

AUDIT AND GOVERNANCE COMMITTEE

Date: Wednesday 5 December 2018
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 Mark Devin, Democratic Services Officer on 01392 265477.

Entry to the Civic Centre can be gained through the Customer Services Centre, Paris Street.

Membership -

Councillors Vizard N (Chair), Wood (Deputy Chair), Begley, Foggin, Mrs Henson, Lamb, Musgrave, Pattison, Sheldon, Thompson and Warwick

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 19 September 2018.

3 Declaration of Interests

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

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

RESOLVED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of item 10 on the grounds that it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1, Schedule 12A of the Act.

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| 5 | External Audit Progress Report and Sector Update
To consider the report of the Council's External Auditor. | (Pages 3 - 14) |
| 6 | Grant Certification work - Housing Benefit Subsidy Claim & Qualification Letter
To consider the report of KPMG. | (Pages 15 - 20) |
| 7 | Internal Audit Progress Report
To consider the report of the Audit Managers. | (Pages 21 - 36) |
| 8 | Local Government Ombudsman's Annual Review of Complaints 2018-19
To consider the report of the Corporate Manager Policy, Communications and Community Engagement. | (Pages 37 - 44) |
| 9 | Review of Local Government Ethical Standards
To consider the report of the City Solicitor & Head of HR. | (Pages 45 - 48) |

Part II: Items suggested for discussion with the press and public excluded

- | | | |
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| 10 | Review of Corporate Governance Risk Register
To consider the report of the Corporate Manager Policy, Communications and Community Engagement. | (Pages 49 - 62) |
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Date of Next Meeting

The next **Audit and Governance Committee** will be held on Wednesday 13 March 2019 at 5.30 pm

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

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Audit Progress Report and Sector Update

Page 3
Exeter City Council
Year ending 31 March 2019
Committee Date: 5 December 2018



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Introduction



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This paper provides the Audit and 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)



David Bray
Engagement Manager

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Members of the Audit and Governance Committee can find further useful material on our website (www.grant-thornton.co.uk) where we have a section dedicated to our work in the public sector and where you can download copies of our publications.

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 7 November 2018

Financial Statements Audit

We will commence our planning in December 2018. This will include meetings with officers and review of Council (and other committee) papers.

We will set out audit risks in our Audit Plan and our proposed testing to address each of the risks identified.

Following the publication of our Audit Plan in January 2019, we will undertake an interim audit. This will include:

- Review of the Council's control environment;
- Updating our understanding of the Council's financial systems;
- Review of Internal Audit reports on core financial systems;
- Early work on emerging accounting issues;
- Early substantive testing;
- A detailed review of going concern; and
- A detailed review of significant accounting estimates.

As a firm we are introducing a new audit approach in 2018/19. We will discuss this early with your finance team to ensure they are aware of what is required and what impact this might have.

We will report any findings from the interim audit to you in our Progress Report at the March 2019 Audit and Governance Committee meeting.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirms the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

At present the NAO requirements remained unchanged from those in 2017/18.

We plan to undertake our initial risk assessment from December 2018 – January 2019.

We will set out the significant risks in our Audit Plan and report the findings of our work in the Audit Findings Report by the deadline in July 2019.

Other areas

Engagement with Predecessor Auditors

We visited the offices of your predecessor auditors (KPMG) on 31 October 2018 and reviewed their 2017/18 audit files in order to ascertain the assurance available regarding the opening balances for 2017/18.

No issues were identified that will impact on our audit strategy for 2018/19.

Meetings

As part of our audit planning, we have meetings scheduled with your Chief Executive, Chief Finance Officer and Internal Auditors on 28 November 2018.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. We will ensure members and officers receive timely invites to all events. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2018/19 Deliverables	Planned Committee Date	Status
Fee Letter We wrote to the Council's Chief Executive confirming the audit fee for 2018/19 in April 2018.	July 2018	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2018/19 financial statements.	March 2019	Not yet due
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.	March 2019	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit and Governance Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statements, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	September 2019	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out in 2018/19.	December 2019	Not yet due

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the 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.

In good company: Latest trends in local authority trading companies

Our recent report looks at trends in LATCs (Local Government Authority Trading Companies). These deliver a wide range of services across the country and range from wholly owned companies to joint ventures, all within the public and private sector.

Outsourcing versus local authority trading companies

The rise of trading companies is, in part, due to the decline in popularity of outsourcing. The majority of outsourced contracts operate successfully, and continue to deliver significant savings. But recent high profile failures, problems with inflexible contracts and poor contract management mean that outsourcing has fallen out of favour. The days of large scale outsourcing of council services has gone.

Advantages of local authority trading companies

- Authorities can keep direct control over their providers
- Opportunities for any profits to be returned to the council
- Provides suitable opportunity to change the local authority terms and conditions, particularly with regard to pensions, can also bring significant reductions in the cost base of the service
- Having a separate company allows the authority to move away from the constraints of the councils decision making processes, becoming more agile and responsive to changes in demand or funding
- Wider powers to trade through the Localism act provide the company with the opportunity to win contracts elsewhere

Choosing the right company model

The most common company models adopted by councils are:

Wholly
owned

Joint
Ventures

Social
Enterprise

Wholly owned companies are common because they allow local authorities to retain the risk and reward. And governance is less complicated. Direct labour organisations such as Cormac and Oxford Direct Services have both transferred out in this way.

JVs have become increasingly popular as a means of leveraging growth. Pioneered by Norse, Corserv and Vertas organisations are developing the model. Alternatively, if there is a social motive rather than a profit one, the social enterprise model is the best option, as it can enable access to grant funding to drive growth.

Getting it right through effective governance

While there are pitfalls in establishing these companies, those that have got it right are: seizing the advantages of a more commercial mind-set, generating revenue, driving efficiencies and improving the quality of services. By developing effective governance they can be more flexible and grow business without micromanagement from the council.

LATCs need to adapt for the future

- LATCs must adapt to developments in the external environment
 - These include possible changes to the public procurement rules after Brexit and new local authority structures. Also responding to an increasingly crowded and competitive market where there could be more mergers and insolvencies.
- Authorities need to be open to different ways of doing things, driving further developments of new trading companies. Relieving pressures on councils to find the most efficient ways of doing more with less in today's austere climate.

Overall, joint ventures can be a viable alternative delivery model for local authorities. Our research indicates that the numbers of joint ventures will continue to rise, and in particular we expect to see others follow examples of successful public-public partnerships.



[Download the report here](#)

CIPFA consultation – Financial Resilience Index

The Chartered Institute of Public Finance and Accountancy (CIPFA) has consulted on its plans to provide an authoritative measure of local authority financial resilience via a new index. The index, based on publically available information, will provide an assessment of the relative financial health of each English council.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector's views, CIPFA invited all interested parties to respond to questions it has put forward in the consultation by the 24 August.

The decision to develop an index is driven by CIPFA's desire to support the local government sector as it faces a continued financial challenge. The index will not be a predictive model but a diagnostic tool – designed to identify those councils displaying consistent and comparable features that will highlight good practice, but crucially, also point to areas which are associated with financial failure. The information for each council will show their relative position to other councils of the same type. Use of the index will support councils in identifying areas of weakness and enable them to take action to reduce the risk of financial failure. The index will also provide a transparent and independent analysis based on a sound evidence base.

The proposed approach draws on CIPFA's evidence of the factors associated with financial stress, including:

- running down reserves
- failure to plan and deliver savings in service provision
- shortening medium-term financial planning horizons.
- gaps in saving plans
- departments having unplanned overspends and/or undelivered savings.

Conversations with senior practitioners and sector experts have elicited a number of additional potential factors, including:

- the dependency on external central financing
- the proportion of non-discretionary spending – e.g. social care and capital financing - as a proportion of total expenditure
- an adverse (inadequate) judgement by Ofsted on Children's services
- changes in accounting policies (including a change by the council of their minimum revenue provision)
- poor returns on investments
- low level of confidence in financial management.

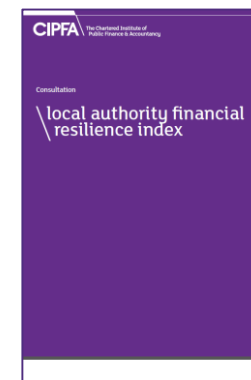
The consultation document proposes scoring six key indicators:

1. The level of total reserves excluding schools and public health as a proportion of net revenue expenditure.
2. The percentage change in reserves, excluding schools and public health, over the past three years.
3. The ratio of government grants to net revenue expenditure.
4. Proportion of net revenue expenditure accounted for by children's social care, adult social care and debt interest payments.
5. Ofsted overall rating for children's social care.
6. Auditor's VFM judgement.

CIPFA Consultation

Challenge question:

Has your Chief Finance Officer briefed members on the Council's response to the Financial Resilience Index consultation?



MHCLG – Social Housing Green Paper

The Ministry of Housing, Communities and Local Government (MHCLG) published the Social Housing Green Paper, which seeks views on government's new vision for social housing providing safe, secure homes that help people get on with their lives.

With 4 million households living in social housing and projections for this to rise annually, it is crucial that MHCLG tackle the issues facing both residents and landlords in social housing.

The Green Paper aims to rebalance the relationship between residents and landlords, tackle stigma and ensure that social housing can be both a stable base that supports people when they need it and also support social mobility. The paper proposes fundamental reform to ensure social homes provide an essential, safe, well managed service for all those who need it.

To shape this Green Paper, residents across the country were asked for their views on social housing. Almost 1,000 tenants shared their views with ministers at 14 events across the country, and over 7,000 people contributed their opinions, issues and concerns online; sharing their thoughts and ideas about social housing,

The Green Paper outlines five principles which will underpin a new, fairer deal for social housing residents:

- Tackling stigma and celebrating thriving communities
- Expanding supply and supporting home ownership
- Effective resolution of complaints
- Empowering residents and strengthening the regulator
- Ensuring homes are safe and decent

Consultation on the Green Paper is now underway, which seeks to provide everyone with an opportunity to submit views on proposals for the future of social housing and will run until 6 November 2018.

The Green Paper presents the opportunity to look afresh at the regulatory framework (which was last reviewed nearly eight years ago). Alongside this, MHCLG have published a Call for Evidence which seeks views on how the current regulatory framework is operating and will inform what regulatory changes are required to deliver regulation that is fit for purpose.

The Green Paper acknowledges that to deliver the social homes required, local authorities will need support to build by:

- allowing them to borrow
- exploring new flexibilities over how to spend Right to Buy receipts
- not requiring them to make a payment in respect of their vacant higher value council homes

As a result of concerns raised by residents, MHCLG has decided not to implement at this time the provisions in the Housing and Planning Act to make fixed term tenancies mandatory for local authority tenants.

The Green Paper is available on the MHCLG's website at:
<https://www.gov.uk/government/consultations/a-new-deal-for-social-housing>

Social Housing Green Paper Consultation



Challenge question:

What does the Social Housing Green Paper mean for your local authority?



Institute of Fiscal Studies: Impact of 'Fair Funding Review'

The IFS has published a paper that focuses on the issues arising in assessing the spending needs of different councils. The government's 'Fair Funding Review' is aimed at designing a new system for allocating funding between councils. It will update and improve methods for estimating councils' differing abilities to raise revenues and their differing spending needs. The government is looking for the new system to be simple and transparent, but at the same time robust and evidence based.

Accounting for councils' spending needs

The IFS note that the Review is seeking a less subjective and more transparent approach which is focused on the relationship between spending and needs indicators. However, like any funding system, there will be limitations, for example, any attempt to assess needs will be affected by the MHCLG's funding policies adopted in the year of data used to estimate the spending needs formula. A key consideration will be the inherently subjective nature of 'spending needs' and 'needs indicators', and how this will be dealt with under any new funding approach. Whilst no assessment of spending needs can be truly objective, the IFS state it can and should be evidence based.

The IFS also note that transparency will be critical, particularly in relation to the impact that different choices will have for different councils, such as the year of data used and the needs indicators selected. These differentiating factors and their consequences will need to be understood and debated.

Accounting for councils' revenues

The biggest source of locally-raised revenue for councils is and will continue to be council tax. However, there is significant variation between councils in the amount of council tax raised per person. The IFS identify that a key decision for the Fair Funding Review is the extent to which tax bases or actual revenues should be used for determining funding levels going forward.

Councils also raise significant sums of money from levying fees and charges, although this varies dramatically across the country. The IFS note that it is difficult to take account of these differences in a new funding system as there is no well-defined measure of revenue raising capacity from sales, fees and charges, unlike council tax where the tax base can be used.

The overall system: redistribution, incentives and transparency

The IFS also identify that an important policy decision for the new system is the extent to which it prioritises redistribution between councils, compared to financial incentives for councils to improve their own socio-economic lot. A system that fully and immediately equalises for differences in assessed spending needs and revenue-raising capacity will help ensure different councils can provide similar standards of public services. However, it would provide little financial incentive for councils to tackle the drivers of spending needs and boost local economics and tax bases.

Further detail on the impact of the fair funding review can be found in the full report

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>.





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Private & confidential

Department for Work and Pensions
Housing Benefit Unit
Room B120D
Warbreck House
Blackpool
Lancashire
FY2 0UZ

Your ref 11571025
Our ref KPMG/Exeter City
Council/BEN01
Contact Darren Gilbert
029 2046 8205

15 November 2018

Dear Sir/Madam

Exeter City Council
Housing benefit subsidy claim for the year ended 31 March 2018 (Form
MPF720A)
Qualification Letter referred to in the Auditor's Certificate dated 15 November
2018

Details of the matters giving rise to our qualification of the above claim are set out in the Appendix to this letter.

The factual content of our qualification has been agreed with officers of the Authority.

No amendments have been made to the claim for the issues raised in this qualification letter.

Yours faithfully

KPMG LLP

KPMG LLP

Observations

Cell 011: Rent Rebates (Tenant of Non-HRA Properties) – Total expenditure (Benefit Granted)

Cell Total £1,098,772

Cell Population 464

Headline Cell £1,098,772

Testing of the initial sample identified one case (total value £436) where the Authority had overpaid benefit as a result of miscalculating the claimant's weekly income. The effect of these errors is to overstate cells 14 and 15 with a corresponding understatement of cell 31.

Testing of an additional sample of 40 cases identified no further cases where proof of income could not be established.

The result of our testing is set out in the table below:

Sample:	Movement / brief note of error:	Original cell total:	Sample error:	Sample value:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample - 20 cases	Income miscalculation.	£1,098,772	£15.97	£41,152			
Additional sample - 40 cases	No errors found	£1,098,772	£0	£1,034			
Combined Sample – 60 cases	Income miscalculation and no proof of income/ Income Support.	£1,098,772	£15.97	£42,186	0.4%	£440	
Adjustment	Combined sample. Cell 14 is overstated.	£1,098,772	£8.68	£42,186	0.4%	£239	
Adjustment	Combined sample. Cell 15 is overstated.	£1,098,772	£7.29	£42,186	0.4%	£201	
Total Corresponding adjustment	Total understatement of cell 31.					£440	

The percentage error rate in our sample reflects the individual cases selected. The value of the error found was £15.97 and the benefit period was 7 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow me to conclude that it is fairly stated.

Similar errors in income have been included in our qualification letter in the previous three years, however they have all been underpayments.

Cell 055: Rent Rebates (Tenant of HRA Properties) – Total expenditure (Benefit Granted)

Cell Total £10,004,256

Cell Population 3,234

Headline Cell £10,004,256

Testing of the initial sample identified one case (total value £35) where the Authority incorrectly recorded the claimant's income, which resulted in an underpayment of benefits.

As there is no eligibility of subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.

However, because errors in recording income values could also result in overpayment, an additional random sample of 40 cases was tested. The additional 40 cases tested identified one further case (total value £1,561) where income had been incorrectly recorded. This case resulted in an underpayment, and hence have no impact on amount of subsidy claimed.

Similar findings have been included in our qualification letter in the previous two years.

Cell 094: Rent Allowance – Total expenditure (Benefit Granted)
Cell Total £25,863,031
Cell Population 6,434
Headline Cell £25,863,031

Testing of the initial sample identified one case (total value £224) where the Authority incorrectly recorded the claimant's income, which resulted in an underpayment of benefits.

As there is no eligibility of subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.

However, because errors in recording income values could also result in overpayment, an additional random sample of 40 cases was tested. The additional 40 cases tested identified three further cases (total value £7,961) where income had been incorrectly recorded. Two of these cases resulted in underpayments, and hence have no impact on amount of subsidy claimed. One case was identified where the Authority had overpaid benefit as a result of miscalculating the claimant's weekly income. The effect of these errors is to overstate cell 103, with a corresponding understatement of cell 113.

The result of our testing is set out in the table below:

Sample:	Movement / brief note of error:	Original cell total:	Sample error:	Sample value:	Percentag e error rate:	Cell adjustme nt:	Revised cell total if cell adjustmen t applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample - 20 cases	No errors found	£25,863,031	£0	£28,789	0%		
Additional sample - 40 cases	Income miscalculatio n	£25,863,031	£1.80	£113,367	0.1%		
Combined Sample – 60 cases	Income miscalculati on and no proof of income/ Income Support.	£25,863,031	£1.80	£142,156	0.1%	£259	
Adjustment	Combined sample. Cell 103 is overstated.	£25,863,031	£1.80	£142,156	0.1%	£259	

Sample:	Movement / brief note of error:	Original cell total:	Sample error:	Sample value:	Percentag e error rate:	Cell adjustme nt:	Revised cell total if cell adjustmen t applied:
Total Correspondin g adjustment	Total understatem ent of cell 113.					£259	

The percentage error rate in our sample reflects the individual cases selected. The value of the error found was £1.80 and the benefit period was 8 months.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow me to conclude that it is fairly stated.

Similar errors in income have been included in our qualification letter in the previous three years, however they have all been underpayments.

REPORT TO AUDIT & GOVERNANCE

Date of Meeting: 5th DECEMBER 2018

Report of: AUDIT MANAGERS

Title: INTERNAL AUDIT PROGRESS REPORT 2ND QUARTER 1st JULY TO 30th SEPTEMBER 2018

Is this a Key Decision?

No

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

Is this an Executive or Council Function? COUNCIL

1. What is the report about?

- 1.1 To report on internal audit work carried out during the period 1st July to 30th September 2018, 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 2018/19 be noted.

3. Reasons for the recommendations:

- 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.

- 4.1 None

5. Section 151 Officer comments:

The general findings are positive for the Council, demonstrating a solid system of internal control. However, it is important that managers seek to address the issue raised to further strengthen the system. It is also pleasing to note the completion of two of the weaknesses within the Significant Governance Issues.

6. What are the legal aspects?

None identified.

7. Monitoring Officer's comments:

This report raises no issues for the Monitoring Officer.

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 2018/19 Audit Plan was approved at this Committee on 14th March 2018.

The purpose of Internal Audit is to provide an independent and objective review of the adequacy and effectiveness of the Council's arrangements for internal control, risk management and governance. The activities we audit are given an assurance rating as follows:

Excellent	««««««	The areas reviewed were found to be well controlled, internal controls are in place and operating effectively. Risks against achieving objectives are well managed.
Good	««««	Most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but a few areas for improvement have been identified.
Some improvement required	«««	There is a basic control framework in place, but not all risks are well managed and a number of controls are required to be strengthened.
Significant improvement required	««	Most of the areas reviewed were not found to be adequately controlled. Risks are not well managed and require controls to be strengthened to ensure the achievement of system objectives.
Fundamental weakness	«	Controls are seriously lacking or ineffective in their operation No assurance can be given that the system's objectives will be achieved.

8.1 Progress against the plan and work undertaken

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

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

The table is based on the audit plan and the systems grouped into the fifteen strategic purposes as per the Corporate Plan.

A further summary of the outcomes of audits completed can be found at Appendix B.

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

8.2. Governance Issues

The Council's annual governance statement (AGS) reported that as a result of the audit work that has been undertaken throughout the year no significant issues have been identified. However, the Council continues to make enhancements and improvements to its governance arrangements and an action plan has been compiled which will be subject to regular monitoring by the Audit and Governance Committee.

An action plan of the issues identified has been included in Appendix C.

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

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

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

N/A

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

N/A

12. Are there any other options?

N/A

Helen Putt & Helen Kelvey
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 2.3
01392 265275

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**EXETER CITY COUNCIL
AUDIT AND GOVERNANCE COMMITTEE**

PROGRESS OF 2018/19 AUDIT PLAN AS AT 30/09/18

Audit Area	Budget Days	Actual Days	Report Status	Direction of travel since last audit	Assurance Rating	Number of findings		
						High	Med	Low

CX & GD

'Deliver good development'
 'Help me run a successful business'
 'Make Exeter a stronger city'
 'Make Exeter a stronger city'
 'Make Exeter an Analytical City'
 'Make Exeter energy independent'
 'Make Exeter congestion free'

Planning	10	11.5	Final	↓	Some Improvement Required	0	7	1
New Homes Bonus	5	0.3						
Section 106 Agreements	5	14.3	Final	No previous audit opinion	Some improvement required	1	7	1

Support Services

'A well run Council'

Main Accounting	12	0.6						
Income Management	13	16.5	Draft					
Procurement	15	4.9						
Creditors – Duplicate Payments	25	18.3	Final	↑	Good	0	2	0
Treasury Management	5	9.6	Final	↔	Good	1	4	3
VAT	7	9.1	Final	↔	Some Improvement Required	1	9	1
BACS/CHAP	5	2.1	Draft					
Corporate Governance	8	4	Ongoing					
Equalities and diversity	5	0.6						
Risk Management	15	1.8	On going					
Business Continuity Management	10	0.8						
Information Governance	10	1.7						

Counter Fraud	9	5.4	On going					
Contract Management	24	1.3						
Safeguarding	5	0.7						
Performance Management	10	0.1						
Due Diligence – District Heating schemes	5	4	Final	No audit opinion given	N/A	-	-	-
Hospitality and gift disclosures	2	0.2						

Director – Jo Yelland

'Help me live well'

'Help me be active'

ICT/Computers/STRATA	6	0.7						
People Management (incl Payroll)	15	20.4	Draft					
Licensing	6	6.4	Final	No previous audit opinion	Good	0	1	1
Health and safety	10	1.9						
Disabled Facilities Grants	8	10.3	Final	↔	Good	0	3	2

Director – David Bartram

'Keep Exeter looking good'

'Fix and maintain our Assets'

CCTV	5	4.4	Final	↔	Good	0	6	1
Homecall	5	8.4	Final	↓	Some Improvement Required	0	8	6
City Centre (BID)	10	6.7	Draft					

Director – Jon-Paul Hedge

'Provide great things for me to see and do'

'Keep me informed'

Museum services	6	0.1						
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Director – Bindu Arjoon

'Help me with my housing and financial problems'

'Fix and maintain our Housing Assets'

Housing Benefits	15	0						
Council Tax	13	0.2	In progress					
Payments and collection	9	1.9						
Sundry Debtors	8	0.1	In progress					
NDR	10	1.8	In progress					

Housing – Housing development, asset management, HRA	5	0						
Housing Needs	10	10.6	Draft					
Housing – private rented, temp accommodation	15	4.2	In progress					

Other

RIPA Administration	2	3.2
Contingency (special/frauds) including unplanned work	30	12.4
Follow-ups	8	3
Audit Development – Data Analysis/CAAT development/stakeholder survey	19	3.6
Audit planning and control	46	20.4
NFI	2	2.2
External Audit	2	0.4
Total	470	231.2

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**EXETER CITY COUNCIL
AUDIT AND GOVERNANCE COMMITTEE**

Internal Audit Summary of Work Completed 01 July to 30 September 2018

Please note that this is a summary of recommendations only, as to include all recommendations made 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 Area	Summary
Creditors – duplicate payments Assurance rating: Good ★ ★ ★ ★	<p>The Council uses a purchase ledger system (EFINS) to make payments. (Note: purchases may also be made using one of the Council's corporate credit cards, however, these transactions were not within the scope of the audit).</p> <p>The scope of the audit included:</p> <ul style="list-style-type: none"> • reviewing all potential duplicates/overpayments for the period 1 June 2017 to 14 June 2018 (note: for this period Accounts Payable processed 30,565 invoices through the EFINS system) • checking that recovery action was taken when invoices were paid twice <p>Two 'medium' risk issues were reported and remedial action was agreed by management.</p>
Treasury Management Assurance rating: Good ★ ★ ★ ★	<p>The Treasury Management (TM) function has responsibility for the management of the Council's cash flow and investments, its banking, money market and capital market transactions, the effective control of the risk associated with those activities and the pursuit of optimum performance consistent with those risks.</p> <p>The Council is required to have a Treasury Management Strategy based on the requirements of the DCLG's guidance on local authority investments. According to the government guidance the core principles that local authorities should follow when investing money are:</p> <ul style="list-style-type: none"> • to make the deposits secure • to ensure they have sufficient liquidity for their daily demands • to produce the highest available yield, once the first two considerations have been met <p>The Council has also adopted the CIPFA Treasury Management in the Public Services: Code of Practice. The code makes three recommendations for the adoption of policies and practices to secure local authorities' best practice treasury management:</p> <ul style="list-style-type: none"> • to put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements to ensure the effective management and control of TM activities • to demonstrate through policies and practices that effective management and control of risk are prime objectives of TM activities

	<ul style="list-style-type: none"> to acknowledge that the pursuit of best value in TM and the use of suitable performance measures are important in order to secure business and service objectives and that within the context of effective risk management, TM policies and practices should reflect this. <p>The scope of the audit included a review of the following areas:</p> <ul style="list-style-type: none"> - Treasury Management Strategy - Risk management - Cash flow - Lending - Borrowing - Capital investment - External service providers - Records and reconciliations - Reports to Members <p>One 'high' risk and 4 'medium' risk issues were identified. The 'high' risk issue related to the level of investment in a lower tier authority which exceeded the maximum set within the Council's Treasury Management Strategy. Remedial action was agreed with management for all issues identified.</p>
VAT Assurance rating: Some Improvement Required ★★★	<p>The Council is registered for Value Added Tax (VAT) and as such has to account to HMRC for the VAT;</p> <ul style="list-style-type: none"> charged on the goods/services supplied by the council (known as output tax) paid on the goods/services purchased by the council (known as input tax) <p>All VAT transactions are recorded in the councils';</p> <ul style="list-style-type: none"> debtor system ASH (invoices raised where monies are due to the council) purchase ledger systems POPS and Non-POPS (orders raised/invoices paid where monies are due from the council) general ledger system (recording VAT associated with payments made directly into/from the councils' bank account that have by-passed either the debtor or purchase ledger systems) <p>The scope of this audit was to review and test the following areas;</p> <ul style="list-style-type: none"> Policies and procedures Input tax and Output tax Accounting for VAT VAT changes <p>A total of 1 'high' risk and 9 'medium' risks were identified. The 'high' risk related to management of the VAT suspense account and remedial action has been agreed with management for all issues identified.</p>

<p>Licensing</p> <p>Assurance rating: Good ★★★★</p>	<p>The Licensing Section is responsible for the issuing and enforcement of a wide range of different licences for example alcohol and entertainment licenses, taxi and private hire vehicle licenses, street trading licences, gambling licenses and animal licenses.</p> <p>The audit concentrated on animal licensing - the Council has statutory responsibilities for the licensing of a number of activities relating to the welfare of animals under a number of different Acts of Parliament. A new regulation came into force on 1 October 2018, which is 'The Animal Welfare (Licensing of Activities involving animals) (England) Regulations 2018' and is part of the Animal Welfare Act 2006.</p> <p>The new regulation primarily covers;</p> <ul style="list-style-type: none"> • Selling animals as pets • Cat/dog boarding • Hiring out horses • Dog breeding • Keeping/training animals for exhibitions <p>It is aimed at protecting animals making it an offence for any person to possess, own or keep animals in order to carry out certain businesses, or have possession of certain animals within Exeter, without first being licensed by the Council.</p> <p>The scope of the audit included reviewing;</p> <ul style="list-style-type: none"> • Policies and procedures • The publication of the licensing requirements around animal welfare • Licence issue and renewal • The reconciliation of the licences issued to the fees collected • Procedures for identifying non-licensed operators <p>One 'medium' issue was identified and remedial action was agreed by management.</p>
<p>CCTV</p> <p>Assurance rating: Good ★★★★</p>	<p>The City Centre is monitored by CCTV cameras operated in partnership between the City Council (ECC), Devon County Council (DCC) and the Devon & Cornwall Police (D&CP), together with the support of the Community Safety Partnership. The system is registered with the Information Commissioner's Office and regulated under General Data Protection Regulation 2018 and the Regulation of Investigatory Powers Act 2000.</p> <p>The objectives of the scheme are:</p> <ul style="list-style-type: none"> • To help deter and detect crime and provide evidence material for court proceedings • To help reduce the fear of crime • To assist in the overall management of Exeter city centre • To enhance community safety, assist in developing the economic wellbeing of the Exeter area and encourage greater use of the city centre • To assist the Local Authorities in their enforcement and regulatory functions within the Exeter area • To assist in traffic management and encourage safer and more sustainable use of all modes of transport and provide travel information to the media and public

	<ul style="list-style-type: none"> • To assist in supporting civil proceedings • To monitor all modes of travel to enable improvement and better management of the public highway <p>The agreed scope of the audit included a review of the following:</p> <ul style="list-style-type: none"> • Policies, procedures & training • Effective administration (notifications to the ICO office, justification for using CCTV) • Selection and siting of cameras, notices • Use & maintenance of CCTV equipment • Storage, retention and disclosure of images • Management review of the use of CCTV <p>Remedial action was agreed with management for all issues raised.</p>
Homecall Assurance rating: Some Improvement Required ★ ★ ★	<p>Home Call provides community alarms to rent to people at risk, including the elderly and those with mobility problems or medical conditions. This enables people to continue to live in their own homes.</p> <p>As at 3rd May 2018, there were 1,554 Home Call clients of which 177 were also Key Safe clients though it should be noted that of the 1,554 clients, 527 of them are 'scheme housing' clients who have the service provided free of charge.</p> <p>Since November 2016 however, any new clients moving into the 'scheme housing' properties are being asked to pay for this service – the Home Call system is removed if they are unwilling to do so.</p> <p>The scope of the audit included a review of the following areas;</p> <ul style="list-style-type: none"> • Issue of Home call alarms • Invoicing (covering the period January 2018 to May 2018) • Debt recovery (as at May 2018) • Cancellation of the service • Maintenance and testing of the equipment • Client, staff and data protection <p>The audit identified a number of "medium" risk issues and remedial action was agreed with management for all issues identified.</p>
Due Diligence – District Heating Scheme No audit opinion given. Consultation review as opposed to assurance review.	<p>As the Council embarks upon a number of new initiatives in new areas of business the due diligence around these projects has been identified as an area of higher risk because they are new. The audit was conducted to gain an understanding of any effects on the Council rather than an assurance audit of the companies.</p> <p>The district heating schemes are new projects for the Council and are also included within the Council's corporate risk register, therefore, they have been selected for review during 2018/19.</p>

	<p>Exeter City Council holds shares within two district heating companies, Dextco and the Monkerton District Heating Company. Both companies are in the infancy and the schemes are still at their development stages.</p> <p>The Council has recognised some potential risks with these schemes and is monitoring these risks through their risk management process. The audit has not identified any further significant risks but some observations were made for which appropriate responses were received from management.</p>
<p>Disabled Facilities Grant</p> <p>Assurance rating: Good ★★★★</p>	<p>If a house owner or someone living in their property is disabled they may qualify for a disabled facilities grant towards the cost of providing adaptations and facilities to enable the disabled person to continue living there.</p> <p>The awarding of these grants by local councils is governed by part one of the Housing Grants, Construction and Regeneration Act 1996. Devon County Council has been allocated funds by Central Government to support disabled adaptations. A share of this money is then allocated to each local authority within Devon to administer on behalf of DCC.</p> <p>For the 2017/18 year, ECC was awarded £733,476 from the Better Care Fund, although 10% of this amount (£73,347) was paid back to DCC to form a central funding pot so that all local authorities can access and use these additional funds where greatest demand for DFGs arise.</p> <p>The DFGs are issued subject to certain conditions and these are set out by the Department of Community and Local Government on an annual basis.</p> <p>The Chief Executive and Head of Audit of Devon County Council are required to sign a statement by the end of September each year and return this to the relevant government department confirming that “to the best of their knowledge and belief, and having carried out appropriate investigations and checks, in their opinion, in all significant respects, the conditions attached to Disabled Facilities Capital Grant Determination have been complied with.</p> <p>In order for them to do this, each authority is required to confirm that the grants they have awarded have been administered in accordance with the conditions set out by the Department of Community and Local Government. The authority statement must then be signed by the Chief Finance Officer and the Audit Manager.</p> <p>The Scope of the audit included a review of the following areas:</p> <ul style="list-style-type: none"> • Policies and procedures • Eligibility • Approval of applications • Works • Conditions • Payments • Monitoring of grant income <p>Samples of transactions were selected over the period 1 April 2017 to 31 March 2018 for examination and members of staff were interviewed in order to check the effectiveness of the internal controls and procedures in operation.</p>

	The work undertaken enabled the Chief Finance Officer and the Audit Manager to sign off the statement by the due date.
Section 106 Agreements Assurance rating: Some Improvement Required ★ ★ ★	<p>Planning obligations are agreements entered into between the Council and developers, usually in conjunction with the granting of planning permission. Planning obligations apply to land, binding it and whoever owns it. They are made using powers under section 106 of the Town and Country Planning Act 1990, which is why they are also called "section 106 agreements".</p> <p>Planning obligations are generally used:</p> <ul style="list-style-type: none"> • for controlling the use of land • to ensure the developer provides sufficient infrastructure improvements to deal with the development <p>Unless it is agreed otherwise, planning obligations run with the land in perpetuity and may be enforced against the original covenantor, and anyone else that acquires an interest in the land, until such time as they are discharged or otherwise modified.</p> <p>A Community Structure levy (CIL) was introduced by the Planning Act 2008 to help local authorities deliver infrastructure to support the development of an area. Since this levy was introduced the number of s106 conditions has decreased, however, they are still used for certain areas which the CIL does not cover. If the strategic infrastructure is on the Council's "Regulation 123 list" of infrastructure for CIL funding, then it can no longer be funded through section 106 agreements.</p> <p>The current balances of s106 payments are as follows:</p> <ul style="list-style-type: none"> - S106 Capital contributions unapplied – £974,049.37 - S106 Deferred credits – £9,574,726.04 - S106 Income in advance - £605,346.61 <p>The Member Champion for S106 at the time of the audit was Cllr Harvey and he had raised concerns that S106 monies were not being spent on projects. He was worried that monies may not be spent by the expiry dates and would have to be repaid to the developer. It was agreed with Cllr Harvey and the Principal Project Manager Strategic Infrastructure that Audit should undertake a 'walk through' of the current system, produce a complete system description and identify areas where there were inadequate controls or processes.</p> <p>Interviews were held with people within the relevant sections involved in the process.</p> <p>There were numerous issues identified during the audit that once addressed, will improve controls over the Council's S106 objectives. However, many of the agreed actions relate to additional resources being found. If these additional resources are not available other methods of addressing the identified risks will need to be sought.</p>

SIGNIFICANT GOVERNANCE ISSUES PROGRESS REPORT - FROM ANNUAL GOVERNANCE STATEMENT 2017-18

Issue No.	Issue identified	Responsible Officer	Summary of action proposed	Update Sept 2018	Update December 2018	Update March 2019	Notes
No significant governance issues were identified for 2017/18, however, measures to improve Governance arrangements have been proposed and implementation of these measures should be monitored.							
1	Separation of Duties - with considerable changes to the structure of the Council as it transforms the way in which services are delivered, separation of duties continues to be an area of concern. There is a risk that inadequate separation of duties could weaken the system of internal control, resulting in an increased risk of irregularities, errors and fraud. (c/fwd 2015-16 AGS)	Managers	This will continue to be monitored as part of the internal audit plan and any issues arising will be reported to the Audit and Governance Committee quarterly.	This is continuing to be monitored as stated.	This is continuing to be monitored as stated.		
2	Reduction in resources – general reductions in staffing numbers increase the impact of staff absences and other service interruptions. Absences may also increase owing to greater pressure of work and loss of motivation. As reported above, Internal Audit are aware of instances where long term sickness is impacting on service delivery. (c/fwd 2015-16 AGS)	Audit Managers	This will continue to be monitored as part of the internal audit plan and any issues arising will be reported to the Audit and Governance Committee quarterly.	This is continuing to be monitored as stated.	This is continuing to be monitored as stated.		
3	Contract Regulations – current contract regulations conflict with the legislative requirements of the Public Contract Regulations 2015, therefore the Council is at risk of breaching legislation. (c/fwd 2015-16 AGS)	Chief Finance Officer - D Hodgson	Draft contract regulations are being presented to the Strategic Management Board in June 2018 with the intention of incorporation into the Constitution at the July 2018 Council meeting.	The revised Contract regulations have now been approved and now form part of the Council's constitution. This action is now complete.	Completed		
4	Procurement – the Council currently does not have a procurement function in place that is fit for purpose. A recent audit of procurement identified a number of shortcuts in the procurement process e.g. extending contracts rather than retendering, a lack of effective contract management. The Interim Procurement Officer left the authority at the end of March and has not been replaced. However, the Council has engaged a consultant to review the current procurement process to help meet the requirements of the Public Contract Regulations 2015 but this review has yet to be finalised. (c/fwd 2015-16 AGS)	Chief Finance Officer - D Hodgson	The Council has an authorised structure and has engaged Hays to manage recruitment into the posts. The Council currently has an Interim Corporate Manager - Procurement and an interim dedicated to HRA contracts.	The three procurment posts have now been filled and the new employees will be starting during September and October.	Completed		
5	Implementation of a performance management framework.	CM Executive Support - B Luxton	Executive members and SMB met on the 29 January 2018 to consider a new city vision and priorities for the Council. These will be captured in a new corporate plan and comprehensive performance framework, which will be submitted to members in July 2018.	The Corporate Plan 2018-21 will be submitted to Executive on 9 th October 2018. When priorities have been agreed, performance measures to monitor progress will be built into the new corporate dashboard that is being developed with Strata.	An audit of performance measures across the council has confirmed that the majority of services are monitoring key indicators at a local level. Exeter, East Devon and Teignbridge have agreed the format and content of a corporate dashboard for each council. Monitoring of corporate plan priorities and associated measures		

6	Medium term financial plan is not clearly linked to the Council's corporate priorities and work program.	Chief Finance Officer - D Hodgson	A timetable is being drawn up to address the issues and savings required for 2019-20 onwards. It will be necessary to demonstrate links to the Council's corporate priorities.		The MTFP process has required significant savings to be identified over the next two years. Rather than using an "across the board" approach to savings targets, the Council has adopted the EXOne programme to deliver targeted savings and protect areas of priority.	
7	Services are currently struggling to deliver the capital programme predominantly due to either a lack of resources in some service areas or a skills gap in respect of procurement processes and procedures in other areas.	Chief Finance Officer - D Hodgson	This is still a challenging area, the bidding process for the 2018-19 capital programme included a likely timescale, progress against this will be reported in Capital monitoring updates to Committee.		The level of spend remains similar to previous years and a number of factors have caused challenges in this area. This will continue to be monitored and reported to Members.	
8	The Council needs to continue its work to implement processes and procedures to ensure proper governance and management of its information assets.	Information Governance Forum	The Information Governance Framework and all related policies are currently being reviewed and collated into one document, which will be completed by mid March 2018. All services submitted entries to a new Information Asset Register in January 2018. This is being reviewed as part of the GDPR action plan, which includes a range of measures to ensure compliance by 25 May 2018.	The Information Governance Framework and supporting policies have now been reviewed and updated by the Information Governance Forum. Corporate Manager - Executive Support will be taking to next SMB for approval. Information Asset register is now in place. Once framework agreed, staff will be asked to sign up to all new policies via Metacompliance software.	The Information Governance Framework is now published on the intranet. The ICT Acceptable Use and Security Policy has been updated to address GDPR issues. This will be submitted to SMB shortly before roll out to all staff.	

REPORT TO AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 5 December 2018

Report of: Corporate Manager (Executive Support)

Title: Local Government Ombudsman's Annual Review of Complaints 2017-18

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 Ombudsman (LGO) in investigating and remedying complaints about councils. It also presents the LGO's annual review (2017-18) of complaints about Exeter City Council.

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. There is 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 are no financial implications arising out of the report.

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's Monitoring Officer to prepare a formal report to the council where it appears that the authority, or any part of it
- has acted or is likely to act in such a manner as to constitute maladministration or service failure
 - and where the LGO has conducted an investigation in relation to the matter.

This requirement applies to all Ombudsman complaint decisions, not just those that result in a public report. It is therefore a significant statutory duty that is triggered in most authorities every year following findings of fault by the LGO.

- 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.

- 6.3. Where an investigation has wider implications for council policy or exposes a more significant finding of maladministration, perhaps because of the scale of the fault or injustice, or the number of people affected, the LGO would expect the Monitoring Officer to consider whether the implications of that investigation should be individually reported to members.
- 6.4. In the unlikely event that an authority is minded not to comply with the LGO's recommendations following a finding of maladministration, she 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.
- 6.5. The duties set out above in relation to the Local Government and Housing Act 1989 are in addition to, not instead of, the pre-existing duties placed on all authorities in relation to Ombudsman reports under The Local Government Act 1974. Under those provisions, 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.

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 Local Government Ombudsman (LGO) is a service that investigates complaints from the public about councils and some other bodies providing public services in England. The LGO investigates allegations of maladministration that have caused injustice to the complainant. Most council services can be investigated including some areas of housing, planning, council tax and housing benefit.
- 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 Exeter City Council complaints received and decisions made by the LGO for the year ending 31st March 2018 are set out below. The LGO has not issued any formal public reports, as referred to in paragraphs 6.1 and 6.5 above.
- 8.4. The council correctly suspended the customer's housing application whilst awaiting confirmation of a change of circumstances. However the council acknowledged that the grounds for suspension as stated in the Devon Home Choice Procedure are not mirrored in the policy document, leading to the Ombudsman's attribution of fault to the Council. The Devon Home Choice Co-Coordinator was informed of this and amendments to the policy wording are included in the forthcoming annual policy review

so that the reasons for suspending an application is clearly reflected across both documents.

Reference	Category	Decision Date	Decision	Remedy
16017922	Housing	22/02/2018	Upheld	Null
17001137	Environmental Services & Public Protection & Regulation	24/04/2017	Referred back for local resolution	Null
17001536	Null	02/05/2017	Incomplete/Invalid	Null
17003216	Planning & Development	30/05/2017	Referred back for local resolution	Null
17004863	Benefits & Tax	20/07/2017	Closed after initial enquiries	Null
17007158	Planning & Development	01/08/2017	Referred back for local resolution	Null
17007572	Adult Care Services	08/08/2017	Referred back for local resolution	Null
17008533	Housing	25/09/2017	Referred back for local resolution	Null
17008574	Benefits & Tax	25/09/2017	Closed after initial enquiries	Null
17008700	Planning & Development	23/11/2017	Closed after initial enquiries	Null
17009664	Environmental Services & Public Protection & Regulation	17/10/2017	Closed after initial enquiries	Null
17011694	Benefits & Tax	18/10/2017	Referred back for local resolution	Null
17012980	Environmental Services & Public Protection & Regulation	09/11/2017	Incomplete/Invalid	Null
17014255	Housing	04/12/2017	Advice given	Null
17017031	Environmental Services & Public Protection & Regulation	30/01/2018	Referred back for local resolution	Null
17017856	Housing	13/02/2018	Advice given	Null

8.5. Details of the LGO's findings on the one case that was upheld (Ref 16017922) are attached at Annex A.

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. An effective complaint handling process is important for identifying service improvements. The current process is currently being reviewed to identify areas for improvement.

11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

11.1. There is no negative impact.

Bruce Luxton
Corporate Manager (Executive Support)

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

Complaint reference:
16 017 922

Complaint against:
Exeter City Council

The Ombudsman's final decision

Summary: There was fault when the Council suspended Mrs X's housing application. However this has not caused Mrs X an injustice as it was only suspended for a short period and she was rehoused shortly after the application was reinstated. There is no fault in the way the Council considered Mrs X's request for additional priority on her housing application. There is also no fault in the way the Council dealt with Mrs X when she was fleeing violence from her husband.

The complaint

1. Mrs X complains that the Council failed to rehouse her or consider her as homeless when she was subject to domestic violence from her ex partner. Mrs X says that as a result of the Council failings she and her child were put at risk and her child was taken into care because of this.

The Ombudsman's role and powers

2. 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*)
3. We cannot question whether a council's decision is right or wrong simply because the complainant disagrees with it. We must consider whether there was fault in the way the decision was reached. (*Local Government Act 1974, section 34(3), as amended*)
4. 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*)

How I considered this complaint

5. I have spoken to Mrs X about her complaint and considered the information she provided to the Ombudsman.
6. I have also considered the information the Council provided in response to my enquiries which includes records of contact with Mrs X. I have also considered information provided by the County Council regarding Mrs X's son, Y.

What I found

Homelessness

7. If a council has 'reason to believe' someone may be homeless or threatened with homelessness, it must take a homelessness application and make inquiries. The threshold for taking an application is low. The person does not have to complete a specific form or approach a particular council department. (*Housing Act 1996, section 184 and Homelessness Code of Guidance paragraphs 6.2 and 6.6*)
8. A council must provide interim accommodation while it considers a homelessness application if it has reason to believe the applicant may be homeless, eligible for assistance and in priority need. (*Housing Act 1996, section 188 and Homelessness Code of Guidance for Local Authorities, paragraph 6.5*)

Housing allocations

9. 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)*)
10. An allocations scheme must give reasonable preference to applicants in the following categories:
 - homeless people;
 - people in insanitary, overcrowded or unsatisfactory housing;
 - people who need to move on medical or welfare grounds;
 - people who need to move to avoid hardship to themselves or others;(*Housing Act 1996, section 166A(3)*)
11. The Council's is part of a scheme with neighbouring councils. The Council is responsible for how the scheme is operated in its area.
12. Applicants for housing are placed in priority bands A to E depending on their circumstances. Band A is for people who need to move in an emergency and band E is for people with no housing need whatsoever.
13. Applicants must inform the Council about changes in circumstances. The Council can withdraw an offer of accommodation if it finds a person is no longer entitled to it due to a change in their circumstances since making an application.

What happened

14. On 1 August 2016 Mrs X contacted the Council to say she was struggling with stairs in her property. Mrs X had previously lived in the property with his husband who had assisted her with the stairs due her mobility issues.
15. On 3 August 2016 the Council awarded Mrs X's housing application priority band B due to her health needs and backdated this to 1 August 2016. Band B is awarded to people with "high housing need".
16. On 5 September 2016 Mrs X contacted the Council again and said she had to move due to threats of violence from her husband. The Council arranged for Mrs X to attend its offices on the following day and she was accompanied by a Social Worker. Mrs X requested the Council give her band A on her housing application. She said she wanted to move from her existing accommodation urgently but do so in a planned way.

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17. The Council offered to move Mrs X to a temporary accommodation or a refuge but she refused this. Mrs X said she could not cope in shared accommodation and was concerned about the welfare of her pets which she could not bring with her. The Council sent Mrs X an application form for band A priority and also sent a form to her Social Worker.
 18. Following an incident at Mrs X's home on 9 September 2016 she was moved to alternative accommodation by Social Services. The County Council is responsible for Social Services in the area.
 19. On 12 September 2016 Mrs X refused to remain in the accommodation. The Mrs X was taken to hospital for a mental health assessment and her son was taken into care on an emergency basis.
 20. On 14 September 2016 the Council obtained an interim care order for her son who was placed with foster carers.
 21. On 16 September 2016 the Council placed a temporary hold on Mrs X's housing application. This was because it found that her son was no longer living with her and needed to reassess her application. The Council asked Mrs X to supply it with a copy of the interim care order for her son.
 22. Mrs X contacted the Council by telephone on 19 and 23 September 2016 to ask what was happening with her application. The Council explained it would consider any evidence provided and consider her for band A priority. Mrs X explained she was at risk of violence from her husband.
 23. Mrs X attended the Council's offices on 3 October 2016. She handed in a copy of the interim care order for her son. Mrs X said there had been no further incidents involving her husband but she still wanted to move. Mrs X said she could not get her son back unless she was moved to alternative accommodation away from the area. The Council said it would lift the suspension on her housing application so she could bid for properties but she would remain on band B priority.
 24. The Council refused Mrs X's application for band A priority on 14 October 2016. The Council said it had received evidence from the police and other agencies that the risk to Mrs X from her husband had subsided.
 25. Mrs X was successful in bidding on a property at the same time as the Council declined her application for band A priority. Mrs X moved in on 14 November 2016. This was a two bedroom property in a different area.

My findings

26. There is no fault in the way the Council has dealt with Mrs X's housing application. The Council awarded Mrs X with priority soon after she informed it that she could not manage stairs in her property.
27. When Mrs X told the Council she was fleeing domestic violence it offered to provide her with temporary accommodation immediately but Mrs X refused this as she felt she could not cope living in shared accommodation and without her pets. There is no evidence Mrs X was directly offered a homeless application. However temporary accommodation could not have been offered without an intention from the Council to take a homeless application from Mrs X so it seems likely that one was offered. However, Mrs X declined this. Therefore, there is no fault by the Council.
28. I understand Mrs X's reasons for refusing temporary accommodation offered by the Council. However the Council's options are often limited in emergency

situations and it was only able to offer Mrs X what was available that day. Therefore, there is no fault in the Council's offer of temporary accommodation on 5 September 2016.

29. Mrs X says that the Council's failure to provide her with suitable accommodation resulted in her child being taken into care and ultimately placed for adoption. I have considered evidence in the court judgement regarding the order to place her son for adoption. The actions of the Council are not the reason why Mrs X's son was taken into care or the reason why he has been placed for adoption.
30. The Council is at fault for suspending Mrs X's housing application. The only circumstances under which an application can be suspended under the Council's allocations policy is if a person is in prison for more than 13 weeks. There is nothing within the policy which allows the Council to suspend an application whilst it considers a change in circumstances. However it can withdraw any offers made if it finds a person's circumstances are different to the circumstances set out on their application.
31. Mrs X's housing application was suspended on 16 September 2016. It was reinstated on 3 October 2016 and she was offered a property around the 14 October 2016. As Mrs X's application was only suspended for a short period and she was rehoused shortly after it was reinstated so she has not been caused an injustice.
32. Mrs X says she did not move into the accommodation until November 2016. The property is owned and managed by a housing association. The Ombudsman can investigate complaints about the way the Council allocates housing, including housing association properties. However the Ombudsman cannot investigate the way the Council or a housing association manages tenancies. This is because it is a housing management issue and the Housing Ombudsman is responsible for investigating complaints about this.
33. There is no fault in the Council declining Mrs X's application for band A priority. I have considered information in the court judgement regarding her son which sets out events that occurred around this time. The Council was entitled to reach a decision that there was a low risk to Mrs X at that time. In any case Mrs X was rehoused shortly after this and so even if there was fault by the Council it would not have caused her an injustice.

Final decision

34. I have completed my investigation as I have found fault by the Council but this has not caused Mrs X and injustice.

Investigator's decision on behalf of the Ombudsman

REPORT TO AUDIT & GOVERNANCE

Date of Meeting: 5th DECEMBER 2018

Report of: City Solicitor & Head of HR

Title: Review of Local Government Ethical Standards.

Is this a Key Decision?

No

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

Is this an Executive or Council Function?

COUNCIL

1. What is the report about?

To give members a “heads up” about the review undertaken by the Committee on Standards in Public life (“CSPL”) of local government ethical standards. The outcome of that review is expected in January 2019.

2. Recommendations:

(a) Members note the content of this report.

(b) Members are reminded of their obligation to declare any Interest they may in accordance with Exeter City Council’s Code of Conduct for Members.

(c) Where appropriate, members are reminded that they may apply to the Monitoring Officer for a dispensation to take part in a meeting where they would otherwise have an interest which would exclude them from the meeting.

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

There are no resource implications associated with this report.

4. Section 151 Officer Comments:

There are for financial implications for Council to consider contained within this report.

5. What are the legal aspects?

None identified.

6. Monitoring Officer’s comments:

6.1 This report raises no issues for the Monitoring Officer.

7. Report details:

7.1 Under section 27 of the Localism Act 2011, a relevant authority must promote and maintain high standards of conduct by its members and co-opted members.

7.2 Concern has been raised by CSPL as to whether the sanctions for breach of standards were adequate and as a result it would be monitor the implementation of the new local government standards regime. CSPL has now undertaken a review of local government ethical standards. The terms of reference for the review was to:

1. Examine the structures, processes and practices in local government in England for:
 - maintaining codes of conduct for local councilors;
 - investigating alleged breaches fairly and with due process;
 - enforcing codes and imposing sanctions for misconduct;
 - declaring interests and managing conflicts of interest;
 - whistleblowing.
2. Assess whether the existing structures, processes and practices are conducive to high standards of conduct in local government;
3. Make any recommendations for how they can be improved;
4. Note any evidence of intimidation of councilors, and make recommendations for any measures that could be put in place to prevent and address such intimidation.

7.3 The outcome of the review is anticipated in January 2019. However, early feedback so far suggests the following:

- Localism arrangements work of for most places;
- Authorities can self-regulate provided the culture is supportive;
- Political parties can help;
- Lack of clarity and lack of powers hamper.
- Parishes lack capacity to help themselves and need to be better supported.

8. Dispersations:

8.1 Members are reminded that the Monitoring Officer is empowered, upon written request, to grant dispensations permitting a member to participate in or vote at meetings where they have an interest under the Code of Conduct if, having regard to all relevant circumstances, the Monitoring Officer considers that:

- Not granting the dispensation is likely to impede the particular business transaction.
- Without the dispensation, the representation of different political groups on the body would be so upset as to alter the outcome of any vote on the matter.
- The granting of the dispensation is in the interests of individuals living in the authority's area.

- Where the authority is one to which Part 1A of the Local Government Act 2000 applies, not granting the dispensation would prevent each member of the authority's executive from participating in the business of the executive.
- It is otherwise appropriate to grant a dispensation.

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

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

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

There are no risks identified with this report.

12. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?

13. Are there any other options?

Not applicable

Baan AL-Khafaji

City Solicitor & Monitoring Officer

Contact for enquires:
Democratic Services (Committees)
Room 2.3
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