

AUDIT AND GOVERNANCE COMMITTEE

Date: Wednesday 25 November 2020
Time: 5.30 pm
Venue: Legislation has been passed that allows Councils to conduct Committee meetings remotely.

Members are invited to attend the above meeting to consider the items of business.

During the Corona Virus outbreak, meetings will be held by virtual means. The [live stream can be viewed here](#) at the meeting start time.

If you have an enquiry regarding any items on this agenda, please contact Sharon Sissons, Democratic Services Officer on 01392 265115.

Membership -

Councillors Wardle (Chair), Atkinson (Deputy Chair), Foggin, Hannaford, Henson, D, Mrs Henson, Lamb, Mitchell, M, Oliver and Warwick

Agenda

1 **Apologies**

To receive apologies for absence from Committee Members.

2 **Minutes**

To approve and sign the minutes of the meeting held on 16 September 2020.

(Pages 3 -
6)

3 **Declaration of Interests**

Councillors are reminded of the need to declare any discloseable pecuniary interests that relate to business on the agenda and which have not already been included in the register of interests, before any discussion takes place on the item. Unless the interest is sensitive, you must also disclose the nature of the interest. In accordance with the Council's Code of Conduct, you must then leave the room and must not participate in any further discussion on the item. Councillors requiring clarification should seek the advice of the Monitoring Officer prior to the day of the meeting.

4 **Local Government (Access to Information) Act - Exclusion of Press and Public**

It is considered that the Committee would be unlikely to exclude the press and public during the consideration of the items on the agenda, but if it should wish to so, then the following resolution should be passed:-

RESOLVED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the particular items of

business on the grounds that they involve the likely disclosure of exempt information as defined in the relevant paragraph(s) of Part 1 of Schedule 12A of the Act.

5 Audit Findings Report (ISA 260)

To consider the report of the External Auditor, Grant Thornton.
(Please note this report is to Follow)

6 Statement of Accounts 2019/20

To consider the report of the Director of Finance and Deputy Chief Finance Officer.
(Please note this report is to Follow)

7 Management Representation Letter

To consider the report of the Director of Finance.
(Please note this report is to Follow)

8 Statement of Reasons issued to the Objector in respect of the 2018/19 Accounts

To consider the document received from the External Auditor, Grant Thornton. (Pages 7 - 14)

9 Internal Audit Progress Report

To consider the report of the Audit Managers. (Pages 15 - 26)

10 Overview of the Redmond Report Recommendations

To consider the report of the Director of Finance. (Pages 27 - 34)

11 Review of Corporate Governance Risk Register

To consider the report of the Chief Executive & Growth Director. (Pages 35 - 50)

Date of Next Meeting

The next **Audit and Governance Committee** will be held on Wednesday 10 March 2021 at 5.30 pm

Find out more about Exeter City Council by looking at our website <http://www.exeter.gov.uk> . This will give you the dates of all future Committee meetings and tell you how you can ask a question at a Scrutiny Committee meeting. Alternatively, contact the Democratic Services Officer (Committees) on 01392 265107 for further information.

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AUDIT AND GOVERNANCE COMMITTEE **HELD AS A VIRTUAL MEETING**

Wednesday 16 September 2020

Present:-

Councillor Wardle (Chair)
Councillors Atkinson, Foggin, Hannaford, Henson, D, Mrs Henson, Mitchell, M and Oliver

Also Present

Director Finance, Deputy Chief Finance Officer, Audit Manager (HP), Democratic Services Officer (MD) and Democratic Services Officer (SLS)

25

APOLOGIES

Apologies were received from Councillors Pattison and Warwick.

26

MINUTES

The minutes of the meeting held 22 July 2020 were taken as read and approved as correct for signing by the Chair at the earliest possible convenience.

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DECLARATION OF INTERESTS

No declarations of disclosable pecuniary interests were made.

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EXTERNAL AUDIT PROGRESS REPORT

Jackson Murray, the Engagement Lead from Grant Thornton, the Council's External Auditors, updated Members on the Audit deliverables and key matters of their progress including the financial statements audit, the value for money conclusion and certification of the housing benefits subsidy claim. He advised that the draft financial statement was received on 31 July 2020, before the revised national publication deadline of 31 August 2020, which had enabled their audit team to commence selecting samples for testing. It was anticipated the audited financial statement would be issued by the 30 November 2020 target date.

Covid-19 continued to impact on their work which was predominantly undertaken remotely and whilst there were benefits, some aspects of the work were taking longer to complete. The progress report included reference to a number of publications including a National Audit guide for Audit Committees on financial reporting and management during Covid-19 as well as the new National Audit Office Code of Practice for the 2020/21 period and he would update Committee Members accordingly at the earliest opportunity. A Member suggested two of the reports referred to in Grant Thornton's report, from Localis, an independent not for profit think tank, entitled 'Building for Renewal: Kick-starting the C19 Housing Recovery', and a 'Place Based Growth' report produced in collaboration with the County Councils' Network merited further consideration and he suggested an urgent cross party exploration by this Council of a number of the issues identified. Members considered that there were many interesting themes in the reports and suggested holding a Members' Briefing, as well as raising at a future Scrutiny Committee or the Executive.

The External Auditor's Engagement Lead also referred to the recent publication of the Redmond Review which considered the local government audit market and provided a summary of its key themes and main recommendations to strengthen governance which included:-

- the creation of an Office of Local Audit and Regulation to be responsible for the regulation of the local audit market and include a number of functions performed by the Public Sector Audit Appointments Ltd,(PSAA) who currently oversee the appointment of external auditors.
- formalising the liaison meeting process between external auditors and senior officers within the local authority.
- External Audit reporting annually to the local authority and not necessarily just through the Audit Committee process.
- consideration of moving the accounts reporting timetable back to the 30 September.
- recognition that audit fees were too modest for the complexity of the work entailed, particularly around the preparation of the financial statement.
- the accounting body, CIPFA, should review the accounting
- the creation of a summary document aside from the financial statements to the accounts, which would be audited to offer greater accessibility for members of the public.

The Director Finance advised that he had attended a webinar event on the Redmond Review and the discussion had included the prospect of the inclusion of an independent member who would be a suitably qualified accountant to sit on the Audit Committee of each local authority. Whilst, audit work would continue to be carried out by firms such as Grant Thornton, there would increasingly, be an ongoing dialogue over the cost versus quality issue and ability within the time scale. He reminded Members that significant savings had to be made by the Council, against the backdrop of any increased cost in the audit delivery process.

A Member suggested any such future review of membership should also consider performance against the scope of the Audit Committee. The External Auditor's Engagement Lead welcomed the opportunity to discuss the Redmond recommendations at the next meeting of this Committee. The Director Finance would provide a summary for Members.

The Audit and Governance Committee noted the External Audit Progress Report and welcomed two particular reports 'Building for Renewal: Kick-starting the C19 Housing Recovery, and a 'Place Based Growth' which Members suggested merited further consideration in some form by the City Council.

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INTERNAL AUDIT PROGRESS REPORT

The Audit Manager (HP) presented the report on internal audit work carried out during the period 1 April to 30 June 2020. Members' attention was drawn to the progress against the Audit Plan, where a number of factors directly related to Covid-19 had made an impact on the delivery against the Plan. There had been considerable levels of unplanned work, as well as Internal Audit staff assisting with reactive work in other parts of the Council. This included assisting with the administration of Covid business grants, carrying out inventory checks and stock take of the city's leisure centres in preparation of their transfer back to the Council. Regular audit work had presented a greater challenge as many service areas had to focus on critical work with the consequence that Internal Audit would not be able to

deliver the plan of work agreed and therefore amendments to the plan were being proposed.

Members' attention was drawn to Appendix A, which set out the progress against the work carried out to date and the amendments which were highlighted in the report. Appendix B included an update on significant governance issues presented in the Annual Governance Statement and the Audit Manager reported there had been no changes. Appendix C set out the conclusion of an Internal Audit report in relation to the Pinhoe Community Hub. The report had been made available to Members as per the order of the Information Commissioner and the Council's External Auditors.

The Director Finance responded to a Member who expressed her disappointment that correspondence, which would have formed part of the enquiry had not been included in the report. The Member suggested that a more robust investigation should have been carried out and was concerned over the handling and perfunctory investigation. Her concern related to the appropriateness of the financial arrangements made in the setting up of the project, rather than the creation of a much welcomed project to build a community hub in Pinhoe. The Director Finance assured Members that the circulated report was, as produced by Internal Audit in its entirety, with the names of those individuals who had raised the matter, being redacted so the report could be presented in the public domain. The Member, in raising her concerns, sought assurances that the original letter should be made available. The Director Finance stated that the funding request had not been in place at the outset, and a separate request for £100,000 to build a community hub was approved at full Council. A study of the robustness of the grants process had now been made, which had led to the grants review and a new system put in place. However, he would speak to the Monitoring Officer and report back to Members.

In response to advance questions from a Member in relation to the update on the Pinhoe Community Hub, as set out in Appendix C of the report, the following responses were provided from the Director Finance:-

- In terms of the author of the report and redactions, Internal Audit reports were produced to be shared internally with management to support improvements to the Internal Audit environment. One of the Council's Audit Managers was the author of the report and the redactions related to individuals who were no longer employed or were no longer members of the Council to enable the report to be made publicly available.
- The Audit and Governance Committee was the most appropriate committee to consider this report, because it was a matter of governance of Internal Audit and their view on the control environment, which was sought. Such reports were not, as a matter of course taken to the Audit Committee in full, with summaries being provided. The Information Commissioner and the External Auditors requested that the full report be made available to Members, but the Director Finance reminded Members had the right to see any audit report.
- There was not sufficient allocation in the budget for this request for funding to be processed through the normal grants process at that time. The request for funding of £100,000 was brought forward as a separate report to Full Council. Members of the Council would have had the opportunity to comment and vote on the matter with the opportunity to approve or reject any such recommendation.
- Although the short report had been made available, Members were welcome to request any further information they required. The grant awarded was to provide

funding to build a community asset in an area, using funding derived from the New Homes Bonus. Members sought to build a community asset in an area that had seen significant levels of housing with the stated intention of the scheme to support the community. The Director Finance stated that it had been acknowledged that the grants process had required strengthening and this had since taken place.

- Officers referred to in the report were not contacted prior to leaving the authority and no discussion had taken place with any serving or former Members who were involved.
- In respect of the current status of the grant, and before the closing of last year's accounts in 2019/20, and the recommendation from External Audit, further payments of £22,064 were made. However, following their recommendations, any further activity in this regard would be discussed with External Audit before making any further payments, there have been no leasehold arrangements entered into with the applicants of the Pinhoe Community Hub.

A Member welcomed the intent and spirit of the Pinhoe Community hub project, which was as a result of the principles of the New Homes Bonus award process and would contribute to an area of the city which had absorbed a significant amount of new housing. Another Member was pleased that the current grant system offered probity and safeguards and that a valuable community facility had been provided for Pinhoe. She also acknowledged that the outcome was the offer of community facility for the community, so, whilst there may appear to have been a failing in part of the process, the outcome would offer great benefits.

RESOLVED that:-

- (1) the Internal Audit Progress Report for the first quarter of the year 2020/21 be noted; and
- (2) the amendments to the 20/21 Internal Audit Plan be approved.

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REVIEW OF CORPORATE GOVERNANCE RISK REGISTER

The Audit Manager (HP) referred to the Audit and Governance Committee's responsibility for monitoring and reviewing the Corporate Risk Register and in presenting an update advised that there were no changes to the Corporate Risk Register since the last meeting.

Following a request from a Member, the Audit Manager (HP) agreed to update the Risk Register on the lines suggested to improve the presentation of the detail. The Director Finance responded to a Member's concern about licenced craft on the Exeter Canal and River Exe. Although there was no reference in the Risk Register, he would contact the City's Harbour Master and colleagues in Environmental Health to enquire about the social distancing controls and checks imposed on passenger licensed craft using the Exeter Canal and River Exe and update the Member.

The Audit and Governance Committee noted the contents of the Risk Register.

(The meeting commenced at 5.30 pm and closed at 6.45 pm)

Chair






30 July 2020

Dear 

Grant Thornton UK LLP
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Exeter City Council: Objection to audit of the accounts 2018-19

I am writing further to your previous correspondence with my predecessors  and  and, in particular, your e-mail to  dated 19 January 2020 and his subsequent response via e-mail on 21 January 2020. I apologise for the delay in responding to you whilst the Council provided us with responses to our questions.

You have requested that we prepare a report in the public interest under schedule 7 of the Local Audit and Accountability Act 2014 ('the Act') and also seek a declaration from the High Court under section 28 of the Act. This letter sets out our decision in respect of your objection and the reasons for that decision.

The objection

The objection was made in your e-mail dated 11 June 2019, which was subsequently clarified by you on 19 January 2020, in respect of the 2018/19 accounts of Exeter City Council (the Council).

The objection relates to the Council's support for the Pinhoe Community Hub. In June 2016, the Council approved £100,000 to be set aside in an earmarked reserve to support the building of a Community Hub in Pinhoe to replace the existing Library.

Up to the date of your objection, payments totalling £23,680 have been made as follows:

- £10,000 in 2017/18; and
- £13,680 in 2018/19 – the year of account to which your objection relates.

Specifically, your objection relates to assertions that:

- The £100,000 funding was only to be released when an updated business plan was presented. However, you allege that no business plan has been produced and that, in your view, money appears to have been released without the power to do so by the Council and therefore it appears possibly unlawful to you.
- The £10,000 paid in 2017/18 was made in the absence of supporting invoices.

- The £13,680 paid in 2018/19 was purportedly for architect expenses, although the invoices include one showing £3,780 due 31/07/2018 for a marketing company called [REDACTED]. You allege at the time that another Councillor was shown as being a member of the [REDACTED] team.
- The £76,320 remaining from the earmarked £100,000 contribution towards a Community Hub planned for Pinhoe was dependent on an updated business plan and in your view this should not appear as if it has been agreed for release.

You also state that the Pinhoe Hub was registered as a charity in Spring 2019 (Charity number 1182544) and that you understood that Councillor Wood is one of the trustees, with his home address given as the public address for the charity.

Work carried out

In the course of our inquiries we have considered:

- the objection made in your e-mail dated 11 June 2019, which was subsequently clarified by you on 19 January 2020;
- various e-mails from yourself to [REDACTED] dated June 2019 and October 2019;
- e-mail correspondence received by us from Council officers;
- the Pinhoe Community Hub Building Design Brief dated February 2018
- the report issued by the Council's Internal Auditors regarding its support for the Pinhoe Community Hub dated 4 June 2019;
- an independent review into the Council's grant-making procedures, dated May 2019; and
- the Council's revised policy and procedures – the Exeter Grants Programme – dated July 2019.

Background

In July 2016, the Council approved £100,000 to be set aside in an earmarked reserve to support the building of a Community Hub in Pinhoe to replace the existing Library. The Council's minutes stated that "the funding will be released when the **updated** Business Plan is presented" [our emphasis].

We have been advised by the Council's Chief Finance Officer that there was no formal application made for this funding and that "the Deputy Chief Executive and Leader [at that time] are no longer at the Council, therefore any documentation is no longer held".

It is therefore unclear on what basis the funding decision was made. Although the reference to the requirement for an 'updated plan' suggests that some materials were available to support the decision, it has not been possible to confirm this.

The term 'business plan' is vague and this lack of clarity means that it is not possible to be clear on the level of information the Council was expecting in order to be able to release the payment.

An initial payment of £10,000 was paid to Pinhoe Community Hub on 27th February 2018, although there was no invoice to support this expenditure. The Council's Internal Auditors have reported that this payment was paid via BACS to a bank account in the name of Pinhoe Community Hub. The payment was raised by the Council's Chief Finance Officer and authorised by one of the Council's Directors.

The Council's Chief Finance Officer has advised us that he felt it was an appropriate balance to allow a small up-front payment to enable the project to start. It was expected that all future payments would be supported by invoices.

The subsequent payment of £13,680 was made in March 2019 and your e-mail to [REDACTED] (07:47, 30 October 2019) confirms that you have seen the paperwork that supports this payment.

The Chief Finance Officer has advised us that the invoice in respect of [REDACTED] (for £3,780) was poor in quality and not one he would accept for payment if the Council were paying direct, but as this was a reimbursement to the Hub, and there were no VAT implications for the Council, it was accepted.

The Chief Finance Officer also advised us that a new Business Plan was provided (in paper copy) to the Director responsible for Communities, Health, Well-being, Sport & Leisure prior to the payment of £13,680 being made. We have seen a copy of the Pinhoe Community Hub Building Design Brief, which is dated February 2018, although we have not been able to confirm when this was received by the Council. The Council has not provided us with any other document purporting to be a business plan. The Council accepted this Design Brief as meeting the requirements of the Business Plan necessary for releasing any of the funding that it had previously approved.

Subsequent Events

The Council recognised that there were weaknesses with its grants application and approval process and in April 2018 it commissioned a firm of external consultants to review this area, undertake public consultation and to help inform the Council's future policy in this area. The consultants reported their findings and recommendations in May 2019.

The Council's revised policy and procedures – the Exeter Grants Programme – was subsequently approved by the Council in July 2019, having previously been considered by the People Scrutiny Committee in June 2019 and the Executive in July 2019. The Exeter Grants Programme sets out the framework to be followed for all future grant funding. In particular, the new policy reflects the fact that for larger grants, there is an expectation that pledges would only be made once an element of the funding had already been achieved from alternative sources.

Grant	Maximum Amount	Pledge Threshold
Exeter Small Grants Fund	£3,000	Pledges will only be made once 10% of the project target has been met.
Exeter Large Grants Fund	£30,000	Pledges will only be made once 25% of the project target has been met.

Under this new policy applications such as that for the Pinhoe Community Hub would be encouraged to be for a modest sum initially to support the development of a feasibility study, rather than for a project in its entirety.

The policy also states that, following the annual review, where there are sufficient funds available in the Neighbourhood Community Infrastructure Levy, calls will be made for applications to a Strategic Fund which will allow Members to consider the merits of large or unusual funding requests. Details of any such fund opening will be placed on the Council website and widely promoted through social media and community networks.

Also, and as a direct result of the concerns you raised, the Council's Internal Auditors reviewed the procedures in place for the for the Pinhoe Community Hub and issued their report in June 2019.

Findings

The next section of this document seeks to consider each of the specific matters which you have raised in your objection, along with our views on each one.

The £100,000 funding was only to be released when an updated business plan was presented. However, you allege that no business plan has been produced and that, in your view, money appears to have been released without the power to do so by the Council and therefore it appears possibly unlawful to you.

As noted above, the Chief Finance Officer advised us that a new business plan was provided (in paper copy) to the Director responsible for Communities, Health, Well-being, Sport & Leisure prior to the payment of £13,680 being made. We have seen a copy of the Pinhoe Community Hub Building Design Brief, which is dated February 2018, although we have not been able to confirm when this was received by the Council.

The Council accepted this Design Brief as meeting the requirements of the 'business plan' it determined was necessary before releasing any of the funding that it had previously approved.

Although the term 'business plan' is open to interpretation, the Design Brief presented to Exeter City Council does not meet our understanding of what a business plan should encompass. In particular, the design brief is silent on how the remaining funding (estimated to be in the region of £900,000) would be raised. In our view, this is essential in order to ensure that the payments made by the Council were not potentially fruitless.

The other crucial part of a business plan is an assessment of the ongoing viability of the facility. Again, this is critical to ensuring that the Council's contribution is not fruitless and that there is not expected to be an ongoing call on public funds. Although the design brief does refer to future income and expenditure this is very brief and in our opinion is very optimistic as to the likely running costs, which are estimated to be £3,200 in year one. For a building valued at £1 million, we would expect insurance and utilities alone to exceed this.

You subsequently provided us with a further document 'Pinhoe Community Hub Business Strategy' which you state had been provided to you by Exeter City Council. We had not previously had sight of this document and this had not been referred to in our previous correspondence and discussions with the Council. Notwithstanding that, our view is that this 'Business Strategy' also does not meet our understanding of what a business plan should encompass.

For expenditure to be lawful, the Council needs to have the necessary legal powers to incur it, to have acted rationally in exercising those powers and to have followed appropriate authorisation processes. Local Authorities have wide-ranging powers to make community grants of this nature, including the 'general power of competence' under section 1(1) of the Localism Act 2011.

In this case, the Council has the legal powers to incur the expenditure. We have found no evidence that it took into account factors which it should not have taken into account in deciding to support the Pinhoe Hub project, or that it failed to take account of factors which it ought to have taken into account. However, incurring the expenditure without being provided with an updated business plan, which was a condition of the approval of the expenditure, would arguably amount to the expenditure not having been properly authorised and hence being unlawful.

This judgement is complicated, however, by the lack of clarity in the approval decision about what constitutes a business plan. It is clear that officers were not provided with something that we would consider to meet the requirements of being a business plan, but it is hard given the lack of definition to reach a clear conclusion that the expenditure was not properly authorised and hence unlawful.

Ultimately, only a court can determine whether or not the expenditure is unlawful. Irrespective of whether the expenditure was unlawful, we have decided not to apply to the court for a declaration to that effect, because the cost of seeking such a declaration would be disproportionate to the sums involved in the payments, and the Council has already taken action to improve its processes to prevent a recurrence.

The £10,000 paid in 2017/18 was made in the absence of supporting invoices.

It is important to recognise that the objection can only relate to items of account in 2018/19. As such, this payment is outside the scope of our review because it was made in the previous financial year.

However, the Council's Chief Finance Officer has advised us that he felt it was an appropriate balance to allow a small up-front payment to enable the project to start.

The £13,680 paid in 2018/19 was purportedly for architect expenses although the invoices include one showing £3,780 due 31.7.18 for a marketing company called [REDACTED]. You alleged at the time that another Councillor was shown as being a member of the [REDACTED] team.

The Chief Finance Officer has acknowledged to us that the invoice in respect of [REDACTED] (for £3,780), was poor in quality and that the supporting paperwork was poorly completed. The Chief Finance Officer has advised us that the reference to an architect called 'Mr D Sign' was intended to be illustrative to assist with the completion of the Grant Drawdown Claim Form and that no payment was made to such an individual. [REDACTED] were involved with public consultation exercises which were undertaken to help shape the proposed project.

The evidence you provided to support the allegation that another Councillor was a member of the [REDACTED] team was a link to that organisation's website. Councillor [REDACTED] was not a member of the Committee that approved the initial earmarking of the reserve or the subsequent creation of the expenditure budget and was not present at either meeting. As such there is no further action we propose to take in this respect as the Councillor was not part of the decision-making process.

The £76,320 remaining from the earmarked £100,000 contribution towards a Community Hub planned for Pinhoe was dependent on an updated business plan and in your view this should not appear as if it has been agreed for release.

As noted above we have seen a copy of the Pinhoe Community Hub Building Design Brief. Although the Council's expectations regarding the contents of the 'business plan' were not clear in the original minutes, our view is that the Design Brief does not meet the requirements that could reasonably be expected to be included within a business plan. We have recommended this is requested before additional funding is released by the Council.

With regards to your statement that the Pinhoe Hub was registered as a charity in Spring 2019 (Charity number 1182544) and that you understood that Councillor Wood is one of the trustees, with his home address given as the public address for the charity, the Charity Commission website confirms this. The Charity 'Pinhoe Community Hub' was registered on 19

March 2019, with five Trustees, including a Mr Duncan Wood. The Charity Commission website also notes that the Charity is also known as 'Friends of Pinhoe Library'.

The Council's Internal Auditors reported that the allocation from New Homes Bonus monies to an Earmarked Reserve of 'Pinhoe Community Hub' in the sum of £100,000 was approved at Resources Scrutiny Committee on 29 June 2016. An expenditure budget of £100,000 was subsequently approved by Corporate Services Scrutiny Committee on 29th September 2016. Internal Audit reported that Councillor Wood is not a member of these committees and therefore was not present at either meeting.

However, this assertion does contain an error in that both approvals were made by the Corporate Services Scrutiny Committee. The Scrutiny Committee – Resources did not meet on 29 June 2016 and the Council's website states that this Scrutiny Committee was decommissioned on 7 May 2016. We have confirmed that Councillor Wood was not a member of the Corporate Services Scrutiny Committee and therefore was not present at either meeting.

We have therefore concluded that no further action is appropriate in this respect.

Conclusion – application to the Court

If an item of account appears to us to be contrary to law, it is our discretion as to whether we apply to the Courts for a declaration under Section 28 of the 2014 Act to that effect. Relevant factors which we take into account in deciding whether to exercise our discretion to apply to the Court for a declaration include:

- the significance of the issue concerned;
- the level of the expenditure involved – which in this case is £13,680;
- the expense of an application, which ultimately falls to the Council Tax payers of Exeter;
- the practical consequences of any declaration;
- the national context of particular types of objections and how they have been treated by auditors and other regulators; and
- whether the Council agrees or not with our view on the unlawfulness of the item in question.

In this case, it is our view that, while the payment may be unlawful because the conditions of its authorisation were arguably not met, it is appropriate for us in the exercise our discretion in accordance with the above factors not to seek a declaration from the Court, given the level of expenditure incurred in the year to which your objection relates, the ambiguity associated with the Council's requirement that a 'business plan' is provided and the lessons already learned by the Council.

Report in the public interest

Whether or not to issue a report in the public interest under schedule 7 of the 2014 Act is a matter for us in the exercise of our discretion. Relevant factors include the quantum of any loss, whether there were significant failings in governance, whether the matters that might be the subject of a report are on-going, whether there has been significant publicity in respect of the issues, whether we have recommendations to make to the Council and whether we believe that our independent view should be expressed in public.

We have carefully considered the above factors in relation to your objection. We do not intend to issue a report in the public interest on this matter because:

- in our view, the matters raised are not indicative of wider governance failings within the Council;
- the Council has acknowledged weaknesses with its procedures and has taken action to address these; and
- the remainder of the spend on this project will be covered by the Council's new process.

Nevertheless, we have made a number of recommendations to the Council and we will follow these up as part of our audit work. For the avoidance of doubt, these are not statutory recommendations made under schedule 7 (section 2) of the Local Audit and Accountability Act 2014.

We will also share this letter and the results of our follow-up work with the Council's Audit and Governance Committee.

Recommendations

Recommendation 1:

Before any additional expenditure is incurred, the Council should request a full business case for the project. As a minimum, this should clearly demonstrate:

- the full costs of the project
- how the project will be financed
- how the project will be financially viable in the future.

Recommendation 2:

Internal Audit's report on the grant 'Pinhoe Community Hub - Review of grant award process' should be made available to the Council's Audit and Governance Committee.

Recommendation 3:

The Council should ensure that there is an appropriate review of the implementation of the updated grants policy, assessing (a) the extent to which this is being complied with, (b) that any conditions associated with granting the funding are clearly articulated and (c) that an adequate audit trail is maintained.

Recommendation 4:

The Council should ensure that its requirements for invoice approval are adhered to for all payments, irrespective of whether the Council is incurring the expenditure direct or is reimbursing a third party.

Right of appeal

You have a statutory right of appeal against our decision not to make an application to the Court for a declaration that an item of account is contrary to law under section 28(3) of the Local Audit and Accountability Act 2014. Any appeal must be issued at Court within the period of 21 days beginning with the day after you receive this written statement of reasons. There is no right of appeal against the decision not to issue a public interest report.

We suggest that anyone considering an appeal should take their own legal advice.

Yours sincerely

Jackson Murray

Jackson Murray
Director

REPORT TO AUDIT & GOVERNANCE

Date of Meeting: 25th NOVEMBER 2020

Report of: AUDIT MANAGERS

Title: INTERNAL AUDIT PROGRESS REPORT 2ND QUARTER 1ST JULY TO 30TH SEPTEMBER 2020

Is this a Key Decision?

No

Is this an Executive or Council Function?

COUNCIL

1. What is the report about?

- 1.1 To report on internal audit work carried out during the period 1st July to 30th September 2020, to advise on overall progress against the Audit Plan and to report any emerging issues requiring consideration.

2. Recommendations:

- 2.1 That the Internal Audit Progress Report for the second quarter of the year 2020/21 be noted.
- 2.2 That the amendments to the 20/21 Internal Audit Plan detailed in section 8.2 be approved.

3. Reasons for the recommendation:

- 3.1 One of the roles of this committee is to review quarterly internal audit reports and the main issues arising and seek assurance from management that action has been taken, where necessary.

4. What are the resource implications including non-financial resources:

None

5. Section 151 Officer comments:

- 5.1 The internal Audit Plan for 2020-21 continues to be affected by the pandemic. However, members should be assured that the team have focused their efforts on supporting new and often untested areas of control, which provides significant comfort, when the Council is required to transfer public money quickly. It is the section 151 Officers opinion that this has been the most effective use of the Internal Audit resource this year.

6. What are the legal aspects?

None identified

7. Monitoring Officer Comments:

The Monitoring Officer is pleased that agreed actions from previous audit reports are being progressed satisfactorily and that there are no instances where remedial action was not agreed by management.

8. Report details:

- 8.1 This Committee is responsible for the implementation and active monitoring of audit processes and actions, which includes performance against the annual audit plan, reviewing quarterly internal audit progress reports and seeking responses and assurance from management where remedial action has not been agreed or implemented within a reasonable timescale. The 2020/21 Audit Plan was approved at this Committee on 11th March 2020. However, as a result of the response to the Covid19 pandemic, this plan was reviewed and updated by the Audit Manager and a revised plan was approved by this Committee on 16th September 2020.

The purpose of internal audit is to provide an independent, objective assurance and consulting service designed to add value and improve the Council's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The internal audit Service helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. Each of the activities we audit are given an assurance rating as follows:

Substantial Assurance	There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met
Satisfactory Assurance	Whilst there is a basically sound system of internal control there are weaknesses which put some of the objectives at risk or there is evidence that the level of non-compliance with some of the controls may put some of the objectives at risk
Limited Assurance	Weaknesses in the system of internal controls are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.
No assurance	Control is generally weak leaving the system open to error or abuse or significant non-compliance with basic control processes leaves the processes/systems open to error or abuse

8.2 Work Undertaken

Internal Audit's objective is to examine the Council's financial and non-financial systems to check that there are adequate internal controls in place to prevent loss due to frauds, errors and inefficiency, and due attention is paid to corporate governance and risk management.

A summary of progress against the annual audit plan to date is shown at Appendix A, together with the current status of each area for review and the outcomes of the review, where completed.

I am pleased to report that agreed actions from previous audit reports are being progressed satisfactorily and that there are no instances where remedial action was not agreed by management during this quarter.

Progress against the revised annual audit plan is good, however, due to the ongoing Covid19 Pandemic, it is anticipated that the Council will once again be required to administer government business grants as a result of the second lockdown and therefore more post-award compliance checking will need to be undertaken to minimise the risk of fraudulent claims. The following amendment to the plan is proposed to enable members of the team to potentially undertake this additional work:

- the planned audit of Sport England be postponed to 20/21. This proposal has been agreed with the Director Transformation.

The following additional work has also arisen:

- Income compensation scheme for lost sales, fees and charges – at the request of the Director of Finance, we will be auditing the Council's grant submissions to government under this scheme to ensure compliance with the guidelines. This work will be undertaken outside of the annual audit plan and has been resourced by a member of the team undertaking overtime.

It should be noted that we may need to make further amendments to the plan as the year progresses, the Audit Managers will continue to closely monitor the plan and will report any further amendments to the next meeting.

8.3 Governance Issues

The Council's annual governance statement (AGS) includes some significant governance issues and an action plan has been compiled which will be subject to regular monitoring by the Audit and Governance Committee.

The action plan of the issues identified has been included in Appendix B.

9. How does the decision contribute to the Council's Corporate Plan?

9.1 Good governance contributes to the Council's purpose of a "Well Run Council".

10. What risks are there and how can they be reduced?

N/A

11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equality Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and

- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because: because

11.4.1 The report is for information only

12. Are there any other options?

N/A

Helen Kelvey/Helen Putt
Audit Manager

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:

None

Contact for enquiries:
Democratic Services (Committees)
01392 265115

**EXETER CITY COUNCIL
AUDIT AND GOVERNANCE COMMITTEE**

PROGRESS OF 2020/21 AUDIT PLAN TO DATE

Please note that this is a summary of remedial action agreed, as to include all actions agreed from each audit report in detail would result in a lengthy document. Members may request a full copy of any report once finalised or alternatively meet with the Audit Manager to discuss specific audits further.

Audit Review	Report Status	Overall Opinion	Direction of travel since last audit	No. of Findings & Remedial Action Agreed (High Risk only)	Summary (where completed within this quarter)
IT / Strata	In progress				
Main Accounting	Final	N/A	N/A	N/A	Reported last quarter
Income Management	Final	Satisfactory Assurance	No previous audit	6 Medium	Reported last quarter
Procurement	Q3				
Creditors	Final	Satisfactory Assurance	No previous comparable audit	1 High 6 Medium 1 Low The 'high' risk finding related to the low level of electronic orders being placed. The lack of 'pre authorisation' of supplier payments, i.e. orders, has been reported on numerous occasions (last reported June 2019). Our external auditors Grant Thornton have also raised the same issue. Remedial action agreed – a new task and finish group has been set up as part of the 'Organisation Development' programme' to look at the	Creditors are paid via the Council's purchase ledger system. Between 1 April and 30 June 2020, over 2,960 invoices (not including payments for refunds, business support grants, or to Strata) were processed. As a result of the COVID-19 crisis, some changes to the usual creditor process were implemented to enable Accounts Payable staff to work from home. Accounts Payable can now only accept invoices by e-mail and any paper invoices received at the Civic Centre are scanned by the CSU and e-mailed direct to Accounts Payable. The process for processing electricity bills was also amended. The potential risk of fraud has increased since the start of the COVID-19 pandemic, with many fraudsters using it as an opportunity to exploit organisations and individuals As a result of the increased risk of fraud, larger samples of creditor invoices were tested for this audit to ensure payments were bona fide. More detailed testing was carried out for higher risk transactions, or where there had been a change in processes e.g.: - payments to new suppliers - high value payments - utility payments

Audit Review	Report Status	Overall Opinion	Direction of travel since last audit	No. of Findings & Remedial Action Agreed (High Risk only)	Summary (where completed within this quarter)
				raising of purchase orders and payment of invoices. A proposed new process has already been drafted and the next stage is for volunteer areas to pilot it.	<p>The scope of the audit included a review of the following areas:</p> <ul style="list-style-type: none"> - Detailed invoice testing on invoices from new suppliers (set up since 23 March 2020) & those invoices over £4.5k - New suppliers - Payment of utility bills - Benford Law analysis <p>Remedial action was agreed with management for all findings.</p>
Corporate Credit Cards	Final	Satisfactory Assurance	↓	3 Medium	<p>In addition to paying Creditors via EFINs (which is the Council's purchase ledger system) there is also the facility for staff to purchase items using one of the Council's credit cards which are held by nominated officers.</p> <p>As at June 2020, corporate credit cards had been issued to 53 members of staff.</p> <p>The scope of this audit included checking that:</p> <ul style="list-style-type: none"> • separation of duties exist between the person placing the order and the person authorising the order • the order is authorised prior to it being placed • where applicable a valid VAT receipt/invoice is held <p>Remedial action has been agreed with management for all the findings identified.</p>
Treasury Management	Q4				
Insurance	Q3				
People Management	In progress				
Health & Safety	Q4				
Private Sector Landlord Services	Q3				
Better Care Fund	Final	Substantial Assurance	↑	1 Medium	<p>In 2015 the government introduced the Better Care Fund in an attempt to bring health and social care together in an integrated way. The fund is a combination of government funding from the Department of Health and the Department for Communities and Local Government and includes the grant allocation for both Disabled Facilities Grants and Warm Up grants.</p>

Audit Review	Report Status	Overall Opinion	Direction of travel since last audit	No. of Findings & Remedial Action Agreed (High Risk only)	Summary (where completed within this quarter)
					<p>Warm up grants (up to a maximum of £2k per property) provide:</p> <ul style="list-style-type: none"> • top up funding for energy efficiency measures where energy providers are part funding energy efficiency measures under their Energy Company Obligation (ECO) or • to fund energy efficiency measures which do not attract Energy Company Obligation which do not attract Energy Company Obligation, for example, insulation to mobile homes and the installation of central heating for the first time. <p>For the period 01/04/19 to 30/03/20 a total of 273 warm up grant payments were made, with a total value of £530,399.50</p> <p>The Scope of the audit included a review of the following areas:</p> <ul style="list-style-type: none"> • Policies and procedures • Eligibility • Approval of applications • Checks on new suppliers • Supplier agreements, e.g. data sharing • Payment of grant and authorisation • Monitoring of grant income <p>Remedial action has been agreed with management for the finding identified</p>
Sport England	Q3				Propose postponing to 20/21 (see covering report) to enable additional testing of business grants as a result of the second lockdown.
Homecall	Q3/4				
Corporate Property Assets	In progress				
Communications – social media	Q3				
Housing Benefits	Draft				
Council Tax	Draft				
Sundry Debtors	Q4				
Housing – (incl. development, temp	Q3/4				

Audit Review	Report Status	Overall Opinion	Direction of travel since last audit	No. of Findings & Remedial Action Agreed (High Risk only)	Summary (where completed within this quarter)
accommodation, housing needs, homelessness)					
Corporate Governance	In progress				
Equalities and Diversity	Q4				
Risk Management	In progress				
Business Continuity Management	In progress				
Contract Management	Q4				
Performance Management	Q3/4				
Commercialisation and project management	Q4				
Review of hospitality/disclosures	Q4				
Disabled Facilities Grants	Final	Substantial Assurance	↔	2 Medium 1 Low	<p>The awarding of these grants by local councils is governed by part one of the Housing Grants, Construction and Regeneration Act 1996. Devon County Council has been allocated funds by Central Government to support disabled adaptations. A share of this money is then allocated to each local authority within Devon to administer on behalf of DCC.</p> <p>For the 2019/20 year, ECC was allocated £621,907 from Devon's Better Care Fund, and there was a balance of £499,892 brought forward from the previous year (2018/19).</p> <p>The Council is required to confirm that the grants they have awarded have been administered in accordance with the conditions set out by the Department of Community and Local Government..</p> <p>The Scope of the audit included a review of the following areas:</p> <ul style="list-style-type: none"> • Policies and procedures • Eligibility • Approval of applications • Works • Conditions • Payments • Monitoring of grant income

Audit Review	Report Status	Overall Opinion	Direction of travel since last audit	No. of Findings & Remedial Action Agreed (High Risk only)	Summary (where completed within this quarter)
					<p>Samples of transactions were selected over the period 1 April 2019 to 31 March 2020 for examination and members of staff were interviewed in order to check the effectiveness of the internal controls and procedures in operation.</p> <p>In this period 106 Discretionary grants were approved with a total value of £438,277.70.</p> <p>Remedial action has been agreed with management for the finding identified.</p>
Unplanned Additional Audit Work 20/21 and loss of audit days					
Gov't Covid Business Grants – administration and award of grants	Complete	N/A		N/A	The Audit Managers have been assisting the business rates team in the administration, assessment and awarding of the Covid Business Grants.
Covid Business Grants – post award assurance	Draft				The Government requires post award checking of the Covid Business grants. As the Audit Managers were involved in the administration process this has been allocated to another member of the audit team to provide some independence.
Support for Leisure Contract in-house	Complete				The Audit team undertook the inventory checks at the Leisure facilities to assist with the transfer of these facilities to be run in-house following the end of the current Leisure contract with Parkwood Leisure.
Re-deployment of staff to Exeter Community Hub	Complete				Two team members were deployed to the Exeter Community Hub for 12 hours per week for the total of 9 weeks.
Furlough of staff	Complete				One member of the team was furloughed for 6 weeks (24 days lost from audit plan)
Income Compensation Scheme for lost sales, fees and charges	In progress				At the request of the Director of Finance, Internal Audit will be auditing the claims submitted to government in respect of this scheme to ensure that the claim complies with the government guidelines. The time to undertake this audit is outside of the audit plan and will be resourced by a member of staff working overtime.

Audit reports issued during 20/21 relating to the 19/20 Year

Audit Review	Report Status	Overall Opinion	Direction of travel since last audit	No. of Findings & Remedial Action Agreed (High Risk only)	Summary (where completed within this quarter)
Contract Management	Final	Satisfactory Assurance	↔	3 Medium risks	Reported last quarter
Procurement	Final	Satisfactory Assurance	↔	11 Medium risks	Reported last quarter

SIGNIFICANT GOVERNANCE ISSUES PROGRESS REPORT - FROM ANNUAL GOVERNANCE STATEMENT 2019-20

No.	Issue identified	Responsible Officer	Summary of action proposed	Update Sept 2020	Update December 2020	Update March 2021	Notes
3 (19-20)	Due to the Covid19 pandemic and the lockdown measures that were put in place in March 2020, the Council is facing increased cost and demand pressures at the same time as seeing a significant drop in income. Support from Central Government has mitigated some of the pressures, but the longer term impact could still be damaging to the Council's financial position.	Chief Finance Officer	~The Government have provided grants to cover expenditure pressures. ~The Government have committed to covering most of the losses from sales, fees and charges. ~The Council has taken an emergency budget to be considered on 21 July 2020, identifying ways to ensure a balanced budget.	~ Emergency Budget has been approved. ~ Government provided a small additional amount of Grant (£206k) to help towards expenditure pressures. ~ Monthly monitoring and returns to Government being maintained. ~ Extra £1m set aside to deal with additional pressures.	- Further Lockdown creating additional pressure on income budgets - Sales, Fees and Charges compensation has allowed the Council to protect its finances further and offset the worst elements of income loss - Further grant funding provided by Government to support additional expenditure		
4 (19-20)	Due to the Covid19 pandemic and the lockdown measures that were put in place in March 2020, the Government has laid new regulations before Parliament to allow for virtual Council meetings to be held virtually.	City Solicitor/ Monitoring Officer	The Council was the first to use the new regulations, holding a meeting of the Executive virtually, two days after the regulations came into force. Initial meetings were held via Skype for Business, but this has been replaced by Zoom. All meetings are streamed live via Facebook as they were previously to enable the public to view all Council business transparently. Members of the Public can also "attend" the meeting to ask questions using the normal notification procedure.	The virtual meetings are going well.	Meetings are continuing to be held virtually via Zoom, and are continuing to perform well. Members of the public regularly take up the opportunity to engage in these meetings via the normal public engagement aspects, with all public meetings also being broadcast via the Council's Facebook site. There are no plans at the moment to return to physical meetings."		
5 (19-20)	The move to an agile and flexible working environment as part of the Organisational Development Plan will impact on the control environment in some instances, which will require a review and in some cases adaptation of existing controls.	Audit Managers	Audit Plan will be updated to prioritise those services where the new working from home environment has resulted in a change to working practices and controls.	The current plan has been reprioritised to ensure control risks relating to working from home are promptly reviewed.	A revised Audit Plan was approved by A & G 16.09.20. Audit testing to date would indicate that staff have adapted well to the enforced home working and revised working processes and controls have been implemented and are working well.		
6 (19-20)	The Covid19 pandemic has created a significant increase in fraud risk. The Council has already experienced at least one instance of a fraudster attempting to change a suppliers bank details. Grant schemes always attract individuals hoping to exploit the system and with the Government Covid19 grants schemes this risk has also further increased.	Audit Managers	Internal audit are currently undertaking a risk assessment on behalf of the Council, as required by the government, to assess the level of risk the Council may be exposed to as a result of administering the Small Business, Hospitality and Leisure and the Discretionary Grants. Internal Audit will also be undertaking post award checking following guidance issued by the government.	The risks assessment relating to the business grants has been completed and the prior award checks undertaken mean the risk is assessed as low. Fraud risk in general is being continually assessed and emerging fraud risks and trends are considered.	Internal Audit are currently in the process of undertaking post award assurance checking on the Small Business, Hospitality and Leisure and the Discretionary Grants as well as undertaking an audit of the Council's claim in respect of the Income Compensation Scheme for lost sales, fees and charges to ensure the claim meets government guidance. The Council is also participating in the National Fraud Initiative work programme which includes the mandation of additional data as part of the counter fraud response to the government Covid-19 relief programme. The pre-payment process for Test and Trace Support payments has been agreed with the Benefits and Welfare Lead. Pre-payment eligibility checks will be undertaken by the Quality Control Team with IA undertaking further independent sample testing at the year end to ensure payment complied with government guidance.		

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No significant governance issues were identified for 2018/19, however, measures to improve Governance arrangements have been proposed and implementation of these measures should continue to be monitored as implementation has been delayed due to the Covid19 Pandemic

1 (18-19)	The Council continues to make changes to its organisational structures and ways of working as it transforms the way in which services are delivered within the financial constraints of the current economic climate. This has kept the overall risk to the internal control environment high with changes in staff responsibilities and the reduction of available resources.	Audit Manager	This will continue to be monitored as part of the internal audit plan and any issues arising will be reported to the Audit and Governance Committee.	Internal Audit continue to deliver the audit plan and any issues arising relating to this risk will be reported to the A&G Committee.	As update for reference number 5 (19-20)		
2 (18-19)	The Council now has a fully functioning Procurement Team in place which is effectively managing Council procurements. The next phase is to ensure that contract management is an integral part of the procurement cycle to ensure that it is undertaken effectively and consistently across the Council's contracts.	Chief Finance Officer	A contract management training plan to be implemented along with contract management guidance to assist contract managers to properly manage contracts by addressing transition management, performance monitoring and by helping to ensure that both parties fulfil their commercial and contractual commitments.	Need for training understood and accepted. Service Lead - Procurement is working to create a programme.	Contract management training delayed due to staff absence during Covid (furlough) and the Organisation Development Project task and finish group for Orders and Invoicing has taken a priority. Now scheduled for delivery in Jan-Mar 2021.		

REPORT TO AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 25 November 2020

Report of: Director Finance

Title: OVERVIEW OF THE REDMOND REPORT RECOMMENDATIONS

Is this a Key Decision?

No

* One that affects finances over £1m or significantly affects two or more wards. If this is a key decision then the item must be on the appropriate forward plan of key decisions.

Is this an Executive or Council Function?

Council

1. What is the report about?

- 1.1 To update the Committee on the recommendations of the Redmond Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting.

2. Recommendations:

It is recommended that:

- 2.1 Audit and Governance Committee note the contents of the report;

3. Reasons for the recommendation:

- 3.1 To provide members of the Committee with an overview of the recommendations, which will impact on their role on the Audit and Governance Committee.

4. What are the resource implications including non financial resources.

- 4.1 There are no specific resource implications arising from the publication of the report. However, if the Government accept the recommendations, there is an expectation that the cost of External Audit will increase and the requirement for additional reporting by the Council risks additional staffing being required in finance to meet the significantly larger amount of work being delivered.

5. Section 151 Officer comments:

- 5.1 The review has recognised that the current structure is not working, however the recommendations risk adding significant cost at a time when Councils will be required to make significant savings.

6. What are the legal aspects?

- 6.1 A number of the recommendations will require legislative changes to be enacted. It is therefore uncertain as to when these elements of the recommendations, if accepted, will come into force.

7. Monitoring Officer's comments:

This report raises no issues for the Monitoring Officer.

8. Report details:

- 8.1 The Redmond review was published in September 2020 and if accepted by Government will have a significant impact on both the financial reporting and audit of Local Government. In conducting the review, Sir Tony Redmond, was asked to undertake an independent review of the effectiveness of local audit and its ability to demonstrate accountability for audit performance to the public. The Review also considered whether the current means of reporting the Authority's annual accounts enables the public to understand this financial information and receive the appropriate assurance that the finances of the authority are sound.

- 8.2 The key findings were:

- The current local audit arrangements fail to deliver, in full, policy objectives underpinning the 2014 Act.
- As a result, the overriding concern is a lack of coherence and public accountability within the existing system.
- The local audit market is very fragile. The current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way with 40% of audits failing to meet the required deadline for report in 2018/19
- Without prompt action to implement the recommendations, there is a significant risk that the firms currently holding local audit contracts will withdraw from the market.

- 8.3 The recommendations are set out in Appendix A. Some of the recommendations will require changes in legislation, which will take time to enact. It is important to note that the recommendations of the review will add significant pressure to finance departments as well as additional cost in respect of external audit. It is not clear that the key problems with audit (too much focus on material issues that are not as important in Local Authority Accounts such as pensions and Fixed Assets) will be addressed by the outcome of this review. It is also not clear how yet another financial report reconciled to the Statement of Accounts will help the public understand what is an extremely complex financial entity.

9. How does the decision contribute to the Council's Corporate Plan?

- 9.1 Not applicable.

10. What risks are there and how can they be reduced?

- 10.1 There are no direct risks associated with this report

EQUALITY ACT 2010 (THE ACT)

- 11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:
- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
 - advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
 - foster good relations between people by tackling prejudice and promoting understanding.
- 11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.
- 11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.
- 11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because: because
- 11.4.1 The report is for information only.

CARBON FOOTPRINT (ENVIRONMENTAL) IMPLICATIONS:

- 12.1 No direct carbon/environmental impacts arising from the recommendations.

13. Are there any other options?

- 13.1 Not applicable

Director Finance

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None

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Redmond Review - Recommendations

The recommendations of this Review are as follows:

External Audit Regulation

1. A new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit with the following key responsibilities:
 - procurement of local audit contracts;
 - producing annual reports summarising the state of local audit;
 - management of local audit contracts;
 - monitoring and review of local audit performance;
 - determining the code of local audit practice; and
 - regulating the local audit sector.

2. The current roles and responsibilities relating to local audit discharged by the:
 - Public Sector Audit Appointments (PSAA);
 - Institute of Chartered Accountants in England and Wales (ICAEW);
 - Financial Reporting Council (FRC) / Audit, Reporting and Governance Authority (ARGA); and
 - The Comptroller and Auditor General (C&AG)

to be transferred to the OLAR.

3. A Liaison Committee be established comprising key stakeholders and chaired by Ministry of Housing, Communities & Local Government (MHCLG), to receive reports from the new regulator on the development of local audit.

4. The governance arrangements within local authorities be reviewed by local councils with the purpose of:
 - an annual report being submitted to Full Council by the external auditor;
 - consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
 - formalising the facility for the Chief Executive Officer (CEO), Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.

5. All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.

6. The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.

7. That quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.

8. Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.

9. External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.
10. The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.
11. The revised deadline for publication of audited local authority accounts be considered in consultation with National Health Service Improvement (England) (NHSI (E)) and the Department of Health and Social Care (DHSC), given that audit firms use the same auditors on both Local Government and Health final accounts work.
12. The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.
13. The changes implemented in the 2020 Audit Code of Practice are endorsed; OLAR to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters.

Smaller Authorities Audit Regulation

14. Smaller Authorities Audit Appointments (SAAA) considers whether the current level of external audit work commissioned for Parish Councils, Parish Meetings and Internal Drainage Boards (IDBs) and Other Smaller Authorities is proportionate to the nature and size of such organisations.
15. SAAA and OLAR examine the current arrangements for increasing audit activities and fees if a body's turnover exceeds £6.5m.
16. SAAA reviews the current arrangements, with auditors, for managing the resource implications for persistent and vexatious complaints against Parish Councils.

Financial Resilience of local authorities

17. MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.
18. Key concerns relating to service and financial viability be shared between Local Auditors and Inspectorates including Ofsted, Care Quality Commission and Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) prior to completion of the external auditor's Annual Report.

Transparency of Financial Reporting

19. A standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax/precept/levy and presented alongside the statutory accounts.
20. The standardised statement should be subject to external audit.

21. The optimum means of communicating such information to council taxpayers/service users be considered by each local authority to ensure access for all sections of the communities.

22. The Chartered Institute of Public Finance & Accounting (CIPFA)/Local Authority Scotland) Accounts Advisory Committee (LASAAC) be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary.
23. Joint Panel on Accountability and Governance (JPAG) be required to review the Annual Governance and Accountability Return (AGAR) prepared by smaller authorities to see if it can be made more transparent to readers. In doing so the following principles should be considered:
- Whether “Section 2 – the Accounting Statements” should be moved to the first page of the AGAR so that it is more prominent to readers;
 - Whether budgetary information along with the variance between outturn and budget should be included in the Accounting Statements; and
 - Whether the explanation of variances provided by the authority to the auditor should be disclosed in the AGAR as part of

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 25 November 2020

Report of: Chief Executive & Growth Director

Title: Corporate Risk Register

Is this a Key Decision?

No

Is this an Executive or council function?

Risk management is a council function.

Risk Management is an important element of the council's Code of Corporate Governance. Regular monitoring of the council's corporate risks helps to ensure that the council's business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

1. What is the report about?

- 1.1 The report advises the committee of the council's risk management progress and presents the updated Corporate Risk Register (Appendix A).

2. Recommendations:

- 2.1 That the committee reviews Corporate Risk Register

3. Reasons for the recommendation:

- 3.1 To comply with the council's Risk Management Policy which states that this committee is responsible for monitoring and reviewing the Council's risks and reporting all new and updated risks to the Chief Executive and Growth Director.

4. What are the resource implications including non-financial resources.

- 4.1 Directors and Senior Managers, as appropriate, are asked to update the Corporate Risk Register on a quarterly basis. The register is reviewed regularly by the Chief Executive and Growth Director, the Strategic Management Board and the Health and Safety Board. This process is currently facilitated by Internal Audit.

5. Section 151 Officer comments:

- 5.1 The new risk highlighted forms only part of the wider risk to the Council's financial position as a result of the pandemic. In reality, the ongoing cost to the Council will be around £37,000 a year per £1 million extra budget required. Whilst significant, there are potentially greater financial risks in respect of the Council's key income areas, which will apply much greater pressure to the Council's financial position.

6. What are the legal aspects?

- 6.1 None identified

7. Monitoring Officer's comments:

- 7.1 This report raises no issues for the Monitoring officer.

8. Report details:

- 8.1 The Corporate Risk Register as at 16.09.20 has been reviewed and updated by members of SMB as follows:

NEW RISK

Risk number 14 – Increased cost of St Sidwell's Point and Bus & Coach Station

Potential Causes:

- There will be increased costs as a direct result of actions required to manage the new risks associated with COVID 19 risk

Potential Impacts:

- Increased costs to Council
- Not realising financial and cultural benefits anticipated from project delivery
- Damage to Council's reputation and reduced credibility to deliver major projects in future

- 8.2 An update on each risk can be found in the final column.
- 8.3 The updated Corporate Risk Register for November 2020 can be viewed at Appendix A.

9. How does the decision contribute to the Council's Corporate Plan?

- 9.1 This decision helps to ensure the delivery of the council's purpose 'Well Run Council'.

10. What risks are there and how can they be reduced?

- 10.1 Any risks should be captured in either this document or the operational risk register.

11. Equality Act 2010 (The Act)

- 11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:
- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
 - advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs;
 - and foster good relations between people by tackling prejudice and promoting understanding.
- 11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.
- 11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.
- 11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because:

11.4.1 The report does not set policy.

12. Carbon Footprint (Environmental Implications):

12.1 Not applicable

13. Are there any other options?

13.1 Not applicable.

Chief Executive and Growth Director

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

Contact for enquires: Democratic Services (Committees)01392 265275

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Corporate Risk Register

Review Month:
Nov 2020

Ref	Date Risk Identified	Risk Owner	Inherent Risk			Existing Mitigations & Controls (What has been done to control the risk?)	Residual Risk			Further Mitigations & Controls to be put into place	Target Implementation Date	Notes
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			
1	Failure to deliver anticipated benefits of major projects (St Sidwell's Point and Bus & Coach Station) <u>Potential Causes:</u> - Failure to procure appropriate operator for leisure centre - Adverse weather / other delays typical of such projects <u>Potential Impacts:</u> - Increased costs to Council from project overspends or overruns - Not realising financial and cultural benefits anticipated from project delivery - Damage to Council's reputation and reduced credibility to deliver major projects in future											
Page 39	October 2017	Jo Yelland - Director	3	3	9	- Recruited experienced Project Manager, Quantity Surveyor and delivery team - Established high level Programme Board to oversee progress and delivery - Contractor appointed to build the facility, following a 2 stage collaborative approach in procurement. - Fixed price Design & Build Contract, with a limited amount of Provisional Sums.	2	3	6	- Ongoing reporting of progress and potential issues to Client lead. - Technical Assurance & Audit team being procured to monitor compliance with the Contract, review ongoing performance and positively challenge the build team to help promote the identification and resolution of potential issues / problems.	Ongoing October 2020	Nov 2020: No further update this quarter. New Risk: Please see associated new risk No.14 below
2	Counter Terrorism and Community Cohesion & Safety <u>Potential Causes:</u> - Brexit and the continued political uncertainty and growing divides in the country has increased likelihood of radicalisation and violent extremism across the UK. Whilst the risk level in Devon and Exeter is traditionally low, like all other areas in the country our own local risk level has heightened particularly in relation of extreme right –wing activism. <u>Potential Impacts:</u> - Community unrest and extreme anti-social behaviour incidents commence and escalate leading to public unrest											
	June 2019	Jo Yelland - Director	3	4	12	- Active leadership within the Exeter Community Safety Partnership at Executive and Senior Manager level - Director participation in Counter Terrorism Briefings - SMB informal relationships with key Community Leaders	2	4	8	Adoption of Safer Devon Prevent Toolkit and associated of staff training	Jun-20	Nov 2020: No further update this quarter.

Corporate Risk Register

Review Month:
Nov 2020

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3	Delivery of Sport England Local Delivery Pilot Outcomes											
	<p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Not demonstrating year 1 outcomes (such as improving street scenes, increasing number of residents using cycling and walking routes, active school clubs etc.) - Not having appropriate programme management and focus on delivery - Council or main strategic partners restricted by existing policies (H&S etc.) or lack of appetite for certain outcomes - Not achieving alignment with key partners (Devon CC, Exeter City Future, CCG etc.) - Program delivery dependent upon key individuals (Jo, James, Karime) - Relative inexperience of Council of delivering such programs <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Significant reputational damage due to national and regional interest in success of program which could damage Exeter CC's status and credibility and undermine future grant / funding opportunities - Gap in health inequalities doesn't get addressed - leading to increased demands on council, and wider public sector, services. 											
	June 2019	Jo Yelland - Director	3	4	12	<ul style="list-style-type: none"> - A Commissioning Model has been adopted for programme delivery with local partners such as Active Devon leading on the implementation of key programmes which integrates into the local system and also promotes sustainability. - Annual outcomes clearly articulated within the programme plan. - Preparations made for 6 monthly assessments with Sport England including external evaluation partner secured to undertake bi-annual process evaluations. - Regular governance reviews to be undertaken to ensure continued engagement and buy-in from critical partners. - Communication strategy covering all stakeholders (especially local communities) being commissioned. 	3	3	9	<ul style="list-style-type: none"> - Pro-active 6 monthly assessments with Sport England - Review of governance and in particular strengthening the role of the Executive Group - Communication strategy covering all stakeholders (especially local communities) being developed 	Oct 2019 Oct 2019 Dec 2019	Nov 2020 : Sport England have confirmed extension funding to 2025

Corporate Risk Register

Review Month:

Nov 2020

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4	Lack of proactive and preventative investment and maintenance of assets <u>Potential Causes:</u> - Historic budget savings led to under inspection of assets, increased inspections now identifying issues - Asset Maintenance resources removed as budget savings to prevent front line service cuts - Not following asset management best practice by cutting back on routine preventative maintenance and only dealing with the most urgent maintenance cases. <u>Potential Impacts:</u> - Deterioration of assets to unsafe levels leading to closure - Under utilisation (lost income) of both car parks and sports centres - Increased costs in long run (potential need to demolish certain assets) rather than refurbish / redevelop - Current approach is not efficient value for money in long term - Reducing attractiveness of city centre to commerce and tourism											
June 2019	Dave Bartram - Director	4	3	12	- All urgent H&S related repairs prioritised and completed as soon as possible - Fire risk assessments undertaken with additional resource in place - Asset Condition Surveys underway to identify maintenance requirements to ensure compliance and to devise work programmes to inform decision making - SMB and Members (incl. new leader) engaged on challenges - Digitised asset registers allowing improved analysis	3	3	9	- Business case being drawn up to articulate challenges. - Development of Asset Management Strategy including funded asset program of inspection and divesting assets that aren't needed.	Ongoing	Nov 2020: Corporate Asset Maintenance report presented to 06 October Executive Committee and 20 October 2020 Council. Report recommendations supported and budget for 20/21 approved	
5	Information Governance failure (including Council experiencing a cyber attack) <u>Potential Causes:</u> - Lack of appropriate policies and processes - Staff awareness and understanding of requirements and best practice for managing data effectively - Inadequate cyber defences <u>Potential Impacts:</u> - Disruption to IT systems could result in inability to deliver key services - Sensitive personal, corporate or financial information could be accessed/released unlawfully - Council may not be permitted to access the PSN secure connection - Non-compliance with the General Data Protection Act (GDPR) potentially leading to significant fines											

Corporate Risk Register

Review Month:										Nov 2020		
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Existing Mitigations & Controls (What has been done to control the risk?)	Residual Risk			Further Mitigations & Controls to be put into place	Target Implementation Date	Notes
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			
Page 42	April 2017	Karime Hassan - Chief Executive	3	4	12	<ul style="list-style-type: none"> - Information Security Policy and Information Security Forum in place - Training for existing staff complete and schedule for new staff in place - Disaster recovery and business continuity policies in place - Regular staff reminders on this issue - Comprehensive IT service from STRATA (company owned by three local authorities) including range of mitigations (firewalls, penetration testing, email and web filtering, anti virus software etc.) - Regular, timely software updating to mitigate new vulnerabilities. 	2	3	6	<ul style="list-style-type: none"> - Consider lessons learnt from Council incidents - Review compliance with automated updates - Review use of third party data storage and security arrangements. - Consider optimal frequency and method for providing assurance to SMB (potential inclusion of monthly STRATA report) - Reconvene Information Governance Group to maintain corporate oversight of information governance issues. 	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p> <p>October 2020</p> <p>October 2020</p>	<p>Nov 2020: Work has been undertaken to identify whether any council data is held outside of the UK in the event of a no deal BREXIT. Initial findings show that all of the council's data is held in the UK and that no further work will be required. The Information Governance Forum will be reconvened during November 2020 and held on a quarterly basis thereafter. Significant work has been undertaken to ensure that appropriate agreements and privacy notices are in place for the COVID support arrangements that have been put in place by Government.</p>
	6	<p>Insufficient business continuity arrangements to recover critical services effectively</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Critical services not identified - Insufficient plans in place to recover critical services - Lack of testing of plans to ensure arrangements suitable <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Essential services not recovered in timely fashion - Adverse media and public criticism leading to lack of trust in council - Non compliance with Civil Contingency Plan 										
	April 2013	Karime Hassan - Chief Executive	3	4	12	<ul style="list-style-type: none"> - List of critical services agreed with SMB - Corporate Business Continuity Plan approved by SMB which sets out roles and responses to certain events (loss of building, loss of ICT etc.) - IT Disaster Recovery Plan in place - Business Continuity plans developed for all L10Critical services - Business Continuity Test Exercise to be carried out 	2	3	6	<ul style="list-style-type: none"> - Regularly review business continuity plans to ensure they are fit for purpose - Internal Audit to undertake review of Business Continuity Management 	<p>Ongoing</p> <p>Sept 2020</p>	<p>Nov 2020: All Business Continuity Plans were reviewed and updated in September 2020. An Audit of the Council's Business Continuity arrangements will be undertaken to identify any areas that can be further improved.</p>

Corporate Risk Register

Review Month:
Nov 2020

Ref	Date Risk Identified	Risk Owner	Inherent Risk			Existing Mitigations & Controls (What has been done to control the risk?)	Residual Risk			Further Mitigations & Controls to be put into place	Target Implementation Date	Notes
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			
7	Lack of leadership capacity to effectively deliver additional Council objectives and priorities <u>Potential Causes:</u> - Significant draw on management resources following unanticipated new commitments or changes in political expectations - Medium Term Financial Plan will be under strain because of national decisions on New Homes Bonus and re-setting business rates <u>Potential Impacts:</u> - Higher likelihood of potential governance and performance failures due to stretched resources - Limited capacity for leading and delivering change activity impacting upon achievement of councils strategic priorities - Staff morale and burnout if over prolonged period											
Page 43	June 2019	Karime Hassan - Chief Executive	4	4	16	- Experienced and resilient senior management team - Sufficient resourcing in place to deliver existing commitments and corporate plan. - Organisational culture with values set up to deliver - Succession planning / effective deputies - Strong record of bringing in funding to support new initiatives / agenda and additional agenda. - Director appointed for Liveable Exeter housing programme - Place Board give visibility to broader programme and access to national funding routes	3	4	12	- Support development of political discipline regarding understanding of challenges when embarking on new initiatives and recognition of resourcing levels within the Council. - Encourage more robust peer challenge amongst Members - Review method of celebrating achievements of council - Consider leadership development of tier 3/4 managers to develop strategic capability	TBC	No further update this quarter.
8	Inability to deliver carbon neutral aspirations for Exeter by 2030 <u>Potential Causes:</u> - Financial pressure and economics of carbon reduction - Behavioural challenges over influencing businesses and public - Technical capability to deliver - Lack of control over all stakeholders (businesses, visitors etc.) - Political environment and acceptance of policy changes required - Misalignment with Devon Climate Plan - Failure to engage with resident and business of Exeter to ensure solutions proposed meet real need <u>Potential Impacts:</u> - Reputational - Failure to deliver inclusive growth and retain vibrancy of Exeter as a great place to live - Conflict within Region - Short term changes may not be sustainable											

Corporate Risk Register

Review Month:

Nov 2020

Ref	Date Risk Identified	Risk Owner	Inherent Risk			Existing Mitigations & Controls (What has been done to control the risk?)	Residual Risk			Further Mitigations & Controls to be put into place	Target Implementation Date	Notes
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			
	08.11.19	Karime Hassan - Chief Executive	4	3	12	- Strategic partnerships - Appointment of programme director for Exeter City Futures to form collaborative city governance focussed on carbon neutral - 12 Goals defined for the city to provide framework for carbon neutral. Goals reflect priorities of business and residents - Plans in place to develop roadmap for carbon neutral 2030 - Other major public sector organisations have already committed to becoming carbon neutral (e.g. University of Exeter, Devon County Council)	3	3	9	- Continue to invest in supporting ECF as a partner organisation to ensure that the ambition to be net-zero is continually communicated and residents and businesses are engaged; ensuring all voices are heard and the solution being developed are benefitting the residents and business. - Improve national communication positioning Exeter as a leading sustainable City highlighting what we are doing - through ECF and Livable Exeter activities - Ensure clear alignment with DERG and national climate action plans to ensure Exeter's plan is incorporated	Apr-20	No further update this quarter.
9	Failure to meet Exeter's Housing supply needs as a planning authority and meet strategic 5 years ambitions <u>Potential Causes:</u> <ul style="list-style-type: none"> - Inadequate Land supply - Not granted enough planning permissions - Student development cannot be included in housing supply figures - House builders drip feeding - Political / community buy in to developments - GESP and/or Exeter Development Delivery DPD not progressing as quickly as possible. Political changes at neighboring boroughs leaving an unclear position <u>Potential Impacts:</u> <ul style="list-style-type: none"> - Financial risks with increased appeals, and potentially lost income - Social outcomes - inequality, rising social service costs - significant waiting list - Reputational impact if development on not appropriate location - Risk of losing planning appeals on sites where there are objections in principle. - Vulnerable to developers - not able to protect areas that are identified as residents priorities 											

Corporate Risk Register

Review Month:

Nov 2020

Ref	Date Risk Identified	Risk Owner	Inherent Risk			Existing Mitigations & Controls (What has been done to control the risk?)	Residual Risk			Further Mitigations & Controls to be put into place	Target Implementation Date	Notes
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			
	June 2013	Bindu Arjoon - Director	4	3	12	<ul style="list-style-type: none"> - Brownfield opportunities identified and developed into the Liveable Exeter strategy. - Higher density developments being encouraged within the city centre. -Social Housing being developed following the lifting of borrowing cap- ambition for 500 homes over 10 years' - Appropriately briefing members to ensure robust decision making processes 	3	2	6	<ul style="list-style-type: none"> - Greater Exeter Strategic Plan being developed. Subject to approval by the relevant Committees of the four Greater Exeter local authorities, the GESP will be publically consulted on during September-November 2020. Further rounds of consultation will follow. Adoption of the GESP is currently timetabled for 2023. - Local plan for Exeter CC also being developed as plan B. Scoping underway. - Selling positive image of high quality high density brownfield developments - continuing consultations.Future Place commission has developed an urban design toolkit to support higher density developments. 	Ongoing	<p>Nov 2020: Staff resources have been secured via Council to fund the work require for Exeter's Local Plan and less resources will be required for the GESP as there will no longer a statutory joint plan. Work on housing delivery is still being done via the Liveable Exeter programme and Exeter City Living. Work also continues on the Council House Building Programme with the current forecast that 500 new homes will be delivered in just over five years.</p>
10	<p>Failure to adapt council workforce to ensure appropriate skills and experience</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Ageing workforce (half of staff over 50, considerable enough) - Difficulty to recruit into key areas - professional areas (planners, lawyers) - Empowerment, skills and engagement of managers to enable this change <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Loss of experience - Increased spending on agency workers - Not having cost effective council services delivering the right outcomes - Service disruption - Cost of appeals / challenges across the council services - Increased stress / pressure on workforce 											

Corporate Risk Register

Review Month:

Nov 2020

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			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			
	June 2019	Baan Al-Khafaji	3	3	9	<ul style="list-style-type: none"> - Market supplement scheme in place - Apprenticeship opportunities for new and existing staff - Employing part qualified staff and training them (internal and external) - procurement, planning etc. - Improvements in metric tracking (age, gender, skills profiles) - Business Partnering model allowing for greater collaboration between service areas and HR. 	2	3	6	<ul style="list-style-type: none"> - Effective use of metrics utilising new system (within 12 months) - Ensure robust implementation of new workforce planning process (local mgmt team led) - Utilising agile program to compliment modernisation of work environment - Review of progress against GDR. 	TBC	Awaiting response from BA.

Maintaining the Financial Sustainability of the Council

Potential Causes:

- Fair funding review from central government involving rebaselining of business rates (income loss of £1.8m per annum) and determination of a new formula which could have funding implications.
- Inability to deliver £2.4m savings target over two year period, £6m over three years
- Move to 75% business rate retention rather than government grant increases volatility of income and dependence upon growing local economy and business rates.
- Inability to grow Exeter city centre and associated business rates etc.
- Policy, regulatory or legislative changes which are not fully funded from central govt.
- Failure to realise commercial ambitions of council

Potential Impacts:

- unable to balance budget
- reduced income for council services
- larger than anticipated cuts (in year or over longer term)
- reduction in reserves
- impacts on council services and therefore resident outcomes

Corporate Risk Register

Review Month:

Nov 2020

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			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			
	January 2018	Dave Hodgson - Chief Finance Officer	4	4	16	- Detailed MTFP assessed and agreed with Members - 5 point savings plan agreed and being implemented with suitable governance arrangements in place. - Budget report in new year and recommendations to members briefing in December 2019. - Significant investment in city centre regeneration (st sidwell's point & bus station) including developing a new vision for the rest of the site which includes mixed use - New Business Development manager appointed to identify and grow commercial opportunities - Strong level of unringfenced general fund reserves to protect against shocks	3	4	12	- Continue to respond to consultations making case for council - Lobby government for relaxation of council tax increase restrictions - Further development of role and scope of business development manager position	Dec-20	Nov 2020 : CSR has been put back a year by Government. Post Covid – expectation is still savings in the region of £6m starting from 2022-23
12	Inability to deliver carbon neutral operations for Exeter City Council by 2022 The Council have committed to make their own operations carbon neutral ahead of 2030 in order to lead the City by example. There is a risk that this is not achieved. <u>Potential Causes:</u> - Failure to establish a clear target and trajectory to reduce carbon impact from Council operations - Failure to communicate and engage with staff at all levels to understand the changes required and to identify solutions - Inability to establish baseline and indicators that can measure progress - Unclear ownership of cross-directorship activity and failure to identify/deliver efficient action - Conflicts between carbon reduction and other strategic priorities e.g. cost savings - Failure to balance need for immediate practical action with need for analysis of baseline - Failure to understand the scale of resources (human and financial) required to deliver change - Financial pressures mean resources are not available <u>Potential Impacts:</u> - Reputational - Carbon reduction targets will become harder as we approach 2030 which mean the financial investment will increase - Central government may mandate changes that are costly to implement and dont meet local needs											

Corporate Risk Register

Review Month:
Nov 2020

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Page 48	08.11.19	Karime Hassan - Chief Executive	4	3	12	<p>Full Council have agreed to make operations of Exeter City Council carbon neutral</p> <p>Corporate Energy team has already delivered impactful projects linked to energy reduction and renewal energy generation.</p> <p>Passive Haus projects demonstrating commitment to energy efficient council housing stock.</p>	2	3	6	<p>- Develop cross-directorship sustainability plan that includes: 1.energy (reduction and generation); 2. mobility (Council fleet and staff travel); 3.Sustianability (air quality, biodiversity, resource management); 4. capability (skills, data, operational processes)</p> <p>- Appointment of Director/Senior Officer to assess cross-directorship sustainability performance and identify areas for improvement as well as tracking and reporting progress on carbon performance</p> <p>- Undertake full review of internal policies and processes that are in conflict with carbon neutral aspirations and highlight opportunities for change</p> <p>- Improve communications of Council activities to make own operations carbon</p>	Apr-20	No further update this quarter.
	13	<p>Inability to manage and respond to COVID-19 pandemic</p> <p><u>Potential Causes:</u> Due to a loss of income from business rates, commercial rents and car parking charges, the council is unable to put measures in place to manage and support its staff and stakeholders during and after the pandemic</p> <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - - Loss of staff due to illness - Loss of income for the council - Closure of Civic Centre - Negative impact on economy for Exeter and wider region - Unable to support Exeter Community Wellbeing - Adverse impact on service delivery 										

Corporate Risk Register

Review Month:

Nov 2020

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	March 2020	CX	4	4	16	<ul style="list-style-type: none"> - All office based staff are working agile and flexibly and can work from home - All services have business continuity plans in place which are reviewed regularly - Sickness levels regularly reviewed - Regular SMB meetings to review and manage the council's response - Exeter Wellbeing Hub established - Wellbeing guidance for staff and managers published on intranet - Further digitalisation of services - Exeter Recovery Plan has been prepared - Emergency budget has been prepared 	4	3	12	<ul style="list-style-type: none"> -Finalise and approve the Exeter Recovery Plan -Work with partners to deliver the Exeter Recovery Plan -Executive to agree the Emergency Budget -Continue to communicate with staff and provide additional wellbeing support as needed 	TBC Ongoing July 20 Ongoing	No further update this quarter.

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