

DPE 022/031/2015

21st April 2016

Circular: 09 /2016

To: Accounting Officers

**Minute of the Minister for Public Expenditure and Reform in response to the
Committee of Public Accounts Report on the Fishery Harbour Centres**

A Dhuine Uasail,

1. I am directed by the Minister for Public Expenditure and Reform to enclose, for your information and guidance, a copy of the Minute of the Minister for Public Expenditure and Reform in response to the Committee of Public Accounts Report on the Fishery Harbour Centres.

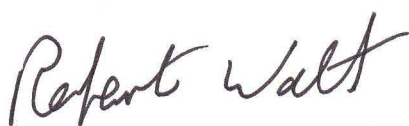
Issues raised

2. The Minute addresses a number of issues, including;
 - Strategic Importance of the Fishery Harbours;
 - Maintenance of Records and Accounts;
 - Change Management; and
 - Management of Assets.

Enquiries

3. Enquiries in relation to this Circular can be addressed to Government Accounting Unit, Department of Public Expenditure and Reform, telephone: +353 1 6767571, LoCall: 1890 661010 or email: govacc@per.gov.ie.

Mise le meas,



Robert Watt
Secretary General

Minute of the Minister for Public Expenditure and Reform in response to the Committee of Public Accounts Report on the Fishery Harbour Centres

The Minister for Public Expenditure and Reform has examined the Committee's Report and has taken account of its conclusions. In relation to the Committee's recommendations, his response is as follows:

Chapter 1 – The Strategic Importance of the Fishery Harbours

Recommendation 1

The Department of Agriculture, Food & the Marine should draw up and implement a plan which will see all vacant or underused properties being developed so as to promote fishing and non-fishing activities, thus maximising employment opportunities at the six Fishery Harbour Centres.

The Minister for Public Expenditure and Reform is informed by the Department of Agriculture, Food and the Marine that it accepts this recommendation.

The Minister for Public Expenditure and Reform is further informed that:

- The level of vacant properties/sites within the Fishery Harbour Centres (FHCs) can vary from time to time due to changes in tenancies, expiration of leases and also for operational reasons.
- Reviews of the FHCs property portfolio (213 properties) take place on an ongoing basis in relation to maximising returns to the Fishery Harbour Centres Fund.
- Four vacant FHC properties were put out to public tender on the 15th June 2015 and leases have now been signed for all four properties.
- The position regarding FHC properties which are currently vacant is as follows:
 - Two properties in Killybegs FHC were put out to public tender on 29 January 2016. The closing date for both was 11 March 2016 and two applications were received for one of the properties. One of these applications was ineligible and the second was to be evaluated by committee on the 4th of April. If successful a lease will be sent to the applicant which must be executed and returned with payment of the first rent instalment (for six months) within 30 working days. No applications were submitted for the second property tendered.
 - There is one further property potentially available for tender pending the resolution of an encroachment issue.
 - 15 other properties are subject to either legal, operational or planning considerations before they can again be considered for tender.

- In addition there are a small number of properties (8 in total) which may not currently be in use and may appear vacant. These properties are technically/legally still occupied; however the tenancies are currently in dispute.
- Following the publication of the Public Accounts Committee Report on the Fishery Harbour Centres in June of last year, and subsequent correspondences with the Committee, the Department of Agriculture, Food and the Marine met with Enterprise Ireland on the 7th of July 2015 and discussed the possibilities of making properties available to potential clients of Enterprise Ireland, should suitable project proposals come forward. The Department of Agriculture, Food and the Marine undertook to keep Enterprise Ireland informed of the available sites on an ongoing basis and to keep lines of communication open generally. In furtherance of this aim another meeting with Enterprise Ireland was held on the 20th of January 2016 and it was agreed that these meetings are to continue on a regular basis (every 3 to 4 months).

Recommendation 2.

A clear segregation between the control functions of the Department and responsibility for development of facilities at the Centres should now be put in place.

The Minister for Public Expenditure and Reform is informed by the Department of Agriculture, Food and the Marine that it accepts this recommendation. He is further informed that the Department of Agriculture, Food and the Marine has revised its governance arrangements and has introduced an overarching governance framework that more adequately reflects the nature of the business of the Fishery Harbour Centres. In keeping with the remit of the Minister for Agriculture, Food and the Marine under the Act, to manage, control, operate and develop each fishery harbour centre, the governance of the FHC is administered centrally by the Department.

The new governance framework reflects the significant internal restructuring that has taken place within the Department of Agriculture, Food and the Marine as well as new developments. The Minister is further informed that the framework incorporates the following:

- a dedicated Property Unit
- a dedicated Debt Recovery Unit
- the new FHC Management Structure, whereby
 - Day to day Operational Management and Harbour Masters' reporting responsibilities have been assigned to the Marine Engineering Division;
 - Financial Management & Property Management and all aspects of the Fishery Harbour Centres Fund responsibilities rests with the Sea Fisheries Administration Division

- Fishery Harbour Centres' strategic development is now progressed through an inclusive and collaborative approach, with input from industry through the Harbours Fora and the Fisheries Administration and Marine Engineering Divisions of the Department.

The Minister for Public Expenditure and Reform is further informed by the Department of Agriculture, Food and Marine that a Fishery Harbour Centre Management Committee, at Principal Officer Level has been established. The Management Committee comprises representation from the Sea Fisheries Administration Division, the Marine Engineering Division and the Accounts Division of the Department. This Committee met on the 7th of January 2016 and a further meeting is scheduled for April 2016.

This revised structure serves to provide a clear segregation of the Department's Fishery Harbour Centres control and development responsibilities as enshrined under the Fishery Harbour Centres Act, 1968.

Recommendation 3.

A dispute resolution mechanism involving arbitration should be put in place in respect of the Fishery Harbour Centres. This would ensure that costly and prolonged legal disputes are avoided to the greatest extent possible.

The Minister for Public Expenditure and Reform is informed by Department of Agriculture, Food and the Marine that it accepts this recommendation.

The Minister for Public Expenditure and Reform is further informed that the:

- Department of Agriculture, Food and the Marine is supportive of mediation as a means of resolving disputes and makes all efforts to come to a negotiated settlement in appropriate circumstances and subject to legal advice. However, on occasion in defending the public interest there is no alternative but to instigate legal proceedings.
- The Department of Agriculture, Food and the Marine considers that the instigation of legal proceedings is an extremely serious matter and a decision to do so is not taken lightly. The Department of Agriculture, Food and the Marine does not instigate legal proceedings without having gone through an exhaustive process to come to a resolution and without having obtained advice and the support of the Chief State Solicitors Office and where necessary of the Attorney General.

- With regard to rent reviews if agreement cannot be reached with a tenant regarding their rent review there are formal provisions in leases in relation to the resolution of the disputes which are always invoked. This involves the appointment of an independent Chartered Surveyor to be appointed by the Institute of Chartered Surveyors to adjudicate and decide the case.

Recommendation 4.

An implementation plan should now be drawn up to deal with the recommendations of the Burke-McIver Report – Business Plans for the Development of the Fishery Harbour Centres.

The Minister for Public Expenditure and Reform is informed by Department of Agriculture, Food and the Marine that it accepts this recommendation.

The Minister for Public Expenditure and Reform is further informed that a significant proportion of the recommendations of the Burke McIver Report have been implemented and that some of the main actions taken on foot of the Report include:-

- Harbour Users Fora were established and serviced by the Department of Agriculture, Food and the Marine. The Fora meet regularly, and provide an excellent platform for sharing ideas and obtaining stakeholder feedback. This helps inform decisions on the future developments in the harbours.
- Additionally, officials from Department of Agriculture, Food and the Marine are available to meet and discuss issues with harbour users collectively, or individually, as the need arises.
- The operational management of the FHC has been restructured with a clear separation of roles and responsibilities. Greater levels of autonomy and responsibility have been devolved to local Harbour Management. A Grade 1 Engineer has been assigned to each Harbour for this purpose and the Harbour Masters report to the Grade 1 Engineer.
- The management of the Fishery Harbour Centre's Property Portfolio has been enhanced through the establishment of a dedicated Property Unit in 2009, to which additional staff have been assigned to recently.

Between 2009 and 2014 (inclusive), €42.5 million has been invested in the Fishery Harbour Centres in infrastructural developments. Developments under the annual Fishery Harbour and Coastal Infrastructure Development Programme are subject to available Exchequer funding and overall national priorities. The Minister notes that consequent to the publication of the Burke-McIver Report the Department of Agriculture, Food and the Marine has commissioned and completed the following significant infrastructural developments:

- **Castletownbere Fishery Harbour Centre:** Extension of Dinish Island harbour and wharf as the central facility for the fishing industry and related businesses at a total cost of €39.5m.
- **Ros A Mhil Fishery Harbour Centre:** Installation of a new pontoon and ferry terminal facility for ferry operators and small craft at a total cost of €14.65m (of which €5.5m was provided by the then Department of Community, Rural and Gaeltacht Affairs). The possibility of a Deep Water Quay in Ros an Mhíl remains a consideration, however any decision to proceed would be dependent on, prudent financial and economic evaluations and competing National Priorities.
- **Dunmore East Fishery Harbour Centre:** €6.5 million was allocated for the purposes of necessary dredging work at Dunmore East Fishery Harbour Centre under the Departments 2015 Fishery Harbour Capital Development Programme. This project will be completed on time and within budget.
- Other significant infrastructural developments in recent years include:
 - The installation of a treatment plant to remove Tributyltin from waste arising from boat cleaning in Howth costing €868k; [Tributyltin, also known as TBT was in the past a constituent of paints used for painting boats. The substance is a biocide and its purpose was to prevent fouling of boats by crustaceans. While the substance is no longer used for this purpose as it is a recognised environmental hazard, residual amounts can be found on boats from painting carried out in the past.]
 - Phase 1 and 2 of the electrical system upgrade in Howth costing €1.067m to date with €150k allocated in 2015 for phase 3;
 - The allocation of €1m in 2015 for the provision of a Small craft pontoon in Howth;
 - A Marina piles project and Marina pontoon replace programme in Dingle with an overall cost of just over €1m;
 - In Killybegs, phase 1 of the Small craft harbour commenced in 2014, with an expenditure of €56k, phase 2 has been allocated €700k in 2015.

Recommendation 5.

The Minister for Agriculture, Food and the Marine should establish a Fishery Harbour Development Board to oversee the development of the six Fishery Harbours.

The Minister for Public Expenditure and Reform is informed by Department of Agriculture, Food and the Marine it accepts this recommendation and that it will be implemented within the legislative framework.

The Minister for the Department of Public Expenditure and Reform is further informed that the management of the Fishery Harbour Centres is underpinned in legislation by the 1968 Fishery Harbour Centres Act. Significant progress has already been made in relation to the Corporate Governance of the Harbours as set out at (2) above. This recommendation will be delivered through an enhancement of the role of the existing Harbour Users Fora.

The Harbour Users Fora which have been established in each Fishery Harbour Centre, provide an excellent platform for sharing ideas and obtaining stakeholder feedback. These fora also help inform decisions on the future developments in the harbours. Further consideration is being given to developing the existing role of the Harbours Fora into a more formal advisory forum which will contribute to the strategic development of the harbours.

Chapter 2 – Maintenance of Proper Records and Accounts

Recommendation 1.

All steps should now be taken to bring Financial Statements of the Fishery Harbour Centres up to date.

The Minister for Public Expenditure and Reform is informed by Department of Agriculture, Food and the Marine it accepts this recommendation.

The Minister for Public Expenditure and Reform is further informed that on the 19th May, 2015 the 2012 Financial Statements received the signature of the Secretary General of the Department of Agriculture, Food and the Marine, and were noted by Government at the Cabinet meeting of the 7th July 2015 before being laid before the Houses of the Oireachtas.

The Comptroller and Auditor General (C&AG) audit of the 2013 Financial Statements is now complete and 2013 FHC Financial Statements were signed by Secretary General on the 21/12/15 and by C&AG on 31/12/15. These accounts will be presented to the Government and laid before the Houses of the Oireachtas at an appropriate time.

Work has commenced on the audit of the 2014 Financial Statements. The full elimination of delays in the finalisation of Fishery Harbour Financial Statements remains a key priority for Department of Agriculture, Food and the Marine.

Recommendation 2

The Financial Statements of the Fishery Harbour Centres should contain a Statement of Internal Financial Controls.

The Minister for Public Expenditure and Reform is informed by Department of Agriculture, Food and the Marine that this recommendation has been implemented.

The Statement of Internal Financial Control includes the following details:

- Responsibility for the Systems of Internal Financial Control
- Financial Control Environment
- Administrative Controls and Management Reports
- Internal Audit and Audit Committee
- Actions arising from the Special Report of the Comptroller and Auditor General on the Financial Management and Reporting for Fishery Harbour Centres

Recommendation 3

The Appropriation Account of a Department should make reference to any instance where an account, within the responsibility of the Department, has not been presented for audit in the 12 months after the end of the financial year or where there is a risk that proper books of account are not being maintained.

The Minister for Public Expenditure and Reform notes this recommendation and would point out that the issue of timely production and submission of accounts of bodies and funds audited by the Comptroller and Auditor General has been addressed.

In May 2015, the Department of Public Expenditure and Reform issued a Circular 7/2015 entitled: *Timely Production and Submission of Accounts of Bodies and Funds audited by the Comptroller and Auditor General and the laying before the Houses of the Oireachtas Special Reports of the Comptroller and Auditor General*. The Circular highlights the need for the timely production of accounts of State bodies and funds under the aegis of Government Departments and Offices and their subsequent submission to their parent Department, along with the laying of such reports before the Houses of the Oireachtas.

The Minister for Public Expenditure and Reform is further informed by the Department of Agriculture, Food and Marine that the timeliness of the production of audited accounts for the Fishery Harbour Centres has been actively pursued and addressed by the Department.

Chapter 3 – The Collection of Revenues owed to the State

Recommendation 1

The Department needs to continue to update its financial management systems so as to ensure that all charges are invoiced in a timely manner.

The Minister for Public Expenditure and Reform is informed by Department of Agriculture, Food and the Marine that it accepts this recommendation. He is further informed that:

- Since the responsibility of the Fishery Harbour Centres was transferred from the Department of Communications Energy and Natural Resources, their financial management has been enhanced progressively.
- Internal examinations directed by management and internal audit identified areas needing attention and revised practices and procedures have been implemented.
- As a result of the introduction of an interface between the IFIS system (which records landings in the harbours) and the SAP accounts system, full landing figures are recorded monthly in this way and fishermen are fully billed for what is landed in a timely manner.
- Additional staffing resources were allocated to the Sea Fishery Harbours Division in Clonakilty, Cork, which facilitated the restructuring of the overall management of the Harbour Centres.
- A centralised Departmental Debt Collection Management System was introduced in June 2015: Sea Fishery Harbours Division are now utilising this centralised IT-based Debt Management System using the Department's accounting system – SAP.

Recommendation 2

The Department needs to review the issue of charging for car parking, especially in Dingle, Howth and Rossaveal.

The Minister for Public Expenditure and Reform is informed by Department of Agriculture, Food and the Marine that it accepts this recommendation. He is further informed by the Department of Agriculture, Food and the Marine that:

- Paid car parking is in place in Dingle and Ros an Mhíl and the only other location at which the introduction of paid parking is currently being considered is Howth.

- It is not considered that traffic volumes at the Killybegs, Castletownbere, and Dunmore East would justify the introduction of pay parking at these locations. However, the issue of traffic management in Dunmore East is under review with monies allocated towards this project in the 2015 Capital Programme.

Chapter 4 – Management of Assets in the State Property Portfolio

Recommendation 1

The Department having completed its development of the asset register and having current valuations should ensure that valuations take place at regular intervals so as to ensure that an appropriate return is achieved when such assets are leased.

The Minister for Public Expenditure and Reform is informed by Department of Agriculture, Food and the Marine that it accepts this recommendation. He is further informed by the Department of Agriculture, Food and the Marine that:

- The Department of Agriculture, Food and the Marine has completed, using the services of the Valuation Office, a valuation of the real property assets situated at the six Fishery Harbour Centres in April 2015. The purpose of this valuation is to provide a value of fixed real property assets at the six Fishery Harbour Centres as at 31st December 2014.
- An initial valuation report has been provided to the Department of Agriculture, Food and the Marine by the Valuation Office. This is currently being clarified and it is expected that the report will shortly be finalised.
- The valuation exercise carried out by the Valuation Office in 2015, will be carried when it falls due again in 2020.
- The Department of Agriculture, Food and the Marine has a complete record of movable tangible assets purchased since 2008. The Marine Engineering Division of Department of Agriculture, Food and the Marine has also completed an updated inventory of all movable assets.

Recommendation 2

All steps should now be taken to bring unleased property to the market and the Annual Financial Statement of the Fishery Harbour Centres should contain a note on the situation in relation to unleased and derelict properties.

The Minister for Public Expenditure and Reform is informed by Department of Agriculture, Food and the Marine that it accepts this recommendation. He is further informed by the Department of Agriculture, Food and the Marine that:

- The majority of FHC properties are leased to a variety of public and private sector tenants which support the FHCs role as working fishery harbours in addition to a broad range of other marine activities.
- The public bodies and organisations operating from the FHCs such as the Sea Fisheries Protection Authority, BIM, the Marine Institute, the Irish Coast Guard, RNLi and the ESB provide a range of essential and diverse functions and services facilitating the continued development of the Irish Fishing Industry in a safe and sustainable way.
- Priority is being given to regularising property arrangements without documented lease agreements in place.
- There are currently 213 properties in the six Fishery Harbour Centres on the Department of Agriculture, Food and the Marine's property database. Of these:
 - 160 are occupied by third parties (i.e. commercial entities and State/Public Bodies);
 - 34 are occupied by the Department of Agriculture, Food and the Marine for operational reasons;
 - 2 vacant properties were tendered in January 2016 and applications were received for one by the closing date of 11 March 2016.
 - 1 vacant property is being readied for tender;
 - 15 properties are vacant and currently unsuitable for tender; and
 - a sale is being finalised in the case of the remaining property (currently awaiting DPER sanction).
- Of the 160 properties occupied by third parties 62 do not have documented lease/license agreements in place. Of the 62 properties, 26 are occupied by commercial entities and 36 by State/Public Bodies.

Chapter 5 – Management of Change

Recommendation 1

Where a major change is proposed, for instance where a function of a Department is moved to another Ministerial portfolio, the implications for the day to day business of the unit should be analysed and a business continuation plan should be put in place prior to the move.

The Minister for Public Expenditure and Reform accepts this recommendation.

A 'Transfer of Functions Guidelines & Best Practice Handbook' has recently been produced as part of the implementation of the Civil Service Renewal Plan. It provides a standardised approach for managing the efficient reorganisation of Departmental structures or functions. The Handbook sets out the principles that should underpin Departments' implementation of transfer of functions, the role of key players including the transferring Department, the receiving Department, the Department of Public Expenditure and Reform, the Department of the Taoiseach, the Civil Service Management Board, the National Shared Services Office and OPW. It also sets out the process to be undertaken in the development and finalisation of the relevant transfer of functions Orders, as well as the necessary financial arrangements and communications processes. This Handbook is an important and useful guide to help Departments/Offices achieve fast and efficient outcomes for each Transfer of Functions.

Given under the Official Seal of the Minister for Public
Expenditure and Reform on this the 21st day of April,
2016.



L.S.

A handwritten signature in black ink that reads "Robert Watt". The signature is written in a cursive style with a long, sweeping tail on the final letter.

Robert Watt

Secretary General

Department of Public Expenditure and Reform