

## Media release — University of Limerick property acquisitions in Limerick city

13 September 2024

A report of the Comptroller and Auditor General on the value for money achieved in property acquisitions in Limerick city by the University of Limerick has been presented to the Houses of the Oireachtas today.

### Acquisition of the Honan's Quay property

In April 2019, the University applied to the Higher Education Authority for capital funding towards the development of a campus in the centre of Limerick. The proposed development, at an estimated cost of €45.2 million, included an estimated €3 million to purchase a site for the development in Limerick's Opera quarter. Three days after that application, the University approved the purchase of a property at the nearby Honan's Quay for over €8 million. Because there is no evidence of any additional benefits of the Honan's Quay property compared to that at the Opera quarter that would warrant the increased purchase cost, it is difficult to see how the purchase represented value for money.

A retrospective valuation of the property at Honan's Quay in 2023 concluded that the University had paid around one third more than the market value of the property in 2019. The University has proposed that a €3 million impairment charge, or write-down loss, be recognised in its 2022 – 2023 annual financial statements. The University remains without a clear development and funding plan for the Honan's Quay property.

The University obtained some valuation advice in relation to Honan's Quay prior to the purchase, but did not obtain a formal valuation report on the property. This was contrary to provisions of the *Public Spending Code*. Nevertheless, it was represented to the University's Governing Authority that a valuation report had been obtained.

The Governing Authority commissioned a review by external consultants of the Honan's Quay acquisition, but circulation of the review report was restricted for legal reasons. The University substantially revised its property acquisition procedures in June 2022.

### Acquisition of houses at Rhebogue

A developer approached the University in late 2021 about a proposal for the construction of houses on a site at Rhebogue which would be either leased or sold to the University for use as student accommodation. The location is 3 kilometres from the University's main campus.

Despite the University's adoption of new property acquisition procedures, there were significant failures in the due diligence associated with the Rhebogue development.

- The University obtained formal valuation reports prior to finalising the purchase. However, the purchase price proposed to the Governing Authority was based on the *net rental yield* method for valuing the property. Even though the accommodation was generally configured as a standard housing development, information on the *sales price comparison* method for valuing property, which would have yielded a much lower valuation, was not provided to the Governing Authority.

- The University completed the purchase of the houses in October 2023 at a cost of €11.4 million, representing an average purchase price of almost €572,000 per unit. The University had not identified that the purchase was liable to stamp duty, resulting in an additional unanticipated cost of just over €1 million.
- Prior to the purchase, planning advice from relevant professionals was not conclusive but the University did not seek clarification from the local authority. In December 2023, after the purchase had been completed, the University received a warning letter from Limerick City and County Council stating that the change of use to student accommodation without planning permission may represent an unauthorised development.

A March 2024 valuation of the Rhebogue property indicates that the University is likely to have paid significantly more than it should have and the University has proposed to recognise an asset impairment charge of €5.2 million in its 2022 – 2023 annual financial statements.

A number of specific concerns about the handling of the acquisition raised with the Governing Authority in a protected disclosure were investigated by an independent senior counsel. However, the more general implications of the issues raised for the University's system of control and decision-making were not adequately considered or investigated. A further investigation commissioned by the Governing Authority found credible evidence that legitimate counterarguments to the Rhebogue acquisition by relevant staff in the University had been dismissed or ignored.

The Comptroller and Auditor General's report makes recommendations for improvements in the University's property acquisition policies, procedures and controls which have been accepted by the University.

### **Notes for Editors**

The Comptroller and Auditor General is an independent constitutional officer with responsibility for the audit of public funds. He reports to Dáil Éireann.

The report was signed by the Comptroller and Auditor General on 8 August 2024 and sent to the Minister for Further and Higher Education, Research, Innovation and Science on 12 August 2024. Under section 11 of the Comptroller and Auditor General (Amendment) Act 1993, the Minister is required to present the report to Dáil Éireann within three months of the date on which the report was submitted to him.

The *net rental yield* (or income) valuation method estimates the market value of a property by reference to the expected rental income (net of costs) and a required investment yield rate. The *sales price comparison* valuation method estimates the market value of a property by reference to prices achieved for properties of similar size and features in or around the same area.

<https://www.audit.gov.ie/en/publications/special%20reports/special-report-117-university-of-limerick-property-acquisitions-in-limerick-city.html>

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