Rialtas na hÉireann
Government of Ireland

Statutory Audit Report to the Members of Dún Laoghaire–Rathdown County Council for the Year Ended 31 December 2023

Local Government Audit Service

Prepared by the Department of Housing, Local Government and Heritage
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Contents

Auditor’s Report to the Members of Dún Laoghaire–Rathdown County Council

1 Introduction

I have audited the Annual Financial Statement (AFS) of Dún Laoghaire–Rathdown County Council (the Council) for the year ended 31 December 2023, 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 2023 and its income and expenditure. My audit opinion, which is unmodified, is stated on page 4 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 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 Code of Practice & Accounting Regulations – Derogation

2.1 Omission of Accrual from AFS 2023

The audited AFS includes a disclosure (see paragraph 3 of the Statement of Accounting Policies at page 5) that refers to the departure from the Code of Practice & Accounting Regulations - Local Authority Accounting in Ireland (the ACoP) with regard to the omission of an accrual at 31 December 2023.

As reported at the previous audit, the General Accounts Working Group of the Department of Housing, Local Government & Heritage (the Department) has issued a derogation, specific to the Council, in relation to this departure from the ACoP.

3 Financial Standing

3.1 Statement of Comprehensive Income

The Council recorded a surplus of €54,717 (2022: surplus of €65,493) for the year ended 31 December 2023 thereby increasing the accumulated surplus to €8.93m at that date. The surplus was achieved after taking into account transfers to the capital account (nett of transfers from reserves) that were approved by the elected members and which amounted to €12.69m for 2023 (2022: €9.46m).

In addition to the capital transfers outlined at paragraph 3.2 below, the following transfers were also made to fund related capital projects, which were derived from income generated in the year;

- Cruise Ships €1.35m
- Marlay Park concerts €0.79m.

The elected members, at the monthly meeting of the Council convened in April, 2024, also approved (by resolution in accordance with section 104(2) of the Local Government Act, 2001) the expenditure incurred in 2023 that was in excess of the adopted budget for that year.

3.2 Annual Budget Variances

Note 16 to the AFS summarises the divisional expenditure variances between the actual outturn and the adopted budget for the year.

The main areas of divergence from the adopted budget for 2023 were as follows;

- Development management division (€13.3m over budget) - refers mainly to the continuing costs incurred by the Council in responding to the Ukrainian refugees crisis.

- Miscellaneous Services (€5.7m over budget) - refers mainly to the additional transfers, approved by the members, to fund the following capital projects;

    - Refurbishment of Dundrum Cultural & Civic Centre €2m
    - Blackrock Seafront Improvement Schemes €1m
    - Provision for additional Sporting Facilities €1m
    - Retrofitting of Council offices €0.5m.

3.3 Statement of Financial Position

The Council had net assets of €3.83bn at 31 December 2023 (2022: €3.72bn), a year-on-year increase of €113m. The main contributor to this was the increase in the value of the Council's fixed assets during 2023. The Council acquired additional fixed assets to the value of €64.6m while the accumulated costs (€22.8m) of the completed Ballyogan Square housing development were transferred to the fixed asset register from the work in progress account during the year.

While cash balances decreased year-on-year by €48m, the Council continued to hold significant funds at the 2023 year-end in the amount of €332m.

The requirement to regularly review the need for holding such significant liquid funds has again been discussed with management. While I acknowledge that there remain detailed proposals in place for which these funds will be used, it is important that the schemes outlined in the current iteration of the Council's three-year capital report (covering the period 2024 - 2026) are advanced in a timely manner, to mitigate, as much as is possible, the current impacts of construction related inflation.

Management have advised that the current cash balance is required, but not limited, to fund the following;

- Amounts ring-fenced for specific purposes in compliance with the underlying provisions of the relevant legislation for which they were originally collected (such as Part V planning receipts, Rental Accommodation Scheme, planning securities and refundable deposits etc.).

- Government grants on hand at the 2023 year-end to fund specific capital works.

- Other amounts that were designated in previous years as sinking funds against liabilities that have yet to materialise.

3.4 Fixed Assets - Land and Property registers

It has been reported at previous audits that reconciliations between the amounts recorded in the Agresso financial management system (FMS) and those contained in the land and property registers had not been completed.

While the process of reconciling the Council's land and property portfolios to the relevant registers is still not complete, the Property and Facilities Management unit continues to contribute to some improved internal controls in this area, which was evidenced during the audit. I also noted the Council's active participation in the local authorities' national working group and the efforts being made within the local government sector to resolve this matter.

Within the past year, the Council has procured a new IT based platform (Property Portfolio Register) that has been developed and tailored specifically for the local government sector by an Irish based supplier. This is expected to facilitate the central managing and monitoring of all of the Council's corporate buildings as well as the extensive countywide estates and the entire property portfolio. Management have advised that the new system will also facilitate the development of a corporate strategy for both occupied and vacant buildings as well as relevant land holdings to maximise space usage.

The rollout and implementation of this new register should enable improved management and oversight of the Council's continuing expanding property asset portfolio and address the many legacy issues from previous acquisitions that still need attention.

While the above developments are acknowledged and welcome, some significant internal control weaknesses were again noted during the current audit. These include the dispersed and arbitrary nature of maintaining contractual and financial records of some of the Council's properties that are leased or rented to third parties.

Chief Executive Response:

Phase one of the integration of the new property management database will involve uploading the council's central property asset register onto the system and a dedicated resource has been assigned to this task. Once complete GIS mapping will be updated for all council owned properties. A new dedicated Property Management Solicitor has been appointed to assist with the increased volume of CPOs, acquisitions and disposals of land. The reconciliation of the Fixed Asset Register and Agresso remains an issue but we are working with the new system provider to seek to merge these systems once the new database is established. Progress has also been made on Title deed management protocols with a dedicated resource appointed in Legal Services to progress the management and storage of Title deeds and associated contract documentation on their system.

Harbour property leases – including general harbour income

As reported at the previous audit, a review of the property portfolio specific to harbour related activities identified a number of management and financial control weaknesses in respect of lease and contractual agreements that were originally established by the former Dún Laoghaire Harbour company. The relevant properties and related leases became the responsibility of the Council following the dissolution of the former harbour company.

The two main areas that were highlighted at last year's audit and which were reported to management were as follows:

- One of the leases, referring to a main harbour business activity, was originally established in 2000. One element of this lease provides for the use of a property by the lessee and is subject to five yearly upward only rent reviews. I was advised that no such rental increases have been applied since 2000. The lease is scheduled to expire in 2030.

  The lessee's income, from which the Council's annual rent is calculated under the provisions of this lease, is not independently verified.

  Furthermore, the procedures applied to the collection of outstanding accounts should be reviewed, as it was noted that invoices were not being paid in a timely manner.

- The Council is also the owner of a substantial commercial property, previously the asset of the former harbour company. The management of this property is currently outsourced to a third party. It was noted that the contract for managing this property expired in 2020 and has not yet been replaced. I was advised that the private property company collects the management service charges from the tenants and from which the maintenance costs are funded. The now expired contract included the requirement to provide an annual accountant's report of the maintenance and service expenditure incurred in the year. I was advised that the latest available accountant's report is for the year ended 31 December 2015.

At the previous audit, amongst other recommendations, I requested that management undertake a full review of both of the above leases as a matter of priority to ensure that the Council's correct income entitlement is both clarified and agreed.

While acknowledging that some progress has been made in some areas, it is concerning that the required internal reviews had not yet commenced on the above two referenced contracts, when examined during the current audit.

Improvements in the internal controls are still required to ensure there is adequate oversight of the relevant income sources within the harbour related areas. I have again recommended to management that immediate corrective action is needed to ensure that the Council’s full income entitlement, under all of the leasing and contractual arrangements is established and confirmed.

As noted at previous audits, the recommendations contained in the Local Government Audit Service Value For Money report no. 30 Corporate Estate Management and Maintenance in Local Authorities (January 2017) should be implemented in full. The resources assigned to the Council's Corporate Estates Management Unit should be reviewed to determine the level of staff required to adequately implement the improvements required. It is a requirement of the ACoP that asset registers should be maintained.

Chief Executive Response:

Only one portion of the lease pertaining to the marina, valued at €60k per annum is subject to 5 yearly rent reviews. This element is for the Boat Yard. The remaining portions of the lease are subject to annual CPI increases which have been applied. If the Boat Yard lease had been applied correctly, there should have been 4 reviews to date. The Harbour Operations manager will liaise with the lease holder to notify them that the Dublin City Valuer will be in touch to review the applicable fee. An instruction has already been given to appoint the DCC Valuer to carry out this review. We are currently working on a Masterplan for the Harbour which we hope to complete by the end of 2025. The Masterplan may identify a future desire to change the location of certain harbour activities. As such, the intention is to review all leases once we complete the Masterplan.

The Lessee has agreed going forward to provide an analysis of their income which will be signed and verified by their auditor.

Invoices are now up to date and will be issued in accordance with the lease going forward. A monthly review of Debtors is carried out and any outstanding accounts followed up for prompt payment.

Harbour Square Block 2

Property Management has been working to integrate Harbour Square Block 2 into the Council’s property portfolio. The council is in the process of moving the management of Block 2 to DLRP who will work with the council to carry out a full review of all lease arrangements.

3.5 Work In Progress

Accumulated expenditure on the work in progress and preliminary expenses account amounted to €87.6m at 31 December 2023 (2022: €63.6m).

The 2023 year-end balance included the accumulated expenditure on the following main schemes that are currently being progressed:

Work in Progress	Cumulative Spend at 31 December 2023 €m
Shanganagh housing project	30.7
Glenamuck distributor Road / Kilternan by-pass	25.4
Cherrywood Tully Park	6.6
Cherrywood N11 Junction & Druids Glen	6.5
Acquisition of the former Boylan Centre, Dún Laoghaire	4.7

- Shanganagh housing project – Shanganagh Castle estate

The accumulated costs of the Shanganagh housing development continue to be recorded in the work in progress account (see paragraph 6.2).

- Glenamuck distributor road & Kilternan by-pass

As reported at previous audits, a loan of €30m was drawn down in December 2019, secured from the Housing Finance Agency (HFA), to fund expenditure associated with the Glenamuck distributor road / Kilternan by-pass. The amended Glenamuck Distributor Roads Development Contribution Scheme (GDR DCS) was adopted by the Council in 2018 in accordance with section 49 of the Planning and Development Act, 2000 (as amended). The projected costs for this scheme are currently budgeted at approximately €90m (up from the previously reported budget scheme figure of €84m). The loan facility drawn down to date reflects management's estimates regarding the future availability of development contributions. In accordance with the Department's circular Fin 18/2020, the loan repayments together with the related interest are being charged directly to the capital account, as they are being funded from specified development contributions.

Repayments of the initial €30m loan facility commenced in 2021. Partial releases (totalling €11m) from deferred income have been made to date to part fund the upfront acquisitions of land to enable the construction of the infrastructure needed to deliver the development potential of the surrounding area. The remainder (€14.4m) of the accumulated costs incurred to 31 December 2023 have been funded from development contributions. The balance on the loan at the 2023 year-end was €25.4m (2022: €27.2m).

There continues to be considerable risks associated with the funding mechanism for this large scheme. The total anticipated costs are expected to be funded from development contributions to be derived from the GDR DCS.

The public procurement process for the scheme commenced in January 2023. However an issue arose which necessitated a new request for tender being published in July 2023. I note that the principal construction contractor was appointed in March 2024.

Construction related inflation is also a tangible and considerable risk to delivering the scheme. This is a major contributing factor in the annual increased projected costs that have been outlined in recent capital programme reports. Consequently, it is imperative that it is delivered in a timely manner.

I remain satisfied that management have taken appropriate actions to take account of the above referenced risks in developing and implementing the scheme′s funding model. The current prudent funding approach should continue to be reviewed to ensure that the risks to the Council are minimised.

- Former Boylan Centre, Dún Laoghaire

In 2023, the Council acquired the property known as the Boylan Centre. Prior to acquisition, the Council completed a site analysis, followed by a feasibility study that considered it suitable for residential development with a communal / retail element.

The purchase price was considered fair and reasonable by the Dublin City Valuers Office, who provided professional advice to the Council in relation to the valuation of the site. The accepted valuation was based on the Council receiving vacant possession and the development potential for social and affordable residential and including a communal / retail element.

Because of the Council′s significant financial investment in acquiring this property, management should, as a matter of priority, progress the development of detailed plans for the site and initiate the process for the required Part 8 planning application as soon as is practicable.

Chief Executive Response:

Glenamuck Rd:

A S49 development contribution scheme is in place which will ultimately fund the Glenamuck Distributor Road. The loan drawn down is to fund the land acquisition costs and the repayments will be funded from the development contributions. The requirement for any further borrowing will be kept under review having regard to the pace of development and associated receipt of development contributions now that the road is being delivered.

Boylan Centre

A feasibility study, surveys and site enabling works are currently underway with a view to developing the site.

3.6 Development Contributions

Included in trade debtors and prepayments at 31 December 2023 was €18.8m (2022: €30.1m) in respect of development contributions owed to the Council (see note 5 to the AFS), a year-on-year reduction of €11.3m.

The reduction in debtors is as a consequence of a number of large projects being at completion stage during 2023 and which resulted in the payment of outstanding amounts to the Council. The Government's Temporary Development Contribution Waiver Scheme was also a factor (see note 24 to the AFS).

The new temporary waiver scheme applies to all permitted residential developments that commence on site between 25 April 2023 and 31 December 2024, and which are to be completed no later than 31 December 2026 (as extended per Department Circular Letter PL 02/2024). The waiver covers the full cost of the development contribution due from the relevant developer under the development contribution scheme as operated by the local authority, under Section 48 of the Planning and Development Act 2000.

Total development contributions income in 2023 amounted to €21.7m (2022: €69.9m), a significant year-on-year reduction of approximately €48m.

The 2023 development contributions income was derived as follows;

- Development contribution income charged to developers €13.9m
- Temporary Development Contribution Waiver Scheme € 7.8m.

I have been advised that the significant year-on-year variance is attributable to a number of factors. These included the impacts of the COVID-19 pandemic, variable activity levels but most notably the increase in the current development contribution scheme of the Council's rate of indexation to approximately 14% (calculation based on the Society of Chartered Surveyors Ireland tender price index). This came into effect on 1 January 2023 and appears to have encouraged some developers to make substantial payments before the 2022 year-end in advance of the indexation being applied.

A provision for bad debts of €4.7m (representing 25% of the development contributions debt book) has been made and is included in the overall 2023 year-end bad debts provision of €26.7m. I am satisfied that this provision fairly represents the collection status of the accounts currently in arrears.

3.7 Loans Payable

The Council owed €98.2m at 31 December 2023 (2022: €132m) in the form of medium to long-term loans (see note 7 to the AFS).

- Assets / Grants

The 2023 year-end balance on this category of loans amounted to €38.6m (2022: €70.9m), a year-on-year reduction of €32.3m. This significant improvement in the level of the Council's indebtedness was as a consequence of the additional grant funding of €30m received from the Department, which was used to eliminate the legacy loan balances on the Old Connaught Avenue (€19.1m) and the Ballyman Road (€9.7m) sites and to reduce the balance on the loan for the Lehaunstown (€1.2m) site.

There remains a residual balance of €4.3m on the site at Lehaunstown, which I have been advised is expected to be funded from a future development that is to include an affordable housing element.

The loan drawn down for the upfront costs of funding the Glenamuck distributor road / Kilternan by-pass scheme (2023 year-end balance: €25.4m - see paragraph 3.5) is included under this loan category.

At the 2023 year-end there was also a balance of €8.5m outstanding on the Section 11 Domestic only wastewater loan drawn down in 2010.

- Recoupable

These loans refer to the Capital Loan & Subsidy Scheme that the Council drew down from the HFA in previous years on behalf of relevant Approved Housing Bodies. The Council is contracted with these housing bodies to provide funding for various housing schemes. The repayments are fully funded by the Department.

- Mortgage / Shared Ownership Rented Equity

The Council drew down these loans from the HFA to finance home loans and equity to individual borrowers. The difference between the amount repayable by the Council (2023: €12.2m) and the amount payable by the individual home borrowers (2023: €12.5m) is shown at Note 12 to the AFS.

3.8 Refundable Deposits

The amounts held by the Council as refundable deposits at 31 December 2023 totalled approximately €44.7m (2022: €44.9m) and are outlined at Note 8 to the AFS.

4 Income Collection

4.1 Major Revenue Income Collections

A summary of the collection performances showing the 31 December 2023 arrears position in respect of the main income categories with comparative figures for the previous year is as follows:

Income Source	Yield %		Debtors €m	
	2023	2022	2023	2022
Rates	81	79	26.3	25.3
Rents & Annuities	77	76	5.4	5.4
Housing Loans	60	61	0.8	0.8

The above income categories are summarised in more detail at Appendix 7 to the AFS.

The total amount collected for 2023 (across the three major collection accounts) amounted to approximately €113m (2022: €101m). Marginal yield increases were recorded in respect of the Rates and Housing Rents income categories while housing loans recorded a marginal reduction in the annual yield when compared to the 2022 returns.

4.2 Rates

Despite collections in this income category registering a second consecutive annual improvement to €93.5m for 2023 (2022: €82.9m), I note that arrears also increased year-on-year to €26.3m (2022: 25.3m).

Appendix 7 to the AFS records a Rates collection return for the year of 81% (2022: 79%), a year-on-year improvement of 2%. While I acknowledge the improved collections performance recorded in 2023, the annual return for the year of 81%, remained below the local authority national average for this significant income collection area (2022 national average for Rates: 90%).

An analysis of the 2023 year-end arrears can be categorised as follows:

Category	Amount owed €m	% of total arrears
Legal proceedings commenced	5.0	19%
Accounts in an agreed payment plan	3.7	14%
Vacant property applications awaited	7.3	28%
Accounts that are actively being pursued	8.2	31%

Customers in liquidations, receivership and / or administration	1.0	4%
Other (including bankruptcy, occupier vacated property and whereabouts unknown)	1.1	4%

The aged debt status of the accounts in arrears at the 2023 year-end indicated that approximately 37% of the total amount was outstanding for greater than two years.

The relevant individual accounts should continue to be regularly examined with a view to further increasing receipts and reducing arrears. Particular focus is required for those balances that are long standing in arrears.

Chief Executive Response:

The Council has put a rigorous debt enforcement process in place resulting in numerous ratepayers signing up to payment plans and/or monthly direct debit payments. Legal proceedings have commenced in relation to several non-compliant rate payers and plans are in place to escalate legal enforcement against the remainder.

4.3 Housing Rents

The 2023 annual collection yield for Housing Rents was 77%, a marginal year-on-year increase of 1%, while arrears increased marginally to €5.43m by the year-end.

Similar to the findings reported at previous audits, I again noted that a reconciliation between the income recorded in the Council's housing system (formerly Ohms and now NEC) and the FMS was not adequately performed prior to the preparation of the AFS. While attempts were made to reconcile the annual income that was recorded in both systems, it was deemed both inadequate and inaccurate following audit review.

As previously recommended, a system that provides for Housing Rents being regularly reconciled is required to ensure this important income stream is accurately recorded and adequately maintained.

A bad debts provision of €1m (2022: €376k) has been calculated and included in the overall bad debts provision at the 2023 year-end (see note 5 to the AFS). At the previous audit, I requested that the provision for this income category be examined as I consider it to be inadequate. While I acknowledge the significant increase in the provision for 2023, because of the aged profile of the individual account balances, I still consider it to be inadequate. This matter has again been discussed with management who have agreed to undertake another review of the relevant balances to ensure a more accurate bad debt is provided for in the 2024 AFS.

Chief Executive Response:

The Housing Department is commencing a project to develop and implement an enhanced interface between the NEC system and Agresso. This project will begin in September 2024 and, when complete, will remove the need for the manual reconciliation process that is currently undertaken.

In the interim, we are continuing to work with IT consultants to implement new reporting procedures to improve reconciliations between NEC and Agresso. It is anticipated the new reporting procedures will also address concerns relating to the audit reporting period.

Regular meetings will be held between the Housing and Finance Departments to ensure both pieces of work progress and achieve the necessary results.

4.4 Housing Loans

The 2023 percentage collection yield for Housing Loans recorded a marginal decrease of 1% to 60% for the year. The collections returns for 2023 have once again placed the Council's performance significantly lower than the local authority national average for this category of income (2022 national average for Housing Loans: 82%).

The current resources assigned to this area should be reviewed with a view to improving the annual yield performance.

Chief Executive Response:

At the end of 2023, the Council had 137 active Loan accounts. This is a relatively low number compared to other Local Authorities. The overall collection rate on these loans is disproportionally affected by a small number of loans that are in arrears. Just one single account, which has been referred for legal action, is responsible for 25% of all arrears outstanding.

The majority of the remaining arrears that have arisen relate to historical Shared Ownership loans. We are awaiting a revised restructuring scheme from the Department of Housing that will provide us with a mechanism to address these arrears.

In July 2024, the Housing Department completed a project to migrate the day-to-day management and maintenance of Loan accounts from an older IT system to Agresso. This migration project has removed administrative processes such as the reconciliation between the old IT system & Agresso and allowed for the reallocation of staff resources.

5 Payroll and Pensions

5.1 Payment of Staff Overtime

Significant procedural weaknesses with regard to the manner in which staff overtime claims are processed and paid have been identified at previous audits. Inaccurate claims being accepted for payment were also identified previously.

As a result, the Council's internal audit unit (IAU), with agreement from the audit committee and management, has now incorporated a comprehensive and regular examination of a sample of paid overtime claims.

Similar to the previous approach, the findings from IAU's work were reviewed as part of the current statutory audit. The most recent IAU review involved an examination of a sample of the overtime hours worked during the two months of November and December 2023.

While acknowledging that IAU has identified improvements in the level of compliance with both the Council's adopted procedures and best practice, it remains my opinion that there is still significant scope for further improvements.

It is noteworthy that computational errors were not a reporting item in recent IAU findings.

Following reviews of this area during previous audits, it was emphasised to Council management that the manner in which overtime hours were being processed, together with the inadequacy of the original as well as the amended standard overtime claim forms, required further attention. In my opinion, these specific issues were a causal reason for the apparent continuing inability, by certain sections, to submit fully compliant claim forms.

Council management has now fully committed to finally resolving this matter with the implementation of a clear and streamlined claiming process. There is also a need to further review the adequacy and appropriateness of the standard claim form. I have again received assurances that a full engagement with relevant sections and staff is being organised to ensure direction is provided and advice offered to better enable the overtime claims to be fully compliant.

Chief Executive Response:

The Council's Internal Audit Unit is now carrying out regular and detailed reviews of overtime claims, and this is resulting in on-going incremental improvements in compliance.

The Council is currently reviewing the standard claims form as well as payments process, and a revised form and procedure will be in place by the final quarter of 2024.

5.2 Acting up Allowances

The Council continues to pay unsanctioned acting up allowances to some staff.

However, management's attempts to obtain formal approvals to permit permanent appointments is again acknowledged. Notwithstanding these efforts, there remain some staff that continue to receive acting up pay allowances for periods in excess of four months.

In accordance with national protocols, acting up pay allowances for periods in excess of four months require Departmental approval to permit their continuing payment. I acknowledge that there are currently improved protocols in place that monitor all relevant acting up positions.

The Council should continue to seek Departmental approvals for all relevant acting up allowances.

Chief Executive Response:

The Council is now seeking Departmental sanction for acting appointments in excess of four months.

The vacancies that need to be filled by acting appointments arise from absences due to maternity leave, long term illness, shorter working year arrangements and also resignations in grades where there isn't a recruitment panel in place from which to draw down a permanent replacement. In those circumstances, acting appointments remain necessary for the effective management of the organisation and to manage on-going workloads.

5.3 Superannuation scheme for the employees of the former Dún Laoghaire Harbour Company

As reported at previous audits, the Council has taken over responsibility for the management of the superannuation scheme of the former employees of the now dissolved Dún Laoghaire Harbour company.

Management have advised that advice is still awaited in respect of the most suitable approach to align this funded scheme with the Council's (standard local government) unfunded superannuation scheme. Various options continue to be explored, including the possibility of transferring the former company's scheme into the Council without the requirement for additional legislation and legal advice is being sought in respect of this. When the preferred option emerges, the Council will require agreement from the scheme trustees before the formal transfer can be made.

Because of the risks inherent in the administration of this additional superannuation scheme, I have again recommended to management that the adopted approach to funding it should be kept under regular review, particularly with regard to the liability that this underfunded scheme imposes on the Council.

Chief Executive response:

The Council has engaged a consultant to advise in relation to the proposal to transfer from the current funded arrangement for the Dun Laoghaire Harbour Company Superannuation Scheme to an unfunded basis. Resolving this matter, which arises from the transfer of the former Dun Laoghaire Harbour Company to the Council is very complex.

Legal advice is currently being sought in relation to the possibility of carrying out such a transfer from funded to unfunded without the requirement for legislative change. Any transfer would be subject to the agreement of the Trustees of the fund.

6 Capital Account

6.1 Capital overview

The capital account recorded a net credit balance of approximately €264m at 31 December 2023 (2022: €280m), a year-on-year decrease of approximately €16m. The decrease is mainly attributable to management progressing a number of large schemes, funding for some of which was already in place.

Capital expenditure by year				
2023 €m	**2022 €m**	**2021 €m**	**2020 €m**	**2019 €m**
237	122	81	72	62

The above table illustrates the extent of the expansion of the Council's capital programme over the past five years. This level of capital investment in the county brings an increased level of risk as it requires the availability of a range of disciplines and additional resources to ensure the efficient and cost effective delivery of the various schemes and projects.

Management have acted to mitigate these risks by applying a comprehensive layer of supervisory structures that includes assigning dedicated project boards to the larger and more complex schemes. This is in addition to the central oversight of capital projects that continues to be managed by the Projects Governance Board (PGB). The PGB’s main tasks include the initial evaluation of proposals for new capital schemes and the subsequent on-going monitoring of approved project expenditure against agreed budgets.

The latest iteration of the capital programme (for the three years 2024-2026) anticipates expenditure of approximately €845m over the period. I note that some projects do not yet have their funding status confirmed.

The schemes currently being progressed include the following;

- Cherrywood SDZ Common Infrastructure – total budgeted scheme (DLR Council element only) expenditure of €143m (see paragraph 6.4)

- Shanganagh housing development – total budgeted scheme expenditure of €127m (see paragraph 6.2)

- Glenamuck distributor road / Kilternan by-pass – total budgeted scheme expenditure of €90m (see paragraph 3.5).

It remains critically important, given the significant impacts of construction related inflation and the breadth of projects being progressed, together with the related quantum and diverse range of funding required, that the level of resources currently assigned to the oversight of capital works is both maintained and strengthened further where considered necessary, to ensure their timely and cost effective delivery.

Chief Executive Response:

The council is delivering an ambitious capital programme. A funding strategy is in place and is closely monitored and reviewed if necessary.

The Project Governance Board has strengthened the governance arrangements in relation to the delivery of capital projects.

6.2 Deficit balances

Notwithstanding the overall credit balance on the capital account at 31 December 2023, there still remained some large deficits on individual schemes that require a funding source, the more material of which are stated below:

Schemes	Deficit at 31 December 2023 €m
Former Boylan Centre (see paragraph 3.5)	4.7
Ballyogan Depot	2.2
Ballyogan Square	1.9
Site at Shanganagh Castle	1.9
St. Laurence Park	1.3

In addition to the above referenced scheme deficits, management have advised that the settlement agreement with one of the Cherrywood landowners, relating to the provision of common infrastructure, will be funded from Cherrywood specific development contributions. The other costs associated with the relevant legal proceedings will need to be funded from the Council's own resources (see paragraph 6.4).

The deficit of €1.9m on the site at Shanganagh (significantly reduced from the deficit position reported for the previous year of €6.5m) is due to a combination of legacy site costs (the Council acquired the site in 2004) and current consultancy and planning related costs. I acknowledge that the Council was successful in securing further grants that have been used to partially offset the costs incurred to date.

In 2020, An Bord Pleanála approved planning permission for the site that provides for the construction of 597 housing units comprising 306 cost rental, 200 social and 91 affordable purchase homes. As previously reported, the Council is in partnership with the Land Development Agency (LDA) to deliver the homes. Under the current funding model, the LDA will be responsible for financing and managing the cost rental elements of the development. This portion of the site was formally approved for disposal by the elected members in 2020. The LDA is managing the construction phase for the entire site.

The current iteration of the capital programme report estimates that the

Council’s element of the site will cost €127m (the previously reported budget costs was €119m), which will be funded primarily from Department grants for the social units and proceeds from the sales of the affordable units.

Chief Executive Response:

Most of these debit balances are associated with the delivery of housing projects and will be cleared as the schemes are delivered. These and other debit capital balances will be examined to identify appropriate funding sources.

6.3 Blackglen Road Improvement Scheme

The scheme involves the upgrade of the existing Blackglen Road in Sandyford, including Lambs Cross and the upgrade of the Grange Road and Haroldsgrange Road Junction.

A request for tender was advertised through the Official Journal of the European Union (OJEU) in November 2020 for the appointment of the main construction contractor to the scheme. Following a formal review of submissions, the contract was awarded to the successful applicant in August 2021.

The scheme is part funded from the Department of Transport, the National Transport Authority and Uisce Éireann. The remainder of the funding is sourced from the Council’s own internal reserves and from relevant development contributions.

I note that the accepted claims from the main contractor to date are significantly in excess of the contract sum. Despite the significant increases already agreed, the final account was disputed and I have been advised that the Council is about to enter into an arbitration process to bring the matter to a conclusion.

With regard to the Council's obligations to comply with European Union procurement rules and regulations, a formal protocol is needed to be established, with input from the PGB and the procurement unit, on whether modification reports are required to be published in the OJEU for the cost overruns on this and any other relevant schemes where significant increases over the contract sums have occurred.

Chief Executive Response:

The accepted clams from the main contractor to date are significantly in excess of the agreed tender sum and this is due to a number of factors including construction inflation, unforeseeable ground conditions, additional accommodation works and utility diversions. A large number of claims were considered by the scheme Project Board and referred to the Standing Conciliator for recommendations.

Despite the significant increases already agreed, the final account was disputed. This resulted in both parties agreeing, in December 2023, to bring it forward to conciliation, as provided for in the contract. The conciliator's recommendation has not been accepted by the council and we are about to enter into an arbitration process.

6.4 Cherrywood Strategic Development Zone

Statutory Instrument no. 535 of 2010 designated Cherrywood, Co. Dublin as a Strategic Development Zone (SDZ) with the Council being the specified Development Agency as provided for under section 165 of the Planning and Development Act, 2000, as amended (the Planning Act). The original Cherrywood specific planning scheme was approved by An Bord Pleanála in 2014.

In recognition of the size and complexity of the scheme, Council management established a dedicated development agency project team, comprising of staff with a multi-disciplinary range of experience and expertise. In addition, a steering group has also been established that is chaired by the Chief Executive and comprises members of the senior management team. The resources that continue to be assigned to this development is again acknowledged.

The current Cherrywood Development Contribution Scheme (CDCS) was approved, in accordance with Section 48 of the Planning & Development Act, 2000, as amended, in October 2023. As previously reported, when the Cherrywood Planning Scheme Development Contribution Scheme 2017-2020 was adopted it was recognised that there was a residual funding gap. The increase in the rates outlined in the current scheme have been set at a level to ensure that the costs of the infrastructure (excluding land costs and nett of exchequer funding) are met in full. Management have advised that the adequacy of the funding is to be closely monitored and if deemed necessary a further review of the scheme will be undertaken.

The current CDCS again outlines the various projects that are to be delivered by the Cherrywood landowners. While alternative exchequer funding (currently amounting to approximately €80m) has been secured in respect of infrastructural projects that must now be delivered by the Council, I remain advised by management that it is the collective responsibility of the respective landowners to deliver the CDCS listed projects in accordance with the approved Cherrywood Planning Scheme.

Management have further advised that the project costs of some of the infrastructural projects, now the responsibility of the Council to deliver, have increased as a result of tender price inflation. Management are currently in discussions with the relevant Government funding bodies to seek additional grants to fund these emerging gaps.

As outlined in the current iteration of the capital programme report, the total budgeted expenditure (including all years to completion) of the Council delivered Cherrywood projects is €143m.

As previously advised, the Council, in 2022, entered into a settlement agreement with one of the Cherrywood landowners. The element of the settlement relating to the provision of common infrastructure will be funded from Cherrywood specific development contributions. The other costs associated with the legal proceedings will have to be funded from the Council's own resources.

The construction of the common infrastructure is required to unlock and support the sites currently under construction as well as other developments that have yet to be advanced. The settlement agreement related to a significant element of the common infrastructure, and I have been advised that the Council is in active dialogue with two other main landowners.

Any failure or delay in securing the expected level of development contributions, and the required additional exchequer funding will adversely affect project completions within this strategically important development. This would also would significantly increase the Council's risks with the possible negative impacts on scheme costs, funding, and the timely delivery of the new homes planned for Cherrywood.

The current level of governance and oversight of this development should remain in place in order to mitigate, as much as is possible, any of the above referenced significant risks arising.

Chief Executive Response:

The funding strategy for the delivery of the common infrastructure in the Cherrywood Planning Scheme area is kept under on-going review having regard to expenditure and funding assumptions.

The Development Agency Project Team (DAPT) continues to report to the DHLGH on budget variances and in seeking additional grants in respects of the infrastructural projects being delivered by the Council.

Approval has been received to recruit four funded positions to further support the delivery of the Cherrywood Urban Regeneration Development Fund (URDF) programme. Business cases for two further posts are bring advanced.

The costs of the consultancy and legal costs associated with the settlement agreement will be further considered as part of the preparation of the revenue budget and capital programme.

The governance and funding arrangements pertaining to Cherrywood remain a priority for the Council.

7 Non Pay Expenditure

7.1 Purchasing and invoice payments

The timely raising of purchase orders to record and register, on the FMS, the Council's commitment to acquire goods and services is one of the corner stones of an organisation's budgetary and internal control systems.

The system compliance improvements noted at previous audits have been sustained during 2023. A review of the purchasing and payments procedures carried out during the current audit has again indicated that the important internal control of raising purchase orders at the appropriate time (to formally register the commitment to acquire the relevant goods and services) are generally being applied by all sections of the Council.

7.2 Procurement requirement and guidelines compliance

The Council has a centralised procurement unit comprising of two staff currently. The unit is responsible for co-ordinating and overseeing strategic and operational procurement activities across the organisation.

A review of compliance with national procurement guidelines and regulations was completed during the current audit. In general, good results were noted and these have been discussed with management. The procurement unit's own compliance testing appears to be contributing to the improvements reported for 2023.

The current level of oversight, which includes the reporting of results to the senior management team meetings, should remain in place and improved upon, where considered appropriate.

Despite the reporting of good compliance, there remain some areas that still require management’s focus and attention, which include the implementation of the procurement functionality on the Agresso FMS to better enable the tracking of procurement compliance.

As a public organisation, the Council is required to comply with both the national and where relevant, the EU procurement regulations and directives.

Chief Executive Response:

Implementation of the procurement module in Agresso will be considered in detail in the coming months.

7.3 Public Spending Code

In compliance with the requirements of the PSC, the Council's internal audit unit recently completed a report on its review of the activity and the 2023 financial transactions incurred in the following areas of the Council's activities;

- Capital Account: St. Laurence Park Housing Development
- Revenue Account: Relets Housing Maintenance Programme 2023.

The findings and recommendations contained in the PSC report were taken into account as part of this audit.

No significant adverse findings were reported in either review.

8 Local Authority Companies

8.1 AFS Appendix 8 disclosures

The Council has an interest in a number of connected companies, the details of which, including the relevant 2023 trading results, are disclosed at Appendix 8 to the AFS.

All of the companies, listed therein, are audited by private firms of auditors having been appointed by the respective board of directors to undertake the annual audits. The companies' boards of directors, whose primary function under the Companies Act, 2014 is to manage the businesses on behalf of the shareholders, include representatives of the elected members and the Council's senior management who act in ex-officio capacities.

The Council is the sole shareholder of DLR Properties Limited.

8.2 DLR Properties Limited

As outlined in the DLR Properties Limited (DLRP) Directors' report to the 2023 audited AFS, this company is involved in acquiring, developing, holding, managing, leasing and disposing of land and buildings of all kinds located at Cherrywood, Co. Dublin.

In respect of its development and the 2023 performance, the Directors stated that *"the company has maintained a steady performance in the last few years. Directors expect the company to remain profitable in years to come. The directors are not expecting to make any significant changes in the nature of the business in the near future."*

All of the company's issued shares remain in the beneficial ownership of the

Council.

The company's audited accounts for the year ended 31 December 2023 recorded a loss for the year of €2.2m (2022: loss of €1.2m). Similar to the results for 2022, the loss incurred in 2023 was recorded following the charging of the reductions in both the value of inventories (€2.8m) and the fair value of investment properties (€1.6m), to the Profit and Loss Account. The company's total revenue for 2023 was €3.7m, which was similar to that recorded for 2022.

The Council's interest in the company was valued, at 31 December 2023, at €10.8m (2022: €13.1m). This calculation was based on the company's net assets valuation at the balance sheet date. The year-on-year reduction reflects the operating loss incurred by the company in 2023.

Following the annual professional valuation organised by the company, the total property portfolio (comprising both investment and development properties) was valued at approximately €71m at 31 December 2023. The market value of the properties remains in excess of the cash value of the loans (€69m) that were advanced by the Council to the company. As outlined in previous audit reports, the loans comprise of term loan facilities that are subject to a 13-month repayment notice period and were issued to fund the company's acquisition of its rights, interests and entitlements over the land and properties at Cherrywood.

In accordance with the loan agreements, interest was charged in 2023 on a portion of the total loan book. Total interest paid to the Council in respect of 2023 was €0.9m. This income has been transferred as general internal capital receipts to fund future capital works that have yet to be determined.

The repayment of the principal of these loans has not yet commenced.

There are also two management companies, incorporated as Artoka CLG and Glenleah CLG that are related to DLRP. These two companies share common directors and secretary with DLRP and are audited by the same firm. The principal activities of the two management companies, as outlined in their respective directors' reports to the 2023 AFS', is the management (on a fee income basis) of the buildings owned by DLRP.

I noted that the 2023 audit reports for the three companies together with the related audit letter did not contain any significant matters of concern following the completion of the annual audit processes.

It was reported in previous audit reports that DLRP was contracted with another property development company to dispose of a 13.9 acre site known as TC3. Under the terms of the agreement, the company was to exchange the site for a commercial building to be built by them. Council management have advised that this deal has now collapsed. I note that the matter is currently the subject of litigation.

I have been further advised that the Company's board of directors and the executive management team are currently reviewing alternative uses for the TC3 site.

Because of the Council’s significant financial investment and consequent exposure, I have requested management to ensure that the company continues to provide regular updates to the Council on the above developments.

8.3 Dún Laoghaire-Rathdown Leisure Services CLG

The principal activities of the company is to manage, operate, maintain and promote leisure centres, swimming pools, gymnasiums and ancillary activities on a not-for-profit basis and for the benefit of the community. It is a company limited by guarantee and not having a share capital. Its board of directors include representatives of senior officials of the Council and the elected members.

The Company's audited AFS for the year ended 31 December 2023 recorded a profit for the year of €224k (2022: profit of €400k) thereby increasing total funds at that date to approximately €4.1m. The company continues to carry significant cash reserves.

8.4 The Pavilion Theatre CLG

This company oversees the day-to-day management of the Pavilion Theatre. It is a company limited by guarantee and not having a share capital. Its board of directors include representatives of the Council's senior management team and the elected members.

The company's audited AFS for the year ended 31 December 2023 recorded a surplus of €89k (2022: surplus of €91k) thereby increasing total funds at that date to approximately €1.1m.

9 Governance and Propriety

9.1 Governance Overview

Corporate governance comprises the systems and procedures by which enterprises are directed and controlled. The Chief Executive, his management team and the Council’s elected members all have a role in ensuring there are sound systems of financial management and internal controls in place.

9.2 Statement of Internal Financial Control

An Advisory Group chaired by the Department, and comprising representatives of the main local government governance related stakeholders, was established to guide and advise on a Statement of Internal Financial Control (SIFC) for the Local Authority Sector. This work is now complete and in accordance with Department Circular LG05-2024 Local Authorities are now required to prepare and publish an SIFC as part of their Annual Reports for 2023. The SIFC, which is signed by the Chief Executive, includes their summary of the financial standing of the local authority and the key internal financial controls.

I do not form an opinion on the statements made in the SIFC.

9.3 Risk Management

An effective risk management framework provides the executive management and the elected members with assurances that the major organisational risks are identified, appropriately managed and mitigated where possible.

I acknowledge the continuing application of good internal procedures to ensure that the departmental registers are adequately reviewed on a regular basis.

Because of the increasingly diverse and expanding nature of the Council's responsibilities, the registers need to continue to be regularly reviewed and updated to ensure that all risks are adequately identified, controlled and mitigated, where possible.

9.4 Internal Audit

The Council's internal audit unit continues to make a positive contribution to improving the internal control environment across many areas of the Council's activities. I acknowledge the additional staff resources recently assigned to this unit.

It is a critical element of good corporate governance that the internal audit function of an organisation the size and complexity of the Council is adequately resourced.

9.5 Audit Committee

The Council's Audit Committee met on 6 occasions during 2023 and issued its annual report for that year in March 2024. The work of the committee, which is continuing to make significant contributions to the independent oversight of corporate governance within the Council, is acknowledged.

Acknowledgement

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

Eamonn Daly

Local Government Auditor

23 August 2024

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Department of Housing, Local Government and Heritage

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