support a number of transport projects.
- A number of projects to which the NDFA has provided advice were commissioned in 2010:
 - The award winning Convention Centre Dublin commenced operations in August 2010. Since then, it has hosted over 11,000 international delegates, which is in excess of target and has generated substantial additional revenue for the local economy.
 - The new Aviva Stadium at Lansdowne Road, Dublin was officially opened in May 2010. The State provided €191 million in funding for the development and NDFA undertook due diligence on the transaction on behalf of the Department of Tourism, Culture & Sport.
 - In the cancer control area, two developments were completed as part of the National Plan for Radiation Oncology (Phase I) at St James's Hospital Dublin and Beaumont Hospital Dublin in the fourth quarter of 2010.
 - The First Bundle of Schools opened on time for the 2010/11 school year.
 - Construction was completed on the first tranche of Motorway Service Areas in September 2010. This project comprised six service areas in Kildare, Louth and Dublin.





Céad Míle Fáilte
One Hundred Thousand Welcomes

CHIEF EXECUTIVE'S ASSESSMENT OF THE CURRENT MARKET ENVIRONMENT

Ireland's financial situation continues to adversely impact the funding available for all investments including PPP projects. Since the commencement of the global financial crisis, banks have been unwilling to hold terms for finance offers for longer than two to three months. The second half of 2010 also witnessed a further significant decrease in the number of banks expressing interest in providing funding for infrastructural projects in Ireland.

The NDFA has monitored these developments closely and has attempted to respond proactively to the challenges. A Preferred Tenderer funding competition, which defers the firm commitment of funding for a project until after a Preferred Tenderer has been appointed, was introduced to some procurements to address such funding difficulties and was successfully deployed in reaching financial close on the Second Bundle of Schools project. The NDFA has structured these funding competitions in such a way as to mitigate the unwillingness of banks to hold their terms fixed for a long period while achieving the most competitive terms available.

A continued important aspect of the NDFA's work in the current environment is the assessment of the financial standing of those consortia selected to tender to deliver infrastructure projects. In addition to rigorous prequalification evaluations, performance bonds and contractual protections are incorporated in the legal agreements which provide protection to the State in the event of insolvency or default.

The PPP model is widely regarded as robust and infrastructure PPPs have survived the current economic difficulties better than most other asset classes. PPPs have been demonstrated to unlock the efficiency and innovative potential of the private sector. The risk sharing arrangements within a PPP provide a means to create incentives for both contracting parties to increase the efficiency of projects.

Despite the fact that the financial markets have not yet returned to normal, there are still many opportunities for value for money to be achieved on projects. NDFA has monitored developments in tender prices, which have fallen substantially from the peak of the market, and has ensured that improved value for money is delivered in its procurements, while simultaneously ensuring that this has not adversely affected the financial robustness or bankability of the projects. It is essential that a proper balance is maintained between falling tender prices, cost, value for money and the continuing financial robustness and operational capability of contracting parties.

European Union (EU) policy continues to support infrastructure investment as evidenced in the Europe 2020 Strategy, which is the European Commission's growth strategy for this decade. Traditionally the largest share of infrastructure financing emanates from the Exchequer. However, this source of project financing is now severely constrained post the financial crisis. This, in the view of the EU Commission and others, increases the need for greater private sector participation (such as through the PPP model) in order to deliver the infrastructural requirements identified in both Europe 2020 and the recently published Programme for Government.

The NDFA is engaged in the process of securing innovative funding solutions for projects. It has continued to engage with the EIB on a number of projects and the bank has expressed its support for Metro North and a number of roads schemes. The EIB provided €44 million to the Second Bundle of Schools PPP project which reached financial close in June 2010. In addition, the NDFA has established a productive relationship with the Council of Europe Development Bank and maintains an active discussion with the Bank in relation to the possible financing of a number of projects.

The European Commission and the EIB have recently launched a proposal for a new initiative aimed at making the financing of infrastructure projects more attractive to capital market investors, known as the Project Bonds Initiative. It is proposed that the credit rating of senior bonds issued by a project company could be improved by support from EIB at the subordinated level. The NDFA has joined the European authorities' working group on this initiative and is playing an active role in order to progress it. This initiative is scheduled to come into effect from 2014.

There is no doubt that the challenging fiscal position Ireland faces will have an impact on capital spending over the medium term. Important benefits to the nation of continuing the capital programme are the provision of employment, retention of skills and expertise and the associated financial and economic benefits which such a stimulus provides to the economy. PPPs spread the cost of financing infrastructure over the lifetime of the asset. This means capital projects can be undertaken and their cost spread over a number of years consistent with the period of delivery of benefits from the asset.

PROGRESS ON PROJECTS WHERE NDFA ACTS AS PROCURING AUTHORITY & FINANCIAL ADVISOR



Education PPP Programme

Schools PPP Programme: Overview

There are three bundles identified to date as part of the plan by the Department of Education & Skills to provide 23 new post-primary schools and four new primary schools through PPP. The NDFA is providing financial advice and is responsible for all aspects of delivering the procurement of the individual projects within this €300 million programme.

First Bundle of Schools

The First Schools' design, build, finance and maintain (DBFM) PPP Bundle provides 2,700 pupil places. It involved the replacement of six existing schools with four new schools located in Laois and Offaly.

This is the first project procured by the NDFA to reach construction completion. Service commencement was achieved on all four schools in September 2010 and they were available on time for staff and pupils for new 2010/2011 school year.

Responsibility for the management of the 25 year facilities management contract aspect of the PPP has now transferred to the Department of Education and Skills.










Second Bundle of Schools

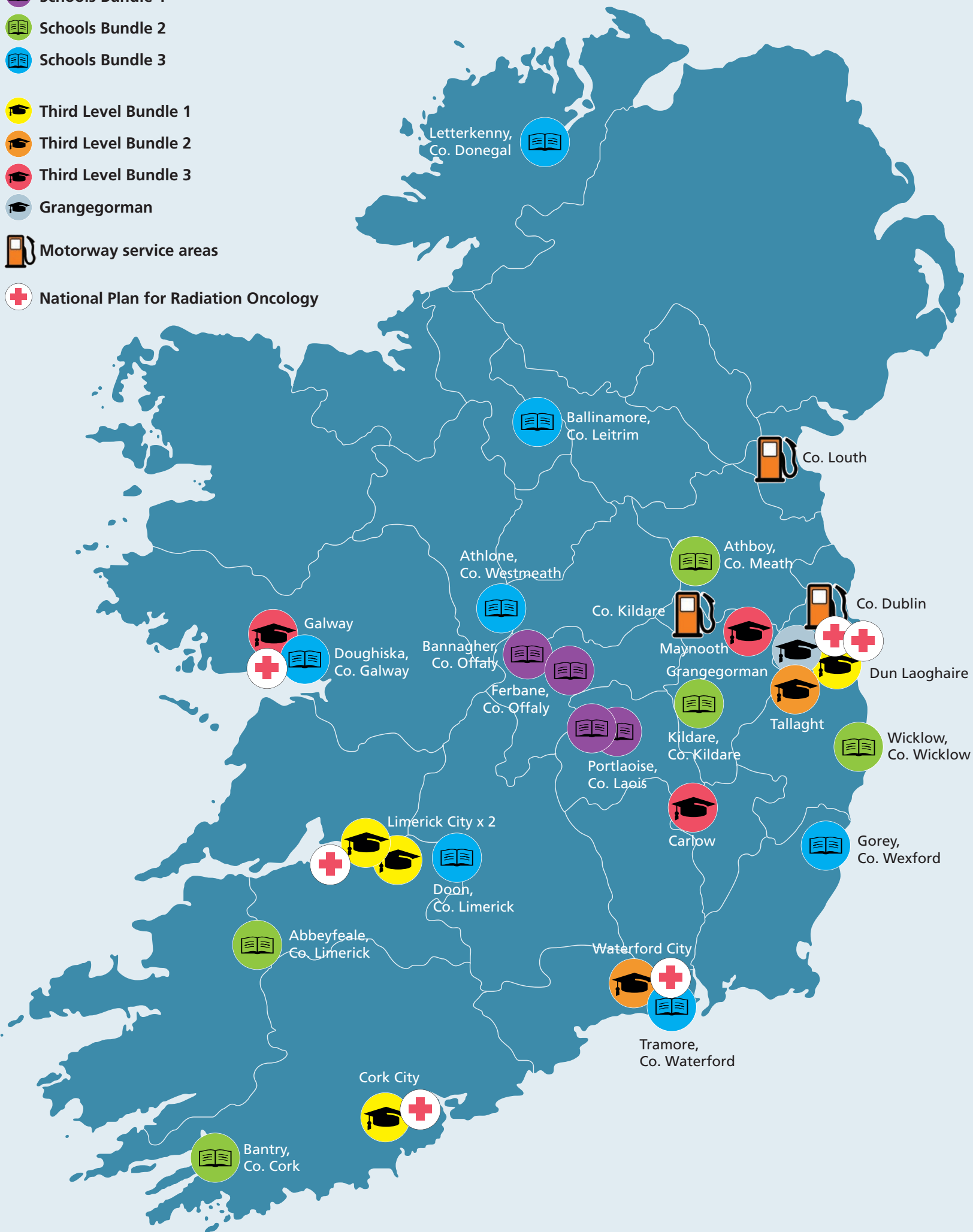
The Second Bundle consists of six schools in counties Cork, Limerick, Kildare, Wicklow and Meath which will provide accommodation for approximately 4,700 students. Financial close and contract award was achieved on 2 June 2010 with the Preferred Tenderer, Macquarie Partnerships for Ireland. Construction commenced on 3 June 2010 with a target opening date for the last of the six schools of November 2011.

The NDFA is currently progressing the administration of the building phase of the PPP contract prior to handing back the finished schools to the Department of Education & Skills. The NDFA is responsible for monitoring the delivery of the schools, including oversight of the certification process that demonstrates compliance with the contract requirements.

This project has demonstrated the robustness of the PPP process to respond to adverse developments. Pierse Contracting, one of the joint venture construction partners, went into liquidation in November 2010. The other joint venture contractor, John Sisk & Son Ltd is continuing to progress the works and no material impact on the project is foreseen.



-  **Schools Bundle 1**
-  **Schools Bundle 2**
-  **Schools Bundle 3**
-  **Third Level Bundle 1**
-  **Third Level Bundle 2**
-  **Third Level Bundle 3**
-  **Grangegorman**
-  **Motorway service areas**
-  **National Plan for Radiation Oncology**



Third Bundle of Schools

The Third Bundle of Schools comprises eight schools which will involve a combination of new and replacement schools and will provide accommodation for approximately 5,600 students. The schools are located in Counties Donegal, Galway, Leitrim, Limerick, Waterford, Westmeath and Wexford.

This project went to the market in August 2010 and the tender documents were issued to the shortlisted bidders in December 2010. Tender submissions are due in July 2011. The EIB has confirmed it will part fund the project subject to their due diligence.

The NDFA undertook significant pre-procurement and planning work with the Department of Education and Skills in support of the project and outline planning permission has been granted for all sites.

Third Level Education PPP Programme

Project planning and pre-procurement activities are substantially completed for a €250 million programme of Third Level accommodation projects. The NDFA is providing financial advice and managing the procurement and delivery of these PPP projects on behalf of the Minister for Education & Skills.

Fifteen individual development projects across nine separate campus locations have been bundled into three separate PPP contracts.

First Bundle of Third Level Education Facilities

The First Bundle of Third Level Institutions consists of six facilities at four Institutes of Technology/University buildings: University of Limerick, Limerick Institute of Technology, Cork Institute of Technology and Dun Laoghaire Institute of Art, Design and Technology. It was

handed over to the NDFA for procurement in July 2009.

The NDFA issued an Invitation to Negotiate in December 2009 to the three shortlisted candidates and final tenders were received in August 2010. A Preferred Tenderer (the Solas consortium) was appointed in February 2011.

Construction is scheduled to commence in the third quarter of 2011 subject to receipt of full planning permission and funding.

Second Bundle of Third Level Education Facilities

The Second Bundle consists of three buildings at Institute of Technology Tallaght and two buildings at Waterford Institute of Technology. Outline planning permissions have been granted for both sites. The project was formally handed over to the NDFA for procurement in September 2010 by the Department of Education & Skills.

Expressions of interest were received in November 2010 and the prequalification evaluation was completed in January 2011. The Invitation to Negotiate was issued in February and tenders are expected in August 2011. Construction is scheduled to commence in mid 2012.

Third Bundle of Third Level Education Facilities

Outline Planning Permission has been received for the facilities in the Third Bundle, which comprises four buildings at Galway/Mayo Institute of Technology, Carlow Institute of Technology and NUI Maynooth.

The Output Specification and the Public Sector Benchmark were approved by the Department of Education and Skills in February 2011.

Tourism, Culture & Sport

National Concert Hall Redevelopment

This project was handed over from the Department of Tourism, Culture & Sport to the NDFA for procurement in 2008. Three candidates were shortlisted and final tenders were received from two Tenderers in September 2009. The competition for the project was cancelled in November 2010 on the grounds that it was no longer affordable, as directed by the Minister for Tourism, Culture & Sport.

Justice & Equality

Bundle of Courthouses

The project will involve the provision of new District, Circuit and Central Criminal Courts at Cork, Letterkenny and Limerick. The detailed appraisal has been completed and the NDFA awaits further instructions. The NDFA has provided financial advice on the detailed appraisal and will continue to provide the full suite of financial advice throughout the project.

Health Service Executive

National Plan for Radiation Oncology

The National Plan for Radiation Oncology (NPRO) involves the procurement of a network of facilities for the delivery of radiation oncology services as part of the National Cancer Control Programme. This will involve the construction and equipping of radiation oncology facilities at six locations in Waterford, Cork, Limerick, Galway and St James's and Beaumont in Dublin.

The NPRO comprises two principal workstreams, known as Phases 1 and 2. Phase 1, consisting of facilities at St James's Hospital and Beaumont Hospital, was completed in the fourth quarter of 2010.

Phase 2 refers to facilities that are to be procured by PPP. The NDFA is working closely with the National Cancer Control Programme on the Phase 2 Project, providing the necessary financial and project management advice for this complex project. The project started in 2005 and has been subject to a number of delays to date as health policy matters were being finalised. The Public Sector Benchmark was finalised in April 2010. It is expected that the project will be handed over to the NDFA during the second half of 2011 for procurement.



Sligo General Hospital

This project involves the proposed redevelopment and extension of acute hospital facilities at Sligo General Hospital. The proposed new extension to the hospital envisages a new block to house an emergency department, operating theatres, an intensive care unit, surgical wards and radiology, paediatrics and obstetrics facilities.

Work on the Business Case has been completed and the NDFA is providing financial and project management advice on the project. The project is expected to be handed over to the NDFA for procurement once the output specification is finalised and the Public Sector Benchmark has been approved by the HSE.

PROGRESS ON PROJECTS WHERE NDFA ACTS AS FINANCIAL ADVISOR

Transport – Railways

Metro North

The planned 18km Metro North line is intended to provide an important commuter link in north Dublin and also serve Dublin Airport. The Metro will interchange with the Luas Red and Green lines as well as the DART and suburban rail services. The NDFA remains engaged as statutory financial advisor for this project.

Two consortia were selected in 2009 to participate in a Best and Final Offer (BAFO) stage. The Railway Order was granted in October 2010 by An Bord Pleanála with a number of conditions attached, including the relocation of the Metro depot to south of the airport.

The BAFO stage of the procurement is planned to proceed following the granting of the revised Railway Order for the new depot later in 2011 and after the new Government has considered the Business Case. In May 2010, the EIB agreed in principle to provide up to €500 million in senior debt funding for the project.

Metro West

Metro West is part of the Transport 21 investment programme. The preferred route corridor for this project will link Tallaght, Clondalkin and Blanchardstown and will interchange with the Luas Red line, the Kildare and Maynooth suburban rail lines and with Metro North.

The preparation of the Public Sector Benchmark and prequalification documents has commenced. The Railway Procurement Agency submitted the Railway Order application for the project to An Bord Pleanála in October 2010.



DART Underground

The DART Underground is planned as a second, high-capacity DART line which will run underground through the city centre, from Docklands to a new station at Inchicore. The rail line is expected to allow the trebling of the Greater Dublin area's rail service capacity from 33 million passenger journeys annually to 100 million journeys upon completion. It is planned to have the capacity to run DART services of up to 20 trains per hour in each direction and is approximately 8.7km in length.

The Official Journal of the European Union (OJEU) contract notice and prequalification questionnaire for the project were published in May 2010. Three consortia were shortlisted and the Public Sector Benchmark completed in September 2010. It was announced by the Department of Transport in November 2010 that the PPP element of the project (the tunnel) would be deferred for a period of at least four years.

In June 2010 the application was lodged with An Bord Pleanála for the Railway Order and this process is currently being progressed. The NDFA provided financial advice on the prequalification documents and evaluation, the Public Sector Benchmark and other tender documents.



Transport – Roads

Second Roads' PPP Programme

N17/N18 Scheme (Gort to Tuam)

The NDFA is providing financial advice to the National Roads Authority on the proposed N17/N18 (Gort to Tuam) scheme, which will provide 57 kilometres of motorway and dual carriageway as part of a high quality road link between Letterkenny and Waterford (Atlantic Corridor).

In January 2010, two candidates were shortlisted to continue in the competitive dialogue procurement process. In order to provide a robust funding solution and respond to the recent funding market developments and following legal advice, the procurement competition was switched to a negotiated procedure in March 2011 with these two tenderers. The EIB has agreed in principle to provide up to 50% of the senior debt for the scheme.

N11 Scheme (Arklow, Rathnew and N7 Newlands Cross)

The N11 is a key strategic link in the national road network and the upgrade to the N11 is being procured along with the Newlands Cross junction upgrade as a single scheme. Following the tender prequalification phase of this scheme two candidates were shortlisted in April 2010.

As with the N17/N18, following legal advice it was decided in March 2011 to change the procurement procedure for this project from competitive dialogue to a negotiated procedure. A Preferred Tenderer was appointed in June 2011 by the National Roads Authority. The EIB has also agreed in principle to provide a substantial amount of the senior debt for the scheme.



Education & Skills

Dublin Institute of Technology (DIT) / Grangegorman Development Agency (GDA)

Following the launch of the project by An Taoiseach and An Tánaiste in September 2010, the NDFA has been formally engaged by the GDA. The GDA aims to create a vibrant new city quarter with a diverse mix of uses, including new health care facilities for the HSE and a new urban campus for DIT, bringing together all students and staff into one location.

It is anticipated that the project will be a long term initiative which will be developed using a mixture of PPP and traditional procurement and the NDFA is providing financial and project management advice as appropriate. Any PPP element of the development will be procured by the NDFA, acting as agent for the GDA.

Justice & Law Reform

Thornton Hall Prison Campus

The Irish Prison Service (IPS) plans to develop a new prison campus at a site at Thornton Hall, County Dublin which will replace a number of outdated prison establishments at the Mountjoy Prison complex. A previous competitive process to appoint a Preferred Tenderer to design, build, maintain and finance the proposed prison was discontinued by the Minister for Justice in May 2009 on affordability grounds. Instead, the project is to proceed on a phased basis using traditional procurement.

The procurement of the main prison complex is to take place while essential enabling works required for the development, including the construction of an access road and utility works and the perimeter security wall, are constructed. The new design brief is currently being developed by the IPS in conjunction with the Office of Public Works. The NDFA is providing financial advice to the IPS on the project.

Health Service Executive

St Vincent's University Hospital

This project involves the construction of a new ward block to provide 100 replacement in-patient beds, together with a dedicated day unit for patients with cystic fibrosis and appropriate support accommodation. The NDFA provided financial advice to the HSE on the project and a value for money opinion was issued in March 2010.

National Paediatric Hospital

The new National Paediatric Hospital will combine the national tertiary services of the existing children's hospitals and is to provide a hospital that will deliver excellence in clinical care, teaching and research.

The planning process for the new children's hospital commenced in October 2010. The new facility is planned to accommodate 445 beds, including in-patient and day care beds, so as to meet the healthcare demands of the projected increased child population. The NDFA has advised the HSE on the financial elements of the prequalification process, the Business Case and cost models for the project.

Other Health Projects

The NDFA is providing financial advice to the HSE on a number of other health projects such as Cold Laboratories, Coombe and Tallaght Hospitals Co-Location, Redevelopment of the Central Mental Hospital, St James's Hospital Centre of Excellence for Successful Ageing and new ward blocks at Galway University Hospital. A number of these projects are being considered for development by way of PPP. In these cases, the NDFA will also be responsible for the procurement stage acting on behalf of the HSE.



Communications, Energy & Natural Resources

Energy Retrofit Programme

The National Retrofit Programme aims to deliver energy efficiency upgrades to one million residential, public and commercial buildings in Ireland. It is designed to benefit all sectors of the economy, from householder energy bills to businesses looking to become more competitive. The financial aspects of the proposed Energy Retrofit Programme options are currently being reviewed by the NDFA.

Environment, Heritage & Local Government

Fingal County Council Wastewater Treatment Scheme

The NDFA provided its value for money opinion to Fingal County Council on this project in August 2009 and the contract was signed in February 2010. The design, build, operate contract will provide a wastewater treatment plant in north County Dublin, as well as pumping stations and associated pipelines. Under the contract, operation and maintenance services are provided for 20 years and construction commenced in March 2010.

Waterford Grouped Towns & Villages Water Scheme

The NDFA is providing financial advice to Waterford County Council on the Waterford Grouped Towns & Villages Water Scheme. This is a design, build, operate project and the prequalification documents were issued to the market in April 2010.

Evaluation of these submissions has been undertaken and the invitation to negotiate is scheduled to be issued to short-listed tenderers in the second half of 2011.

Poolbeg Waste/Energy Plant

A contractor has been selected for this project. NDFA is advising Dublin City Council on the financing of the project.

South Eastern Region Waste

Expressions of interest for this project were submitted to Tipperary South Riding County Council in December 2009. Evaluation of these submissions took place in March 2010 and three candidates have been short-listed. Tender documentation is currently being finalised by the lead authority and is planned to be issued shortly.

Water Metering

The NDFA has been involved in preliminary discussions with the Department of the Environment, Community and Local Government on the proposed Water Metering Programme.





GOVERNANCE

Code of Practice for the Governance of State Bodies

During 2010 the NDFA Board examined the Code of Practice for the Governance of State Bodies and how it could be adapted to the NDFA's governance structure. The Code's provisions are modelled on a typical corporate structure consisting of a Board of Directors which has legal responsibility for the body, and an executive management team and staff, who carry out the functions delegated to them by the Board. However the NDFA carries out its functions through the NTMA.

The NDFA Board is implementing the Code, adapted to its specific circumstances as set out above, and has, where necessary, put arrangements in place to ensure compliance with the Code. A code of business conduct and a travel policy is in place for Board members. Application of the Code by the NTMA is a matter for that body.

The NDFA is a prescribed public body for the purposes of the Ethics in Public Office Acts, 1995 and 2001. In addition, there are specific disclosure of interest requirements under the National Development Finance Agency Act.

NDFA Board

The NDFA has a Board which consists of a Chairperson and seven ordinary members. The Chief Executive of the NTMA is the Chairperson of the Board. The ordinary members of the Board are appointed by the Minister for Finance. The Chief Executive Officer of the NDFA is a Board member. Ordinary members are appointed for five year terms.

The Board is required to ensure that the functions of the NDFA are being performed effectively. It sets the strategic objectives and targets to be met by the NDFA and ensures they are met.

The following matters are reserved for Board approval:

- a) Delegated Signing Authorities
- b) Approval of Major Contracts
- c) Corporate Policies and Plans
- d) Risk Management Policy
- e) System of Internal Financial Control
- f) NDFA Annual Report and Accounts
- g) Appointment of Internal Audit Firm
- h) Oversight of Audit Committee (including annual review of Committee terms of reference)

The current members of the Board are:

John C. Corrigan (Chairman) <i>(ex-officio member)</i>	Chief Executive National Treasury Management Agency
Brian Murphy (Chief Executive Officer) <i>(Appointed 12 January 2009)</i>	Director National Treasury Management Agency
Fred Barry <i>(Appointed from 2 May 2007)</i>	Chief Executive Officer National Roads Authority
Liam Berney <i>(Appointed from 2 May 2007)</i>	Industrial Officer Irish Congress of Trade Unions
Ann Fitzgerald <i>(Re-appointed 1 January 2008)</i>	Chief Executive Officer National Consumer Agency
Stewart Harrington <i>(Appointed from 2 May 2007)</i>	Director Killeen Properties Limited
Tony Jones <i>(Re-appointed 1 January 2008)</i>	Business Consultant
Peter McManamon <i>(Re-appointed 1 January 2008)</i>	Chairman Ceva Inc

The Board met on six occasions during 2010. Attendance by members at formal meetings in 2010 is set out below.

Board Member	Meetings Attended
John C. Corrigan	4/6
Brian Murphy	6/6
Ann Fitzgerald	5/6
Fred Barry	6/6
Liam Berney	5/6
Peter McManamon	5/6
Stewart Harrington	6/6
Tony Jones	5/6

Audit Committee

The NTMA Audit Committee acts as the NDFA Audit Committee. The NTMA Audit Committee has oversight of the NTMA's internal audit and control systems, risk management framework, financial reporting process and annual financial statements. The internal and external auditors, the Head of Control and the Compliance Officer have full and unrestricted access to the NTMA Audit Committee.

Members:

Hugh Cooney – *Chairperson*
Brendan McDonagh
Maurice O'Connell
Peter McManamon

Auditors

In accordance with statutory requirements, the NDFA is audited by the Comptroller and Auditor General. The NDFA utilises the NTMA's internal audit function. This work is supplemented by an external firm of auditors, currently PricewaterhouseCoopers, which performs internal audit work.

The Chairman and the Chief Executive Officer of the NDFA 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 NDFA, the cost-effectiveness and efficiency of the NDFA, and the systems, procedures and practices employed by the NDFA. Evidence was given to the Committee on 22 April 2010.

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



LIST OF STATE AUTHORITIES

The following is a list of the State Authorities that currently are obliged to consult the NDFA for financial advice in respect of major public investment projects.

State Authorities as listed in the Schedule to the NDFA (Amendment) Act 2007:

- A Minister of the Government
- A local authority
- The Commissioners of Public Works in Ireland
- The National Roads Authority
- The Health Service Executive
- 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
- Bus Átha Cliath – Dublin Bus
- Bus Éireann – Irish Bus
- Córas Iompair Éireann
- The Railway Procurement Agency
- Digital Hub Development Agency
- Any public authority standing prescribed by order



FINANCIAL STATEMENTS

The NDFA 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 NDFA's accounts. The allocations for the relevant Departments for PPP projects are found in the multi-annual allocations in the Budget.

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 NDFA in the performance of its functions. However, as explained above, the staff who work on NDFA matters are exclusively employed by the NTMA.

The administration expenses incurred by the NDFA in 2010 and 2009 are as follows.

	2010	2009
	€	€
Fees of the Board	75,600	81,900
Audit Fees	<u>5,280</u>	<u>6,000</u>
	<u>80,880</u>	<u>87,900</u>

In addition to the above expenses, the administrative costs incurred by the NTMA in the performance of the NDFA's functions in 2010 amounted to €7,097,698 (2009: €7,344,722). These costs are included in the administration expenses of the NTMA and are charged on the Central Fund. The NTMA does not seek reimbursement of these costs from the State Authorities.

FINANCIAL STATEMENTS OF THE NATIONAL DEVELOPMENT FINANCE AGENCY

FOR THE YEAR ENDED 31 DECEMBER 2010

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BOARD MEMBERS AND OTHER INFORMATION

BOARD MEMBERS

John C. Corrigan – Chairman

Brian Murphy – Chief Executive Officer

Fred Barry

Liam Berney

Ann Fitzgerald

Stewart Harrington

Tony Jones

Peter McManamon

AUDITORS

Comptroller & Auditor General

Dublin Castle

Dublin 2

STATEMENT OF AGENCY'S RESPONSIBILITIES

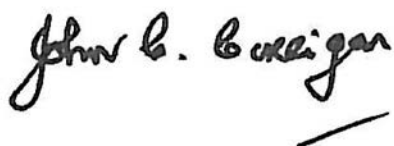
The National Development Agency, ("The Agency") is required by the National Development Finance Agency Act, 2002 to prepare financial statements in respect of its operations for each financial year.

In preparing those statements, the Agency:

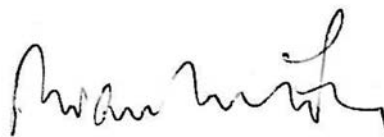
- selects suitable accounting policies and then applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- prepares the financial statements on a going concern basis unless it is inappropriate to do so;
- discloses and explains any material departure from applicable 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 by it or expended by it and all financial and other transactions undertaken in the performance of its functions. The Agency is responsible 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 in order to prevent and detect fraud and other irregularities.



John C. Corrigan
Chairman
National Development Finance Agency



Brian Murphy
Chief Executive Officer
National Development Finance Agency

30 June 2011

STATEMENT ON INTERNAL FINANCIAL CONTROL

Responsibility for the System of Internal Financial Control

The Board acknowledges its 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 NTMA").

The Board in conjunction with the NTMA has taken steps to ensure an appropriate control environment with respect to the NDFA by:

- clearly defining management responsibilities;
- establishing formal procedures for the conduct of business by the NDFA;
- establishing the NDFA Code of Conduct for the Management of Conflicts of Interest;
- establishing formal procedures for reporting significant control failures and ensuring appropriate corrective action.

A formal risk assessment has been prepared, with a view to identifying the main business risks facing the NDFA. A risk register has been prepared which records the risks identified together with the controls which have been put in place to mitigate the impact of the key controllable risks. A risk management policy has been approved by the NDFA Board.

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 NDFA which are borne by the NTMA other than NDFA Board costs;
- setting targets to measure financial and other performance;
- formal project management disciplines;
- a clearly defined policy on procurement.

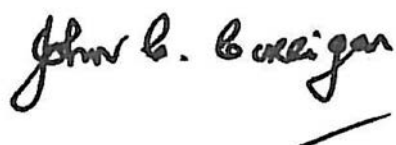
STATEMENT ON INTERNAL FINANCIAL CONTROL (CONTD.)

The NTMA has an internal audit function, which operates in accordance with 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 NDFA is exposed, and annual internal audit plans are based on this analysis. At least annually, the Internal Auditor (currently PricewaterhouseCoopers) provides the NTMA and the NDFA Board with a report of internal audit activity. The report includes the Internal Auditor's assessment of the adequacy and effectiveness of the system of internal financial control.

The NTMA's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal auditor, the executive managers within the NTMA 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. In addition a member of NDFA Board sits on the NTMA Audit Committee representing the NDFA Board's interests. The Board member keeps the NDFA Board informed of such matters as are relevant to the NDFA.

Annual Review of Controls

For the year ended 31 December 2010, the NTMA Audit Committee, with representation from the NDFA Board, has conducted a review of the effectiveness of the system of internal financial control.



John C. Corrigan
Chairman
National Development Finance Agency



Brian Murphy
Chief Executive Officer
National Development Finance Agency

30 June 2011

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 2010 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. The financial reporting framework that has been applied in their preparation is applicable law and Generally Accepted Accounting Practice in Ireland.

Responsibilities of the Board of the Agency

The Board of the Agency is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of the Agency's affairs and of its income and expenditure, and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Agency's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland, give a true and fair view of the state of the Agency's affairs at 31 December 2010 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.

Matters on Which I am Required to Report by Exception

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where moneys have not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the Agency's Annual Report for the year for which the financial statements are prepared is not consistent with the financial statements, or
- the Statement on Internal Financial Control does not reflect the Agency's compliance with the Code of Practice for the Governance of State Bodies, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.



John Buckley
Comptroller and Auditor General
30 June 2011

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.

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 2010.

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.

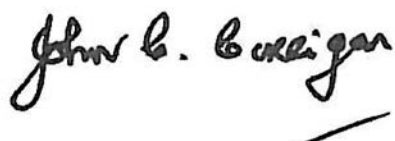
Under the National Development Finance Agency Act, 2002, only direct costs incurred by the National Development Finance Agency are charged to the Income and Expenditure Account. All other administration costs are incurred by the National Treasury Management Agency and are disclosed by way of note only.

Fees and expenses incurred in respect of the Agency’s financing and advisory functions are charged to the Income and Expenditure account and are re-imbursed by the relevant State Authority.

INCOME & EXPENDITURE ACCOUNT

for the year-ended 31 December

	Notes	2010 €	2009 €
Income	1	5,035,339	4,573,316
Project fees and expenses	2	(4,954,459)	(4,485,416)
Transfer to Administration Account	3	<u>(80,880)</u>	<u>(87,900)</u>
Net Income for the period		<u>Nil</u>	<u>Nil</u>



John C. Corrigan
Chairman
National Development Finance Agency



Brian Murphy
Chief Executive Officer
National Development Finance Agency

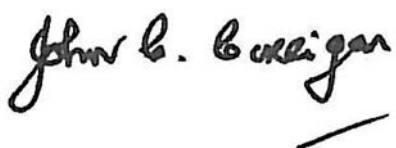
30 June 2011

The accounting policies and notes 1 to 11 form part of these financial statements.

ADMINISTRATION ACCOUNT

for the year-ended 31 December

	Notes	2010 €	2009 €
Transfer from Income & Expenditure Account	3	80,880	87,900
Administration expenses of Agency	4	<u>(80,880)</u>	<u>(87,900)</u>
Net income\expenditure		<u>Nil</u>	<u>Nil</u>



John C. Corrigan
Chairman
National Development Finance Agency



Brian Murphy
Chief Executive Officer
National Development Finance Agency

30 June 2011

The accounting policies and notes 1 to 11 form part of these financial statements.

BALANCE SHEET

31 December

	Notes	2010 €	2009 €
Assets			
Debtors	5	947,485	553,372
Liabilities			
Creditors	6	<u>947,485</u>	<u>553,372</u>
Total Assets less Liabilities		<u>Nil</u>	<u>Nil</u>
Representing			
Accumulated Reserves	8	<u>Nil</u>	<u>Nil</u>



John C. Corrigan
Chairman
National Development Finance Agency

30 June 2011



Brian Murphy
Chief Executive Officer
National Development Finance Agency

The accounting policies and notes 1 to 11 form part of these financial statements.

NOTES TO THE ACCOUNTS

1. Income

	2010 €	2009 €
Reimbursement from State Authorities of advisory expenses	4,954,459	4,485,416
Central Fund (note 7(a))	<u>80,880</u>	<u>87,900</u>
	<u>5,035,339</u>	<u>4,573,316</u>

2. Project fees and expenses

Under the National Development Finance Agency (Amendment) Act 2007, fees and expenses incurred by the Agency in the performance of its financing and advisory functions in relation to specific public investment projects are charged to expenditure.

	2010 €	2009 €
Consultancy fees	3,791,956	3,169,345
Legal fees	1,160,513	1,278,616
Other project expenses	<u>1,990</u>	<u>37,455</u>
	<u>4,954,459</u>	<u>4,485,416</u>

3. Transfer to Administration Account from Income & Expenditure Account

This amount of €80,880 (2009 - €87,900) represents the amount required to cover certain administration costs of the Agency.

NOTES TO THE ACCOUNTS (Contd.)

4. (a) Administration Expenses

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

	2010 €	2009 €
Fees of the Board	75,600	81,900
Audit fees	5,280	6,000
	<u>80,880</u>	<u>87,900</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 €7,097,698 (2009: €7,344,722). These NTMA costs, including the Chief Executive remuneration referred to below, 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 State Authorities.

The total cost of the operation of the Agency in the year was €12,133,037 (2009: €11,918,038), funded as follows:

	2010 €	2009 €
Project fees and expenses, recharged to State Authorities	4,954,459	4,485,416
Administration fees and expenses charged by the Agency to the Central Fund	80,880	87,900
Administration fees and expenses borne by the NTMA and charged to the Central Fund	7,097,698	7,344,722
	<u>12,133,037</u>	<u>11,918,038</u>

4. (b) Remuneration and Expenses

Remuneration of Board members is set by the Minister for Finance.

Board Members: €12,600 per annum

Remuneration of Board members set out above takes into account a 10% reduction in fees agreed by the Board at the request of the Minister for Finance in 2009.

A total of €2,104 in expenses was paid to Board members in 2010 primarily reflecting travel expenses.

The Chairperson and CEO do not receive any remuneration in respect of their membership of the Board.

NOTES TO THE ACCOUNTS (Contd.)

4.(b) Remuneration and Expenses (Contd.)

Chief Executive Remuneration 2010:

Salary:	€330,000
Taxable benefits	€ 23,582

The remuneration of the Chief Executive is determined by the NTMA after consultation with the NTMA Advisory Committee.

The remuneration of the Chief Executive consists of basic salary, taxable benefits (car and health insurance) and performance related payments of up to 60% of annual salary. In view of the economic challenges facing the country, the Chief Executive and the other members of the NTMA senior management team waived their performance related pay awarded for 2010.

The Chief Executive's pension entitlements do not extend beyond the standard entitlements in the model public sector defined benefit superannuation scheme.

5. Debtors

	2010 €	2009 €
Receivable from State Authorities	936,205	547,372
Receivable from the Central Fund	11,280	6,000
	<u>947,485</u>	<u>553,372</u>

6. Creditors

	2010 €	2009 €
Amounts due to Central Fund (note 7(b))	164,942	161,998
Consultancy and legal fees payable	597,502	236,198
Professional Services Withholding Tax payable	179,401	149,176
Accrued Expenses	5,640	6,000
	<u>947,485</u>	<u>553,372</u>

7. Central Fund

(a) The Administration expenses of the NDFA are drawn from the Central Fund. The accounts are prepared on an accruals basis. The Central Fund Income is reconciled to cash drawn for expenses as follows:

	2010 €	2009 €
Amounts drawn from Central Fund	75,600	93,900
Increase / (decrease) in Central Fund debtor	5,280	(6,000)
Administration Expenses (Note 4)	<u>80,880</u>	<u>87,900</u>

NOTES TO THE ACCOUNTS (Contd.)

7. Central Fund(Contd.)

- b) Amounts are advanced from the Central Fund to fund the payment of external advisory fees and expenses incurred by the Agency in the performance of its financing and advisory functions in relation to specific public investment projects. These fees and expenses are reclaimed from State Authorities and the amounts advanced are then repaid to the Exchequer. The movement in amounts advanced to the NDFA during the period is explained as follows:

	2010 €	2009 €
Due to Central Fund at beginning of period	161,998	33,113
Advanced during the period	3,830,566	3,862,710
Repaid during the period	(3,827,622)	(3,733,825)
Due to Central Fund at end of period (Note 6)	164,942	161,998

8. Accumulated Reserves

	2010 €	2009 €
Net income for the period	-	-
Closing balance	Nil	Nil

9. Contingent liabilities

The National Development Finance Agency had no contingent liabilities at 31 December 2010.

NOTES TO THE ACCOUNTS (Contd.)

10. Related parties

Minister for Finance

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

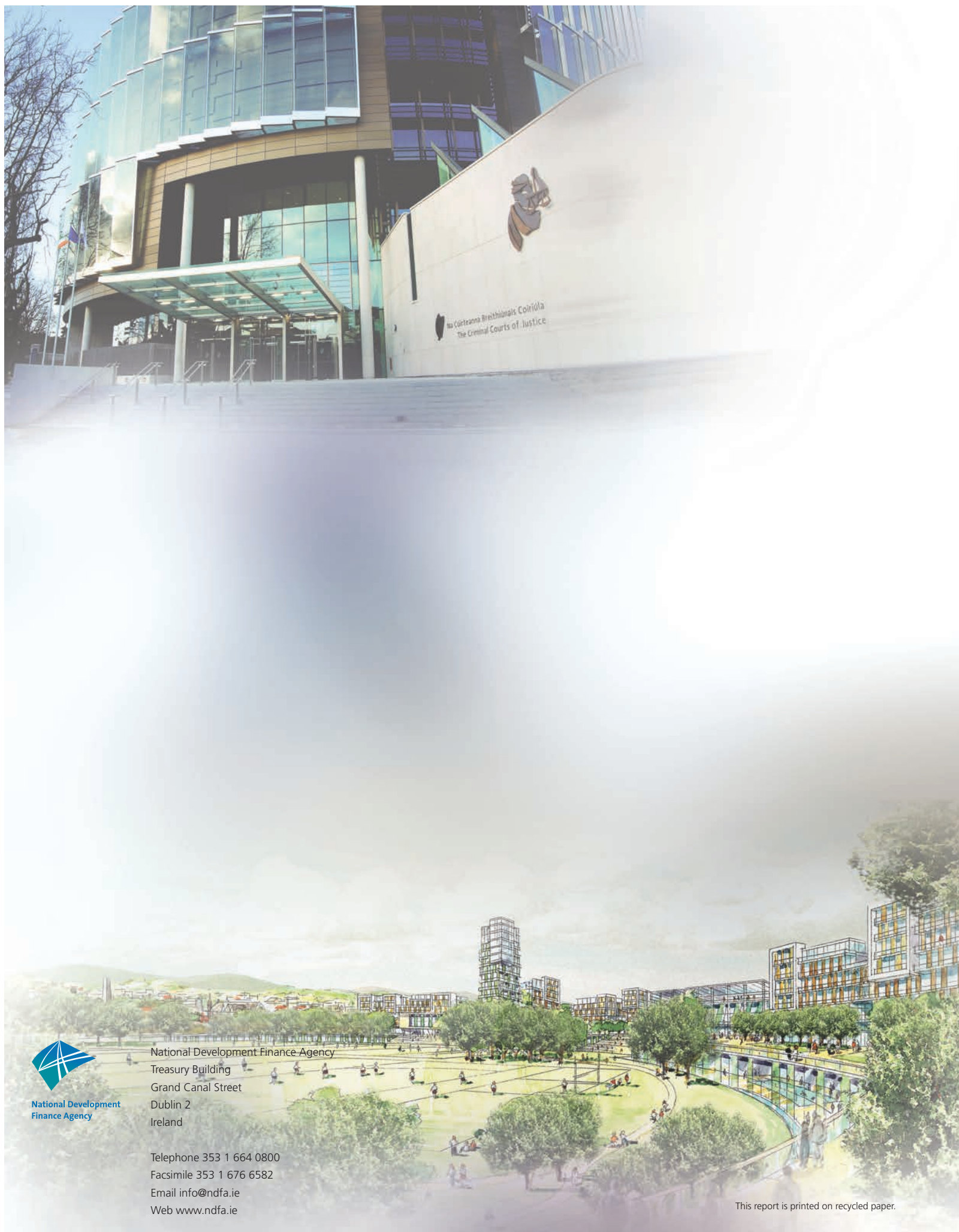
Under section 7 of the Act the Minister may guarantee the repayment of borrowings of the Agency or any special purpose company formed by the Agency in the performance of its activities. No such guarantees have been given during the period.

National Treasury Management Agency

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

11. Approval of Financial Statements

The financial statements were approved by the Board on 31 March 2011.



National Development
Finance Agency

National Development Finance Agency
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Ireland

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