



Rialtas na hÉireann
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Statutory Audit Report to the Members of Tipperary County Council for the Year Ended 31 December 2021

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 Tipperary County Council

1 Introduction

I have audited the Annual Financial Statement (AFS) of Tipperary 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 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 local authorities 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 authority.

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.

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, 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 Local Authorities.

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 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 Local Authority was required to verify the application against rate accounts, where one 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 €623k in Tipperary 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 Tipperary County Council for the year ended 31 December 2021 was €7.5m. 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 related 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 Tipperary County Council for the year ended 31 December 2021 was €2m.

Chief Executive's Response

Similar to other Local Authorities Tipperary County Council received a number of supports either directly or as a conduit for business and community groups during 2021. These supports particularly for rates waiver and reimbursement for loss of goods and services income was most welcome and ensured the Council continued to provide the full range of services throughout this difficult period.

3 Financial Standing

3.1 Statement of Comprehensive Income

The Council generated a surplus for the year after net transfers to reserves of €4k, resulting in an accumulated surplus on the revenue account of €5.57m at the end of 2021. Transfers to reserves were €12.1m.

Note 16 of the AFS sets out the variances between the actual outturn and the adopted budget. The over/ under expenditure for 2021 as detailed in note 16 of the AFS was presented to and approved by the members at their meeting held on 10 May 2022.

Significant movements on the finances of the Council for the year include:

	€m
Fixed assets	27.3
Long term debtors	-2.8
Trade debtors and prepayments	-4.7
Bank and cash balances	13.5
Creditors and accruals	0.4
Loans payable	6.4
Other long-term creditors	-1.4
Other capital balances	-11.3

3.2 Local Property Tax

The Finance (Local Property Tax) Act 2012 (as amended), makes specific provision that elected members of a local authority may pass a formal resolution to vary the basic rate of the Local Property Tax for their administrative area by a percentage known as the local adjustment factor. The Council members voted at its September 2020 meeting to increase the Local Property Tax base rate by 10% for 2021.

4 Income Collection

4.1 Income Collection

A summary of the revenue collections are as follows:

Income Source	Yield %		Debtors €m	
	2021	2020	2021	2020
Rates	83%	75%	7.74	8.96
Rents & Annuities	97%	97%	0.56	0.52
Housing Loans	99%	94%	0.02	0.11

4.2 Rates

The revaluation of the Council's rate base by the Valuation Office took place in 2019 with adjustments coming into effect in 2020.

The restrictions imposed by the Government in 2020 and 2021 to mitigate the impact of COVID-19 had a severe impact on ratepayers and as a result the commercial rates waiver scheme was implemented by Government.

The 2021 rates collection yield is not directly comparable to previous years as waived amounts were fully reimbursed to the Council by the Department. The rates debtors figure at year end has been adjusted to transfer credit balances amounting to €1.4m to deferred income (AFS note 6). This refers to customers who continued to pay rates and who were entitled to the above waiver.

The rates collection performance increased to 83% in 2021 as the situation

improved despite difficulties encountered due to the restrictions. This percentage is calculated after taking account of specific doubtful arrears of €2.06m (2020: €2.39m). Debtors were €7.74m at 31 December 2021 (2020: €8.9m). As stated in appendix 7 of the AFS the amounts waived (Government Waiver Scheme) are included in waived/ credits and results in a corresponding reduction in the total for collection. This also has the effect of reducing the percentage collected. For prior years comparison purposes, if the income was included as amounts collected rather than waived/ credits the percentage collected would have been 86%.

Write offs/ vacant property adjustments/waivers amounted to €9.76m including €7.5m relating to the Rates Waiver Scheme.

The provision for bad debts is adequate based on year end information.

4.3 Rates 'G' Factor

As per section 56 of Valuation Act 2001 amended in 2019 'G is an amount to be decided by the Minister in consultation with the Commissioner of Valuation to represent in so far as is reasonably practicable, the estimated reduction in the total amount liable to be paid to the rating authority in respect of rates in the first year after a revaluation pursuant to the exercise of the Commissioner's powers under section 38 of Valuation Act so that any amendment of the valuation list pursuant to an appeal of a valuation from the revaluation process, does not affect the total amount liable to be paid to the rating authority in respect of rates in the year following a revaluation'.

The Council has set aside a provision respect of the 'G' factor in the 2022 AFS.

4.4 Rents and Annuities

The Council introduced a standard differential rent scheme for the County in 2018 to regularise the scheme throughout the County and to provide equity for all Council tenants.

The 2021 collection yield per Appendix 7 of the AFS remained 97%.

	Debtors Appendix 7 €m	Debit Balances €m	Credit Balances €m
2021	0.564	1.349	0.785
2020	0.523	1.073	0.55

The above table reflects the impact of the credit balances on the closing arrears,

giving a net arrears figure of €0.564m at year end.

€990k (73%) of debit balances were outstanding in excess of three months of which €89k was owed by 10 clients.

Bad debts appear to be adequately provided for at the year end.

4.5 Housing Loan Arrears

Continued efforts made by the Council to monitor and recover arrears has improved the collection yield in respect of housing loans to 99% (2020: 94%). Net loan debtors at 31 December 2021 were €17k (credit balances of €156k). 75% (€130k) of arrears were outstanding for in excess of 3 months, with €66k being owed by 8 clients.

The bad debts provision is sufficient based on year-end information.

Chief Executive's Response

The Income Task Force which I established and chair continued to meet and monitor collection levels for major income headings throughout 2021 and into the current year. The rates waiver has distorted collection levels for rates in 2020. Collection levels for both housing loans and rents have remained at a high level relative to 2019 and 2020 levels and Tipperary County Council continues to actively engage with our loan and rates customers as well as our housing tenants.

5 Irish Water

5.1 Balancing Statement with Irish Water

As mentioned in previous reports €2.5m of the balancing statement agreed between the Council and Irish Water (IW) in July 2016 is being retained by the Council in respect of actual and contingent liabilities, until responsibility for these liabilities is determined between the Council, IW and the Department. There was no movement in this amount in 2021.

6 Fixed Assets

6.1 Fixed Assets

The net value of fixed assets in the balance sheet at 31 December 2021 was €3,821m, of which €842m related to land, housing and buildings.

Fixed asset additions and transfers from work in progress amounted to €29.7m and mainly referred to housing which has increased by 108 units during the year. Asset disposals at net book value amounted to €3.5m and include house sales under the tenant purchase scheme and lands used for Council housing

projects of €2m.

6.2 Work in Progress

Accumulated expenditure on work in progress and preliminary expenses amounted to €14.2m at 31 December 2021 (2020: €14.5m). The construction of Council housing accounts for €12.5m of this expenditure.

7 Capital Account

7.1 Capital Account

The capital account had a net credit balance of €86.1m at 31 December 2021.

Expenditure in 2021 including transfers to revenue amounted to €69.8m (2020: €73.2m).

Expenditure in respect of the Local Government Services National Training Group (LASNTG) of €3.2m (2020: €3.4m) has been included under Water Services. This is a shared service, providing a national network of training, is self-financing with any surplus being re-invested in enhancing its product. The Council provides management, administrative and technical support from its offices in Nenagh.

7.2 Unfunded balances

The balance on project and non-project balances classified as unfunded amounted to €19m. The main unfunded balances were:

	€m
Land/Sites purchased for housing	13.5
Land for industrial use	2.7
Kickham and Davis Road Site	1.0
Other	1.8

The Council should consider options to address the remaining unfunded balances.

Chief Executive's Response

Unfunded balances on land and sites will be recouped through social housing investment programme or the sale of private sites. Costs associated with land

for industrial / commercial use will be recouped by onward sale of these sites or via rental of sites for industrial use. Tipperary County Council drew down borrowings for matching funds during 2022 and will be looking to borrow again in 2023 for matching funds on capital projects.

7.3 Liberty Square Thurles

The Liberty Square Enhancement Project in Thurles seeks to deliver a vibrant Liberty Square at the heart of Thurles. It is hoped this €10m project will enhance the attractiveness of Thurles as a place to live and a place for investment / employment. The project has evolved and developed over a number of years with support and input from Thurles Chamber and extensive public consultation which influenced the design of the scheme.

Funding for this project is to be provided as follows:

URDF	€5m
Council Match Funding	€5m

Phase 1

Following a successful bid for funding, consultants were appointed to develop designs for this project. The main contractor for phase 1 was appointed in October 2019 and the tender amounted to €2.8m excluding VAT. The new car park off Liberty Square opened on 1st October 2020 and Phase1 of the project reached substantial completion on 23 December 2021 with a defects completion period ending on 22 December 2022.

Change Order Claims including interest by the contractor amount to €3.4m while an ER Determination of €880k has been made in this regard. This equates to 31% above the original contract price.

A Notice of Dispute regarding the determination of claims for works undertaken during the contract has been submitted by the contractor. While it has been jointly agreed by both parties that a conciliator will be appointed prior to the completion of the project to mediate the disputed determinations in accordance with the terms of contract, this has not happened to date.

Phase 2

Consultants were appointed in December 2021 to prepare the Phase 2 Part 8 drawings and documentation. The Complete Options Report including preferred option and preliminary design is expected by the end of 2022 with Part 8 Planning expected to commence in Q1 2023. Cost estimates are to be completed by the end of Q2 2023 and are subject to agreement for the final cost for Phase 1, rising input costs, shortages and increasing energy costs arising from the COVID-19 pandemic, Brexit, and the war in Ukraine.

This project will be reviewed again in 2022.

Chief Executive's Response

I am satisfied with the robustness of project management and governance structures that are in place in Tipperary County Council dealing with the delivery of Project Ireland 2040 approved projects and in this particular case the structures that are in place in Thurles Municipal District.

Thurles MD has a dedicated Project Manager in place to manage these major projects and the associated contractual risks. The project management is further strengthened by the oversight of the Project Ireland 2040 Steering Group and the District Delivery Group and also by the engagement of competent external experts to supervise the site and the works and to manage the contractual claims, the subsequent financial determinations and any dispute resolution processes.

7.4 Houses at Cabragh

The construction of 6 housing units at Cabragh Bridge, Thurles was completed in December 2018 and the houses have been allocated. The final account has been settled with the Department and the shortfall amounting to €85k has been funded from internal resources.

Chief Executive's Response

The Final Account incorporating the construction and non-construction elements including legal, security, temporary facilities and services costs over a period spanning more than ten years was agreed and settled with the Department and the balance was funded from internal resources.

7.5 Kickham Barracks Clonmel

Kickham Barracks, formerly known as Clonmel Army Barracks was vacated by the defence forces in March 2012. Tipperary County Council purchased the site which is physically at the heart of Clonmel with the intention of redevelopment.

This project relates to new Public Plazas at the southwest corner (Main Plaza) and the centre (Central Plaza) of the Kickham Barracks site together with New Public Realm Works for improved vehicle and pedestrian access to the site, to the western and southern boundaries, the construction of two new streets and the development of new public car parking areas and other associated development works.

In their brief to the Design Team, the Council proposed that the comprehensive redevelopment of the Barracks site will provide an educational, cultural and civic quarter for Clonmel.

While the development of Kickham Barracks is being co-ordinated and project managed by the Council, a number of other stakeholders are central to plans for development of and long-term use of the site:

- Tipperary Educational Training Board
- Limerick Institute of Technology, Tipperary
- An Garda Siochana

This project is to be funded through URDF with match funding to be provided by the Council. The main contractor for Phase 1 of the project (public plaza element; car parks; roads, services and public lighting) was appointed on 18 May 2021 to carry out the works following the tender process with the tender price of €4.3m excluding VAT. Work commenced on site in June 2021.

Costs paid to the contractor to date amount to €5.8m (36%) above the original contract amount.

The contractor has submitted significant claims in excess of the contract price and a conciliator was appointed on 2 August 2022 for the second time in this contract. To date no determination has been made as a result of this second appointment. Following consideration of the Conciliators report, the Council will decide as to whether to proceed to arbitration or otherwise.

The works are scheduled for completion at the end of October 2022.

This project will be reviewed again in 2023.

Chief Executive's Response

The above is a correct outline of the project. The project is expected to be completed in November 2022. The works being carried out relate to Phase 1 of the project only.

7.6 N52 Borrisokane Streets Improvement Scheme

The main contractor for the N52 Borrisokane Streets Improvement Scheme was appointed on 1 November 2018 with the acceptance of the tender amounting to €2m excluding VAT.

The Borrisokane Street Improvement Scheme consisted of, the N52 Main Street improvements, N52 Birr Road improvements and Mill Race Culvert Works at the junction of the N52 and N65 in Borrisokane.

This project was substantially complete on 23 December 2020. Following an assessment of change orders, compensation events and subsequent conciliation, the final account was determined by the employers' representative at €4.24m excluding VAT (112% above the original contract price).

The increase in costs detailed in the final account determination is attributable to a number of compensation events, the largest being changes to drainage, changes to kerbs and paving, additional ESB works and unforeseen works involving the Mill Race Culvert.

The debit balance remaining on the capital account amounts to €1.09m and is

expected to be funded by Transport Infrastructure Ireland.

Chief Executive's Response

We are currently engaging with Transport Infrastructure Ireland with regards to funding.

8 Loans Payable

8.1 Loans Payable

The Council had loans payable of €85.9m at 31 December 2021 (2020: €91.2m) of which €43.5m are fully recoupable. In 2021 new borrowings from the HFA of €1.6m were drawn down to fund mortgage advances to clients under the Rebuilding Ireland Home Loans Scheme.

8.2 Bridging Finance Loans Payable

Long term borrowings include an interest only bridging loan of €3.25m, rolled over on an annual basis, in respect of 23 housing units originally acquired for resale under the affordable housing program.

These houses were leased in 2017 for a six-year period to an Approved Housing Body (AHB) under the Social Leasing Scheme. The lease provides for an annual rebate to the Council based on the rents payable net of the AHB's management fee.

Funding of €283k received from the Department in December 2021 to reduce the outstanding balance will be reflected in the 2022 AFS.

Total interest paid and recouped from the Department on these loans amounted to €34k in 2021.

9 Development Contributions

9.1 Development Contributions

Development contribution debtors per note 5 of the AFS were €2.9m at the end of 2021 (2020: €3.5m), the reduction being attributable to write off of amounts no longer due and the receipts in excess of the invoices raised for the year.

The bad debts provision was increased in 2021 and is adequate.

10 Local Authority Companies

10.1 Local Authority Companies

The Council's interest in fourteen companies is recorded in Appendix 8 to the AFS. The companies' board of directors (whose primary responsibility under the Companies Act, 2014 is to manage the businesses on behalf of its stakeholders), include representatives of the elected membership and the Council's senior management who act in ex-officio capacities.

10.2 Financial Statements

These companies are heavily dependent on funding from the Council which is applied for on an annual basis. As highlighted in earlier audits, it is important that the Council stress the requirement to have accounts submitted by 31 March annually as it may need to make provisions in its own AFS based on the information provided. The difficult economic climate and increasing energy costs are expected to increase the level of funding required from the Council by these companies.

10.3 Nenagh Arts Centre Limited

Note 5 to the accounts of Nenagh Arts Centre Limited for the year ended 31 December 2021 states 'In order to continue as a going concern the company is reliant on grant aid from Pobal, the Department of Social Protection, Tipperary County Council and other Government agencies'. The directors are satisfied that all conditions required to drawdown this funding on an annual basis will be met.

10.4 Thurles Regional Arts Centre

Thurles Regional Arts Centre is a company limited by guarantee and records a breakeven position annually after inclusion of its grant from the Council.

10.5 Thurles Swimming Pool Designated Activity Company and Roscrea Swimming Pool Limited CLG

While both of these companies recorded an increase in turnover, their activities were limited in 2021 by the restrictions due to COVID-19.

Both companies have recorded profits and a reduction in their accumulated deficits in 2021. This was as a result of the receipt of COVID-19 supports from the Council and the Government.

These companies are reliant on support from the Council until they become self-

sustainable. I have concerns that the current increase in energy costs will increase the level of funding that will be required from the Council.

10.6 South East Regional Craft Centre Limited

As the operation and trade of this company ceased on 29 June 2019, the accounts for the year ended 31 December 2020 record the activity of the company as related to the winding down of the company and show an accumulated deficit at that date of €16k. The accounts for 2021 are not complete due to ongoing issues with the Department of Social Protection.

These matters should be concluded as soon as possible to enable the dissolution of the company.

Chief Executive's Response

The completion of accounts in a timely manner for Local Authority Companies as set out in Appendix 8 as well as the need to address any accumulated deficits has been communicated to all Boards of Directors. The South East Craft Centre Limited having ceased operating is in the process of being dissolved.

11 Governance and Propriety

11.1 Internal Audit

The Council's internal audit unit function remained at 1.6 WTE's in 2021. The audit plan for the year was impacted as a result of reduced resources.

The post of Head of Internal Audit was filled in July 2022 bringing the Units WTE's to 2.6. It is expected that this will have a positive effect on the audit plan going forward.

Chief Executive's Response

With the filling of the post of Head of Internal Audit, work on delayed audits is now progressing.

11.2 Public Spending Code

Every local authority is required to publish an annual report, for the National Oversight and Audit Commission (NOAC) setting out how it complies with the Public Spending Code (PSC). The stated objective of the PSC is to ensure the State achieves best value for money for the resources at its disposal. The Tipperary County Council PSC report for 2021 was completed and submitted to NOAC by Internal Audit in May 2022. This report stated that Tipperary County Council showed a satisfactory level of compliance with the PSC code and in some areas COVID-19 impacted on the overall level of follow up work on project completion.

11.3 Audit Committee

The Audit Committee met on 5 occasions in 2021. The 2021 annual report of the Audit Committee was approved by the Council at its March 2022 meeting. I commend the work undertaken by the Audit Committee which contributes to the independent oversight of corporate governance within the Council.

11.4 Risk Management

An effective risk management framework provides the executive management and the Council members with assurances that major organisational risks are identified and appropriately managed. Senior Management Team review the Corporate/Strategic Risk register annually and it is being continually monitored by each Directorate as new risks present and relevant controls and actions are put in place. The Council's Risk Oversight Committee, which is in place since March 2020, meet quarterly to assist the management team in fulfilling its risk identification and management functions.

Acknowledgement

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



Fiona Clancy

Local Government Auditor

26 October 2022

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Department of Housing, Local Government and Heritage



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