



Rialtas na hÉireann
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Statutory Audit Report to the Members of South Dublin 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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Auditor's Report to the Members of South Dublin County Council

1 Introduction

I have audited the Annual Financial Statement (AFS) of South Dublin County 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 7 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 Financial Standing

2.1 Statement of Comprehensive Income

The net surplus for the year amounted to €55k after transfers to reserves of €55.2m. The variances between the adopted budget and actual outturn are shown in Note 16 to the AFS. The approval of the members, as required by

S.104 of the Local Government Act, 2001, was obtained.

Significant movements in the finances of the Council in 2023 are shown below.

2.2 Bank Balances

Cash at bank decreased from €18.7m in 2022 to €3.8m in 2023; while bank investments increased from €465m to €512m in the year. This results in an overall improvement of approximately €32m in the cash position of the Council.

2.3 Debtors

Debtors showed an overall increase from €53.6m in 2022 to €97.5m in 2023. The most significant increase, as shown in Note 5 to the AFS, was in government debtors which increased from €23.6m to €64.2m. This increase reflects the increased activity in the capital account in 2023.

2.4 Fixed Assets and WIP

Total fixed assets increased from €3,415m in 2022 to €3,456 in 2023; while work in progress increased from €126m to €205m reflecting the increase in capital expenditure during 2023.

2.5 Other Balances

Other balances increased from €359m in 2022 to €439m in 2023, mainly due to increases in development contributions on hand (€53m) and reserves (€43m).

2.6 Long Term Creditors

Long term creditors increased from €263m in 2022 to €274m in 2023. The most significant increase was in the CALF balance which stood at €90m and is matched by a corresponding long term debtor.

3 Income Collection

3.1 Summary of Income Collection

A summary of the major collection yields and the corresponding closing debtors, with comparatives for the previous year, are as follows:

Income Source	Yield		Debtors	
	2023	2022	2023	2022
	%	%	€m	€m
Rates	92	91	14.7	16.6
Rents & Annuities	78	77	9.7	9.3
Housing Loans	84	77	0.9	1.3

The yield for all three income sources showed increases in 2023 when compared to 2022.

3.2 Rates

The percentage collected in 2023 (92%), as shown in Appendix 7 in the AFS, increased from 2022 (91%). The collection percentages are not directly comparable due to the 3 month rates waiver granted to eligible ratepayers in 2022. However the amount collected in 2023 increased from €132m in 2022 to €142m and there was a corresponding decrease in year-end debtors from €16.6m in 2022 to €14.7m in 2023.

Chief Executive's Response

The ongoing improvement in collection of commercial rates over the past numbers of years continued in 2023. The Council is keen to engage proactively with rates customers to discharge their liabilities and maximise collection. Further improvements in the levels of collection are anticipated in 2024.

3.3 Rents and Annuities

The overall collection yield for housing rents shown above, while showing an improvement, remains poor at 78%. Net arrears at the year-end increased to €9.7m compared to €9.3m at the previous year-end. The amount collected during 2023 showed an increase (€34.5m) compared with the previous year (€31.2m). It is worth noting that a significant proportion of the increase in arrears in 2023 relates to RAS and Leasing accounts while the arrears on the differential rent accounts did not increase significantly.

While progress being made is acknowledged, every effort should continue to

be made to address the level of rent arrears which remains high.

Chief Executive's Response

The Council's Debt Management Unit continues to assist customers with rent arrears, and this, together with a growing social housing stock, has resulted in a significant increase in collection as acknowledged by the Local Government Auditor. We will continue to work constructively with all Council tenants to reduce arrears levels and we will also review procedures for RAS and Leasing rent arrears.

3.4 Housing Loans

There was an increase in the collection percentage for housing loans in 2023 when compared to 2022. The amount collected in 2023 increased and the level of arrears decreased at the year-end from €1.3m to €0.9m.

Chief Executive's Response

The housing loans system and the work of the Debt Management Unit has improved the collection of housing loans and reduced the arrears as acknowledged. Further improvements in the levels of collection and reduced arrears are anticipated in 2024.

3.5 Housing Loans System

The deficiencies in the system for recording and accounting for housing loans were highlighted in previous reports. During 2023 the Council implemented the Agresso Loans Module as a replacement for the system previously in use. The migration of existing loans to Agresso involved a significant reconciliation process, including a number of account adjustments, and this was completed before the 2023 year-end.

Chief Executive's Response

The identified deficiencies in the previous housing loans system were noted and acted upon by management. The new loans system has facilitated improved management information regarding housing loans and has enabled enhanced debt management processes, supporting increased collection and reduced loan arrears.

3.6 Debtors and Debt Collection

Gross debtors, including those from the main income collections, are shown in Note 5 to the AFS and amounted €128m at the end of 2023. As stated above this represents a significant increase on the previous year (€82m), with the most significant increase being in government debtors. An overall provision for doubtful debts is also shown and amounts to €35.6m in 2023 compared to

€34.4m in 2022.

A dedicated debt management unit which was established within the Council in previous years continues to provide a more effective approach to dealing with arrears. It is important that significant debtor balances are monitored and pro-active steps to deal with arrears continue to be taken as early as possible.

Chief Executive's Response

The increased level of debtors, particularly government debtors is a reflection of the increased level of activity predominantly driven by our housing capital programme in 2023. The Council closely monitors the level of debtors across all workstreams and engages with all debtors, including relevant government departments, to ensure prompt payment of outstanding claims.

4 Capital Account

4.1 Capital Account Overview

Capital expenditure in 2023 increased significantly and amounted to €238m (€151m in 2022) and total capital income, including transfers from revenue, amounted to €320m in 2023 (€219m in 2022). This resulted in an improvement in the capital account balance of €82m and a closing credit balance of €476m. As in previous years, housing accounted for the largest proportion of expenditure excluding transfers (65%) and amounted to €154m in 2023 (€86m in 2022). Income from development contributions increased from €38m to €58m; while grants and LPT increased to €186m compared to €100m in the previous year.

4.2 Capital Projects

A list of the larger individual capital projects in progress, showing current and cumulative expenditure to date, is as follows:

Capital Project	2023 €m	Cumulative €m
Kilcarbery Mixed Tenure Project: Social	23.4	37.1
St. Maelruans (Affordable Housing)	16.0	16.9
Balgaddy (Social Building Programme)	15.8	16.5
Eircom Site (Social Building Programme)	15.7	25.8
Innovation Centre URDF	10.0	15.0
Tallaght Stadium - Fourth Stand URDF	7.9	12.5
Kilcarbery Mixed Tenure Project: Private	6.2	16.2
Energy Efficiency Programme Phase 2 2021	6.1	8.1
Dodder Greenway Section 4	6.0	10.5
Riversdale, Watery Lane, Clondalkin (Social Building Programme)	5.0	13.0

St Marks Avenue, Clondalkin (Social Building Programme)	3.9	11.4
Lucan Swimming Pool	3.6	14.2
Affordable Housing Adamstown	3.1	13.9
CAP - Tallaght Transport Interchange	3.0	3.1
Belgard Civic Plaza URDF	3.0	3.4
Old Bawn (Social Building Programme)	2.9	4.0
Lindisfarne (Grand Canal) Social Hsg Project	2.6	3.1
Rapid Deployment Pedestrian Facilities	2.5	2.7
Killinarden Park Regeneration	2.4	2.7

In addition to the above projects, expenditure was incurred on various social housing acquisitions (€17.4m), Voluntary Housing - CALF (€20.5m) and CAS (€3.4m).

A number of the more significant current capital projects are referred to below.

4.3 Belgard Cost Rental Development

A contract was awarded and construction commenced on the development of 133 cost rental apartments at Belgard Square North, Tallaght, during 2023. The development consists of three studio apartments, 64 one-bedroom apartments, 63 two-bedroom apartments and three three-bedroom apartments to be delivered in three blocks together with community space and high-quality communal and public open space. The project is connected to the Tallaght District Heating Scheme which will provide heating and hot water for residents.

The project is being funded by South Dublin County Council with support through the Affordable Housing Fund from the Department of Housing, Local Government and Heritage. The rent payable by tenants in this development will be directly linked to the cost of building, managing and maintaining the homes and will be discounted to at least 25% below local market rents. The Council is currently working with financial advisers on the finalisation of the operation and funding model for this project.

Cumulative expenditure to the end of 2023 amounted to €16.9m on this project, for which construction work is expected to be substantially completed by the end of 2024.

Chief Executive's Response

The Belgard cost rental development, which commences the regeneration of the Cookstown district within the Tallaght Local Area Plan, is the first local authority funded cost rental project in Ireland and will benefit from the Tallaght District Heating Scheme as part of the emerging Innovation Quarter. The construction contract is progressing on time and within budget, reflecting the focused vision, design and project management on delivering a flagship cost

rental project for the local authority sector. The first homes in the development are expected to be ready for occupancy by the end of Q1 2025 and will provide significant reductions on market rents for moderate income households who are above the income thresholds for social housing.

4.4 Kilcarbery

The site at Kilcarbery was identified for large scale housing delivery and the Council granted planning permission for over 1,000 homes. The development, which is being constructed in a number of phases, by way of joint venture with a developer, includes 310 social housing units and 50 affordable purchase units as well as private housing units, a new civic square, a community building, a creche, local retail space and open green areas.

Cumulative expenditure on all related job codes to the end of 2023 amounted to €57.3m. Construction is continuing on phases 3 and 4, which includes 132 social housing units, with an expected project completion date by mid-2025.

Chief Executive's Response

Now nearing completion, the Kilcarbery development represents another innovative housing project in South Dublin, being delivered through a joint venture development agreement between the Council and a consortium of local builders. To date, the project has delivered 218 social and 45 affordable homes, along with 74 cost rental homes through an AHB, with the remaining social homes to be delivered during 2024 and 2025 in accordance with the development agreement.

4.5 Clonburris

The Council's planned development at Clonburris includes over 2,500 mixed-tenure social, affordable and cost-rental homes, which will be delivered over six phases up to 2030. Significant funding (€177m) from the Urban Regeneration and Development Fund (URDF) has been awarded. This funding will support the delivery of strategic infrastructure and amenities, including parks, community spaces, streets, bridges and utilities. It will also facilitate the development of further units, which will include a mix of new affordable, social, and private homes.

Cumulative expenditure on all related job codes to the end of 2023 amounted to €8m, with construction work expected to begin by the end of 2024.

Chief Executive's Response

Development of social and affordable housing on the Council's lands within Clonburris Strategic Development Zone will be delivered across six phases. The first phase, which will deliver 116 social and affordable homes in the Canal Extension area of the SDZ, has commenced on site and is due for completion in 2025. Part 8 planning permission has been approved and contractor procurement is ongoing for 293 social and affordable homes in the

next phase within the Kishogue sector of the SDZ while planning and design work is continuing to progress the remaining phases.

5 Development Contributions

Circular PL 04/2023 sets out housing support measures introduced by the Minister for Housing, Local Government and Heritage in the form of a Temporary Time-Limited Waiver in respect of Development Contributions. The waiver arrangements apply for one year to all permitted residential developments meeting the eligibility criteria. Under this scheme, instead of developers / project promoters having to pay the relevant development contributions to the local authority in the normal manner, the Department of Housing, Local Government and Heritage (DHLGH) paid the relevant charges due to the local authority on behalf of the person liable for the contribution.

The Capital Account for 2023 includes expenditure of €13.8m, representing the amount of development contributions paid in respect of eligible residential developments, and corresponding grant income for the recoupment from the DHLGH.

The total amount invoiced in 2023 was €49m with short term debtors of €22.4m outstanding at the year-end.

6 Voluntary Housing and Approved Housing Bodies

The Council maintains an Approved Housing Bodies (AHB) register which records details of Capital Assistance Scheme (CAS), Capital Loan Subsidy Scheme (CLSS) and Capital Advanced Leasing Facility (CALF) units. The Integrated Housing System contains property information on all housing stock, including some details of AHB owned properties.

The general ledger in Agresso records details of transactions to date relating to AHB properties, including capital funding, loan advances, interest charges as well as payment and availability expenditure.

While some progress has been made in the updating of the AHB Register, there are still variations and gaps in the data held in the AHB records referred to above and it is important that these records are updated and maintained on a regular basis to ensure that consistent and reliable information is available in respect of all AHB properties in the Council area.

Chief Executive's Response

Work has been undertaken to ensure that all new AHB properties delivered in 2023 and 2024 have been entered onto the AHB register while a historical review is also in progress to reconcile data on the register for earlier properties, but this will take some time to complete in the context of increasing

current and future activity in this work area.

7 Fixed Assets

7.1 Fixed Assets Overview

The net book value of fixed assets at the end of 2023 stood at €3,456m compared to €3,415m in 2022, with a net increase during the year in housing assets (€50m) and a decrease in water and sewerage assets (€7.7m). The increase in housing assets represents the transfer of completed assets from work in progress and the purchase of housing units. The decrease in water and sewerage represents the depreciation of assets.

7.2 Property Register

The need for a comprehensive property register for all Council property was raised at previous audits and the Council developed a geographic information system to map land acquisitions and disposals in previous years. Significant progress has been made since the last audit, particularly in relation to the inclusion of housing and other assets. Work is ongoing to ensure the consistency, reliability and completeness of the data on the register, including the cross-referencing of data to other relevant records e.g. Fixed Asset Register and insurance records. Every effort should be made to complete this project at the earliest possible date.

Chief Executive's Response

The Council has significantly progressed the establishment of a comprehensive and up-to-date property register. Dedicated resources within the Economic Development Department have been assigned to complete the updating of all outstanding data records and to ensure that all required improvements in this area are completed. Considerable recent progress has been made in this regard, particularly in relation to the inclusion of housing and other assets and work is ongoing to ensure the consistency, reliability and completeness of the data on this register, including cross-referencing with other relevant records such as the Fixed Asset Register and insurance records. This will continue to be a priority area of focus to ensure that all relevant Council property is recorded on the register and that all related audit recommendations and requirements are satisfactorily addressed.

8 Loans Payable

Loans payable by the Council at the end of 2023 amounted to €155m (€165m in 2022) and can be analysed as follows:

Loan Type	2023	2022
Recoupable	68m	73m
Mortgage Related	54m	54m
Bridging Finance	23m	27m
Assets	10m	11m
Total	155m	165m

Recoupable loans and mortgage related loans are matched by corresponding long-term debtors in Note 3 in the AFS. Bridging finance relates to loans, which were used to fund the cost of affordable housing units, and these loans are currently being repaid on an interest only basis. The cost of repaying the principal on these loans, which was reduced from €27m to €23m during 2023, will require funding at some point in the future.

Chief Executive's Response

The Council pays particular and ongoing attention to its loan profile. The value of bridging finance reduced from €34m to €27m in 2022, and to €23.4m in 2023. Loans are redeemed as the Department of Housing, Local Government and Heritage makes funding available to the Council for this purpose while the cost of funding the bridging loans is recoupable from the Department.

9 Procurement

A combination of divisional management and the central procurement unit is responsible for ensuring compliance with the Council's procurement policy.

The Council maintains a comprehensive contracts database which is a valuable resource for the procurement function in the Council and assists in the preparation for procurement tender competitions. It was noted at audit that the full value of contracts was not recorded on the Council's contracts database for all contracts.

The eTenders public procurement platform changed in May 2023. There were 88 tender competitions conducted, over the old and new platforms, in 2023 (2022: 66). The Council's procurement steering group met six times in 2023.

The central procurement unit carried out annual compliance checks in Quarter 4 2023. This showed that the Council has improved on the high level of compliance achieved in 2022.

At audit, a sample of transactions was tested and, while overall compliance levels were good, a small number of exceptions were noted where contracts extended beyond the specified expiry dates and also maximum contract values were exceeded.

The rate of compliance with the Council's purchase to pay procedures (P2P) declined in 2023. This reverses the trend of improved P2P compliance from

2020 to 2022.

The Low Value Purchase (LVP) Card spend for 2023 was €463k (2022: €478k) representing 68 cards (2022: 63 cards). In March 2023 the Council moved to a new LVP card service provider appointed from the OGP framework. Spot checks on compliance with LVP card procedures, which were carried out by the Council's finance department, indicated a high level of compliance. However, there was a significant spend using LVP cards on a number of suppliers where corporate contracts were in place.

Every effort should continue to be made to ensure compliance with the Council's procurement policies in all departments.

Chief Executive's Response

The Council's Management Team and the Procurement Unit welcome the continued improvements in the compliance checks across the organisation. The Council's Procurement Unit will ensure that maximum contract values and annual extension details are included within the corporate contract's database. This database generates automatic reminders to contract managers and the corporate procurement steering group (which has representatives from all Council departments) at intervals of six and three months prior to contract expiry. This will now be complemented by a quarterly contract expenditure analysis report for enhanced governance in this area. Further measures, led by the Procurement Unit, will be undertaken in 2024 to further improve compliance with purchase to pay procedures and to address LVP card expenditure where corporate contracts are in place.

10 Local Authority Companies

10.1 Local Authority Companies Overview

The Council's interest in five companies is shown in Appendix 8 to the annual financial statements. These are:

- Grange Castle Facilities Management CLG
- South County Dublin Leisure Services CLG
- South Dublin Arts Centre Company CLG
- Civic Theatre Company CLG
- South Dublin District Heating CLG

All five companies are limited by guarantee without having a share capital and the voting power of representatives of the Council is shown as a percentage. The Council's interest in these companies has not been consolidated in the accounts. The most recent financial statements available for these companies are noted in the AFS.

10.2 South Dublin District Heating CLG

South Dublin District Heating Company Limited by Guarantee, a wholly owned subsidiary of the Council, was incorporated in 2019 to promote a low-carbon economy through the generation and supply of heat to customers inside the county using district heating networks. This project takes waste heat from a commercial data centre and redirects it to nearby buildings, including Council and TUD college buildings, and is partly funded by the EU Interreg programme and the Climate Action Fund.

Following the commissioning period, district heating has been fully operational since July 2023, delivering heat to a number of buildings i.e. County Hall and Library, SDCC Innovation Centre, TUD Main Building and TUD Sports, Science, Health and Recreation Building. There is further provision in this first phase of district heating for additional buildings i.e. TUD CAET and Belgard cost rental apartments, to connect to the network in 2024/2025.

During 2023 the Council paid €1.1m to the company in respect of connection fees to Council buildings, Work IQ Innovation Centre and Belgard cost rental apartments. A further €116k was paid to the company for heat provided to Council buildings during 2023.

The Council received funding of €1.9m from the Climate Action Fund in 2023, bringing the total received to date to €3.1m, leaving a balance of €1.3m to be paid in 2024.

11 Governance and Propriety

11.1 Governance

Corporate governance comprises the systems 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. According to the audit committee charter, the committee has an independent role to advise the Council on financial reporting processes, internal control, risk management and audit matters.

11.2 Internal Audit and Audit Committee

The Local Government (Financial and Audit Procedures) Regulations 2014 require local authorities to maintain an adequate and effective system of internal audit of its accounting records and control systems. 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.

The Council's internal audit function currently consists of six personnel, of which one has a professional qualification. The annual work plan was approved by the audit committee and the Chief Executive. The head of internal audit reports directly to the Chief Executive and to the audit committee on audit reports issued and progress on the implementation of audit recommendations made.

The unit produced eight reports during the year, including three reviews related to the Council's obligations under The Public Spending Code and a review of SICAP for 2022, and I have taken account of the findings in these reports, where appropriate, in the course of my audit.

The Council's audit committee held four meetings during the year and considered the auditor's report on the annual financial statements for the year-end 31 December 2022 at the October meeting, which the Auditor attended.

11.3 Risk Management

The Council's Risk Management Policy document sets out how risk management should be formalised and embedded in the culture and ethos of the organisation, including the need to develop an awareness and understanding of the likelihood of potential risks to the organisation.

The Council's Risk Register includes corporate risks and departmental risks, which are divided into operational areas, and these are rated and reviewed by management on a regular basis. Relevant mitigating controls and actions are identified and recorded against each risk in the register.

11.4 Statement of Internal Financial Control

An Advisory Group, chaired by DHLGH, and, comprising representatives of the main local government governance related stakeholders, was established to guide and advise on a Statement of Internal Financial Control for the local authority sector. This work is now complete and in accordance with Circular LG05-2024 local authorities are now required to prepare and publish a 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.

At the date of audit the Annual Report for 2023, which will include a Statement of Internal Financial Control, was being finalised.

11.5 Ethics Declarations

The Council maintains an ethics register for council members and staff. Part 15 of the Local Government Act, 2001 obliges Council members and designated staff to submit an annual declaration of specified interests.

Declarations were received for all Council members and, apart from a small number of late returns, for all designated staff of the Council for 2023.

Acknowledgement

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

A handwritten signature in black ink, appearing to read "Richard Murphy". The signature is written in a cursive style with some loops and flourishes.

Richard Murphy

Principal Auditor

03 September 2024

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