AUDIT AND GOVERNANCE COMMITTEE

Date: Wednesday 29 November 2023
Time: 5.30 pm
Venue: Rennes Room, Civic Centre, Paris Street, Exeter

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

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

Entry to the Civic Centre can be gained through the rear entrance, located at the back of the Customer Services Centre, Paris Street.

Membership -
Councillors Wardle (Chair), Jobson (Deputy Chair), Allcock, Atkinson, Branston, Fullam, Miller, Mitchell, M, Moore, D, Patrick, Snow and Williams, M

Agenda

Part I: Items suggested for discussion with the press and public present

1 **Apologies**

To receive apologies for absence from Committee Members.

2 **Minutes**

To approve and sign the minutes of the meeting held on 27 September 2023. (Pages 3 - 10)

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 disclosure 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 this agenda, but if it should wish to do 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 item(s) of business on the grounds that it (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 **External Audit Progress Report and Sector Update**

To consider the report of the Council's External Auditor. (Grant Thornton) (Pages 11 - 32)

6 **External Auditors - Interim Audit Findings Report 2021/22**

To consider the report of the Council's External Auditor. (Grant Thornton) (Pages 33 - 64)

7 **Statement of Accounts 2021/22**

To consider the report of the Director Finance. (Pages 65 - 218)

8 **Management Letter of Representation**

To consider the report of the Director Finance. (Pages 219 - 222)

9 **Internal Audit Progress Report**

To consider the report of the Audit Managers. (Pages 223 - 244)

10 **Local Government Ombudsman's Annual Review of Complaints 2022-23**

To consider the report of Corporate Manager (Executive Support). (Pages 245 - 264)

11 **Review of Corporate Risk Register**

To consider the report of the Director Finance. (Pages 265 - 278)

Date of Next Meeting

The next **Audit and Governance Committee** will be held on Wednesday 6 March 2024 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 265115 for further information.

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AUDIT AND GOVERNANCE COMMITTEE

Wednesday 27 September 2023

Present:-

Councillor Wardle (Chair)
Councillors Jobson, Allcock, Atkinson, Fullam, Miller, Mitchell, M, Moore, D and Williams, M

Apologies

Councillors Branston, Ellis-Jones and Patrick

Also Present
Director Finance, Director of City Development, Audit Manager, Net Zero Project Manager and Democratic Services Officer (SLS)

53 **MINUTES**

The minutes of the meeting held 26 July 2023 were taken as read, approved and signed by the Chair as correct.

54 **DECLARATION OF INTERESTS**

No declarations of disclosable pecuniary interests were made.

55 **DRAFT AUDIT FINDINGS REPORT 2021/22**

The External Audit Manager (Grant Thornton) referred to the well documented ongoing delays in the completion of audit work nationally and of Grant Thornton's efforts to continue to progress their audit work for Exeter City Council. He presented the interim Audit Findings for the City Council's 2021/22 financial statements and confirmed that a final report would be issued at the completion of their work. There were no matters which required modification of the audit opinion, subject to a number of outstanding matters detailed in the report, including a specific audit focus on the material statement and the accounting estimation element. Grant Thornton have competed the majority of that work, although of note was the updated Pension triennial valuation position.

The following matters were highlighted:-

- the Value for Money arrangement work was ongoing with the recommendations of the 2021/22 accounting average return and the position with regard to providing a defined audit report. To ensure relevancy in terms of the information being used, there would be a combination for the 2022/23 audit report.
- there were no major issues in relation to the management Override of Controls, other than the identification of the level of 'super user access', in respect of system administration and no issues had been identified.
- further work in relation to the high level of activity and the triennial valuation of the Pension Fund had taken place in relation to the current membership numbers. They were seeking a letter of assistance to be able to conclude that element.
- information was awaited to complete the review of the work on the audit for

Exeter City Living, but no issues in relation to the audit had been identified.

- internal control assessment recommendations had resulted in two areas being identified, Declarations of Interest made by senior officers and the individuals with super user access, with recommendations included in the action plan at Appendix A. Management response was awaited on these matters.

The External Audit Manager (Grant Thornton) responded to the following Members' questions:-

- in respect of debt management, the Statement of Accounts included the borrowings of the Council and their role as External Auditors included establishing accurate disclosure as well as the minimum revenue provision for the servicing of debt by the organisation. Although how debt management was handled was part of their VfM review work, it was for Members to consider the appropriate level of debt.
- the Authority's Group Accounts include Exeter City Living, which are audited through PK Francis Clark Accountants.
- the property valuation and estate management offered a broad picture of accuracy in relation to Exeter City Council.
- it was desirable for the receipt of Declarations of Interest in respect of senior officers to be at a nil.
- Materials Requirements Planning (MRP) was a calculation of set aside to cover debt management and management will take the view of the appropriate level based on the debt being carried. Grant Thornton will have a view on this matter in due course.

The Director Finance also responded to the following Members' questions.

- the reference to property ownership raised in the Interim Findings report should be read in conjunction with the Council's Statement of Accounts. There is a description of the related parties in the Group Account's section as well the investment and commercial property portfolio, which included Council dwellings and garages as part of the Housing Revenue Account (HRA) properties, other operational land and buildings where the Council's operational activities are carried out and investment properties as part of the commercial portfolio. Other areas included infrastructure assets such as bridges, footpaths listed in the Corporate Risk Register and heritage assets and a range of community assets that generate a rental income.
- the super user is the System Accountant and the access was monitored through audit logs. The move to the new finance system across the three authorities will address this accounting system in a different way.
- the Government are undertaking a review on MRP and will put in place definitive guidance, but many local authorities have raised issues in relation to the repayment of Council loans and what could be seen as double accounting in the set aside approach. The Council has not taken this approach but a report on this area will be made in due course.
- a link would be provided to the Final Audit Findings with the full Statement of Accounts which will include the Group Accounts.
- the focus of this work was on the 2021/22 audit. In respect of Exeter City Living's audit, PK Francis Clark had completed their work for 2021/22, and the audit for 2022/23 had not been completed. The External Audit Manager (Grant Thornton) stated that as the 2022/23 accounts were still open, any post balance sheet adjustment could be made and the Group Auditors would take a view.

RESOLVED that the Interim Key Findings report by Grant Thornton be noted.

56 **EXTERNAL AUDIT - AUDIT PLAN 2022/23**

The External Audit Manager (Grant Thornton) presented the proposed External Audit Plan from Grant Thornton for the year ending 31 March 2023, which detailed an overview of the planned level and scope of the statutory audit. Although the 2021/22 audit had yet to be completed, there was a need to keep the process moving with the planning of the 2022/23 audit. He referred to the challenges of meeting the Government's deadlines for a timely audit, which was explored in a publication entitled *About Time*. A link was included in the circulated report.

The External Audit Manager (Grant Thornton) referred to a number of areas of work included in the Audit Plan for consideration relating to significant risks, the Value for Money arrangements and the Group audit scope and risk assessment. Recent events had resulted in new areas of work relating to assets being included in the Audit Plan of Reinforced Autoclaved Aerated Concrete (RACC) being present in any of the Council's buildings and also equal pay, which had significant ramifications at Birmingham City Council. This may have an impact on the 2022/23 audit work. The Director Finance confirmed that these matters were already being discussed by the appropriate officers.

A correction was made to the report relating to the materiality figure for the Council's financial statement which was £2,469,000 and not the figure stated of £2,690,000. It was anticipated that the Audit Findings report and Audit Opinion and the Audit Annual report would be presented to the November meeting of the Audit and Governance Committee.

The Audit and Governance Committee noted the External Audit Plan for the year ending 31 March 2023.

57 **INTERNAL AUDIT PROGRESS REPORT 1ST QUARTER**

The Audit Manager (HP) presented the detail of Internal Audit Progress work carried out during the first quarter period of 1 April to 30 June 2023. A summary of progress against the Annual Audit Plan for 2023/24 was included at Appendix A. An Executive summary for each completed audit provided a more detailed breakdown of the work at Appendices B to D. The action plan of the Significant Governance issues identified in the last annual Governance Statement had been included at Appendix E.

Members were advised on the overall progress and that the Plan was on target with no matters to draw to Member's attention.

The Audit Manager responded to the following Members' questions:-

- the City Council's community lottery scheme would be picked up as part of the Audit Work Programme, now that the scheme was in place and operating.
- a request to consider an audit of the fly tipping policy was made and would be considered. The comment that there had been no prosecutions was noted.
- any further areas of concern in relation to community grants would be followed up and brought back for Members' attention. The audit had identified there had been some instances where the terms and conditions

for the recipients have not been met, and a number of recommendations had been proposed.
- Grant payments were made through the Community Grants Board with recommendations made by Ward Members. With regards to the non-return of evaluation forms the process would now ensure the receipt of an evaluation form from the individual organisation or body before any further grant was issued.

The Director Finance added that any exceptions to the agreed management action in relation to community grants would be picked up by the Audit team follow-up, and reported to the March meeting for the Audit and Governance Committee to take a view.

A Member welcomed the summary sheet which was a useful addition to the report format.

The Internal Audit progress report for the first quarter of the year to 2023/24 was noted.

58 **REVIEW OF CORPORATE RISK REGISTER**

The Director Finance presented the report which referred to the revised Corporate Risk process which was presented to the September meeting of the Executive, and which outlined the future reporting arrangements. He now sought Members' endorsement and any comments on the revised risk management process.

It was important to note that the Audit and Governance Committee had a different role to the Executive in terms of the Council's Corporate Risk register and risk management process. The Executive was responsible for delivering the priorities and services and their role was to identify and manage the risk, who with individual Portfolio Holders in conjunction with Directors had responsibility for those risks with appropriate implementation of any necessary mitigations. The role of the Audit and Governance Committee had not changed in terms of being satisfied and ensuring there was an adequate process in place to manage risk, with the opportunity to comment and make recommendations on the process to Council.

Following a Member's question, he confirmed that the role of Audit and Governance Committee in this regard was not that of a scrutiny function, but was a parallel process using the same reported detail on the Risk Register. The Committee could comment on the process in agreement with the Executive with the opportunity to make recommendations to Council to enhance the process.

The new risk management procedure will allow individual Directors to work more closely with the Executive and Portfolio Holders to identify and manage risk. He outlined the key benefits, which included a summary page which included an assessment of resources that would be required to mitigate the risk in terms of the effect on finance, reputational risk, regulatory and legal compliance as well as the impact on the community. The risks are also focused on the Council's Corporate Priorities, alongside the four pillars that underpin the provision of services relating to People, Finance, Assets and Time.

In response to questions from Members, the Director Finance confirmed that:-

- each Director will work with their respective service Portfolio Holder to consider the Risk Appetite rating. Examples might be in relation to property where a particular scenario might result in a significant change such as danger or loss of life, whereas risk associated with more evolving technology with other benefits and opportunity to contribute to a priority could result in a different approach. It was for Members to consider the outcome, and achievements and the impact of the risks and match that with the appetite for risk. It was for Members as a Council to determine where resources in the widest sense would be targeted, and appetite for risk was not necessarily linked to the level of available resources.

- with a further explanation of the headings and colour coding on the summary sheet relating to the internal assessment of the level of resources in terms of the Council's four pillars of time, financial, people and assets needed to fully mitigate those risks and in relation to the external areas of Drivers for Risk Appetite of wider considerations should the risk materialise including areas such as finance, reputational risk, regulatory and legal compliance as well as the impact on the community. To consider the appetite for risk that the Council would wish to take to deliver the priority and that will vary with the potential risk and impact will be. The aligned dates were now more meaningful and varied from a rolling target such as in the case of financial sustainability to alignment to a work programme or funding.
- the Net Zero Risk Register was about the City Council's attempts to become carbon neutral as a Council. One of the objectives is to deliver a Net Zero city and is a risk that focuses on the City Council and also the wider city.
- SMB and Portfolio Holders will now have better understanding of the risks, and the Audit and Governance Committee will also be able to comment on maintaining the cautious approach or acceptability of any risk.

A Member made a comment in relation to the potential consequences on the community being considered, the wider effect of not understanding the impacts of missing targets that inform the priorities, and also the omission of a section dealing with an unknown or emergency scenario or situation. She made a request if the summary page could include the risk matrix with an explanation of the definitions. These comments along with the other comments and enquiries made which the Director had responded to, would be passed to SMB colleagues. He noted that there should be some consideration of the potential impacts section to be more meaningful.

As previously agreed as part of the reporting format, a Director with responsibility for a particular area of the Risk Register was invited to attend the meeting. The Director City Development was present to comment on *Risk 6 - Delivering and Building Great Neighbourhoods and Communities.*

There were challenges in needing to deliver more homes in the city in the current economic climate, and the focus of using brownfield sites. That was the most appropriate and sustainable strategy to address those challenges, however it was included on the Risk Register. He welcomed the new approach to the Register which would focus draw attention to the most important matters. He advised that a forthcoming Member Briefing session would provide more information on the Housing delivery challenges.

He responded to Members' questions:-

- addressing the housing challenge were not entirely in the City Council's control including establishing the five year housing supply which depended on acquiring the necessary planning permissions and developers' interests in the sites.

- the risk was not being able to deliver on sites identified in the Exeter Plan. 'The City Council had been quite successful in obtaining grant funding from the Government's Brownfield Land Release Fund. Despite being a smaller authority and not having strategic funding, or being able to attract Levelling Up Funding or of our limited levels of deprivation, the Council will still continue to work with other agencies such as Homes for England and take any opportunity to bid for funding which also requires skills and capacity.
- a report to the Executive would give an in principle approval for purchase powers of some land to help resolve a transport network issue if needed in relation to the proposed Water Lane development. As part of a collaboration they would work with local landowners as the land contributes to the wider infrastructure, with the costs and risk being borne by those landowners.
- the Growth Board was an internal officer group, which he chaired to look at the detailed issues such as viability of the brownfield sites.
- he was unable to comment on the scope of the Devolution Deal in relation to the funding of housing, as those discussions were not in the scope of this Committee.
- a report to the Executive would include a reference to the Clifton Hill site.
- in respect of the five year housing supply, it was not sufficient just to allocate sites in the Local Plan, they had to demonstrate that they were deliverable as they could be deemed not deliverable at appeal.
- the improved process and data set out in the Risk Register will offer a more regular opportunity for review. It is envisaged that any changes will be reported to Members. The Director Finance added that the previous reporting regime highlighted any changes to the risks. It may be that where there are significant changes to the mitigations that they ask each Director to highlight those and include in the report.
- the planning process was not entirely down to the City Council as individual planning agreements including the 35% affordable housing policy were negotiated and subject to viability, but was with Council owned buildings and land brought forward through the Housing Revenue Account (HRA) process. The Risk Register captures the concerns in relation to brownfield site land.
- the business case of the Exeter City Fund project has explored a possible delivery mechanism which went beyond the business as usual scenario. It included the delivery options for further exploration or to establish if it was appropriate for us or any partners to introduce a delivery mechanism..
- the Exeter Development Fund work would explore different forms and there was not one single option.

The Audit and Governance Committee noted the updated Corporate Risk Register and thanked the Director City Development for attending the meeting.

59 **<u>CITY COUNCIL NET ZERO RISK REGISTER</u>**

The Net Zero Project Manager presented the report, which advised the Audit and Governance Committee of updates to the City Council's Net Zero Risk Register, as well as an assessment of the risks in delivering Net Zero within the City Council by 2030. This was the second report, since the Net Zero Risk Register was introduced in July 2022, aligned with the Net Zero Carbon Reduction Plan.

One action that had been implemented and now raised for accuracy was where the Council will use social media communicating platforms to advise of adverse weather conditions.

The Net Zero Project Manager responded to the following comments from Members:-

- data on energy efficiency spend and savings on energy at St Sidwells Point (SSP) can be shared. It was difficult to compare the energy consumption and costings with other city leisure centres, as SSP was a unique building. The percentage consumption over all of the six leisure sites was very positive with gas consumption accounting for 14%, and electricity 34%, of the leisure estate's total consumption. The gas supply at SSP is part of a reserve system in place.
- the Carbon Reduction Action Plan is a live document and reported to Members of Strategic Scrutiny Committee every six months, following six monthly reviews with all responsible officers. In turn, the Action Plan provides for a complete six monthly update of the Net Zero Risk Register. The Director Finance added that the Action Plan was in relation to service operation and had been discussed at SMB, and would be discussed regularly going forward.

The Net Zero Project Manager sought Members' views on the future reporting of the Net Zero Risk Register and if it should also be reported alongside the Net Zero updates made to Strategic Scrutiny Committee. The Director Finance added that Audit and Governance Committee had made the original request for this to be reported to them. In response to a question, he advised that the Portfolio Holders were not involved in this operational Risk Register, as it was by its nature for the Service Leads to manage. A Member stated that it was appropriate for the Scrutiny Programme Board to come to a decision on this matter.

The Audit and Governance Committee noted the City Council's Net Zero Risk Assessment update would continue to be presented every six months, and for the Scrutiny Programme Board to consider if it should be reported to the Strategic Scrutiny Committee as part of their six monthly Net Zero update.

(The meeting commenced at 5.30 pm and closed at 7.20 pm)

Chair

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Exeter City Council
Audit Progress Report and Sector Update

November 2023

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Introduction

Your key Grant Thornton team members are:

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This paper provides the Audit & Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit & Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications https://www.grantthornton.co.uk/en/services/public-sector-services/

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at November 2023

Financial Statements Audit

As previously reported, the 2021-22 Audit is still ongoing and we continue to have conversations with management about the completion of this work. We began our work on your draft financial statements in October 2022.

The significant risks we identified within our plan were as follows:

- Management override of control
- Valuation of land and buildings including Council Dwellings
- Valuation of investment properties
- Valuation of net pension fund liability

We have presented a detailed audit plan to this Committee, setting out our proposed approach to the audit of the Authority's 2021/22 financial statements and have provided updates through previous progress reports.

In our plan we noted that DLUHC set an indicative date of 30 November 2022 for audited local authority accounts. Given the system-wide pressures previously discussed, we believed this unrealistic for 2021/22 audits (but as a firm we are fully supportive of this in a 'normal' year).

The Accounts and Audit Regulations 2015 were amended by SI 2021 No. 263. The Department for Levelling Up, Housing and Communities (DLUHC) previously stated their intention to introduce secondary legislation to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts. This is enacted by The Accounts and Audit (Amendment)

The Council are facing a unique and unprecedented set of challenges linked to the cost of living and the increase in inflation and interest rates. This required the finance team to concentrate on ensuring that estimates for the 2023/24 budget were calculated on a realistic basis which meant management were not able to fully support the audit process. In agreement with management we paused the audit in January 2023 and resumed our work in February 2023. All unsigned audits for 2021-22 were paused at the 31 March 2023 to consider the impact of publication of the results of the triennial actuarial review of pensions valuations. This has resulted in changes in member numbers within pension funds and has led to a potential material adjustment in the pension liability disclosure. We have discussed this issue with the NAO and FRC to understand the impact and the disclosure requirements. This has required management to commission a new actuarial report and adjust the accounts accordingly. This has been reviewed as part of the audit process and we have received confirmation and assurance from the pension fund auditor.

The remainder of our audit has progressed well and other than the pension issue outlined we have largely completed our detailed testing. We continue to work with the Council to finalise our work and issue our audit opinion on the 2021/22 statements which will subsequently be communicated to members.

We will look to complete the remaining elements of the audit, including consideration of any post balance sheet events work required following decisions made by members on Exeter City Living, by the end of the calendar year and will issue our opinion.

We initially proposed a target completion date for our audit fieldwork by January 2023, however, due to the level of work required to ensure our audit responsibilities are fully met, coupled with the additional time required by finance officers to focus on their budgetary responsibilities, and the new pension considerations, our work will continue beyond the November 2023 Audit and Governance Committee date.

2022-23 Financial Statements

We undertook our initial planning for the 2022-23 audit in September 2023, alongside the interim audit. We began our work on your draft financial statements in October 2023

The significant risks we identified within our plan were as follows:

- Management override of control
- Valuation of land and buildings including Council Dwellings
- Valuation of investment properties
- Valuation of net pension fund liability

We issued our Audit Plan to the Audit and Governance Committee meeting in September 2023 and commenced our audit in the same month. We have provided an update as to progress against the significant risks within this report and continue to liaise with management to progress the audit.

The Department for Levelling Up, Housing and Communities has been working, along with the Financial Reporting Council and local audit system partners to progress proposals to address the significant backlog of local government audits in England and develop a sustainable solution to the timeliness challenges which the local audit sector has faced in recent years. Whilst the proposals are subject to finalisation in the coming weeks, measures are expected to clear significant audit backlogs by 31 March 2024.

Our audit is currently in progress and we continue to work with the Council to determine a realistic and achievable timetable for providing an audit opinion on the 2022/23 statements which will subsequently be communicated to members.

Progress against significant risks 2022-23

Significant risk (from audit plan)	Progress to date
Management override of control Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Authority face external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Council, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals, including undertaking a walkthrough of the process and controls. No issues were identified from completion of this • obtained a full download of the general ledger alongside the trial balance and uploaded these onto our data analysis software, Inflo. • Inflo undertakes a number of checks on the data such as unbalanced transactions, unbalanced user IDs and transactions with blank account descriptions. Where any differences were noted by Inflo, we followed these up with the Council and obtained sufficient explanations and corroborations for these. We will • review the manual journals within inflo to identify those deemed to be high risk to be selected for testing. We select and share the sample of journals with the Council for them to provide us with evidence to support the entries and will complete our testing upon receipt of the supporting documentation.
Valuation of land and buildings The group revalue its land and buildings, including HRA properties, on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Management use the services of an internal valuer to estimate the current value as at 31 March 2022. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation expert and the scope of their work. We will • evaluate the competence, capabilities and objectivity of the valuation expert. • write to the valuer to confirm the basis on which the valuations were carried out. • review the fixed asset register and valuation reports to identify a sample of land and buildings which have been revalued in year for further testing. In doing this we consider those assets whose values at 31 March 2023 are above performance materiality, those assets where there has been a valuation movement or other change outside of our expectation and a sample of assets where the movement is in line with expectation • for each item within our sample we will request detailed calculation sheets for the 2023 revaluation exercise to support and evidence the assumptions used to calculate the updated valuations. We continue to discuss this requirement with the Council. • We will share our sample of other land and building assets and request evidence as to how these values have been calculated.

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Progress against significant risks 2022-23

Significant risk (from audit plan)	Progress to date
Valuation of land and buildings (Council Dwellings) The group revalue its land and buildings, including HRA properties, on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Management use the services of an internal valuer to estimate the current value as at 31 March 2023. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	Council dwellings represent a significant proportion (£316m) of the Council's asset base and in accordance with the CIPFA code, these assets are valued in line with the Stock valuation resource accounting 2016:guidance for valuers which has been provided by Central Government. We have reviewed the Council's approach to valuing these assets and we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation expert and the scope of their work. We will • Review the classification of beacon properties to ensure that these have been assigned in line with the stock valuation resource accounting guidance and that properties have been assigned to the appropriate beacon categories. • evaluate the competence, capabilities and objectivity of the valuation expert. • write to the valuer to confirm the basis on which the valuations were carried out. • review the fixed asset register and valuation reports to identify a sample of Council Dwellings which have been revalued in year for further testing. In doing this we consider those assets whose values at 31 March 2023 are above performance materiality, those assets where there has been a valuation movement or other change outside of our expectation and a sample of assets where the movement is in line with expectation • for each item within our sample we request detailed calculation sheets for the 2023 revaluation exercise to support and evidence the assumptions used to calculate the updated valuations. • For sample testing we compare beacon valuations with similar properties to ensure that valuations are in line with market conditions and where variances outside of our parameters are identified we will request further information and support from management and the valuer. Our work in this area is ongoing and we continue to discuss the above with Council Officers and will report any findings back to members upon completion of this work.

Progress against significant risks 2022-23

Significant risk (from audit plan)	**Progress to date**
Valuation of Investment Property The Council revalue Investment Properties annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£56m) and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of Investment Properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation expert and the scope of their work. We will • evaluate the competence, capabilities and objectivity of the valuation expert. • write to the valuer to confirm the basis on which the valuations were carried out. • reviewed the fixed asset register and valuation reports to identify a sample of investment properties which have been revalued in year for further testing. In doing this we considered those assets whose values at 31 March 2022 are above performance materiality, those assets where there has been a valuation movement or other change outside of our expectation and a sample of assets where the movement is in line with expectation • for each item within our sample we have requested detailed calculation sheets for the 2022 revaluation exercise to support and evidence the assumptions used to calculate the updated valuations.
Valuation of net pension fund liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£123m in its balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement. .	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls. No issues were identified from completion of this. Our remaining work in this area is outstanding at this stage.

Progress against other areas 2022-23

Other Area	Progress to date
Group Accounts Risks identified in the group accounts: • Risk of management override of control is a non rebuttable risk for all organisations • Risk of fraud in revenue recognition • There is one line items within the components financial statements which is material to the group: Pension Fund net Liability.	We have: • Discussed with the auditors of Exeter City Living the information we require in order to give us the assurances required for our group opinion Our remaining work in this area is outstanding at this stage.

Progress at November 2023 (cont.)

Value for Money

As with the financial statements audit the Value for Money work is ongoing and we continue to discuss with management a realistic and achievable timeframe to deliver this work. Under the 2020 Code of Audit Practice, for local government bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

NOA have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 22-23 audits.

We have commenced our work and have so far held meetings with Senior Management, with more to be completed, and undertaken a desktop review of documentation to support management's assessment and inform our overall judgement. We presented our Audit Plan in September which detailed the areas of potential significant weakness as:

- Financial sustainability and the risk of unidentified savings or funding gaps that could threaten the delivery of the budget
- Group governance and the risk of the Council being financially exposed where funding is provided to group entities and potential segregations of duty conflicts are identified

The Auditor's Annual Report should be issued no more than three months after the date of the opinion on the financial statements for all local government bodies and we are still working toward issuing the findings by the end of the Calendar year.

Other areas

Correspondence from local electors

Under the Local Audit and Accountability Act 2014, a local elector has the rights to inspect the accounts and books and records of the Council and write to the external auditors, to ask questions about the accounts. They may also object to the Council's accounts asking that the auditor issue a report in the public interest (under Section 24 and paragraph 1 of Schedule 7 of the Local Audit and Accountability Act 2014) or apply for a declaration that an item in the accounts is contrary to law.

We received two written objections during the public inspection period for the 2021-22 accounts.

Having carefully considered the grounds for both objections and further information highlighted by both correspondents, we have concluded that these are matters to be considered by the auditor, in part through our financial statements work and in part through our value for money assessment. We continue to work through the specific aspects of the matters raised and will conclude these matters once our accounts and VFM work relevant to these areas has been completed. This work is additional work required as part of our responsibilities as auditors and will be subject to a separate fee. Final fees at the conclusion of our work will be discussed and agreed with management and require final approval by PSAA.

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DwP). The certification work for the 2021/22 claim began in June 2022. DwP extended the deadline for reporting the findings of this work to 31 January 2023. This work is mostly complete and we are currently drafting the certification report which we will share with management prior to issue. We continue to discuss the issue with management and the DwP. We will report our findings to the Audit & Governance Committee

We also certify the Authority's annual Pooling of Housing Capital Receipts return in accordance with procedures agreed with the Department for Levelling Up, Housing and Communities ("DLUHC"). The 2021/22 work has been completed and the report was submitted to the Government department on 30 June 2023.

Meetings

We meet with Finance Officers regularly as part of our liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers attended our Accounts Workshop in January and February 2023, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

Audit Deliverables

2021/22 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2021/22 financial statements and the Auditor's Annual Report on the Authority's Value for Money arrangements.	July 2022	Completed
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	September 2022	Completed
Audit Findings Report The Audit Findings Report will be reported to the Audit and Governance Committee upon completion of our work.	November 2023	Close down by end of November
Auditors Report This includes the opinion on your financial statements.	November 2023	Close down by end of November

2021/22 Audit-related Deliverables	Planned Date	Status
Housing Benefit Subsidy – certification This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.	November 2023	Draft report stage
Pooling of housing capital receipts - certification This is the report we submit to the Department for Levelling Up, Housing and Communities ("DLUHC"). based upon the mandated agreed upon procedures we are required to perform.	June 2023	Complete

Audit Deliverables

2022/23 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit & Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2022/23 financial statements and to issue a commentary on the Authority's value for money arrangements in the Auditor's Annual Report	September 2023	Completed
Interim Audit Findings We will report to you the findings from our interim audit within our Progress Report.	November 2023	Completed
Audit Findings Report The Audit Findings Report will be reported to the Audit & Governance Committee.	March 2024	Not yet due
Auditors Report This includes the opinion on your financial statements.	March 2024	Not yet due
Auditor's Annual Report This report communicates the key outputs of the audit, for 2021-22 and 2022-23, including our commentary on the Authority's value for money arrangements.	December 2023	Not yet due

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- Grant Thornton Publications
- Insights from local government sector specialists
- Reports of interest
- Accounting and regulatory updates

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local government

Exploring the reasons for delayed publication of audited local authority accounts in England – Grant Thornton

Recent performance against target publication dates for audited local authority accounts in England has been poor. There are some reasons for optimism that there will be an improvement in the timeliness of publication of audited accounts as foundations are being laid for the future.

In this report we explore the requirements for publication of draft and audited accounts and look at some of the reasons for the decline in performance against these requirements over time. Only 12% of audited accounts for 2021/22 were published by the target date of 30 November 2022. There is no single cause for the delays in completing local authority audits, and unfortunately there is no quick solution in a complicated system involving multiple parties. We consider a variety of factors contributing to delays, note the measures which have already been taken to support the local audit system and make recommendations for further improvement.

There are some reasons for cautious optimism that the system will begin to recover and there will be a gradual return to better compliance with publication targets. However, we consider that these are outweighed by a number of risk factors and that the September deadline for audited accounts set by DHLUC is not achievable in the short term and also not achievable until there is further significant change in local audit and local government.

We note the following matters that are yet to be tackled:

- clarity over the purpose of local audit
- the complexity of local government financial statements
- agreement on the focus of financial statements audit work
- an improvement in the quality of financial statements and working papers

an agreed approach to dealing with the backlog of local government audits

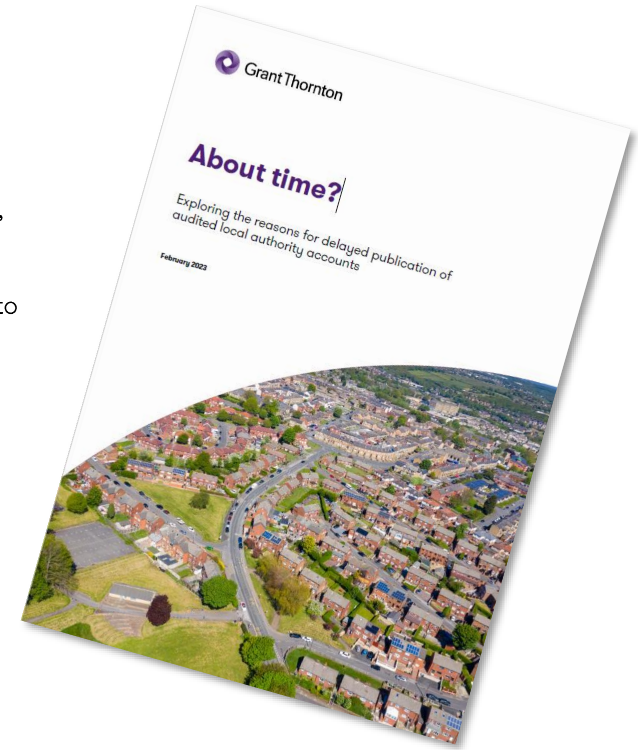
Government intervention where there are significant failures in financial reporting processes

All key stakeholders including local audited bodies, the audit firms, the Department for Levelling Up Housing and Communities, PSAA, the NAO, the FRC and its successor ARGA, CIPFA and the Institute of Chartered Accountants in England and Wales will need to continue their efforts to support a coherent and sustainable system of local audit, acknowledging that it will take time to get things back on track.

We make recommendations in our report for various stakeholders, including Audit Committees and auditors, and include a checklist for consideration by management and Audit Committees within an Appendix to the report.

Read the full report here:

[Report: key challenges in local audit accounting | Grant Thornton]



Current local audit deadline 'unachievable'- Grant Thornton

Low capacity in council finance teams and the failure to deal with historic accounting issues mean the current September audit deadline is unlikely to be met.

The firm said the changes in recent years to council investment strategies have seen annual accounts become increasingly complex.

In evidence to a Public Accounts Committee inquiry, Grant Thornton said the increased workload and pressure on resources have complicated recruitment and compounded delays.

The auditors said it is unlikely firms will be able to meet the 30 September deadline for publishing opinions on 2022-23 financial statements, because they are still working on previous years' accounts.

The firm said one of the key issues causing delays is the lack of consensus over areas of audit focus, specifically over how land and buildings are audited.

"Too much audit resource is absorbed in dealing with longstanding financial reporting issues at poorly performing bodies," the firm said.

In certain instances, audits are open as far back as 2017-18.

"Perhaps more importantly, there has not been enough debate with the sector on the purpose of local audit and the enhanced audit scrutiny it faces.

"This is particularly the case with the audit of property. Until these matters are resolved we do not consider that the September deadline is achievable."

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Current local audit deadline 'unachievable'- Grant Thornton(cont.)

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Grant Thornton said that while audit firms can be sanctioned by the Financial Reporting Council for failing to comply with regulations, there are currently no punishments for public bodies that fail to meet requirements.

It said there should be interventions for audited bodies that show "significant failures in financial reporting and an unwillingness to improve".

In its evidence the firm blamed a lack of council funding to bolster finance teams for a reduction in the quality of reporting, causing further delays.

"Unfortunately, the quality of too many financial statements and working papers are not adequate," Grant Thornton said.

"Improvement in accounts preparation, and recruitment and investment in finance teams is essential if local government is to prepare consistently high-quality draft accounts and respond to the challenges presented by an enhanced audit regime."

In December, local audit procurement body Public Sector Audit Appointments revealed that only 12% of local government audits for 2021-22 were completed by the 30 November deadline.

PSAA said that 630 opinions were outstanding from both 2021-22 and previous years, and the level of opinions completed on time has declined significantly from 45% in 2019-20.

Read the full report here

committees.parliament.uk/writtenevidence/118580/pdf/

DLUHC proposals to clear audit backlog

Page 26

A range of proposals and actions to address the backlog of local audits in England has been set out by the Department for Levelling Up, Housing and Communities (DLUHC).

These include setting statutory deadlines and issuing qualifications and disclaimers of opinion in the short term.

The proposals have been agreed in principle with key partners across the local audit system, DLUHC said. The National Audit Office (NAO) is considering whether to develop a replacement Code of Audit Practice to give effect to the changes, the department added.

In addition, DLUHC is considering whether legislative change is needed to set new statutory deadlines for local bodies to publish accounts to mirror the proposed changes to the Code of Audit Practice.

Legislative change may also be needed to address any knock-on effects of the proposals which may impact the audit of opening balances within the accounts for future years, the department said.

Under these proposals, section 151 officers will be expected to work with Audit Committee members (or equivalent) to approve the final accounts by the statutory deadline in order for the audit opinion to be issued at the same time.

Read the full proposal here

committees.parliament.uk/publications/40932/documents/199432/default/

Call for sanctions for late accounts amid fears of 'more Wokings - public accounts committee (PAC)

The Commons' public accounts committee (PAC) published a report, Timeliness of local auditor reporting, which highlights problems caused by the delays to local audit.

Just 12% of local government bodies received their audit opinions in time to publish their 2021-22 accounts by the extended deadline. The committee warned that the problem is likely to get worse before it gets better.

The report points out that there are no sanctions for failing to produce accounts on time, for either auditors or councils.

The PAC and others have been concerned about the implications of audit delays and Sir Geoffrey Clifton-Brown said cases like that of Thurrock Council and Woking Borough Council demonstrate why this issue needs to be addressed. Both councils had years of unaudited accounts when they declared themselves effectively bankrupt due to excessive levels of debt.

Around 700,000 children are studying in schools that require major rebuilding or refurbishment works - NAO

Page 28

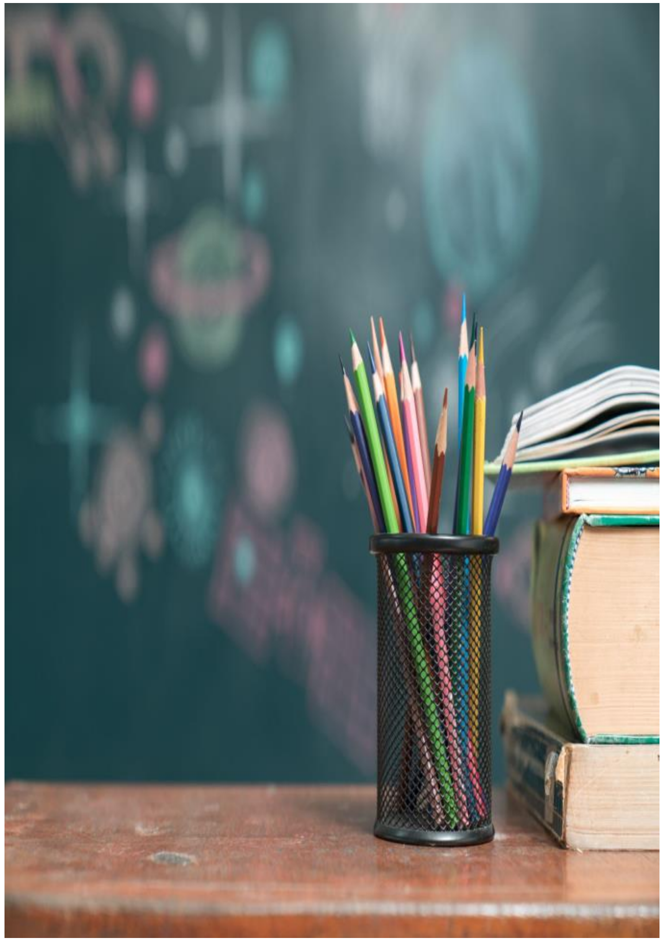
The Department for Education has published guidance on school buildings which were constructed using reinforced autoclaved aerated concrete – a lightweight form of concrete prone to failure.

https://educationhub.blog.gov.uk/2023/09/04/new-guidance-on-raac-in-education-settings/

The NAO also published a report this summer about the declining condition of the school estate. The UK's independent public spending watchdog's report found that more than a third (24,000) of English school buildings are past their estimated initial design life. These buildings can normally continue to be used, but are generally more expensive to maintain and, on average, have poorer energy efficiency leading to higher running costs.

In recent years, there has been a significant funding shortfall contributing to deterioration across the school estate. The department for Education (DfE) has reported £7 billion a year as the best practice level of capital funding to repair and rebuild the school estate.

The report says DfE has assessed the possibility of a building collapse or failure causing death or injury as a 'critical and very likely' risk since summer 2021. The report highlighted ongoing concerns with the use of reinforced autoclaved aerated concrete (RAAC) – used between the 1950s and mid-1990s. DfE has been considering the potential risk posed by RAAC since late 2018, following a school roof collapse.



Read the full report here

https://www.nao.org.uk/press-releases/condition-of-school-buildings-and-dfe-sustainability-overview/

LGPS valuation gives 'cause for optimism' – Hymans Robertson

Many Local Government Pension Schemes are in a stronger position than three years ago to meet future member benefits, pension advisors have said following the most recent valuations.

Despite market instability brought on by Covid-19 and exacerbated by Russia's invasion of Ukraine, the overall funding level rose to 107% of past service in March 2022, compared to 98.5% in 2019, Hymans Robertson said in a report.

Analysts reviewed the triennial valuations of 73 of the 86 LGPS funds, and said that on average fund asset values rose by 27.5% up to March 2022.

Hymans Robertson said the better-than-expected funding outlook has prompted a reduction in employer contributions, from 21.9% of pay in 2019 to 20.8% in 2022.

Robert Bilton, head of LGPS valuations at Hymans Robertson, said: "Our analysis gives cause for optimism that the outlook for the long-term funding sustainability of the LGPS is robust, not least due to the hard work that has taken place across all funds over the last decade and longer.

"While the good news is welcome, the hard work doesn't stop, and it is important that funds use the next two years to continue to systematically review their risks to keep them in the best place possible ahead of the valuations in 2025."

The report said funding levels rose by the most for schemes that were already better-funded in 2019, but balances increased "across the board" in all funds that were reviewed.

Researchers said higher asset values mean funds will only need to deliver real investment returns of about 1.5% per year over the next 20 years to ensure they are fully funded.

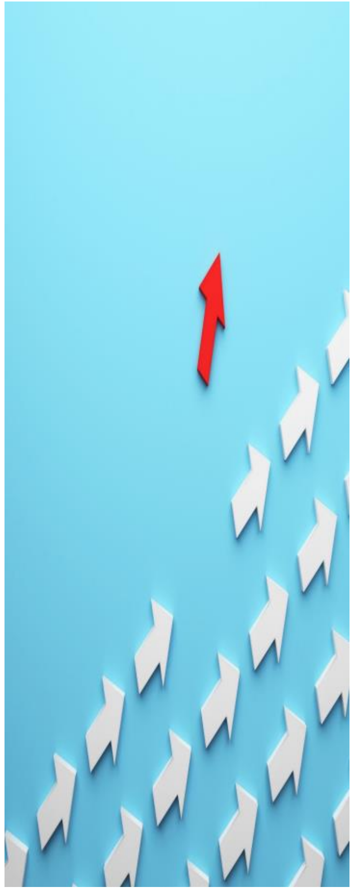
Hymans said it expects more than three-quarter (77%) of funds to be able meet the annual level of investment returns by 2040.

"This is a very positive funding position for the LGPS, Considering that, not so long ago, the Scheme Advisory Board had set up a 'deficit working group' and the significant market events that the LGPS has had to navigate in recent years."

"Being in such a strong position is a testament to the diligent and hard work of administering authorities over the last decade."

Read the full report here

LGPS_2022_Valuation_-_the_big_picture.pdf (hymans.co.uk)



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Sustainability reporting in the public sector - CIPFA

Page 30

CIPFA said, 'Sustainability reporting in the public sector is in its infancy, and there is an evolutionary journey to be embarked upon – sooner rather than later.'

Sustainability reporting is the recording and disclosure of an organisation's environmental impact caused by its activities. It has been widely adopted in the private sector, but in the public sector it is not the same story.

Having a clear understanding of the overall carbon footprint of the public sector is vital if we are to tackle climate change, find solutions and encourage sustainable development, said CIPFA.

CIPFA report states, 'the answers and positive steps to addressing the most pressing challenges around public sector sustainability questions. The current patchwork of public sector sustainability reporting frameworks are inconsistent and confusing. The report draws on already existing standards and frameworks that are relevant and useful to the public sector, rather than trying to reinvent the wheel.'

Alignment to financial reporting

The report recommends an approach that aligns sustainability reporting with the wider practice of financial reporting. The four key areas in this approach are governance, the management approach, performance and targets, and strategy. 'Public sector sustainability reporting: time to step it up' provides public finance professionals with a good understanding of what information needs to be disclosed and the process in producing a high quality report.

Read the full report from CIPFA here

[Sustainability Reporting (cipfa.org)]

SEND deficits kept off budgets for another three years (Added March 2023)

Page 31

The government has allowed councils to keep deficits on spending for children with special educational needs and disabilities off their balance sheets for a further three years.

The government's local government finance policy statement published on 12th December 2022 says that the statutory override for the Dedicated Schools Grant (DSG) will be extended for the next three years, from 2023-24 to 2025-26.

Councils use the high needs funding block of the DSG to fund Send provision. But for many authorities, the cost of this has been outstripping the amounts provided by tens of millions of pounds, leading to a total deficit estimated at more than £2bn.

The statutory override means that any DSG deficits are not included in council's main revenue budgets. Before the announcement, it had been due to expire in 2023. Last year, Matt Dunkley, chair of the Association of Directors of Children's Services' resources and sustainability policy committee, said: "We think the cumulative high needs block deficits of local authorities are approximately £2.3bn."

In June, the government launched the £85m Delivering Better Value in Send programme, that involves specialist advisors probing 55 councils' financial data to try and cut their DSG deficits. The Chartered Institute of Public Finance and Accountancy, a partner in the programme, said the scheme would provide "project management, change management and financial modelling capacity".

The programme is running alongside the Department for Education's 'safety valve' support scheme that offers bailouts for the councils with the largest Send spending deficits, in return for them implementing stringent reforms.

About 40 councils are expected to receive safety valve funding, meaning that the two programmes together will include about two thirds of councils with responsibility for Send. Also in June, the then children's minister Will Quince wrote a letter to council chief executives warning that a "significant number of councils are "running services that are not sustainable, and instead jeopardise the longevity of that crucial support".

Agenda Item 6

Grant Thornton

Interim Audit Findings for Exeter City Council

Year ended 31 March 2022

November 2023

Contents

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Your key Grant Thornton team members are:

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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management

Julie Masci

Name : Julie Masci

For Grant Thornton UK LLP

Date : 13 November 2023

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Exeter City Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2022 for those charged with governance.

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Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

This report sets out an update on the findings from our work on the Council's 2021-22 financial statements. A final report will be issued at the conclusion of our work. Our findings are summarised on pages 2 to 21. To date, we have identified one adjustment to the financial statements that has resulted in a £2.45m adjustment to the Group's Comprehensive Income and Expenditure Statement and there is no impact on the entity accounts. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is well progressed and there are no matters of which we are aware that would require modification of our audit opinion, subject to the following outstanding matters;

- ~~Completion of journal testing~~
- ~~Completion of substantive transaction testing for debtors, creditors, fees and charges, grant income, cut off testing and HRA dwelling agreements~~
- Review of the updated IAS19 pensions adjustments following the outcomes of the triennial pension's valuation
- Review of the going concern assessment
- Review of the Minimum revenue provision calculation
- Completion of group review
- receipt of management representation letter; and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

As with the financial statements audit the Value for Money work is ongoing and we continue to discuss with management a realistic and achievable timeframe to deliver this work. Under the 2020 Code of Audit Practice, for local government bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

The NAO have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 2022-23 audits.

The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process, and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.

Grant Thornton have reviewed the ongoing VfM requirements and where a 2021-22 audit has yet to be closed we will undertake and combine a review of 2021-22 and 2022-23 arrangements in order to give members the most relevant and timely reporting. Our work is currently in progress and we expect to conclude our VFM work by December 2023.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in December 2023. It should be noted, as above, that a joint review of the 2021-22 and 2022-23 arrangements will be undertaken and we will report upon completion of this work.

Significant Matters

We did not identify any significant matters arising during our audit. We recognise that management are operating in a challenging financial environment and as such are required to provide and report an appropriate budget which fully reflects the financial challenges facing the Council prior to the start of the financial year on 1 April. This requires resources being made available and these resources are also those on which we rely for assisting with the audit process through provision of working papers and responding to queries raised. As a result of this resource conflict we agreed with management to withdraw from the audit process in January and February 2023 and resume our work in March 2023. This has subsequently led to further delays and we continue to discuss with management a realistic timeframe for completion of the outstanding tasks.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that an audit of Exeter City Living was required, which was completed by PKF Francis.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved. These outstanding items are listed on page 3.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted on page 18 of our audit plan presented to the Audit and Standards Committee in July 2022, the impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again this year, such as remote accessing financial systems, video calling, physical verification of assets, verifying the completeness and accuracy of information provided remotely produced by the entity, access to key data from Council staff . This resulted in us having to carry out additional audit procedures to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan.

We detail in the table our determination of materiality for Exeter City Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	2,100,000	2,000,000	
Performance materiality	1,575,000	1,500,000	Our performance materiality has been set at 75% of our overall materiality
Trivial matters	100,000	100,000	This is set at 5% of financial statements materiality and reflects a level below which stakeholders are unlikely to be concerned by uncertainties

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Authority face external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Council, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals, including undertaking a walkthrough of the process and controls. No issues were identified from completion of this • obtained a full download of the general ledger alongside the trial balance and uploaded these onto our data analysis software, Inflo. • Inflo undertakes a number of checks on the data such as unbalanced transactions, unbalanced user IDs and transactions with blank account descriptions. Where any differences were noted by Inflo, we followed these up with the Council and obtained sufficient explanations and corroborations for these. • we have reviewed the manual journals within inflo to identify those deemed to be high risk to be selected for testing. We selected and shared the sample of journals with the Council for them to provide us with evidence to support the entries. ~~Our work in this area is ongoing and~~ We have identified one issue in relation to one member of the finance team having super user access. We identified that the team member had posted 25 journals in the year and from this three were further reviewed to ensure these have been appropriately transacted. The superuser has the ability to add and remove staff members from the general ledger which gives a wider scope for manipulation of data. Testing of journals included those posted by the super user and no further issues have been identified. ~~Our work in this area is ongoing and we will report any further findings to management and members~~

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
The Revenue cycle includes fraudulent transactions Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted because: - There is little incentive to manipulate revenue recognition - Opportunities to manipulate revenue recognition are very limited - The culture and ethical frameworks of local authorities, including Exeter City Council, mean that all forms of fraud are seen as unacceptable We have not identified any issue in our work in relation to revenue and therefore consider that the rebuttal is still appropriate.
Risk of fraud related to expenditure recognition PAF Practice Note 10 In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)	For expenditure recognition we will • Evaluate the groups accounting policy for recognition of expenditure for appropriateness; • Gain an understanding of the Council's system for accounting for expenditure and evaluate the design of the associated controls; • Agree, on a sample basis, amounts recognised as expenditure in the financial statements to supporting documents • Identify and test a sample of transactions received post year end to ensure these have been classified to the correct year We have not identified any issues in our work in relation to expenditure.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings The group revalue its land and buildings, including HRA properties, on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Management use the services of an internal valuer to estimate the current value as at 31 March 2022. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation expert and the scope of their work. • evaluated the competence, capabilities and objectivity of the valuation expert. • written to the valuer to confirm the basis on which the valuations were carried out. • reviewed the fixed asset register and valuation reports to identify a sample of land and buildings which have been revalued in year for further testing. In doing this we considered those assets whose values at 31 March 2022 are above performance materiality, those assets where there has been a valuation movement or other change outside of our expectation and a sample of assets where the movement is in line with expectation • for each item within our sample we have requested detailed calculation sheets for the 2022 revaluation exercise to support and evidence the assumptions used to calculate the updated valuations. We continue to discuss this requirement with the Council. • We have identified and shared our sample of other land and building assets and have been provided with evidence as to how these values have been calculated. We will: • Review those assets not revalued in year to ensure there is not a material variance between the market value and the carrying value We have not identified any issues in relation to the valuation of land and buildings in the work completed to date.
Valuation of Investment Property The Council revalue Investment Properties annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£56m) and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of Investment Properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation expert and the scope of their work. • evaluated the competence, capabilities and objectivity of the valuation expert. • written to the valuer to confirm the basis on which the valuations were carried out. • reviewed the fixed asset register and valuation reports to identify a sample of investment properties which have been revalued in year for further testing. In doing this we considered those assets whose values at 31 March 2022 are above performance materiality, those assets where there has been a valuation movement or other change outside of our expectation and a sample of assets where the movement is in line with expectation • for each item within our sample we have requested detailed calculation sheets for the 2022 revaluation exercise to support and evidence the assumptions used to calculate the updated valuations. We have not identified any issues in relation to the valuation of investment property.

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2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings (Council Dwellings) The group revalue its land and buildings, including HRA properties, on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Management use the services of an internal valuer to estimate the current value as at 31 March 2022. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	Council dwellings represent a significant proportion (£264m) of the Council's asset base and in accordance with the CIPFA code, these assets are valued in line with the Stock valuation resource accounting 2016:guidance for valuers which has been provided by Central Government. We have reviewed the Council's approach to valuing these assets and we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation expert and the scope of their work. • Reviewed the classification of beacon properties to ensure that these have been assigned in line with the stock valuation resource accounting guidance and that properties have been assigned to the appropriate beacon categories. • evaluated the competence, capabilities and objectivity of the valuation expert. • written to the valuer to confirm the basis on which the valuations were carried out. • reviewed the fixed asset register and valuation reports to identify a sample of Council Dwellings which have been revalued in year for further testing. In doing this we considered those assets whose values at 31 March 2022 are above performance materiality, those assets where there has been a valuation movement or other change outside of our expectation and a sample of assets where the movement is in line with expectation • for each item within our sample we have requested detailed calculation sheets for the 2022 revaluation exercise to support and evidence the assumptions used to calculate the updated valuations. • For sample testing we have compared beacon valuations with similar properties to ensure that valuations are in line with market conditions and where variances outside of our parameters are identified we will request further information and support from management and the valuer. We have not identified any issues in relation to this work.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£99 million liability in the Council's balance sheet at 31/03/22) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk of material misstatement.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls. No issues were identified from completion of this. Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • Obtain assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. All unsigned audits for 2021-22 were paused at the 31 March 2023 to consider the impact of publication of the results of the triennial actuarial review of pensions valuations. This resulted in changes in member numbers within pension funds and has led to a material adjustment in the pension liability disclosures for the Council as at 31 March 2022. This has required management to commission a new actuarial valuation and adjust the accounts accordingly. The Council has prepared revised financial statements reflecting the new actuarial assumptions relevant to 31 March 2022. This has resulted in an overall reduction to the Council's net pensions liability of £9.9m. We are in the process of performing additional audit procedures to ensure the revised pension valuation has been adjusted appropriately within the financial statements, and have performed additional member data testing on the inputs used to inform the actuary's triennial valuation of the fund as a whole. Furthermore, we are reviewing the revised actuarial assumptions used by the actuary in preparing its revised triennial valuation to be satisfied that these revised assumptions are within expected tolerances as set out by our consulting actuary (as auditor's expert). This additional work will require an increase to our audit fees as set out in Appendix D.

2. Financial Statements – Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Exeter City Council	Grant Thornton	See pages 7 to 11 for significant risks work undertaken and any issues identified in relation to significant risks. As part of our work we have reviewed the consolidation process including intercompany transaction elimination. This work identified that the Council have purchased a number of assets from Exeter City Living to the value of £2,450k (£900k in prior year) and have subsequently removed these assets from their balance sheet as part of the consolidation process. Review of the process identified that the £2,450k has not be removed from the Council's CIES, in line with consolidation processes, and that the assets have not been recognised in the Balance Sheet. This has been discussed with management and the accounts have been subsequently amended.	There is no impact on the group audit opinion.
Exeter City Living	PKF Francis	Full scope UK statutory audit performed by Exeter City Living auditors, PKF Francis. The nature, time and extent of our involvement in the work included a discussion on risks and meeting with appropriate members of management. A review of the relevant aspects of the subsidiary auditor's audit documentation is to be carried out and we will report any findings to the Committee.	We have yet to complete our work in this area and our enquiries to date have not identified any issues.

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £119.5m	Other land and buildings is comprised of specialised assets such as leisure centres, which are required to be valued at depreciated cost (DRC) at year end, reflecting the modern equivalent asset necessary to deliver the same service provision. The remainder of land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council revalues its land and buildings on a rolling programme with a maximum period of five years between revaluations. This is a mixture of full revaluations and a desktop exercise using indices. The Council has engaged its internal valuer to complete the valuation of properties as at 31 March 2022 and 48% of land and building assets were subject to a full revaluation during 2021-22. Management has considered the year end value of non-valued properties, and the potential value change in the assets revalued at 31 March 2021 by applying indices to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties values. The total year end valuation of land and buildings was £119.5m, a net decrease of £6.9m from 2021-22 (£126.4m)	We have reviewed the detail of your assessment of the estimate considering: • The assessment of the Council's in-house valuers • The completeness and accuracy of the underlying information used to determine the estimate • The reasonableness of the overall decrease in the estimate • The adequacy of the disclosure of the estimate in the financial statements • The sensitivities used by the valuer to assess completeness and consistency with our understanding and • Consistency of the estimate against Gerald Eve reported indices Testing of the valuer's assumptions requires that sufficient evidence be provided to support any underlying assumptions or indices used to calculate a revaluation. Management have been able to provide appropriate audit evidence to support these underlying assumptions. Where assets are not revalued in the financial year, assurance is required that these are not materially different to the current value at year end. From discussion with management the Terms of Engagement with the valuer require that those assets not included in the full valuation process are assessed for any material valuation fluctuations and a desktop exercise is undertaken. The valuer's report states which assets have been fully revalued and which have been subject to a desktop review. As such all assets revalued in the year have been given a certified valuation at 31 March 2022. We have included all assets in our work and this has concluded that land and building assets are not materially misstated in the balance sheet.	Light Purple

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £56m	The Council revalue its investment property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date The Council's commercial investment portfolio consists of a mixture of assets comprising both industrial and commercial usage. The Council has engaged JLL, as an external expert, to complete the 2021-22 valuation of these investment properties. The Council engaged its internal valuer to undertake the valuation of the remaining investment properties. The total year end valuation of investment properties was £56m, a net increase of £2.6m from 2020-21 (£53.4m)	We have reviewed the detail of your assessment of the estimate considering: • The assessment of the Council's internal valuers and management's expert JLL • The completeness and accuracy of the underlying information used to determine the estimate • The reasonableness of the overall increase in the estimate • The adequacy of the disclosure of the estimate in the financial statements • We have used an auditor's expert to review the work undertaken by both the external valuer. Our work requires that we review and gain assurance over the assumptions and any indices used and our work has not identified any issues in regards to this work.	Light Purple

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £123.4m	The Council's net pension liability as 31 March 2022 is £99.3m, following the triennial review (PY £134.7m) comprising the Local Government and unfunded defined benefit pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2019. A roll forward approach is used in the intervening periods, which utilises key assumptions such as a life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pensions fund liability small changes in assumptions can result in significant valuation movements. There has been a decrease of £35.4m in the net actuarial deficit during 2021-22	• We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. No issues were identified from our review of the controls in place. • We also evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out. This included undertaking procedures to confirm the reasonableness of the actuarial assumptions made: (see table below) • We checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports and did not identified any inconsistencies. • The Council has considered that the impact of GMP equalisation is not material to the Statement of Accounts. Based on our review of this area we concur with this view	Light Purple

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.6%	2.55% - 2.6%	●
Pension increase rate	3.2%	3.05% - 3.45%	●
Salary growth	4.2%	CPI + 1% = 4.2%	●
Life expectancy – Males currently aged 45 / 65	24/22.7	21.9 - 24.4 / 20.5 – 23.1	●
Life expectancy – Females currently aged 45 / 65	25.4/24	24.8 – 26.7 / 22.9 – 24.9	●

Assessment

- ● Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing - £290.5m	The Council owns 4,777 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged JLL to complete the valuation of these properties. The year end valuation of Council Housing was £290.5m, a net increase of £26.5m from 2020/21 (£264m).	Council dwellings represent a significant proportion (£290.5m) of the Council's asset base and in accordance with the CIPFA code, these assets are valued in line with the Stock valuation resource accounting 2016:guidance for valuers which has been provided by Central Government. We have assessed the Council's valuer to be competent, capable and objective. We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report. The valuation method remains consistent with the prior year and no issues have been identified We have selected a sample testing of beacon properties to test the reasonableness of the beacon applied and no issues have been identified. We have undertaken a review of the values against the Gerald Eve trends to ensure that there is not a material variance between the fair value and the market value. We have agreed the HRA valuation report to the Statement of Accounts.	Light Purple

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £37.2m	The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income. There is a requirement to assess whether income received has conditions attached and should therefore be considered grant income or another classification of income. This will allow the Council to ensure the correction presentation of revenue in line with the Code	• We have reviewed management's processes for identifying whether they are agent or principal for grant income and ensured that the appropriate disclosures have been made in the statement of accounts • We have agreed a sample of grant income to third party documentation including the grant paying body to ensure that revenue has been correctly disclosed • We have reviewed supporting documentation to identify any conditions an ensure that the Council has complied with these • We have reviewed year end accruals to understand how these have been calculated and that these are appropriately accounted for. • We have reviewed the Council's assessment as to whether they are acting as principal or agent in the treatment and recognition of grant revenue, and specifically covid grant funding, and considered that this is appropriate We have not identified any issues in relation to this area.	Light Purple

Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
● (Deficiency)	Declarations of interest were only made by two senior officers, as in 2020-21. The system used does not require senior officers to complete a declaration where this is a nil disclosure. There is a risk that related parties are not declared by all senior officers	See page 26 for the recommendations within the action plan.
● (Deficiency)	An IT review undertaken in previous years identified that there were finance staff with superuser IDs. This would allow the user to amend key data and should be limited to staff supporting ICT operational functions and not those with finance responsibilities. Whilst testing in 2021-22 has not identified any inappropriate usage the access level has not been fully addressed and there remains a risk of manipulation of data and financial information	See page 26 for the recommendations within the action plan.

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Assessment
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

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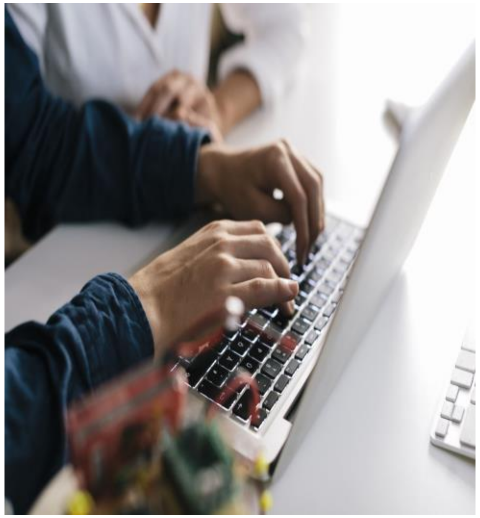


Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit & Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. Our testing identified the following control issue in relation to related parties: • Declarations of interest were not received from all officers Our work has not identified any further issues.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group.
Confirmation requests from third parties	We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. We have yet to receive confirmation for four investment balances and continue to work with management to complete this process. Any issues identified from this work will be reported to members at Audit & Governance Committee. We requested from management permission to send confirmation requests to the Pension Fund auditor. This permission was granted and the requests were sent. This confirmation has been provided and no further issues have been identified.
Accounting practices	Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management were provided. We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

2. Financial Statements - other communication requirements

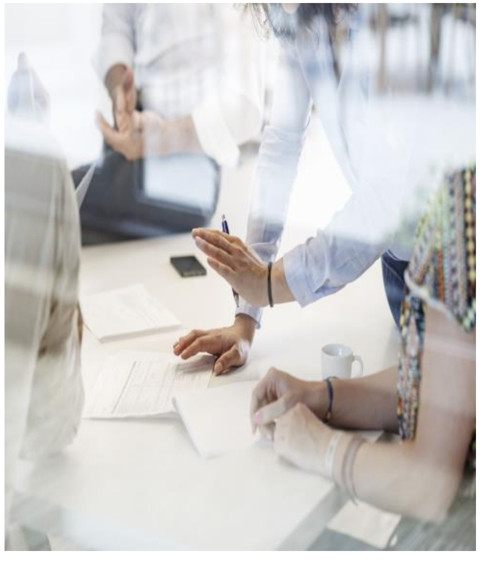
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. We have yet to complete this work and we will obtain sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified.
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. This work is not required at Exeter City Council as they do not exceed the threshold required tor the completion of this work.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021/22 audit of Exeter City Council in the audit report due to our VFM work covering multiple years and currently being completed.



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have yet to conclude our 2021-22 VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix E to this report. We expect to issue our Auditor's Annual Report by December 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

NOA have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 2022-23 audits.
The ongoing delays in local audit continue to significantly impact audited bodies and the financial reporting and auditing process, and may therefore affect the timing of when the work on VFM arrangements set out in AGN03 is performed and reported.
As a firm, we have taken a decision to prepare a combined VFM report covering both the 2021-22 and 2022-23 arrangements in order to give members the most relevant and timely reporting and ensure this reflects the most up to date arrangements at the Council.
The guidance states that the auditor should perform the procedures required as part of their work on VFM arrangements under AGN3 and issue their Auditor's Annual Report when their work is complete.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified which were charged from the beginning of the financial year to, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

We have made enquiries of component auditors and have confirmed their independence from the Council and Group and that they are not providing any non audit services that would impact on the group independence

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Capital receipts grant	6,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 in comparison to the total fee for the audit of £82,548 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Subsidy return	27,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £27,500 in comparison to the total fee for the audit of £82,548 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. None of the services provided are subject to contingent fees.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 3 recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Page 58

Assessment	Issue and risk	Recommendations
Medium	Management has incorrectly excluded assets from the Council's balance sheet as a result of the consolidation process. Housing assets purchased by the Council from Exeter City Living should be included in the balance sheet and failure to do so could lead to the risk of a material misstatement within the financial statements.	Management should ensure that the consolidation process for producing group accounts is appropriately followed and that all intercompany transactions are correctly disclosed in the statement of accounts **Management response** All intercompany transactions are eliminated during the consolidation process but agree that this does not apply to asset transactions. It is agreed that when assets are exchanged only the unrealised profit or loss on the transaction needs to be dealt with
Medium	The Council has a member of the finance staff with superuser access to the system. There is a risk of misuse of this access and this not being picked up due to the access rights provided to a superuser.	We recommend the Council review the user accounts identified with administration privileges and revoke those that do not require this. **Management response** Agreed. Super user access permissions will be reviewed
Low	From the work performed within remuneration disclosures, we agreed the declarations obtained from the monitoring officer and have found that some officers did not complete the declaration forms as there is nothing to declare. There is a risk that declarations of interest will not be properly declared and that governance procedures will not be properly followed.	A declaration of interest should be completed by all senior officers including nil returns to provide assurance that no potential conflict of interests have been omitted and that appropriate governance arrangements have been followed **Management response** […]

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of Exeter City Council's 2020/21 financial statements, which resulted in 6 recommendations being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Declarations of interest were only made by two senior officers in 2020/21. The system used to make declarations does not require senior officers to complete a declaration where this is a nil disclosure. There is a risk that related parties are not declared by all senior officers.	We have again identified that only two senior officers have made declarations. We have raised a recommendation in relation to this issue.
X	The Council has a large number of finance staff with superuser access to the system. There is a risk of misuse of these access and this not being picked up due to the large number.	Whilst the Council has reduced this number to one individual it is the opinion of audit that no members of finance should have superuser access levels. We have, therefore, raised a recommendation in 2021-22.
✓	On a small number of occasions, finance staff have used their superuser ID to post journals into the system. It is the Councils policy that the superuser ID should not be used for this purpose. There is a risk of misappropriate use of superuser ID.	Testing of journals in 2021-22 has not identify any instances of fiancé staff with superuser access posting inappropriate journals. We therefore consider this issue has been addressed.
TBC	The Council does not provide MRP for capital loan payments to third parties. This is not deemed to be in line with the regulations. There is a risk that going forward, MRP will be materially understated.	We have not completed this work and will provide and update to management and those charged with governance upon completion.
✓	Where the Council are using supporting data and assumptions within investment property valuations, such as land appraisals, they should ensure the latest and most up to date available information is being used as part of the valuation calculations.	Review of investment property assumptions have not identified any issues and therefore we consider this issue has been addressed.
✓	Where judgements are being made by the valuer regarding yields in the valuation calculations for more complex investment properties, the valuation report and supporting calculations should document the justification and explanation of the support taken by the valuer.	Review of investment property assumptions have not identified any issues and therefore we consider this issue has been addressed.

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

We have not identified any misstatements in the Council's primary statements. Review of the consolidation process identified a material misstatement which is set out in detail below along with the impact on the key group statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
In 2020-21 and 2021-22 the Council has purchased assets from Exeter City Living to the value of £900k and £2,450k respectively. As part of the consolidation process the Council has not eliminated the revenue and expenditure from the group CIES and has failed to recognise the asset in the group Balance sheet.	Cr Exeter City Living Expenditure (2020-21) (900) Cr Exeter City Living (2021-22) (2,450)	Dr PPE (2020-21) 900 Dr PPE (2021-22) 2,450 Cr Usable reserves (2020-21) (900) Cr Usable reserves (2021-22) (2,450)	0
Overall impact	£3,350	£0	£0

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
A small number of amendments were made to the Accounting Policies to more accurately reflect	Our review and audit of the draft accounts identified a small number of presentational changes to enhance the clarity of the accounts for the reader. We have shared the areas for presentational amendments and these will be reflected in the revised accounts.	✓

Impact of unadjusted misstatements

There are no unadjusted misstatements identified in 2021-22 and no unadjusted misstatements were identified in 2020-21.

D. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Current fee
Council Audit fee per audit plan	£82,548	£88,549
Total audit fees (excluding VAT)	£82,548	£88,549

Details of variations in final fees from the proposed fee per the audit plan

- fees per financial statements £42,358
- Additional IAS19 work required in relation to the triennial pensions valuation £6,000
- total fees per above £74,959

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Certification of Pooling of Housing Capital receipts	£6,000	£6,000
Certification of Housing Benefit Claim	£27,500	£27,500
Total non-audit fees (excluding VAT)	**£33,500**	**£33,500**

Audit fees – detailed analysis

Scale fee published by PSAA	£49,073
Raising the bar/regulatory factors	£3,125
Enhanced audit procedures for Property, Plant and Equipment	£5,688
Enhanced audit procedures for Pensions	£688
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs 540	£2,100
Additional audit requirements relating to journals and grants testing	£3,000
Additional local risk factors – Group audit work	£4,875
Remote working	£5,000
Additional IAS19 procedures following the revised triennial pensions valuation (as explained on page 11)	£6,000
Total proposed audit fees 2021/22 (excluding VAT)	***£88,549***

E. Audit letter in respect of delayed VFM work

Cllr Tony Wardle
Chair of Audit and Governance Committee
Exeter City Council
Civic Centre
Paris Street
Exeter
EX1 1JN

19 September 2023

Dear Cllr Wardle,

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

We wrote to you on previously to confirm that we expected to publish our Auditor's Annual Report, including our commentary on arrangements to secure value for money, no later than 30 September 2023. Following this letter, we have taken the decision to issue a combined Auditor's Annual Report for the 2021-22 and 2022-23 financial years, so that our work can be more relevant and timely and reflective of the most up to date arrangements at the Council. We now expect to publish our combined report by no later than 31 December 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours sincerely

Julie Masci
Key Audit Partner & Engagement Lead

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 29 November 2023

Report of: Director Finance

Title: Statement of Accounts 2021/22

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 To seek Members' approval of the Council's Statement of Accounts for 2021/22, subject to conclusion of the audit.

1.2 The Statement of Accounts is intended to give a 'true and fair' view of the financial position and transactions of the Council, including group financial statements, as at 31 March 2022.

2. Recommendations:

2.1 It is recommended that delegated powers are given to the Director Finance and Chair of Audit and Governance Committee to approve the Statement of Accounts for 2021/22 upon the conclusion of the audit and to report back to this committee any significant findings, if any are identified in the remainder of the audit.

3. Reasons for the recommendation:

3.1 The publication of audited Statement of Accounts is a statutory requirement, in accordance with the Local Audit and Accountability Act 2014, and the Accounts and Audit Regulations 2015.

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

4.1 There are no further resource implications.

5. Section 151 Officer Comments:

5.1 This has been a prolonged audit, which, to date has not resulted in significant adverse findings. In normal times, it would be important to ensure that Council approve the Statement of Accounts, via the Audit & Governance Committee. However, to allow the audit to be finalised and the work on the 2022-23 audit to proceed, it is requested as a one-off that delegated authority be given to allow the Council and Grant Thornton to move forward. The Section 151 Officer will bring a paper to the March Committee confirming any further changes that have been made.

6. What are the legal aspects?

6.1 The Statement of Accounts has been prepared in accordance with the statutory framework established for England by the Accounts and Audit (England) Regulations 2015.

6.2 As part of the Government's response to Sir Tony Redmond's review of the effectiveness of external audit and transparency of financial reporting of local authorities, the accounts publication deadlines were amended for financial years; 2020/21 and 2021/22.

The Accounts and Audit (England) Regulations 2015 were amended by the Accounts and Audit (Amendment) Regulations 2021 to set out the following reporting dates

Draft accounts published	Deadline 31 July
Public inspection period	Start date no later than the first working day of August
Audited accounts	Deadline 30 September

6.3 The audit of the accounts has been undertaken in accordance with the statutory framework established by section 20 of the Local Audit and Accountability Act 2014, by the Council's external auditors, Grant Thornton.

7. Monitoring Officer's Comments:

7. 1 The Statement of Accounts is the formal audited accounts for the period 2021/22. The purpose of these audited accounts is to give clear information on the Council's overall finances and to demonstrate the Council's stewardship of public money for the relevant year. Given the importance of this document, it is disappointing that these have been so delayed.

8. Report Details:

EXTERNAL AUDIT OF THE 2021/22 STATEMENT OF ACCOUNTS

8.1 Appointed Auditor

Public Sector Audit Appointments Ltd (PSAA) is responsible for appointing an auditor to principal local government and police bodies that have chosen to opt into its national auditor appointment arrangements. Exeter City Council opted into this arrangement.

On 14 December 2017, the PSAA board approved the appointment of Grant Thornton (UK) LLP to audit the accounts of Exeter City Council for a period of five years, covering the accounts from 1 April 2018 to 31 March 2023. This appointment is made under regulation 13 of the Local Audit (Appointing Person) Regulations 2015.

8.2 Audit Delay

As reported to Audit and Governance Committee on 30 November 2022, there was a delay in the commencement of the audit due to Grant Thornton's commitment to a prior audit and a delay transitioning to the Council's audit, which meant the audit did not start until mid-October 2022.

On 26 July 2023 a further update was provided to Audit and Governance Committee in respect of the audit delay, as the delayed start meant that it has been necessary for both parties to pause the audit, at times, to allow resources to be diverted to the annual budget setting process (finance team) and for Grant Thornton to be diverted to their NHS audits.

8.3 Statement of Accounts 2021/22

The purpose of a local authority's published Statement of Accounts is to give electors, those subject to locally levied taxes and charges, members of the authority, employees and other interested parties clear information about the authority's finances.

The draft Statement of Accounts were received by the auditors on 26 July 2022, before the revised national publication deadline of 31 July 2022. The period for the public inspection of the accounts ran from Wednesday 27 July 2022 to Wednesday 7 September 2022.

Information contained in the Statement of Accounts has been consolidated into the Whole of Government Accounts for 2021/22.

8.4 Presentation of the Statement of Accounts

The Code of Practice on Local Authority Accounting (the Code) provides guidance on the format and content of the Statement of Accounts and means that they have to conform to a national standard.

8.5 Main Changes to the Accounts

The Code did not adopt any new accounting standards for the 2021/22 financial year, which enabled the accounts to be prepared on a consistent basis with the prior year.

Since the issue of the draft accounts, two changes have been made to recognise subsequent information:

- **Triennial Valuation of the Pension Fund**

  Local Government Pension funds are valued every three years (triennial valuation) to estimate future liabilities (payments to pensioners), asset values and other factors to arrive at the level of employer contributions required for the following three years.

  The 2021/22 statement of accounts were published in July 2022 and reflected the latest triennial valuation (March 2019) and updated by the actuary for conditions at March 2022.

  The delay in finalising the audit of 2021/22 meant that information from the March 2022 triennial valuation of the pension fund became available and provided new information about conditions of the fund as at 31 March 2022. It was therefore deemed necessary to amend the 2021/22 draft Statement of Accounts, in order to provide a true and fair view of the financial position of the Authority. The Pension

Fund liability at 31 March 2022 reduced by £24.065m. These changes were reported to Audit and Governance Committee on 26 July 2023.

- **Events after the Reporting Period**

  As the audit has not been concluded in respect of 2021/22, it has been necessary to disclose the Council's decision on 17 October 2023 to reduce the capacity of its housing development company, Exeter City Living Ltd, as an event which took placed after 31 March 2022, but provides information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date.

8.6 Audit Findings

At the time of writing, our external auditors anticipate issuing an unqualified audit opinion on the Authority's financial statements and have identified a single error in respect of the Group Accounts:

- **Group Accounts**
  The Code requires that assets and liabilities, reserves, income and expenses relating to transactions between entities of the group to be eliminated in full. This was the approach taken in the Council's original draft accounts. However, during the course of the audit it was identified that a less common adjustment is required where items of property, plant and equipment are sold between group members.

  The purchase of properties at Anthony Road in 2020/21 (£900k) and at Thornpark Rise (£2.450m) were eliminated in error from the group accounts, as the assets have not left the group. This has been adjusted for in the final Group Accounts, which has no impact on the Council's single entity financial statements.

Overall, the amendments to date have had no impact on either the General Fund balance or the Housing Revenue Account balance, which remain as reported to Council. The overall financial performance of the Council for 2021/22 was reported to Executive on 5 July 2022 and to Council on 19 July 2022.

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

The Statement of Accounts set out the financial position at the end of the 2021/22 and the transactions of the Council during 2021/22, both of which help underpin delivery of the Corporate Plan.

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

The risks relate to overspending the Council budget and are mitigated by regular reporting to the Strategic Management Board and Members. There is also a risk of failing to implement key accounting changes in accordance with approved accounting standards, but this is mitigated by the external audit of the Statement of Accounts.

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: because

11.4.1 The report is for information only.

12. Carbon Footprint (Environmental) Implications:

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

13. Are there any other options?

Not applicable

Director Finance

Local Government (Access to Information) Act 1972 (as amended)
Background papers used in compiling this report:
None

Contact for enquiries:
Democratic Services (Committees)
Room 2.3
(01392) 265275

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Exeter
City Council

STATEMENT OF ACCOUNTS

2021-2022

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Narrative Report

1. Background

Local authorities in England are required by the Accounts and Audit Regulations 2015 to publish a narrative statement with the Statement of Accounts.

As a part of the requirement to provide a narrative statement, regulation 8(2) of the Accounts and Audit Regulations 2015 stipulates that a local authority must provide information on its "financial performance and economy, efficiency and effectiveness in its use of resources over the financial year".

This Narrative Report provides information about Exeter, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position at 31 March 2022 and is structured as follows:

- An introduction to Exeter
- Key information about Exeter City Council
- The Corporate Plan
- Financial Performance 2021/22
- Non-Financial Performance 2021/22
- Future Financial Plans
- Statement from Director Finance

2. Introduction to Exeter

Exeter's history goes back to Roman times with two thirds of the Roman Wall still visible. Exeter Cathedral is prominent in the centre of this bustling city. This and other historic buildings help to make Exeter a popular tourist attraction.

Exeter is the capital city of the county of Devon.

Below are some key facts about Exeter:

Population: Exeter has an estimated population of 133,300 and is at the heart of a travel to work area of over 470,000 residents.

Employment: 71,900 of Exeter's residents are employed or self-employed. The city has 1.14 jobs for every resident aged 16-64.

Commuters: Approximately 37,000 people commute into Exeter on a daily basis and 11,000 people commute out.

Geography: Exeter is one of two large urban centres within the rural county of Devon, Plymouth being the other.

Environment Exeter is the cleanest city in England in Eon ENDS's index, which ranks the 55 primary urban areas in England on more than 30 environmental factors grouped into five categories – air quality, climate, water quality, public realm and green behaviour

Business: 5,112 registered for business rates.

Connectivity: Exeter has an international airport, two railway routes into London (Paddington and Waterloo), major routes by road (M5 to Bristol), three park and ride schemes and joined up cycle routes within the city. The new Exeter Bus Station opened to passengers in the city centre in July 2021.

Exeter specialisms: The largest number of meteorologists and climate change specialists in the UK are based in Exeter. Award-winning specialists in diabetes and breast cancer can be found at the Royal Devon and Exeter Hospital, and the University of Exeter has many award-winning research fellows.

Education: The University of Exeter is a public research university, with 98% of its research rated as international quality in the most recent Research Excellence Framework. The University of Exeter's global reputation has been reinforced after it rose into the top 150 worldwide according to the Times Higher Education World University Rankings (2 September 2021) and the University has also moved back into the top 20 in the UK in the league table.

It is over 50 years since Exeter College was named as the UK's first tertiary college, though its origins date back to the 1800s and is ranked as one of the top colleges in the country in FE Week's annual NICDEX rankings. It is Devon's only Ofsted Outstanding further education college.

Culture: The Art Council England's Designation Scheme has identified the George Montagu's 19th century collection of molluscs and World Cultures collection as pre-eminent collections of national and international importance at the Council's Royal Albert Memorial Museum (RAMM). The city also has a beautiful Cathedral, four theatres and a popular quayside.

Retail: Exeter has many well-known national stores including John Lewis, Next, Zara and Apple. There are also award-winning restaurants and independent stores. The Ivy is among the newest restaurants in Exeter, famous for attracting celebrities to its London eateries. Ikea's 29,000 square metre store is located on the outskirts of the city.

Sport: Exeter Chiefs play in Premiership Rugby, England's top division of rugby. Founded in 1871, the club play their home games at Sandy Park, which is located on the outskirts of the city. The Chiefs have become one of the leading clubs in the Premiership, winning the championship title twice in 2016-17 and 2019-20 and reaching a further four finals. In October 2020, the Chiefs won the Champions Cup, the top prize in European club rugby union.

Exeter City Football Club is a professional association football club, which was founded in 1904. On April 26 2022, the team gained promotion from League Two to League One and an open-top bus parade and Civic Reception took place on 9 May to celebrate with supporters in the city centre.

Exeter and Cranbrook is one of only 12 places in England to be awarded Pilot status by Sport England to tackle inactivity in communities and to trail-blaze new ways of getting people active for life. Following wide-ranging consultation, strategies have been approved which reflect the ambition to make Exeter the most active city in England and for everyone to benefit from an active life.

3. Key Information about Exeter City Council

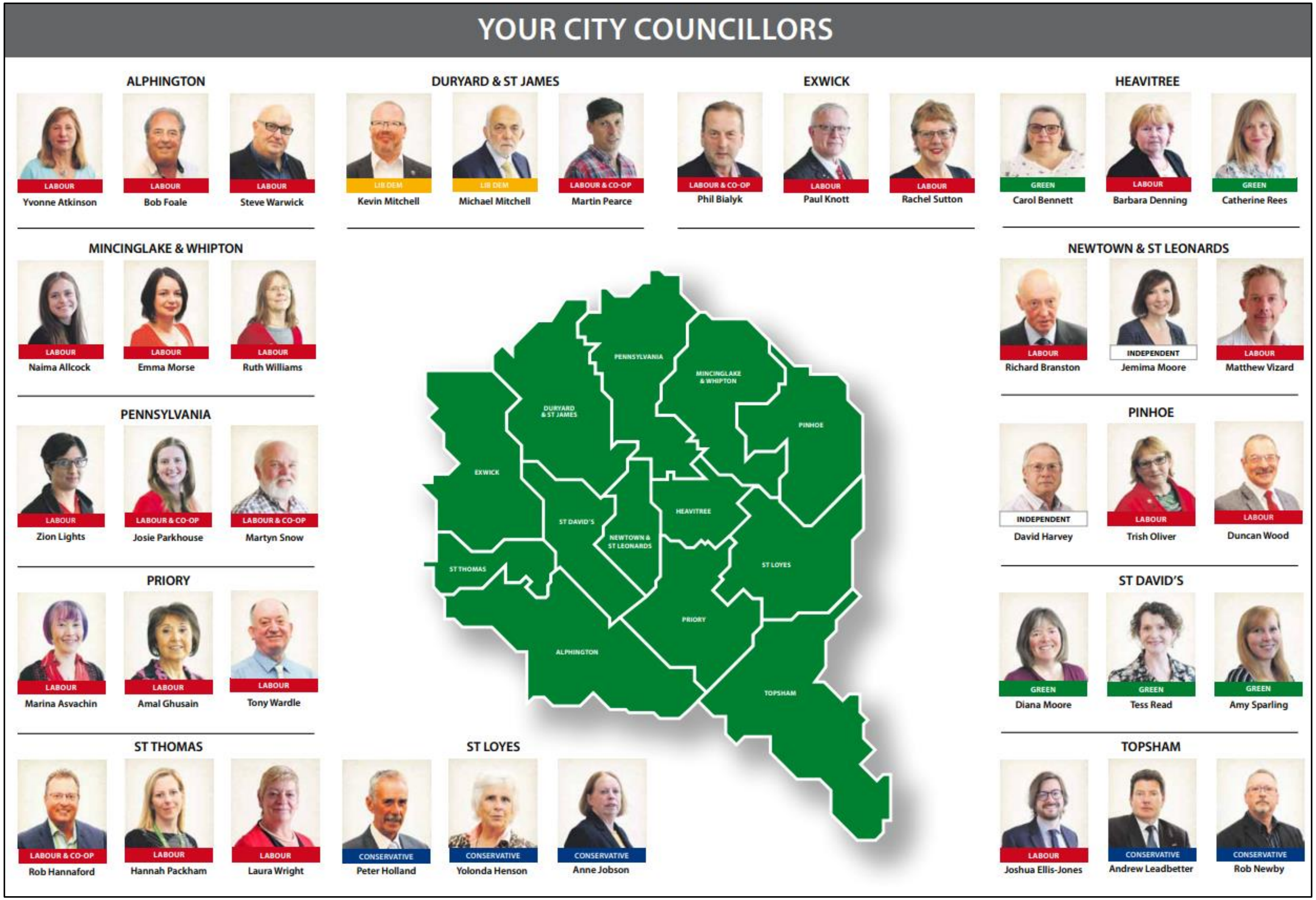
The City Council provides a range of services within the city including housing, refuse collections and recycling, planning, economic development, tourism, leisure and arts facilities. The Council also provides housing and council tax benefits as well as collecting the council tax on behalf of the county council, police and fire services. Its policies are directed by the Political Leadership and implemented by the Strategic Management Board and Officers of the Council.

Political Structure

There are 39 councillors on Exeter City Council, representing the 13 wards of the City. The political make-up of the Council during the 2021/22 financial year was:

Party	Councillors
Labour seats	24
Conservative	6
Liberal Democrat	2
Green Party	2
Independent	1
Vacant	4

The local elections for Exeter City Councillors from May 2022 were held on 5 May 2022. Each elected Councillor is appointed for a four year term, with a third of the 39 seats contested each year (one seat per ward).


YOUR CITY COUNCILLORS
ALPHINGTON
LABOUR Yvonne Atkinson
LABOUR Bob Foale
LABOUR Steve Warwick
DURYARD & ST JAMES
LIB DEM Kevin Mitchell
LIB DEM Michael Mitchell
LABOUR & CO-OP Martin Pearce
EXWICK
LABOUR & CO-OP Phil Bialyk
LABOUR Paul Knott
LABOUR Rachel Sutton
HEAVITREE
GREEN Carol Bennett
LABOUR Barbara Denning
GREEN Catherine Rees
MINCINGLAKE & WHIPTON
LABOUR Naima Allcock
LABOUR Emma Morse
LABOUR Ruth Williams
NEWTOWN & ST LEONARDS
LABOUR Richard Branston
INDEPENDENT Jemima Moore
LABOUR Matthew Vizard
PENNSYLVANIA
LABOUR Zion Lights
LABOUR & CO-OP Josie Parkhouse
LABOUR & CO-OP Martyn Snow
PINHOE
INDEPENDENT David Harvey
LABOUR Trish Oliver
LABOUR Duncan Wood
PRIORY
LABOUR Marina Asvachin
LABOUR Amal Ghusain
LABOUR Tony Wardle
ST DAVID'S
GREEN Diana Moore
GREEN Tess Read
GREEN Amy Sparling
ST THOMAS
LABOUR & CO-OP Rob Hannaford
LABOUR Hannah Packham
LABOUR Laura Wright
ST LOYES
CONSERVATIVE Peter Holland
CONSERVATIVE Yolonda Henson
CONSERVATIVE Anne Jobson
TOPSHAM
LABOUR Joshua Ellis-Jones
CONSERVATIVE Andrew Leadbetter
CONSERVATIVE Rob Newby
PENNSYLVANIA
MINCINGLAKE & WHIPTON
DURYARD & ST JAMES
PINHOE
EXWICK
ST DAVID'S
NEWTOWN & ST LEONARDS
HEAVITREE
ST THOMAS
ST LOYES
PRIORY
ALPHINGTON
TOPSHAM

Narrative Report

Exeter’s Vision 2040

In December 2019, organisations from within the City of Exeter and those with a keen interest in the continued growth and success of the city as an economic engine of the Greater Exeter regions, came together to form the Liveable Exeter Place Board. The Board agreed a commitment to Exeter’s Vision 2040; to be recognised as a leading sustainable city and global leader in addressing the social, economic and environmental challenges of climate change and urbanisation. The Council will play a lead and critical role in realising this vision.

‘By the time they are an adult, a child born in Exeter today will live in a city that is inclusive, healthy and sustainable – a city where the opportunities and benefits of prosperity are shared and all citizens are able to participate fully in the city’s economic, social, cultural and civic life’

Narrative Report

Climate Emergency

The Council declared a climate emergency in 2019 and pledged to work towards creating a carbon neutral city by 2030. In July 2020, the Council adopted Net Zero Exeter 2030 as council policy to inform all policy documents, plans and corporate decision making in response to the climate emergency and in pursuance of the 2030 goal to make Exeter a carbon neutral city. The target is 20 years in advance of the 2050 national net zero target required under the Climate Change Act.

The Net Zero Exeter 2030 plan presents a blue print for how the city of Exeter can achieve its ambition to be net-zero carbon by 2030. It is built on an understanding that the city can only achieve its net-zero carbon targets if organisations, individuals and institutions take responsibility and accept they have a role and play their part. It is an attempt to focus the city on a sequence of key actions that take us to 2030 and enable these actions to be reflected in city and organisational plans.

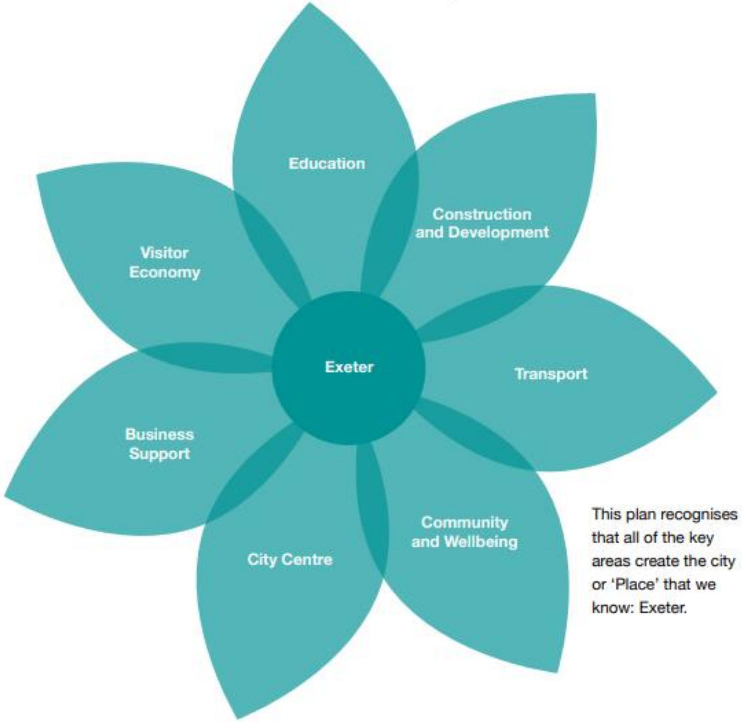
Progress during the year included commissioning The Centre for Energy and the Environment at the University of Exeter to establish a baseline greenhouse gas inventory for the city, quantify the reductions required to achieve net zero in 2030 and identifying more specific metrics for monitoring progress towards carbon neutrality in each emissions sector; power, buildings, industry, transport, agriculture, land use, waste and fluorinated gases.

Building Exeter Back Better

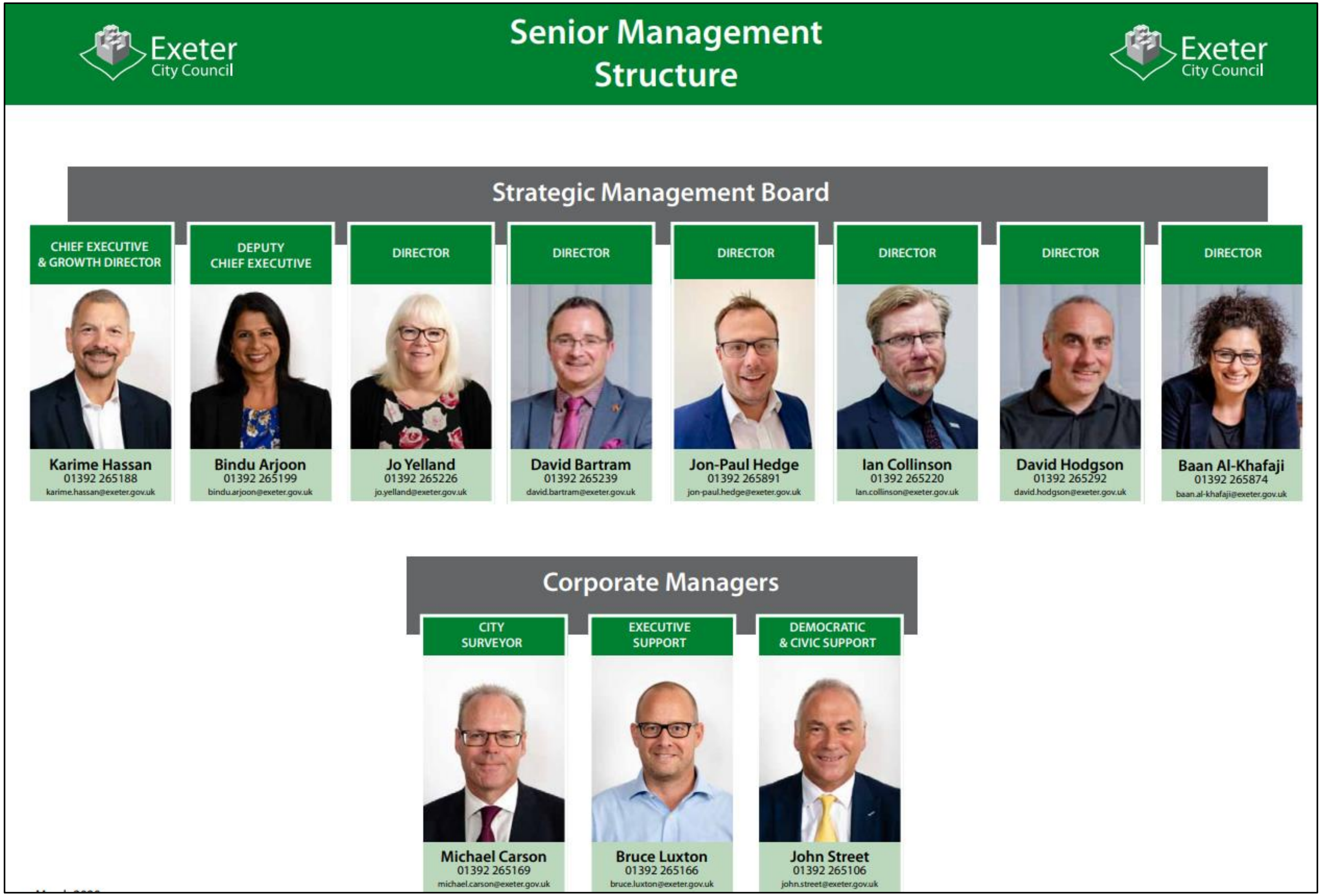
Working in conjunction with key public sector agencies, business and community stakeholders and supported by the Liveable Exeter Place Board, a ‘Building Exeter Back Better’ Covid-19 recovery plan has been formulated, which focuses on a place-based ‘Exeter’ response to oversee the transition from crisis management to turnaround and recovery planning. It aligns with and complements the work being put in place at county and regional level. The plan is underpinned by the following principles:

- Work on the basis of a ‘Build Back Better’ strategy, avoiding sub-optimal quick fixes or recovery that recreates the pre-Covid-19 status quo
- Aim for innovation and transformation, seeking progress on key priorities for the city, e.g. climate emergency
- Plan with robust evidence of damage and needs assessment
- Increase resilience for future pandemics (and other societal crises)
- Collaborate with regional and sub-regional arrangements and our neighbours
- Work with our communities to understand local issues and ensure co-delivery of the plan

The plan sets out seven key areas that have been most keenly affected by the pandemic, resulting in the formation of seven recovery groups, chaired by members of the Liveable Exeter Place Board. The recovery groups will work collaboratively in recognition that a city does not work in silos and that all of the areas of focus overlap, as illustrated below:



Exeter City Council's Senior Management Structure:



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Council Employees

The Council employed 817 people in full time and part time contracts in March 2022, compared to 783 people in March 2021.

The increase in the number of council employees predominantly reflects the new jobs created in Leisure Services following the opening of the new St Sidwell's Point leisure centre.

In the context of managing scarce public resources, remuneration at all levels within the Council needs to be adequate to recruit and retain employees with the right skills and capabilities to meet the needs of the Council now and in the future, but at the same time providing value for money to the residents of Exeter. The Council works within a pay and reward framework that takes account of regional and national variations, local market factors, is open and transparent and complies with equal pay legislation.

The pay policy for 2021/22 reflected the following:

- The Council adapted the National Local Government Pay Scale to include locally agreed spinal column points. With effect from 1 January 2014, the Council adopted the Real Living Wage as its minimum spinal column point, and the Living Wage of £9.50 per hour from 1 April 2021 equates to Grade A of the Council's pay scale. The Living Wage is determined nationally in or around November each year. The Council applies any uplift to the Living Wage from 1 April in the year following the increase.

- The nationally negotiated pay award for employees on Spinal Column Points 3 - 52 inclusive (Grades B – P)

- The nationally negotiated pay award for Chief Officers and Chief Executives

The Council has 9 staff who are union representatives, with one officer spending at least 50% of their working hours on union activity.

The Council's Chief Executive and Growth Director, Karime Hassan, was made a Member of the Order of the British Empire for services to government in the Queen's New Year Honours.

4. The Council's Corporate Plan 2018-2021

One of the key strategic documents that frames the actions of the Council is the Corporate Plan. The Corporate Plan is a list of priorities for the next few years and our plans to work alongside our partners and communities to continue to make Exeter a happy and healthy place to live for everyone.

As an ambitious council in a successful city, we fulfil a number of roles to ensure that the city continues to flourish:

- We deliver the day-to-day services that our residents and communities depend on.
- We work with our partners and other stakeholders to help set the strategic direction for the city and deliver plans that bring positive change for all those living, working, studying in and visiting the city.

The Corporate Plan has been updated to reflect the changes that have occurred since we produced Our Strategy 2018-2021. Since then the Council has declared a Climate Emergency in Exeter and has experienced the Covid-19 crisis.

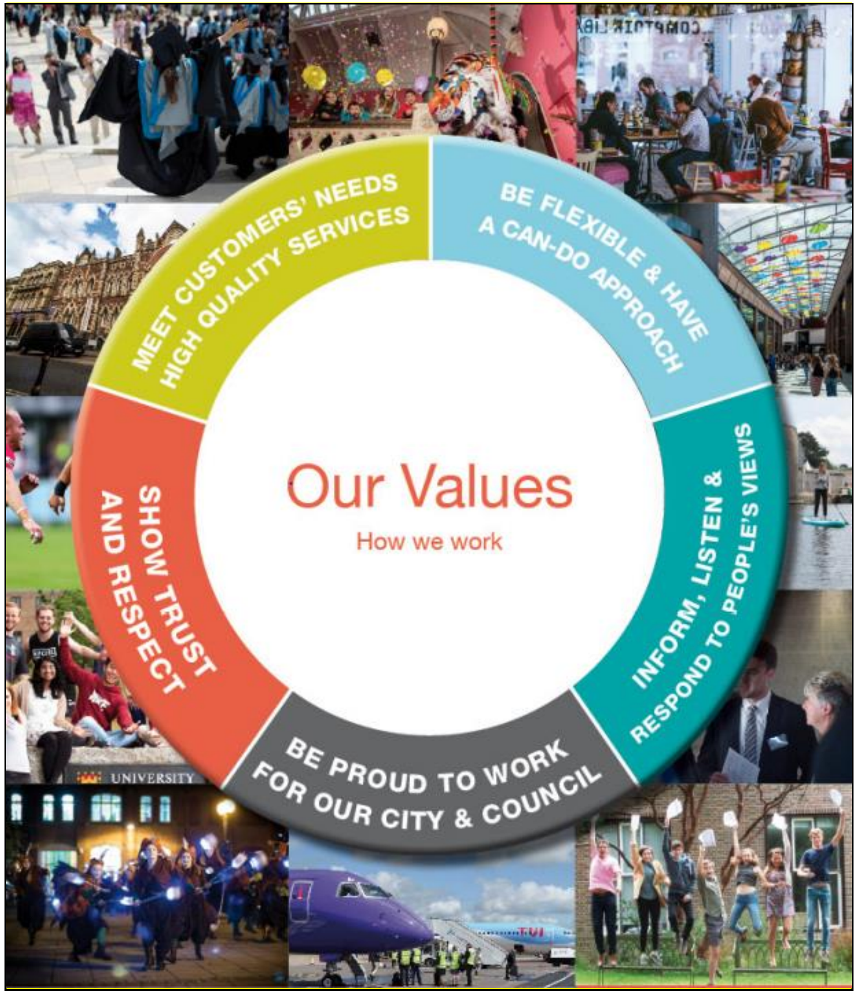
The Council's corporate priorities, which guide everything we do are:

- Delivering Net Zero Exeter 2030
- Promote active and healthy lifestyles
- Build great neighbourhoods
- Provide value-for-money services
- Lead a well-run council

Narrative Report

Delivery of the Council's strategy relies on it being a well-run council. As a well-run council we will:

- Inform and engage openly with stakeholders.
- Ensure that health and safety at work is a priority for the council and that all staff are aware of its significance for their roles and responsibilities.
- Develop the capability of our staff to ensure they are highly motivated, well trained and meet our values.
- Promote equality and diversity and tackle social exclusion in all of our work.
- Manage risks and performance.
- Ensure we are resilient to deal with emergencies and disruptive incidents.
- Use data to inform our decisions and priorities.
- Manage and secure our information, which will be transparent and accessible.
- Reduce our carbon and waste production and reduce our energy consumption to help make Exeter a greener place.



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5. Financial Performance 2021/22

The impact of Covid-19 on the finances of the Council and all local authorities across the country remained significant during 2021/22. The Council continued to incur both significant additional expenditure and a loss of income whilst England experienced a phased exit from lockdown. A four-step plan, known as the roadmap out of lockdown took place during the financial year with all government-mandated coronavirus restrictions ending on 24 February 2022. Despite the challenges, the Council achieved the requirement to maintain a minimum balance in excess of £3 million, as at 31 March 2022, but the Medium Term Financial Plan is reliant on substantial reductions being delivered in 2022/23 and beyond.

The revenue outturn position against the revised approved budget, was as follows:

	Revised Annual Budget £'000	Year End Outturn £'000	Variance to Budget £'000
Chief Executive & Growth Director	3,250	2,837	(413)
Transformation	1,258	913	(345)
City Development, Housing & Supporting People	7,067	4,119	(2,948)
Communiciations, Culture & Leisure Facilities	13,848	13,318	(530)
Net Zero Exeter and City Management	5,458	5,285	(173)
Finance	336	(382)	(718)
Corporate Services	2,563	2,476	(87)
Less Use of Furlough Scheme	-	(163)	(163)
Less Notional Capital Charges	(12,328)	(12,328)	0
Service Committee Net Expenditure	**21,452**	**16,075**	**(5,377)**
Net Interest	150	771	621
New Homes Bonus	(1,941)	(1,941)	0
Minimum Revenue Provision	692	293	(399)
General Fund Expenditure	**20,353**	**15,198**	**(5,155)**
Transfer To/(From) Working Balance	**(732)**	**827**	1,559
Transfer To/(From) Earmarked Reserves	**(4,351)**	**(6,688)**	(2,337)
General Fund Net Expenditure	**15,270**	**9,337**	**(5,933)**
Met By:			
Formula Grant	**(4,732)**	**(4,732)**	0
Business Rates Growth / Pooling Gain	**(2,334)**	**4,090**	6,424
Covid19 Grant	**(760)**	**(761)**	(1)
Sales, Fees & Charges Compensation	-	**(457)**	(457)
CIL Income	**(1,192)**	**(1,225)**	(33)
Council Tax	**(6,252)**	**(6,252)**	0
	(15,270)	**(9,337)**	**5,933**
	March 2021	**March 2022**	
Working Balance	**4,696**	**5,523**	

Narrative Report

The outturn results have been skewed by the pandemic and the Government's support to business and Councils. The following Covid related amounts are included in the outturn figures for 2021/22:

Covid-19 Grant
In light of the phased exit from restrictions and the ongoing financial impact on local authorities, the Government announced a further round of Covid-19 emergency funding. Exeter received £0.645m in April 2021 and a further non-ring-fenced grant of £0.116m, bringing the total for the year to £0.761m.

Sales, Fees and Charges
The Sales, Fees and Charges compensation scheme was extended to cover the first three months of 2021/22. The scheme compensated local authorities for irrecoverable and unavoidable losses from sales, fees and charges as a result of lockdown, government restrictions and social distancing measures related to the pandemic. Exeter received compensation of £0.457m during 2021/22.

Support to Businesses Reported in the Council's Outturn Report
The Government provided a range of support measures throughout the Covid-19 pandemic to support local businesses and individuals. Where the authority has some discretion over the amounts awarded, the criteria for entitlement and therefore has some control over the distribution of the funding, they have been reported as income and expenditure in the authority's financial statements. In these circumstances, the authority is deemed to be acting as a 'principal'. The table below sets out the grants schemes that have been included in the 2021/22 Council's accounts. The balances remaining at 31 March 2022 have been transferred to earmarked reserves for distribution in future years.

Grant	Funding c/fwd as at 31 March 2021	Funding 2021/22	Expenditure 2021/22	Balance as at 31 March 2022	Description
Exeter Well-being Support Fund	64,372	0	50,451	(13,921)	Fund used to issue urgent financial support to persons experiencing financial difficulties.
Covid19 Business Support Grants (LADGF)	0	(7,500)	(7,500)	0	Support for small businesses that are not eligible for Small Business Grants (SBGF) or the Retail, Hospitality and Leisure Grant Fund (RHLGF)
Covid CEV Response Fund	1,656	112,867	63,492	(51,030)	Lower tier authorities to carry out any responsibilities they are asked to undertake to support Clinically Extremely Vulnerable individuals
Business Support (Additional Restrictions Grant) and ARG Top-up	1,860,991	187,806	2,048,797	0	Local authorities can use this funding for direct business support grants or for wider business support activities
Compliance and Enforcement Grant	29,595	0	29,595	0	Net cost of services. Local authorities can choose which eligible compliance and enforcement activities to use the funding for
Contain Outbreak Management Fund	0	166,570	42,290	(124,280)	For the purposes of compliance and enforcement measures to control the spread of Covid-19
Devon Household Support Fund	0	242,957	243,387	430	To provide support to vulnerable households and individuals to help them meet daily needs such as food, clothing and utilities
Protect & Vaccinate	0	254,587	225,587	(29,000)	To increase uptake of boosters among people who are homeless and sleeping rough
Total	**1,956,614**	**957,286**	**2,696,099**	**(217,802)**	

Business Rates
Due to the extent of business rate reliefs granted by the government to businesses to support them during the Covid-19 outbreak, the actual business rates receivable in the year is lower. However, the government provided Section 31 grants to offset the loss in business rates income locally, which have been held in an earmarked reserve (£17.423m as at 31 March 2021) and are being released to the General Fund in accordance with current collection fund accounting rules. A net transfer of £6.325m has been transferred from the reserve in 2021/22, taking the earmarked reserve to £11.098m, as at 31 March 2022.

General Fund Working Balance
The Council's current policy is such that the minimum level of the General Fund Balance will remain above £3 million. This is considered prudent taking into account the potential level of financial risk facing the Council in the medium term.

The outturn for 2021/22 resulted in a £0.827m transfer to the General Fund Working Balance, taking it to £5.523m as at 31 March 2022.

Support to Businesses Not Reported in the Council's Outturn Report
During the year, the authority was responsible for distributing a range of Government grants to businesses and individuals impacted by the pandemic with both the eligibility and amounts paid defined by the Government. In these circumstances, the authority is deemed to be acting as an 'agent'. These grants are not reflected in the Council's accounts, except for any sums due to or from the authority for differences between the grant funding and actual eligible costs. As at 31 March 2022, the Council held £17.3m as a net creditor provision, for amounts due to be distributed or returned to Government in 2022/23, in particular – it includes £7.427m in respect of the council tax rebate, which was paid to billing authorities in March 2022 for passing to eligible households from April 2022.

Grant	Funding c/fwd as at 31 March 2021	Funding 2021/22	Expenditure 2021/22	Balance as at 31 March 2022
Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund (SBGF & RHLGF)	0	0	(25,000)	(25,000)
Test and Trace Support Grants	36,500	579,000	738,000	122,500
Local Restrictions Support Grant - Closed Addendum 5 Nov to 1 Dec	1,049,168	0	54,002	(995,166)
Local Restrictions Support Grant (LRSG)- Closed from 2 Dec Tier 2 & Closed 5 days (Tier 3)	65,784	0	536	(65,248)
National Lockdown 3 Top-up (Closed Business)	3,247,000	0	391,000	(2,856,000)
National Lockdown 3 Addendum	4,157,832	0	1,038,902	(3,118,930)
Christmas Support Payment Wet Led Pubs	(11,800)	11,800	(3,000)	(3,000)
Restart Grant - Non essential retail premises	0	4,515,084	1,274,715	(3,240,369)
Restart Grant - Hospitality, accommodation, leisure, personal care and gym businesses	0	4,515,084	5,304,000	788,916
Omicron Hospitality & Leisure Grant	0	1,494,072	1,009,375	(484,697)
Council Tax Rebate	0	7,426,800	0	(7,426,800)
Total	**8,544,484**	**18,541,840**	**9,782,530**	**(17,303,794)**

2021/22 Capital Outturn

Despite the challenges presented by Covid-19, the Council spent £36.379m on its Capital Programme in 2021/22 compared to the revised forecast spend of £96.115m. This comprised £17.044m on General Fund and £19.335m on HRA capital expenditure.

The variance between the outturn forecast and actual outturn for the year was £59.736m, which most notably includes £44m for commercial property purchases that completed in May 2022 in respect of 83 Fore Street and the Guildhall Shopping Centre. The overall £59.736m will require the re-profiling of planned expenditure into future years and therefore does not present any financial issues for the Council.

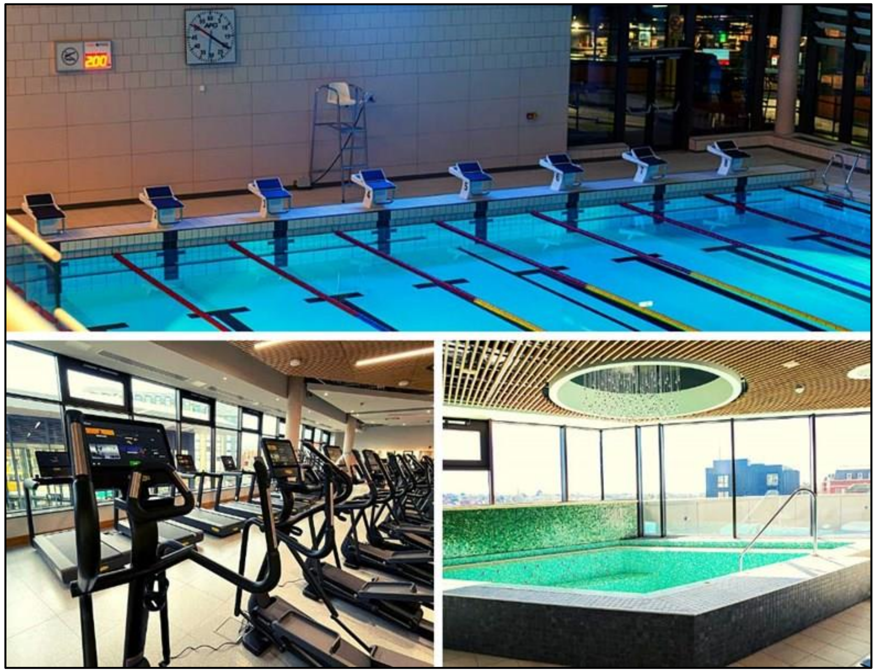
The capital expenditure, by Responsible Officer, and financing of this expenditure is set out below:

	2021/22 Forecast Outturn £'000	2021/22 Outturn £'000	Variance £'000
Capital Expenditure:			
Chief Executive & Growth Director	857	233	(624)
Transformation	9,280	8,880	(400)
Net Zero Exeter and City Management	10,257	3,604	(6,653)
City Development, Housing & Supporting People	26,811	21,505	(5,306)
Communications, Culture and Leisure Facilities	2,985	1,729	(1,256)
Finance	45,925	428	(45,497)
Total Expenditure	**96,115**	**36,379**	**(59,736)**
Resources:			
Major Repairs Reserve	921	897	(24)
Capital Receipts	8,710	4,773	(3,937)
Grants and Contributions	5,522	6,959	1,437
Community Infrastructure Levy (CIL)	1,300	1,300	0
Revenue Contributions	8,396	3,397	(4,999)
Prudential Borrowing	71,266	19,053	(52,213)
Total Financing	**96,115**	**36,379**	**(59,736)**

Key achievements in 2021/22 Capital Programme:

- **New Leisure Complex; St Sidwell's Point**
  Exeter's state-of-the-art new leisure centre was substantially completed in 2021-22, with final preparations taking place in April for an official opening on Friday 29 April.

  St Sidwell's Point is the UK's first super-energy-efficient passiv-haus leisure centre, built next to the new Exeter Bus Station, has three pools, a gym with more than 100 stations, a premium spa, three group exercise studios, a soft play area, crèche and café.



Inside St Sidwell's Point

It features an eight-lane, 25m main pool and a four-lane, 20m learner pool, both with moveable floors. There is also a confidence pool for children.

Inside St Sidwell's Point

- **Marsh Barton Railway Station**
  The Council contributed £1.3m towards the new Marsh Barton railway station during the year, in support of the project being led by Devon County Council. The station at Marsh Barton is a core element of the Devon Metro rail strategy for Exeter. It will provide a two-platform station improving access for residents and commuters and supporting lower carbon travel.

It will also include a new pedestrian and cycle bridge. This bridge will provide active travel links to the station as well as improving connections between Alphington, Marsh Barton and the Riverside Valley Park.

Marsh Barton railway station

- **Energy Saving Projects**
  Work to create a City Solar Farm in Exeter made up of over 3,700 solar panels has started. Initial groundwork was carried out earlier in the year and a main contractor has been appointed to carry out the work.

  The site in Marsh Barton will become a 1.2MW solar farm producing green energy for the city, including a direct supply to the Council's waste and recycling depot to support charging of its electric fleet and future use of electric refuse vehicles. With the help of European Regional Development Fund grant funding, the Exeter solar farm will be built on an inactive landfill site and include two battery storage containers. As well as being used to store solar power for overnight use of vehicle charging, the batteries will also be used to provide energy for the National Grid.

Site of City Solar Farm in Exeter

- **Energy Retrofit**
  Around 300 Council houses in Exeter have now been retrofitted to reduce carbon emissions and help residents lower their fuel bills.

  Retrofitting involves homes receiving external wall insulation, high performance cavity wall insulation, loft insulation, new double glazing windows and doors, solar panels, smart meters and upgraded central heating systems.

Retrofitting home

Housing Revenue Account

The Housing Revenue Account (HRA) is a ring-fenced landlord's account for the running of the Council's housing stock.

During 2021/22 the HRA reported an operating deficit of £1.804m. The deficit was met by a transfer out of the HRA working balance.

The Council's current policy is such that the minimum level of the HRA working balance will remain at no less than £4 million, as a contingency against financial risks. As at 31 March 2022, the working balance was £11.468m, considerably higher than the minimum level. This is predominantly due to delays with certain capital schemes, including kitchen and bathroom replacements, the Hamlin Gardens development and the Vaughan Road development. Significant revenue contributions will be required over the next 2 years towards financing the capital schemes, which will reduce the working balance.

The lifting of the 'debt cap' in October 2018 meant that local authorities are now able to borrow for housebuilding in accordance with the Prudential Code. During 2021/22, work continued on Phase 1 of a new HRA House-building programme, which provides for four development schemes that will deliver 100 new homes into the HRA.

Key achievements

The Council successfully secured Government Grant of £0.500m to tackle fuel poverty in some of our least energy efficient homes – this was in addition to the £1.100m grant secured in previous years. This funding is supported by direct contributions from the HRA and forms part of the objective for the Council to achieve carbon neutrality for its housing stock – currently targeted by 2030. The retrofits programme sees the whole house refurbished to deliver the very highest energy standards and the greatest energy benefits for tenants.

The Council completed its first extra care housing development at Edwards Court – 53 one and two bedroom flats which have been designed, built and certified to the rigorous passiv-haus standard.

The buildings ventilation system also includes heat recovery which is around 90% efficient – this heat recovery coupled with the airtightness and insulation means that the energy required to heat the building will be reduced by up to 90%.

In addition to Edwards Court, a site at Vaughan Road has been secured and cleared in readiness for the commencement of the construction of 92 flats later in 2022 and preparations have also been made for the commencement, in July 2022, of the construction of 21 flats at Hamlin Gardens.

The Council's Housing and Development Advisory Board, which comprises of Councillors and local professionals, continues to monitor housing assets and tenancy services operational delivery and comment on the strategic direction of the service.

HRA Benchmarking

Each year the HRA participates in a benchmarking exercise to assess performance and satisfaction in comparison with similar organisations within a peer group. The peer group comprises 130 other local authorities. The results of the most recent exercise were:

Headline measures	Value	Quartile	Performance
Cost headlines			
Overheads as a % of turnover	3.80%	1st	Within top 25% of peer group
Total cost per property of Housing Management	£244.00	2nd	Within top 50% of peer group
Total cost per property of Responsive Repairs & Void Works	£792.00	3rd	Below average of the peer group
Operation performance headlines			
Average number of calendar days taken to complete repairs	22.10	4th	Within lowest 25% of peer group
Staff turnover in the year %	1.40%	1st	Within top 25% of peer group
Overall satisfaction with service	88.00%	1st	Within top 25% of peer group

Pension Fund

The Council has net pension liabilities of £99.288m in the Balance Sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund. A full actuarial valuation was undertaken as at 31 March 2019 to review the contribution levels of the Council for the period 1 April 2020 to 31 March 2023 which was set at 17.6% of pensionable pay for future service plus a monetary amount in respect of the pension deficit of £4.337m, which was paid up-front during 2020/21.

Borrowing

The Capital Financing Requirement is £178.753m of which £73.242m relates to the HRA.

Actual borrowing is £167.759m, which comprises the principal outstanding on long-term loans from the PWLB. The loans include; £8.331m on-lent to Exeter City Living Ltd, £72.244m in respect of the HRA, £44m for the Guildhall Shopping Centre, £34.862m for the new leisure centre and £8.322m for capital acquisitions. The rest of the requirement is managed via internal borrowing.

6. Non-Financial Achievements 2021/22

Although 2021/22 has proven to be a particularly difficult year for Exeter City Council and the Local Government sector as a whole, below are some of the positive outcomes during the last financial year:

- Exeter's state-of-the-art new leisure centre, St Sidwell's Point, has been shortlisted for a prestigious national environmental award; Environmental Impact Award at the national RICS UK Awards 2022. The project is nominated as a building of high environmental standards, innovation and quality delivered without performance gap. It has also been short-listed in two top planning awards; Royal Town Planning Institute (RTPI) Excellence Awards for Best Project (Health and Wellbeing) and the Planning Awards for design excellence, best use of arts, culture or sport in place-making.

- Exeter Works won the prestigious Civic Award at the annual Exeter Living Awards for its specialist advice on skills and training. Exeter Works is a partnership between the Council and the Exeter Chamber of Commerce. Working together with a wide range of other organisations from across Exeter, it aims to make it easier for individuals and businesses to access information about jobs, training, redundancy and other support.

- Cans 4 City, a joint initiative between the Council and Exeter City Football Club won a Green Can Award by non-for-profit Every Can Counts, in recognition of outstanding recycling efforts. Since 2020, the initiative has collected nearly seven tonnes of aluminium packaging from used drinks cans.

- The new Exeter bus station has been shortlisted in the Building of the Year over £5m category of the Michelmores Property Awards.

Significant Projects and Matters

One Exeter

One Exeter is the Council's transformation programme and is a critical priority for the council.

The Programme aims to make better use of the skills and resources we have, enable us to provide more cost efficient and joined up services and crucially, support the delivery of cost reductions that need to be made by April 2026. Transforming the way we work, including putting the customer at the centre of how we plan and deliver our services and supporting and developing our staff will ensure that we are a fit for purpose council.

A detailed programme of work has been developed to deliver this work which is focussed around seven work streams:

Work Stream	Area	Details
1	Leisure Service Review	Leisure Services to be redesigned to be cost neutral
2	Target Operating Model/Service Costs	To include Organisational Change, options for the size, shape and grouping together of our services, cessation/reduction in discretionary services and review of statutory and support services
3	Technical Accounting	Review of charges from the General Fund
4	Corporate Property	Asset disposal and management/potential additional income and review of Asset Improvement and Maintenance costs
5	Seek external funding	Seek funding from ring fenced and externally funded services
6	Staff Costs	Consideration of new working patterns
7	Income	To include commercialisation, return from borrowing and car parking income

Work has already started on delivering the One Exeter work programme.

- The 'Asset Disposal and Management' work stream has delivered a saving in 2022/23 by releasing capital receipts to fund the fleet lease contract. Further work is underway to identify further opportunities to release capital receipts through asset disposal and management.
- The 'Technical Accounting' work stream has identified savings by reviewing the support service recharges.
- A review of our discretionary services was undertaken which identified savings for 2022/23. A further review is due to be conducted for the 2023/24 financial year.

Narrative Report

- Proposals are being developed for an Employee Wellbeing Framework which will include the introduction of Employee Wellbeing Champions.
- A draft Values and Behaviours Framework has been drafted with input from colleagues across the council. We will discuss this with staff across the council through Roadshows at our various sites. These values and behaviours will underpin a revised Performance and Development Review process.
- Work has been undertaken to ensure that all stakeholders are involved in this work including regular reporting to the Strategic Management Board and Members, regular discussions with the Union, a series of workshops with Service Leads and the creation of a Staff Sounding Board.

Over the next six months, the work programme will focus on redesigning services in order to identify and deliver opportunities to improve and become more efficient. The anticipated benefits of this include simplified business processes, minimisation of non-value-added work, an improved customer experience with wider accessibility to digital channels, a move away from a silo approach to a collaborative one and facilitation of a single point of contact and shared service customer offering.

ONE EXETER

ONE COUNCIL · ONE TEAM

Narrative Report

Sport England Partnership

The Live and Move programme has developed through a partnership between Exeter, Cranbrook and Sport England as part of the national Local Delivery Pilot programme. Sport England is working with 12 places across the country to identify how physical activity can tackle health inequalities and build healthier, more active communities.   Following an award of £4,721,000 million in June 2019 by Sport England, Exeter City Council embarked on a delivery programme to achieve the Local Delivery Pilot outcomes, named 'Live & Move'. A further £1,883,476m has been awarded to continue delivery of the programme in line with the Sport England strategy 'Uniting the Movement' to March 2025.

Through programmes and networks such as Wellbeing Exeter and Move More Cranbrook we are identifying ways to support people to be more active in their everyday lives, be that walking, cycling, exercising, gathering with friends and family or taking part in a club, activity or class. The importance of working with individuals and communities as early as possible, is seen in the health, social and economic benefits that increased physical activity can support.

Whilst Exeter is a city with high rates of physical activity compared to the national average, there are significant pockets of high deprivation and poor health outcomes. There is a significant health inequality gap with a wide range of life expectancy between the most affluent and most deprived wards. In Cranbrook, the identity of a new town, rapid population growth and an evolving formal community infrastructure is making us question traditional approaches to developing sport and activity as a way of life.

The impact of the pandemic on activity levels, health outcomes and widening inequalities is significant. Our own local fieldwork has identified that residents in our poorest neighbourhoods are 3 TIMES more likely to be inactive than the mainstream population.

In particular, those on low incomes and from culturally diverse communities have seen a fall in activity levels and a decrease in general health and wellbeing. Our programme is changing and adapting as people's attitudes to community, work, health and wellbeing have changed dramatically in the last two years following the pandemic.

Through working with Sport England, we are aiming to contribute towards the significant challenges and opportunities outlined in the Uniting the Movement strategy by offering our learning and insight on how to tackle inactivity in Exeter and Cranbrook.

Live & Move

#ShareYourMoves

Live & Move Sustainable Outcomes and Long Term Impacts

Live and Move is focused on delivering three, sustainable, strategic outcomes, through our place-based, community led approach:

- **Increased physical activity and adoption of active and healthy lifestyles**
- **Increased walking and cycling levels supported by an active travel friendly environment and culture**
- **Increased community trust, inclusivity, and sense of belonging**

Narrative Report

By delivering sustainable outcomes, Live and Move will be setting a course toward long-term change to support Sport England in delivering the national strategy, 'Uniting the Movement':

- **A narrowing of stubborn health inequalities and reduction in the life expectancy (at birth) gap between the most and least deprived populations**
- **Active Travel and low traffic neighbourhoods are the norm**
- **Empowered communities leading change, and 'owning' local spaces**

In 2021/22 we have built on the foundations of the Live and Move programme and delivered:

Through Wellbeing Exeter over 4,000 referrals have been delivered since the inception of the programme, more than 500 of which were referred with physical activity requirements. Wellbeing Exeter now covers families and young people as well as adults with multiple referral routes, including the recently added Inclusive Exeter connector, recruited to help close the ethnicity activity gap in Exeter.

A comprehensive engagement programme and design options to secure financial commitment of £750,000 to take the Wonford Community Wellbeing Hub redevelopment programme to full planning in 2022/23.

Using the local active live insight established and developed a programme of Inclusive Communities with our partners Inclusive Exeter with their inspirational local leaders from a range of culturally diverse communities.

A programme and process that allows communities to apply for and deliver Play Streets and School Streets in their local neighbourhoods learning from the pilots in Whipton, Ladysmith, Lower King's Avenue and established 5 new annual cycle festivals in Wonford, Mincinglake/Pinhoe, Cowick Barton, Newtown/Whipton, and Cranbrook.

A new social prescribing programme, Wellbeing Cranbrook, employing a Community Builder and Connector specifically for the residents of Cranbrook.

An emerging leisure partnership bringing Exeter Leisure closer to communities and designing specific wellbeing programmes to support our least active residents to access leisure facilities and activities.

The launch of Go Jauntly, a free 'walking app for everyday outdoor adventure' to digitise the Green Circle, through engaging, curated walks, while also adding shorter accessibility friendly routes.

Partnerships with FreeMovement in Ludwell Valley, and Burn The Curtain in Mincinglake, to shape a programme of community engagement, using ABCD, focusing on creating a connection and identity between the Green Circle and local residents, using very different approaches.

A social movement has started to develop and a digital platform created through Live & Move – www.liveandmove.co.uk where you can find out further information of all of the above, case studies and plans for the future. A campaign #ShareYourMoves has launched across Exeter and Cranbrook.

Narrative Report

Liveable Exeter

Vision

Exeter has a vision for growth as a connected city region consisting of thriving linked communities set within an exceptional environmental setting. This clear vision represents a commitment to strengthen neighbourhoods, create new communities, invest in sustainable transport and deliver infrastructure needed to attract investment and improve quality of life

The Liveable Exeter Programme is Exeter City Council's transformational housing delivery programme. It is seeking to deliver up to 12,000 new homes on a series of urban brownfield sites within the city boundary – allowing the city to continue to grow whilst focusing development within the existing urban area and mitigating the need to develop greenfield sites, including those sites which form part of the landscape setting on the hills surrounding the city. The programme seeks to support other city initiatives, including a drive towards low-carbon development and active and sustainable travel.

Future Financial Plans

Revenue

The Council's General Fund Medium Term Financial Plan (MTFP), on the next page, will achieve the requirement to maintain a minimum balance of £3 million. However, it is reliant on substantial reductions of £6.350m being delivered from 2023/24 to 2024/25 to address the loss of business rates growth, New Homes Bonus and additional spending pressures. Whilst the funds will be redistributed across local government, there is no certainty, at this stage, that the Council will receive more than its basic share under the formula grant system, which will be substantially lower than the Council currently receives and this reduction has been built into the medium term financial plan. Furthermore, the Government intends to introduce a new formula resulting from the fair funding review currently being undertaken. The amount of savings required in the period could vary significantly based on the results of the fair funding review.

The Council's current policy is such that the minimum level of General Fund Balance will remain above £3m. As the Council faces great uncertainty in the medium term, it is prudent to hold reserves at this level to offset sudden losses of income or unexpected expenditure.

Risk assessment

The financial forecasts are based on a number of assumptions including the level of inflation, interest rates, income levels, support from government and general prevailing economic conditions. The main risks to the Council's financial position are as follows:

- The Covid-19 pandemic continues to be a risk in respect of income levels for the Council, which principally affects sales, fees and charges, but may impact business rates and council tax income as well
- The Government's review of the future funding formula for Local Government, including a business rates re-set, coupled with the potential loss of New Homes Bonus
- There are very significant (and unbudgeted) financial pressures facing the Council (along with the rest of the World) which will likely add further requirements for reduction in spend, as inflation rises at its fastest rate for 40 years. Energy bills are one of the biggest contributors to inflation at present, as oil and gas prices remain at elevated levels in part due to the Ukraine war.

Although the Council faces risks from the assumptions and uncertainties outlined above, they are mitigated by the following:

- Adopting a prudent approach to financial forecasting which involves obtained information from external professional sources
- Continuous monitoring and review of the key factors together with regular reports to Members on any key issues
- Regular budget monitoring meetings with budget managers to ensure that budget pressures are identified at the earliest opportunity
- The adoption of robust financial management arrangements including option appraisal, risk assessment and financial monitoring
- Retaining a prudent level of reserves and balances

Medium Term Revenue Plan (2021/22 – 2025/26)

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Resources					
Revenue Support Grant	602	855	543	552	563
Business Rates income	6,464	7,404	4,279	4,378	4,461
Covid 19 Support	761	-	-	-	-
Sales, Fees & Charges Compensation	440	-	-	-	-
CIL income	1,416	1,250	1,250	1,250	1,250
New Homes Bonus	1,941	1,362	-	-	-
Council Tax	6,252	6,416	6,649	6,918	7,181
Likely resources	**17,876**	**17,287**	**12,721**	**13,098**	**13,455**
Expenditure					
Service expenditure	21,189	18,369	15,256	11,773	9,627
Net Interest	565	1,083	1,248	1,262	1,180
Forecast Committee movements	386	-	-	-	-
Repayment of debt	965	2,438	2,907	3,005	3,113
Additional repayment of debt	(664)	(1,480)	(1,656)	-	-
	22,441	20,410	17,755	16,040	13,920
Other funding					
Contribution to/ (from) earmarked reserves	(4,001)	(234)	(1,006)	(446)	(500)
Contribution to/ (from) balances - Other	(564)	25	40	104	35
	(4,565)	(209)	(966)	(342)	(465)
Further reductions required	**-**	**-**	**(3,750)**	**(2,600)**	**-**
Potential reductions identified	**-**	**(2,914)**	**(318)**	**0**	**-**
Total Net Budget	**17,876**	**20,201**	**16,789**	**15,698**	**13,455**
Balanced Budget	**0**	**0**	**0**	**0**	**0**
Opening General Fund Balance	4,697	4,133	4,158	4,198	4,302
Closing General Fund Balance	4,133	4,158	4,198	4,302	4,337

Please note, the MTFP has been extracted from the 2022/23 published Budget Book and therefore projected General Fund Balances differ to balances reported, as at 31/3/2022.

HRA Medium Term Revenue Plan (2021/22 – 2025/26)

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Resources					
Rents	18,760	18,760	19,400	20,021	20,661
Service Charges	1,098	1,143	1,187	1,201	1,215
Other	683	632	657	675	694
Inflation on income	-	688	652	674	695
Likely resources	**20,541**	**21,222**	**21,897**	**22,571**	**23,266**
Expenditure					
HRA expenditure base budget	13,547	14,031	14,278	14,068	13,962
Inflation on expenditure	-	173	118	121	118
Repairs & Maintenance Programme	-	-	(297)	18	210
New non-recurring budgets	-	51	15	-	15
New recurring budgets	-	68	-	-	-
Remove non-recurring budgets	-	(60)	(65)	(265)	
Depreciation	3,743	3,831	3,781	3,706	3,656
Revenue Contribution to Capital Outlay	8,397	2,000	1,800	2,500	2,800
Net interest	2,259	2,282	2,338	2,309	2,341
	27,946	22,376	21,968	22,457	23,102
Other Funding					
Contribution to / (from) HRA Working Balance	(7,405)	(1,154)	(72)	114	164
Balanced Budget	**0**	**0**	**0**	**0**	**0**
Opening HRA Working Balance	12,950	5,545	4,391	4,320	4,434
Closing HRA Working Balance	5,545	4,391	4,320	4,434	4,598

Please note, the HRA MTFP has been extracted from the 2022/23 published Budget Book and therefore projected HRA Balances differ to balances reported, as at 31/3/2022.

Capital Programme (2022/23 – 2025/26)

GENERAL FUND - CAPITAL PROGRAMME 2022/23 AND FUTURE YEARS				
SCHEMES LISTED WITHIN COUNCIL PURPOSES	**2022/23 £'000**	**2023/24 £'000**	**2024/25 £'000**	**2025/26 £'000**
Chief Executive & Growth Director	1,127	304	104	104
Transformation	1,276	-	-	-
Net Zero Exeter and City Management	17,291	3,828	2,264	850
City Development, Housing & Supporting People	2,681	-	-	-
Communications, Culture and Leisure Facilities	3,481	-	-	-
Finance	105,327	2,760	4,982	-
TOTAL GENERAL FUND CAPITAL PROGRAMME	**131,183**	**6,892**	**7,350**	**954**
FINANCING:				
Capital Receipts	931	254	984	-
Disabled Facility Grant	1,607	800	800	800
New Homes Bonus	15	-	-	-
Community Infrastructure Levy	30	-	-	-
Revenue Contributions to Capital Outlay	89	-	-	-
Other Grants & Contributions	12,161	160	160	-
Prudential Borrowing	116,350	5,678	5,406	154
TOTAL GENERAL FUND CAPITAL FINANCING	**131,183**	**6,892**	**7,350**	**954**

HOUSING REVENUE ACCOUNT - CAPITAL PROGRAMME 2022/23 AND FUTURE YEARS				
	2022/23 £'000	**2023/24 £'000**	**2024/25 £'000**	**2025/26 £'000**
City Development, Housing & Supporting People	21,346	18,826	15,156	9,071
TOTAL HRA CAPITAL PROGRAMME	**21,346**	**18,826**	**15,156**	**9,071**
FINANCING:				
Major Repairs Reserve	8,118	11,400	9,106	3,771
Capital Receipts	4,016	2,676	2,300	2,200
Commuted Sums	112	-	-	-
Other Grants and Contributions	-	-	-	-
Revenue Contributions to Capital	5,000	4,000	3,000	3,100
Prudential Borrowing	4,100	750	750	-
TOTAL HRA CAPITAL FINANCING	**21,346**	**18,826**	**15,156**	**9,071**

Narrative Report

The Capital Programme, on the previous page, reflects the plans approved in the 2022/23 Budget Book along with budgets slipped from 2021/22 and the associated financing. The Council continues to have an ambitious capital programme, which includes:

A £15.6m loan to Exeter City Living to support the redevelopment of Clifton Mews, in order to develop Exeter's first passiv-haus homes for open market sale. These new homes will be constructed to the highest quality and environmental standards to reduce energy costs and create attractive family homes. Demolition of the former Clifton Hill sports centre, to be replaced with the new city centre housing, will be funded by the Government's One Public Estate (OPE) programme, through the Land Release Fund.

Council Leader Phil Bialyk with illustration of new homes at Clifton Hill

Ninety two passiv-haus new homes are being created at The Gardens, Vaughan Road, Whipton, including sixty new affordable and retained as new council housing and thirty-two for market rent. The development is part of the Council's wider plans to create 500 new passiv-haus Council homes in Exeter over the next five years.

The Gardens, Vaughan Road, Whipton

The City Council completed on the acquisition of Exeter's Guildhall shopping centre in May 2022, which is reflected in the 2022/23 Capital Programme. The popular shopping centre will continue as a key retail and food and drink destination for Exeter, and the Council will invest in improvements.

Guildhall Shopping Centre

Message from Dave Hodgson, Director Finance

Exeter City Council has again delivered its plans within budget and set aside funds to protect itself in the future. The Council remains ambitious and seeks to ensure that Exeter becomes stronger through economic growth, whilst supporting the local residents with excellent services.

The year has been challenging, with rising costs, particularly in respect of construction contracts and difficulties and delays in acquiring products and services causing delays in projects both revenue and capital. This is a situation that is likely to continue for some time and will make the management of the budget challenging with costs rising but less being spent than anticipated. Challenges in recruitment have also had an impact in reducing the amount spent over the financial year.

However, it is pleasing to note that the Council was able to maintain core service delivery during 2021/22 providing further evidence of the sound financial management approach adopted by the Council.

The Council does however, have to address a significant gap in its resources over the life of the medium term financial plan, with a requirement to identify a further £6.6 million of savings over the next four financial years. There is still much uncertainty over the timing of Government reform of Local Government finance, but regardless, there is a requirement for significant savings. The One Exeter programme has therefore been established to shift the way the Council generates resources as well as streamline the way the Council is run.

A number of digitalisation projects are underway to transform the way the public interact with the Council and these will progress over the coming year.

Dave Hodgson CPFA
Director Finance

The Council's IT Company, Strata Service Solutions Ltd, set up in partnership with East Devon and Teignbridge District Councils has completed its seventh full year in operation and has delivered a refund in line with that agreed at the start of the financial year, along with a further amount, which the Company has asked to be reinvested in it during the new financial year.

Exeter City Living Ltd, the Council's development company has continued to expand its work and the Council has approved in principle the addition of a market rent property role for the Company. A business Plan proposal will be worked up during 2021/22 to take this forward.

In delivering the accounts during ever greater challenging circumstances, the finance team have once again shown their professionalism and commitment by dealing with ever more complex accounts and accounting frameworks whilst continuing to work at home.

Councillor A J Wardle
Chair – Audit and Governance Committee

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code except where stated in the Accounting Policies
- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities
- Assessed the Authority's ability to continue as a going concern disclosing, as applicable, matters relating to going concern
- Used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future
- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of Exeter City Council at the reporting date and of its income and expenditure for the year ended 31 March 2022.

Dave Hodgson CPFA
Director Finance
29 November 2023

Explanation of the Core Financial Statements

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. These statements contain a number of different elements which are explained below:

Core Financial Statements

Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Authorities raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Movement in Reserves Statement shows the movement from the start of the year to the end of the year on the different reserves held by the authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable’ reserves. This statement shows how the movements in year of the authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The net increase/decrease line shows the statutory General Fund balance and Housing Revenue Account balance movements in the year following those adjustments.

Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve that may only be used to finance capital expenditure or repay debt). The second category of reserves is those that are not able to be used to provide services. This category of reserves includes reserves that hold unrealised gains and losses, e.g. the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.

Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority’s future services delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

Core Financial Statements

Comprehensive Income and Expenditure Statement

2020-2021 Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		2021-2022 Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Notes
3,062	(123)	2,939	Chief Executive & Growth Director	3,458	(128)	3,330	
3,439	(2,279)	1,160	Transformation	2,859	(1,847)	1,012	
47,671	(43,825)	3,846	City Development, Housing & Supporting People	41,528	(36,283)	5,245	
16,237	(2,661)	13,576	Communiciations, Culture & Leisure Facilities	20,273	(5,274)	14,999	
17,470	(9,107)	8,364	Net Zero Exeter & City Management	21,483	(13,473)	8,010	
3,296	(1,257)	2,038	Finance	10,766	(494)	10,272	
3,228	(711)	2,517	Corporate Services	4,045	(739)	3,306	
20,017	(20,299)	(282)	Housing Revenue Account	20,217	(20,489)	(272)	
755	(370)	385	Strata Service Solutions Ltd	956	(417)	539	38
115,175	**(80,632)**	**34,543**	**Cost of Services**	**125,585**	**(79,144)**	**46,441**	
		(2,389)	Other operating expenditure			1,431	12
		3,825	Financing and investment income and expenditure			(3,496)	13
		(35,362)	Taxation and non-specific grant income			(28,825)	14
		617	**(Surplus) or Deficit on Provision of Services**			**15,551**	
			Other Comprehensive Income and Expenditure				
		(6,520)	(Surplus) or deficit on revaluation of property, plant and equipment			(20,152)	27
		27,176	Remeasurement of the net defined benefit liability/(asset)			(44,982)	27
		20,656	**Total Other Comprehensive Income and Expenditure**			**(65,134)**	
		21,273	**Total Comprehensive Income and Expenditure**			**(49,583)**	

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Movement in Reserves Statement

	General Fund Working Balance (£'000)	Earmarked Reserves (£'000)	**Sub total General Fund Total**	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	**Total Usable Reserves (£'000)**	Unusable Reserves (£'000)	**Total Authority Reserves (£'000)**
Balance at 31 March 2020	**(5,855)**	**(8,807)**	**(14,662)**	**(10,526)**	**(14,089)**	**(11,920)**	**(8,309)**	**(59,506)**	**(308,993)**	**(368,499)**
Movement in Reserves 2020-2021:										
Total Comprehensive Income & Expenditure	3,748	-	3,748	(3,131)	-	-	-	617	20,656	**21,273**
Adjustments between accounting basis and funding basis under statutory provisions (Note 10)	(26,474)	-	(26,474)	390	1,160	(3,317)	(6,354)	(34,595)	34,595	**0**
Transfers to / (from) Earmarked Reserves	23,884	(23,884)	-	-	-	-	-	0	-	**0**
(Increase) / Decrease in 2020-2021	**1,158**	**(23,884)**	**(22,726)**	**(2,741)**	**1,160**	**(3,317)**	**(6,354)**	**(33,978)**	**55,251**	**21,273**
Balance at 31 March 2021 carried forward	**(4,697)**	**(32,691)**	**(37,388)**	**(13,267)**	**(12,929)**	**(15,237)**	**(14,663)**	**(93,484)**	**(253,742)**	**(347,226)**

Movement in Reserves Statement

	General Fund Working Balance (£'000)	Earmarked Reserves (£'000)	**Sub total General Fund Total**	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	**Total Usable Reserves (£'000)**	Unusable Reserves (£'000)	**Total Authority Reserves (£'000)**
Balance at 31 March 2021 carried forward	**(4,697)**	**(32,691)**	**(37,388)**	**(13,267)**	**(12,929)**	**(15,237)**	**(14,663)**	**(93,484)**	**(253,742)**	**(347,226)**
Movement in Reserves during 2021-2022										
Total Comprehensive Income & Expenditure	16,944	-	16,944	(1,393)	-	-	-	15,551	(65,134)	**(49,583)**
Adjustments between accounting basis and funding basis under statutory provisions (Note 10)	(11,079)	-	(11,079)	3,192	(9)	(2,952)	(4,840)	(15,688)	15,688	**0**
Transfers to / (from) Earmarked Reserves	(6,689)	6,689	-	-	-	-	-	0	-	**0**
(Increase) / Decrease in 2021-2022	**(824)**	**6,689**	**5,865**	**1,799**	**(9)**	**(2,952)**	**(4,840)**	**(137)**	**(49,446)**	**(49,583)**
Balance at 31 March 2022 carried forward	**(5,521)**	**(26,002)**	**(31,523)**	**(11,468)**	**(12,938)**	**(18,189)**	**(19,503)**	**(93,621)**	**(303,188)**	**(396,809)**

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Core Financial Statements

Balance Sheet

2020-21 £'000		2021-22 £'000	Note
462,867	Property, Plant and Equipment	485,622	15
53,388	Investment Property	56,034	16
22,826	Heritage Assets	22,743	17
530	Intangible Assets	448	
5,717	Long Term Investments	6,536	19
24,158	Long Term Debtors	24,007	19
569,486	**Total Long-Term Assets**	**595,390**	
165	Inventories	192	
45,272	Short-Term Debtors	30,914	19, 20 & 21
20,006	Short-Term Investments	39,019	19
4,683	Assets Held for Sale	4,290	22
31,853	Cash & Cash Equivalents	68,279	19 & 23
101,979	**Total Current Assets**	**142,694**	
(941)	Short-Term Borrowing	(1,510)	19
(54,267)	Short-Term Creditors	(63,210)	19 & 24
(3,521)	Provisions	(5,171)	25
(58,729)	**Total Current Liabilities**	**(69,891)**	
(124,000)	Long term borrowing	(166,695)	19
(3,710)	Capital Grants Receipts in Advance	(2,760)	19 & 36
(3,094)	Long-Term Creditors	(2,641)	19
(134,706)	Pension Scheme Liability	(99,288)	42
(265,510)	**Total Long-Term Liabilities**	**(271,384)**	
347,226	**Net Assets**	**396,809**	
	Financed by:		
93,484	Usable Reserves	93,621	26
253,742	Unusable Reserves	303,188	27
347,226	**Total Reserves**	**396,809**	

These financial statements replace the unaudited financial statements certified by the Responsible Financial Officer, Dave Hodgson, on 26 July 2022.

Dave Hodgson, CPFA, Director Finance

Core Financial Statements

Cash Flow Statement

2020-21 £'000		2021-22 £'000	Notes
617	Net (surplus) or deficit on the provision of services	15,551	
4,404	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(56,890)	
10,315	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	13,138	
15,336	**Net cashflows from Operating Activities**	**(28,201)**	28
11,335	Investing Activities	50,956	29
(41,388)	Financing Activities	(59,181)	30
(14,717)	**Net (Increase) or decrease in cash and cash equivalents**	**(36,426)**	
17,136	**Cash and cash equivalents at the beginning of the reporting period**	**31,853**	
31,853	**Cash and cash equivalents at the end of the reporting period**	**68,279**	

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1. Accounting Policies

General Principles

The Statement of Accounts summarises the authority's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS) and statutory guidance.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of income and expenditure

Income and expenditure is accounted for in the year activity takes place, not simply when cash payments are made or received. In particular;

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when or as the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date received and consumption, they are carried forward as inventories on the Balance Sheet.

Capitalisation of borrowing costs; the authority has a policy of capitalising borrowing costs. No borrowing costs have been capitalised by the Council up to 2021/22.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when the payments are made.

VAT payable is included as an expense only to the extent that it is irrecoverable from HMRC. VAT receivable is excluded from income.

Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Creditors and Debtors

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Capital receipts

Capital receipts are sums received by the authority from the sale of assets. A proportion of capital receipts relating to certain housing disposals are payable to the government. However, the receipts may be retained providing the local authority has signed an agreement to re-invest the receipts in the provision of replacement homes within 5 years. Exeter City Council entered into the latest retention agreement in August 2021.

Capital receipts are held in the Capital Receipts Reserve and can then only be used for new capital investment or to repay debt.

Amounts received from the disposal of an asset in excess of £10,000 are categorised as capital receipts. Below this level, the receipts are accounted for as income in the income & expenditure account.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

Contingent assets and liabilities

Contingent assets and liabilities arise where an event has taken place, but the potential asset or possible obligation will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. They are not recognised in the Balance Sheet, but are disclosed by way of a note to the accounts.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Council tax and non-domestic rates (NDR)

Exeter City Council is a billing authority and acts as an agent, collecting council tax and NDR on behalf of the major preceptors (including government for NDR) and, as principal, collecting council tax and NDR for itself. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR.

Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionally the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. The difference between the income included within the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

Pool of Authorities for Non Domestic Rates

The Local Government Finance Act 2012 permits the Secretary of State to designate two or more relevant authorities as a pool of authorities. Exeter City Council is party to such a pool and recognises its share of the income and expenditure (and debtors and creditors) in accordance with the agreed arrangements for distribution of the pool together with accounting requirements.

Employee benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end, including wages and salaries, paid annual leave and paid sick leave for current employees. They are recognised as an expense in the year in which the employees render service to the authority. An accrual is made for the cost of annual leave and flexible hours earned but not taken before the year-end that employees can carry forward into the next financial year. The accrual is charged to the relevant service but reversed out through the Movement in Reserves Statement so that the entitlements are charged to revenue in the financial year in which the absence occurs.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment or for the officer to take voluntary redundancy before the normal retirement date. They are charged to the Comprehensive Income and Expenditure Statement when the authority is committed to the termination of employment.

Where the termination benefits involve the enhancement of pensions, statutory provisions require the General Fund to be charged with the amount payable by the authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, the notional debits and credits for pension enhancement termination benefits are replaced with the debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment benefits

Employees of the authority are members of the Local Government Pension Scheme, which is administered by Devon County Council. The Local Government Pension Scheme (LGPS) provides defined benefits to members (retirement lump sums and pensions) earned as employees worked for the authority.

The Local Government Pension Scheme is accounted for as a defined benefit scheme:

- The liabilities of the pension fund attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of future earnings for current employees.

- Liabilities are discounted to their value at current prices using a discount rate that is based on market yields at the reporting date of a 'high quality corporate bond'.

- The assets of the pension fund attributable to the authority are included in the Balance Sheet at their fair value:

    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities - current bid price
    - property – market value

The change in the net pension liability is analysed into the following components:

Service cost

- **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- **Past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – charged to the Comprehensive Income and Expenditure Statement.

- **Net interest on the defined benefit liability (asset)** – the change during the year in the net defined benefit liability (asset) that arises from the passage of time charged to the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability (asset) at the beginning of the year, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements

- **The return on plan assets** – excluding amounts included in net interest on the defined benefit liability (asset).
- **Actuarial gains and losses** – changes in the net pension liability that arises because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.

Contributions paid to the pension fund

- Cash paid as employer's contributions to the pension fund in settlement of liabilities.

The treatment of the above has been mirrored in the Housing Revenue Account where full disclosure has been included.

McCloud Judgement

There are uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgements, which relate to age discrimination. Remedial regulations are expected in 2022 and uncertainty over the benefit changes proposed will remain until these have been finalised.

An allowance has already been made in respect of the impact on liabilities (allowed for as a past service cost) and projected service costs. The McCloud remedy is expected to only apply to benefits accrued up to 31 March 2022, therefore an adjustment will be required from next year (1 April 2022) so that no further allowance for the McCloud remedy is made.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means the notional debits and credits for retirement benefits are removed and replaced with the debits for cash paid (or due to be paid at year end). These movements are appropriated to the Pension Reserve.

The negative balance on the Pension Reserve reflects the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as earned by employees.

Discretionary Benefits

The authority has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities are accrued in the year of the decision to make the award and accounted for using the same policies applied to the Local Government Pension Scheme.

Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but disclosure is made in the notes of the nature of the events and an estimate of the financial impact, if material.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. For all the Council's borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The authority holds financial assets measured at:

- Amortised cost
- Fair value through profit and loss (FVPL)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual cash flows are not solely payment of principal and interest.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable is based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year.

However, the authority has made a number of loans at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited at a higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact on the General Fund Balance is the interest receivable for the financial year and is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on de-recognition of a financial asset are credited or debited to the Comprehensive Income and Expenditure Statement.

Financial Assets Measured at Fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised in the Surplus or Deficit on the Provision of Services.

However, for financial assets deemed to be pooled investment funds, e.g. CCLA Property Fund, statutory regulations are in place until 31 March 2023 that permit fair value gains and losses to be reversed out of the General Fund balance to the Financial Instruments Adjustment Account.

Fair value measurements of financial assets
Fair value of an asset is the price that would be received in an orderly transaction between market participants at the measurement date, based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow

Accounting standards provide a fair value hierarchy that categorises into three levels the inputs to fair value measurements:

Hierarchy	Inputs
Level 1 inputs	Quoted prices in active markets for identical assets
Level 2 inputs	Inputs that are observable for the asset, either directly or indirectly
Level 3 inputs	Unobservable inputs

Any gains and losses that arise on de-recognition of an asset are credited or debited to the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model
The authority recognises expected credit losses on most its financial assets held at amortised cost, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority. Loans with other local authorities and Government investments are excluded, as they are guaranteed to be repaid by statute.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Where risk has increased significantly since recognition of an instrument, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on a 12 month expected loss basis

A collective assessment is carried out for sundry debtor balances in order to determine expected credit losses, as credit risk information is not available on an individual instrument basis. Provision matrices, based on historical experience but updated for future conditions are used.

Changes in loss allowances are debited or credited to the Comprehensive Income and Expenditure Statement. However, any changes relating to capital loans are reversed out to the Capital Adjustment Account.

Government grants and contributions
Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments and the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are held as creditors on the Balance Sheet. When the conditions have been satisfied, the grant or contribution is either credited to the relevant service line or to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account when they have been applied to finance capital expenditure.

Business Improvement District (BID)

A BID scheme applies for Exeter city centre which is administered by InExeter Ltd. The scheme is funded by a BID levy paid by non-domestic ratepayers. The authority acts as the agent for the scheme and since it is collecting the BID levy income on behalf of InExeter Ltd most BID transactions are not recognised in the Comprehensive Income and Expenditure Statement, except the reimbursement of collection costs and any BID levies payable in respect of the Council's own premises, e.g. the Guildhall.

Community Infrastructure Levy (CIL)

The Council has elected to charge a CIL. The levy is charged on new builds (chargeable developments for the authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy is used to fund infrastructure projects to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions, as set out above. CIL charges are largely used to fund capital, but may also be used for revenue expenditure.

Heritage assets

The Council has a number of heritage assets. Heritage assets are recognised and measured in accordance with the policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets, as detailed below:

Property / Infrastructure / Statues – the Council owns a range of assets around the City which are of historic value. The Council does not believe that reliable cost or valuation information can be obtained for these items because of the diverse nature of the assets and lack of comparable market values. Consequently, the authority does not recognise these assets on the balance sheet.

Museum Exhibits / Art / Civic Regalia – A non-electronic register of the assets is held by the Museum and Guildhall and from this an insurance valuation has been produced. The Council will use the insurance valuation, as at 31 March 2022, as a measurement of the valuation of the assets. The assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. Impairments and disposals are treated as per the policy on property, plant and equipment.

Interest in companies and other entities

The authority has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures, which require it to prepare group accounts. This most notably includes Exeter City Living Ltd, a residential property development company, which was incorporated under the Companies Act 2006 in June 2018 under a parent holding company, Exeter City Group Ltd.

In the authority's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Investment properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way for the delivery of services or is held for sale.

Measurement

Investment properties are initially measured at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date.

Valuations

As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Unless market or other factors suggest a different use by market participants would maximise value, it is assumed that current use is the best and highest use.

Gains and losses on revaluation are posted to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains or loss on disposal. However, revaluation and disposal gains and losses are reversed out in the Movement in Reserves Statement and posted to either the Capital Adjustment Account or Capital Receipts Reserve.

Valuation Technique

Three valuation techniques can be applied:

- Market approach – use of prices and other information generated by market transactions
- Cost approach – assessment of the amount required to replace the service capacity of an asset
- Income approach – conversion of future amounts (cash flows) to a single current amount

Accounting standards provide a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value at year-end:

Hierarchy	Inputs
Level 1 inputs	Quoted prices in active markets for identical assets
Level 2 inputs	Other inputs observable for the asset (e.g. comparable properties, adjusted for relative square metres of floor space)
Level 3 inputs	Unobservable inputs (e.g. projected cash flows)

Income from Investment Properties

Rental income is credited to the Financing and Investment Income line and results in a gain to the General Fund balance.

Joint operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to that arrangement.

Joint operations are recognised in the single entity statements by bringing in the authority's share of the assets, liabilities, revenue and expenses of the arrangement.

Exeter City Council, East Devon District Council and Teignbridge District Council each share control of Strata Service Solutions Ltd (Strata), which was incorporated under the Companies Act 2006 for the provision of a shared Information Communications Technology service. The single entity statements for each authority reflect their respective shares of Strata. However, the accompanying notes to the Council's financial statements only include information relating to Strata where this would make a material difference to the usefulness of the notes.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers land and buildings these are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value at inception (or the present value of minimum payments, if lower). The asset is matched by a liability for the obligation to pay the lessor.

Initial direct costs are added to the carrying amount and any initial premium paid is applied to write down the lease liability. Contingent rents are charged as expenses in the period incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the asset – applied to write down the lease liability.
- A finance charge debited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement

Property, plant and equipment recognised under finance leases are accounted for using the policies applied generally to such assets. However, depreciation is charged over the term of the lease where this is lower than the useful life.

The authority is not required to raise council tax to fund these charges; however it is required to make a prudent annual contribution from revenue towards the deemed capital investment in accordance with statutory guidance. Depreciation, revaluation and impairment losses are therefore replaced by this contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference.

Operating Leases

Rentals are charged to the relevant service benefitting from the use of the leased asset in the Comprehensive Income and Expenditure Statement on a straight line basis regardless of the pattern of payments (e.g. a rent free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the authority grants a finance lease over a property or an item of plant and equipment, the asset is written out of the Balance Sheet as a disposal. The carrying amount of the asset is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line also as part of the gain or loss on disposal, matched by a long-term debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the asset – applied to write down the lease debtor
- Finance income - credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement

The gain on disposal is not allowed to increase the General Fund balance and is required to be treated as a capital receipt.

Where a premium has been received, this is posted out of the General Fund balance to the Capital Receipts Reserve via the Movement in Reserves Statement. Where the amount due is to be settled by rentals in future financial years, the amount is credited to the Deferred Capital Receipts Reserve and released to the Capital Receipts Reserve when the payments are made, with the actual payment used to write down the long-term debtor.

The written-off value of disposals is not a charge against council tax and is appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the authority grants an operating lease, the asset remains on the Balance Sheet and rental income is credited to Other Operating Expenditure in the Comprehensive Income and Expenditure

Statement on a straight line basis regardless of the pattern of payments (e.g. a premium paid at the commencement of the lease). Initial costs are charged to the carrying amount of the asset and charged as an expense on the same basis as rental income.

Overheads and support services

The cost of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance with the following exceptions:

- The Housing Revenue Account is debited with a fair share of support services and overheads in accordance with the Local Government and Housing Act 1989.
- Support services are charged to services that are required to achieve full cost recovery including; building control, land charges, vehicle licensing, licensing of houses in multiple occupation and investment properties.

Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in estimates are accounted for in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information in respect of the authority's financial position or performance. Where a change is made, it is applied retrospectively by adjusting the opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending the opening balances and comparative amounts for the prior period.

Property, plant and equipment

Assets that have physical substance and are held for the delivery of services, for rental to others or for administration purposes that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis in the accounts. Expenditure that maintains but does not enhance an asset, such as repairs and maintenance is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost. Only those costs that are directly attributable to bringing the asset into working condition for its intended use are included in its measurement. A de minimis level of £10,000 has been agreed for capital expenditure. Any costs below this are charged to revenue. The costs of assets acquired other than by purchase is deemed to be its fair value or in the case of an exchange, the carrying amount of the asset given up by the authority.

Donated Assets

Assets are measured initially at fair value and the difference to the consideration paid is credited to Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement, unless there are conditions. Until the conditions are satisfied, the gain is held in a Donated Assets Account. When gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out in the Movement in Reserves Statement to the Capital Adjustment Account.

Balance Sheet Valuation

Assets are carried in the Balance Sheet using the following measurements bases:

Class	Basis of Measurement
Community assets and assets under construction	Historical cost
Council dwellings	Current value based on existing use value – social housing (EUV-SH)
Non-property assets with short useful lives and/or low values and infrastructure	Depreciated historical cost
Surplus assets	Current value is fair value, estimated at highest and best use from a market participants perspective
All other assets	Current value of the asset in its existing use (EUV). Where there is no market-based evidence of fair value because of an assets specialist nature, depreciated replacement cost (DRC) is used

Revaluations

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. A full valuation is performed on a rolling basis to cover 20% of assets per annum over a five-year cycle, but with the top 4 highest value assets revalued each year. Assets not included in the full valuation are also assessed in order to ensure that carrying amounts are not materially different to current values at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognised unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to services.

A decrease in value is accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains).

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Impairment reviews are undertaken each year to assess whether there is evidence of a reduction in an asset's value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as a decrease in value, as set out above.

Where an impairment loss is subsequently reversed, it is credited to the relevant service in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and community assets) and assets that are not yet available for use (i.e. assets under construction).

The following policies are used for depreciation:

- Newly acquired assets are depreciated from 1 April following their purchase.
- Full year depreciation is charged in the year an asset is disposed.
- A reducing balance method of depreciation is used for vehicles and assumes the following life expectancies and residual values:

Acquisition value	Life expectancy	Residual value
£10,000 – £14,999	6 years	12%
£15,000 - £19,999	7 years	11%
£20,000 - £49,000	6 years	12%
Over £50,000	7 years	4%

- A straight-line method of depreciation is used for the assets below and assumes the following life expectancies:

Asset	Life expectancy	Residual value
Plant & equipment	5 to 10 years	Nil
Infrastructure	20 years	Nil
Operational properties	Up to 60 years (unless otherwise specified)	As specified by the Valuers

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Components

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has a Componentisation Policy and components are determined in accordance with the policy. For example, key components of council dwellings are depreciated on a straight line basis and assume the following life expectancies:

Component	Life expectancy
Kitchens	20 years
Bathrooms	30 years
Windows	30 years
Roofs	60 years

Disposals

When an asset is disposed of or decommissioned, the carrying value of the asset is written off in the Comprehensive Income and Expenditure Statement along with any proceeds from the disposal as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve relating to the disposed assets are transferred to the Capital Adjustment Account.

The gain or loss is the amount by which the proceeds are more (gain) or less (loss) than the carrying amount of the fixed asset. Statutory regulations require that the gain or loss on the disposal of assets is reversed out in the Movement in Reserves Statement.

Non-current Assets Held for Sale

When it becomes probable that the carrying value will be recovered principally through a sale transaction, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Fair value is the price that would be received in an orderly transaction between market participants at the measurement date, which should be measured at highest and best use. Fair value for social housing being disposed of under right-to-buy (RTB) legislation is the discounted RTB value.

Losses in fair value are charged to the Comprehensive Income and Expenditure Statement. Gains are recognised only up to the amount of any previous losses. Depreciation is not charged on assets held for sale.

If an asset no longer meets the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of the previous carrying amount adjusted for depreciation or revaluations that would have been recognised during that time and their recoverable amount at the date of the decision not to sell.

Assets to be abandoned or scrapped are not reclassified as assets held for sale.

Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation and a reliable estimate can be made of the amount of the obligation. These are charged to the service in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation and are measured at the best estimate of the amount required to settle the obligation. When payments are eventually made they are charged to the provision carried in the Balance Sheet.

Reserves

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service and the reserve is transferred back into the General Fund Balance so that there is no net charge against council tax.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the authority – these reserves are explained in the relevant policies.

Revenue charges for non-current assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible assets attributable to the service

The Council is not required to raise council tax to fund these charges; however it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, amortisation, revaluation and impairment losses are therefore replaced by the contribution in the General Fund balance (referred to as MRP; Minimum Revenue Provision) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference.

Since the introduction of self-financing for the Housing Revenue Account (HRA) a new statutory framework has been established to allow depreciation to be a real charge. The HRA is required to set aside an amount equal to depreciation into the Major Repairs Reserve.

Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service account in the Comprehensive Income and Expenditure Statement. Where it is funded by capital resources or borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account is made so that there is no impact on the level of Council Tax.

2. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's Senior Management Board. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2020-2021	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis (Note 7) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Chief Executive & Growth Director	2,791	148	**2,939**
Transformation	1,100	60	**1,160**
City Development, Housing & Supporting People	3,324	522	**3,846**
Communiciations, Culture & Leisure Facilities	3,298	10,278	**13,576**
Net Zero Exeter & City Management	5,308	3,056	**8,364**
Finance	27	2,011	**2,038**
Corporate Services	2,075	442	**2,517**
Housing Revenue Account	(2,741)	2,459	**(282)**
Strata Service Solutions Ltd	-	385	**385**
Net Cost of Services	**15,182**	**19,361**	**34,543**
Other income and expenditure	(40,649)	6,723	**(33,926)**
(Surplus) or Deficit on Provision of Services	**(25,467)**	**26,084**	**617**

Opening General Fund and HRA Balance at 1 April 2020	**(25,188)**
Add surplus on General Fund and HRA Balance in Year	**(25,467)**
Closing General Fund and HRA Balance at 31 March 2021	**(50,655)**

Analysed between General Fund and HRA Balances	General Fund	HRA	Total
Opening Balance at 1 April 2020	(14,662)	(10,526)	**(25,188)**
(Surplus) or Deficit in Year	(22,726)	(2,741)	**(25,467)**
Closing General Fund and HRA Balance at 31 March 2021	**(37,388)**	**(13,267)**	**(50,655)**

Expenditure and Funding Analysis

2021-22	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis (Note 7) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Chief Executive & Growth Director	2,926	404	**3,330**
Transformation	913	99	**1,012**
City Development, Housing & Supporting People	3,954	1,291	**5,245**
Communications, Culture & Leisure Facilities	3,796	11,203	**14,999**
Net Zero Exeter & City Management	2,799	5,211	**8,010**
Finance	(533)	10,805	**10,272**
Corporate Services	2,220	1,086	**3,306**
Housing Revenue Account	1,799	(2,071)	**(272)**
Strata Service Solutions Ltd	-	539	**539**
Net Cost of Services	**17,874**	**28,567**	**46,441**
Other income and expenditure	(10,210)	(20,680)	**(30,890)**
(Surplus) or Deficit on Provision of Services	**7,664**	**7,887**	**15,551**

Opening General Fund and HRA Balance at 1 April 2021	**(50,655)**
Add surplus on General Fund and HRA Balance in Year	**7,664**
Closing General Fund and HRA Balance at 31 March 2022	**(42,991)**

Analysed between General Fund and HRA Balances	General Fund	HRA	Total
Opening Balance at 1 April 2021	(37,388)	(13,267)	**(50,655)**
(Surplus) or Deficit in Year	5,865	1,799	**7,664**
Closing General Fund and HRA Balance at 31 March 2022	**(31,523)**	**(11,468)**	**(42,991)**

3. Accounting Standards that have been issued but not yet adopted

Local authorities are required to report the impact of accounting changes that will be required by a new standard that has been issued but not yet adopted. For this disclosure, the standards introduced by the 2022/23 Code and effective from 1 April 2022, include:

- Annual improvements to IFRS Standards 2018-2020. The annual IFRS improvement programme notes four changed standards:
    - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
    - IAS 37 (Onerous contracts) – clarifies the intention of the standard
    - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
    - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

The impact of these accounting changes are not yet known or reasonably estimable. However, the Code does not anticipate that the amendments will have a material impact on the information provided in the local authority financial statements.

Implementation of IFRS 16 Leases has been deferred until 1 April 2024. However, both the 2022/23 and the 2023/24 Codes allow for early adoption should an authority consider that it is able to do so as of 1 April 2022 or 2023. The Council has not adopted as of 1 April 2022 and therefore the impact is not known or reasonably estimable at 31 March 2022.

4. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Covid-19 Pandemic

Since the declaration of the Covid-19 pandemic in March 2020, local authorities have been in receipt of substantial amounts of additional grant funding, some to cover an authority's own expenditure and some for passing on to local businesses and individuals. Judgement in respect of whether the authority are acting as a principal or agent and which grants are either service specific or general has been required. Each grant has been considered on a case by case basis, in order to determine how the funding streams should be presented and disclosed in the 2021/22 Statement of Accounts. Where an authority acts as an agent, transactions are not reflected in the authority's financial statements, except for as inflows and outflows in the Cash Flow Statement.

Group Accounts

The Council is the sole shareholder of Exeter City Group Ltd and Exeter Business Centre Ltd, it has an associate interest in Exeter Canal and Quay Trust Ltd, a 19.9% shareholding in the Exeter Science Park Ltd, a 16.66% shareholding in the Monkerton Heat Company Limited and a 20% shareholding in Dextco Limited. It has been determined that group accounts are required, however non-material interests are excluded.

Joint Operation

Strata Service Solutions Ltd is a registered company which has been established to assist the three authorities; Exeter City Council, East Devon District Council and Teignbridge District Council, in the provision and operation of shared ICT services. It is deemed to be a joint operation due to the inherent rights to the assets and obligations for liabilities each authority has relating to the joint arrangement, based upon the following facts and circumstances:

- The three authorities have joint control of the entity. Each authority has one nominated Director and each Director has one vote. The Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the company with decisions made collectively and unanimously.
- The Company is required by the Councils to carry out the tasks as set out in the Business Plans and Service Plans and is limited to the business and objectives as set by the Councils
- The Company's revenue derives from the financial allocations set and controlled by each of the Councils
- There are no plans for Strata to do anything other than provide services to the three authorities. The Company has been established as an in-house mutual trading local authority controlled company to assist them in the provision of services.

Joint operations are not consolidated into group accounts; instead each authority has recognised in its financial statement its share of assets, liabilities, revenue and expenses pertaining to Strata Service Solutions Ltd. Please refer to Note 38 for more details.

5. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director Finance, D Hodgson, CPFA, 29 November 2023. Events taking place after this date are not reflected in the 2021/22 financial statements or notes. Where events took place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following event, which took place after 31 March 2022, as they provide information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date:

- On 17 October 2023 the Council resolved to significantly reduce the capacity of its housing development company, Exeter City Living Ltd (ECL). The company will be retained for the limited purpose of holding and managing six residential flats in the Guildhall Shopping Centre. In order to facilitate this reduction in activities, the Council will enter into a business sale agreement with ECL, whereby the Council will buy back all ECL's assets (with the exception of the six leasehold flats), including any work in progress in return for proper consideration, in the form of a release of ECL from its loan agreement obligations.

6. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet, for which there is a significant risk of material adjustment are as follows:

Item	Uncertainties	Effect if actual result differs from Assumptions
Pensions liability	Estimates of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Those assumptions are detailed in Note 42 to the accounts. The carrying value of this long term liability at the end of the reporting period was £99.288m. For 2021/22, an updated actuarial report was requested to reflect the latest 2022 valuation information. This includes updating the liability estimate to reflect the 2022 valuation membership data and the asset estimate to reflect the 2022 valuation allocation of assets to the employer. There are currently uncertainties in relation to the LGPS benefits due to the McCloud and Sargeant judgements. Remedial regulations are expected in 2022 and uncertainty over the benefit changes proposed for the LGPS will remain until these have been finalised. An allowance has already been made at a previous accounting date and no explicit adjustment has been made in the results for 2021/22.	The impact of a change in the actuarial assumptions will be to increase or decrease the net pension liability shown in the Balance Sheet. For example, a 1% increase in the discount rate would result in a decrease of £4.997m in the pension liability and £0.347m in the Projected Service Cost. However the assumptions interact in a complex way. During the year the actuaries have reduced the liability by £25.993m as a result of assumptions being updated. These changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from council tax.

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Item	Uncertainties	Effect if actual result differs from Assumptions
Valuation of Property, Plant and Equipment	The Council operates a rolling programme of valuation reviews which ensures all assets are revalued at intervals no greater than five years with; 20% of assets revalued each year, the top 4 highest value assets revalued every year and a desktop valuation undertaken for those assets not subject to the rolling revaluation. The Council's in-house valuer applies professional judgement in respect of the current value of assets including assumptions on property condition where no inspection data is available, that properties meet minimum EPC rating requirements, that there has been no recent flooding, properties are not contaminated and are free of radon gas. Valuations are undertaken in accordance with Royal Institution of Chartered Surveyors (RICS) guidance. The in-house valuer maintains knowledge of property conditions through their ongoing involvement with Corporate Property management services. Where external valuers were instructed to provide valuations as at 31 March 2022, property inspections were undertaken.	In 2021/22 £410.090 million of PPE was subject to a revaluation and a variation of 1% in the value of these assets would result in a change in the carrying amount of £4.1 million in the Balance Sheet.
Expected Credit Losses	At 31 March 2022, the authority had a balance of £14.227m for short-term debtors (excluding NDR deficit amounts). A review of significant balances suggested that a loss allowance for doubtful debts totalling £3.335m was appropriate. The loss allowance was based upon historically observed rates of recovery adjusted for future expectations of recovery for each type of debtor. However, the Council cannot be certain that this impairment allowance is sufficient to offset any losses through non-payment debts. This is due to the uncertainty around which organisations and individuals may become economically unviable due to the impact of the pandemic, interest rate rises and inflation rate rises. Rising costs of living may impact on debtor's ability to pay, with energy and fuel prices at elevated levels in part due to the war in Ukraine.	If collection rates were to deteriorate, a doubling of the amount of impairment of doubtful debts would require an additional £3.335m to be set aside as an allowance.

Item	Uncertainties	Effect if actual result differs from Assumptions
Investment Properties	Investment properties are required to be measured at fair value, reflecting market conditions at the end of the reporting period (i.e. 31 March 2022). Where the Authority uses significant unobservable inputs to measure the fair value of its investment properties (Level 3 of the fair value hierarchy), there is a greater level of subjectivity involved, including assumptions regarding rent growth and yield. The Council's in-house valuer applies professional judgement in respect of the fair value of assets including assumptions on property condition where no inspection data is available, that properties meet minimum EPC rating requirements, properties are not contaminated and are free of radon gas. Valuations are undertaken in accordance with Royal Institute of Chartered Surveyors (RICS) guidance.	Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties. As at 31 March 2022, investment properties were valued at £8.729m based on Level 3 of the fair value hierarchy and a variation of 1% in the value of these assets would result in a change in the carrying amount of £0.087m in the Balance Sheet.
Business rates	The Council receives income from business rates which forms part of its funding of its revenue budget. Due to the uncertain impact of Covid-19 on businesses, rising energy and fuel prices and potential rateable value appeals it is possible that current assumptions may not be fully accurate. The NDR arrears balance of £1.790m at the Balance Sheet date is deemed to be at risk of material adjustment within the next year due to current economic circumstance which may result in some businesses struggling to pay. A review of arrears suggested that an impairment of doubtful debts of 57% (£1.020m) was appropriate. However, in the current economic climate it is not certain that such an allowance will be sufficient.	Whilst economic uncertainty means any estimate of the impact would be highly uncertain, the impact would feed through in to the collection fund balance which would then be taken account of in future years' budgets. If collection rates were to deteriorate further, a doubling of the amount of the impairment of doubtful debts would require an additional £1.020m to be set aside as an allowance.

7. Note to the Expenditure and Funding Analysis

Adjustments between Funding and Accounting Basis 2020-21	Adjustments for Capital Purposes (Note 7.1) £'000	Net change for the Pensions Adjustments (Note 7.2) £'000	Other Differences (Note 7.3) £'000	Total Adjustments £'000
Chief Executive & Growth Director	-	148	-	148
Transformation	-	60	-	60
City Development, Housing & Supporting People	67	673	(218)	522
Communications, Culture & Leisure Facilities	9,803	429	46	10,278
Net Zero Exeter & City Management	2,000	1,090	(34)	3,056
Finance	336	(1,257)	2,932	2,011
Corporate Services	240	202	-	442
Housing Revenue Account	4,371	166	(2,078)	2,459
Strata Service Solutions Ltd	-	-	385	385
Net Cost of Services	**16,817**	**1,511**	**1,033**	**19,361**
Other income and expenditure from the Expenditure and Funding Analysis	**(14,709)**	**2,455**	**18,977**	**6,723**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**2,108**	**3,966**	**20,010**	**26,084**

Adjustments between Funding and Accounting Basis 2021-22	Adjustments for Capital Purposes (Note 7.1) £'000	Net change for the Pensions Adjustments (Note 7.2) £'000	Other Differences (Note 7.3) £'000	Total Adjustments £'000
Chief Executive & Growth Director	43	361	-	404
Transformation	-	115	(16)	99
City Development, Housing & Supporting People	(14)	1,264	41	1,291
Communiciations, Culture & Leisure Facilities	10,022	1,154	27	11,203
Net Zero Exeter & City Management	3,103	2,144	(36)	5,211
Finance	7,934	(886)	3,757	10,805
Corporate Services	696	390	-	1,086
Housing Revenue Account	2,682	584	(5,337)	(2,071)
Strata Service Solutions Ltd	-	-	539	539
Net Cost of Services	**24,466**	**5,126**	**(1,025)**	**28,567**
Other income and expenditure from the Expenditure and Funding Analysis	**(9,480)**	**2,747**	**(13,947)**	**(20,680)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**14,986**	**7,873**	**(14,972)**	**7,887**

Note 7.1: Adjustments for Capital Purposes

Adjustments for capital purposes reflect:

- **For services** this column adds in depreciation and impairment and adjusts for revenue expenditure funded from capital under statute and removes the revenue contribution to capital made by the Housing Revenue Account.

- **Other income and expenditure from the Expenditure and Funding Analysis** adjusts for statutory charges for capital financing i.e. Minimum Revenue Provision, Voluntary Revenue Provision and other capital contributions are deducted. It also adjusts for capital disposals with a transfer of the income on the disposal and the amounts written-off. The pooling payment in respect of properties sold under the right-to-buy scheme, capital grants and the gain on donated assets are also recognised.

Note 7.2: Net Change for the Pensions Adjustments

Net changes for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

- **For other income and expenditure from the Expenditure and Funding Analysis –** the net interest on the defined benefit liability is charged to the CIES.

Note 7.3: Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute and other non-statutory adjustments:

- **For services** reflects the Council's proportional shares of Strata Service Solutions cost of services, the removal of investment property net income as this is reported below the net cost of services and the removal of interest costs as they are also reported below the net cost of services.

- **For other income and expenditure from the Expenditure and Funding Analysis** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the financial year and the income recognized under generally accepted accounting practices. This is a timing difference. The adjustments also reflect interest costs and investment property net income, which are reported as financing and investment income and expenditure in the Comprehensive Income and Expenditure Statement.

8. Segmental Reporting

The net expenditure figures in the Expenditure and Funding Analysis for the Council's services include the following particular amounts of income and expenditure. The exceptional costs and funding during 2021/22 due to Covid-19 are also highlighted.

	Chief Executive & Growth Director £'000	Transformation £'000	City Development, Housing & Supporting People £'000	Communiciations, Culture & Leisure Facilities £'000	Net Zero Exeter & City Management £'000	Finance £'000	Corporate Services £'000	Housing Revenue Account £'000
2020-2021								
Expenditure								
Benefit payment	-	-	31,583	-	-	-	-	-
Revenue Contribution to Capital	-	-	-	-	-	-	-	-
Net interest expense	-	-	-	-	-	-	-	2,078
Covid support payments	-	-	5,228	-	70	-	-	-
Depreciation & impairment	-	-	67	9,803	1,997	336	240	8,160
Income								
Benefit subsidy	-	-	(30,003)	-	-	-	-	-
Car park income	-	-	-	-	(3,458)	-	-	-
Covid grant funding	-	-	(6,109)	-	(1,147)	-	-	-
Furlough funding	(1)	(9)	(3)	(1,000)	(66)	(28)	(54)	(15)
Revenues from other external sources	(119)	-	(3,715)	(914)	(4,072)	(1,229)	(554)	(19,933)
Revenues from transactions with other operating segments of the authority	(283)	-	(253)	(35)	(693)	(733)	(465)	(90)
2021-2022								
Expenditure								
Benefit payment	-	-	28,704	-	-	-	-	-
Revenue Contribution to Capital	-	-	-	-	-	-	-	3,397
Net interest expense	-	-	-	-	-	-	-	1,940
Covid support payments	-	63	1,278	-	1,354	-	-	-
Depreciation & impairment	43	-	(14)	10,022	3,148	7,933	696	6,530
Income								
Benefit subsidy	-	-	(27,076)	-	-	-	-	-
Car park income	-	-	-	-	(7,544)	-	-	-
Covid grant funding	-	(113)	(490)	(354)	-	-	-	-
Furlough funding	-	-	(8)	(147)	-	-	(1)	-
Revenues from other external sources	(117)	-	(3,971)	(3,784)	(4,747)	(494)	(412)	(20,278)
Revenues from transactions with other operating segments of the authority	(469)	-	(265)	(39)	(710)	(531)	(453)	(93)

9. Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

	2020-21 £'000	2021-22 £'000
Expenditure:		
Employee benefits expenses	29,623	35,082
Other service expenses	64,725	61,908
Depreciation, amortisation, impairment	20,827	28,591
Interest payments	3,553	3,741
Net interest on the net defined benefit liability	2,365	2,662
Pension Fund administration expenses	90	90
Impairment losses	553	671
Payments to Housing Capital Receipts Pool	425	425
Total expenditure	**122,161**	**133,170**
Income:		
Fees, charges and other service income	(16,280)	(23,141)
Revenue from contracts with service recipients	(18,436)	(18,811)
Interest and investment income	(2,680)	(9,749)
Income from council tax, non-domestic rates	(13,426)	(12,612)
Government grants and contributions	(41,418)	(39,836)
Furlough funding	(1,176)	(163)
Covid grants	(13,421)	(2,175)
Capital grants and contributions	(11,837)	(11,227)
Movements in Financial Instruments held at Fair Value through Profit and Loss	34	(821)
Gain on the disposal of assets	(2,904)	916
Total income	**(121,544)**	**(117,619)**
(Surplus) or Deficit on Provision of Services	**617**	**15,551**

9A. Revenue from Contracts with Service Recipients

	2020-21 £'000	2021-22 £'000
Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:		
Revenue from contracts with service recipients	18,596	18,826
Impairment of receivables or contract assets	(160)	(15)
Total included in Comprehensive Income and Expenditure Statement	**18,436**	**18,811**
Amounts included in the Balance Sheet for contracts with service recipients:		
Receivables, which are included within debtors (Note 20)	319	315
Total included in net assets	**319**	**315**

The Council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods or services to a recipient. For HRA rental income, the performance obligations are satisfied over time and recognises revenue over time, as the service recipient (tenant) simultaneously receives and consumes the benefits provided by the authority's performance through their residency at the property. The rents charged in accordance with the tenancy agreement are accounted for on an accruals basis, i.e. when due and not necessarily when paid.

10. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments made to the total Comprehensive Income and Expenditure Statement (CIES) recognised by the authority in accordance with proper accounting practice to arrive at the resources specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment. The balance is not available to be applied to fund HRA services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council’s landlord function.

Major Repairs Reserve

The authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Notes to the Financial Statements

	Usable Reserves									
	2020-21					2021-22				
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
Adjustments to the Comprehensive Income and Expenditure Statement										
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:										
~ Pension costs **(transferred to or from the Pensions Reserve)**	(3,720)	(390)	-	-	-	(7,306)	(877)	-	-	-
~ Financial instruments **(transferred to the Financial Instruments Adjustment Account)**	1	-	-	-	-	858	-	-	-	-
~ Council Tax and NDR **(transfers to or from the Collection Fund)**	(18,007)	-	-	-	-	6,320	-	-	-	-
~ Holiday pay **(transferred to the Accumulated Absences Reserve)**	(46)	-	-	-	-	(27)	-	-	-	-
~ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure **(these items are charged to the Capital Adjustment Account)**	(6,369)	(6,818)	-	-	(6,354)	(11,123)	(8,101)	-	-	(7,196)
Total Adjustments to the Comprehensive Income and Expenditure Statement	(28,141)	(7,208)	0	0	(6,354)	(11,278)	(8,978)	0	0	(7,196)
Adjustments between Revenue and Capital Resources										
~ Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,699	3,855	(5,554)	-	-	331	4,972	(5,303)	-	-
~ Administrative costs of non-current asset disposals **(funded by a contribution from the Capital Receipts Reserve)**	-	(46)	46	-	-	-	(48)	48	-	-
~ Payments to the Government housing receipts pool **(funded by a transfer from the Capital Receipts Reserve)**	(425)	-	425	-	-	(425)	-	425	-	-
~ Posting of HRA resources from revenue to the Major Repairs Reserve	-	3,789	-	(3,789)	-	-	3,849	-	(3,849)	-
~ Statutory provision for the repayment of debt **(transfer from the Capital Adjustment Account)**	979	-	-	-	-	957	-	-	-	-
~ Voluntary provision for the repayment of debt **(transfer from the Capital Adjustment Account)**	(604)	-	-	-	-	(664)	-	-	-	-
~ Adjustment to Long Term Debtor Repayments	-	-	-	-	-	-	-	-	-	-
~ Capital expenditure financed from revenue balances **(transfer to the Capital Adjustment Account)**	18	-	-	-	-	-	3,397	-	-	-
Total Adjustments between Revenue and Capital Resources	1,667	7,598	(5,083)	(3,789)	0	199	12,170	(4,830)	(3,849)	0
Capital Financing Adjustments										
~ Use of the Capital Receipts Reserve to finance capital expenditure	-	-	6,243	-	-	-	-	4,773	-	-
~ Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	472	-	-	-	-	897	-
~ Application of capital grants to finance capital expenditure	-	-	-	-	-	-	-	-	-	2,356
~ Cash payments in relation to deferred capital receipts	-	-	-	-	-	-	-	48	-	-
Total Capital Financing Adjustments	0	0	6,243	472	0	0	0	4,821	897	2,356
Total Adjustments	**(26,474)**	**390**	**1,160**	**(3,317)**	**(6,354)**	**(11,079)**	**3,192**	**(9)**	**(2,952)**	**(4,840)**

11. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide funding for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in the year. There are no HRA earmarked reserves.

	Balance 31 March 2020	Transfers in	Transfers out	Balance 31 March 2021	Transfers in	Transfers out	Balance 31 March 2022
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Building Control Reserve	**48**	-	(9)	**39**	19	-	**58**
Capital Fund	**500**	-	-	**500**	-	-	**500**
Covid Response Funds	**0**	6,957	-	**6,957**	202	(2,941)	**4,218**
Economic Development	**6**	97	-	**103**	10	-	**113**
Environment	**0**	1,000	-	**1,000**	-	(32)	**968**
Housing GF Reserves	**401**	-	(48)	**353**	-	(104)	**249**
Land Charges Reserve	**279**	-	(16)	**263**	62	-	**325**
Leisure Reserves	**409**	158	(17)	**550**	67	(56)	**561**
Museum Reserves	**1,679**	419	(1,365)	**733**	6	(6)	**733**
New Homes Bonus	**711**	-	(577)	**134**	-	-	**134**
NDR Deficit	**0**	17,424	-	**17,424**	11,084	(17,410)	**11,098**
Planning Reserves	**1,024**	919	(536)	**1,407**	635	(23)	**2,019**
Redundancy Reserve	**209**	500	(209)	**500**	500	(62)	**938**
Transformation	**475**	-	(53)	**422**	264	(3)	**683**
Other Earmarked Reserves	**2,789**	1,229	(1,971)	**2,047**	1,200	(101)	**3,146**
Strata Usable Reserves	**277**	-	(18)	**259**	-	-	**259**
Total	**8,807**	**28,703**	**(4,819)**	**32,691**	**14,049**	**(20,738)**	**26,002**

Earmarked reserves continue to be held at higher than usual levels and this is predominantly due to the NDR Deficit. The accounting arrangements for NDR meant that losses incurred in 2020/21, due to collection losses and rate reliefs to particular business sectors, were able to be carried forward. The earmarked reserve reflects the setting aside of grant scheme monies which the Government implemented to compensate authorities for the lost income, which are being debited back to the General Fund Balance in future years.

12. Other Operating Expenditure

	2020-21 £'000	2021-22 £'000
Pension Fund Administration Expenses	90	90
Payment to the Government's Housing Capital Receipt Pool	425	425
(Gain) / losses on the disposal of non-current assets	(2,982)	916
(Gain) / losses on disposal of assets - Strata Service Solutions Ltd	78	-
	(2,389)	**1,431**

13. Financing and Investment Income and Expenditure

	2020-21 £'000	2021-22 £'000
Interest payable and similar charges	3,553	3,741
Net interest on the net defined benefit liability	2,316	2,587
Net interest on the net defined benefit liability - Strata Service Solutions Ltd	49	75
Interest receivable	(1,161)	(1,033)
Income and expenditure in relation to investment properties and changes in their fair value	(1,659)	(8,856)
Other investment income and expenditure	140	141
Movements in Financial Instruments held at Fair Value through Profit and Loss	34	(821)
Impairment losses	553	671
Interest receivable - Strata Service Solutions Ltd	-	(1)
	3,825	**(3,496)**

14. Taxation and Non-specific Grant Income

	2020-21 £'000	2021-22 £'000
Council tax income	(6,064)	(6,247)
Non-domestic rates	(7,362)	(6,365)
Non-ringfenced government grants	(3,934)	(3,768)
Capital grants and contributions	(11,837)	(11,227)
Covid Grants:		
Sales, Fees & Charges Compensation Scheme	(4,343)	(457)
Covid Support Grant	(1,822)	(761)
	(35,362)	**(28,825)**

Notes to the Financial Statements

15. Property, Plant and Equipment

	Council Dwellings and Garages £'000s	Other Land and Buildings £'000s	Vehicles, Plant & Equipment £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Surplus Assets £'000s	Assets under Construction £'000s	Total Property, Plant and Equipment £'000s
Cost or valuation								
As at 1 April 2020	261,644	127,947	21,245	5,354	5,130	830	30,923	**453,073**
Additions	9,303	4,728	2,886	207	112	-	26,432	**43,668**
Donations	-	-	-	-	-	-	-	**0**
Revaluations - Revaluation Reserve	(1,268)	(5,753)	-	-	-	(458)	-	**(7,479)**
Revaluations - CIES	-	75	-	-	-	-	-	**75**
Impairments - CIES	(4,251)	(308)	-	-	-	(128)	-	**(4,687)**
Derecognition - disposals	(867)	(65)	(1,157)	-	-	-	(379)	**(2,468)**
Reclassifications - held for sale	(2,270)	-	-	-	-		-	**(2,270)**
Reclassifications - surplus	(471)	(265)	-	-	-	736	-	**0**
Reclassifications - AUC	2,169	-	-	-	-	-	(2,169)	**0**
Reclassifications - community	-	-	-	-		-	-	**0**
Other movements - Strata Service Solutions Ltd	-	-	(96)	-	-	-	-	**(96)**
Gross Book Value At 31 March 2021	**263,989**	**126,359**	**22,878**	**5,561**	**5,242**	**980**	**54,807**	**479,816**
Depreciation and impairments								
At 1 April 2020	-	-	(12,874)	(3,105)	-	-	-	**(15,979)**
Depreciation Charge	(3,724)	(10,309)	(1,741)	(241)	-	-	-	**(16,015)**
Depreciation written out to Revaluation Reserve	3,704	10,291	-	-	-	-	-	**13,995**
Impairment - CIES	8	17	-	-	-	-	-	**25**
Derecognition - disposals	12	1	1,012	-	-	-	-	**1,025**
Accumulative Depreciation At 31 March 2021	**0**	**0**	**(13,603)**	**(3,346)**	**0**	**0**	**0**	**(16,949)**
Balance Sheet amount at 31 March 2021	**263,989**	**126,359**	**9,275**	**2,215**	**5,242**	**980**	**54,807**	**462,867**

	Council Dwellings and Garages £'000s	Other Land and Buildings £'000s	Vehicles, Plant & Equipment £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Surplus Assets £'000s	Assets under Construction £'000s	Total Property, Plant and Equipment £'000s
Cost or valuation								
As at 1 April 2021	263,989	126,359	22,878	5,561	5,242	980	54,807	**479,816**
Additions	17,022	2,278	2,555	233	150	-	11,989	**34,227**
Donations	-	-	-	-	-	-	-	**0**
Revaluations - Revaluation Reserve	14,573	(7,740)	-	-	-	(161)	-	**6,672**
Revaluations - CIES	-	240	-	-	-	-	-	**240**
Impairments - CIES	(2,704)	(9,424)	-	-	-	(516)	-	**(12,644)**
Derecognition - disposals	(1,538)	(1,717)	(347)	-	-	(980)	-	**(4,582)**
Reclassifications - held for sale	(1,059)	(430)	-	-	-	-	-	**(1,489)**
Reclassifications - surplus	-	(794)	-	-	-	794	-	**0**
Reclassifications - AUC	170	8,448	-	-	-	-	(8,618)	**0**
Reclassifications - Investment property	-	2,300	-	-		-	-	**2,300**
Other movements - Strata Service Solutions Ltd	-	-	93	-	-	-	-	**93**
Gross Book Value At 31 March 2022	**290,453**	**119,520**	**25,179**	**5,794**	**5,392**	**117**	**58,178**	**504,633**
Depreciation and impairments								
At 1 April 2021	-	-	(13,603)	(3,346)	-	-	-	**(16,949)**
Depreciation Charge	(3,815)	(10,004)	(2,118)	(240)	-	-	-	**(16,177)**
Depreciation written out to Revaluation Reserve	3,771	9,482	-	-	-	-	-	**13,253**
Impairment - CIES	22	199	-	-	-	-	-	**221**
Derecognition - disposals	22	323	296	-	-	-	-	**641**
Accumulative Depreciation At 31 March 2022	**0**	**0**	**(15,425)**	**(3,586)**	**0**	**0**	**0**	**(19,011)**
Balance Sheet amount at 31 March 2022	**290,453**	**119,520**	**9,754**	**2,208**	**5,392**	**117**	**58,178**	**485,622**

Revaluations

The frequency of revaluations and significant assumptions applied in estimating fair value are set out in the statement of accounting policies. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuations are predominantly carried out by the Council's in-house valuers; registered with the Royal Institution of Chartered Surveyors, but external valuations were instructed for a number of operational properties (other land and buildings) as at 31 March 2022.

	Council Dwellings and Garages £'000s	Other Land and Buildings £'000s	Vehicles, Plant & Equipment £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Surplus Assets £'000s	Assets under Construction £'000s	Total Property, Plant and Equipment £'000s
Carried at historical cost	-	-	25,179	5,794	5,392	-	58,178	**94,543**
Valued at current value as at:								
31 March 2018	-	-	-	-	-	-	-	**0**
31 March 2019	-	-	-	-	-	-	-	**0**
31 March 2020	-	-	-	-	-	-	-	**0**
31 March 2021	-	-	-	-	-	-	-	**0**
31 March 2022	290,453	119,520	-	-	-	117	-	**410,090**
Gross Book Value At 31 March 2022	**290,453**	**119,520**	**25,179**	**5,794**	**5,392**	**117**	**58,178**	**504,633**

Capital Commitments

At 31 March 2022, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2022/23 and future years budgeted to cost £9.293m. Similar commitments at 31 March 2021 were £13.076m. The major commitments are:

- £ 0.714m St Sidwell's Point Leisure Complex
- £ 0.331m Edwards Court Extra Care Scheme
- £ 4.987m Hamlin Gardens council housing development
- £ 0.927m Fire risk assessment works
- £ 0.650m Energy retrofit
- £ 0.507m Bus station construction
- £ 1.177m Other (new construction, grants, IT and property improvements)

16. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment income and expenditure line in the CIES:

	2020-21 £'000	2021-22 £'000
Rental income from investment property	3,667	4,363
Direct operating expenditure arising from investment property	(560)	(612)
Net gain	**3,107**	**3,751**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

Fair Value Hierarchy

Details of the authority's investment properties and information about fair value hierarchy as at 31 March 2022 and comparatives as at 31 March 2021 are as follows:

Class of Asset	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2021 £'000
Industrial	-	5,248	**5,248**
Retail	-	26,610	**26,610**
Leisure	-	3,111	**3,111**
Office	-	14,126	**14,126**
Other Commercial	-	4,293	**4,293**
Total	**0**	**53,388**	**53,388**

Class of Asset	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2022 £'000
Industrial	1,490	4,560	**6,050**
Retail	26,130	3,361	**29,491**
Leisure	6,385	96	**6,481**
Office	11,835	0	**11,835**
Other Commercial	1,465	712	**2,177**
Total	**47,305**	**8,729**	**56,034**

The increase in Level 2 valuations reflects the instruction of external valuations provided by JLL, which have been categorised as Level 2 being prices for similar assets or liabilities in active markets. Please refer to Note 1 Accounting Policies for more information.

The movements in the fair value of investment properties over the year are summarised below:

	2020-21 £'000	2021-22 £'000
Balance at 1 April	54,837	53,388
Additions :		
Purchases	-	-
Construction	-	-
Subsequent expenditure	-	-
Disposals	-	(159)
Net gains / losses from fair value adjustments	(1,449)	5,105
Transfers:		
To/from Property, Plant & Equipment	-	(2,300)
Balance at 31 March	**53,388**	**56,034**

Valuation Techniques used to Determine Level 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 3

The industrial, retail, leisure and other commercial assets in the portfolio are valued using the income approach, where the expected cash flows from the properties are discounted utilising market derived rates. This is used to establish the present value of the net income.

This approach has been developed using internal data supplemented where possible with evidence from analysis of relevant recent market transactions and external market reports/reviews. This requires a number of assumptions such as the duration and timing of cash flows, current market rental value, rent growth, occupancy levels, void periods, covenant strength, risk and maintenance costs (where appropriate) etc.

The industrial, retail, leisure and other commercial assets are therefore categorised as level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine fair value.

Reconciliation of Fair Value Measurements Categorised within Level 3 of the Fair Value Hierarchy

Level 3 fair value measurements	Industrial £'000	Retail £'000	Leisure £'000	Office £'000	Other Commercial £'000	Fair value as at 31 March 2022 £'000
Balance at 1 April	5,248	26,610	3,111	14,126	4,293	**53,388**
Gains/(losses) recognised in the CIES resulting from changes in the fair value	598	(33)	-	-	29	**594**
Additions	-	-	-	-	-	**0**
Transfers in and out of level 3	(1,286)	(23,216)	(3,015)	(14,126)	(3,610)	**(45,253)**
Disposals	-	-	-	-	-	**0**
Level 3 balance at 31 March	**4,560**	**3,361**	**96**	**0**	**712**	**8,729**

The transfers from Level 3 reflect the appointment of external valuers for certain investment property valuations and that they categorise their valuations as Level 2; being prices for similar assets and liabilities in active markets.

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs

Property type	Lease type	Rent type	Fair value as at 31 March 2022 £'000	Valuation technique used to measure fair value	Unobservable inputs	Range / percentage used	Sensitivity
Industrial	Commercial	Market	1,527	Income approach	Rent & Yield	Rent £3.50 - £8 psf Yield 7 - 10%	Significant changes in rental levels or yield will result in a significantly lower or higher fair value
	Ground	Nominal	1,598	Income approach	Rent & Yield	Rent £3.50 - £8 psf Yield 2.5 - 10%	Significant changes in rental levels or yield will not result in a significant difference to the fair value
	Ground	Geared	1,435	Income approach	Yield	Yield 3.5 - 8%	Significant changes in yield will result in a significantly lower or higher fair value
Retail	Commercial	Market	2,565	Income approach	Rent & Yield	Rent £13 - £25 psf ITZA. Yield 9 - 12%	Significant changes in rental levels or yield will result in a significantly lower or higher fair value
	Ground	Nominal	530	Income approach	Rent & Yield	Rent £15 - £42 psf ITZA. Yield 7 - 10.5%	Significant changes in rental levels or yield will not result in a significant difference to the fair value
	Ground	Geared	266	Income approach	Yield	Yield 7-8%	Significant changes in yield will result in a significantly lower or higher fair value
Leisure	Commercial	Turnover	96	Income approach	Yield	Yield 12%	Significant changes in yield will result in a significantly lower or higher fair value
Other commercial	Commercial	Market	110	Income approach	Rent & Yield	Yield 10- 12%	Significant changes in rental levels or yield will result in a significantly lower or higher fair value
	Ground	Geared	133	Income approach	Yield	Yield 7.5%	Significant changes in yield will result in a significantly lower or higher fair value
	Ground	Nominal	469	Income approach	Yield	Yield 5.5 - 12%	Significant changes in yield will not result in a significant difference to the fair value

17. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority

	Museum Exhibits £'000	Civic Regalia and Paintings at the Guildhall £'000	Artefacts at St Nicholas Priory £'000	Total £'000
Cost or Valuation				
1 April 2020	20,000	2,663	163	**22,826**
Additions	-	-	-	**0**
Disposals	-	-	-	**0**
Revaluations	-	-	-	**0**
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	**0**
Impairment Losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	**0**
31 March 2021	**20,000**	**2,663**	**163**	**22,826**
Cost or Valuation				
1 April 2021	20,000	2,663	163	**22,826**
Additions	-	-	-	**0**
Disposals	-	-	(163)	**(163)**
Revaluations	-	80	-	**80**
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	**0**
Impairment Losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	**0**
31 March 2022	**20,000**	**2,743**	**0**	**22,743**

18. Further Information on the Collections

St Nicholas Priory

St Nicholas Priory is the 900 year old guest wing of a former Benedictine Priory in Exeter City Centre. Adorned with quality replica furniture and painted in the bright colours of the period, the Priory is presented as the 1602 home of the wealthy Hurst family. The display of Elizabethan items is from the city's collection. The artefacts at Nicolas Priory were removed from the Council's insurance portfolio following the grant of a long lease to Exeter Historic Buildings Trust and treated as a disposal in accordance with the policy on property, plant and equipment.

Guildhall

The Guildhall is home to a number of fine art portraits painted between the 17th and 19th Century. They include a portrait of Princess Henrietta Anne, daughter of King Charles I, who was born in Exeter, and a number of other prominent local people. There are a number of portraits by Thomas Hudson including one of George II as Prince of Wales.

Royal Albert Memorial Museum

RAMM cares for a wonderful and diverse collection consisting of approximately one and a half million individual objects and specimens from all over the globe. They are divided into the following curatorial departments: antiquities, ethnography, natural history, decorative and fine arts. The collections contain items of local, national and international importance, and many are of outstanding historical or cultural significance.

Other Heritage Assets

The Council owns a range of assets around the City which are of historic value including; the Roman Wall, Underground Passages, Catacombs and various statues. These have not been valued and do not form part of the figure held in the Balance Sheet, as explained in Note 1 Accounting Policies.

19. Financial Instruments

Classification of Financial Instruments

The following judgements were made in respect of classifying financial instruments:

- A long-term investment in the CCLA Property Fund is designated at fair value through profit and loss as the contractual terms of the asset do not give rise on specified dates to cash flows that are solely payments of principal and interest
- Money market funds are designated at fair value through profit and loss as the contractual terms of the asset do not give rise on specified dates to cash flows that are solely payments of principal and interest
- Equity shareholdings in other related parties are carried at amortised cost. The Code permits group interests to be accounted for at cost. This is on the basis that the group accounts provide information about the value and performance of these investments
- All other financial liabilities and assets are carried at amortised cost on the basis that the Council holds the financial assets until it collects contractual cash-flows or has a liability to transfer economic benefits under a contractual obligation

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets

	Long-term				Current			
	Investments		Debtors		Investments		Debtors	
Financial Assets	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000
Fair value through profit or loss	4,735	5,554	-	-	21,001	30,007	-	-
Amortised cost	982	982	24,158	24,007	30,858	77,291	4,125	4,496
Total Financial Assets	**5,717**	**6,536**	**24,158**	**24,007**	**51,859**	**107,298**	**4,125**	**4,496**
Non-financial assets	-	-	-	-	-	-	41,147	26,418
Total	**5,717**	**6,536**	**24,158**	**24,007**	**51,859**	**107,298**	**45,272**	**30,914**

Financial Liabilities

	Long-term				Current			
	Borrowings		Creditors		Borrowings		Creditors	
Financial Liabilities	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000
Fair value through profit or loss	-	-	-	-	-	-	-	-
Amortised cost	124,000	166,695	2,863	2,397	941	1,510	11,366	16,420
Total Financial Liabilities	**124,000**	**166,695**	2,863	2,397	**941**	**1,510**	**11,366**	**16,420**
Non-financial liabilities	-	-	3,941	3,004	-	-	42,901	46,790
Total	**124,000**	**166,695**	**6,804**	**5,401**	**941**	**1,510**	**54,267**	**63,210**

Material Soft Loans Made by the Authority

Soft loans are those advanced at below market rates in support of the Council's service priorities. A soft loan of £1m was advanced by the Council towards funding the building of the Science Park centre, in two loan advances of £500,000 with interest charged at 2.55% and 2.62% respectively. The loans are repayable on maturity along with accrued interest in 2023/24.

	2020-21 £'000	2021-22 £'000
Balance at start of year	**1,007**	**1,067**
New loans granted in the year	-	-
Fair value adjustment on initial recognition	-	-
Accrued interest	60	62
Nominal value at 31 March	**1,067**	**1,129**

Valuation Assumptions

The interest rate at which the fair value of this soft loan has been made is arrived at by taking the authority's prevailing cost of borrowing and adding an allowance for the risk that the loan might not be repaid by Exeter Science Park Ltd.

Reclassification of Financial Instruments

During the year the Council has not reclassified any financial instruments, or transferred any financial instruments that would require a change in the recognition of that instrument.

Income, Expense, Gains and Losses

The gains and losses in the Comprehensive Income and Expenditure Account in relation to Financial Instruments for Investments and Borrowing are made up as follows:

	2020-21 Surplus or Deficit on the Provision of Services £'000	2021-22 Surplus or Deficit on the Provision of Services £'000
Net gains/losses on:		
Financial assets measured at fair value through profit and loss	34	(821)
Financial assets measured at amortised cost	-	-
Financial liabilities measured at fair value through profit and loss	-	-
Financial liabilities measured at amortised cost	-	-
Total net gains/losses	**34**	**(821)**
Interest receivable:		
Financial assets measured at fair value through profit and loss	(282)	(241)
Financial assets measured at amortised cost	(879)	(792)
Total interest receivable	**(1,161)**	**(1,033)**
Interest payable	**3,553**	**3,741**

Changes in the valuation technique

There have been no change in the valuation technique used during the year for financial instruments.

Fair Value of Financial Assets

Some of the authority’s financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

	Fair Value Level	Valuation technique used to measure fair value	Balance Sheet 31 March 2021 £'000	Fair Value 31 March 2021 £'000	Balance Sheet 31 March 2022 £'000	Fair Value 31 March 2022 £'000
Financial Assets Held at Fair Value						
Financial instruments classified as fair value through profit and loss:						
Money market funds	1	Unadjusted quoted prices in active markets for identical shares	21,001	21,001	30,007	30,007
Local Authorities' Property Fund	1	Unadjusted quoted prices in active markets for identical shares	4,735	4,735	5,554	5,554
Total			**25,736**	**25,736**	**35,561**	**35,561**

Fair Values of Financial Assets that Are Not Measured at Fair Value

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the authority are carried at amortised cost, as follows:

- The carrying amount of short term creditors and debtors (trade payables and receivables) are considered a reasonable approximation of fair value
- The fair value of finance leases (receivable) have been calculated by discounting the contractual cash-flows at the appropriate PWLB annuity loan rate
- The fair value of long term creditors and capital grants received in advance is assumed to approximate to the carrying value as it is considered unlikely, owning to historical experience, that they will require repayment
- All investments in subsidiaries, associates and joint ventures are measured as financial instruments, however, on the basis that group accounts are prepared which provides information about the value and performance of these investments it is not necessary to supplement with financial instrument valuations

Fair values are shown in the table below, split by their level in the fair value hierarchy:

	Fair Value Level	Restated Balance Sheet 31 March 2021 £'000	Fair Value 31 March 2021 £'000	Balance Sheet 31 March 2022 £'000	Fair Value 31 March 2022 £'000
Financial Assets Held at Amortised Cost					
Unquoted equity investment	3	982	982	982	982
Loans made for service purposes	2	10,128	10,128	10,002	10,002
Lease receivables	3	14,030	14,030	14,005	14,005
Short term investments	2	20,006	20,006	39,019	39,019
Cash (including bank accounts)	2	10,852	10,852	38,272	38,272
Short term debtors	3	45,272	45,272	30,914	30,914
Total Financial Assets		**101,270**	**101,270**	**133,194**	**133,194**
Financial Liabilities Held at Amortised Cost					
Long term borrowing	2	124,000	140,343	166,695	164,520
Short term borrowing	2	941	941	1,510	1,510
Finance lease liabilities	3	2,863	2,863	2,397	2,397
Long term creditors	3	231	231	245	245
Capital grants receipts in advance	3	3,710	3,710	2,760	2,760
Short term creditors	3	54,267	54,267	63,210	63,210
Total Financial Liabilities		**186,012**	**202,355**	**236,817**	**234,642**

Fair Value Disclosure of PWLB Loans

The Council's borrowings are all with the PWLB. The fair value of PWLB loans measures the economic effect of terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, this is referred to as the new loan rate. One approach is to measure the interest that the authority will pay on its PWLB commitments for fixed rate loans and compare these to the terms of these loans with the new loan rates available from PWLB, on the Balance Sheet date. Under this approach, the difference between the carrying amount and fair value measures the variation in interest costs that the authority will pay over the remaining terms of the loans, against what would be paid if the loans were at prevailing rates. If a value is calculated on this basis, the carrying amount of £167.759m (£166.695m long term and £1.064m short term borrowing) would be valued at £164.520m. Alternatively, if the authority were to seek to avoid the notional new loan rate loss by repaying the loans to the PWLB, the exit price, including a penalty charge, would be based on the PWLB Premature Repayment Rates at the Balance Sheet date and this fair value would be £202.172m.

20. Debtors

Long-term Debtors 2020-21 £'000	Long-term Debtors 2021-22 £'000		Short-term Debtors 2020-21 £'000	Short-term Debtors 2021-22 £'000
-	-	Trade Debtors	3,394	3,481
-	-	Less impairment allowance	(904)	(914)
-	-	**Trade Debtors**	**2,490**	**2,567**
-	-	Overpaid Housing Benefits	1,862	1,844
-	-	Less impairment allowance	(1,316)	(1,310)
-	-	**Overpaid Housing Benefits**	**546**	**534**
-	-	Rents - General and HRA	857	811
-	-	Less impairment allowance	(508)	(477)
-	-	**Rents - General and HRA**	**349**	**334**
-	-	Collection Fund amounts	29,210	18,640
-	-	Covid-19 funding	2,222	1,053
-	-	VAT	1,354	1,059
-	-	Housing Benefit Subsidy	1,565	450
-	-	Other receivable amounts	4,929	3,992
-	-	Prepayments	430	461
-	-	Debtors of Strata Service Solutions Ltd	740	838
14,029	14,005	Finance lease debtors	140	141
1,068	1,130	Exeter Science Park	-	-
193	181	Exeter Council for Voluntary Service	-	-
8,821	8,596	Exeter City Living Ltd	213	223
47	95	Other loans	-	-
24,158	**24,007**	**Total Debtors**	**44,188**	**30,292**

21. Debtors for Local Taxation

The past due amounts for local taxation (council tax and NDR) can be analysed by age as follows:

	2020-21 £'000	2021-22 £'000
Less than 1 year	784	491
Less impairment allowance	(256)	(213)
Less than 1 year	**528**	**278**
Over 1 to 5 years	852	662
Less impairment allowance	(328)	(371)
Over 1 to 5 years	**524**	**291**
Over 5 to 10 years	51	88
Less impairment allowance	(30)	(45)
Over 5 to 10 years	**21**	**43**
Over 10 to 15 years	12	8
Less impairment allowance	(4)	(4)
Over 10 to 15 years	**8**	**4**
Over 15 years	3	7
Less impairment allowance	-	(1)
Over 15 years	**3**	**6**
Total Debtors for Local Taxation	**1,084**	**622**

Short term debtors include significant NDR and council tax deficits due to extraordinary circumstances relating to the pandemic, shown within Collection Fund amounts. The financial downturn caused collection rates to be lower than predicted and the Government introduced emergency rate reliefs for particular business sectors. The Government have provided section 31 grants specifically to compensate for the deficit, which are also carried forward within earmarked reserves to provide for the repayment of the deficit in future years.

22. Assets Held for Sale

	Current 2020-21 £'000	2021-22 £'000
Balance at 1 April	**3,794**	**4,683**
Assets newly classified:		
Property, plant and equipment	2,330	1,605
Revaluation gains	3	147
Assets declassified:		
Property, plant and equipment	(61)	(116)
Assets sold	(1,383)	(2,029)
Balance at 31 March	**4,683**	**4,290**

23. Cash and Cash Equivalents

	2020-21 £'000	2021-22 £'000
Cash held by the Council	82	241
Bank current accounts	460	4,649
Money Market Funds	21,001	30,007
Short-term investments	10,001	30,000
Short-term call accounts	-	3,002
Strata - Cash at bank and in hand	309	380
Total cash and cash equivalents	**31,853**	**68,279**

24. Short Term Creditors

	2020-21 £'000	2021-22 £'000
Trade Payables	17	21
Collection Fund amounts	34,345	28,567
Income in Advance	3,853	5,883
Other Payables	7,208	10,033
Covid funding to be transferred to other parties	8,556	18,223
Creditors of Strata Service Solutions Ltd	288	483
Total Short Term Creditors	**54,267**	**63,210**

During 2021/22 the authority continued to act as an agent for the Government in distributing funding to those in need, as part of its Covid-19 response. Short term creditors include £18.223m of funding to be paid out under these arrangements, including £7.426m in respect of the Council Tax energy bill rebate.

25. Provisions

	Business Rates Appeal Provision £'000	Loan Loss Allowances £'000	Total Provisions £'000
Balance as at 1 April 2021	**3,491**	**30**	**3,521**
Additional provisions	1,401	707	2,108
Provision utilised in year	(450)	-	(450)
Unused amounts reversed in year	-	(8)	(8)
Unwinding of discount	-	-	-
Balance as at 31 March 2022	**4,442**	**729**	**5,171**

26. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 10.

Usable Reserve	2020-21 £'000	2021-22 £'000
General Fund Balance	4,697	5,521
Housing Revenue Account	13,267	11,468
Capital Receipts Reserve	12,929	12,938
Major Repairs Reserve	15,237	18,189
Earmarked Reserves	32,691	26,002
Capital Grants Unapplied	14,663	19,503
Balance at 31 March	**93,484**	**93,621**

27. Unusable Reserves

Unusable Reserve	2020-21 £'000	2021-22 £'000
Revaluation Reserve	149,646	157,876
Capital Adjustment Account	245,759	242,999
Financial Instrument Adjustment Account	(411)	448
Deferred Capital Receipts Reserve	14,170	14,194
Pensions Reserve	(137,516)	(100,717)
Collection Fund Adjustment Account	(17,292)	(10,971)
Accumulated Absences Account	(614)	(641)
Total Unusable Reserves	**253,742**	**303,188**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2020-21 £'000	Revaluation Reserve	£'000	2021-22 £'000
152,982	Balance at 1 April		149,646
15,812	Upward revaluation of assets	38,085	
(9,292)	Downward revaluation of assets and impairment losses not charged to CIES	(17,933)	
6,520	Surplus / (deficit) on revaluation		20,152
(9,254)	Difference between fair value depreciation and historical cost depreciation	(9,879)	
(602)	Accumulated gains on assets sold	(2,043)	
(9,856)	Amount written off to CAA		(11,922)
149,646	**Balance at 31 March**		**157,876**

Capital Adjustment Account (CAA)

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the authority. The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Note 10 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2020-21 £'000	Capital Adjustment Account	£'000	2021-22 £'000
248,494	Balance at 1 April		245,759
(20,688)	Charges for depreciation and impairment of non-current assets	(28,422)	
(140)	Amortisation of intangible assets	(169)	
(2)	Revenue expenditure funded from capital under statute	45	
0	Capital loan loss allowance	(698)	
(2,243)	Amounts of non-current assets written-off on disposal or sale as part of the gain/loss on disposal	(4,247)	
(23,073)			(33,491)
9,254	Adjusting amounts to Revaluation reserve		9,879
234,675	Net amount written out of the cost of non-current assets in year		**222,147**
	Capital finance applied in year:		
6,243	Use of Capital Receipts Reserve	4,773	
472	Use of the Major Repairs Reserve	897	
5,484	Capital Grants and contributions applied - CIES	6,387	
0	Capital Grants and contributions applied - Capital Grants Unapplied Account	-	
316	Statutory provision for financing capital	957	
0	Voluntary provision for financing capital	(664)	
18	Capital Expenditure charged directly to the General Fund and HRA	3,397	
12,533			15,747
(1,449)	Movements in the market value of Investment Properties		5,105
0	Movement in the Donated Assets Account		-
0	Repayment of Long Term Debtors		-
245,759	**Balance at 31 March**		**242,999**

Financial Instruments Adjustment Account

This reserve absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. Up until 31 March 2023, this account also holds the gains and losses that would otherwise hit the General Fund balance in respect of pooled investment funds.

2020-21 £'000	Financial Instruments Adjustment Account	2021-22 £'000
(411)	Balance at 1 April	(411)
(34)	Statutory reversal of movements in Financial Instruments held at Fair Value through Profit and Loss	822
-	Transfer to Capital Adjustment Account - soft loan write off	-
34	Amount by which finance costs charged to CIES differ from finance costs charged in year under statute	37
(411)	**Balance at 31 March**	**448**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Pensions Reserve	2021-22 £'000
Balance at 1 April	(137,516)
Remeasurements of the net defined benefit liability/(asset)	44,756
Other items treated as Other Comprehensive Income and Expenditure	226
Reversal of items relating to retirement benefits in the CIES	(13,419)
Employers pension contributions and direct payments to pensioners	5,236
Balance at 31 March	**(100,717)**

There is a temporary imbalance between the Net Pensions Liability and the Pensions Reserve, which is due to the Council opting to pay 3 years past service deficit amounts up front in respect of 2020/21, 2021/22 and 2022/23. It immediately reduced the net pension liability, but the payment will be released to the Pension Reserve over the respective three financial years, in accordance with proper accounting practice.

Deferred Capital Receipts Reserve

This reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement takes place, amounts are transferred to the Capital Receipts Reserve.

2020-21 £'000	Deferred Capital Receipts Reserve	2021-22 £'000
14,010	Balance at 1 April	14,170
301	Deferred sale proceeds credited as part of the gain/loss on disposal to CIES *	165
(141)	Transfer of Finance Lease Premium to CIES	(141)
-	Transfer to Capital Receipts Reserve upon receipt of cash	-
14,170	**Balance at 31 March**	**14,194**

*Restated to separately report the deferred sale proceeds included in the gain/loss on disposal of assets

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and NDR income in the CIES as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

As in 2020-21 there is a significant deficit held in the Collection Fund Adjustment Account and this reflects the authority's share of the reduction in NDR income between the amounts estimated for 2021-22 and NDR income actually receivable in 2021-22. This reduction is due to the government granting business rate reliefs to businesses after the payments from the Collection Fund to the General Fund were fixed for the year. The government has provided Section 31 grants to offset the loss in business rates and this was received in the 2021-22 accounting year. However, under current collection fund accounting rules, the deficit that the Section 31 grants are received to offset cannot be recognised in the General Fund until 2022-23, so they are carried forward and recognised in 2022-23 to meet the Collection Fund deficit.

2020-21 £'000	Collection Fund Adjustment Account	2021-22 £'000
715	Balance at 1 April	(17,292)
(18,007)	Amount by which council tax and NNDR income credited to CIES differs from that calculated for the year under statute	6,321
(17,292)	**Balance at 31 March**	**(10,971)**

Accumulated Absences Account

This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year (e.g. annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2020-21 £'000	Accumulated Absences Account	2021-22 £'000
(568)	Balance at 1 April	(614)
568	Settlement / cancellation of previous year's accrual	614
(614)	Amounts accrued at the end of year	(641)
(46)	Amount by which remuneration charged to CIES differs from remuneration charged for the year under statute	(27)
(614)	**Balance at 31 March**	**(641)**

28. Cash Flow Statement – Operating Activities

	2020-21 £'000	2021-22 £'000
Net (surplus) / deficit on provision of Services	617	15,551
Adjusted for non-cash movements:		
Depreciation	(16,100)	(16,239)
Impairment	(4,588)	(12,183)
Amortisation	(141)	(169)
Investment (losses) / gains	-	-
Donated assets	-	-
Pension liability	(4,110)	(8,184)
Carrying amount of non-current assets sold	(2,906)	(6,294)
Movement in investment properties	(1,449)	5,105
Finance lease income	161	(23)
Other	(647)	(914)
Movement in inventories	(56)	27
Movement in debtors	31,150	(14,307)
Movement in creditors	3,090	(3,709)
Items classified as investing and financing activities:		
Proceeds from the sale of property, plant & equipment	5,554	5,255
Items classified elsewhere	4,761	7,883
Net cashflows from Operating Activities	**15,336**	**(28,201)**

29. Cash Flow Statement – Investing Activities

	2020-21 £'000	2021-22 £'000
Purchase of non-current assets	42,936	33,270
Purchase of short and long-term investments	272,500	547,000
Other payments for investing activities	3,126	3,249
Proceeds from the sale of non-current assets	(5,554)	(5,255)
Proceeds of short and long-term investments	(293,500)	(516,000)
Other receipts for investing activities	(8,173)	(11,308)
Net cash flows from investing activities	**11,335**	**50,956**

30. Cash Flow Statement – Financing Activities

	2020-21 £'000	2021-22 £'000
Cash receipts of short and long-term borrowing	(15,360)	(44,000)
Other receipts for financing activities	(27,438)	(16,681)
Cash payments for the reduction of liabilities relating to finance leases	513	587
Repayments of short and long-term borrowing	897	913
Net cash flows from financing activities	**(41,388)**	**(59,181)**

31. Reconciliation of Liabilities arising from Financing Activities

The total of Financing cash flows of £41.388m reconciles to the movement in borrowings in the Balance Sheet, excluding £16.681m in respect of Collection Fund cash-flows and a £0.587m reduction in liabilities relating to finance leases. Apart from this, there have been no non-cash movements in borrowing amounts on the Balance Sheet.

32. Members Allowances

The authority paid the following amounts to members of the council during the year:

	2020-21 £'000	2021-22 £'000
Salaries	14	14
Allowances	390	399
Expenses	-	-
Total	**404**	**413**

33. Officers' Remuneration

The table below sets out the remuneration paid to or receivable by the authority's senior management:

2021-22	Salary, fees & allowances £	Expenses £	Compensation for Loss of Office £	Total Remuneration £	Employers Pension Contributions (inc. strain payments) £	Total £
Chief Executive & Growth Director	121,753	-	-	**121,753**	21,428	**143,181**
Deputy Chief Executive	99,178	447	-	**99,625**	17,455	**117,080**
Director (0.81 FTE wef 1 January 2022)	81,523	132	-	**81,655**	14,260	**95,915**
Director (0.86 FTE wef 28 February 2022)	85,792	-	-	**85,792**	15,099	**100,891**
Director	86,804	-	-	**86,804**	15,278	**102,082**
Director (Finance)	86,804	718	-	**87,522**	15,344	**102,866**
Director (Corporate Services)	86,804	-	-	**86,804**	15,278	**102,082**
City Surveyor	66,606	539	-	**67,145**	11,723	**78,868**
Corporate Manager - Executive Support	63,223	-	-	**63,223**	11,127	**74,350**
Corporate Manager - Democratic/Civic Support (0.80 FTE) *	51,262	-	-	**51,262**	11,346	**62,608**

*Additional £21,962 allowances and £2,325 employers pension contributions receivable in respect of Returning Officer duties

2020-21	Salary, fees & allowances £	Expenses £	Compensation for Loss of Office £	Total Remuneration £	Employers Pension Contributions (inc. strain payments) £	Total £
Chief Executive & Growth Director	119,954	-	-	**119,954**	21,112	**141,066**
Director	85,521	25	-	**85,546**	15,052	**100,598**
Director	84,204	40	-	**84,244**	14,891	**99,135**
Director	85,521	-	-	**85,521**	15,052	**100,573**
Director	85,521	-	-	**85,521**	15,052	**100,573**
Director (Finance)	84,098	-	-	**84,098**	14,801	**98,899**
Director (Corporate Services)	82,676	-	-	**82,676**	14,551	**97,227**
City Surveyor	62,289	-	-	**62,289**	10,963	**73,252**
Corporate Manager - Executive Support	62,289	-	-	**62,289**	10,963	**73,252**
Corporate Manager - Democratic/Civic Support (0.80 FTE) *	50,505	-	-	**50,505**	9,052	**59,557**

*Additional £930 receivable in respect of Returning Officer duties

The authority's other employees receiving more than £50,000 remuneration in the year (excluding employer's normal pension contributions) were:

	Number of employees	
Remuneration band	**2020-21**	**2021-22**
£50,000 - £54,999	5	2
£55,000 - £59,999	9	7
£60,000 - £64,999	6	6
£65,000 - £69,999	-	3
£70,000 - £74,999	1	-
£75,000 - £79,999	1	-
£80,000 - £84,999	-	-
£85,000 - £89,999	1	1

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34. Termination Benefits

The number of exit packages with total cost per band and total cost of compulsory redundancies and other departures are set out below. The total cost of £84,895 has been charged to the Comprehensive Income and Expenditure Statement in 2021/22.

Exit Package Cost Band	Number of employees 2020-21	Number of employees 2021-22	Total Cost of exit packages in each band 2020-21	Total Cost of exit packages in each band 2021-22
Compulsory Redundancies				
Less than £20,000	7	6	32	12
£20,001 - £39,999	2	1	65	30
£40,000 - £59,999	1	-	43	-
Other Departures Agreed				
Less than £20,000	3	4	32	16
£20,001 - £39,999	3	1	83	27
£40,000 - £59,999	2	-	87	-
Total	**18**	**12**	**342**	**85**

35. Audit Costs

The authority has incurred the following audit costs in relation to the statement of accounts and certification of grant claims:

	2020-21 £'000	2021-22 £'000
Fees payable to Grant Thornton; external audit services carried out by the appointed auditor in respect of 2021-22	72	83
Fees payable to Grant Thornton; external audit services carried out by the appointed auditor in respect of prior year	16	22
Fees payable to Grant Thornton; certification of grant claims and returns	26	34
Total	**114**	**139**

36. Grants, Contributions and Donations

The Authority credited the following grants, contributions and donations to the comprehensive income and expenditure statement in 2021/22:

	2020-21 £'000	2021-22 £'000
Credited to Taxation and non-specific grant income		
Council taxpayers	(6,064)	(6,247)
Revenue Support Grant	(371)	(602)
New Homes Bonus	(2,490)	(1,941)
NDR	(7,362)	(6,365)
Community Infrastructure Levy	(1,073)	(1,225)
Other Capital Grants & Contributions	(11,837)	(11,227)
Covid Grants	(6,165)	(1,218)
Total	**(35,362)**	**(28,825)**
Credited to Services		
Benefit Subsidy	(30,003)	(27,076)
Furlough funding	(1,176)	(163)
Covid Grants	(6,321)	(957)
Council Tax Covid Hardship Fund	(935)	-
NDR Cost of Collection	(214)	(209)
Sport England	(1,545)	(1,197)
Homelessness and Rough Sleepers Support Grant *	(1,488)	(1,720)
CT/HB Admin Grant	(457)	(690)
Other Grants and Contributions	(3,777)	(5,176)
Total	**(45,916)**	**(37,188)**

*Restated 2020-21 comparatives to separately disclose the Homelessness and Rough Sleeper Support grant, as considered useful to the reader

The authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver in the event that the conditions are not fulfilled. The balances at the year-end are as follows:

Capital Grants receipts in advance	2020-21 £'000	2021-22 £'000
Affordable Housing - Pinhoe	(539)	(179)
Car Club - Harrington Lane	-	(87)
Community Facility - Hill Barton	(203)	(205)
Community Facility - Newcourt	(366)	(369)
Extracare - St Loyes	(736)	(27)
Land at Beacon Avenue	(6)	(6)
Leisure Contribution - Bishops Court	(301)	(303)
Leisure Contribution - Hill Barton	(162)	(111)
Leisure Contribution - Holland Park	(55)	(55)
Leisure Contribution - Monkerton	(9)	(78)
Leisure Contribution - Newcourt	(544)	(548)
Leisure Contribution - Rydon Lawns	(11)	(12)
Leisure Contribution - Rydon Place	(185)	(186)
Leisure Contribution - St Loyes	(290)	(292)
Leisure Contribution - Tithebarn Green	(29)	(23)
Leisure Contribution - Brookhayes	-	(49)
Local Energy Networks	(28)	(28)
Other Grants	(246)	(202)
Total	**(3,710)**	**(2,760)**

37. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Central Government – has significant influence over the general operations of the Council, providing the statutory framework, the majority of the funding, and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits and council tax bills).

Council Members – have direct control over the council's financial and operating policies. The total of member allowances paid in 2021/22 is shown in Note 32. During the financial year, the Council paid grants to organisations totalling £13,500 (£141,430 2020/21) in which four members had an interest. In all instances, the grants were made with proper considerations of declarations of interest. The relevant members did not take part in any discussion relating to the grants. Payments totalling £219,080 (£177,746 2020/21) were also made to organisations in which seven members had an interest in respect of goods and services.

Other public bodies – Exeter City Council is part of a designated pool for the retention of business rates, which allows local authorities to be treated as if they were a single entity for the purposes of calculating tariffs, top-ups, levies and safety net payments.

Entities Controlled or Significantly Influenced by the Authority

Exeter City Group Ltd and Exeter City Living Ltd
Exeter City Group Ltd (holding company) and Exeter City Living Ltd (housing development company) are subsidiary companies due to the Council's 100% shareholding. The main purposes of the group are to build more and better homes to tackle housing need in Exeter, help reduce the substantial pressures on the Council's housing waiting list and to improve the lives of those residents currently living in poor quality homes. To date, the Council has provided three loan advances to facilitate the development of sites, undertake site viability investigations, meet operational costs and provide adequate working capital. The balance outstanding as at 31 March 2022 was £8.820m.

Exeter Business Centre Ltd
Exeter Business Centre Ltd's (EBC) main purpose is the letting of affordable business units to support small businesses. The Authority controls EBC through its ownership of 100% of the shares in the Company and it is deemed to be a subsidiary. EBC had net assets of £95,040 as at 31 March 2022 (£133,209 as at 31 March 2021).

Exeter Canal and Quay Trust Ltd
Exeter Canal and Quay Trust Ltd (ECQT) has a charitable status and its main objectives are to preserve and develop the Exeter Canal and Quay area. ECQT is deemed to be an associate company, as the company is limited by guarantee and the Council has significant influence through its representation on the Trust Board. The Council leases a number of assets to ECQT on a long term basis at nil rent, with the exception of Double Locks Hotel whereby rent is 5% of turnover divided equally between ECQT and the Council (£35,423 in 2021/22). ECQT also contributed £178,443 towards Council costs mostly in respect of running the Custom House Visitor Centre, repairs to Salmonpool Bridge and Cricklepit Bridge during 2021/22.

Exeter Science Park Ltd
The principal activity of the Company is to ensure the successful delivery of the Science Park by enabling the market for the Science Park to be developed through connections with the knowledge base at the University of Exeter, the Met Office and the Peninsula College of Medicine and Dentistry. The largest shareholder is Devon County Council (46%) along with the East Devon District Council (18.8%) and University of Exeter (15.3%).

The Authority has a 19.9% shareholding in the Company. It is deemed to be an associate due to the Council's ownership interest and significant influence. The Council has previously provided a loan of £1m towards funding the building of the Science Park centre, in two loan advances of £500,000 with interest charged at 2.55% and 2.62% respectively. The loans are repayable on maturity in 2023/24. The Council has also provided a guarantee to the University of Exeter for a lease granted to Exeter Science Park Ltd of up to £950,054.

Exeter City Futures Community Interest Company
The Authority is a registered Member of Exeter City Futures Community Interest Company, which is a type of company designed in particular for social enterprises that want to use their profits and assets for the public good. The primary objectives of the Company are to promote and work towards the decarbonisation of the City of Exeter.

In December 2021 Council agreed to deploy senior management capacity to the leadership of the Net Zero Exeter 2030 Plan with the Chief Executive and Growth Director leading Exeter City Futures CIC for two days a week and supported in this role by the Director for Transformation working up to three days per week, for a 12 month period from January 2022.

Monkerton Heat Company Ltd

The company was set up to help facilitate the formation of a district heating network, as part of planning requirements relating to five major residential developments at Monkerton. Exeter City Council is a shareholder along with the five developers.

The purpose of the company is to hold a 999 year head lease for the pipelines and to grant an 80 year sub-lease to the energy supplier – both leases at nil consideration. As a result, the company is considered a dormant company as it is not carrying on any kind of business activity or receiving any form of income.

Dextco Ltd

Dextco Ltd was established to procure a delivery partner and funding to implement a district heating network in Exeter to deliver a reliable, low cost energy infrastructure which will encourage inward investment, thereby driving growth in the local economy and skilled jobs for the workforce. Exeter City Council is one of five equal shareholders comprising; Devon County Council, Royal Devon & Exeter NHS Foundation Trust, University of Exeter and Teignbridge District Council.

Dextco Limited is deemed to be a joint venture, as it is a separate legal entity with shareholders that have equal and collective control with decisions made unanimously. During 2021/22 a collective decision was made to place the company into abeyance with any further activities being temporarily suspended.

The next page contains a visual representation of the entities controlled or significantly influenced by the Authority, to further support the Related Party disclosure note.

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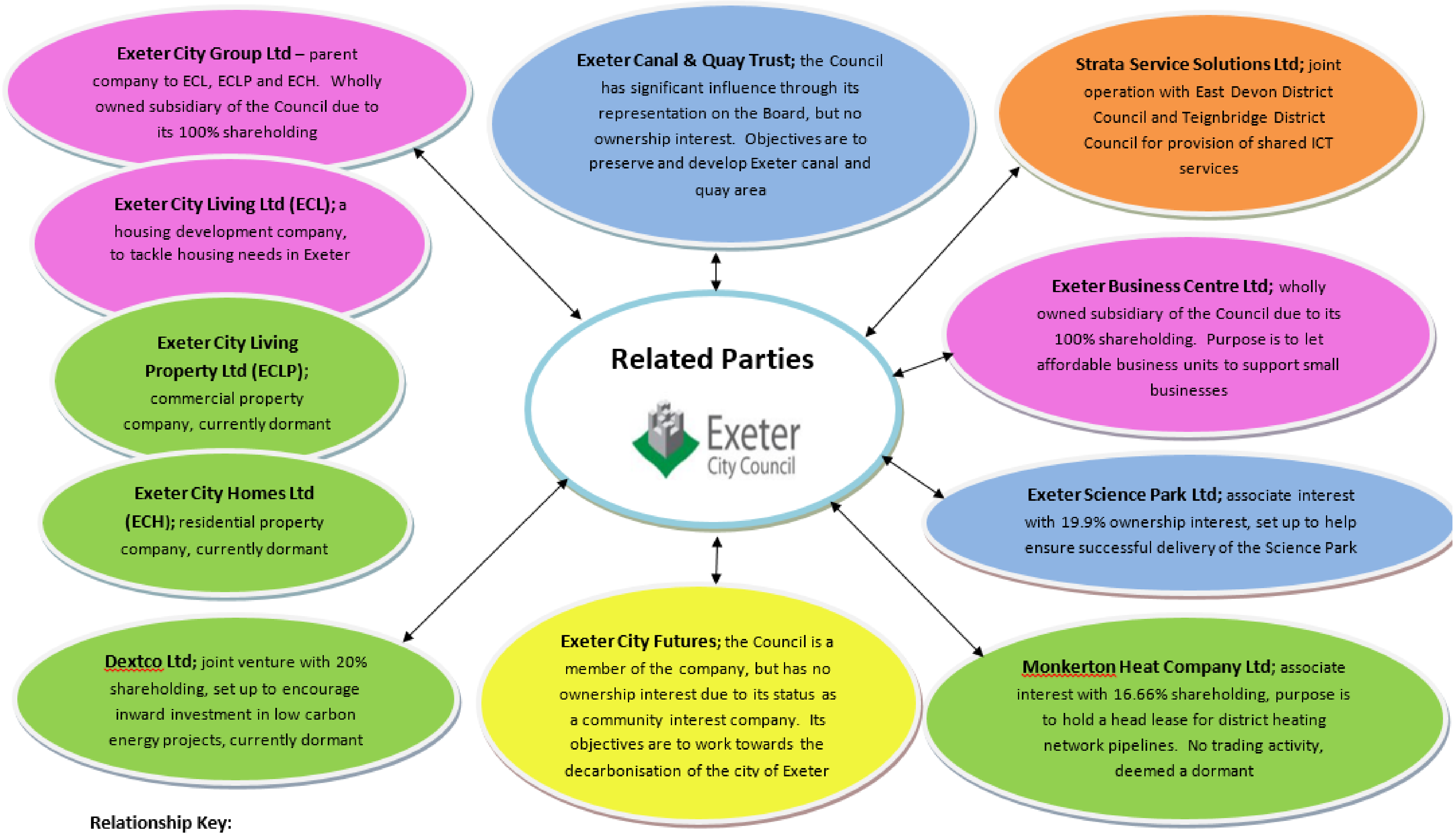
Notes to the Financial Statements



Relationship Key:

Subsidiary	Associate	Joint operation	Related party	Dormant

38. Interests in Joint Operations

Exeter City Council, Teignbridge District Council and East Devon District Council each have interests in a joint operation called Strata Service Solutions Ltd, a registered company (company number 09041662) whose registered office is Civic Centre, Paris Street, Exeter, Devon, EX1 1JN. The business of the Company is the operation and provision of a shared information communications technology service to each of the Councils.

The proportions of ownership interests are; Exeter City Council (35.936%), Teignbridge District Council (27.372%) and East Devon District Council (36.692%). Each authority has equal voting rights, with decisions taken collectively and unanimously.

The figures that have been consolidated into the Council's single entity financial statements in respect of Strata Service Solutions Ltd are:

Adjustments to CIES	2020-21 £'000	2021-22 £'000
Fees	(2,481)	(2,568)
Cost of sales	1,222	1,369
Admin expenses	1,646	1,740
Transfer of pension scheme liability	-	-
Cost of Services	**387**	**541**
Loss/(Gain) on disposal of assets	78	-
Net interest on the net defined benefit liability	49	74
Interest receivable	-	-
(Surplus) or Deficit on Provision of Services	**514**	**615**
Remeasurement of the net defined benefit liability	1,412	(650)
Total CIES	**1,926**	**(35)**

Adjustments to Balance Sheet	2020-21 £'000	2021-22 £'000
Property, plant & equipment	(96)	93
Intangible assets	16	(82)
Investment in Strata removed upon consolidation and replaced with proportional share of assets and liabilities	(124)	(280)
Total Long Term Assets	**(204)**	**(269)**
Inventories	1	-
Short Term Debtors	(179)	98
Cash & cash equivalents	213	71
Total Current Assets	**35**	**169**
Short Term Creditors	(10)	(195)
Total Current Liabilities	**(10)**	**(195)**
Capital Grants Receipts in Advance	(141)	63
Pension Scheme Liability	(1,606)	267
Total Long Term Liabilities	**(1,747)**	**330**
Net assets	**(1,926)**	**35**
Financed by:		
Usable Reserves	(17)	(1)
Unusable Reserves	(1,909)	36
Total Reserves	**(1,926)**	**35**

39. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2020-21 £'000	2021-22 £'000
Opening Capital Financing Requirement	**129,203**	**160,236**
Capital Investment		
Intangible Assets		
Property, Plant and Equipment	43,448	34,227
Investment Properties	-	-
Long Term Debtors	-	-
Long Term Investments	343	280
REFCUS	1,917	1,828
Sources of Finance		
Capital Receipts	(6,243)	(4,778)
Government grants and other contributions	(7,399)	(8,259)
Sums set aside from revenue	(18)	(3,397)
Major Repairs Reserve	(472)	(897)
Minimum Revenue Provision	(979)	(957)
Voluntary Revenue Provision	604	664
Repayment of Long Term Debtors	(168)	(194)
Closing Capital Financing Requirement	**160,236**	**178,753**

Explanation of movements in year		
Increase in underlying need to borrow (unsupported by Government financial assistance)	31,033	18,517
Increase/(decrease) in Capital Financing Requirement	**31,033**	**18,517**

40. Leases

Council as Lessee

Finance Leases
The Council is taking a phased approach to leasing in items of plant and vehicles, as items fall due for replacement. A total of 7 vehicles and plant were acquired under finance leases during 2021/22, bringing the total number of vehicles and plant leased to 82 as at 31/3/2022.

The Council also holds sixteen investment property assets, which have been leased in under finance leases, owing to the length of the lease. However, fifteen leases did not attract a lease premium payment, nor is there an annual lease payment due. The assets therefore have been initially recognised in the accounts at zero, being the lower of the net present value of the lease payments or the fair value of the asset. Only the acquisition of a 999 year leasehold interest in Senate Court attracted a lease premium. Where appropriate the assets have been revalued to reflect the value to the Council of the lease, were the Council to sell it at market value.

The assets acquired under these leases are carried in the Balance Sheet at the following net amounts:

	2020-21 £'000	2021-22 £'000
Net amount carried in the Balance Sheet		
Council dwellings	356	395
Other land and buildings	8,132	9,900
Investment property	9,566	7,950
Vehicles, plant and equipment	3,449	2,540

The authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the authority and finance costs that will be payable by the authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2020-21 £'000	2021-22 £'000
Finance lease liabilities (net present value of minimum lease payments)		
Current	579	599
Non-current	2,863	2,397
Finance costs payable in future years	749	641
Total minimum lease payments	**4,191**	**3,637**

The minimum lease payments will be payable over the following periods:

	Minimum lease payments		Finance lease liabilities	
	2020-21 £'000	2021-22 £'000	2020-21 £'000	2021-22 £'000
Not later than one year	705	728	579	599
2 - 5 years	2,820	2,760	2,318	2,272
5+ years	666	149	545	125
	4,191	**3,637**	**3,442**	**2,996**

The authority has sub-let some properties held under finance leases. At March 2022 the minimum future payments expected to be received under non-cancellable sub-leases is £28.014m.

Operating Leases
The Council holds some capital assets, principally property, plant and equipment under operating lease agreements. The majority of the lease payments represent rent payments to landlords who have provided property on short term leases for use as temporary accommodation.

Rental payments made in the year amounted to £286,207 (2020/21 £313,585).

The future minimum lease payments due under non-cancellable leases in future years can be broken down as follows:

	Restated 2020-21 £'000	2021-22 £'000
Not later than one year	53	72
2 - 5 Years	52	77
5+ Years	37	36
	142	**185**

*Restated to include future lease payments in respect of 13 and 14 St Thomas, Arches

Council as a Lessor

Finance Leases
The Authority has 57 leases, which would be classified as finance leases under IFRS. The asset valuation in the Balance Sheet is therefore based on the freehold interest in the asset.

The gross investment is made up of the following amounts:

	2020-21 £'000	2021-22 £,000
Finance Lease Debtor (net present value of minimum lease payments)		
Current	140	141
Non-current	14,029	14,005
Unearned finance income	14,169	14,146
Unguaranteed Residual Value	22,888	26,267
Gross Investment in Lease	**37,057**	**40,413**
Minimum lease payments are:		
Per annum	700	703

Rents due in respect of leases out (lessor) are collected by the Council's ASH Debtors system. As there is a possibility that worsening financial circumstances might result in lease payments not being made, the authority has set aside an allowance for uncollectable amounts using the simplified approach. Please refer to Note 20.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Operating Leases
The Council leases out approximately 350 commercial premises, which are held as investment properties. Note 16 sets out the value of the investment properties in the accounts.

The future minimum lease payments receivable under non-cancellable leases in future years can be broken down as follows:

	2020-21 £'000	2021-22 £'000
Not later than one year	2,851	2,725
2 - 5 Years	8,607	8,008
5+ Years	60,573	57,437
	72,031	**68,170**

41. Impairments and Downward Valuations

During 2021/22, the Council recognised impairment losses of £12.644 million in relation to its council dwellings and operational land and buildings. Impairment losses of £240k charged to the Surplus and Deficit on the Provision of Services in previous financial years were reversed.

The impairments mainly reflect capital expenditure incurred without a commensurate increase in respective asset values, the HRA impairments also include the application of the Existing Use Value – Social Housing (EUV-SH) valuation basis:

- 2021/22 saw the completion of the new Bus station. The value of the bus station as at 31 March 2022 was £7.878 million less than the cost to build.
- The Council sought valuations from external valuers for a range of properties in the portfolio for 2021/22. This resulted in two key impairments; The Civic Centre has been impaired by £522k and Arena exhibition fields complex has been impaired by £714k.
- 2021/22 saw the continuation of the LAINGS property demolishment and rebuild programme, this has resulted in an impairment of £612k in the year.
- The Council purchased nine properties during the year from Exeter City Living Limited, a wholly owned subsidiary of the Council. The tenanted value of these properties was £1.840 million less than the market value.

The impairment reversals reflect an upward movement in market yield. The impairments are reflected in Note 15 which reconciles the movement over the year in the Property, Plant and Equipment balances.

42. Defined Benefit Pension Scheme

Participation in Pension Scheme

As part of the terms and conditions of employment, the authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until the employees retire, the authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

- Exeter City Council participates in the Local Government Pension Scheme, which is administered by Devon County Council in accordance with the Local Government Pension Scheme Regulations 2013. The Pension Fund Committee overseas the management of the Fund.
- The Local Government Pension Scheme is a defined benefit statutory scheme and currently provides benefits based on career average revalued earnings.
- The principle risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the general fund and HRA the amounts required by statute.
- The Pension Reserve shows the City Council's current deficit in the Devon County Council Pension Fund. The figure has been derived from the latest actuarial valuation information, as at 31 March 2022 for Exeter City Council and includes a proportional share of the pension reserve attributable to Strata Service Solutions Ltd (actuarial valuation as at 31 March 2019 rolled forward to take into account changes in the intervening period).

Basis for Estimating Assets and Liabilities

Barnett Waddingham, independent actuaries to the Devon County Council Pension Fund, have provided a report in accordance with IAS 19 which reflects the latest 2022 valuation information. This includes updating the liability estimate to reflect the 2022 valuation membership data and the asset estimate to reflect the 2022 valuation allocation of assets to the employer.

With regards to Strata; to assess the value of the liabilities at 31 March 2022, the actuaries have rolled forward the value of the Employer’s liabilities calculated for the funding valuations as at 31 March 2019, using financial assumptions that comply with IAS 19 and to calculate the asset share the actuaries have rolled forward the assets at 31 March 2019 allowing for investment returns, contributions paid into and estimated benefits paid from the Fund by the Council and its employees.

Scheduled Contributions

Exeter City Council’s contribution rate during 2021/22 was 17.6% of pensionable pay.

Future Service Pay

2020/21 – 2022/23	17.6% of pensionable pay

Past Service Deficit

2020/21	£1.394 million
2021/22	£1.445 million
2022/23	£1.498 million

The Council opted to pay the 3 years past service deficit amounts up front during 2020/21, which has reduced the net pension liability. However, the payment will be spread over the respective three financial years, in accordance with proper accounting practice. This treatment does lead to a temporary imbalance between the Net Pensions Liability and the Pensions Reserves.

Notes to the Financial Statements

Local Government Pension Scheme Assets Comprised:

Asset Share	2020-21 £'000	2020-21 %	2021-22 £'000	2021-22 %
Equities	16,497	11	14,207	9
Overseas Equities	76,922	52	80,170	50
Infrastructure	6,035	4	9,492	6
Gilts	5,066	3	21,157	13
Other Bonds	6,678	5	3,176	2
Property	11,963	8	13,330	10
Cash	1,536	1	2,237	1
Target Return Portfolio	14,023	9	14,705	9
Alternative Assets	10,230	7	(68)	-
Total	**148,950**	**100**	**158,406**	**100**

Significant Assumptions used by the Actuary:

	2020-21	2021-22
Discount rate for scheme liabilities	2.0% pa	2.6% pa
Rate of increase in salaries	3.8% pa	4.2% pa
Rate of increase in pensions	2.8% pa	3.2% pa
Rate of inflation - RPI	3.2% pa	4.2% pa
Rate of inflation - CPI	2.8% pa	3.2% pa
Longevity at 65 - current pensioners		
Men	22.6	21.7
Women	23.9	22.9
Longevity at 65 - future pensioners		
Men	24.0	23.0
Women	25.4	24.3
Conversion of pension into lump sum		
Pre April 2008 permitted amount	50%	50%
Post April 2008 permitted amount	50%	50%

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the cost of services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge that is required to be made against council tax and the HRA is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out via the Movement in Reserves Statement.

The following transactions have been made in the comprehensive income and expenditure statement and the movement in reserves statement during the year:

	2020-21 £'000	2021-22 £'000
Cost of Services		
Current Service Cost	6,539	10,224
Loss / (Gain) on curtailment	62	212
(Gain) / Loss from Settlements	-	-
Other Operating Expenditure		
Administration expenses	90	96
Financing and Investment Income and Expenditure		
Net Interest on the net defined benefit liability	2,365	2,662
Total post-employment benefits charged to the CIES	**9,056**	**13,194**
Movement in Reserves Statement:		
Reversal of net charges	(9,056)	(13,194)
Actual Employers contributions payable to the scheme	4,946	5,235

Notes to the Financial Statements

Pension Assets and Liabilities Recognised in the Balance Sheet:

	2020-21 £'000	2021-22 £'000
Present value of defined benefit obligation	283,656	257,693
Fair Value of Scheme Assets	(148,950)	(158,405)
Net liability arising from defined benefit obligation	**134,706**	**99,288**

Reconciliation of the Movements in the Fair Value of Scheme Assets:

	2020-21 £'000	2021-22 £'000
Opening fair value of assets	114,155	145,215
Opening fair value of Strata assets	2,833	3,735
Interest income	2,810	2,962
Re-measurement gains / losses	27,733	8,419
Administration expenses	(90)	(96)
Contributions by the employer	7,690	3,917
Contributions by participants	1,229	1,360
Net benefits paid out	(7,410)	(7,107)
Settlement prices received / (paid)	-	-
Closing fair value of assets	**148,950**	**158,405**

Reconciliation of the Present Value of Scheme Liabilities (Defined Benefit Obligation):

	2020-21 £'000	2021-22 £'000
Opening present value of liabilities	218,256	276,186
Opening present value of Strata liabilities	4,962	7,470
Current service cost	6,539	10,224
Interest cost	5,175	5,624
Contributions by participants	1,229	1,360
Re-measurement (gains) and losses:		
Change in demographic assumptions	(2,517)	(15,370)
Change in financial assumptions	60,232	(10,623)
Experience loss (gain)	(2,872)	(10,283)
Benefits paid out	(7,163)	(6,863)
Past service cost, including curtailments	62	212
Liabilities assumed / (extinguished) on settlements	-	-
Unfunded pension payments	(247)	(244)
Closing present value of liabilities	**283,656**	**257,693**

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions.

The sensitivity analysis below sets out the impact on the defined benefit obligations for each change while all other assumptions remain constant:

	Increase in assumption £'000	Decrease in assumption £'000
Longevity (increase or decrease by 1 year)	270,640	245,420
Rate of increase in salaries (increase or decrease by 1%)	258,178	257,214
Rate of increase in pensions (increase or decrease by 1%)	262,321	253,200
Rate for discounting scheme liabilities (increase or decrease by 1%)	252,696	262,841

43. Charitable and Trust Funds

The Council administers six charitable/trust funds related to Leisure and Museum services, principally from legacies left by individual Exeter inhabitants over a period of years.

The funds do not represent assets of the Council and are not included in the Balance Sheet. The funds are:

	Value of fund at 31 March 2021 £'000	Expenditure £'000	Income £'000	Value of fund at 31 March 2022 £'000
Reynolds Chard Bequest	**449**	-	6	**455**
Veitch Bequest	**22**	-	1	**23**
Dorothy Holman Trust	**27**	-	-	**27**
Bowling Green Marshes	**2**	-	-	**2**
Topsham Recreation Ground	**18**	-	-	**18**
King George Playing Field Trust	**16**	(25)	28	**19**
	534	**(25)**	**35**	**544**

44. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock movements

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Council's finance team, under policies approved by full Council as set out in the Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the annual investment strategy. The Council's latest Treasury Management Strategy, incorporating the Annual Investment Strategy was approved on 22 February 2022, which is available on the Council's website (use search function for the 2022/23 Budget Book).

Credit Risk Management Practices

The authority's credit risk management practices are set out in the annual Investment Strategy, with particular regard to determining the credit criteria and monitoring arrangements for specified investments.

The table below sets out the credit risk management practices and estimation techniques for calculating impairment loss allowances.

Asset Type	Credit Risk Management Practice	Estimation of Impairment Loss Allowance
Loans to businesses and voluntary organisations	Loans are subject to internal credit risk assessment, based on audited accounts, match funding secured or management accounts. Loans are treated as credit impaired where the borrower defaults on the terms of the loan or there is evidence of significant financial difficulties. Balances are not written off until there is no realistic prospect of recovery.	12 month expected credit losses are calculated in respect of loans where the credit risk has not increased significantly, using a probability of default approach. Lifetime expected credit losses are calculated in respect of loans where the credit risk has increased significantly, i.e. when default has occurred, using probability weighted outcomes.
Short term investments: Loans to other local authorities	Investments guaranteed by statute - no credit risk. However, a monetary limit of £5m may be placed with each upper tier and lower tier local authority for up to 12 months	No allowance required
Investments with banks and building societies	Deposits are restricted by the Council's treasury strategy to institutions with high credit ratings (Fitch and Moodys ratings). Up to £4m may be placed with UK owned banks and buildings societies with F1+ and P-1 credit ratings for up to 12 months, up to £3m may be placed with foreign owned banks that deal in sterling holding short-term credit ratings no lower than F1+ and P-1 for up to 9 months and up to £3m may be placed with UK owned banks and building societies holding short-term credit ratings no lower than F1 and P-1 for up to 6 months. Consideration is given to recalling any existing investments when an institution has been downgraded	12 month expected credit losses are calculated applying risk factors provided by the Council's treasury management advisers, Link Asset Services.
Sundry debtors	Sundry debtors are not subject to internal credit rating and have been grouped for the purposes of calculating expected credit losses. The groupings used comprise: - Trade receivables - Recovery of overpaid housing benefits - Council Tax and NDR balances are not written off until all debt recovery actions have been taken and there is no realistic prospect of recovery	Trade receivables & recovery of overpaid housing benefits - Expected credit losses are calculated using provision matrices based on historical data in respect of aged debt, adjusted for future expectations of recovery. Council Tax and NDR - Expected credit losses are calculated using provision matrices based on the stages of debt recovery actions and historically observed rates of recovery adjusted for future expectations of recovery.

Impairment Loss Allowances

The changes in the loss allowance for each class of financial asset during the year are as follows:

	Allowance at 1 April 2021 £'000	Allowance for assets originated or acquired £'000	Allowance for assets de-recognised £'000	Assets switching measurement basis £'000	Changes in models/risk parameters £'000	Other movements £'000	**Allowance at 31 March 2022 £'000**
Deposits with bank and building societies							
12-month expected credit losses	**-**	-	-	-	-	-	**-**
Loans to business and voluntary organisations							
12-month expected credit losses	**30**	-	-	-	-	699	**729**
Lifetime expected credit losses	**-**	-	-	-	-	-	**-**
Other debtors							
Sundry debtors	**904**	-	-	-	-	10	**914**
Overpaid Housing Benefits	**1,316**	-	-	-	-	(6)	**1,310**
Housing rents	**508**	-	-	-	-	(31)	**477**
Council Tax and NDR	**618**	-	-	-	-	16	**634**
Total Loss Allowances	**3,376**	**-**	**-**	**-**	**-**	**688**	**4,064**

Credit Risk Exposure

The authority has the following exposure to credit risk at 31 March 2022:

	Credit risk rating £'000	**Gross carrying amount £'000**
Deposits with bank and building societies:		
12-month expected credit losses	Low	**6,007**
Loans to business and voluntary organisations:		
12-month expected credit losses	Low	**10,184**
Lifetime expected credit losses	High	**-**
Other debtors:		
Sundry debtors	Other *	**3,481**
Overpaid Housing Benefits	Other *	**1,844**
Housing rents	Other *	**811**
Council Tax and NDR	Other *	**1,256**
Total amount exposed to credit risk		**23,583**

*** Credit risk rating – Other**

These debtors are not subject to internal credit rating. The Code allows a simplified approach, which removes the need to consider changes in credit risk. Instead, expected credit losses are considered for debtors with common risk characteristics based upon historical experience but updated for future conditions.

Exposure to Credit Risk on Guarantees

The Council also has exposure to credit risk on a guarantee provided to the University of Exeter in respect of an 18 year lease granted to Exeter Science Park Ltd (in which the Council has a shareholding interest). The risk of the guarantee being called in considered low, as the lease payments are included in the company's Business Plan. The maximum value of the guarantee is £950,055 and the Council's exposure will reduce annually as lease payments are made by the company.

Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority may need to replenish its borrowings at a time of unfavourable interest rates. All trade and other payables are due to be paid in less than one year, although some debts have been extended over longer periods to support individuals and businesses due to Covid-19, but these measures are not expected to present a significant risk to liquidity and instead encourage continuing payment behaviour.

The Council has several long-term loans with the PWLB and one interest free loan in respect of energy saving projects. The maturity analysis of financial liabilities is as follows:

	31 March 2021	31 March 2022
	£'000	£'000
Less than 1 year	941	1,511
1 - 2 years	959	1,537
2 - 5 years	2,949	4,720
+ 5 years	119,935	160,076
	124,784	**167,844**

Market risk

Interest rate risk
The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowing and investments. Movements in interest rates have a complex impact on the Council. For example a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expenses charged to the Income and Expenditure will rise
- borrowings at fixed rates - the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Income and Expenditure will rise
- investments at fixed rates - the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the CIES. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the CIES and affect the General Fund

Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income & Expenditure in the CIES.

The Council has a number of strategies for managing interest rate risk; however it has not borrowed using variable rate loans for many years.

If on the 31 March 2022 the interest rates are 1% higher than the actual interest rates the financial impact would be:

Borrowing:
As at 31 March 2022, the Council had a number of long-term loans with the PWLB amounting to £168m. A 1% increase in interest rates would increase the cost of borrowing by £1.68m a year. However, the Council is protected from interest rate rises in respect of these arrangements due to the fixed rates of borrowing.

Investments:
In respect of the fixed term deposits of £69m a 1% increase in interest rates would increase interest receivable by £690k a year. The impact of a 1% fall in interest rates would be the same, but with the movements being reversed.

Price Risk
The authority does not generally invest in equity shares but does have shareholdings to the value of £982k in a number of associates and joint ventures on the Balance Sheet, held at historic cost.

As the shareholdings have arisen in the acquisition of specific interests, the authority is not in a position to limit its exposure to price movements by diversifying its portfolio. However, the authority can monitor factors that might cause a fall in the value of specific shareholdings through having significant influence.

The Council has investments in pooled investment funds, which are classified as fair value through profit and loss, including £30.007m in money market funds and a £5m investment in the CCLA Local Authorities' Property Fund. At the end of each financial year the value of the local authority's investment is adjusted to equal the number of units held multiplied by the published bid price, with the gain or loss charged to the Surplus or Deficit on the Provision of Services. However, the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003, allows local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds. This statutory reversal will remain in place until 31 March 2023.

Foreign Exchange Risk
The authority has no financial assets or liabilities denominated in foreign currencies and thus no exposure to loss arising from movements in exchange rates.

45. Statutory Harbour Authority

Exeter City Council is the harbour authority for the Exe Estuary.

An annual Statement of Account relating to harbour activities is required to be prepared, in accordance with the 1964 Harbours Act.

	2020-21 £'000	2021-22 £'000
Income		
Fees and Charges	(57)	(123)
Total Income	**(57)**	**(123)**
Expenditure		
Employees	179	197
Premises	58	71
Supplies and Services	13	33
Transport	28	40
Capital Charges	29	52
Total Expenditure	**307**	**393**
Net cost of Harbour Activities as included in the Comprehensive Income and Expenditure Statement	**250**	**270**

46. Contingent Liability

The Council has received Covid related delay notices in respect of the bus and coach station, St Sidwell's Point and Edwards Court. However, whether there is an obligation that could lead to a transfer of economic benefits is not yet certain and therefore a reliable estimate of the amount of the obligation cannot be made. The outcome of the claim is uncertain at this stage and no provision has been made in the accounts.

Group Accounts

The Code sets out a requirement to prepare Group Accounts where the authority has interests in subsidiaries, associates and/or joint ventures, subject to consideration of materiality. As at 31 March 2022, the authority has the following interests (please also refer to Note 37, Related Parties, for more information):

Composition of the Group:

Entity	Purpose	Significant judgements	Relationship with the Exeter City Council	Accounting	Materiality
Exeter City Group Ltd and Exeter City Living Ltd	Housing development company to sell homes on the open market, to tackle housing needs in Exeter and to improve the provision of quality homes	100% shareholding	Subsidiary	Line-by-line consolidation of assets, liabilities, income and expenditure	**Material** 2021/22 is the third full year of trading for the company with work in progress valued at £1.6m and an operating loss of £1m for the year. Intra group loans of £8.820m from the Council are in place at 31/3/2022.
Exeter Canal and Quay Trust Ltd	Charitable status and its main objectives are to preserve and develop Exeter Canal and Quay area	The company is limited by guarantee and the Council has significant influence through its representation on the board	Associate	Equity method	**Not material** The Council has significant influence but no interest in the net assets of the charity and no rights to the profits
Exeter Business Centre Ltd	Main purpose is the letting of affordable business units to support small businesses	100% shareholding	Subsidiary	Line-by-line consolidation of assets, liabilities, income and expenditure	**Not material** Largest item for consolidation is turnover of £233k (20/21) and net assets of £133k (20/21) and £227k turnover (21/22) and net assets of £95k (21/22)
Exeter Science Park Ltd	Principal activity is to ensure the successful delivery of the Science Park by enabling the market for the Science Park to be developed through connections with the knowledge base at the University of Exeter, the Met Office and the Peninsula College of Medicine and Dentistry	19.9% ownership interest and significant influence through its representation on the board	Associate	Equity accounting	**Not material** Accounts to 31 March 2021 show Council's equity share of profit at (£525k) and (£988k) net assets and draft accounts to 31 March 2022 show Council's equity share of profit at (£452k) and £1.440m net assets
Dextco Ltd	Established to fund and implement low carbon energy projects across Devon to deliver a reliable, low cost energy infrastructure which will encourage inward investment	20% shareholding with equal and collective control with five equal shareholders and unanimous decisions	Joint Venture	Equity method	**Not material** Financial year-end 31 Dec (unable to synchronise with all shareholders), accounts to 31 Dec 2020 reports nil profit/loss and net assets of £25k - the same as 2019/20. The company was placed into abeyance during 2021/22
Monkerton Heat Company Ltd	Set up to facilitate the formation of a district heating network, as part of planning requirements relating to five major residential developments at Monkerton	16.66% shareholding with significant influence due to representation on the board	Associate	Equity accounting	**Not material** The company is deemed to be a dormant company with no transactions to recognise

Group Accounts

Non Material Interests
As set out in the previous table, the authority has applied judgement in respect of materiality (both singly and in aggregate) and assessed that its interests in Exeter Canal and Quay Trust Ltd, Exeter Business Centre Ltd, Exeter Science Park Ltd, Dextco Ltd and Monkerton Heat Company Ltd are not material.

Where non-material interests are excluded from the Group Accounts, the Council's interests are carried at cost in the single entity Balance Sheet.

Group Accounts
These Group Accounts consist of the Core Financial Statements. Notes have been omitted if there are no material differences to the disclosures already made.

The Group Accounts have been prepared by combining Exeter City Living Ltd.'s income and expenditure and assets and liabilities with those of the Council on a line-by-line basis, eliminating intra-group transactions. Copies of Exeter City Living Ltd.'s accounts to 31 March 2022 can be obtained from Exeter City Living Ltd, Civic Centre, Paris Street, Exeter, EX1 1JN.

Exeter City Group Ltd and Exeter City Living Ltd
Exeter City Group Ltd (holding company) and Exeter City Living Ltd (housing development company), are subsidiary companies of Exeter City Council who own a 100% shareholding in the group. The main purpose of the group are to build more and better homes to tackle housing need in Exeter, help reduce the substantial pressures on the Council's housing waiting list and to improve the lives of those residents currently living in poor quality homes.

Financial year 2021/22, saw the sale of nine passiv-haus homes at Thornpark Rise developed by Exeter City Living and sold to the Council's Housing Revenue Account. Enabling works commenced on site at The Gardens, Whipton to demolish the existing buildings and clear the site ready for 92 new passiv-haus apartments. Working as Development Agent for the HRA, the procurement of the main contractor was completed for the construction of 21 passiv-haus homes at Hamlin Gardens. The procurement of a main contractor for the Clifton Mews development continues with demolition of the existing sports centre recently started.

Development works towards planning submissions expected in the new financial year continues progress on 5 sites covering a potential total of circa 250-300 new homes. Initial feasibility work is also being progressed on a further six sites for the HRA which have the potential to deliver between 300 and 500 new homes, along with identifying additional development opportunities in collaboration and partnership with the HRA.

The challenges in the current construction market, continue to impact on the timing of delivering the build phase of developments. Exeter City Living continue to explore alternative procurement routes with contractors to try and find the best way to manage the uncertainties caused by the current unprecedented economic environment.

Accounting Policies
The Group Accounts have been prepared using consistent accounting policies as those applied to the authority-only accounts.

Group Comprehensive Income & Expenditure Statement

Restated 2020-2021				2021-2022			Notes
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**	
3,162	(123)	3,039	Chief Executive & Growth Director	3,415	(14)	3,401	
3,317	(2,279)	1,038	Transformation	2,834	(1,845)	989	
47,671	(43,790)	3,881	City Development, Housing & Supporting People	41,528	(36,241)	5,287	
16,237	(2,661)	13,576	Communiciations, Culture & Leisure Facilities	20,273	(5,274)	14,999	
17,465	(9,107)	8,358	Net Zero Exeter & City Management	21,474	(13,473)	8,001	
3,296	(1,230)	2,066	Finance	10,764	(437)	10,327	
3,228	(652)	2,576	Corporate Services	4,045	(643)	3,402	
19,928	(20,299)	(371)	Housing Revenue Account	19,377	(20,489)	(1,112)	
755	(370)	385	Strata Service Solutions Ltd	956	(417)	539	
(312)	771	459	Exeter City Group Ltd - subsidiary	750	36	786	
114,748	**(79,740)**	**35,008**	**Cost of Services**	**125,416**	**(78,797)**	**46,619**	
		(2,389)	Other operating expenditure			1,431	
		4,284	Financing and investment income and expenditure			(3,052)	
		(35,362)	Taxation and non-specific grant income			(28,775)	
		1,541	**(Surplus) or Deficit on Provision of Services**			**16,223**	
			Other Comprehensive Income and Expenditure				
		(6,520)	(Surplus) or deficit on revaluation of property, plant and equipment			(20,152)	
		27,176	Remeasurement of the net defined benefit liability/(asset)			(44,982)	
		20,656	**Total Other Comprehensive Income and Expenditure**			**(65,134)**	
		22,197	**Total Comprehensive Income and Expenditure**			**(48,911)**	

Restated in respect of the sale of dwellings at Anthony Road by Exeter City Living Ltd to the Council. As the assets have not left the group, no profit/loss has been realised for the group

Group Movement in Reserves Statement

	General Fund Working Balance (£'000)	Earmarked Reserves (£'000)	**Sub total General Fund Total**	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Council's share of Reserves of Subsidiary (£'000)	**Total Usable Reserves (£'000)**	Unusable Reserves (£'000)	**Total Authority Reserves (£'000)**
Restated Balance at 31 March 2021 carried forward	**(4,697)**	**(32,691)**	**(37,388)**	**(13,267)**	**(12,929)**	**(15,237)**	**(14,663)**	**2,639**	**(90,845)**	**(253,742)**	**(344,587)**
Movement in Reserves during 2021-2022											
Total Comprehensive Income & Expenditure	16,944	-	16,944	(1,393)	-	-	-	672	16,223	(65,134)	**(48,911)**
Adjustments between accounting basis and funding basis under statutory provisions (Note 10)	(11,079)	-	(11,079)	3,192	(9)	(2,952)	(4,840)	-	(15,688)	15,688	**0**
Transfers to / (from) Earmarked Reserves	(6,689)	6,689	-	-	-	-	-	-	0	-	**0**
(Increase) / Decrease in 2021-2022	**(824)**	**6,689**	**5,865**	**1,799**	**(9)**	**(2,952)**	**(4,840)**	**672**	**535**	**(49,446)**	**(48,911)**
Balance at 31 March 2022 carried forward	**(5,521)**	**(26,002)**	**(31,523)**	**(11,468)**	**(12,938)**	**(18,189)**	**(19,503)**	**3,311**	**(90,310)**	**(303,188)**	**(393,498)**

Balance carried forward at 31 March 2021 restated in respect of the sale of dwellings at Anthony Road by Exeter City Living Ltd to the Council. As the assets have not left the group, no profit/loss has been realised for the group

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Group Balance Sheet

Restated 2020-21 £'000		2021-22 £'000	Note
462,867	Property, Plant and Equipment	485,622	
53,388	Investment Property	56,034	
22,826	Heritage Assets	22,743	
530	Intangible Assets	448	
5,717	Long Term Investments	6,536	1
15,338	Long Term Debtors	15,411	1
560,666	**Total Long-Term Assets**	**586,794**	
3,138	Inventories	1,737	2
44,841	Short-Term Debtors	30,764	1
20,006	Short-Term Investments	39,019	1
4,683	Assets Held for Sale	4,290	
35,387	Cash & Cash Equivalents	72,302	1 & 3
108,055	**Total Current Assets**	**148,112**	
(941)	Short-Term Borrowing	(1,510)	
(54,149)	Short-Term Creditors	(63,341)	
(3,534)	Provisions	(5,173)	
(58,624)	**Total Current Liabilities**	**(70,024)**	
(124,000)	Long term borrowing	(166,695)	
(3,710)	Capital Grants Receipts in Advance	(2,760)	
(3,094)	Long-Term Creditors	(2,641)	
(134,706)	Pension Scheme Liability	(99,288)	
(265,510)	**Total Long-Term Liabilities**	**(271,384)**	
344,587	**Net Assets**	**393,498**	
	Financed by:		
90,845	Usable Reserves	90,310	
253,742	Unusable Reserves	303,188	
344,587	**Total Reserves**	**393,498**	

Restated in respect of the sale of dwellings at Anthony Road by Exeter City Living Ltd to the Council. As the assets have not left the group, no profit/loss has been realised for the group

These financial statements replace the unaudited financial statements certified by the Responsible Financial Officer, Dave Hodgson, on 26 July 2022.

Dave Hodgson, CPFA, Director Finance

Group Cash-Flow Statement

2020-21 £'000		2021-22 £'000	Notes
2,441	Net (surplus) or deficit on the provision of services	18,673	
4,678	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(58,610)	
10,315	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	13,143	
17,434	**Net cashflows from Operating Activities**	**(26,794)**	
10,849	Investing Activities	49,060	4
(41,388)	Financing Activities	(59,181)	
(13,105)	**Net (Increase) or decrease in cash and cash equivalents**	**(36,915)**	
22,282	**Cash and cash equivalents at the beginning of the reporting period**	**35,387**	
35,387	**Cash and cash equivalents at the end of the reporting period**	**72,302**	

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1. Financial Instruments

Financial Assets	Long-term Investments 31 March 2021 £'000	Long-term Investments 31 March 2022 £'000	Long-term Debtors 31 March 2021 £'000	Long-term Debtors 31 March 2022 £'000	Current Investments 31 March 2021 £'000	Current Investments 31 March 2022 £'000	Current Debtors 31 March 2021 £'000	Current Debtors 31 March 2022 £'000
Fair value through profit or loss	4,735	5,554	-	-	21,001	30,007	-	-
Amortised cost	982	982	15,338	15,411	34,392	81,314	3,694	4,346
Total Financial Assets	**5,717**	**6,536**	**15,338**	**15,411**	**55,393**	**111,321**	**3,694**	**4,346**
Non-financial assets	-	-	-	-	-	-	41,147	26,418
Total	**5,717**	**6,536**	**15,338**	**15,411**	**55,393**	**111,321**	**44,841**	**30,764**

	Fair Value Level	Balance Sheet 31 March 2021 £'000	Fair Value 31 March 2021 £'000	Balance Sheet 31 March 2022 £'000	Fair Value 31 March 2022 £'000
Financial Assets Held at Amortised Cost					
Unquoted equity investment	3	982	982	982	982
Loans made for service purposes	2	1,308	1,308	1,406	1,406
Lease receivables	3	14,030	14,030	14,005	14,005
Short term investments	2	20,006	20,006	39,019	39,019
Cash (including bank accounts)	2	14,386	14,386	42,295	42,295
Short term debtors	3	3,694	3,694	4,346	4,346
Total Financial Assets		**54,406**	**54,406**	**102,053**	**102,053**

Group Notes to the Accounts

2. Inventories

	Exeter City Council consumables 2020/21 £'000s	Exeter City Council consumables 2021/22 £'000s	Strata proportional share of stock 2020/21 £'000s	Strata proportional share of stock 2021/22 £'000s	Subsidiary work in progress 2020/21 £'000s	Subsidiary work in progress 2021/22 £'000s	Total 2020/21 £'000s	Total 2021/22 £'000s
Balance at 1 April	218	161	3	4	2,638	2,973	2,859	3,138
Purchases	231	344	1	-	1,016	520	1,248	864
Expense in year	(288)	(317)	-	-	(681)	(1,948)	(969)	(2,265)
Written off balances	-	-	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
Balance at 31 March	**161**	**188**	**4**	**4**	**2,973**	**1,545**	**3,138**	**1,737**

3. Cash and Cash Equivalents

	2020-21 £'000	2021-22 £'000
Cash held by the Council	82	241
Bank current accounts	460	4,649
Money Market Funds	21,001	30,007
Short-term investments	10,001	30,000
Short-term call accounts	-	3,002
Strata - Cash at bank and in hand	309	380
Subsidiary - Cash at bank and in hand	3,534	4,023
Total cash and cash equivalents	**35,387**	**72,302**

4. Cash flow Statement – Investing Activities

	2020-21 £'000	2021-22 £'000
Purchase of non-current assets	42,036	30,820
Purchase of short and long-term investments	272,500	547,000
Other payments for investing activities	3,126	3,249
Proceeds from the sale of non-current assets	(5,354)	(4,885)
Proceeds of short and long-term investments	(293,500)	(516,000)
Other receipts for investing activities	(7,959)	(11,124)
Net cash flows from investing activities	**10,849**	**49,060**

HRA Income & Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2020-21 £'000	Income	£'000	2021-22 £'000
(18,623)	Dwelling rents	(18,850)	
(436)	Non dwelling rents	(410)	
(874)	Charges for services and facilities	(1,018)	
(19,933)	**Total Income**		**(20,278)**
	Expenditure		
5,579	Repairs and maintenance	6,900	
5,639	Supervision and management	6,257	
62	Rents, rates, taxes and other charges	103	
8,160	Depreciation and impairment of non-current assets	6,530	
22	Debt management costs	22	
19,462	**Total Expenditure**		**19,812**
(471)	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**(466)**
189	HRA share of Corporate and Democratic Core		194
(282)	**Net Cost of HRA Services**		**(272)**

HRA Income & Expenditure Statement

2020-21 £'000		2021-22 £'000
(282)	**Net Cost of HRA Services**	**(272)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
(1,271)	(Gain) or loss on sale of HRA non-current assets	(1,380)
2,342	Interest payable and similar charges	2,193
(264)	Interest and investment income	(253)
224	Net interest on the net defined benefit liability (asset) and administration expenses	294
(3,880)	Capital grants and contributions receivable	(1,975)
(3,131)	**(Surplus) or deficit for the year on HRA services**	**(1,393)**

Movement on the HRA Statement

2020-21 £'000		2021-22 £'000
(10,526)	Housing Revenue Account surplus brought forward	(13,267)
(3,131)	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	(1,393)
390	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	3,192
(2,741)	**(Increase) or decrease in the HRA Balance**	**1,799**
(13,267)	**Housing Revenue Account surplus carried forward**	**(11,468)**

Notes to the HRA Statements

1. HRA Dwellings

	Flats	Houses and Bungalows	Total
At 31 March 2021	2,538	2,299	**4,837**
At 31 March 2022	2,513	2,280	**4,793**

2. Vacant Possession Value of Dwellings

At 1 April 2022 the vacant possession value of the dwellings was £818.837m, this compares to the tenanted market value in the Balance Sheet of £286.593m. The difference of £532.244m represents the economic cost to the Government of providing council housing at less than open market rents.

3. Council Own Build Scheme

The Council's Own Build scheme involves the development of 21 homes at Sivell Place and Merlin Crescent. Whilst the developments remain within the overall umbrella of the Housing Revenue Account, the costs and incomes arising from the developments are accounted for separately as part of their build costs were financed from borrowing. The cost of servicing the borrowing will therefore be met from the rent income received from the completed dwellings.

4. Impairment Charges

Impairment charges of £2.682m (£4.243m 2020/21) were debited to the HRA Income and Expenditure Account in 2021/22 although they were reversed out in the Statement of Movement on the HRA Balance, to avoid having an impact on rent levels, in accordance with the Code of Practice.

5. HRA Capital Receipts

The following capital receipts were received during the year from disposals of land, houses and other property within the authority's HRA:

	2020-21 £'000	2021-22 £'000
Land	-	-
Dwellings	3,809	4,924
Repayment of discounts	-	-
	3,809	**4,924**
Less amount pooled	(425)	(425)
	3,384	**4,499**

Notes to the HRA Statements

6. Balance Sheet Valuation of Assets

	Dwellings	Garages	Vehicles, Plant & Equipment	Assets Under Construction	Surplus Assets	Assets Held for Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2021	260,179	3,810	109	14,380	980	2,563	**282,021**
At 31 March 2022	286,593	3,860	73	16,519	-	1,638	**308,683**

Within the valuation of Council dwellings as at 31 March 2022 of £286.593m, £145.052m was attributable to the value of land (2020/21 £131.703m) and £141.541m to buildings (2020/21 £128.476m).

7. HRA Capital Expenditure

HRA capital expenditure amounted to £19.268m during 2021/22 (£16.168m 2020/21), the expenditure and sources of finance were as follows:

	Sources of Finance					Total
	Major Repairs Reserve	Revenue Contributions	Borrowing	Grants & Other Contributions	Capital Receipts	Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Land	-	-	-	-	-	**-**
Houses	825	3,397	7,239	3,620	4,182	**19,263**
Other	5	-	-	-	-	**5**
Total	**830**	**3,397**	**7,239**	**3,620**	**4,182**	**19,268**

8. Depreciation

The depreciation charges for the year in respect of HRA assets were:

	2020-21 £'000	2021-22 £'000
Operational assets		
Dwellings	3,672	3,764
Garages	52	51
Equipment	64	33
Total depreciation charged	**3,788**	**3,848**
Less depreciation written off - disposals	(12)	(22)
Less depreciation written off - revaluations	(3,704)	(3,772)
Less depreciation written off - impairments	(8)	(21)
Total depreciation	**64**	**33**

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Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

2020-2021 Council Tax £'000	NDR £'000	Total £'000		2021-2022 Council Tax £'000	NDR £'000	Total £'000
			Income			
72,118	-	72,118	Council tax	76,561	-	76,561
-	(1,136)	(1,136)	Transitional Protection - sums due to / (from) the Council	-	(969)	(969)
-	36,381	36,381	NDR	-	56,063	56,063
72,118	**35,245**	**107,363**		**76,561**	**55,094**	**131,655**
			Expenditure			
			Demands on the Fund by:			
8,428	-	8,428	Police and Crime Commissioner for Devon and Cornwall	8,956	-	8,956
3,357	795	4,152	Devon & Somerset Fire and Rescue Service	3,410	368	3,778
54,740	7,392	62,132	Devon County Council	57,231	3,309	60,540
5,977	31,801	37,778	Exeter City Council	6,169	14,707	20,876
-	39,514	39,514	Central Government	-	18,383	18,383
-	214	214	Costs of Collection Allowance	-	209	209
110	-	110	Exeter City Council Fund Transfer	83	-	83
			Bad and doubtful debts			
101	(20)	81	Write offs	252	(4)	248
450	290	740	Impairment for Uncollectable Debt	520	(70)	450
-	63	63	Provisions for Appeals	-	2,379	2,379
73,163	**80,049**	**153,212**		**76,621**	**39,281**	**115,902**
1,045	**44,804**	**45,849**	**(Surplus) / Deficit**	**60**	**(15,813)**	**(15,753)**
(2,416)	(1,245)	(3,661)	Fund balance b/f	(1,371)	43,559	42,188
(1,371)	**43,559**	**42,188**	**Fund Balance c/f**	**(1,311)**	**27,746**	**26,435**

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Notes to the Collection Fund

1. Council Tax base

The council tax base, for tax setting purposes, is calculated by reference to the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings. The figures for 2021/22 were:

Band	Dwellings	Less Discounts	Technical Changes	Conversion Factor	Band D equivalents
A Relief	22	12	-	5/9ths	6
A	9,589	3,660	-	6/9ths	3,953
B	14,323	3,148	2	7/9ths	8,693
C	13,035	1,850	4	8/9ths	9,946
D	8,080	788	15	9/9ths	7,307
E	3,952	276	2	11/9ths	4,495
F	1,919	119	5	13/9ths	2,607
G	930	49	1	15/9ths	1,470
H	31	3	-	18/9ths	56
Band D equivalent					**38,533**
Less Hardship Relief (Band D)					0
Total Band D equivalent					**38,533**
Collection rate					97%
Tax base					**37,377**

2. Income from Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values (£190.570m at March 2022) multiplied by a uniform rate 51.2p (49.9p for those receiving small business relief) for 2021/22.

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Exeter City Council

Annual Governance Statement

2021-22

Annual Governance Statement

Scope of Responsibility

Exeter City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of Delivering Good Governance in Local Government (CIPFA/Solace 2016). This statement explains how Exeter City Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, paragraph 4(3), which required all relevant bodies to prepare an Annual Governance Statement.

The Code of Governance sets out the seven principles of good governance and the arrangements the Council has put in place to meet each of these principles:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the law
2. Ensuring openness and comprehensive stakeholder engagement
3. Defining outcomes in terms of sustainable economic, social and environmental benefits
4. Determining interventions necessary to optimise the achievement of the intended outcomes
5. Developing the Council's capacity. Including the capability of its leadership and individuals within it
6. Managing risk and performance through robust internal control and strong public financial management
7. Implementing good practices in transparency, reporting and audit to deliver effective accountability

A copy of the Council's code is available on our website.

Annual Governance Statement

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled together with activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its purposes and to consider whether those purposes have led to the delivery of appropriate, cost-effective services.

The Council's system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. There is an ongoing process designed to identify and prioritise risks to the achievement of Council policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage them efficiently, effectively and economically.

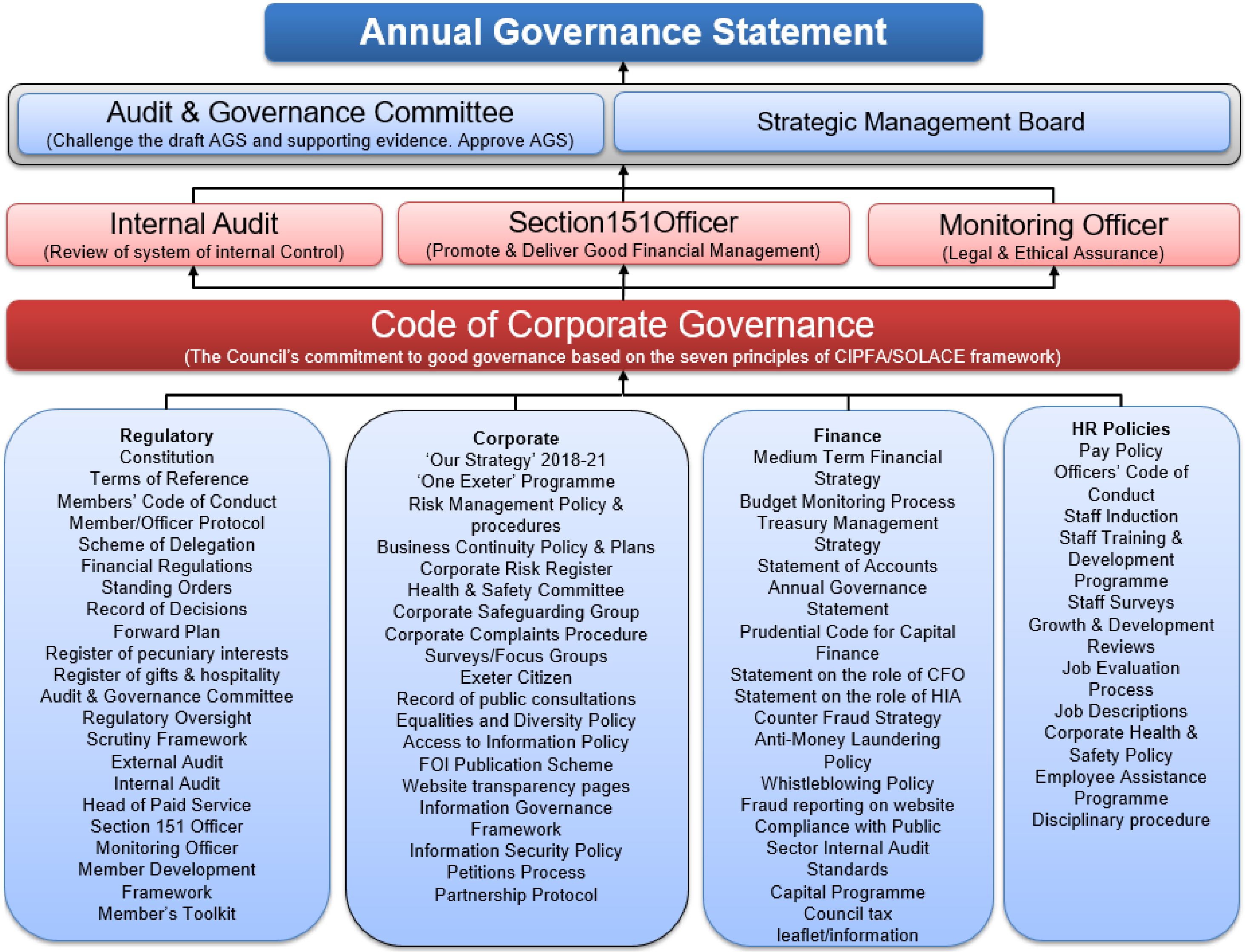
The governance framework has been in place at Exeter City Council for the year ended 31 March 2022 and up to the date of the approval of the annual statement of accounts.

The Governance Framework

The Council's Governance Framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The Framework recognises that the Council's business is focussed upon its corporate priorities and seeks to facilitate delivery to our local communities of the goals set out in the Council' Strategy 2018-21 (updated Autumn 2020). The structures and processes, risk management and other internal control systems, such as standards of conduct, form part of this Framework, which is about managing the barriers to achieving the Council's objectives.

The local Code of Corporate Governance is reviewed annually through the Audit and Governance Committee and was last reviewed and recommended for approval by Council on 19 April 2022. Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Strategic Management Board (SMB) which comprises the Chief Executive and Growth Director, Directors, Director Finance (Section 151), Director Corporate Services (Monitoring Officer).

The Council has designed systems and processes to regulate, monitor and control its activities in order to achieve its vision and objectives. The Code of Corporate Governance sets out the controls in full.


Annual Governance Statement
Audit & Governance Committee
(Challenge the draft AGS and supporting evidence. Approve AGS)
Strategic Management Board
Internal Audit
(Review of system of internal Control)
Section151Officer
(Promote & Deliver Good Financial Management)
Monitoring Officer
(Legal & Ethical Assurance)
Code of Corporate Governance
(The Council's commitment to good governance based on the seven principles of CIPFA/SOLACE framework)
Regulatory
Constitution
Terms of Reference
Members' Code of Conduct
Member/Officer Protocol
Scheme of Delegation
Financial Regulations
Standing Orders
Record of Decisions
Forward Plan
Register of pecuniary interests
Register of gifts & hospitality
Audit & Governance Committee
Regulatory Oversight
Scrutiny Framework
External Audit
Internal Audit
Head of Paid Service
Section 151 Officer
Monitoring Officer
Member Development Framework
Member's Toolkit
Corporate
'Our Strategy' 2018-21
'One Exeter' Programme
Risk Management Policy & procedures
Business Continuity Policy & Plans
Corporate Risk Register
Health & Safety Committee
Corporate Safeguarding Group
Corporate Complaints Procedure
Surveys/Focus Groups
Exeter Citizen
Record of public consultations
Equalities and Diversity Policy
Access to Information Policy
FOI Publication Scheme
Website transparency pages
Information Governance Framework
Information Security Policy
Petitions Process
Partnership Protocol
Finance
Medium Term Financial Strategy
Budget Monitoring Process
Treasury Management Strategy
Statement of Accounts
Annual Governance Statement
Prudential Code for Capital Finance
Statement on the role of CFO
Statement on the role of HIA
Counter Fraud Strategy
Anti-Money Laundering Policy
Whistleblowing Policy
Fraud reporting on website
Compliance with Public Sector Internal Audit Standards
Capital Programme
Council tax leaflet/information
HR Policies
Pay Policy
Officers' Code of Conduct
Staff Induction
Staff Training & Development Programme
Staff Surveys
Growth & Development Reviews
Job Evaluation Process
Job Descriptions
Corporate Health & Safety Policy
Employee Assistance Programme
Disciplinary procedure

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Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:

- ✓ The work of the Strategic Management Board who have responsibility for the development and maintenance of the governance environment
- ✓ The work of Executive who are responsible for considering overall financial and performance management and receive comprehensive reports throughout the year;
- ✓ The work of Customer Focus and Strategic Scrutiny Committees who monitor the overall financial performance of the Council;
- ✓ The work of the Audit & Governance Committee who monitor the standards of conduct of Members, effectiveness of risk management, the work of Internal Audit and the system of internal control;
- ✓ The Section 151 Officer who is responsible for delivering and overseeing the financial management of the Council
- ✓ The Monitoring Officer who provides assurance that the Council has complied with its statutory and regulatory obligations;
- ✓ Annual reviews of the Council's key financial and non financial systems by Internal Audit against known and evolving risks which are reported on a quarterly basis to the Audit & Governance Committee;
- ✓ Annual reviews of the Council's financial accounts and records by the External Auditors leading to their opinion as published in the year-end statements;
- ✓ Ongoing reviews of strategic and operational risks in each service area and the conduct of risk analysis and management in respect of major projects undertaken by the Council;
- ✓ Reviews and, where appropriate, updates of the Council's Constitution including Financial Regulations and Standing Orders
- ✓ Comments made by other review agencies and inspectorates

Risk Management

Responsibility for Risk Management sits with the Audit and Governance Committee and they review the Corporate Risk Register (CRR) on a quarterly basis. The Council's Strategic Management Board (SMB) are responsible for constantly reviewing the risks being posed to the Council and ensuring that significant risks are recorded on the CRR along with the mitigating actions. Service Leads monitor risks at operational level and feedback any issues to their Director. Any significant risks, at operational level, that could impact the Council corporately are escalated to the CRR. The administration of the CRR is with Internal Audit and one of the Audit Managers meets with the Chief Executive and Growth Director and Directors on a regular basis to review the CRR prior to review by SMB. Internal Audit are working with Service Leads to review operational risk registers and offer any advice and guidance as needed. The system seems to be working well to date.

Annual Governance Statement

Financial Management Arrangements

The Council's financial management arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2010) as set out in the "Application Note to Delivering Good Governance in Local Government: Framework". The Section 151 Officer is a member of the Council's Strategic Management Board.

Internal Audit

The Internal Audit Service has been managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS) which were introduced in April 2013. It is a requirement of the standards that an independent external review of Internal Audit's compliance with PSIAS is undertaken every five years. This external review was completed in January 2020 when the external assessor concluded that:

"It is our overall opinion that the Exeter City Council Internal Audit Team generally conforms to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards." Generally Conforms is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards.

Based on the assurance work undertaken by Internal Audit, the Audit Manager has provided an opinion on the adequacy of the control environment as part of the Annual Internal Audit Report which concluded that the key systems are operating soundly and that there are no fundamental breakdowns of controls resulting in material discrepancy.

External Audit

The Council's external auditor (Grant Thornton) has not yet issued a certificate of completion in respect of 2020/21, as this is pending the issue of a report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources and also until they are able to complete the work necessary to issue a Whole of Government Accounts (WGA) Component Assurance statement for the year ended 31 March 2021. It should be noted that the WGA for 2020/21 was significantly delayed by HM Treasury and is not due to be submitted by the Council until 31 July 2022.

Corporate Complaints

During 2021-22, responsibility for complaints monitoring was moved from the Corporate Support Unit to the Customer Service Team and also moved from a heavily manual system of recording to a more automated system. Complaints are now made on online which allows the complaint to be workflowed and provides a greater level of reporting. As a result, the level of corporate complaints has dropped considerably to 13 (73 in 2020-21).

Performance Management

The Council 's Corporate Plan 'Our Strategy 2018-21' was approved by Executive on 9th October 2018 (updated Autumn 2020). To support this strategy, the Council's Operational Management Board were tasked with devising and implementing a performance management framework to show how the Council is progressing towards achieving strategic objectives and to prioritise resources. This framework has been drafted for approval by the Strategic Management Board. However, the global pandemic meant that this work was subsequently put on hold. As recovery from the pandemic continues, performance management will form an integral part of the 'One Exeter' programme.

Key Issues 2021-22

This Statement is intended to provide reasonable assurance. It is stressed that no system of control can provide absolute assurance against material misstatement or loss. In concluding this overview of the Council's governance arrangements, three key issues have been identified for 2021-22 shown in the table below. Progress will be subject to regular monitoring by the Audit and Governance Committee.

Issue No.	Issue Identified	Summary of Action to be Taken
1	Financial position – The Government's continued delays in implementing the Fair funding review and business Rates reset have led to further uncertainty over the Medium term Financial Plan. However, the financial position remains precarious with significant reductions required to balance the budget over the medium term. Not all reductions are underpinned by Government decisions and therefore even if the plans were to be dropped, the Council would still require reductions of around £5m. There are significant headwinds affecting the Global economy and this is producing cost pressures which affect the Council.	One Exeter plan is operational and being progressed. Specific reduction targets have been set for each year of the plan. This is being monitored monthly by SMB. Clear programmes of work are in place and are being actioned.
2	Net Zero 2030 – the Council has set a net zero target date of 2030 for council operations as opposed to the Devon County Council and central government target of 2050. In setting this central government target, the Committee on Climate Change (CCC) recognised that whilst this target is technically feasible it is highly challenging without sustained policy interventions across several sectors, many of which will be complex, costly and time-consuming. In choosing to set a target 20 years ahead of national and other locally set targets is high risk. However, this has already been recognised and will be monitored by the Audit & Governance Committee as part of the corporate risk register process.	To be monitored as part of the Corporate Risk Register monitoring process.

Key Issues 2021-22

Issue No.	Issue Identified	Summary of Action to be Taken
3	Change Management – the current scale and pace of change due to a number of factors presents a risk to achieving objectives and may impact the extent to which the organisation is capable of maintaining acceptable levels of compliance amid the shake-up of operations and control systems. These factors include the following: • external factors e.g. regulatory change and compliance, climate change • internal factors e.g. The One Exeter project to deliver the digitalisation/transformation of service delivery	The Audit Managers have been involved in a number of the One Exeter work streams, including the service review process and production of the 'How to' guidance for service leads. Involvement at this early stage should help identify risks to the internal control environment that could arise due to any changes being brought about by the program and this work will continue as the project develops. Internal Audit have also been asked to input into the development of service plans advising on governance and risk assessment processes.

Approval of the Annual Governance Statement

To the best of our knowledge, the governance arrangements, as outlined in this AGS have been operating effectively during the year. During the review of effectiveness, we have identified three key areas of concern and we propose over the coming year to take steps to address these concerns in order to enhance our governance arrangements and are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness. Progress against the action plan will be monitored quarterly by the Audit & Governance Committee.

Signed: …………………………………………………………………	**Date:** ………………………………………
Councillor Wardle **Chair of Audit & Governance Committee**	
Signed: …………………………………………………………………	**Date:** ………………………………………
Dave Hodgson CPFA **Director Finance & Section 151 Officer**	
Signed: …………………………………………………………………	**Date:** ………………………………………
Councillor Bialyk **Leader of the Council**	
Signed: …………………………………………………………………	**Date:** ………………………………………
Karime Hassan **Chief Executive & Growth Director MBE**	

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Auditors Report

Auditors Report

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Auditors Report

Glossary of Terms

Accounting Period
The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local authority accounts.

Accrual Basis
The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made

Actual
Actual, as opposed to budget, expenditure and income directly attributable to an accounting period, generally referred to as actuals.

Appointed Auditors
For audits of Council accounts from 1 April 2018, Public Sector Audit Appointments Limited (PSAA) is responsible for appointing an auditor, as Exeter City Council opted into its national appointment arrangements. Grant Thornton (UK) LLP is the Council's appointed Auditor.

Associate Companies
An associate is an entity over which the Council has significant influence.

Balances
Working balances are reserves needed to finance expenditure in advance of income from debtors, precepts and grants. Any excess may be applied at the discretion of the authority, to reduce future demands on the Collection Fund or to meet unexpected costs during the year. Balances on holding accounts and provisions are available to meet expenditure in future years without having adverse effect on revenue expenditure.

Budget
A statement of the income and expenditure policy plan of the Council over a specified period. The most common is the annual Revenue Budget expressed in financial terms and including other physical data, e.g. staff resources.

Capital Expenditure
This is expenditure on the acquisition of a fixed asset, or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

Capital Financing
The raising of money to meet the cost of capital expenditure. Capital expenditure may be financed by borrowing, leasing, and contributions from revenue accounts, the proceeds from the sale of capital assets, capital grants and contributions from developers or others.

Glossary of Terms

Capital Grants
Grants specifically towards capital expenditure on a specific service or project.

Chartered Institute of Public Finance and Accountancy (CIPFA)
CIPFA is the leading professional accountancy body for public services. CIPFA publishes the annual Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code constitutes proper accounting practice.

Collection Fund
This is a statutory fund kept separate from the main accounts of the Council. The Collection fund shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities (Devon County Council, Police and Crime Commissioner for Devon and Cornwall and Devon & Somerset Fire and Rescue Service) and the government of council tax and non-domestic rates.

Community Assets
These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and may have restrictions on their disposal.

Contingent Liability or Assets
These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately and for which provision has not been made in the Council's accounts.

Council Tax Requirement
This is the estimated revenue expenditure on General Fund services that will be financed from the Council Tax after deducting income from fees and charges, General Fund Balances, specific grants and any funding from reserves.

Creditors
Amounts owed by the authority for work done, goods received or services rendered, but for which payment was not made at the balance sheet date.

Current Service Cost
This is an increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

Current Assets
Assets that can be expected to be consumed or realised during the next accounting period.

Glossary of Terms

Current Liabilities
Amounts that will become due or could be called upon during the next accounting period.

Curtailment
The cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

Debtors
Amounts due to the Council that have not been received at the balance sheet date.

Deferred Liabilities
This represents the liability for principal repayments on finance leases.

Depreciation
This is the measure of the wearing out, consumption or other reduction in the useful economic life of property, plant and equipment.

Earmarked Reserves
The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

Employee Costs
These include salaries, wages and employer's national insurance and superannuation costs payable by the Council, together with training expenses and charges relating to the index-linking of pensions of former employees.

External Audit
The independent examination of the activities and accounts of local authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

Fair Value
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Glossary of Terms

Final Accounts
Accounts prepared for an accounting period, showing the net surplus (profit) or deficit (loss) on individual services and a balance sheet is prepared for them. They are produced as a record of stewardship and are available to interested parties. Local authorities are required to publish each year a Statement of Accounts, as specified in the Accounts and Audit Regulations 2015.

Finance Lease
A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments
A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial Year
The local authority financial year commences 1 April and finishes 31 March the following year.

Financial Regulations
These are a written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

Government Grants
Payments by central government towards local authority expenditure. They must be specific e.g. Housing Benefits, or general e.g. Revenue Support Grant.

Housing Benefit
This is an allowance to persons receiving little or no income to meet, in whole or part, their rent. Benefit is allowed or paid by local authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to local authorities. Benefits paid to the Authority's own tenants are known as rent rebates and that paid to private tenants as rent allowances.

Housing Revenue Account
Local authorities are required to maintain a separate account, the Housing Revenue Account, which sets out the expenditure and income arising from the provision of Council housing.

Impairment
A reduction in the value of an asset below its value held in the Balance Sheet. Factors which may cause such a reduction include; fall in general prices, a decline in an asset's market value and evidence of obsolescence or physical deterioration.

Glossary of Terms

Interest
An amount receivable or payable for the use of a sum of money when it is invested or borrowed.

Inventories
Items of raw materials and stock an authority has procured to use on a continuing basis which it has not consumed or the value of work in progress.

Investment Properties
Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

Materiality
Information is material if omitting it or misstating it could influence the decisions that users make on the statement of accounts.

Minimum Revenue Provision (MRP)
The minimum amount that must be charged to an authority's revenue accounts and set aside for the repayment of debt. It is calculated in accordance with the Council's approved MRP policy.

Non Domestic Rates (NDR)
NDR is also referred to as business rates; is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. Authorities can voluntarily form a business rate retention pool, where all authorities in the pool can benefit from keeping a proportion of business rate revenue as well as growth on the revenue that is generated in their area to spend on local services.

Net Book Value
The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Non-Current Assets
Assets that can be expected to be of use or benefit to the Authority in providing its service for more than one accounting period.

Operating Lease
A lease under which ownership of the asset remains with the lessor; the lease costs are revenue expenditure to the Authority.

Glossary of Terms

Precepts
The amount levied by various Authorities that is collected by the Council on their behalf. The major precepting authorities in Exeter are Devon County Council, Devon and Somerset Fire and Rescue Service and Devon and Cornwall Police Authority.

Prior Period Adjustments
These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Property, Plant and Equipment (PPE)
Tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administration purposes, and are expected to be used during more than one year.

Public Works Loan Board (PWLB)
An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities

Revenue Contribution to Capital Outlay (RCCO)
The mechanism by which items of capital expenditure can be financed by the General Fund or Housing Revenue Account

Revenue Expenditure Financed by Capital under Statute (REFCUS)
Expenditure which has been legally capitalised but which does not produce a fixed asset for the council, e.g. renovation grants for homeowners.

Revenue Support Grant
A grant paid by government to meet a proportion of the local authority expenditure necessary to provide a standard level of service throughout the country.

Subsidiary
A subsidiary is an entity that is controlled by another entity (the parent). A reporting authority controls an entity if it has; power over the entity, exposure to or rights to variable returns from its involvement with the entity and the ability to use its power over the entity to affect the amounts of its returns.

Value for Money
An expression describing the benefit obtained (not just in financial terms) for a given input of cash. The term is widely used within public bodies, but there are many difficulties in its use because value, as such, is a subjective measure and there are rarely supporting objective measures. The appointed auditors are required to consider value for money with the three objectives of economy of input, efficiency of operation and effectiveness of output in service provision and report on the Council's arrangements for securing VFM.

Exeter
City Council

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www.exeter.gov.uk

Please ask for:

Direct Dial: 01392 265292

Email: David.hodgson@exeter.gov.uk

Our ref:

Date: 29 November 2023

Dear Sirs,

Exeter City Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Exeter City Council and its subsidiary undertakings, Exeter City Living Ltd, for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of land and buildings, investment properties, council dwellings and the net pension liability.

We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- Except as disclosed in the group and Council financial statements:
    - there are no unrecorded liabilities, actual or contingent
    - none of the assets of the group and Council has been assigned, pledged or mortgaged
    - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- The financial statements are free of material misstatements, including omissions.
- Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
    a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
    b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

- We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

- The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

- We have considered the carrying value and associated impairment of loans to the Council's subsidiary company and are satisfied that the level of impairment as at the 31 March 2022 balance sheet date was appropriate.

- We have considered whether the Council is required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised on the grounds that:
    - We have not made equal pay payments previously or in the accounting year in question
    - We have got any live payment liability
    - We are not aware of any pending equal pay claims.

Information Provided

- We have provided you with:
    - Access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
    - additional information that you have requested from us for the purpose of your audit; and
    - access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.
- We have communicated to you all deficiencies in internal control of which management is aware.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements.

- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 29 November 2023.

Yours faithfully

Name Councillor A J Wardle

Position Chair - Audit and Governance Committee

Date 29 November 2023

Signature ……………………………..

Name Dave Hodgson

Position Director Finance (Section 151 Officer)

Date 29 November 2023

Signature ……………………………..

Signed on behalf of the Council

REPORT TO AUDIT & GOVERNANCE
Date of Meeting: 29th NOVEMBER 2023
Report of: AUDIT MANAGERS
Title: INTERNAL AUDIT PROGRESS REPORT 2ND QUARTER 1st JULY TO 30th SEPTEMBER 2023

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 2023, 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 2023/24 be noted.

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 In respect of the Audit finding set out in the Appendices, the section 151 Officer is undertaking a review of Corporate Credit Cards to ensure that they are being used for the intended purpose. This review is likely to reduce the number of cards significantly.

6. What are the legal aspects?

This report provides an update on internal audit work carried out. It does not raise any legal issues.

7. Monitoring Officer Comments:

7.1 This report raises no issues for the Monitoring Officer given there are no outstanding actions, however the Monitoring Officer will look forward to reading the content of the Corporate Credit Card Review.

8. Report details:

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 2022/23 Audit Plan was approved at this Committee on 8th March 2023.

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

8.1 **Work Undertaken**

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. The outcomes of the review, where completed, are detailed in the Executive Summary for each report issued during the last quarter Appendices B-H.

I am pleased to report that agreed actions from previous audit reports are being progressed satisfactorily.

Progress against the annual audit plan is on target.

8.2 **Progress report on 'high' risk issues and remedial action agreed**

There are currently no outstanding remedial actions or high risk issues.

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 I.

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. Carbon Footprint (Environmental) Implications:

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

13. Are there any other options?

N/A

Director Finance, David Hodgson

Author: Audit Managers, Helen Putt and Helen Kelvey

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1972 (AS AMENDED)

Background papers used in compiling this report:-
None

Contact for enquires:
Democratic Services (Committees)
Room 2.3
01392 265275

APPENDIX A

EXETER CITY COUNCIL
AUDIT AND GOVERNANCE COMMITTEE

PROGRESS OF 2023-24 AUDIT PLAN TO DATE

Please note that only the executive summary of each report is attached as an appendix to this report, 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	No. of Findings	Executive Summary of final report issued during this quarter
Health and Safety				
Corporate Governance				
Risk Management	In progress			
Information Governance				
Counter Fraud				
Partnerships				
Contract Management				
Community Grants Awarded	Final	Satisfactory	5 Medium 7 Low	Reported September 2023
External Funding / Grants Received	In progress			
Cyber Security	In progress			
Main Accounting	In progress			
Income Management	In progress			
Creditors				
• Creditors – Corporate credit card	Final	Limited Assurance	5 Medium	Please see Appendix B
Treasury Management	Final	Substantial	2 Low	Please see Appendix C

Audit Review	Report Status	Overall Opinion	No. of Findings	Executive Summary of final report issued during this quarter
VAT				
Payments and collection	Final	Satisfactory	3 Medium 2 Low	Please see Appendix D
Sundry Debtors				
NDR	Final	Substantial	2 Medium 2 Low	Please see Appendix E
People Management (including Payroll)	Draft			
Licensing	In progress			
Fleet Management				
Car Parks – Stray dogs	Final	Satisfactory	3 Medium 6 Low	Reported September 2023
Net Zero/Carbon Reduction				
Housing – customers, assets, needs				
• Housing – Laundry cash at Edwards Court	Final	Substantial	2 Low	Reported September 2023
Planning	In progress			
Leisure Facilities - Spa	Final	Satisfactory	6 Medium 1 Low	Please see Appendix F
Leisure Facilities – Food & Beverages	Draft			
Visit Exeter	Draft			
Disabled Facilities Grant	Final	Substantial	1 Low	Please see Appendix G
Business Continuity Management – 2022-23	Final	Satisfactory	10 Medium	Please see Appendix H

2. Corporate Credit Card Audit Report Executive Summary

Audit Objective

The overall objective of this audit was to review the adequacy and effectiveness of internal controls designed to manage and mitigate financial and non-financial risks relating to the creditor - corporate credit card system.

Assurance Opinion

Assurance Opinion		Number of actions	
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.	Priority	Number
		High	0
		Medium	5
		Low/Advisory	0
		Total	5

Audit Approach and Scope

The scope of the audit included a review of the following:
- testing of key controls as shown below

Statements for the months of December 2022 to April 2023 were used when selecting transactions to sample test. A sample of 19 transactions across 16 credit card holders was selected and a more in depth review (2 months of statements) of one card holder was carried out

Key controls tested	Assessment	Actions Raised
Adequate supporting documentation held in applicable corporate credit folder		• Supporting paperwork (updated credit card uploader, relevant VAT invoices etc. not saved promptly onto the relevant cardholder's corporate credit card folder (15/19 cases)
Valid use of the credit card		• Card used to pay for housing voids utility bills, insufficient checks carried out as invalid payment made on non-Council property • Card used to pay for items not in accordance with Council policy
Evidence of authorisation of order prior to it being placed & adequate separation of duties		• Adequate evidence of authorisation not obtained (7/19 cases)
Correct coding of payment for VAT purposes and where applicable a valid VAT receipt/invoice is held		• Transactions coded as vatable with no valid VAT receipt/invoice (4/19 cases) • Transactions initially coded as outside the scope of VAT for which VAT could be claimed (4/19 cases)_

Summary and next steps

This a final report of the audit findings and incorporates the remedial action agreed with the Corporate Finance Officer. Remedial action has been agreed with management for all the findings identified.

A significant number of issues were identified during this audit, many of which were also raised in the last audit report issued on 20 May 2022. Cardholders need to be reminded as a matter of urgency of the correct procedures to follow and the associated risks of not doing so.

2. Treasury Management Audit Report Executive Summary

Audit Objective: The overall objective of this audit was to review compliance with the Council's Treasury Management Strategy

Assurance Opinion

Assurance Opinion		
Substantial	There is a sound system of internal control designed and operating in a way that gives reasonable likelihood that the objectives will be met.	

Number of actions

Priority	Number
High	0
Medium	0
Low/Advisory	2
Total	2

Audit Approach and Scope

The scope of the audit including a review of the following areas:
- follow up of the previous Treasury Management audit agreed actions
- testing of key controls as shown below

Key controls tested	Assessment	Actions Raised
Policies & procedures		• Lack of a Treasury Management Strategy for Strata
Risk management		
Cash flow		
Lending		• Ex-employees found to have access to the online trading portal
Borrowing		
Capital investment		
External service providers		
Records & reconciliations		
Monitoring & reporting		

Summary and next steps

This is a final report of the audit findings and incorporates the remedial action agreed with the Finance Managers' (Corporate & Commercial). Remedial action has been agreed with management for all the findings identified.

Generally internal controls are working well and the Council has a sound Treasury Management Strategy in place.

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2. Payments & Collection Audit Report Executive Summary

Audit Objective The overall objective of this audit was to review the adequacy and effectiveness of the system of internal controls and procedures undertaken by the Payment & Collections Team when collecting outstanding housing rent, former tenant housing rent, garage rent, council tax debts and housing benefit overpayments.

Assurance Opinion		Number of actions	
Satisfactory	Whilst there is a basic 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	Priority	Number
		High	0
		Medium	3
		Low/Advisory	2
		Total	5

Audit Approach and Scope

The scope of this audit was, using a sample of selected Housing Rent, Former Housing Rent, Council Tax and Housing Benefit overpayment cases, to check that debt recovery action and also 'write-offs' have been undertaken in accordance with the various Payment & Collection (P&C) procedures.

Cases to sample were provided by the P&C Team Leaders and also obtained from the ASH debtor system. In the main, transactions from April 2022 onwards have been selected though where necessary, information prior to April 2022 has been used.

Key controls tested	Assessment	Actions Raised
Recovery action is being taken in accordance with procedures		Reminder letters are either not being issued or not being issued as regularly as would be expected.
Documents and the necessary authorisations are available for all write-offs		Documents to support the write-off do not appear to be available for viewing
Prompt authorisation of the council tax write offs		

Summary and next steps

In terms of recovery of Housing Rent, Garage Rent and Council Tax arrears it is noted that officers regularly review the cases and take action as necessary. For the Former Housing Rent and Housing Benefit overpayment arrears, recovery action does not appear to be being undertaken regularly, though in some instances as recovery is with the Enforcement Agents, evidence of the recovery action they have taken is not available.

In terms of the write-offs, the retrospective CT write-off authorisations do not appear to be being obtained promptly.

Discussions will be held with the Payment & Collection Team to address the above issues and find a solution.

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2. Business Rates Audit Report Executive Summary

Audit Objective: The overall objective of this audit was to review the adequacy and effectiveness of the internal controls designed to manage and mitigate financial and non-financial risks relating to the Business Rates function

Assurance Opinion		Number of actions	
		Priority	Number
Substantial	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.	High	0
		Medium	2
		Low/Advisory	2
		Total	4

Audit Approach and Scope

The scope of this audit was to review the debt recovery action taken by the team.

Key controls tested	Assessment	Actions Raised
In-house debt recovery		Aged debts not regularly monitored.
Monitoring of suppressed recovery cases		Some suppressed recovery cases not monitored regularly
External debt recovery		Cases 'in liquidation' are not passed back to the Council promptly for write off

Summary and next steps

In the main, the recovery of business rates debts is well monitored as based on the evidence available and officers regularly review those cases in arrears. The team should be recognised for the flexibility they have shown over the last three years as they have been asked to put on hold their normal business rate tasks in order to award the various business rate grants that became available to businesses to help them get them through the pandemic.

It is only within the last few months, that the team have returned to their normal 'working' and reintroduced tasks such as visiting properties and general housekeeping functions such as reviewing small balance write-offs etc. Unfortunately, these will have to be placed on hold again as one of their team members has recently been seconded to the Housing Benefit Overpayment project for the foreseeable future.

This is a final report of the audit findings and incorporates the remedial action agreed with the System Lead Payments & Collection and the Business Rates Manager.

Remedial action has been agreed with management for all of the findings identified.

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2. St Sidwells Point Spa Operations - Audit Report Executive Summary

Audit Objective The main objective of this audit was to review the adequacy and effectiveness of the system of internal controls designed to manage and mitigate financial and non-financial risks relating to the operation of The Spa.

Assurance Opinion		Number of actions	
		Priority	Number
Satisfactory	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	High	0
		Medium	6
		Low/Advisory	1
		Total	6

Audit Approach and Scope

The scope of the audit included a review of the following:
- testing of key controls as shown below

The period covered by the audit is April 2023 to-date. Note: The following audit reports have been issued in the last year: SSP General Processes (issued February 2023), Accounting for Leisure Income (issued April 2023). This audit covers in more detail the processes specifically relating to the operation at The Spa.

Key controls tested	Assessment	Actions Raised
Policies and procedures	Green	
Staff induction, training & meetings	Green	
Health & safety	Amber	• Lack of a recent risk assessment
Income recording and reconciliation	Amber	• Accurate financial information not available to accurately determine the profitability of the Spa • Lack of a regular reconciliation of PDQ income
Gift cards & guest passes	Green	
Refunds	Amber	• Inefficient process for refunds and duplicate records of customers' bank details held
Ordering of goods & services	Amber	• Procurement of some suppliers not made in accordance with contract regulations • Duplicate payment to one supplier found
Performance monitoring	Green	
Marketing	Green	

Summary and next steps

Generally staff are well trained and there are clear written procedures for them to refer to and regular staff meetings are held. This is a final report of the audit findings and incorporates the remedial action agreed with the Corporate Finance Officer. Remedial action has been agreed with management for all the findings identified.

2. Disabled Facilities Grants Audit Report Executive Summary

Audit Objective: The main objective of the audit was to carry out appropriate compliance testing to ensure controls are in place, operating effectively and thereby enabling the required assurance statement to be provided.

Assurance Opinion		Number of actions	
Substantial	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	Priority	Number
		High	0
		Medium	0
		Low/Advisory	1
		Total	1

Audit Approach and Scope

The scope of the audit included a review of the following areas:
- follow up of the previously agreed actions from the last audit
- testing of key controls as shown below

A sample of 10 DFG grants was selected (covering the period 1 April 2022 to 31 March 2023) for examination and members of staff were interviewed in order to check the effectiveness of the internal controls and procedures in operation. In this period 115 DFG grants were approved.

Key controls tested	Assessment	Actions Raised
Policies & procedures		• Internal procedures are not up-to-date.
Applications for assistance		
Eligibility		
Approval of applications		
Estimates (for DFGs)		
Works (for DFGs)		
Conditions		
Payments		
Monitoring of grant income		

Summary and next steps

Overall there is a good control environment and no issues that would prevent the required assurance statement being provided to DCC.

This is a final report of the audit findings and incorporates the remedial action agreed with the Environmental Health and Community Safety Manager.

Remedial action has been agreed with management for all the findings identified.

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2. Business Continuity Management Audit Report Executive Summary

Audit Objective The objective of the audit is to provide assurance on the adequacy and effectiveness of controls over the arrangements for BCM and to contribute to the corporate objective of a 'Well run council'.

Assurance Opinion

Satisfactory	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

Number of actions

Priority	Number
High	0
Medium	10
Low/Advisory	0
Total	10

Audit Approach and Scope

The scope of the audit was to review the progress of implementation of the six BCM elements, to confirm the process to date follows the BCM Lifecycle and to assess whether all necessary steps have been taken in the elements completed so far and to identify what elements are yet to be implemented. A risk based approach to the audit has been applied so only the BC plans for those services identified as a priority service have been reviewed

A review of the Council's responsibilities under the Civil Contingency Act have been excluded from the scope of this audit.

Key controls tested	Assessment	Actions Raised
BCM Programme Management	Amber	No Business Continuity Policy in place Some BCM responsibilities not assigned BCM function not formally resourced Lack of BCM training
Understanding the organisation	Amber	No recurring Business Impact Assessment process in place Business Impact Assessments not reviewed and updated
Determining BCM Strategy	Green	
Developing and implementing BCM response	Amber	Business Continuity Plans (BCPs) not reviewed and updated
Exercising, maintaining and reviewing BCM Arrangements	Amber	BCP's not tested BCP's not accessible in the event of an ICT failure
Embedding BCM in the organisations culture	Red	Until remedial action has been agreed in respect of all the issues raised above, no opinion can be provided for this final stage of the BCM Lifecycle

Summary and next steps
At the time of the last audit (April 2018), a significant amount of work had already been undertaken to enable a robust and 'fit for purpose' business continuity management process to be implemented at the Council and a number of key documents had already been drafted following the Business Impact Analysis workshop held in January 2017. However, there was still work to be undertaken to complete the required set of policies and procedures to provide a comprehensive plan to ensure that the Council is able to maintain its key operations including a corporate business continuity plan supported by service plans. Since then, the Council has continued to develop these with work continuing 'at pace' in early 2020 ahead of the Covid19 pandemic. However, there is still work to be done to improve the Council's BCM framework. This is a final report of the audit findings and incorporates the remedial action agreed with Corporate Manager Executive Support. Remedial action has been agreed with management for all the findings identified.

Exeter City Council

AppendixI

PROGRESS REPORT ON SIGNIFICANT GOVERNANCE ISSUES IDENTIFIED IN THE ANNUAL GOVERNANCE STATEMENT 2022-23

AGS Issue No.	Issue identified	Responsible Officer	Summary of action proposed	Update Sept 2023	Update December 2023	Update March 2024	Notes
1	Financial position – Significant inflation fuelled by high energy prices, a higher than anticipated national pay settlement and income streams still struggling to reach the budget meant that the Council had to take action to address significant issues during 2022/23. The unprecedented cost pressures also meant that significant reductions and additional income were required to deliver a balanced budget for 2023/24. The Council's medium term financial plan anticipates reserves being reduced to the minimum required by 2024/25 and further budget reductions of £5.1m are required by 2028.	Director Finance	One Exeter plan is operational and being progressed. Specific reduction targets have been set for each year of the plan. This is being monitored monthly by SMB. Clear programmes of work are in place and are being actioned. It is imperative that strong financial discipline is maintained across the Council to ensure that the reductions are delivered. It should also be noted that areas of concern around income targets; business rates, parking, trade waste, Civic Centre rental will be subject to close monitoring during the year.	Income remains below target in a number of areas. As a result the budgets have been amended for 2024-25.	The position remains the same as it was in September.		
2	Debt Collection – The Council has actively been seeking to identify new income streams as part of the 'One Exeter' project. Whilst this is good news, our work has identified that there are significant weaknesses within service areas around raising invoices and the subsequent collection of debt for all income streams. For example, services are being provided but invoices are not always raised, or not raised promptly, to collect fees for services provided. It should be noted that this weakness relates only to service areas and does not apply to the Council's Income Collection Team.	Service Lead - Revenues, Benefits and Customer Access	An external review of debt collection has been already been commissioned the results of which are due to be presented to the Council shortly. As debt management is also one of the themes for the cross cutting review this report will feed into that review.	The external review of debt collection has been completed and a report will be going to the Strategic Management Board for consideration at their meeting of 26 September 2023.	The report has been agreed and two further posts will be added. A supplementary budget request has been in cluded in the report to Executive (Nov 28). It is envisaged that at least in the short term the reductions in bad debt provision will cover the costs of the new post.		
3	Change Management – the current scale and pace of change due to a number of factors presents a risk to achieving objectives and may impact the extent to which the organisation is capable of maintaining acceptable levels of compliance amid the shake-up of operations and control systems. These factors include the following: • external factors e.g. regulatory change and compliance, climate change • internal factors e.g. The One Exeter project to deliver the digitalisation/transformation of service delivery	Audit Managers	The Audit Managers have been involved in a number of the One Exeter work streams, including the cross cutting theme reviews. Involvement at this early stage should help identify risks to the internal control environment that could arise due to any changes being brought about by the program and this work will continue as the project develops. Internal Audit have also been asked to input into the development of service plans advising on governance and risk assessment processes	We are continuing to provide support as needed and requested.	We are continuing to provide support as needed and requested.		

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REPORT TO AUDIT & GOVERNANCE COMMITTEE
Date of Meeting: 29th November 2023
Report of: Corporate Manager (Executive Support)
Title: Local Government Ombudsman's Annual Review of Complaints 2022-23
Is this a Key Decision?

No

Is this an Executive or Council Function?

No

1. What is the report about?

1.1. The report explains the role of the Local Government & Social Care Ombudsman (LGO) in investigating and remedying complaints about councils. It also presents the LGO's annual review of complaints about Exeter City Council for the year ending 31 March 2023.

1.2. Complaints relating to Housing Services that escalate to the Ombudsman are investigated by the Housing Ombudsman Service (HOS). Whilst these complaints are not part of the LGO legal duty to communicate with elected members, they have been included in Annex A to inform members of all ombudsman cases.

2. Recommendations:

2.1. That members note the report and highlight any issues with the complaints referred to in the LGO's annual review.

3. Reasons for the recommendation:

3.1. The Monitoring Officer is under a legal duty to communicate to elected members the council's performance in relation to LGO investigations.

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

4.1. There are no resource implications.

5. Section 151 Officer comments:

5.1. There was a small compensation payment arising out of the upheld complaint.

6. What are the legal aspects?

6.1. There is a duty under section 5(2) of the Local Government and Housing Act 1989 for the council to prepare a formal report to the council (Audit and Governance Committee) on all Ombudsman complaint decisions.

6.2. The LGO considers that this duty is satisfactorily discharged if the Monitoring Officer makes a periodic report to the council summarising the findings on all upheld complaints over a specific period. This may be adequately addressed through an annual report on complaints to members, hence this report.

6.3. On rare occasions, the LGO can also issue a '*Formal Public Report'* if a local authority, or any part of it:

- has acted or is likely to act in such a manner as to constitute maladministration or service failure perhaps because of the scale of the fault or injustice, or the number of people affected
- and where the LGO has conducted an investigation in relation to the matter

6.4. Under the provisions of The Local Government Act 1974, whenever the LGO issues a Formal Public Report, the council is obliged to lay that report before the council for consideration and respond within three months setting out the action taken, or proposed to be taken, in response to the report. The LGO has not issued any Formal Public Reports in relation to Exeter City Council.

6.5. In the unlikely event that an authority is minded not to comply with the LGO's recommendations following a finding of maladministration, he would always expect the Monitoring Officer to report this to members under section five of the Act. This is an exceptional and unusual course of action for any authority to take and should be considered at the highest tier of the authority.

7. Monitoring Officer's comments:

7.1. Please see the Monitoring Officers' duty set out in paragraph 6 above.

8. Report details:

8.1. The LGO investigates complaints from the public about councils and some other bodies providing public services in England. The LGO investigates alleged or apparent maladministration or service failure that have caused injustice to the complainant. Most council services can be investigated including planning, council tax and housing benefit and some areas of housing. Maladministration in broad terms might include:

- flaws in policies or decision making
- poor administrative practice
- failure to adhere to or consider properly statutory guidelines
- failing to consider properly the exceptional circumstances of an individual or a situation
- not properly considering statutory powers or duties
- failing to give an adequate service

8.2. The LGO will usually only become involved after a council's complaints procedure has been exhausted. If the LGO finds the council acted with fault, which caused the person an injustice, it will recommend a remedy to put things right. The LGO's remedies are aimed at putting the person back in the position they would have been were it not for the fault. Where appropriate it also recommends action to avoid similar issues affecting other people - such as reviewing practice and procedure - and can recommend remedies for other persons affected by faults found in an individual complaint

8.3. Details of the complaints received by the LGO about Exeter City Council, and the decisions made by the LGO on those complaints, for the year ending 31st March 2023 are set out Annex A. Members will note that:

- The Ombudsman made decisions on 12 cases
- 5 of those cases were closed after initial enquiries
- 5 cases were referred back to the council for local resolution
- 1 case was not upheld
- 1 case was upheld. A copy of the Ombudsman's Final Decision Notice for this case is included at Annex B

8.4. To assess how the council's performance compares with other councils, the Ombudsman compares three key annual statistics with similar authorities to provide an average marker of performance. This is included at Annex C but is of limited value in view of the low numbers of cases. To provide members with additional comparisons, details of the complaints received by other Devon councils and councils in Exeter's "CIPFA Nearest Neighbours Model"[1] are also included.

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

9.1. Effective handling of complaints and following due process are facets of a well-run council.

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

10.1. No risks identified.

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 and there is no negative impact.

12. Carbon Footprint (Environmental) Implications:

12.1 Not applicable

13. Are there any other options?

13.1 Not applicable.

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[1] CIPFA's Nearest Neighbours Model tool uses statistical processes but the factors upon which the classifications are based need to provide a balanced representation of the authorities' traits.

The variables employed in making the assessment are all therefore descriptive of characteristics of the area each authority administers and not of the way in which resource of services are taken into account. The output returned by these calculations is a simplistic way of presenting a fairly complex underlying idea. Broadly speaking results and common sense go hand in hand reasonably well. Nevertheless, the outcome ultimately relies on the indicators and mathematical procedures used.

Bruce Luxton
Corporate Manager (Executive Support)

<u>Local Government (Access to Information) Act 1972 (as amended)</u>
Background papers used in compiling this report:-

None

Summary of complaint statistics from the Local Government and Social Care Ombudsman and the Housing Ombudsman Service for the year ending 31 March 2023

Reference	Category	Decided	Decision	Decision Reason	Remedy	Service improvement recommendations
20014237	Housing	29/04/2022	Upheld	Fault and injustice to the complainant	Apology, financial redress: Avoidable distress/time and trouble, Procedure or policy change/review	The Council has agreed to produce a policy setting out how it will deal with inaccurately advertised properties on the housing register. This might include: a. withdrawing and readvertising the property; or b. allowing an applicant to refuse an offer of an inaccurately advertised property without penalty.
21017954	Environmental Services & Public Protection & Regulation	13/04/2022	Closed after initial enquiries	Not warranted by alleged fault	N/A	N/A
22003394	Highways & Transport	24/06/2022	Closed after initial enquiries	Not warranted by alleged injustice	N/A	N/A
22003685	Planning & Development	23/06/2022	Closed after initial enquiries	Not warranted by alleged fault	N/A	N/A
22004134	Benefits & Tax	14/02/2023	Closed after initial enquiries	Not warranted by alleged fault		
22004645	Housing	27/07/2022	Referred back for local resolution	Premature decision - referred back to council	N/A	N/A
22004986	Environmental Services & Public Protection & Regulation	24/02/2023	Not Upheld	No fault by the council	N/A	N/A
22010095	Housing	26/10/2022	Referred back for local resolution	Premature decision - advice given to the complainant	N/A	N/A

Reference	Category	Decided	Decision	Decision Reason	Remedy	Service improvement recommendations
22010493	Planning & Development	11/11/2022	Referred back for local resolution	Premature decision - advice given to the complainant	N/A	N/A
22011722	Planning & Development	03/02/2023	Closed after initial enquiries	Not warranted by alleged injustice	N/A	N/A
22015434	Housing	23/03/2023	Referred back for local resolution	Premature decision - referred back to council	N/A	N/A
22017241	Housing	17/03/2023	Referred back for local resolution	Premature decision - advice given to the complainant	N/A	N/A

Exeter City Council (20 014 237)

Category : Housing > Allocations

Decision : **Upheld**

Decision date : **28 Apr 2022**

- The complaint
- The Ombudsman’s role and powers
- How I considered this complaint
- What I found
- Agreed action
- Final decision

The Ombudsman's final decision:

Summary: The Council’s inaccurate advertising of two properties on the housing register was fault. The Council was also at fault for delays responding to Mrs X and her solicitor and failure to deal with a complaint in line with its policy. The Council has agreed to apologise, pay the family £1,575, and take action to improve its service.

The complaint

1. Mrs X complains on behalf of her son, Mr Y, that the Council:

    - Advertised two properties as being on the ground floor when they were not
    - Failed to issue a decision following a statutory review request
    - Delayed and failed to respond to complaints and requests from Mrs X and her solicitor
    - Refused to reimburse her for the additional legal costs incurred by this delay
2. Mr Y was suspended from the housing register for over a month. Mrs X says he may have missed out on a suitable offer of accommodation during this period. Mrs X says that both she and her son have been put to significant time, trouble, and expense pursuing their complaint and that Mr Y remains in unsuitable accommodation.

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The Ombudsman’s role and powers

3. We investigate complaints about ‘maladministration’ and ‘service failure’. In this statement, I have used the word fault to refer to these. We must also consider whether any fault has had an adverse impact on the person making the complaint. I refer to this as ‘injustice’. If there has been fault which has caused an injustice, we may suggest a remedy. (Local Government Act 1974, sections 26(1) and 26A(1), as amended)
4. We investigate complaints about councils and certain other bodies. Where an individual, organisation or private company is providing services on behalf of a council, we can investigate complaints about the actions of these providers. (Local Government Act 1974, section 25(7), as amended)

5. If we are satisfied with a council’s actions or proposed actions, we can complete our investigation and issue a decision statement. (Local Government Act 1974, section 30(1B) and 34H(i), as amended)

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How I considered this complaint

6. I considered the complaint and the information Mrs X provided.
7. I made written enquiries of the Council and considered its response along with relevant law and guidance.
8. I referred to the Ombudsman’s Guidance on Remedies, a copy of which can be found on our website.
9. Mrs X and the organisation had an opportunity to comment on my draft decision. I considered any comments received before making a final decision.

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What I found

Council duties to homeless people

10. Part 7 of the Housing Act 1996 and the Homelessness Code of Guidance for Local Authorities set out councils’ powers and duties to people who are homeless or threatened with homelessness.
11. If a council is satisfied an applicant is homeless, eligible for assistance, and has a priority need the council has a duty to secure that accommodation is available for their occupation. This is called the main housing duty. Councils can end the main housing duty to applicants who have accepted or refused a suitable final accommodation offer. (Housing Act 1996, section 193 and Homelessness Code of Guidance 15.39)
12. Homeless applicants have a right to ask for a review of certain decisions about their homelessness within 21 days of the decision. This includes a council’s decision to end the main duty. Applicants can also ask for a review of the suitability of a final accommodation offer. This right exists whether the applicant accepts or refuses the offer. (Housing Act 1996, section 202)

Allocations

13. Every local housing authority must publish an allocations scheme that sets out how it prioritises applicants, and its procedures for allocating housing. All allocations must be made in strict accordance with the published scheme. (Housing Act 1996, section 166A(1) & (14))
14. The Council is a partner in a choice-based lettings scheme called Devon Home Choice. This means housing applicants can express an interest in available properties. This is called bidding. The Council advertises new properties on a weekly cycle and applicants can bid for three properties each week.
15. The Council places applicants who qualify to join the housing register in a priority band from Band A (highest priority) to Band E (lowest priority). This priority is the first factor the Council uses to allocate a property.
16. The Council's scheme says properties advertised will include a full description. So far as is relevant to this complaint, this includes:
    - Type of property
    - Number of bedrooms
    - Location of property
    - Floor level (if appropriate)

Background

17. Mrs X has a disability which affects her mobility. This means it is difficult for her to climb stairs.
18. Mr Y has poor mental health. He relies on Mrs X for support.
19. Mr Y, his partner Miss Z, and their young child were living with Mrs X in her flat. There was not enough space for them all.
20. The Council accepted that Mr Y and his partner were homeless. In March 2020, the Council awarded them Band B on its housing register. This meant Mr Y and Miss Z could bid for two-bedroom properties.
21. To make sure Mrs X would be able to visit, the couple only bid on ground floor properties.

What happened

22. In April 2020, Mr Y and Miss Z bid on a property advertised as a ground floor flat. However, when they viewed the property, they discovered it was

on the first floor. I will refer to this as Property 1.

23. The Council told Mr Y and Miss Z that it was a suitable property and that it would end its homeless duty to them. Mr Y and Miss Z refused the offer.
24. They asked the Council for a review of the suitability of the property. Mrs X instructed a solicitor to help them with the review. While the review was ongoing, Mr Y and Miss Z were suspended from bidding on other properties.
25. In May, the solicitor pointed out to the Council that the property advert said it was limited to applicants with a connection to a different area anyway.
26. At the end of May, the Council emailed the solicitor. It said that "decisions stemming from the offer" would be overturned. This meant that Mr Y and Miss Z would still be owed the main housing duty and could bid for properties in Band B.
27. The Council said that it would follow up with a more detailed decision in a letter. It did not send any such letter.
28. After several emails chasing the letter, in July the solicitor asked for the Council to consider the matter at stage one of its complaints process. Under the Council's policy, it should have sent a response by early August. The Council did not respond to this complaint.
29. In September, Mr Y and Miss Z bid on a property advertised as a ground floor flat. However, when they viewed the property, they found it was on the third floor. I will refer to this as Property 2.
30. The Council said it was a suitable offer to end its main duty. Mrs X says Mr Y and Miss Z felt they had to move into the property.
31. In response to the solicitor's request for a response to the complaint in July, the Council said that since Mr Y and Miss Z were now housed, it did not think there were any outstanding issues.
32. The solicitor disputed this, pointing out that Mrs X had accrued significant costs because of the delay in responding and the Council had still not given its decision on the April suitability review in writing.
33. The Council did not respond to this complaint.
34. In August 2021, Mrs X complained to the Council again. She said she had incurred avoidable legal costs of £900 because of the Council's failure to respond to the solicitor. She asked the Council to allow Mr Y and Miss Z back on the housing register due to the advertising error.
35. In September, Mr Y and his partner separated, and he returned to live with Mrs X.
36. The Council responded to the complaint at stage one of its process. It said:

- it accepted it had delayed in responding to Mrs X and her solicitor and had not given its review decision in writing as promised.
- it was up to the landlords of individual properties to ensure the accuracy of adverts on the Devon Home Choice website.
- its decision to suspend Mr Y and Miss Z from bidding after being offered Property 1 was correct, albeit based on inaccurate information.
- despite being inaccurately advertised, Property 2 was suitable and the Council was correct to end its homelessness duty to Mr Y and Miss Z.
- it was Mrs X's decision to instruct a solicitor.

37. The Council offered to pay Mrs X £450 towards the fees she incurred as a remedy for the delay. It also agreed, given the change in Mr Y's circumstances, to allow him to join the housing register with the priority and date of the earlier application.
38. Mrs X said that it was the Council's delay and failure to respond to the solicitor which resulted in the fees. She asked the Council to consider her complaint at stage two of its process.
39. The Council wrote to Mrs X in October with its response to her stage two complaint. It said that Mrs X had been told in a telephone call in April that she did not need legal advice but could seek this if she wanted to. It said that since Mrs X made the decision to instruct the solicitor, it considered £450 was a suitable remedy.
40. Mr Y and Miss Z reconciled and he returned to live with her in the third floor flat. As a result, Mrs X is unable to visit her son and grandchild in their home.
41. The Council has added Miss Z to Mr Y's current application on the housing register in Band B with their original priority date of March 2020.

My findings

Property listing and offers

42. The Council says it is not responsible for the accuracy of adverts on the Home Choice website. It says this is the responsibility of the individual landlords. However, the Council is responsible for the scheme and allocating in line with its published policy. When another organisation provides services on the Council's behalf, the Council remains responsible for those services and for the actions of the organisation providing them.

43. The policy says that property adverts will contain a description of the property. These descriptions must be accurate so that applicants can make informed decisions about which properties to bid for. Publishing inaccurate property adverts is fault..
44. I am satisfied that had they been accurately advertised, Mr Y and Miss Z would not have bid on either Property 1 or Property 2.
45. As a result of the fault in advertising Property 1, Mr Y and Miss Z were unable to bid from late April until early June. In response to my enquiries, the Council provided evidence to show that at least one two-bedroom ground floor property was let to an applicant lower on the list than Mr Y and Miss Z. Therefore, it is likely that Mr Y and Miss Z missed out on an offer of suitable accommodation. This is a significant injustice to Mr Y and Miss Z.
46. Were it not for the fault in how Property 1 was advertised, I find it likely Mr Y and Miss Z would have been successful in bidding on another property before Property 2 was advertised. Therefore, the further fault in inaccurately advertising Property 2 would not have affected them. Instead, the inaccurate advert for Property 2 compounded the injustice already caused.

Complaints and communication

47. The Council has accepted it is at fault for:
    - failing to provide the review decision letter about Property 1 when it said it would
    - delay responding to Mrs X's solicitor
48. I find the Council is also at fault for failing to deal with the solicitor's stage one complaint in July 2020 and again in September. Had it done so, Mrs X would not have had to bring the complaint again in 2021. This is an injustice to Mrs X.
49. The Council offered Mrs X £450 towards the cost of her solicitor as a remedy for the fault it accepted. I do not consider this to be a suitable remedy for the injustice caused.
50. It is true that it was Mrs X's choice to instruct a solicitor. However, it was the significant delay by the Council which pushed the costs up. In the circumstances, I consider the Council should meet 75% of the costs.

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Agreed action

51. When a council commissions another organisation to provide services on its behalf it remains responsible for those services and for the actions of the organisation providing them. So, although I found fault with the actions of the landlords in advertising two properties inaccurately, I have made recommendations to the Council to remedy the injustice it caused.
52. To remedy the injustice from the faults I have identified, the Council has agreed to:
    - Apologise to Mr Y and Mrs X in writing
    - Pay Mrs X £225 in addition to the £450 already offered towards the legal costs she incurred
    - Pay Mrs X a further £150 in recognition of her avoidable time and trouble in having to bring a second complaint.
    - Pay Mr Y £750 in recognition of the significant avoidable distress and missed opportunity caused by the Council's inaccurate adverts
53. The Council should take this action within four weeks of my final decision.
54. The Council should also take the following action to improve its services:
    - Produce a policy setting out how the Council will deal with inaccurately advertised properties on the housing register. This might include:
        a. withdrawing and readvertising the property; or
        b. allowing an applicant to refuse an offer of an inaccurately advertised property without penalty.
55. The Council should tell the Ombudsman about the action it has taken within three months of my final decision.

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Final decision

56. I have completed my investigation. The Council is at fault. The action I have recommended is a suitable remedy for the injustice caused.

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Investigator's decision on behalf of the Ombudsman

 Print this page

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Exeter City Council
For the period ending: 31/03/23

Complaints upheld

50%

50% of complaints we investigated were upheld.

This compares to an average of **59%** in similar organisations.

1
upheld decision

Statistics are based on a total of **2** investigations for the period between 1 April 2022 to 31 March 2023

Compliance with Ombudsman recommendations

100%

In **100%** of cases we were satisfied the organisation had successfully implemented our recommendations.

This compares to an average of **100%** in similar organisations.

Statistics are based on a total of **1** compliance outcome for the period between 1 April 2022 to 31 March 2023

- Failure to comply with our recommendations is rare. An organisation with a compliance rate below 100% should scrutinise those complaints where it failed to comply and identify any learning.

Satisfactory remedy provided by the organisation

0%

In **0%** of upheld cases we found the organisation had provided a satisfactory remedy before the complaint reached the Ombudsman.

This compares to an average of **15%** in similar organisations.

0
satisfactory remedy decisions

Statistics are based on a total of **1** upheld decision for the period between 1 April 2022 to 31 March 2023

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Council	No. of complaints investigated by the Ombudsman	No. of complaints investigated that were upheld by the Ombudsman	% compliance with Ombudsman recommendations (Blank = No recommendations were due for compliance in this period)	% of upheld cases we found the council had provided a satisfactory remedy before the complaint reached the Ombudsman	Service improvements agreed by the council since 2018
Exeter	2	1	100	0	1
East Devon	2	2	100	1	3
Mid Devon	1	1	100	0	1
North Devon	3	2	100	0	3
South Hams	0	0			6
Teignbridge	3	2		0	3
Torridge	0	0			3
West Devon	1	1		1	0
Plymouth	21	14	100	2	39
Torbay	23	17	100	5	26
Cheltenham	0	0			1
Newcastle Under Lyme	3	2	100	0	2
Lincoln	1	1	100	0	3
Mansfield	1	1	100	0	1
Broxtowe	2	2	100	1	4
Worcester	2	2		0	4
Lancaster	2	1	100	0	3
Canterbury	9	7	100	0	7
Preston	4	2	100	0	3
Ipswich	4	2	100	0	2
Rushmoor	1	0		0	1
Tamworth	2	2	100	0	2

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REPORT TO AUDIT AND GOVERANCE COMMITTEE

Date of Meeting: 29th November 2023

Report of: Director Finance

Title: REVIEW OF 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 was presented to the Executive on 28 November which advised the committee of the council's risk management progress and presents the revised Corporate Risk Register (Appendix A), which has been linked to the Council's Strategic Priorities.

2. Recommendation:

2.1 That the Audit & Governance Committee notes the report on the Corporate Risk Register once a quarter and comment on the new process in place to manage risk.

3. Reasons for the recommendation:

3.1 To ensure that the risks associated with meeting the Council's strategic priorities are properly considered, managed and monitored.

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

4.1 The Executive and, Directors and Senior Managers, as appropriate, are asked to review the Corporate Risk Register on a quarterly basis. The register is reviewed quarterly by the Strategic Management Board.

4.2 Any actions agreed to mitigate the risks identified in the Corporate Risk Register may result in some resource implication. These would be subject to a specific report and the resource implications would be considered in that report.

5. Section 151 Officer comments:

5.1 The risk register has been reviewed by SMB and Portfolio Holders and reflects the current position.

6. What are the legal aspects?

6.1 Risk Management is an essential management tool in order to manage, assess and prioritise risks. Members will note the content of this report and the attached updated Corporate Risk register which identifies risk to the Council.

7. Monitoring Officer's comments:

7.1 The Corporate Risk Register (CRR) sets out the "across the board" risks that could threaten the Authority's core business and the way it operates. Risk management is an important aspect of our organisation's corporate governance responsibilities enabling the application of appropriate control measures as necessary to manage and minimise emerging risks.

8. Report details:

8.1 In light of a review of the council's approach to risk management, the Corporate Risk Register (Appendix A) has been revised following a workshop facilitated by the Council's insurers, Zurich. The risks identified in the revised Corporate Risk Register link to the Council's Strategic Priorities. As part of the Council's Improvement Programme, the Strategic Management Board has reviewed the council's approach to risk and propose that the Corporate Risk Register should be presented to Executive to provide assurance that the appropriate mitigations are in place. As stated above, the council's Audit & Governance Committee will continue to have a role in ensuring that the council has a robust process in place for identifying and mitigating risks.

8.2 Each risk is assessed against the following matrix, assessing the likelihood and impact before and after mitigation.

Likelihood					
	4	4	8	12	16
	3	3	6	9	12
	2	2	4	6	8
	1	1	2	3	4
		1	2	3	4
		Impact			

8.3 The Risk Register will include a new summary page, which will enable Members to see the scope of the corporate risks in one straightforward table.

8.4 Alongside each risk on the summary page, there is a table, which sets out an assessment of the resources required to manage the risks under the themes of Time, Financial, People and Assets. This will allow for an assessment of the resources required to mitigate each risk to an acceptable level allowing members to determine if the resources required are deliverable and achievable.

8.5 In addition, the summary page will include an assessment of how the risks will affect a range of drivers. The drivers are set out below and look at the impact of failing to deliver the corporate priorities and failure in each of the four pillars.

Political	Financial	Reputational	Regulatory	Legal	Compliance	Community

8.6 The two tables above use Very high, High, Medium, Low and Very Low to assess the resources required and the risk drivers.

8.7 The Final Column will assess the Council's risk appetite, whether it is open to risk, more cautious or even risk averse.

8.8 At the last Audit & Governance Committee, Members asked SMB to consider whether it was necessary to include a risk around Civil Emergencies. SMB considered this and have requested a paper on Business Continuity and Civil Emergency response prior to determining whether it is necessary to include this on the Corporate Risk Register.

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 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

11.4.2 Actions to mitigate the risks identified in the Corporate Risk Register may result in some future impact, however, any actions proposed would be subject to a specific report and the impacts would be considered in that report.

12. Carbon Footprint (Environmental) Implications:

12.1.1 No direct carbon/environmental impacts arising from the recommendations.

12.1.2 Actions to mitigate the risks identified in the Corporate Risk Register may result in some future impact, however, any actions proposed would be subject to a specific report and the impacts would be considered in that report

13. Are there any other options?

N/A

Director Finance

Author: Audit Managers

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

Background papers used in compiling this report:-

None

Contact for enquires:
Democratic Services (Committees)
Room 4.36
01392 265275

Exeter City Council

Corporate Risk Reg

Review: **Apr-23**

Reference	Category	Corporate Plan Alignment Area
1	Strategic	Net Zero Carbon City
2	Strategic	Healthy and Active City
3	Strategic	Leading a Well-run Council
4	Strategic	Leading a Well-run Council
5	Strategic	Leading a Well-run Council
6	Strategic	Housing and Building Great Neighbourhoods
7	Strategic	Thriving Culture and Heritage
8	Strategic	Prosperous Local Economy
9	Strategic	Leading a Well-run Council

:ister

Risk Description	Risk Scoring			Internal: Resources				External: Risk Drivers for Appetite							
	Inherent	Residual	Target Date	Time	Financial	People	Assets	Political	Financial	Reputational	Regulatory	Legal	Compliance	Community	Risk Appetite Rating
Delivering against the key challenges in the Net Zero Carbon City section of the Corporate Plan.	16	16	Apr-30	High	High	High	High	Very High	Low	Very High	Very Low	Very Low	Low	High	Cautious (M)
Making progress towards a Healthy and Active City	12	6	Ongoing	Medium	Medium	High	High	Very High	Low	Very High	Low	Low	Low	High	Open to Risk (H)
Adapting the council workforce to ensure appropriate skills and experience (Developing a future proof workforce)	9	6	Jan-23	Medium	High	Low	Very Low	Very High	Very High	Very High	Medium	Medium	Medium	Very High	Open to Risk (H)
Maintaining the Financial Sustainability of the Council	16	8	Feb-24	High	Low	High	Very Low	Very High	Very High	Very High	Very High	Very High	Very High	Very High	Cautious (M)
Maintaining the Council's Property and Infrastructure Assets	16	12	Feb-24	Very High	Very High	High	Very High	Medium	Very High	High	High	Very High	Very High	Very High	Cautious (M)
Delivering Housing and Building Great Neighbourhoods and Communities	16	16	Jan-00	Very High	High	Medium	Low	Very High	High	Very High	High	High	High	Very High	Open to Risk (H)
Maintaining a thriving Culture and Heritage sector	9	2	Mar-26	Medium	High	High	Medium	High	High	Medium	High	Low	Low	Medium	Cautious (M)
Delivering against the key challenges in the 'Prosperous Local Economy' section of the Corporate Plan.	12	9	Mar-24	Low	Low	Low	Low	Very High	Very High	High	Medium	Low	Low	Very High	Open to Risk (H)
Progressing the design and delivery of a corporate Customer and Digital Strategy	16	8	Mar-24	High	High	High	High	Medium	High	Medium	Medium	Low	Low	Medium	Open to Risk (H)

Corporate Risk Register

Exeter City Council

Review Month: October 2023

1 Delivering against the key challenges in the Net Zero Carbon City section of the Corporate Plan.

<u>The key challenges are:</u>
• GHG emissions in Exeter are on a downward trajectory with emissions down by a third from 2008 to 2019. However, this reduction is largely due to the reduction in the carbon intensity of the national electricity grid. There has been a 64% reduction in emission from the power sector (with most generation plant located outside Exeter) between 2007 and 2019. It is concerning that emissions from buildings and transport are exceeding targets set for 2020 and the lack of progress in these sectors, combined with growth in the city, will potentially lead to increases in emissions. Significant work to reduce emissions from buildings and transport will be required to deliver Net Zero for the City.

<u>Potential Causes:</u>
No resources within ECC assigned to Citywide Net Zero ambitions
Financial pressures and the large costs of carbon reduction
Behavioural challenges over influencing businesses and public
Technical capability to deliver and limited solutions available on the market
Lack of control over all stakeholders (businesses, visitors etc.)
Political environment and acceptance of policy changes required
Misalignment with UK and Devon Climate Plan
Failure to engage with resident and business of Exeter to ensure solutions proposed meet real need.

<u>Potential Impacts:</u>
Exeter does not meet its citywide target of becoming Net Zero by 2030.

Ref	Date Risk Identified	Risk Owner	Inherent Risk L'hood	Inherent Risk Impact	Inherent Risk Score	Mitigations & Controls	Residual Risk L'hood	Residual Risk Impact	Residual Risk Score	Tracking notes and monitoring	Target Implementation Date
1	November 2019	PH - Climate & Ecological Crisis Officer Lead: None Identified	4	4	16	We are working with the University and Devon County Council to support their work in this area and focusing on reducing our own carbon emissions. Our internal carbon net zero plan is now the subject of a separate risk register presented half yearly to the Audit & Governance Committee by the Corporate Energy Manager, Net Zero Team at the request of members.	4	4	16	October 2023: Citywide Net Zero discussed at Strategic Scrutiny and Executive following the closure of Exeter City Futures. The role of ECC in City Wide net zero is due to be discussed between SMB and members where the needs and resource implications will be assessed.	Apr-30

2 Making progress towards a Healthy and Active City

<u>Potential causes</u>
• Inability to deliver a cost neutral leisure service due to the financial nature of the service, cost of service delivery, and political aspiration of running a well run adequately funded service.
• Increasing socio-economic challenges and their impact on health inequalities and wellbeing with fuel poverty for example, resulting in reduced mental and physical wellbeing, with people in particular groups increasingly feeling isolated and unable to cope.
• Finding a sustainable funding model for Wellbeing Exeter, which we know makes a difference to the health and wellbeing of individuals and communities at a time of increasing pressure on public sector budgets.
• The ongoing risks to public swimming pools, gyms and leisure centres nationwide as a consequence of the Covid pandemic and increasing costs.
• The impact of the increasing cost of living, wage bill and energy on costs, whilst trying to keep costs to Exeter residents low.
• Responding to the post-pandemic impact on health inequalities and deprivation including a decrease in physical inactivity for those on low incomes or from culturally-diverse communities.

<u>Potential Impacts:</u>
- Inability to deliver a cost neutral leisure service.
- Conflcit between aspiration of delivering 'cost neutral' and poltical expectation to deliver a well run service.
- Wellbeing Exeter closure and significant impact on creating stronger communities
- Inequalities deepen across the city.
- Sport England don't continue to fund work - including capital development for Wonford
- Short term changes may not be sustainable

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2	May 2023	Portfolio Holder for Leisure and Physical Activity **Officer Lead:** Director for Culture, Tourism and Leisure	4	3	12	Sport England provide external funding until 2025 and possibly longer. Playing Pitch Strategy identifies opportunities SSP has increased leisure membership beyond 10,000 and provides the opportunity for wider reach. Built Facilities Strategy underway. Engagement with multiple stakeholders around delivery of Wellbeing Exeter. Strong defined and realistic commercial targets monitored regularly	3	2	6	'Discussions between Sport England and Live and Move are taking place around 'Deepening' the work in this next phase. SE want to scale what works in other areas of the country. Those conversations should be completed by March 24 along with any capital financial ask around the potential Wonford redevelopment.	Ongoing

						Review Month:				**October 2023**	
Ref	**Date Risk Identified**	**Risk Owner**	**Inherent Risk**			**Mitigations & Controls**	**Residual Risk**			**Tracking notes and monitoring**	**Target Implementation Date**
			L'hood	**Impact**	**Risk Score**		**L'hood**	**Impact**	**Risk Score**		
3	**Adapting the council workforce to ensure appropriate skills and experience (Developing a future proof workforce)**										
	Key Challenges - the Council is changing and staff will need to develop new knoweldge and skills to meet future needs - the Council has an ageing workforce and does not routinely succession plan - The Council is having difficulty recruiting into key areas - The Council's workforce is not reflective of the city's demographics Potential Causes: - The introduction of new technology to provide an improved customer experience - Competition from the public and private sector in attracting new employees - Potential Impacts: - 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										
	June 2019	Corporate & Democratic Services and Environmental Health **Officer Lead:** Director Corporate Services	3	3	9	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 - Metrics reported to SMB Ensure robust implementation of new workforce planning process (local mgmt team led) - Utilising agile program to complement modernisation of work environment - Review of progress against GDR. Further Mitigations due for completion in next 12 months - Review of council's Equalities, Diversity and Inclusion arrangements - Review of recruitment and retention policies - Roll out of new Performance and Development Review process - Pay Strategy Review - Development of Succession Plans for every Service - Development of training progrramme to meet future needs of the organisation (linked to risk 9)	2	3	6	Risk updated Nov 2024	Jan-23

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4	**Maintaining the Financial Sustainability of the Council**										
	Potential Causes: - Inability to deliver £5.1m savings target over four year period (to 2027-28); - Inability to maintain Business Rates income at levels currently generated; - Policy, regulatory or legislative changes which are not fully funded from central govt; - Impact of high inflation, rising interest rates and other external economic factors; - Potential for Local Government Finance redistribution (including a reset of Business Rates); - Potential Impacts: - Significant reductions required to Statutory Services, which become unable to function legally; - unable to balance budget, Government intervention required; - larger than anticipated reductions (in year or over longer term). - reduction in reserves below minimum level; - impacts on council services and therefore resident outcomes.										
	January 2018	Leader of the Council **Officer Lead:** Director Finance	4	4	16	Detailed MTFP assessed and agreed with Members; - One Exeter plan agreed and being implemented with suitable governance arrangements in place; - Budget for 2023-24 agreed; - 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; - Appropriate level of unringfenced general fund reserves to protect against shocks; - Identify and bid for alternative sources of funding; - Lobby government for relaxation of council tax increase restrictions; - The Council has a clear strategy to address the savings required.	2	4	8	May 2023 - The MTFP has been rolled over and work has begun on reviewing the One Exeter Programme in the context of the updated Plan. Energy price inflation has started to ease and is expected to fall over the year before stabilizing. The Council will also benefit from the Change in VAT treatment for Leisure. 'Oct 2023 - SMB have met and finalised the proposals to balance the 2024-25 budget. Some favourable assumptions around energy costs, insurance costs and Government Grant have allowed some of the income challenges to be addressed and deliver a balanced budget from the Service review proposals. The proposals have been checked and confirmed by each Directors (with a small number being removed). No further reductions are required. Longer term, there is a need for a further £5.7m reductions of which proposals totalling £1.3m have been identified. The cross cutting work and digital transformation work will underpin the Council's approach to addressing this gap.	Feb-24

			Review Month:	October 2023								
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			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		
5	**Maintaining the Council's Property and Infrastructure Assets**										
	Potential Causes: • Council owns 100 operational properties and 600 Commercial Properties as well as 28 Bridges, 50 Parks, 90 Play Areas Footpaths, Highways, walls and a River, Canal and other watercourses • Shortages of materials and labour causing delay and increased costs across the capital programme • Interest Rate rises causing the cost of borrowing to rise significantly • Additional Borrowing adds pressure to the financial stability of the Council. Potential impacts: • Increased costs to Council • Sheer number of assets extremely high for a District Council, potential to cause significant financial harm • Delay in all projects, predominantly the condition survey projects and HRA programme, leading to prolonged periods of buildings being below the standard the Council is aiming for										
	August 2021	Leader of the Council Officer Lead: Director Finance	4	4	16	- Consider Programme of Asset rationalisation - Identify alternative sources of funding to reduce borrowing - Commercial Properties mainly let on a full repairing lease basis - Reviewed existing capital programme to defer and remove schemes. - Change of emphasis to internally borrow in the short term to offset interest rate rises.	4	3	12	May 2023 - Capital Programme has been reduced. This does not mitigate the risk of deterioration of assets, but manages the risk to the financial position. Targeted review of assets to determine value. Making review of long leases a priority to deliver further capital receipts. 'October 2023 - Progress has been made in implementing the new structure in Corporate Property to deliver the capital programme. The work on a disposal strategy is continuing, which will alow further works to continue. Priority is being given to those statutory service properties and assets, but this is dependent on the Council generating further, significant, capital receipts to deliver without having a substantial, negative impact on the Council's revenue position.	Feb-24

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6	**Delivering Housing and Building Great Neighbourhoods and Communities**										
	Potential Causes: - brownfield first approach is the most sustainable option, and aligns with government policy but most sites are currently unviable and developers are unwilling to invest, resulting in sites being stalled - inadequate infrastructure funding for brownfield land regeneration - lack of specialist staff resources to support the work - inability to address complex land assembly and infrastructure challenges - significant abnormal costs associated with this type of programme - low land/property values and lack of investment appetite (especially BtR sector) - Significant local community opposition to development Potential impacts: - significant loss of income to fund services/infrastructure (CIL; S106; NHB; Council Tax; Business Rates) and inability to secure external funding from government - increased traffic congestion and net-zero not achieved by 2030 - Exeter Plan found unsound resulting in city housing needs not being met and exacerbaing the Devon Housing Crisis, especially in terms of affordable housing; lack of 5-year housing supply resulting in loss of planning control/sub-optimal development and loss of green space/special characteristics of Exeter. - new neighbourhoods not created, existing communities become unbalanced and suffer from lack of infrastructure/services, and economy of the city is stalled - active travel and accessible city aspirations not met - unsustainable development and new homes do not meet Garden City principles - housing built on greenfield sites										
Page 275	November 2021	Leader of the Council Officer Lead: Director City Development & Housing PH - City Development	4	4	16	Successful bidding for government funding programmes (Brownfield Land Release Fund; Garden Communities; One Public Estate; New Development Corporations Competition Fund) is supporting Liveable Exeter and Council Owned Building projects - project management capacity brought in - business cases, feasibility studies, development frameworks for strategic sites undertaken (E.g. Marsh Barton, Southgate, Water Lane) - Director of City Development & Housing appointed - ECC demonstrating willingness to acquire land and property using CPO powers, and dispose of land to the private sector, where necessary to move forward in a sensible phased programme - ECC recognises need to step up the support commensurate with the scale and pace of development required - Through the Exeter Design Quality Partnership ECC has adopted an enabling and collaborative culture with developers and landowners, instilling confidence in the planning process. Enhanced Member Training is offered to improve quality of decision making in planning - Liveable Exeter Place Board established to bring together the city's institutions to take ownership of the vision and aspirations and to work collectively on obstacles to delivery - Preapplication advice on key sites helping to bring developm,ent forward more quickly and better quality - new local plan that includes the vision and principles as part of the formal planning policy	4	4	16	May 2023: Consultation on an outline draft Exeter Plan was completed; A comprehensive study of Council car parks has been concluded; A Stage 1 Feasibility on Southgate completed; Consultants appointed to deliver a Development Framework and Design Code for Water Lane; the Exeter Design Quality Partnership has been established; Planning Performance Agreements have been completed for Water Lane and Exeter St Davids - planning applications anticipated later this year; a successful recruitment process in City Development has been undertaken and only one senior post remains vacant; consultants have been appointed to undertake a FBC for the EDF; The Growth Board meets monthly to monitor progress on LE/brownfield sites and identify delivery solutions; a portfolio of sites for R3 BLRF are being brought together; Vaughan Road Phase 1 has commenced; a project team has been assembled to kick start City Point. October 2023 Exeter Plan: Full draft published for 12-week public consultation on 23.10.2023. Liveable Exeter Projects: Stage 2 Feasibility Study for 'Liveable Southgate' site is underway and due to be completed in March 2024; Draft Liveable Water Lane Development Framework and Design Code published for 6-week public consultation on 23.10.2023. Exeter Design Quality Partnership (EDQP): A planning charter incorporating new pre-application charges to be presented to Executive and Council for approval in November/December 2023. Government funding programmes: Work commenced on Business Case for Exeter Development Fund; Brownfield Land Release Fund 1 (BLRF). Cathedral & Quay car park and Bonhay Meadows - no longer being taken forward and grant monies to be returned to DLUHC; Belle Isle, Canal Basin, Mary Arches Car Park and Lower Weir Road - Delivery Plans are being prepared and discussions underway with One Public Estate (OPE) to vary the terms of the Grant Funding Agreement to allow for delayed land release triggers. Former ECL sites: Clifton Hill - subject to confirmation by Full Council, a delivery plan and business case will be produced. Council Owned Building Programme (COB): Vaughan Road - Phase 1 (35 homes) under construction and Delivery Plans for phases 2 & 3 (56 homes)being prepared; Laings, Rennes House, Chestnut Avenue & Clifford Close - Project Plans for each site being prepared. Planning Applications: Outline planning application received for Water Lane "southern development zone"; Detailed planning application for Haven Banks retail park to be considered by Planning Committee on 05.12.2023. Pre-applications discussions with Network Rail on St David's Station car parks suspended and awaiting new programme and timescales; Other City Development/Housing	

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7	**Maintaining a thriving Culture and Heritage sector**										
	Potential Causes: • Uncertainty around National Portfolio Organisations • To be seen by the Arts Council as 'Priority Place' against levelling up schematics • Moving from delivery to enabling and facilitation • Inability to create a flourishing night-time economy • A need to balance cultural ambition with the national funding picture and local financial challenges • A need to support Visit Exeter as a vital mechanism for promotion of our events, business and cultural offer. • Budget savings to address the medium term financial plan • UNESCO City of Lit working as a separate entity to the city, which is the designation holder. Potential Impacts: • Loss of NPO funding • Loss of wider impact of cultural regeneration of the city. • Inability to support night time economy • Inability to support cultural sector • Inability to deliver services including RAMM, Corn Exchange, Red Coats, Custom House, Underground Passages, Box Office • Non-renewal of UNESCO status • Reputational impact locally, nationally and internationally										
	May 2023	Deputy Leader **Officer Lead:** Director Culture, Tourism and Leisure	3	3	9	Strong relationship with Arts Council England and stakeholders. New five year Cultural Strategy being delveloped with tangible deliveries. Significant cultural assets owned and run by the cultural sector. UNESCO City of Literature status awarded and monitored. Funding agreed with ACE until 2026 with Exeter's National Portfolio Organisations	1	2	2	The restructure of RAMM's senior team is now complete and the focus is on NPO business case delivery. The renewal of the city's UNESCO designation is also taking place in Q3 of 2023 with ECC officers supporting Exeter City of Literature.	Mar-26
8	**Delivering against the key challenges in the 'Prosperous Local Economy' section of the Corporate Plan.**										
	The key challenges are: • Retention and recruitment, with some difficult-to-fill vacancies, which is stifling business growth. • A rise in residents becoming economically inactive, particularly those in the 50+ age groups. • Matching the learning and skills opportunities for residents with current and future job opportunities. • Low levels of graduate retention from the University of Exeter. • Levels of aspiration amongst our young people and limited awareness of opportunities. Potential Causes: Following budget reductions in April 2019 and the discretionary services review implemented in April 2023 there is no longer an economic development service or skills function. Both discretionary services have ceased and there is no officer resource or budget to progress this corporate priority. Potential Impacts: The identified key challenges are not addressed.										
	May 2023	Deputy Leader Officer Lead: Director Net Zero and City Management	3	4	12	We have worked with the University and Exeter College to enable them to take on more of a leading role in this area.	3	3	9		Mar-24
9	**Progressing the design and delivery of a corporate Customer and Digital Strategy**										
	The key challenges are: Digital technology has, and is continuing to change the way people live, connect and work. The Covid-19 pandemic has seen resident and customer expectations shift. Digital technology has evolved significantly and for most of us, digital technologies have become an essential part of our lives and we all want easy access to joined-up information and efficient secure services in the palm of our hand. People increasingly expect to interact with organisations wherever they like, whenever they like, on whichever device they have and on whatever channel they choose. With customer behaviour changing faster than ever, the task of digital transformation demands significant changes to people, processes and technology. We are currently lagging behind many other Councils in our development of digital services and how we engage with our customers to improve and develop them. We have identified this as a priority to address in the One Exeter programme. We are taking a strategic approach and will be launching a draft Customer Communication and Digital Services Strategy consultation alongside developing a digital road map in partnership with Strata our shared IT Company and our co-owners (Teignbridge and East Devon District Councils). Our key challenges are the pace and scale of transformation needed in business processes; functional and organisational structures; culture; skills and resources within the Council and also within and between Strata and our partners. Potential Causes: Potential Impacts: Failure to agree and implement the required level of Corporate change will impact on the ability of the Council to deliver a balanced MTFP which requires transformational change in how are services are delivered. One Exeter requires staff working more effectively to meet increases in demand with higher costs and reduced income. Digital, integrated and automated services are essential to achieving the most cost-effective outcomes for customers.										

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	May 2023	Leader of the Council Officer Lead: Director Transformation	4	4	16	Implementing a strategic, corporate approach to ICT, digital, automation and customer communication Deeper collaboration and development of shared approaches and services with Strata, Teignbridge and East Devon District Councils Implementing a single integrated transformation programme across the Council, with strong leadership from SMB and the Extended Management Team Breaking down service silos and introducing a customer-centric culture to underpin functional and structural integration across the Council Investing in updating technology resources and skills	2	4	8	Strata Board appointed new Director of ICT and Digital : his leadership is evident in the new more agile and flexible approach to digital and the needs of the Councils within the Strata leadership. Strat and partner Councils have agreed and are implementing a new operational governance architecture which will ensure better alignment and clear routes to achieving transformation objectives. Strata Joint Executive Committee endorsed and supportive of the new approach. A Draft Digital Customer Strategy for Exeter has been produced, consulted upon and is now going for approval by Executive on 7th November and for adoption by Full Council on 12th December. Through the One Exeter programme the Cross Cutting themes project is now moving from discovery into design phase which has the potential to offer a blueprint for the future operating model of the business side of the Council. This will have a greater focus on streamlined business process and operations. MS 365 roll out is well underway and due for completion by end of December 2023. Reseach and development work for a new data strategy and architecture to underpin the aspirations in the Digital Customer Strategy are on track and due for adoption by the end of December 2023. The impact of all this work has reduced the likelihood of the identified risks happening.	Mar-24