

11 Exceptional State funding of the Peter McVerry Trust

11.1 The Peter McVerry Trust (the Trust) is an approved housing body (AHB) providing homeless services in the State on a significant scale. The services provided include the operation of homeless hostels and family hubs, and the provision of supports to individuals with complex supports needs. Currently the Trust provides services to over 2,000 clients, at 71 locations and is working with approximately 600 Housing First tenancies.¹ The Trust is the largest non-governmental organisation (NGO) provider of homeless emergency accommodation in the State.

11.2 As per the financial statements of the Trust, in the period 2019 – 2022, the Trust received a total of just over €140 million from State sources to support its service provision. State-sourced funding represented between 53% and 72% of the Trust's total income each year over that period (see Figure 11.1).

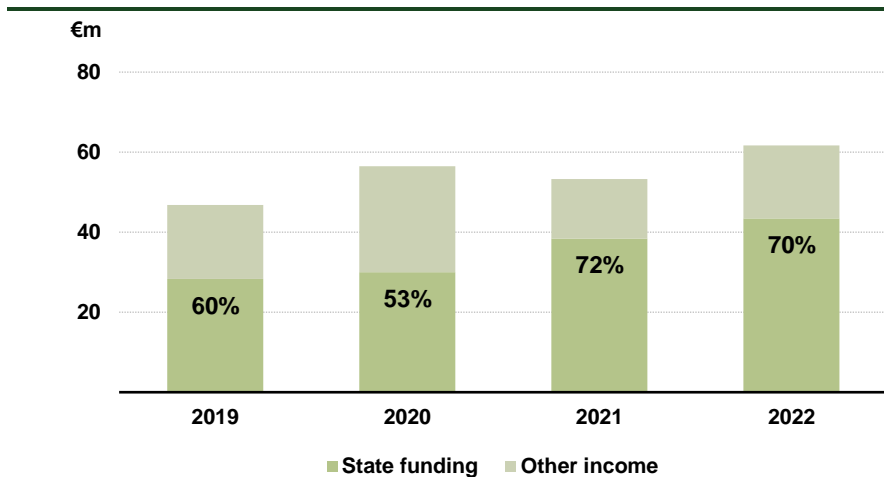
¹ Housing First is a housing-led approach that enables people with a history of rough sleeping or long-term use of emergency accommodation, and with complex needs to obtain permanent, secure accommodation, with the provision of intensive supports to help them maintain their tenancies.

² The DRHE is based in Dublin City Council and adopts a shared service approach across South Dublin County Council, Fingal County Council and Dún Laoghaire-Rathdown County Council. References throughout the report to the DRHE may also mean Dublin City Council.

³ Subhead A.13 funds emergency accommodation for homeless people, related services to support those people and services for those at risk of homelessness, including tenancy sustainment measures.

⁴ The Department also provides funding to other local authorities, outside of Dublin, that provide funding to the Trust.

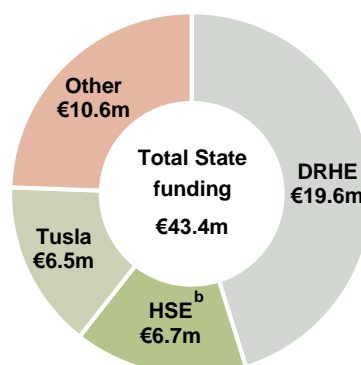
Figure 11.1 State-sourced funding relative to the Trust's total income, 2019 to 2022^a



Source: Peter McVerry Trust financial statements, 2019 – 2022

Note: ^a To ensure accuracy, the Department is currently reviewing the figures reported by the Trust relating to the amount originating from its Vote.

11.3 The Dublin Region Homeless Executive (DRHE) is the lead statutory agency in the response to homelessness in Dublin, and is the largest State funder of the Trust (see Figure 11.2).² The Department of Housing, Local Government and Heritage (the Department) provides funding to the DRHE, under subhead A.13 — Accommodation for homeless from the Housing programme of Vote 34.^{3,4}

Figure 11.2 State funding provided to the Trust, 2022^a

Source: Peter McVerry Trust CLG Restated Directors' Report and financial statements for the financial year ended 31 December 2022: note 5.2. Analysis by the Office of the Comptroller and Auditor General.

Notes: a Income figures take account of deferred income as reported in note 18 of the financial statements.

b The Health Service Executive (HSE) has reported funding to the Trust of €5.7 million in 2022. The HSE stated that following engagement between the HSE and the Trust, the difference between the figures appears to be related to 2021 HSE funding recognised in the Trust's financial statements in 2022.

11.4 In November 2023, the Government approved exceptional funding for the Trust of up to €15 million. This was provided to DRHE from subhead A.13: €3.9 million in 2023, and the balance of €11.1 million in the first quarter of 2024. A number of conditions were attached to the exceptional funding (see Annex 11A).

11.5 This examination was undertaken to review

- the Department's oversight arrangements in respect of funding provided to the Trust
- the factors giving rise to the need for exceptional funding, and
- the Department's monitoring of the conditions attached to the exceptional funding.

11.6 The examination team interviewed staff from the Department, reviewed documents relating to both the regular and exceptional funding, and also engaged with other State funders of the Trust.

Funding of homeless services

11.7 Funding for homeless services is provided from Vote 34 in accordance with Section 10 of the Housing Act 1988. Payments under subhead A.13 Accommodation for homeless amounted to €317 million in 2023 (2022: €242.4 million).

11.8 The Department does not fund homeless services directly — funding for homeless service providers flows from the Department to a local authority in the latter's capacity as a statutory housing authority, and then on to the service providers.¹ Under the funding arrangements in place, housing authorities may recoup from the Vote up to 90% of reasonably incurred expenditure.

¹ Section 38 of the [Housing \(Miscellaneous Provisions\) Act 2009](#) sets out the requirements for a housing authority to establish a homelessness consultative forum. Section 39 requires the lead authority to appoint a management group, to prepare a homelessness action plan.

- 11.9** A homelessness consultative forum has been established in each region. The management group of each forum determines the services and funding requirements of their region and submits a funding programme proposal to the Department. Following review by the Department, a delegated funding allocation is determined for each region. Local authorities are required to submit quarterly financial and performance reports to the Department at the end of each quarter, which are reviewed by the Department before funding is released.¹ Funding for demand-led expenditure, such as private emergency accommodation, is provided in addition to the delegated funding allocation.
- 11.10** Dublin City Council (DCC) acts as the lead housing authority on behalf of the four local/housing authorities in Dublin city and county. It channels funding for homeless services in the region through the DRHE.

Department oversight of funding provision

- 11.11** The principles, procedures and reporting requirements to be followed in the management of grant funding are set out in the Department of Public Expenditure, National Development Plan Delivery and Reform (Department of Public Expenditure) circular 13/2014 *Management of and accountability for grants from Exchequer funds*.² The provisions of the circular apply to any or all onward movements of that funding.
- 11.12** Circular 13/2014 requires an appropriate type and frequency of financial and performance reporting, with grantor access to relevant records kept by the grantee, including expenditure profiles, cash profiles, regular management accounts and annual audited accounts, as appropriate.³ The circular requires that a grant-funding agreement should ensure that the grantee is informed of the grantor's inspection rights.
- 11.13** The DRHE informed the Department that an auditing firm undertook an external audit of a number of Section 10 funded services on its behalf in 2019. Three of the Trust's services were included in the audit.⁴ The DRHE stated to the Department that no significant findings were made during the audit process.
- 11.14** An annual protocol agreement is in place between the Department and DCC, setting out funding arrangements provided for homeless accommodation and related services. The key elements of this protocol and the actions undertaken are included in Figure 11.3.⁵
- 11.15** During 2022, the Department conducted spot checks on 18 homeless service providers, checking payments with a combined value of €2.3 million (0.95%) from a total of €242.4 million of subhead A.13 expenditure. The checking included one spot check on the Peter McVerry Trust's expenditure, seeking invoices to substantiate expenditure in quarter 1 of €94,206. The DRHE explained to the Department that quarter one funding is not invoice based and therefore the Department could only exercise the control check on invoices in quarters 2, 3 or 4. The Department accepted the DRHE's explanation, and stated that it would consider a further spot check on invoices in the next quarter, but this was not done.

1 The quarterly financial reports are vouched by both the Directors of Finance and of Housing from each regional lead authority. The Department releases payments in line with agreed payment schedule issued to regional lead authorities.

2 A grant is a financial provision, originating in a vote, for a particular activity or service administered or undertaken by an outside body, including agencies, companies, committees, advisory groups, charities or individuals.

3 Per [circular 13/2014](#), the default position is that grants should be paid on the basis of vouched expenditure, unless prior approval for pre-funding is obtained from the Department of Public Expenditure.

4 The services of the Trust which were included in the audit were: St Catherine's Foyer; Camden Street; and Ellis Quay.

5 The protocol arrangements outlined in this report are based on the 2022 protocol.

Figure 11.3 Key elements of Departmental oversight of DCC and/or the DRHE

Adherence to statutory requirements and public financial procedures including *inter alia* the *Public Spending Code* and circular 13/2014^a

The Department stated that the DRHE references the application of circular 13/2014 in the service level agreements it has with service providers and monitors the performance of homeless service providers through key performance indicators and service level agreements.

The Department stated that it does not review grantee service level agreements as such agreements are between the local authorities and the homeless service providers.

The Department has limited oversight of the implementation of circular 13/2014 by the DRHE and of the checks undertaken by the DRHE on performance monitoring. On request, the DRHE is required to provide information relating to funding delegated under the protocol to a local government auditor or the Department.

Notification requirements where expenditure exceeds approved budget/funding

In the event that expenditure on homeless services is expected to exceed the Exchequer funding allocated, DCC is obliged to notify the Department in advance.

In 2022, the expenditure exceeded the delegated funding allocation and DCC notified the Department of this through the reporting protocol process.

Reporting requirements

The DRHE reviews and certifies quarterly financial reports relating to expenditure by homeless service providers. It submits the reports and homelessness figures to the Department in accordance with the submission dates contained in the protocol, and the Department checks that the financial reports are certified. The cost and expenditure for each service is also reviewed by the Department for variations and, if necessary, queries are raised with the DRHE. There are no thresholds in place regarding variations and this assessment is based on the discretion of the Department.

A spot check programme by the Department is in place for vouched expenditure on services reported in the quarterly report. However, there is no documented procedure on spot checks.

Source: 2022 Protocol agreement between the Department and Dublin City Council. Analysis by Office of the Comptroller and Auditor General.

Note: a The capital spending requirements of the [Public Spending Code](#) were updated in March 2023.

Views of the Accounting Officer

1 Each region has a regional lead authority for homelessness to which the regional allocation is delegated and which has responsibility for disbursement of funding across the housing authorities in the region.

11.16 The terms of the annual funding protocol in place between my Department and DCC explicitly delegates responsibility to DCC for the disbursement of funding for homeless services to local authorities in the Dublin region (including the regional lead itself).¹ Accordingly, DCC assumes grantor responsibilities under circular 13/2014. The operation of homeless services, including contractual arrangements and service level agreements with service providers are matters for the local authorities.

11.17 There are checks and oversight in place between my Department and local authorities in relation to the annual budget process. My Department scrutinises annual budget proposals submitted by local authorities. If there is any variation in a previously agreed budget, my Department raises queries with the local authority and requests a detailed breakdown of the costs. In addition to the budget process, my Department engages with local authorities on all new service proposals and assesses individual applications to ensure they represent value for money, are based on an identified need and are compliant with procurement and public spending guidelines.

11.18 My Department meets with

- the DRHE on a monthly basis to discuss all issues relating to service provision, including operational issues, financial and governance issues and any performance related issues in relation to service delivery
- local authorities on a quarterly basis to discuss financial issues including governance requirements linked to the National Quality Standards Framework.

Advances of regular funding

11.19 Funding from local authorities to homeless service providers is intended to be in arrears and on a recoupment basis, with details of vouched expenditure being provided prior to payments being made. Circular 13/2014 requires that prior sanction should be obtained from the Department of Public Expenditure where pre-funding of a grantee is proposed.

11.20 On 24 March 2023, the DRHE paid an advance of €338,000 for one of the Trust's services from the planned quarter 2 2023 funding for the Trust. There is no record of the Department being aware of, or providing approval for, this advance of funding.

11.21 On 9 June 2023, the DRHE paid an advance of €1.3 million of quarter 3 2023 funding, following a request via email from the DRHE to the Trust requesting details of the projects that required payment. The DRHE stated that it did not request permission from the Department to pay this advance, because the request for the advance had been referred to it by the Department.

11.22 On 5 July 2023, the Trust requested an accelerated payment of a portion of its quarter 3 funding from the DRHE, amounting to €3.1 million.

11.23 On 10 July 2023, the (then) CEO of the Trust wrote directly to the Department stating that the Trust was experiencing cash flow issues coupled with substantial creditor liabilities and requesting the Department to give urgent consideration to an advance of quarter 3 funding to allow the Trust time

- to bring into effect a series of restructuring and sustainability initiatives
- to recover a large amount of existing debt, and
- to allow new income generating measures time to take effect.

11.24 The Department stated that, because payments to service providers are a matter for the DRHE, it referred the request for advance funding to the DRHE. The DRHE stated that it agreed to the Trust's request as it fell within normal payment arrangements within the quarter, and that the Trust received the balance of its quarter 3 payments as usual.

- 11.25** In August 2023, the DRHE appointed the professional services and auditing firm PwC to undertake a financial and governance review of the Trust, and to investigate its solvency.
- 11.26** On 15 September 2023, the DRHE paid an advance from the planned quarter 4 funding of the Trust in respect of one of the Trust's services, this time amounting to €662,000. There is no record of the Department providing approval for this advance. The DRHE stated it paid the advance on the condition that
- the payment was factored into the cash flow projections to the year-end, and
 - the Trust engaged fully with the PwC review.
- 11.27** On 9 November 2023, the Department approved an advance payment to the Trust by the DRHE of almost €2 million, being a portion of the quarter 1 2024 funding. Following this, on 17 November 2023, the DRHE advanced almost €1.5 million to the Trust. On 22 December 2023, the DRHE advanced a further €3.8 million to the Trust.
- 11.28** The second (December 2023) advance was not approved by the Department. However, the DRHE stated that PwC had advised it and the Department that this advance payment was required to ensure that the Trust's outgoings in early January 2024 could be paid.
- 11.29** Circular 13/2014 requires prior approval from the Department of Public Expenditure for the pre-funding of grant recipients. This approval was not obtained for any of the advance funding to the Trust in 2023.
- 11.30** On 30 November 2023, the Department provided an information note to the Department of Public Expenditure. It stated that an advance of €3 million had been requested by the Trust on 10 July 2023. It does not state that the advance was provided, nor does it report the November advance approved by the Department for almost €2 million.

Exceptional funding provision

- 11.31** In September 2022, concerns had been raised with the Department by the DRHE that
- the cost of a number of the Trust's capital projects for emergency accommodation had overrun approved capital budgets, and
 - changes had occurred in some of the project scopes.
- 11.32** The Department had also noted instances of approval not being sought by the Trust at the appropriate times, in addition to concerns regarding compliance with the capital works management framework.¹ The Department instructed the DRHE to conduct an internal review into the issues in October 2022. The Trust provided explanations in discussions with the DRHE, and the Department agreed to fund the project cost overrun.
- 11.33** Following the retirement of the Trust's then CEO, a new CEO was appointed by the Board of the Trust on 1 June 2023. At that time, he informed the DRHE of his concerns regarding
- funding shortfalls on capital projects, and
 - delays in recoupment of funding from other State funders.

¹ The *Capital Works Management Framework* (CWMF) is a structure that has been developed to deliver the Government's objectives in relation to public sector construction procurement reform and is available [here](#).

- 11.34** On 16 June 2023, the Department asked the DRHE to appoint an independent expert to review the capital management processes in the Trust, including a review of its compliance with the *Public Spending Code*.¹ The DRHE stated that it had commenced the process of appointing a suitably qualified candidate to conduct the review, but when the cash flow issues in the Trust came to light in early July, it became clear that the review would require a broader remit.
- 11.35** In response to a request by the DRHE, the Board of the Trust adopted a financial stability and sustainability plan on 11 July 2023 with the intention of placing the Trust on a more sustainable financial footing.
- 11.36** On 14 July 2023, the Department sought its own independent expert advice on the letter received on 10 July from the CEO of the Trust. Arising from that advice, the Department, with the DRHE, formed an oversight group to
- oversee an independent financial and governance review of the Trust
 - consider recommendations resulting from the review, and
 - report to the Minister for Housing, Local Government and Heritage (the Minister).
- 11.37** The oversight group held its first meeting on 16 August 2023, chaired by an independent legal and governance expert appointed by the Department. Two senior representatives from the Trust attended meetings to provide updates, as necessary. The terms of reference for the group anticipated approximately 20 hours work, extending over the period to end 2023. As at August 2024, the group is still in place but with a revised membership and terms of reference.²
- 11.38** The Department's independent expert advice on the letter received on 10 July also stated that, as provided for in DRHE's agreements with the Trust, an audit or review of the affairs of the Trust should be commissioned as soon as possible. Arising from this recommendation, the DRHE commissioned PwC to undertake the review (see section 11.25 above) and to report the results to the DRHE and the oversight group.
- 11.39** At the end of September 2023, the Trust separately engaged PwC directly to provide financial services, including a review of the Trust's fixed asset register and general support to the Trust's finance team, including in the preparation of cash flow forecasts.³ PwC commenced work for the Trust on 5 October 2023. The schedule of services for the engagement is very extensive, and includes the provision that PwC will monitor the allocation of funding received from DRHE and other funders against existing and ongoing liabilities on a weekly basis.
- 11.40** Both PwC engagements, directly with the Trust and with the DRHE, are based on an agreement by all parties that PwC will share information regarding their work with the DRHE directly, who will report to the oversight group.⁴
- 11.41** On 13 September 2023, PwC provided the oversight group with a preliminary financial review. This review noted that the Trust had experienced a cash depletion of €4 million during an eight-month period up to early September 2023. At that time, PwC was unable to obtain sufficient assurance as to whether the causes of the cash depletion had been rectified.

¹ The capital spending requirements of the [Public Spending Code](#) were updated in March 2023.

² The composition of the oversight group was amended in December 2023 when the Chair completed his work. A City and County Management Association (CCMA) representative is now part of the oversight group.

³ The Trust had not prepared cash flow forecasts or monthly management accounts prior to June 2023.

⁴ PwC invoices the Trust in respect of fees for both reviews and the Trust recoups the cost from Dublin City Council, which in turn recoups it from the Department.

11.42 The Department has stated that since then, PwC has provided updates at a number of the oversight group's meetings in relation to the cash depletion. In addition, PwC has provided a number of documents related to components of its work within the Trust such as

- cash flow forecasting
- creditor's payments
- fixed asset register review.

PwC provides monthly written updates to the oversight group and as at August 2024, PwC is still working with the Trust's finance staff.

11.43 In June 2024, PwC provided a draft *Investigation Report* to the Board of the Trust for review and comment, and the final report was provided to the Department on 12 September.

The approval and payment of exceptional funding

11.44 On 1 November 2023, the Chair of the oversight group recommended to the Minister that the Trust be supported, on an exceptional basis, through a loan facility in the range of €10 million to €15 million.

11.45 On 28 November 2023, on foot of a request from the Minister, the Government approved exceptional funding to the Trust of up to €15 million. The funding was approved based on the Trust providing an undertaking that it would comply with a set of conditions stipulated by the oversight group.

11.46 The Trust agreed to comply with all of the conditions attached to the exceptional funding on 1 December 2023.¹ While the exceptional funding is not repayable, the Minister reserves the right to recover the value of the exceptional funding provided, by way of transfer of assets. The circumstances that may trigger such a recovery are not set out.

11.47 Funding was provided by the Department on a phased basis beginning on 14 December 2023 (see Figure 11.4).

Figure 11.4 Exceptional funding payments, transferred from the Department to Dublin City Council

Date paid by Department to DRHE	Date paid by the DRHE to the Trust	Amount
		€m
14 December 2023	1 December 2023	1.1
14 December 2023	8 December 2023	2.8
8 February 2024	16 February 2024	5.5
11 March 2024	8 March 2024	5.6
Total		15.0

Source: Department of Housing, Local Government and Heritage

¹ There are 32 conditions — the Trust is responsible for 29, the Department is responsible for two and the DRHE is responsible for one.

Conditions attached to the exceptional funding

- 11.48** The Chair of the oversight group was engaged as an independent expert in legal and governance matters and advised the group on what he considered were appropriate conditions that could be applied to the exceptional funding, having reviewed information available from PwC and the Trust.
- 11.49** The Department did not invite the views of either the Department of Public Expenditure or the Approved Housing Bodies Regulatory Authority during the process of setting the conditions. The Department shared the draft Government memo, which contained the proposed conditions, with the Department of Public Expenditure on 23 November 2023 and requested any related views or concerns, three working days in advance of it going to Government on 28 November 2023.
- 11.50** Following questions raised by the Department of Public Expenditure, on 30 November 2023 (two days after the Government approved the funding), the Department provided a briefing note setting out the background to the need for exceptional funding by the Trust and the conditions attached.
- 11.51** There was no requirement for the conditions to be fulfilled before the funding was provided to the Trust and specific target dates for completion were not set out for 19 of the 32 conditions (see Annex 11A). Four conditions (11, 14, 24 and 26) do not contain well defined criteria, capable of verification. It may therefore prove challenging for the Department to determine if and when these four conditions have been fulfilled by the Trust. Five conditions of funding, classified in November 2023 as already ‘in progress’ and to be completed in the immediate to short term, remained in progress as at April 2024.
- 11.52** The Department stated that the immediate priority of the oversight group was the protection of homeless services and in that context, it was neither practical nor possible to require conditions to be fulfilled before funding was provided or to include a specific timeframe around each condition.

Monitoring of the Trust’s progress by the Department

- 11.53** Condition 4 attached to the exceptional funding sets out that the Trust should provide a progress report to the oversight group on conditions 1 to 3, and on steps taken in relation to each of conditions 5 to 32, on a monthly basis. The Trust’s monthly progress reports include a ‘conditions tracker’ which is a table of the conditions alongside a brief summary of the status of the conditions as assessed by the Trust. Monthly cash flow information is also provided by the Trust and reviewed by the oversight group at its meetings.
- 11.54** The exceptional funding was in payment between December 2023 and March 2024. This was also the period when a number of key conditions were due to be fulfilled by the Trust. However, the need to provide clarification to the Trust on what is expected to be included in its progress reports, along with further detail requested on a number of other conditions, was noted in the minutes of the oversight group’s meeting on 28 March 2024.¹
- 11.55** Evidence of compliance by the Trust in relation to 14 of the conditions is reliant on either the Trust confirming its compliance through the monthly progress tracker, or noting a reference to the condition in the Trust’s restructuring and rationalisation plan.

¹ From May 2024, the Trust provides an update report in addition to the conditions tracker to the oversight group monthly.

11.56 As at 17 April 2024, the Department assessed progress on the 32 conditions, noting that five conditions had been fulfilled, two had not been started and the remainder were in progress.¹

11.57 One of the two conditions the Department is responsible for is the appointment of two directors to the Board of the Trust nominated by the Minister. This was welcomed by the Chairperson of the Trust who noted the need for accountancy and finance expertise at Board level. As at August 2024, the two directors are yet to be nominated. The Department stated that as there are currently two regulatory reports outstanding, the oversight group considers that it would not be appropriate for the Minister to nominate appointees at this time.

The Trust's restructuring and rationalisation plan

11.58 The provision of a detailed restructuring and rationalisation plan was one of the conditions upon which exceptional funding was approved. The Trust submitted a document entitled *Overview of Structure, Governance, Resourcing and Operational Model of Peter McVerry Trust* (the overview) to the Department on 1 February 2024, following approval by the Board of the Trust the day before. The Trust asked the Department for its views on the overview. However, the Department did not consider it within its remit to assess the likely efficacy of the overview and related proposed changes. It considers the Trust satisfied the condition by submitting the overview.

11.59 The overview contains 50 recommendations across nine areas. It does not include an implementation plan, target dates or cost savings projected to result from the implementation of the recommendations. In addition, there are no actions set out, only recommendations.²

11.60 On 26 February 2024, the Department submitted a memo to the Minister outlining a summary of the overview. The memo noted that a number of significant liabilities held by the Trust were not addressed in the overview submitted namely

- Revenue debt
- loan agreements
- contingent liabilities, and
- creditor debt to suppliers.

11.61 The Department wrote to the Trust on 6 March 2024 welcoming the overview. The Department also noted the significant challenges faced by the Trust and the need for the overview to be kept under ongoing review.

11.62 On 14 May 2024, in response to a request from the oversight group, the Trust submitted a progress report on the recommendations contained in the overview. The Trust's most recent update report, submitted to the Department on 30 August 2024, set out that of the 50 recommendations, the Trust considers that 14 had been delivered, 33 were considered in progress and three were yet to start.

11.63 The Department has stated that the oversight group continues to engage with the Trust in relation to the implementation of the funding conditions and is satisfied with the engagement from the Trust and its commitment to complying with the funding conditions.

¹ As at 3 September 2024, the Department assessed progress on the 32 conditions, noting that six conditions had been fulfilled, two had not been started, one was on track and the remainder were up to date and ongoing.

² The Trust provided the oversight group with its Senior Management Team annual action plan 2024 in August 2024. The current status of each action was not included.

Additional costs

11.64 The Department incurred a number of costs related to the financial and governance issues in the Trust. In addition to the exceptional funding, expenditure totalling €699,000 has been incurred to 11 June 2024 (see Figure 11.5).¹

11.65 Of this, €683,000 was paid by the Trust up to 11 June 2024 in respect of services provided by

- PwC and
- a management consultant engaged by the Trust.

These costs were recouped from DCC who in turn recouped the costs from the Department. This was not part of the exceptional funding approved by the Government.

11.66 It is envisaged that PwC will continue its work until at least the end of September 2024. The estimated cost of this work is an additional €864,000, which will also be recouped from the Department.²

Figure 11.5 Additional costs funded by the Department

Description	Expenditure to 11 June 2024	Estimated costs to 30 September 2024 ^a	Total
	€000	€000	€000
PwC — independent review of the Trust ^b	469	409	878
PwC — support services to the Trust ^c	86	455	541
Interim CEO/management consultancy services within the Trust	128	—	128
Legal expert — Chair of overview group	10	—	10
Independent advice obtained by the Department	6	—	6
Total	699	864	1,563^d

Source: Department of Housing, Local Government and Heritage

- Notes:
- a Estimated costs to 30 September 2024 refer to six months of work yet to be invoiced for (April to September 2024).
 - b Includes reporting to the oversight group on the weekly use of cash; cash flow and budget preparation; reviewing the fixed asset register; and the development of a creditors repayment plan.
 - c Includes functional day-to-day finance support services such as delivery of monthly payroll and preparation of management accounts.
 - d In addition, DRHE paid €17,992 to PwC directly for the initial part of the review, which was not recouped from the Department.

¹ Additional expenditure is paid from the same subhead (A.13 accommodation for homeless) as the exceptional funding.

² In June 2024, the oversight group agreed to extend PwC's contract to 30 September 2024.

11.67 Following the resignation of the then CEO of the Trust on 11 October 2023 (after less than five months in the role), the Trust requested advice from the Department regarding a temporary replacement. The Department suggested a former Chief Executive of a County Council as a potential candidate to provide short-term assistance to the Trust. The Trust engaged the recommended candidate commencing 16 October 2023, at a daily rate of €1,000 and recouped the cost of this from DCC who in turn recouped it from the Department. A permanent CEO was appointed in April 2024.

11.68 The Department will also incur expenditure on termination costs in relation to projects that were in the initial stages of development when the Department instructed the Trust to complete only outstanding and ongoing projects with executed construction contracts (condition 16).¹ The final cost will not be known until local authorities submit all claims for recoupment to the Department, but the Department stated that its current estimate is approximately €1 million. Initially, the Trust had estimated the termination costs to be in the region of €2 million, based on 100% recoupment, but the Trust's current estimate is €1.5 million.

Reviews and future outlook

11.69 The Trust notified the Charities Regulator and the Approved Housing Bodies Regulatory Authority in July 2023 of the issues within the Trust, a requirement notified to the Trust by the Department and the DRHE. Both regulators have since launched investigations, which are ongoing.

11.70 Two reviews of (Section 10) funding for homeless services are currently ongoing.

- County and City Management Association (CCMA): Review of Section 10 funding. The updated terms of reference, dated January 2024, state that the review is as a result of concerns of CEOs in NGOs over adequate funding for full cost recoupment and terms and conditions of staff in the sector.
- Strategic review of Section 10 funding model by the Department, which was committed to as part of the Government's *Housing for All* plan, with a deadline of the end of June 2024. The review had not commenced when the issues in the Trust came to light.

The Department's Strategic Review of Section 10 funding model will take into account the factors that gave rise to the situation in the Trust.

11.71 In March 2024, the DRHE tendered for an audit of 2023 Section 10 funding in individual services.² The objective of the audits is to conduct a high level review of financial and governance controls in place. The audits will also compare operational service costs to service level agreement funding. Originally, this audit programme was intended to include a specific review of a number of Section 10 services in the Trust, but the Trust has since been omitted from the audit programme, due to PwC's continuing review within the Trust. The audit process commenced in July 2024 and is expected to be completed by December 2024.

Future outlook

11.72 The Department, through the oversight group, intends to continue to monitor the Trust's compliance with the conditions attached to the exceptional funding on a monthly basis, including requiring the Trust to submit more comprehensive information from May 2024 onwards. The Department expects the work of the oversight group to continue until the Trust is on a fully sustainable footing.

11.73 As a result of the oversight group's work, the Department has better information on the financial position within the Trust and is in a better position to consider a range of options in this regard if future funding is required.

¹ The Department recoups termination costs by local authorities from homeless service providers only where there is evidence that the project had local authority approval.

² An audit programme of 2022 expenditure, due to include the Trust, was planned by the DRHE to take place in 2023 but did not proceed.

- 11.74** As at September 2024, the Department has not made any material changes to the protocol agreement between the Department and DCC, which sets out the respective obligations in relation to assurance and oversight of Section 10 funding. In addition, no changes have been made to the Department's capital funding processes in relation to homeless services.¹
- 11.75** Prior to 2024, the Trust's funding model was based on approximately 70% of its income from State funders and 30% from fundraising. The 2024 budget requested by the Trust is based on 100% cost recovery from the State. The Department stated that as at August 2024, the service level agreement between the Trust and the DRHE has been finalised in respect of direct costs but discussions between the Trust and its other State funders are ongoing in relation to its 2024 budget.
- 11.76** Notwithstanding the regular updates to the oversight group, the Department wrote to the current CEO of the Trust on 5 June 2024 requesting information on
- staff changes and staff numbers
 - cost saving measures to date and proposed future measures
 - an up-to-date position in relation to cash flow and budgets
 - organisational sustainability and
 - the Trust's finalised fixed asset register.
- 11.77** The Trust replied on 21 June 2024 but was unable to provide all the information requested at that date. The Trust provided further information to the oversight group on 3 July 2024 and committed to continue to work on the outstanding items.

Conclusions and recommendations

- 11.78** The Peter McVerry Trust (the Trust) is one of the main providers of homeless services in the State, operating on behalf of local authorities under service level agreements. Currently the Trust provides services to over 2,000 clients, at 71 locations and supports over 600 individuals in Housing First tenancies.
- 11.79** The Trust relies heavily on State funding sources for the majority of its income. In 2022, the Trust reported total income amounting to €61.7 million of which the State provided 70% (€43.4 million).

Regular funding

- 11.80** The Department has a protocol agreement in place with Dublin City Council (DCC) and other regional lead authorities. This is the key mechanism for exercising oversight of the delegated funds provided and the Department is heavily reliant on the checks and oversight exercised by the DRHE and other regional lead authorities for assurance over the use of the funds.

¹ With the exception of changes to the capital funding of domestic violence refuges in prioritised locations.

- 11.81** The Department's key controls in respect of the funding it provides to the DRHE to support the Trust comprises of the DRHE submission to the Department of quarterly financial reports, which it reviews; and random spot checking of invoices submitted for payment. However, these controls have not operated as expected. For example
- One spot check was initiated by the Department on expenditure by the Trust in quarter 1 2022, but the DRHE explained to the Department that the invoice spot check could not be carried out in quarter one. The Department considered checking invoices in the following quarter, but did not do so.
 - The programme of spot checks by the Department is not set out in the protocol between the Department and DCC/DRHE.
- 11.82** In line with the Department of Public Expenditure's circular 13/2014 on the management of grant funding, the Department, as the vote where the grant funding originates, should have greater oversight of the controls in place and used by DRHE. The protocol is the key mechanism through which the Department can exercise control and oversight of the delegated funding. The Department stated that it reviews and updates the protocol agreement annually.

Recommendation 11.1

The protocol arrangement between the Department and Dublin City Council should be strengthened in relation to the Department's oversight of the grant funding provided. The protocol should detail how compliance with the requirements of Department of Public Expenditure circular 13/2014 is exercised, and implement a formalised structure around spot checking. This should extend to the protocol arrangements with all lead authorities providing funding for homeless services.

Accounting Officer's response

Agreed.

There is an extensive oversight regime in place with the local authorities that directly fund homeless services. *Housing for All*, the Government's housing plan to 2030, reaffirms the commitment to work towards the eradication of homelessness by 2030. In this context, and acknowledging the sharp increase in homelessness in recent years and the consequent increase in public expenditure on services and supports to assist households experiencing or at risk of homelessness, the Department has undertaken a strategic review of the funding model underpinning the provision of homeless services in line with Action No. 105 of the *Housing for All Action Plan*. The objective of the review is to strengthen oversight and accountability in relation to Section 10 funding, and to re-state where responsibility lies at Departmental level regarding oversight of the provision of different categories of homeless services and their associated funding. The report of the review will incorporate relevant recommendations from the Comptroller and Auditor General, including the revision of the protocol.

Timeline for Implementation

Quarter 1 of 2025.

Advance funding

- 11.83** In 2023, the DRHE provided a number of advances of planned funding to the Trust. The Department did not provide approval for the advances paid between March and September.

- 11.84** In November 2023, the Department did approve an advance of almost €2 million from the Trust's 2024 funding allocation. However, the total advance by the DRHE of quarter 1 2024 funding exceeded the amount approved by the Department by over €3 million.
- 11.85** Circular 13/2014 requires prior approval from the Department of Public Expenditure for the pre-funding of grant recipients. This approval was not obtained for any of the advance funding to the Trust in 2023.

Recommendation 11.2

The Department should put in place procedures to ensure compliance with circular 13/2014 in respect of pre-funding of grant-funded agencies.

Accounting Officer's response

Agreed.

The Department's strategic review carried out in the first six months of 2024 also identified the need for standard operating procedures regarding requests for pre-funding of grant-funded agencies that reflect the need to ensure the sustainability of homeless service providers.

The report on the strategic review will include recommendations for the drafting and implementation of standard operating procedures in respect of pre-funding, in line with circular 13/2014.

Timeline for Implementation

Quarter 4 of 2024.

Exceptional funding

- 11.86** In September 2022, concerns were raised with the Department by DRHE relating to capital spending within the Trust. The Department instructed DRHE to conduct an internal review on the cost overruns on the specific project, which it did. Nine months later, in June 2023, the Department instructed DRHE to appoint an independent expert to review the capital management processes in the Trust and compliance with the *Public Spending Code*. Shortly afterwards, the newly-appointed CEO of the Trust notified the Department of cash flow issues within the Trust.
- 11.87** The Government approved exceptional funding of up to €15 million to sustain services by the Trust on 28 November 2023, and the full amount approved was transferred in tranches to the Trust between December 2023 and March 2024. In addition to the exceptional funding, the Department estimates that by the end of September 2024, it will have incurred approximately €1.56 million in professional fees arising from the issues with the Trust. Termination costs related to the halting of Trust projects that were in the initial stages of development are estimated by the Department to be in the region of €1 million.

Conditions attached to the exceptional funding

- 11.88** There are 32 conditions attached to the funding, 29 of which the Trust has responsibility to deliver. The Department and DRHE set up an oversight group in August 2023, chaired by an independent legal and governance expert.

- 11.89** The Trust provides the oversight group with a monthly progress report on compliance with the conditions. At its meeting of 28 March 2024, the oversight group noted the need for more comprehensive information from the Trust. In June 2024, the oversight group wrote to the Trust, requesting additional information and more comprehensive updates.
- 11.90** The Department has placed reliance on the monthly progress reports from the Trust, containing confirmations of ongoing compliance with a number of conditions and progress updates on others. Evidence of compliance by the Trust in relation to 14 of the conditions is primarily reliant on either the Trust confirming its compliance through the monthly progress tracker, or noting a reference to the condition in the Trust's restructuring and rationalisation plan.
- 11.91** 19 of the conditions do not contain specific target dates for completion and four conditions do not contain well defined criteria, capable of verification, making it challenging for the Department to determine whether the Trust is compliant with or has fulfilled some of the funding conditions.

Recommendation 11.3

The Department should, where possible, seek relevant evidence of the Trust's compliance with all current funding conditions e.g. through the oversight group. Any further exceptional funding provided to the Trust should have conditions capable of verification by the Department and clearly laid out monitoring requirements.

Accounting Officer's response

Agreed.

The oversight group will continue to monitor all actions relating to the conditions and follow up accordingly.












Timeline for Implementation














This work is ongoing and will continue through the oversight group until all conditions are met and the Trust is on a sustainable footing.









The Trust's rationalisation and restructuring plan

- 11.92** The provision of a detailed restructuring and rationalisation plan by the Trust was one of the conditions upon which the exceptional funding was reliant. The Trust submitted the *Overview of Structure, Governance, Resourcing and Operational Model of Peter McVerry Trust* (the overview) to the Department on 1 February 2024.
- 11.93** The overview did not include an implementation plan or set of actions. It does include a set of recommendations, but does not explain the estimated cost savings resulting from these. The Department noted in internal briefing that the overview did not address significant liabilities held by the Trust.
- 11.94** Nevertheless, as a result of the oversight group's work, the Department now has better information on the financial position within the Trust, and is therefore in a better position to consider a range of options, including if further exceptional or enhanced funding is sought.

Annex 11A Department's assessment of conditions attached to the exceptional funding, as at 17 April 2024^a

Ref.	Condition	Department's assessment	Responsibility	Target date
Information to be provided to the Department and the DRHE				
1	Submit cash flow projections in respect of Quarter 1 and Quarter 2 2024.		The Trust	31 December 2023
2	Cash flow projections and information regarding the deployment of the exceptional funding to be provided monthly thereafter.		The Trust	Monthly and ongoing
3	Provide a detailed restructuring and rationalisation plan outlining how the Trust will move to a financially sustainable position relative to funding available from its funding partners.		The Trust	31 January 2024
4	Provide a progress report on the above and on steps taken in relation to the conditions below. ^b		The Trust	Monthly
Assets of the Trust				
5	Instruct its retained solicitors to share a list/record of all property conveyances entered into by or on behalf of the Trust, or its related companies, or individuals for the last ten years.		The Trust	No target date.
6	Undertake not to dispose of property/assets without the consent of the Minister.		The Trust	N/A
7	The Minister reserves the right to recover the value of the exceptional funding provided, by way of transfer of assets, including unencumbered land/properties, or by way of the creation of a second charge over already encumbered property.		The Department	N/A
8	Continue with the moratorium on the purchase or acquisition of property, in line with the direction from the Approved Housing Bodies Regulatory Authority.		The Trust	Ongoing
Financial governance				
9	The Trust and PwC to jointly ensure that creditor payments are closely and effectively managed to ensure that the provision of core services are prioritised and maintained during the period of stabilisation.		The Trust	Stabilisation period
10	Transition from quarterly payments to monthly payments of Section 10 funding following the stabilisation period to ensure enhanced oversight of the disbursement of funds. ^b		DRHE	No target date.
Corporate governance				
11	Continue to regularise (and where needed establish) the corporate governance and internal controls expected of an organisation of this size.		The Trust	No target date.






Ref.	Condition	Department's assessment	Responsibility	Target date
12	Identify the internal skills shortage at Executive and Board level and recruit accordingly.		The Trust	No target date.
13	Appoint two Directors to the Board, nominated by the Minister for Housing, Local Government and Heritage. ^b		The Department	No target date.
14	Ensure that fit for purpose governance structures are installed and maintained.		The Trust	No target date.
15	Continue to address the deficiencies identified in the PwC reports, including by continuing to implement the actions already undertaken as outlined below.		The Trust	No target date.
Capital and leasing projects				
16	Complete outstanding and ongoing projects with executed construction contracts, ensuring that projects reach completion as agreed.		The Trust	N/A
17	Work with local authorities in relation to all other capital and leasing social housing and emergency homeless accommodation projects, to ensure that all such proposals are advanced by the local authority, either directly or through engagement with other AHBs as appropriate		The Trust	N/A
Actions already in progress and to be completed — in the immediate to short term (with the assistance of PwC):				
18	Only essential works (i.e. repair and maintenance, works related to health and safety) will be completed and non-essential capital expenditure and recruitment is paused.		The Trust	N/A
19	A purchase order system will be implemented to allow better oversight, approval, and management of costs to ensure cost centres for each project.		The Trust	No target date.
20	There will be a full review of the fixed asset register to ensure it is an accurate reflection of the assets of the Trust.		The Trust	No target date.
21	A complete review of budgetary discipline and budgetary costing and control measures will be introduced as part of the 2024 budget preparation.		The Trust	Budget 2024 preparation.
22	Cooperate with all statutory investigations underway.		The Trust	N/A
23	The current Consultant to the office of CEO will lead and assist with the succession planning and recruitment of a CEO reflecting the size, scale objectives and mandate of the Trust.		The Trust	No target date.
Actions already in progress and to be completed — in the medium to longer term (with the assistance of PwC):				
24	The implementation of improved procurement procedures of critical services.		The Trust	No target date.

Ref.	Condition	Department's assessment	Responsibility	Target date
25	There will be a costing of each service. Where budget lines are running at a deficit, the Trust will engage with funders to explore the potential to renegotiate service level agreements.		The Trust	No target date.
26	Implementation of clear management and oversight protocols and procedures for expenditure on assets, facilities repairs and maintenance. ^b		The Trust	No target date.
27	Annual service plan will be developed based on the strategy and reporting on same to the Board.		The Trust	No target date.
28	The Board will agree and formally delegate to the CEO appropriate authority to manage the affairs of the Trust with clear delineation of matters that require Board approval.		The Trust	No target date.
29	The Management team will take collective responsibility for the budget with a delegated budget responsibility to each director.		The Trust	No target date.
30	There will be an accurate cash flow projection and reporting to the Board on same. ^b		The Trust	No target date.
31	There will be credit payment plans in place for all creditors and paced appropriately. ^b		The Trust	No target date.
32	Fundraising will be receipted appropriately and in accordance with requirements of the Charities Regulator.		The Trust	No target date.

Source: Department of Housing, Local Government and Heritage. Analysis by the Office of the Comptroller and Auditor General.

Notes: a Status as per progress report submitted by the Trust, 11 March 2024 and update by the Department 17 April 2024.

b Oversight group noted its intention to seek additional information from the Trust on compliance with this condition at meeting 28 March 2024.

 Complete
  Condition fulfilled to date but ongoing
  In progress
  Not started
 Contingent event

