



**Rialtas na hÉireann**  
Government of Ireland

# **Statutory Audit Report to the Members of Limerick City and County Council for the Year-Ended 31 December 2021**

## **Local Government Audit Service**

Prepared by the Department of Housing, Local Government and Heritage  
[gov.ie/housing](http://gov.ie/housing)

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# Auditor's Report to the Members of Limerick City and County Council

## 1 Introduction

I have audited the Annual Financial Statement (AFS) of Limerick City and County Council for the year-ended 31 December 2021, which comprises the Statement of Accounting Policies, Statement of Comprehensive Income, Statement of Financial Position, Funds Flow Statement, and notes to and forming part of the accounts. The financial reporting framework that has been applied in its preparation is the Code of Practice and Accounting Regulations for Local Authorities, as prescribed by the Minister for Housing, Local Government and Heritage.

My main statutory responsibility, following completion of the audit work, is to express my independent audit opinion on the AFS of the Council, as to whether it presents fairly the financial position at 31 December 2021 and its income and expenditure. My audit opinion, which is unmodified, is stated on page 6 of the AFS.

The Council is by law, responsible for the maintenance of all accounting records including the preparation of the AFS. It is my responsibility, based on my audit, to form an independent opinion on the statement and to report my opinion. I conducted my audit in accordance with the Code of Audit Practice. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the AFS. It also includes an assessment of the significant estimates and judgments made by the Council's management in the preparation of the AFS, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all of the information and explanations, which I considered necessary to provide sufficient evidence to give reasonable assurance that the financial statement is free from material misstatement, whether caused by fraud or error.

This report is prepared in accordance with Section 120(1) (c) of the Local Government Act, 2001 and should be read in conjunction with the audited AFS.

## 2 COVID-19 – Impact on Local Authorities

### 2.1 Overview

The COVID-19 outbreak and the emergency measures taken to mitigate it have continued to have a significant impact on the finances of Councils during 2021. This has resulted in a reduction in income from some sources, an increased level of COVID-19 related expenditure and related government subvention for the local authorities.

At a national level in 2021, the Government introduced the Small Business

Assistance Scheme for COVID (SBASC) and extended the Rates Waiver Scheme to support businesses, as noted in paragraphs 2.2 and 2.3 below. In addition, Local Authorities were supported by the Department of Housing, Local Government and Heritage (DHLGH) for the loss of income from goods and services and for additional COVID-19 expenditure incurred by them (see paragraph 2.4).

As agreed by the General Accounts Working Group, the audited Annual Financial Statement for 2021 includes revised Notes 23 and 24 in relation to the Rates Waiver and SBASC respectively.

## **2.2 SBASC Scheme**

As part of the Government's 2021 COVID support package, the Small Business Assistance Scheme for COVID (SBASC) was introduced as a direct aid to companies, the self-employed, sole traders or partnerships with a minimum turnover of €50,000 who were not eligible for the Revenue Scheme CRSS, Fáilte Ireland Business Continuity Scheme or the Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media's Live Performance Support. The scheme was funded by the Department of Enterprise, Trade and Employment but was administered on its behalf by the County Councils.

The SBASC II Scheme was introduced in the second quarter in 2021 and included businesses which were not operating from rateable premises. A €1,000 grant was also introduced for businesses with a pre-COVID turnover of between €20,000 and €49,999.

As with the Restart Grant Schemes in 2020, each business had to self-certify by completing the application that it met the relevant criteria. The Council was required to verify the application against rate accounts, where they existed, and to confirm that the applicant had fully completed the application including the declaration.

Accordingly, the audit of expenditure under these schemes, which amounted to €1.04m in Limerick City and County Council for the year-ended 31 December 2021, was limited to the specific responsibilities of local authorities, as set out above, and did not include the verification of other eligibility criteria declared by the applicants.

The accounting treatment for this is set out in Note 24 in the AFS.

## **2.3 Rates Waiver Scheme**

The Government continued its support for the Local Government sector, with the provision of an amended commercial rates waiver in 2021. This waiver, funded by Government, at a cost of €542m supported local businesses in payment of their rates' bills, and ensured continuity of services at local authority level.

The total amount received by Limerick City and County Council, (hereinafter the Council) for the year-ended 31 December 2021 was €16m. The accounting

treatment for this is set out in Note 23 in the AFS and further disclosure is included in Appendix 7.

In 2021, as in 2020, the methodology and manner for calculating rates income collection differed from previous years.

## **2.4 Reimbursement for Loss of Goods and Services Income and COVID-19 Expenditure**

The Department reimbursed the Council for the loss of goods and services income and additional expenditure incurred by them as a result of COVID-19. The total amount received by the Council for the year-ended 31 December 2021 was €1.6m.

- Loss of goods and services income €1.5m
- Additional COVID-19 related expenditure €0.1m

## **3 Financial Standing**

### **3.1 Statement of Comprehensive Income**

In 2021, the Council recorded a surplus of €20k after making net transfers to reserves of €20.4m. The cumulative surplus in the revenue account increased by €20k to €908k.

Variances between the adopted budget and the actual financial performance are detailed in Note 16 of the AFS. Members' approval, as required by Section 104 of the Local Government Act 2001, for the expenditure in excess of the annual budget was obtained at the Council meeting of 23 May 2022.

### **3.2 Financial Standing**

Significant movements in the finances for the year included:

- Increase in fixed assets accumulated costs €30m (paragraph 5).
- Increase in loans payable €20.7m (paragraph 10).
- Increase in long-term debtors €19.5m, mainly due to capital asset leasing facility loans (+€10.9m) and increase in investment in Limerick 2030 Development DAC (+€7.3m).
- Decrease in work in progress €14.5m, mainly due to capitalising of housing assets.
- Increase in creditors & accruals €10.4m, mainly due to an increase in deferred income relating to the public lighting energy efficiency project (+€9.9m).

## 4 Major Revenue Collections

### 4.1 Summary of Major Revenue Collections

The major revenue collection yields were as follows:

Income Source	Debtors (€)		Yield (%)		Waiver	
	2021	2020	2021	2020	2021	2020
Commercial Rates	€8.7m	€10.7m	88%	81%	€16m	€24.9m
Housing Rents	€6.7m	€6.3m	96%	96%		
Housing Loans	€0.3m	€0.4m	86%	84%		

### 4.2 Rates

From March 2020, ratepayers' ability to trade was significantly impacted by restrictions imposed by the COVID-19 pandemic. In order to alleviate the impact of these restrictions on eligible businesses, the Government funded a Rates Waiver Scheme. The commercial rates waiver schemes affected arrears at year-end and the collection percentage.

#### Arrears

In 2021, the rates arrears at year-end decreased by €2m to €8.7m. The amount collected in 2021 increased by €10.1m to €42.7m, mainly due to the lifting of COVID-19 restrictions.

#### Collection Percentage

The Council included a note in the AFS to disclose that if the waiver amount had been included in the 'amount collected' column rather than the 'waivers and credits' column, the collection percentage would have been 91%. This figure is more directly comparable to the revised 2020 collection percentage of 88% as the Council also received a waiver in 2020.

#### Potential Liability

A potential liability regarding the rate valuation of windfarms following a decision taken by the Valuation Office remains unresolved. Management should continue to review the adequacy of this provision when preparing the 2022 AFS.

#### Bad Debt Provision

In 2021, the rates bad debt provision decreased by €1.3m to €7.7m mainly due to the decrease in year-end arrears. This represents a provision of 88% which is considered adequate.

## Chief Executive's response

The global pandemic continued to impact during 2021. Government assistance in the form of the Rates Waiver was critical to support the Council and its ratepayers. The Council will continue to monitor the impact of further determinations of the Valuation Tribunal in relation to the windfarms and reflect accordingly in the Annual Financial Statements.

### 4.3 Rents and Annuities

A summary of the rents and annuities figure in appendix 7 is:

Income Source	Accrued		Debtors		Collection Yield	
	2021	2020	2021	2020	2021	2020
HAP	€157m	€141.4m	€1.1m	€1.0m	99%	99%
Rents	€17.5m	€16.7m	€5.3m	€4.9m	77%	77%
RAS	€2.1m	€2.2m	€0.3m	€0.4m	86%	84%
<b>Total</b>	<b>€176.6m</b>	<b>€160.3m</b>	<b>€6.7m</b>	<b>€6.3m</b>	<b>96%</b>	<b>96%</b>

### 4.4 Housing Assistance Payment (HAP)

Under the Housing Assistance Payment scheme (HAP), Limerick City and County Council is providing a national financial transactional Shared Services Centre (SSC) to all other Councils in the state. Limerick City and County Council on behalf of all other Councils, collects differential rent from the HAP tenants across the country and in turn make payments to the landlords within the limits set for each County.

#### Responsibility

It is the responsibility of each of the participating Councils to determine the appropriateness of the rent to be paid to the landlord for each property and that the property is inspected in accordance with the statutory regulations. In addition, each local authority is required to regularly review the income of the tenants under their jurisdiction to ensure that the correct rent is applied to their account for collection by the SSC.

#### Place Finder

From January 2018, the Homeless HAP Place Finder service was made available to all 31 Councils. This service allows local authorities to pay a deposit equivalent to one month's HAP rental payment. Additionally, this allows advanced rental payments of up to two months HAP payment, upfront on behalf of a HAP eligible tenant in order to assist homeless households' secure appropriate properties.

From July 2019, the costs incurred by local authorities in relation to Place Finder costs were recouped from the SSC. It is the responsibility of each local authority

to ensure these costs are in accordance with the regulations. In 2021 a total of €28.7m was paid by SSC to local authorities for these Place Finder costs.

#### Collection Rate

At year-end 2021, there were 61,942 active accounts. In 2021, the rent accrued increased by €15.6m to €157m. The collection rate remained high at 99% and the net arrears increased by 100k to €1.1m.

Furthermore, it was noted that the gross debtor at year-end (debtor excluding credit balances) increased by approximately €1m to €4.4m mainly due to the suspension of the debt collection process within HAP SSC due to COVID-19 as per the Department's instruction. In September 2021, the debt management unit of the HAP SSC received confirmation from the Department for a restart of the debt collection process.

#### **Chief Executive's response**

As noted by the auditor, the debt collection process for HAP restarted in September 2021. The HAP SSC is also actively liaising with ceased account holders to collect arrears and also facilitate the payment of refunds where appropriate. As noted above, the collection rate for active accounts of 99% remains well above the target set by the DHLGH of 95%.

## **4.5 Housing Rents**

#### Arrears

In 2021, net arrears increased by €400k to €5.3m. There were 115 accounts with arrears in excess of €10k, which accounts for €1.7m of arrears. The value of gross arrears over 3 months is €5.4m.

#### Collection Percentage

The collection yield of 77% is unchanged from the previous year. It is noted the collection yield remains significantly less than the national average of 87%. The Council needs to continue to improve procedures for the collection of arrears.

#### Bad Debt Provision

The bad debt provision for housing rents increased by €0.3m to €3.9m.

#### **Chief Executive's response**

The Council will continue to focus on improving the collection of housing rents. Significant progress has been made in the setting up of payment plans for those in arrears, which were the subject of rent reviews.

## 4.6 Housing Loans

### Arrears

In 2021, net arrears decreased by €48k to €310k. There were 15 accounts with arrears in excess of €10k which accounts for €267k of arrears. The value of gross arrears over 3 months is €494k.

### Collection Percentage

In 2021, the collection yield for housing loans increased by 2% to 86%. The increase in the collection yield is welcome. Nonetheless, the Council needs to continue to improve procedures for the collection of arrears.

### Bad Debt Provision

In 2021, the bad debt provision for housing loans decreased by €10k to €510k.

### **Chief Executive's response**

The Council will continue to maintain and build on the 2021 collection performance and continue to address outstanding arrears.

## 5 Fixed Assets

### 5.1 Fixed Assets Overview

The accumulated costs of fixed assets increased by €30m. This comprised of additions/work-in-progress (WIP) transfers (€34.9m) and disposals (€4.9m). The following table contains the main additions and items transferred from WIP in 2021:

<b>Asset</b>	<b>€m</b>
43 Units Hawthorn Rathbane	10.6
36 Units Churchfield O'Malley Park	11.0
11 Units Lower Carey Road	2.9
6 Units Galvone View O'Malley Park Southill	2.0
6 Units Cliona Park Moyross	1.7
4 Units Churchview Moyross	1.3
<b>Total</b>	<b>29.5</b>

### 5.2 Asset Management

Asset management improvements were noted. However, a number of issues were identified during the audit. The Council should continue to ensure that:

- The reconciliation of the fixed asset register to the housing management system is completed annually.

- The reconciliation of the fixed assets register to the insurance register is completed annually.
- A system of physical stocktakes to ensure existence of assets is undertaken.

### 5.3 Fixed Asset Register (FAR)

Overstatements were identified in the following assets categories in the FAR:

<b>Asset</b>	<b>€m</b>
Housing units	2.3
Buildings	1.0
<b>Total</b>	<b>3.3</b>

The overstatements occurred due to:

- Errors in capitalising amounts from work in progress.
- Disposals of houses in previous years not updated on the FAR.
- Disposal of buildings in the current year not updated on the FAR.

I have requested that management include these adjustments in the AFS 2022.

### 5.4 Property Interest Register

The Council are currently at an advanced stage in completing the development of a new GIS based Property Interest Register. It is expected that this system will be operational in 2023.

#### **Chief Executive's response**

I can confirm that items identified above have been adjusted in 2022. A full reconciliation between the Fixed Asset Register (FAR) and the Housing System and also a reconciliation between the FAR and the Insurance Register is completed annually. The new PIR is currently being installed and it is expected that this system will be operational in 2023. The new system will provide a stable and complete property ownership database (excluding social housing units) and mapping system.

## 6 Irish Water

### 6.1 Transfer of Water and Sewerage Functions to Irish Water

The Water Services Act (No 2) 2013 was enacted in December 2013 and provides for the transfer of water services from the Local Authorities (LA) to Irish Water (IW) from January, 2014. In addition, the Act provides for the transfer of assets and certain liabilities related to water services from the LA to IW.

### 6.2 Service Level Agreement

There is a service level agreement in place between the Council and IW.

### 6.3 Water Related Assets

An asset transfer-working group has been established between the Local Authority sector and IW to resolve title issues and similar matters in the short term.

At September 2022, the ownership of water assets was:

• Registered to the Council.	4
• Registered to third party.	31
• Unregistered.	19
• Transferred to IW.	<u>242</u>
Total	296

The number of assets registered to a third party or unregistered represents 17% (50) of water assets. The Council should continue to work with IW and other bodies to resolve the title issues in the short-term.

#### **Chief Executive's response**

The transition to Irish Water has accelerated in 2022. It is expected that Irish Water will assume direct management of Water Services functions from 1st January 2023. A new framework is currently being drafted in recognition of this significant change. Limerick City and County Council will continue to work with Irish Water to ensure the smooth operation of the new framework.

## 7 Development Contributions

In 2021, development contribution income reduced by €2.6m to €0.3m. The reduction in this income was due to an accounting adjustment whereby the Council reclassified a number of short-term debtors into long-term debtors. This review was highlighted in previous audits and is welcomed by the Local Government Auditor (LGA).

In line with this reclassification, development contribution debtors decreased from €5.9m to €3.8m and the bad debt provision decreased from €3.5m to €1.5m. The Council needs to continue to address the arrears.

### **Chief Executive's response**

The Council continues to follow up amounts due including arrears from Development Contributions.

## 8 Defective Concrete Blocks

The Council undertook a targeted examination of its own housing stock. The purpose of the examination was to identify the possible presence of Mica or Pyrite. Pyrite was identified in the sample houses. As a result of this examination, the Council prepared a submission to Government that the City and County of Limerick should be included in the redress scheme. In June 2022, Government approved this submission.

### **Chief Executive's response**

The Government approved the Remediation of Dwellings Damaged by the Use of Defective Concrete Blocks Bill 2022 on 21 June, 2022. The Act provides that the Government may make a scheme for the purpose of enabling a designated local authority to remedy damage caused to dwellings by the use of defective concrete blocks in their construction (damage to social stock). While the Act has not yet commenced; the enhanced scheme may provide future funding for remediation should the need arise.

## 9 Debtors

### 9.1 Government Debtors

At the end of 2021, government debtors increased by €3.9m to €22.9m. During the audit, significant progress was noted in the collection of these debtors. In August 2022, €3m (13%) remained unpaid. The Council should continue to monitor and address amounts owed in a timely manner.

### 9.2 Bad Debt Provision

In 2021, total gross debtors decreased by €1.7m to €59m. The bad debt provision decreased by €1.1m to €20.1m in line with the gross debtor decrease. The Council should continue to monitor the level of the bad debt provision given the challenging factors of the current economic climate.

#### Chief Executive's response

The bad debt provision will be further reviewed as part of the AFS 2022 work programme. This will include a systematic review of major debtor streams to determine an appropriate doubtful debt provision.

## 10 Loans Payable

The loans payable in Note 7 amounted to €148.9m (2020: €128.2m). The loans payable are analysed as follows:

Loan Type	Balance at 31/12/2021 €m
Mortgage loans	19.5
Assets	75.6
Recoupable	49.9
Shared Ownership – Rented Equity	3.9
<b>Total</b>	<b>148.9</b>

- The mortgage loans of €19.5m and the shared ownership rented loans of €3.9m have a corresponding stream of income.
- The asset loans of €75.6m to fund the Council's own projects and offices/buildings are funded from the revenue account.
- Recoupable loans of €49.9m are matched by corresponding long-term debtors in Note 3 of the AFS.
- Of the total loans payable, €119m (80%) of debt is with the Housing Finance Agency (HFA), and €25m (17%) is with the European Investment Bank (EIB).
- In 2021, the Council drew down new loans from the HFA of €25m for the Opera Site (€15m) and the public lighting energy efficiency project (€10m).

## **Chief Executive's response**

The Council continues to actively monitor and review capital debt.

# **11 Capital Account**

## **11.1 Capital Account Overview**

At year-end 2021, the credit balance increased by €7.4m to €101.7m. In 2021, capital expenditure totalled €139.4m.

## **11.2 Capital Account Unfavourable Balances**

The capital account unfavourable balances decreased by €9.4m to €19.5m mainly due to the allocation of the EIB loan funding and improvements in the recoupment procedures of the Council. The decrease in unfavourable balances is welcome. Audit identified €3m of unfavourable balances that had no activity in 2021. All efforts should be made to address the remaining unfavourable balances.

## **Chief Executive's response**

The auditor's comments are noted and the Council continues to actively engage with the DHLGH to ensure timely drawdown of funds.

## **11.3 Housing and Regeneration**

In the course of previous audits, the LGA raised concerns to management relating to weaknesses in the control environment within the regeneration directorate. Over the course of the current audit, the following issues were identified:

- Instances of non-compliance with public procurement guidelines (Paragraph 15.1).
- Expenditure recorded in incorrect periods.
- Inadequacies in the purchase-to-pay procedures.

It is acknowledged that management have implemented changes in procedures because of an organisational review: this is welcome given the substantial future expenditure planned for this directorate.

## **Chief Executive's response**

In July 2021, I carried out an organisational review with one of the objectives to set-up specific directorates to focus on housing (including capital and maintenance) and the Regeneration Project. I can also confirm that financial administrators have been assigned to both directorates. This along with the

Requisitions Oversight Unit and regular meetings with Finance has further strengthened the financial management of both Directorates.

#### **11.4 Expenditure Incurred on Assets After Disposals Approved**

I identified two disposals that incurred expenditure after Section 183 approval was sought and obtained from the members of the Council.

##### Disposal of Former Provincial Floor Covering Site

In 26 June 2020, at a Council meeting, the approval was sought and obtained for the disposal of the former provincial floor covering site to Tait House Community Group Enterprise CLG for €90k. From October to December 2020, works were carried out on the site. In April 2021, the Council was invoiced for the works carried out for €89k. In addition, these works resulted in the site sale becoming a viable sale as the property was reclassified as a sale of a developed site. In June 2021, the sale of the property was completed for €90k.

##### Disposal of Former Southill Boxing Club

In 26 June 2020, at a Council meeting, the approval of the Council was sought and obtained for the disposal of the former Southill Boxing Club to the Trustees of Southill Boxing Club, for the sum of €1 per annum for a period of 99 years. From October to December 2020, works were carried out on the site. In April 2021, the Council received an invoice for the works carried out on this property for €128k. In February 2021, the disposal through the lease agreement was completed for €1 per annum.

The Council should conduct a review to ascertain if best practice has been followed under Section 183 of the Local Government Act 2001, regarding these two disposals.

#### **Chief Executive's response**

The Section 183 for the above disposals was implemented as approved by Council. These disposals were progressed in order to:

- Facilitate the vacation of the Fullfex Building owned by the Council
- Implement the revitalization of two long term vacant properties within the Galvone Industrial Estate and stimulate economic and social development within the overall area.

In order to complete the disposals, the Council was required to commit to additional works in advance of the disposals being finalised.

## 11.5 Regeneration Thermal Upgrades

The overall thermal upgrade budget covers approximately 18 active job codes. At year-end the cumulative debit balance decreased by €1.1m to €3.3m. The Council has submitted a number of budget adjustment applications to the Department that are currently under review. If these application submissions are accepted they will further reduce the debit balance.

Any amounts not funded by the Department will have to be funded by the Council's own resources. This area will be reviewed again at next year's audit.

### **Chief Executive's response**

Budget adjustment applications have issued to the DHLGH in respect of 18 no. (to date) previously completed Thermal Upgrade contracts. The DHLGH have determined a revised budget in respect of one of these applications in June 2022 and are in the process of issuing their determination in respect of most of the other applications. This will significantly reduce the outstanding balance. There will be a requirement to fund an element of the project from own resources.

## 11.6 Regeneration of Lord Edward Street Project

At year-end 2021, there was a debit balance on this project of €293k. In 2020, the Department approved the final account for this project: however, the Council appealed this decision and are awaiting the response from the Department.

### **Chief Executive's response**

The LCCC appeal dating from May 2020 has yet to be determined by the DHLGH as a number of outstanding contractual matters had still to be resolved by the Council. These are now being finalised which will enable a final determination to be made. There will be a requirement to fund an element of the project from own resources.

## 11.7 Limerick 2030 Economic and Spatial Plan

In 2013, the Limerick 2030 Economic and Spatial Plan was launched and set out a framework for the development of Limerick City and its environs up to 2030. To deliver this plan, the Council has embarked on a significant financing and investment programme, with Limerick Twenty Thirty Strategic Development D.A.C. (LTT), a company 100% owned by the Council, being the primary mechanism for delivery.

### Loans

The Council provides finance to LTT to develop assets owned by LTT, subject to Council approval. The Council borrows funds and subsequently releases the necessary finance to the company as required. Signed loan agreements are in place setting out the repayment schedules for LTT to repay these loans. The Council recognises all funds advanced to LTT as a debtor on its balance sheet, with the company recognising a similar amount as a liability.

At year-end 2021, the Council had advanced €40.7m to LTT. These loans were used for developments:

- Troy Studios (€7.8m).
- Gardens International Office Complex (€25.5m).
- Cleeves & Salesians Buildings (€4.4m).
- Opera Development working capital loan (€3m).

The loan relating to Troy Studios was fully redeemed in August 2022.

Included in short-term debtors at year-end, is a balance due from LTT of €1.9m. By August 2022, €0.8m of this balance had been repaid. It is noted that there is no provision against these amounts owed. Thus, it is important to the Council's cash flow and financial position that LTT honours the terms of the repayment agreements.

### Disposals

The members of the Council approved the disposal of the North Circular Road properties, namely Cleeves Factory Site (€3.3m) and Salesian Convent (€1.1m) to LTT in March, 2019.

The disposal of these assets to LTT was financed by way of a loan from the Council. As part of the loan agreement, interest only will be charged until January 2026, after which both principal and interest will be charged. In 2021, the interest charged was €78k.

### **Chief Executive's response**

The Council continues to engage with Limerick Twenty Thirty Strategic Development DAC to monitor cashflow requirements. As mentioned by the auditor, significant progress was made during 2022 in reducing debt outstanding.

The auditor's comment in relation to the redemption of the Troy Studios loan is noted. As this loan was taken out with preferential interest rates, the Members approved the repurposing of this loan, at the September Council meeting, for housing capital purposes which in the current climate guarantees the best rate in lieu of going to the market place for a new loan.

## **11.8 Opera Site**

Limerick Twenty Thirty Strategic Development D.A.C. (LTT) on behalf of the Council will deliver the Opera Site project over a six-year period. The estimated cost of this project is approximately €270m, which largely will be funded from the European Investment Bank (EIB), Council of Europe Development Bank, HFA and other joint venture funding partners.

In 2020, An Bord Pleanála granted planning permission for the development of the Opera Site to proceed, with works commencing on the site in November 2020. In December 2020, the Council drew down the first loan tranche of €25m for the Opera Site development from the EIB. In 2021, a further €15m loan from the HFA was drawn down.

A service level agreement of €20.3m was signed between LTT and the Council for the delivery of works associated with the Opera Site Development to 31<sup>st</sup> of December 2021. At year-end, expenditure incurred was €9.5m.

### **Chief Executive's response**

The auditor's comments in relation to the Opera Development are noted. The Council continues to monitor expenditure on this project. LTT is actively progressing the commercial elements of the overall development with interested investors / developers. In relation to the 14 storey OPW building, the Council is currently engaging with the relevant stakeholders including DHLGH, DPER, OPW and Revenue in order to agree the funding mechanism. The Council is also providing regular updates both to the European Investment Bank and the Council of Europe Development Bank.

## 12 Other Income

### 12.1 Derelict Sites

A Derelict Site Levy of 7% on the market value of a property included on the Derelict Sites Register is charged on the 1st January of the financial year following entry onto the Council's Derelict Site Register.

For the AFS 2021, the Council included a Derelict Site Levy totalling €761k. The year-end debtor figure amounted to €1m, of which only €84k has been collected to date.

#### **Chief Executive's response**

The purpose of the Derelict Site Levy is to alleviate dereliction rather than as an income source. However, the Council continues to follow up all amounts due including arrears from Derelict Site levies.

### 12.2 Vacant Sites

A Vacant Site Levy of 7% of site market valuation is chargeable on sites registered on the Local Authority Vacant Site Register.

For the AFS 2021, the Council charged a Vacant Site Levy of €778k. The debtor figure for the year-end is €1.7m. At the date of audit, €200k of this €1.7m has been collected.

#### **Chief Executive's response**

The primary purpose of the Vacant Site Levy is as an aid to housing activation. While the legislation and process introduced is not as robust as the Council would have liked and consequently the collection of monies has proved difficult thus far, the Council continues to follow up all amounts due including arrears.

## 13 Payroll and Pensions

In 2021, overtime payments of €4.75m were paid to 455 employees with 85 employees earning over €20k in overtime. In 2020, overtime payments totalled €4.45m with 80 employees earning over €20k in overtime.

In late 2021, management commenced a review of overtime. In June 2022, following the review, management introduced an approved overtime policy. Appropriate oversight is required in the areas of monitoring and approving overtime claims to ensure adherence to the approved policy.

### **Chief Executive's response**

In accordance with the organisation's overtime policy, overtime reports are now circulated on a monthly basis to management to ensure that all overtime is monitored continuously. All overtime claims are approved by the appropriate line manager to ensure adherence to the policy.

## **14 Local Authority Companies**

The Council's interest in 10 companies is shown in Appendix 8 to the AFS. The financial performance included in Appendix 8 of the Council's 2021 AFS refers to the 2020 results for their subsidiary and associate companies. It has been previously highlighted that there is a need for the timely finalisation of these accounts to ensure that the Council's AFS reports the most up-to-date position of these companies.

### **Chief Executive's response**

I wish to acknowledge the comments noted above by the Local Government Auditor. At the start of 2022, Limerick City and County Council wrote to the company secretary of each of the associated companies requesting that their accounts be audited and certified prior to the completion of the Council's Annual Financial Statement at the end of March 2022. Similar reminders will be issued for their 2022 accounts.

## **15 Procurement**

### **15.1 Procurement Non-Compliance**

The review of procurement procedures identified instances of non-compliance with public procurement guidelines. The value of works identified not tendered by an open competition was €593k. The Council should ensure public procurement guidelines are conformed to.

Additionally, the Council should ensure that the recommendations made in an internal audit report relating to third party contract management are fully addressed in a timely manner.

## 15.2 Requisitions Oversight Unit

The Council established a centralised requisitions oversight unit in July 2021. This unit is responsible for:

- Validating each requisition raised to ensure correct procurement-to-pay process.
- Maintaining contract details on a central contract register.
- Monitoring and identifying instances of non-compliance.

I welcome the establishment of this unit.

### Chief Executive's response

The auditor's comments are noted in relation to public procurement guidelines and procurement compliance. The Requisitions Oversight Unit has responsibility for validating each requisition raised to ensure the procurement to pay process is fully adhered to as set out in the Procurement Policy 2021 - 2023. The Council will ensure that the recommendations made in an internal audit report relating to third party contract management are fully implemented.

I welcome the auditor's comments in relation to the establishment of the Requisitions Oversight Unit. The Requisitions Oversight Unit provide quarterly management reports which enable continuous monitoring of the procurement to pay process as set out in the current Procurement Policy.

## 16 Governance and Propriety

### 16.1 Governance Overview

Corporate governance comprises the system and procedures by which enterprises are directed and controlled. It is the responsibility of the Chief Executive and the elected members to ensure that sound systems of financial management and internal control are in place.

### 16.2 Internal Audit Function

Internal Audit has an important role in providing the Chief Executive with assurances on the adequacy of control systems and procedures including internal controls, risk management and governance arrangements. Four audit reports were produced in 2021. I have, where appropriate, taken account of the findings in these reports, in the course of my audit.

### 16.3 Audit Committee

The Audit Committee met on four occasions during 2021. The LGA met with the Audit Committee to discuss the 2020 audit report in December 2021. This report was presented to Council at their meeting in May 2022 together with the report from the Audit Committee under Section 121(3) of the Local Government Act, 2001 as amended by Section 60 of the Local Government Reform Act, 2014.

### 16.4 Public Spending Code

The Council is required to publish an annual report setting out how it complies with the above code. The Council noted the requirements of the Public Spending Code are being broadly complied with, but has identified some areas where compliance with the Code could be strengthened and improved.

#### **Chief Executive's response**

Limerick City and County Council is committed to the principles underpinning corporate governance including the enhanced development and expansion of the internal audit function, the continued engagement of its professional and transparent Audit Committee and improved compliance with the Public Spending Code.

In order to facilitate better informed and strategic decision making as well as the efficient and effective use of resources, Limerick City and County Council has developed a Governance Framework. This framework provides councillors, managers and staff with a consolidated document containing information to assist in understanding their duties, roles and governance responsibilities. Mandatory Financial Governance Training (on an online training platform) is also being rolled out to all staff members.

### 16.5 Data Protection Commission (DPC) Fine

In December 2021, the DPC imposed a fine of €110k for violations of Articles 12, 13 and 15 of the General Data Protection Regulation for unlawfully processing personal data. The issues related to surveillance technologies deployed by the Local Authority. In addition to the fine, the DPC issued the Local Authority with a number of corrective measures.

#### **Chief Executive's response**

I can confirm that the Council has now put in place the corrective measures to ensure the lawful processing of personal data in relation to surveillance

technologies (CCTV) as outlined in the DPC decision.

The Council assembled a working group comprised of members from a number of Departments to address the findings and corrective measures outlined in the DPC decision. The group carried out a Data Protection Impact Assessment on all CCTV systems, conducted an extensive public consultation and developed an internal CCTV Advisory Board to improve governance. The group coordinated closely with members of An Garda Síochána based in Limerick and received expert data protection advice throughout the process. The Council received Garda Commissioner Approval for its current CCTV Schemes providing a legal basis as required under the GDPR addressing the relevant findings outlined in the DPC decision.

The DPC attended Limerick for a follow-up onsite inspection in July 2022 and indicated that they are satisfied with the measures the Council has put in place since their initial inspection in 2018. Under Section 140 of the Data Protection Act 2018, the DPC will make an application in a summary manner to the Circuit Court for confirmation of the decision. This matter is due to be heard in November 2022, at which point the Council will be required to pay the fine imposed and the matter will be closed.

## **16.6 Investigation into Financial Irregularity**

In 2019, an investigation into financial irregularity resulted in disciplinary proceedings being taken against an employee. This resulted in the termination of the individual's employment with the Council. This matter was referred to the Gardaí. The Council are currently awaiting the outcome of this investigation.

### **Chief Executive's response**

The Council continues to assist the Gardai on this matter and that we continue to ensure strong governance is in place to identify and prevent financial irregularity.

## **16.7 Office of the Ombudsman Investigation**

In October 2022, the Council received notification that the Ombudsman, under Section 4 of the Ombudsman Act 1980 as amended, has decided to carry out an investigation into the administration of the Housing Assistance Payment (HAP). It is expected this investigation will be finalised in 2023. I will review the findings of this investigation in next year's audit.

### **Chief Executive's response**

In conjunction with the Department of Housing, Local Government & Heritage and nominated Local Authorities, the HAP SSC will provide full co-operation with the Ombudsman Investigation.

## **Acknowledgement**

I wish to record my appreciation for the courtesy and co-operation extended to audit by the management and staff of the Council.

Denis Farragher

Denis FARRAGHER

24 October 2022

[gov.ie/housing](http://gov.ie/housing)

