

## **AUDIT AND GOVERNANCE COMMITTEE**

Wednesday 28 September 2022

### Present:-

Councillor Tony Wardle (Chair)  
Councillors Moore, D, Allcock, Branston, Ellis-Jones, Leadbetter, Mitchell, M, Packham,  
Rees, Snow, Sutton and Warwick

### Also Present

Director Corporate Services, Director Finance, Audit Manager (HK) and Democratic Services  
Officer (SLS)

David Johnson, Audit Manager (Grant Thornton)

19

### **MINUTES**

Subject to the following clarification, in respect of an enquiry in relation to Risk 3, and a correction of the Member's request which was for further information in respect of the proposed mitigation to the achievement of Net Zero 2030 to improve national communication of Exeter as a leading sustainable city, and whether that had been directly or adequately addressed in the identified risk, the minutes of the meeting held on 27 July 2022 were taken as read, approved and signed by the Chair as correct.

20

### **DECLARATION OF INTERESTS**

No declarations of disclosable pecuniary interests were made.

21

### **EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE**

The Chair welcomed the Audit Manager, David Johnson from Grant Thornton who presented the report, which detailed their work as the Council's External Auditor undertaken as at September 2022. He confirmed the audit deliverables for 2020/21 with their work having fallen between the close of the 2020/21 audit and the commencement of the 2021/22 audit for the Council. It was anticipated the audit of the financial statement would commence shortly and be issued by the 30 November 2022 target date. He also referred to the findings of their interim audit work which was summarised in the report, and included a follow up to a recommendation in 2020/21 in relation to journal entry controls in preparation for the completion of the 2021/22 audit.

The Audit Manager responded to a Member's question in relation to the programme of recommendations from the Department for Levelling Up, Housing and Communities (DLUHC) and when any further information was available he would provide an update for Members.

The Audit and Governance Committee noted the Progress Report and Sector Update.

## **INTERNAL AUDIT PROGRESS REPORT QUARTER 1**

The Audit Manager (HK) presented the Internal Audit progress report for the period 1 April to 30 June 2022, which conformed to the Public Sector Internal Audit Standards. She drew Members' attention to the key points and advised that the majority of agreed actions from previous audit reports were being progressed satisfactorily. There was one instance relating to the Business and Commercial follow up report where remedial action was not agreed by management during that quarter as set out in Section 8.1 of the report. In accordance with the terms of reference of this Committee, it was for Members to consider what action, if any, to take in respect of the recommendation made. Management had indicated in the audit report that due to the current level of activity in commercialisation, reporting twice a year was appropriate. In other matters reported, progress against the annual plan and the work programme were on target.

A summary of the audit reports undertaken throughout the year was included as Appendix A, and the detail of significant governance issues as Appendix B was attached to the report.

The Director Finance responded as follows to Members' enquires on this matter:-

- in offering some clarity of the matter Members were being asked to determine if they wished management to have a review of the recommendation and reporting timetable of the Commercialisation Update or whether they were satisfied that occasional reporting to Scrutiny was appropriate.
- commercial activity was a critical part of the One Exeter Programme and Members should be more regularly appraised.
- in addressing a comment on staff capacity, regular reporting should be entirely manageable.
- it would be appropriate for this to be raised with the Scrutiny Programme Board.
- Members' comments and the wish to expedite a report to the Strategic Scrutiny Committee as soon as possible would be passed to the Strategic Management Board.

A Member also suggested that the Director be invited to a future meeting of the Audit and Governance Committee to update Members on the matter.

The Audit Manager would at the request of a Member, circulate the follow up of the Commercialisation audit to Members of the Committee. She also responded to a Member's enquiry in relation to Section 8.2 and confirmed that the deadline date for comments on the terms of reference would be reported to the meeting of the Greater Exeter Partnership on 30 September, and she would update Members accordingly.

**RESOLVED** that the

- (1) Internal Audit Progress Report for the first quarter of the year 2022/23 be noted; and
- (2) the Committee requested that the Strategic Management Board (SMB) review the recommendation made in Section 8.1 of the report.

## **REVIEW OF CORPORATE RISK REGISTER**

The Audit Manager (HK) presented the report on the Council's risk management process and provided an update of the Corporate Risk Register to enable the

Committee to monitor and review the Council's risks. There were changes to two of the risks made during the last quarter, in relation to *Risk 2 Failure to meet Exeter's Housing supply needs* and *Risk 6 Failure to deliver the Liveable Exeter Programme*, both of which have been increased from a medium risk to a high risk. Details of the update on each Risk had also been provided by the Strategic Management Board.

The Chair welcomed the Director Corporate Services who had been invited to the meeting as part of a number of forthcoming invitations to Members of SMB to provide further information on the individual risks under their area of responsibility on the Corporate Risk Register.

The Director Corporate Services provided a snapshot of the Council's workforce for August 2022, using detail from a metric confirming the workforce's activity with a high level overview of the gender ratio, median pay, age profile, ethnicity, recruitment matters, retention and training.

A number of key areas were highlighted including a comprehensive training programme offered to staff at appropriate times to ensure that staff were sufficiently skilled. An age profile of 37% staff between the ages of 50 and over 60 years meant that succession planning was also under constant review. At the other end of the age spectrum, there were 11 apprentices employed by the City Council, with the legal department seeing its success with the first apprentice having achieved a first class degree. It was acknowledged that the recruitment market was extremely difficult and research from South West Provincial Employers having indicated that local authorities were experiencing difficulties in recruiting for key areas such as planning and building control, legal, environmental health, leisure, waste and procurement, and attracting HGV drivers and operatives for the waste operation was particularly challenging. They have cited uncompetitive salaries, area demographics, housing costs, and the undesirability of temporary or fixed term contracts as factors. Staff expectations may have changed with some preferring to become self-employed or work as consultants.

It was important for Exeter to be the employer of choice (currently being considered as part of the One Exeter Programme) and all options are being explored including smarter advertising of the excellent working conditions and benefits, speeding up the recruitment process and with every area of the Council being clear about the importance of succession planning of staff.

Following the presentation, the Director Corporate Services responded to Members' questions:-

- changes in working hours and a flexible working pattern were already available for staff. Further alternatives were being considered by the One Exeter Programme.
- consultation with Unison, who represented staff was standard practice for Exeter City Council.
- there were difficulties in recruiting across the Council and whilst there was no evidence to support this, Brexit may have had an impact.
- every effort was being made to keep up with the challenges of the employment market and maintaining the Council's obligations to meet all equality requirements.
- innovations in recruitment included targeted adverts to be more appealing to the individual genders.
- staff numbers had increased with the insourcing of approximately 200 leisure staff.

- job adverts were placed on the Council's web site, as well as national recruiting platforms such as Indeed to broaden the reach. Contact had also been made with local schools and colleges in an effort to highlight the range of jobs and skills needed as well as the benefits of working for the Council.
- staff could leave the organisation in a managed way, but the decision to accept any requests for voluntary redundancy was based entirely on the business need.
- statistics for staff with disabilities were collated in the PowerBi metrics.
- staff shortages were part of a national picture. The measures being taken to adequately manage the risk outlined in the Risk Register was appropriate and everything that could be done was being done in these difficult times.
- statistics for employees leaving the organisation in a given time or 'churn' were collated. Staff retention was vitally important and consideration of the employment journey was being looked at as part of the One Exeter Programme.
- employed staff remained the Council's preference, but casual staff and consultancy staff were employed to meet any fluctuating needs of a particular service. There were no staff who could be termed as being on a zero hour's contract, nor had the Council used restrictive trade clauses.
- understanding the employee journey was important, and whilst the exit interview process captured some of the varied reasons people decided to leave, it was just as important to understand why new employees came to work for the City Council as well.
- the well-being of staff was a module in the One Exeter Programme.
- local government pensions were now based on career average salaries. The Director Finance added that the local government pensions offered a better outcome from a defined benefit, which should be seen as another incentive to work for local authorities.

In a further response to Members' questions, the Director Finance referred to Risk 4 *Maintaining the financial sustainability of the Council* and Risk 5 *Increased costs of all capital building projects*, and the further impact from the current economic climate and the significant financial pressures facing every local authority, household and business. £2.3million savings were required and a decision needed to be taken in order to balance the budget for next year along with further decisions required to address the impact of increased energy costs. Ear marked reserves would protect the Council this year but the One Exeter Programme will be needed to deliver savings in the future. SMB would be undertaking a review of the Council's Capital Programme and reporting the outcome to the Executive and Council. The current construction market was making projects uneconomic to deliver against a range of competing challenges.

A Member proposed inviting the Director Finance to the next meeting to consider the financial risks associated with Risk 4 and 5 in more detail. It was also suggested that the Director Development be invited to the meeting in March to provide further information on Risk 2 - *Failure to meet Exeter's Housing supply needs*.

A response would be requested from the Director City Development for the following Members' enquiries on Risk 2 - *Failure to meet Exeter's Housing supply needs as a planning authority and meet strategic 5 years ambitions* with an update sought on the following:-

- the monitoring and reporting structure of the five year land supply position, and the current position following the recent ruling on the Pennsylvania Road appeal, and
- in respect of the Spruce Close appeal, who had made a judgment on the supply following the evidence that the Council was required to give and whether the Council could potentially examine how it gathered evidence to

make sure it was as robust as possible to meet the threshold of clear evidence.

The Member who had raised the amendment to Minute 19 relating to Risk 3 and references to Net Zero 2030 also sought a further response to her enquiry.

The Audit and Governance Committee reviewed and noted the updated Corporate Risk Register and would invite the Director Finance to the next meeting to provide further details of Risk 4 *Maintaining the financial sustainability of the Council* and Risk 5 *Increased costs of all capital building projects*, with a further invitation to the Director of Development to present detail of Risk 2 *Failure to meet Exeter's Housing supply needs* in March.

(The meeting commenced at 5.30 pm and closed at 6.50 pm)

Chair