

Vote 30 - Marine and Natural Resources

23. Jeanie Johnston Project

The Jeanie Johnston project involves the construction of a replica of a famine vessel, which transported Irish emigrants to North America in the middle of the 19th century. It was intended that the vessel would make a voyage to North America and have a permanent berth at Blennerville, Co Kerry, where it would have complemented the Blennerville Windmill Centre and the Tralee Steam Railway.

The promoters of the project are a broadly based committee whose members represent the community, business and voluntary sectors as well as local State agencies in Tralee. A company, Jeanie Johnston (Ireland) Company Ltd. (the company), was set up to deliver the project.

The project was to be financed by a combination of EU, Exchequer, local authority, semi-State and private funding together with a contribution from the International Fund for Ireland.

Work on laying out the shipyard to accommodate the building of the vessel began in April 1996 and during the remainder of 1996 and 1997 the shipyard buildings were constructed. Work on the ship itself began in January 1998.

When the project was first mooted in 1994, the cost was estimated to be in the region £2.75m to £3m but by 1998 the revised estimate was £4.5m. However, by June 2000 the projected cost to completion had risen to £8.25m and, following a request for financial support to avert a significant shortfall, the Department of Finance agreed to the provision of £2m from the Vote for the Marine and Natural Resources. On foot of this provision the Department of Marine and Natural Resources (the Department) issued advance payments, in July and August 2000, of £300,000 and £400,000 and also commissioned a due diligence report on the project. This report, which was finalised in September 2000, raised a number of issues regarding the project including the increased financial requirements to finish the vessel, the post-completion voyage to North America (which had been postponed with adverse effects on cash-flow projections) and the structure of the board of the promoting company. The report identified a potential deficit of £3m even after receipt of the £2m committed by the Department. In view of the report's findings the Department asked the promoters to submit a rescue plan which they did in December 2000. The Department's advisers considered that the plan was not viable and did not represent a sufficient basis for the release of further moneys by the Department. A revised rescue plan was submitted in March 2001, which sought additional funding of £2m. In the interim the Department had paid a further £408,000 to the company to enable it to continue to operate, which when account is taken of the Department's payments to its consultants of £17,000 brought its total payments on the project to £1,125,000 at the end of March 2001.

In April 2001 the Department sought and obtained Government approval to provide another £2m to supplement the £1.125m already paid bringing total Departmental funding committed to the project to £3.125m. The Government approval was subject to, inter alia, the putting in place of appropriate management arrangements to ensure that the vessel was completed on time and within budget, and that the 2001 voyage element of the project was properly managed. The Government also agreed to the convening of all stakeholders in order to agree a structure and terms of reference for an urgent review of the future use of the vessel, and that the Minister for the Marine and Natural Resources would bring proposals to Government for a structure and ongoing management of the project, which would maximise the value of US interest in the project with minimum ongoing State involvement.

All funds paid by the Department to the project were channelled through Kerry County Council.

In June 2001 the planned voyage to North America was cancelled by the promoters because they were unable to obtain the necessary marine certification of the vessel.

Observations of the Department of the Marine and Natural Resources

In response to my inquiries, the Accounting Officer of the Department of the Marine and Natural Resources pointed out that his Department had no role in the initiative taken by the promoters to build the Jeanie Johnston nor did the Department at any time seek to become involved in the project. The Department's role in rescuing the project followed directly from policy decisions taken by Ministers and the Government.

He informed me that the funding made available to July 2001 was £9,712,000. Details are shown in Table 30.

Table 30 Source of Funds for the Project

Source of Funds	£	Type of Funding
Department of Marine and Natural Resources	3,125,000	Exchequer Grant
Kerry County Council	2,000,000	Loan Guarantee
Kerry County Council	200,000	Deferred Creditors
Tralee UDC	400,000	Loan Guarantee
Tralee UDC	240,000	Deferred Creditors
Department of Arts Heritage Gaeltacht & the Islands	750,000	ERDF Grant
Department of Arts Heritage Gaeltacht & the Islands	50,000	Exchequer Grant
SFADCO	150,000	Convertible Loan
SFADCO	850,000	Exchequer Grant
Kerry Co. Enterprise Board	50,000	Grant
Tuatha Chiarrai (Leader Prog.)	100,000	Grant
Sub total/Public Funding	7,915,000	
International Fund for Ireland	427,000	
Private Funding	1,370,000	
Total	9,712,000	

FÁS incurred expenditure of £1.41m on allowances to participants in programmes run in conjunction with the project.

He also informed me that the expected final cost of the project (excluding FÁS input) is in the region of £11m, and it is hoped that the proceeds from the sale of the company's property in Blennerville will fund the shortfall in funding of approximately £1.3m. When the project is completed, it is expected that there will still be a deficit of approximately £2.9m in respect of the bank loan and deferred creditors.

He furnished me with the following information:

- The advance payments, totalling £700,000, made prior to the completion of the due diligence report were made to tide the company over serious cash flow problems which were threatening the survival

of the project.

- The statutory powers giving the Minister for the Marine and Natural Resources authority to make grants to the project are provided for in Section 46 of the Merchant Shipping (Investigation of Marine Casualties) Act, 2000, which was commenced on 6 August 2000. The initial payment of £300,000 in July 2000 was made from Subhead D.3 in advance of the commencement of Section 46 on foot of sanction from the Minister for Finance and in anticipation of the new legislation.
- Regarding the verification and monitoring procedures in place to ensure that Departmental moneys were expended effectively and efficiently and were properly accounted for, the Accounting Officer stated that all Departmental funding was paid through Kerry County Council which agreed to verify and certify that the moneys were expended on capital costs incurred on completion of the vessel. The £2m additional funding agreed in April 2001 was conditional on the Company putting in place appropriate management arrangements to ensure that the vessel was completed and on the appointment of consultants to deal with the requisitioning of moneys for the project. Audited Accounts had been received from the Company. Moneys were paid out by the Department on the basis of a requisitioning system designed and operated by a financial management consultant.
- The failure to complete the project in July 2001 as envisaged was due to ongoing problems with the electrical systems of the vessel which had meant that the vessel was not yet ready to undertake the necessary sea trials and testing required for certification purposes. Much of the electrical work already carried out would appear not to be of an appropriate standard for a vessel of this type and rectification work was required, which it was understood would take about six weeks, and so the vessel would not be completed until sometime near the end of September 2001.
- The Department has requested the Chief State Solicitor to draw up an appropriate Charge to be placed on the vessel to cover, at a minimum, the £2m funding put into the project by the Department on foot of the Government decision of 3 April 2001. The Company has agreed to the placing of this Charge in favour of the Minister.
- As to the co-ordination between the different State Agencies involved in the project, and the Government conditions regarding the future use and management of the vessel, the Accounting Officer stated that since the Government decision of 3 April 2001, the Department had been conducting a consultative process involving all stakeholders to facilitate the ship's completion. Following the announcement by the Company on 26 June 2001 that it had postponed planning for a voyage to North America in 2001, a Focus Group was set up under the auspices of the Department to identify the options for the future role of the project and to report to the Minister for the Marine and Natural Resources by mid-October 2001 on a long term strategy for the vessel. The Terms of Reference for the Focus Group require the Group to examine, in the light of the conditions attaching to the public investment to date, all possible uses and roles for the Jeanie Johnston project having regard to the
 - o need to maintain its heritage status and value
 - o need to recognise its north/south dimension
 - o need to ensure that it does not continue to be a burden on the Exchequer,
 - o proposal that the vessel undertake a transatlantic voyage.

The Focus Group has been asked to draw up ownership and management models, based on experience elsewhere, to deliver on the above, including cost minimisation. The Minister has informed the promoters that the future of the vessel, (including any possible voyage to North America next year) will be considered by him and the Government in the light of the Focus Group's report which is due by mid-October 2001. In the meantime the Board of the Company has been directed to concentrate on the completion of the vessel as its priority and to focus on the financial management of the project with a view to expediting completion and reducing costs to a minimum.

- A proportion of the Department of Arts, Heritage, Culture and the Gaeltacht ERDF grant is refundable to the EU in the event of the project not being completed in accordance with the terms attached to the grant, which is also the case with the SFADCO grant.
- Kerry County Council has provided guarantees in respect of
 - o the £2m bank loan
 - o the £750,000 ERDF Grant received through the Department of Arts, Heritage, Gaeltacht and the Islands
 - o the £850,000 Exchequer Grant paid by SFADCOThe Council has also agreed to underwrite the operating costs of the vessel for a certain amount of time after its completion.
- Tralee UDC has guaranteed a bridging facility of £400,000 which has been drawn down by the promoters from a second bank.
- These guarantees, when added to the moneys owed in relation to deferred creditors (£440,000), means there is a potential liability of the order of £3.6m to Kerry County Council and Tralee UDC. In addition, there is a potential liability to Kerry County Council, which is at this stage unquantifiable, in relation to its underwriting of the operating costs of the vessel.
- There is uncertainty regarding the status of certain private funds in the event that the vessel should fail to undertake a voyage to North America.

Observations of Shannon Free Airport Development Company(SFADCO)

SFADCO informed me that in October 1995 they agreed to support the Jeanie Johnston Famine Ship Project by the provision of £150,000 by way of a convertible loan secured over the assets of the company for the purpose of the acquisition of a site for the construction of the ship. In December 1998, the Independent Management Board for Tourism Product Development in the Shannon Region (the Tourism Product Board¹⁴), approved a capital grant for £850,000 towards the Jeanie Johnston Famine Ship Project. SFADCO acts in an executive capacity to the Board. The grant was approved following a review of possible alternative projects which were considered for support under a special £1.5m Exchequer Provision made available through the Department of Tourism, Sport and Recreation in 1998.

A key influence of the decision of the Tourism Product Board to support the project was its potential to perform a unique ambassadorial/promotional role in North America with consequential substantial benefit for Irish Tourism. This was recognised through special U.S. Presidential recognition, strong media interest, the North-South dimension and the network of Organising Support Committees established by the Promoter in the major North American port cities (e.g. Boston, Washington DC, Montreal etc.)

Other factors taken into consideration included:

- The previous successful track record of many of the Promoter's Board of Directors (Public and Private Sectors) in carrying out a range of substantial tourism projects in the Tralee area.
- The complementarity of the completed ship when operating as a tourism attraction with the recently developed cluster of tourism facilities in the Tralee region.
- Strong third party financial guarantees provided to the project by Kerry County Council which underpinned the project against any unanticipated shortfalls through the capital and/or subsequent operational phases for a ten year period.

¹⁴ The Tourism Product Board is appointed by the Minister for Tourism, Sport and Recreation in accordance with the provisions of the 1994-99 Operational Programme for Tourism

Since the initial £150,000 investment was made in 1995, SFADCO has continued to maintain its charge on the assets of Jeanie Johnston (Ireland) Company Limited, despite requests from the Department of Arts, Heritage, Gaeltacht and the Islands to release this security in favour of their investment. Following negotiations with the Department of Arts, Heritage, Gaeltacht and the Islands, SFADCO agreed to share its security with the Department on a parri passu basis in respect of the Department's payment of £750,000 to the project.

In respect of the subsequent grant payment of £850,000, standard monitoring procedures undertaken by SFADCO in relation to tourism related grants were applied (grants inspection, annual accounts, external auditor certification, project liaison, legal). As it became apparent, however, that the project was experiencing increasing financial and organisational difficulties, additional procedures were undertaken, including the engagement in early 1999, in association with Kerry County Council, of specialist project management consultants to monitor the project.

Throughout 1999/2000, the project management consultants reported twice monthly to both organisations and recommendations for corrective action were referred to the Promoter. During this period the increasing concerns of both organisations were conveyed at a number of meetings held with the Promoter's Chairman and Directors. Later in October 2000, when it was apparent that the financial and organisational management position within the project required strong external and emergency action, SFADCO pressed for and financed the engagement by the Promoter of an Insolvency and Company Restructuring specialist. The specialist was engaged by the Promoter in the capacity of Interim Chief Operating Officer. The intensive involvement by him in all aspects of the project, his preparation of a Rescue Plan in March 2001 and his subsequent engagement by the Department of the Marine and Natural Resources has been central to maintaining a degree of confidence amongst key stakeholders and creditors which has to-date enabled the troubled project to continue to be progressed towards the completion of its development phase, thereby holding open the opportunity of realising a worthwhile return for the substantial investment which has been put into it.

In addition to obtaining security on the initial investment of £150,000, SFADCO, in accordance with standard practice, obtained a Mortgage Debenture securing the £850,000 grant assistance. This represents a third charge over the assets of Jeanie Johnston (Ireland) Limited, ranking after SFADCO (for £150,000) and the Department of Arts, Heritage, Gaeltacht and the Islands (for £750,000) holding a first charge parri passu and a bank holding a second charge (for £500,000). The debenture agreement further provides;

- For the completion of the project as set out in its grant application and related information submitted to SFADCO
- For the operation of the facility as an Emigrant ship and tourist attraction for a 10 year period
- That the project cannot be sold or otherwise disposed of without the consent of SFADCO.

The Promoters attributed the difficulties encountered by the project to its unanticipated complexities, difficulties in sourcing raw material, the decision to sub-contract out certain elements and the longer time required to complete the ship.

Observations of Department of Arts Heritage Gaeltacht and the Islands

The Department of Arts Heritage Gaeltacht and the Islands informed me it had obtained a charge on the yard and ship, but consideration was being given by the Department and SFADCO to moving the Charge to the ship alone. The purpose of the Charge was to protect the Department's interest and to ensure that the facility was maintained for the purpose for which it received the grant.

The Department had also sought a Guarantee that all operating costs for the Jeanie Johnston Project, once completed, should be underwritten. It was standard practice for the Department to ask developers of projects being funded under the Cultural Development Incentives Scheme to secure a commitment from a public body that it would meet any operational costs that may be required to ensure the successful operation of the project. In the case of the Jeanie Johnston Project, Kerry County Council provided the commitment, for a period of 10 years.

Observations of Department of the Environment and Local Government

The Department of the Environment and Local Government informed me that it was currently gathering information from all Local Authorities in relation to their involvement in projects which are sponsored by Government Departments or State Agencies, which will be used to formulate future Departmental policy in this area.

24. The Dunbrody Project

The Dunbrody Project was an initiative taken by the John F Kennedy Trust (the Trust) to build a full-scale replica of the famine ship "Dunbrody". The Trust was established as a company, limited by guarantee, in 1988 whose objectives concerned the long-term economic, cultural and environmental development of New Ross. The concept was initially to restore old quayside buildings as an interpretative centre with a restored schooner alongside. Following the assessment of the initial grant application under the Operational Programme for Tourism 1994-1999, it was decided to build a replica ship, with an interpretative centre on board.

In December 1996, the ERDF Management Board for Product Development – Bord Fáilte Area approved a grant of £1,599,778 for the project under the Operational Programme for Tourism 1994-1999. The total cost of the project was to be not less than £2,525,000, matching funds of not less than £925,222 were to be provided, and New Ross Urban District Council was to underwrite any operational losses.

By November 1999 the company was in financial difficulty and construction work had ceased. The Minister for Tourism, Sport and Recreation brought the matter to cabinet, and sought Government approval to allocate additional funding to the project of £1.7m. The Government decided that the matter should be deferred pending the carrying out of a due diligence examination by the Minister for the Marine and Natural Resources.

In December 1999 the Department of the Marine and Natural Resources (the Department) appointed consultants to conduct the due diligence examination. They reported in February 2000 and stated that the Trust was insolvent and would require an additional £2.054m in State funding to complete the project.

In February 2000 the Department obtained Government approval to allocate a sum of £2.054m to the project.

In March 2000 the Department entered into an agreement with the John F Kennedy Trust to loan the Trust £1.975m to finance the completion of the project. The loan is repayable on demand and interest may be charged at the discretion of the Minister for the Marine and Natural Resources.

The Department paid £1,267,699 to the project promoters in 2000 and a further £657,035 in 2001. In addition it also paid £62,734 to its consultants in 2000 and £31,685 in 2001. The amount of £50,000

provided for in the loan facility by way of bridging finance was not required by the Trust and was therefore not drawn down.

Observations of the Department of the Marine and Natural Resources

In response to my inquiries, the Accounting Officer at the Department of the Marine and Natural Resources pointed out that his Department had no role in the initiative taken by the promoters to build the Dunbrody nor did the Department at any time seek to become involved in the project. The Department's role in rescuing the project followed directly from policy decisions taken by Ministers and the Government.

He furnished me with the following information.

- £3.4m had been invested in the project at the time of the due diligence examination in January 2000. The total estimated cost of completing the project, including the onshore facilities, is £4.9m.

Table 31 Details of Funding received to July 2001

Organisation	£
Department of the Marine and Natural Resources	1,925,000
Bord Fáilte	1,600,000
Wexford County Council	200,000
American Ireland Fund	100,000
Private and Community Funding	1,075,000
Total	4,900,000

FÁS incurred expenditure of £1.04m on allowances to participants in programmes run in conjunction with the project.

- The Dunbrody has been completed as an Exhibition Ship with necessary onshore facilities to support her in that role. The project opened for business on 1 May 2001 and was officially opened on 20 July 2001. The Financial Controller has reported to the Minister that he is satisfied, based on the documentation received from the Company and visits to the project premises, that the project is, effectively, completed in line with the conditions set by the Department.
- In relation to the steps put in place by the Department to ensure that the project was well managed and that Departmental funds were properly expended and adequately accounted for, the Accounting Officer stated that funding had been allocated to the project by way of a Loan Facility which was to be used strictly to complete the vessel as a Floating Exhibition Ship to be permanently moored at New Ross. The loan was also conditional on an independent Financial Controller being appointed to liaise with the Trust and monitor the expenditure of the funds, and on the appointment of new nominees, acceptable to the Minister, to the Board of Directors of the Trust with appropriate expertise and experience. The loan was also secured by a fixed and floating debenture in favour of the Minister over all the assets of the Trust and subject to the Trust's compliance with the terms and conditions of the facility letter.
- The loan facility was made available on a phased basis on production of requisitions which were fully supported with the appropriate certificates and vouchers for expenditure and work done. This supporting documentation was presented by the Trust to the Financial Controller for review and certification, and payment by the Department was only made following certification by the Financial Controller. Audited Accounts were also submitted by the Trust.
- The statutory powers giving the Minister for the Marine and Natural Resources authority to make grants to this project are provided for in Section 46 of the Merchant Shipping (Investigation of Marine Casualties) Act, 2000, which was commenced on 6 August 2000. £700,000 was paid from

Subhead D.3 of the Department's Vote in advance of the commencement of the Section on foot of the Government decision in anticipation of the new legislation.

- In relation to the extent of potential liabilities to the State or its agents arising from guarantees, EU grant conditions, or ongoing commitments, the Accounting Officer stated that the project has now been completed largely due to the State funding received. The John F Kennedy Trust has undertaken to maintain the asset, subject to the charges in favour of the Minister for Marine and Natural Resources and Bord Fáilte, in good repair and condition, and to operate it as a Floating Exhibition Ship only.
- The Department understood that the New Ross Urban District Council had agreed to underwrite any operating losses for a period of 10 years. Apart from this guarantee, and assuming that the project operated satisfactorily into the future, there would be no outstanding liabilities to the State or its agencies. However, in the event of the project not proceeding as envisaged, the question of recoupment of certain EU grants could arise. The State's exposure would depend on the circumstances which then prevailed.
- In relation to the viability of the project as a tourist attraction, the Accounting Officer stated that the John F Kennedy Trust had prepared a Strategic Plan, which envisaged that 46,000 visitors were needed annually for the project to be sustained as a viable tourist attraction. While there may be minor operating losses in the start up years, the advice available was that the project had the potential to become viable and sustainable as a visitor centre and tourist attraction over the medium term. Preliminary results to date for the first year of operation showed visitor numbers running at 40% above projected estimates, which was encouraging.

Observations of Bord Fáilte Éireann

Bord Fáilte Éireann (BFE) informed me that:

- In the period December 1996 to December 1998, £1,540,560 was paid out. The balance of £59,912 was paid in July 2001. Payments were made on foot of accountants' certification of eligible expenditure and following site visits. Site visits were concerned with establishing that there was evidence on the ground of work completed. There was no evidence for any misgivings about making grant payments until after BFE found out about the project's cost overruns in 1998. The promoter's project managers were not required to be present for the site visits.
- The cost overrun was established by BFE in January 1999 to have been due to a number of construction factors related to an objective by the Trust of completing a vessel capable of re-enacting the transatlantic sailings of the original Dunbrody.
- The initial non-discovery of the cost overruns on the project, was attributed by BFE to the fact that site visits by staff were not specifically concerned with an audit of the financial plan, and the project manager was not present during the visits. Future protocols would call for the project manager always being present during such visits.

Observations of The Department of the Environment and Local Government

The Department of the Environment and Local Government informed me that it was currently gathering information from all local authorities in relation to their involvement in projects that are sponsored by Government Departments or State Agencies, which would be used to formulate future Departmental policy in this area.

25. Coastal Protection and Management

Background

The Irish coastline measures some 3,200km of which approximately 2,800km falls within the jurisdiction of the Republic of Ireland. Of this about 600 kms to 750 kms could be classified as sandy dune coast. It is this soft coastline, which is mainly located on the east coast that is most susceptible to erosion from natural causes or human usage. The bulk of the coastal protection effort is concentrated in this area.

The Irish coastline is considered to be one the most important sand dune systems in Europe, containing many unique habitats and areas of conservation. In addition, it is important for geology and geomorphological related activities as well as for cultural heritage, including marine and terrestrial archaeology. The coastal zone includes many of the State's largest towns and cities, with an estimated 80% of the State's population residing within 50km of the sea.

In general, coastal erosion occurs over a period of time as a result of exposure to everyday abrasive wave action. Although expensive coastal protection schemes will slow, and temporarily impede this erosion process, the risk of land loss remains. Research indicates that the erosion of Irish coastlines varies from about 0.5 to 2 metres per annum and causes an approximate loss of land area of between 160 and 300 hectares each year. About 300 localities are involved, mainly on the east coast.

There are three options for dealing with coastal erosion:

- Protect with "hard" works, such as sea walls, dykes or rock revetments
- Mitigate specific impacts through "soft" works, which consist of such measures as beach and dune nourishment, use of vegetation or fencing to encourage accretion, and alleviation of adverse factors such as human pressure and grazing
- Accept natural shoreline changes and accommodate the problems they cause.

It is generally accepted that soft solutions have a lower capital cost than the traditional hard defences, have fewer adverse effects on adjacent parts of the coast and are usually more environmentally friendly. However there is a need to maintain such defences on a more regular basis. Soft works is the option usually chosen by the Department of the Marine and Natural Resources (the Department).

Audit Objectives and Scope

The objectives of the audit were to ascertain and evaluate

- the systems in place for determining, planning, delivering and monitoring Coastal Protection and Management works
- the administrative, accounting and financial control procedures followed in carrying out such works
- the systems in place within the Department to measure the effectiveness and adequacy of the coastal protection programme.

The procedures followed by the Department in determining the objectives of the programme, the work to be carried out and the funding provided were reviewed. The monitoring of projects to ensure satisfactory completion was also reviewed. Visits were made to Bray, Co. Wicklow; Bundoran, Co. Donegal and Quilty, Co. Clare to review coastal protection projects completed in 2001. Files and records were examined to verify

- the existence of tendering documentation for contractors/consultants employed

- consultants'/engineers' reports
- payment requests submitted to the Department.

The systems in place to evaluate the effectiveness of works completed and to measure the usefulness of the programmes were also reviewed. Discussions were held with personnel from the Department and Local Authorities.

Audit Findings

Legislation

Statutory provision to undertake works to protect the coastline is made in the 1963 Coastal Protection Act. This Act assigned responsibility for carrying out coastal protection work to the Office of Public Works (OPW) and the Local Authorities. In 1990 the coastal protection functions being performed by OPW were transferred to the Department.

Because the provisions of the Act were found to have been impractical and unworkable, the legislation fell into disuse and has not been operated for many years. Schemes to protect coastal areas are now operated on a non-statutory basis in accordance with rules and procedures drawn up by OPW, (up to 1990) the Department (after 1990) and the Department of Finance.

The Foreshore Acts, 1933 and 1992 are also relevant to the programme. These Acts give the Minister for the Marine and Natural Resources comprehensive powers to combat damage, whether caused knowingly or unwittingly to beaches, sand dunes and seashore eco-systems. The Minister is also empowered to regulate use of the foreshore, including the granting of leases to allow exclusive use of the foreshore to individuals or groups (e.g. construction and operation of a marina) and licences to allow use of the foreshore for specific purposes or for specified periods (e.g. horse racing, sea-weed collection). Prohibitory Orders and Notices may be issued to prevent access to, or any specified activity on, the foreshore. The most common use of such Orders and Notices is to prevent the removal of sand and gravel.

Management and Administration

The Department is responsible at central Government level for managing coastal protection. Local Authorities also have significant responsibilities for the function. The procedures in place have been determined by OPW, the Department and the Department of Finance.

These procedures place primary responsibility for monitoring the coastline, and determining the coastal protection works which are necessary and which should be carried out, on the Local Authorities in whose jurisdictions the coastlines are located. Coastal Protection projects are submitted annually to the Department, which having assessed and evaluated them selects those that should be proceeded with.

It is the responsibility of the Local Authorities to carry out the works and to provide 25% of the funding. The balance of the funding is provided by the Department.

The respective roles and functions of the Local Authorities and the Department, funding to be provided by them, criteria to be applied in selecting coastal protection projects, rules on procuring services and contractors, and reporting requirements on programmes and their implementation have not been set down in writing.

Planning and Setting of Budgets

The funding committed to coastal protection was included in the Operational Programme for Environmental Services for the years 1994 to 1999, and in the Economic and Social Infrastructure Operational Programme for the years 2000 to 2006. The amounts provided were £8m and £41m respectively. These were determined by the Department and the Department of Finance without consultation with the Local Authorities. While documents were available detailing a number of projects which are intended to be proceeded with during the course of the 2000 to 2006 plan, no costings were available to show the basis for the amount of funding provided, which represents a major increase over previous years. The Department pointed out that managerial and administrative capacity would not exist within Local Authorities or the Department to increase expenditure at a faster rate, even if this was felt to be necessary. The amount sought was approved without amendment by the Department of Finance.

In relation to planning the focus is on the short term with little emphasis being given to the medium and long term. Local Authorities are required to submit, each year, details of projects which they would wish to carry out and to rank them in order of priority. The Department evaluates and reviews the projects submitted. They then notify the Local Authorities of the projects which may proceed, as well as the level of funding approved and the expenditure which may be incurred. It is a condition of the approval that the approved expenditure must be incurred within the calendar year. Any expenditure incurred in the following year on previously approved projects must be submitted for fresh approval and charged to the following year's budget. Local Authorities are not required to submit three or five year plans.

Evaluation of Projects

Because the level of expenditure in earlier years was so low, particularly prior to 1995, only work of an urgent nature was carried out where there was a serious risk to important public infrastructure. However with the increased level of resources being provided, there is likely to be an increasing number of projects competing for funding. As a consequence procedures for evaluating and selecting projects will assume greater importance. According to the Department the criteria used in evaluating projects are urgency and the perceived value of the work, in terms of protecting public safety and infrastructure, tourist amenities and areas of environmental or heritage significance, and the degree to which they support economic development and avert the need for costly remedial works at a later stage. Difficulties in proceeding with the work because of statutory constraints or possible objections from affected parties would also be taken into account. Projects are not scored on a points system but are ranked in order of priority as judged by Departmental officials.

Policies and Strategies

Prior to 1995 minimal coastal protection work was carried out, but since then there appears to be a recognition that more needs to be done as indicated by the increased level of funding provided. Heretofore there has been no national plan or strategy driving the programme and the level of work carried out has been largely dependent on the views and policies of individual Local Authorities in whose areas the coastlines are located. Since it is the case that works carried out in one area may impact on another area, it is important that an integrated approach is adopted in relation to the programme.

The Department has not carried out a national survey to determine the areas of the coastline under threat and the kinds of remedial action which might be necessary or appropriate. A survey carried out in 1992 by the National Coastal Erosion Committee of the County and City Engineers Association and the Institute of Engineers of Ireland, identified 1,500km of coastline at risk from erosion, of which 490km required immediate attention. The Committee estimated costs of £125m to protect some 287 sites at risk.

A research programme initiated by the Department in 2001 provides for the carrying out of a coastal survey and the setting up of a national coastal data bank from the information collected.

Local Authorities fund 25% of the cost of projects. Accordingly projects cannot proceed, even if considered worthwhile by the Department, without the agreement of the Local Authority to provide its share of the funding.

Lack of Integrated Coastal Management Programme

There are a wide variety of industries located in the coastal zones such as fishing, oil, gas and minerals, transport, recreation and tourism. The Irish coastal zone also contains many sensitive ecosystems and areas of interest to geologists and archaeologists.

The management of the coastal zone is rather fragmented at present with different functions falling within the jurisdiction of different Government agencies. Physical planning is the responsibility of Local Authorities, Department of the Environment and Local Government and Bord Pleanála. Ecology and heritage are the responsibility of Dúchas and the Department of Arts, Heritage, Gaeltacht and the Islands while coastal protection, fisheries management, and administration of the foreshore is the responsibility of the Department. At present a fully comprehensive system does not exist to ensure that these different agencies consult in relation to the possible adverse impacts of actions taken by one agency, on the functions of other agencies within the coastal zone.

In relation to coastal protection there would be varying degrees of interaction with some of these Government agencies, in particular Dúchas in relation to ecosystems and heritage.

Two Reports¹⁵ published in the 1990s recommended the establishment of a National Coastal Authority to oversee the management of all of the various functions in the Coastal Zone.

Monitoring of Programme

It is the responsibility of the Local Authorities to carry out all coastal protection work in the geographic area within which they have jurisdiction. Major projects are carried out on behalf of the Local Authorities by the Department as it has the greater technical expertise and experience. Smaller projects are carried out by the Local Authorities. The monitoring of projects seemed to be deficient insofar as there was no Departmental system in place in relation to inspection of projects, submission of progress and completion reports and evaluations as to whether or not projects were achieving their intended objectives.

Payments and Expenditure

Table 32 shows expenditure incurred by the Department under the programme in the years 1994 to 2000. The figures represent 75% of the gross expenditure with the Local Authorities providing the 25% balance. The Department attribute the under spend in 1999 and 2000 to a lack of capacity in the Department to manage and process a greater number of projects, and slower than expected progress by Local Authorities in completing projects due, inter alia, to planning delays.

¹⁵ National Coastal Erosion Committee - Coastal Management - A case for Action.

Brady Shipman Martin in association with HR Wallingford Natural Environmental Consultants Ltd, - Coastal Zone Management: A draft policy for Ireland – Main Report.

Table 32 Departmental Expenditure in £ million

Year	1994	1995	1996	1997	1998	1999	2000	Total
Budget	0.50	0.77	0.89	0.89	0.91	3.85	7.10	14.91
Actual	0.51	0.67	0.85	0.79	0.94	2.45	4.73	10.94

Local Authorities are fully responsible for the management and execution of projects which they carry out directly, including the hiring of contractors, procurement of services, design and supervision of work. The Department reimburses Local Authorities on the basis of claims confirming completion of the work. All claims must be submitted within the calendar year in which the project was approved. A selection of claims and payments to Local Authorities were examined during the audit with satisfactory results. A number of payments and contracts relating to projects carried out by the Department on behalf of Local Authorities were also examined and found to be satisfactory.

Research

Given the long term nature and complexity of a programme such as Coastal Protection, and the different approaches and options possible, knowledge in relation to both the scale of the problem and the corrective actions possible are essential if the programme is to be successful. Research is vital in this regard. While the Department has long recognised the need for research, the funding provided did not allow for any significant research to be undertaken. However, in the period 2000 – 2006, funding of £5.4m has been provided for research.

A sum of £2.4m has been provided to fund a National Coastal Database and Needs Study. This will provide, for each segment of the coast, current and historic information on the nature of the coast, details of its vulnerability to erosion and the nature of the hinterland in terms of economic and environmental assets. £2 m has been allocated to a number of technical studies related to broad coastal dynamics, and £1m has been allocated to basic research on fundamental topics such as the basic hydrodynamic processes of turbulence and wave breaking, and the process of sediment transport. Statistical work is also planned in relation to sea level rise and the probability of extreme events.

Conclusions

It would appear that up to recently the resources allocated to the function were not commensurate with its importance. However the increased level of funding provided in the current plan, the commissioning of research and the planned carrying out of a needs analysis indicate that a more serious and structured approach to the issue is now planned.

There has been insufficient emphasis in the past on determining an overall national policy in relation to coastal protection, determining long-term goals and formulating plans to achieve them. It is important if the plan is to be successful that the National Database and Needs Study as provided for in the current plan be implemented and plans drawn up as to the actions and strategies which need to be pursued in the long term. Local Authorities should be consulted to ensure a uniform approach.

The present requirement on Local Authorities to complete projects within the year in which they are approved may lead to projects being completed in too hurried a fashion and insufficient time being allowed to do the most cost effective job possible. Consideration should be given to providing more certainty on funding to Local Authorities so that they have the necessary time to plan and carry out their programmes in a more ordered and structured way.

The failure to spend a significant proportion of the funds provided for the programme in 1999 and 2000 is disappointing. The necessary administrative resources and planning systems should be put in place to ensure that all of the funding provided for the programme can be expended efficiently and effectively.

The 25% funding contribution required of Local Authorities may need to be reviewed, as there is the possibility that if Local Authorities are unwilling or unable to provide its share of the funding, important projects may be delayed or not proceeded with.

The respective roles and functions of the Local Authorities and the Department, including the funding to be provided by them, the criteria to be used in selecting coastal protection projects, the rules relating to the procurement of services, and reporting requirements on the implementation of the programme should be set out in writing, to ensure best practice is followed. A scoring system should be considered for use in selecting and ranking projects submitted for funding.

Projects should be inspected to ensure satisfactory completion, reviewed to evaluate the effectiveness of the work, and the results recorded.

The carrying out by the different Government agencies of their functions in the Coastal Zone in an integrated and co-ordinated way is important and serious consideration should be given to the issue as highlighted in the two studies referred to in the report.

The position in relation to the falling into disuse of the existing legislation on Coastal Protection, and the operation of the current programme outside of a legislative framework is unsatisfactory and should be regularised by the introduction of appropriate amending legislation, to provide a sound statutory basis for the programme.

Observations of the Department of the Marine and Natural Resources

- A procedures manual was being prepared which would set down criteria in relation to the selection of projects, as well as reporting requirements and rules on the procurement of services and the engagement of contractors.
- In relation to the monitoring of projects, new procedures were introduced in 2001 whereby quarterly progress reports are required from Local Authorities, and the Engineering Division of the Department prepares monthly progress reports on projects undertaken by it on behalf of Local Authorities. The Department intends to initiate comprehensive project monitoring and an inspection system of coastal protection works.
- In relation to its integrated coastal zone management, the Department's strategy statement notes that growing development pressures in the marine coastal zone underline the need for a comprehensive integrated framework for the sustainable management and development of this area. Accordingly, the Department is committed to developing, as a priority, in cooperation with other relevant Departments, an integrated coastal zone management strategy and legislative framework.

26. Grants to Coillte for the Promotion of Forestry

The Department of the Marine and Natural Resources is empowered by law to administer EU based aid schemes relating to the Forestry and Marine sectors. The EU contribution to such schemes are funded from the European Agricultural Guidance and Guarantee Fund (FEOGA).

European Council Regulation 2080/92, relates to the afforestation of agricultural land. Article 2(1)(c) of the Regulation provides for the payment of afforestation premia to compensate for the loss of income arising from the transfer of land from agriculture to forestry use, which may be paid to farmers and “any other private-law, natural or legal person”. The Department commenced operating the scheme in Ireland in 1993.

Following the passing of the Forestry Act 1988, Coillte was registered under the Companies Acts as a private limited company, and was regarded by the Department as being a “private-law, natural or legal person” and entitled to receive premia when it applied for them in 1993.

In August 1999 the European Commission, following an audit which it had carried out of FEOGA expenditure administered by the Department, informed the Department that in its opinion Coillte was not eligible to receive the premia, as it did not consider that Coillte was a “private-law, natural or legal person” as defined in the Regulation. The proposal to disallow such payments was approved by the Commission in July 2000. The disallowance decision applied to EU funded expenditure of £3.8m in respect of the two FEOGA financial years October 1996 – October 1998.

The Department decided to suspend further payment of the grants to Coillte in September 1999 and in September 2000 lodged an appeal against the Commission disallowance decision in the European Court of Justice. The case is expected to be heard sometime in 2002. The Department also refunded the £3.8m to the Commission in October 2000.

Under its planned plantation programme Coillte had expected to receive further grants of approximately £33m in the years 2000 to 2013 which it will not now receive if the Commission decision is upheld by the Court of Justice.

In response to my enquiries the Accounting Officer informed me that

- Legal advice had not been obtained at the time the decision was first made to pay the grants in question to Coillte, as there was no reason to believe that Coillte were ineligible for such payments. In 1992, there had been discussions with the Commission at which it was indicated that the Commission took a positive attitude in relation to the eligibility of Coillte under Regulation 2080/92. At the Commission’s request, written clarification of the legal status of Coillte was provided in January 1993. No response to the written clarification was made by the Commission, which subsequently approved the afforestation programme under which the payments in question were made. The Commission was aware that payments were made to Coillte in the following years but did not raise any questions on them until the discussions leading up to the disallowance proposal of August 1999. It appears that the Commission raised the issue then arising from a decision by the European Court of Justice (C-306/97) on a separate case in 1997 which declared that Coillte was a Public Authority for the purposes of the EU Procurement Directives.
- The Commission’s view, as indicated as late as June 1998 in reply to a question in the European Parliament, was that payment of premia associated with afforestation by semi-state companies was not in breach of the provision of EC Regulation 2080/92.
- The Department’s position is that Coillte is eligible to receive the premia and that the Commission was incorrect in disallowing the expenditure but that it is the European Court of Justice which will decide the issue.
- The September 1999 decision to suspend payments to Coillte was based on legal advice. At that time, grants totalling £2.8m had been made to Coillte in respect of the FEOGA financial year which

commenced in October 1998. The Department has been notified of the Commission's intention to disallow such payments but, as of 6 September 2001, no formal decision had been received from the Commission.

- At the time of the July 2000 disallowance decision, the FEOGA accounts for the years prior to 1996 had been closed and payments made prior to 1996 were therefore excluded from the scope of the decision. Premium payments to Coillte in the period prior to October 1996 totalled £2.54m.