

AUDIT AND GOVERNANCE COMMITTEE

Date: Wednesday 30 November 2022
Time: 5.30 pm
Venue: Rennes Room, Civic Centre, Paris Street, Exeter

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

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

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

Membership -

Councillors Wardle (Chair), Moore, D (Deputy Chair), Allcock, Branston, Ellis-Jones, Leadbetter, Mitchell, M, Packham, Rees, Snow, Sutton 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 28 September 2022.

(Pages 3 -
8)

3 **Declaration of Interests**

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

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

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

"**RESOLVED** that, under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the particular item(s) of business on the grounds that it (they) involve the likely disclosure of exempt information as defined in the relevant paragraph(s) of Part 1, of Schedule 12A of the Act."

5 **External Audit Progress Report**

To receive a verbal report of the External Auditors (Grant Thornton).

6 **External Auditor's Annual Audit Report on Exeter City Council 2020/21**

To consider the report of the External Auditors (Grant Thornton).

(Pages 9 -
60)

7 **Internal Audit Progress Report Quarter 2**

To consider the report of the Audit Managers.

(Pages 61
- 74)

8 **Counter Fraud Strategy**

To consider the report of the Audit Managers.

(Pages 75
- 86)

9 **Local Government Ombudsman's Annual Review of Complaints 2021-22**

To consider the report of the Corporate Manager Executive Support.

(Pages 87
- 92)

10 **Review of Corporate Risk Register**

To consider the report of the Chief Executive & Growth Director.

(Pages 93
- 104)

Date of Next Meeting

The next **Audit and Governance Committee** will be held on Wednesday 8 March 2023 at 5.30 pm

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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

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Auditor's Annual Report on Exeter City Council

Page 9
2020-21
November 2022

Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



| Section | Page |
|--|------|
| Executive Summary | 3 |
| Key Recommendations | 6 |
| Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources | 8 |
| Financial sustainability | 9 |
| Governance | 23 |
| Improving economy, efficiency and effectiveness | 37 |
| Opinion on the financial statements | 46 |
| | |
| Appendices | |
| A – The responsibilities of the Council | |
| B – Risks of significant weaknesses – our procedures and findings | |
| C – An explanatory note on recommendations | |
| D – Use of formal auditors' powers | |

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

Executive summary



Value for money arrangements and key recommendation(s)

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

2020/21 was an unprecedented year in which the Council operated with the majority of its staff home working whilst supporting local businesses and residents through the pandemic. The Council incurred significant budget pressures relating to Covid-19 that included additional refuse and recycling costs, and reductions in carparking income. The Council administered £42m in government funded business support, test and trace and local restrictions grants during the year. The Council set an emergency budget in July 2020 to manage the implications of the pandemic and protect the Council's financial position. Against this background, and after accounting for government funding of £1.8m in Covid-19 support grant and £4m reimbursement for lost income, the Council achieved a surplus on the budgeted position of £5.4m.

We have identified a significant Value for Money weakness in relation to the governance arrangements for Exeter City Living, that could lead to decision making resulting in significant loss or exposure to significant financial risk. We have therefore made a key recommendation that governance arrangements should be strengthened in this area.

We have also identified twenty-one opportunities for improvement which are set out in detail within our report.

| Criteria | Risk assessment | Finding |
|---|---|---|
| Financial sustainability | A risk of significant weakness was identified in relation to financial sustainability and the delivery of the financial plan. | No significant weaknesses in arrangements identified, but seven improvement recommendations made |
| Governance | No risks of significant weakness identified. | A significant weaknesses has been identified in relation to the governance arrangements for Exeter City Living. Nine improvement recommendations relating to wider governance arrangements have also been made |
| Improving economy, efficiency and effectiveness | No risks of significant weakness identified. | No significant weaknesses in arrangements identified, but five improvement recommendations made |

| | |
|--|---|
| | No significant weaknesses in arrangements identified. |
| | No significant weaknesses in arrangements identified, but improvement recommendations made. |
| | Significant weakness in arrangements identified and key recommendation made. |

Executive summary



Financial sustainability

Overall we are satisfied that the Council had appropriate arrangements in place to manage the financial resilience risks it faced with regard to budget setting and the medium term financial plan. We have not identified any significant weaknesses in these areas but have identified opportunities for improvement. Specifically:

- undertaking consultation with residents and businesses as part of the budget process;
- the progress made in identifying and delivering savings from the One Exeter programme should be separately monitored and reported to Members;
- putting in place adequate governance arrangements to monitor commercialisation;
- the MRP statement should reflect both Minimum and Voluntary Revenue Provision;
- treasury monitoring and outturn reports should include MRP forecasts against budget;
- compliance with the revised 2003 Regulations when they are published by providing prudent MRP provision on capital loans;
- adopting a risk based approach to assess the prudent level of General Fund balances.

Further details and managements response is provided on pages 16-22.



Governance

We have identified a significant Value for Money weakness in relation to the governance arrangements for Exeter City Living, that could lead to decision making resulting in significant loss or exposure to significant financial risk. Weaknesses have been identified in relation to no approval of a 2021/22 business plan by the Council, the absence of reporting to Council on company performance during the year, and the potential for conflicts of interest with statutory officers also being company Board members.

We have therefore made a key recommendation that governance arrangements be strengthened in this area.

Further details and managements response is provided on pages 6-7.

We have not identified any other areas of significant weakness in the Council's wider governance arrangements with regard to managing risk, setting ethical standards, internal control and budget monitoring.



Governance continued

We have made improvement recommendations with regard to:

- mapping risks within the corporate risk register to corporate objectives;
- the Risk Management Policy should be reviewed and approved at regular intervals;
- internal audit progress reports should include a schedule of high risk recommendations, target dates and progress made in their implementation;
- e-procurement should be rolled out across the organisation;
- regular review of the Anti-Money Laundering Policy and Counter Fraud Strategy;
- even where legislation may not require the declaration of gifts and hospitality, or similar declarations, the Council should adopt robust ethical arrangements that promote the highest standards of behaviour;
- the officer Code of Conduct should include the requirement for interests to be recorded on the official register and that nil returns are required from senior officers;
- annual reminders should be sent to staff of the requirement to declare interests, gifts and hospitality;
- Scrutiny Programme Board decision records should be available to all Members.

Further details and managements response is provided on pages 28-36.



Improving economy, efficiency and effectiveness

We have not identified any areas of significant weakness in arrangements with regard to improving economy, efficiency and effectiveness. We have made improvement recommendations that the Council should:

- ensure that key service performance indicators are agreed and reported on a quarterly basis to Executive;
- consider the need for a data quality policy;
- routinely benchmark service costs and performance;
- ensure the progress made in implementing the Procurement Strategy is reviewed;
- ensure that procurement and contract management training is rolled out to officers.

Further details and managements response is provided on pages 41-45.



Opinion on the financial statements

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

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

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

Our audit work was completed remotely during August 2021 to March 2022. Full details of our findings from the audit are reported in our Audit Findings Report dated March 2022.

No material adjustments were required to the financial statements. One disclosure adjustment in relation to the collection fund adjustment account was identified.

We have made a recommendations that:

- all senior officers should be required to submit an annual declaration of interests;
- the user accounts identified with administration privileges are reviewed;
- no further journal postings are made via superuser IDs;
- the treatment of MRP on capital loans is reassessed;
- the latest available information is used by the valuer to support investment property valuations;
- information on valuer's judgements regarding complex investment properties is provided.

We gave an unqualified opinion on the Council's 2020/21 financial statements on 21 March 2022.



Key recommendations



Governance

1 Recommendation The Council should review the governance arrangements for Exeter City Living to ensure that financial performance is reported to and closely monitored by the Council and that the conflict of interest between statutory officers who are also Board members is addressed. Specifically, we recommend that:

- the Council approves an annual company business plan;
- the Council receives detailed quarterly financial and performance update reports that identify progress against the business plan;
- consideration be given to publishing company business cases and reports as public agenda items, with only commercially sensitive information treated as exempt from the public;
- the Council addresses the conflict of interest created by the appointment of the S151 Officer and Monitoring Officer to the Board, and considers whether the Council should appoint an independent Director of Finance.

Why/impact

The Council is exposed to significant financial risk through the loans that it has approved to the company for funding housing development. As at 31 March 2021 there were £9.0m of council loans outstanding, with a further £15.6m of loans approved and yet to be drawn down.

It is important that the Council is fully sighted on the financial performance of Exeter City Living (with its target of becoming profitable by 2022/23), the progress being made on individual schemes that contribute to corporate housing priorities, and the financial risk that the council is exposed to with the loans that have been approved. We have identified a significant weakness with regard to the governance arrangements for Exeter City Living that could lead to decision making that could lead to significant loss or exposure to significant financial risk.



The range of recommendations that external auditors can make is explained in Appendix C.

Key recommendations



Governance

1 Recommendation (continued)

Summary findings

The Council approved the 2020/21 Exeter City Living business plan in July 2020 and this was rolled forward with no business plan approved for 2021/22.

The Council did not receive any monitoring reports during 2020/21 on the progress made in delivering the schemes within the business plan, or a year end review of what the company had achieved compared to the plan.

During 2020/21 the Council appointed the S151 Officer and Monitoring Officer as additional Directors onto the company Board which creates a potential conflict of interest between their roles as statutory officers and company Directors.

All agenda items relating to company business cases and decision reports are treated as exempt from the public.

Management comment

The recommendation is agreed in full. The Council will undertake a review of the Governance arrangements surrounding ECL and ensure that regular reporting to Council is integrated into the work programme.

Scrutiny has already received the first progress report and these will continue. The Governance review will include a full review of the Board of Directors to establish a new, fit for purpose Board removing the statutory Officers of the Council. The review will also seek to ensure that the level of publicly available information is increased, where possible. The Statutory Officers have resigned from the Board.



The range of recommendations that external auditors can make is explained in Appendix C.

Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on each of these three areas, as well as the impact of Covid-19, is set out on pages 9 to 45. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council:

- responded to the financial challenges posed by the Covid-19 pandemic
- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Outturn 2020/21

The 2020/21 General Fund (GF) outturn position was a £5.4m surplus on the cost of services. This outturn position includes financial pressures associated with the pandemic such as a £0.7m reduction in carparking income and a £0.5m overspend in recycling services due to reduced income and increased costs. The Council received significant financial support from the government to fund the costs of the pandemic, including £1.8m in general Covid-19 support grant and £4.3m in compensation for lost sales, fees and charges income. Much of the service underspend was transferred as supplementary budgets to future years, for example relating to unspent business grant allocations.

Due to the favourable outturn position, the Council was able to make a £4.0m contribution to a budget volatility reserve, £1.0m to a business rate volatility reserve and support corporate priorities through the allocation of £1.0m to the net carbon zero fund and £1.0m to bring forward housing development sites. The GF balance was maintained at £4.7m, in excess of the minimum prudent level of £3.0m.

The Housing Revenue Account (HRA) achieved a £2.7m surplus for 2020/21 compared to a budgeted deficit of £4.1m. The surplus was largely due to the decision to take advantage of low borrowing costs rather than use the budgeted £5.2m revenue contribution to the capital programme.

The pandemic also had a significant impact on the delivery of the capital programme. GF capital spend slippage of £42.0m was identified at Quarter 3, relating to projects such as the leisure centre build and fit out, commercial projects and the capital loan to Exeter City Living. This reduced the budgeted programme to £30.4m, against which spend of £27.6m was incurred.

The approved HRA capital programme was reduced to £22.3m during the year as housebuilding schemes were delayed by the pandemic, with actual spend of £16.2m incurred against the budget.

Covid-19 arrangements

Covid-19 posed a significant financial challenge to the Council's financial sustainability and made financial forecasting difficult as new periods of national lockdown were announced and additional tranches of government support allocated to councils. The financial implications of the pandemic were modelled and reported to Executive early in the financial year, through the emergency budget in July 2020.

At this point, estimated gross additional expenditure and income reductions due to the pandemic totalled £11.2m. Options to address this deficit included the use of Covid-19 funding, GF balances, earmarked reserves, reductions to minimum revenue provision charges, and service savings.

Subsequent quarterly budget monitoring analysed the trends with regard to reductions in income and increases in cost, offset by the announcement of additional government funding. By the end of the financial year a £1.16m contribution from the GF balance was required, an improved position compared to the emergency budget forecast of £1.25m. The action taken through the emergency

budget contributed to the favourable outturn position at the year end and allowed the Council to set aside additional reserves to mitigate future financial risk with regard to the pandemic and support corporate priorities.

Budget 2021/22

The 2021/22 budget was set based on the funding announced in the local government finance settlement. This froze the Council's funding assessment at current levels but introduced additional measures to support councils through their recovery from the pandemic, such as another tranche of general Covid-19 funding, additional sales, fees and charges compensation grant, and a new one-off tranche of New Homes Bonus grant.

The 2021/22 budget included the £0.76m general Covid-19 funding and the £1.94m New Homes Bonus allocation. Funding within the budget also includes a £5 increase in council tax in accordance with referendum principles.

The 2021/22 budget is not reliant on achieving recurring savings from service reductions to balance the overall financial position. The delay of the business rate reset and additional support allocated through the annual finance settlement benefited the financial position for 2021/22.

The budget includes the impact of expected investment and borrowing activity, with the 2021/22 budget reflecting increased interest costs due to the financing of the capital programme from borrowing. Investment income budgets reflect the anticipated loan activity with Exeter City Living.

There is adequate engagement from Members during the budget setting process. The Customer Focus Scrutiny Committee considered the GF and HRA budgets in February 2021 and the Strategic Scrutiny Committee considered the 2021/22 budget strategy and medium term financial plan in January 2021. The 2021/22 budget briefing workshop held in January 2021 was attended by 63% of Members.

Against the context of no service reduction savings being required to balance the 2021/22 budget, there was no consultation undertaken with residents or businesses. We have made an improvement recommendation that the Council should ensure that it consults with residents and businesses as part of the budget process. This will be particularly relevant as the Council reviews services through the One Exeter organisational change programme.

As a result of our work we have found no evidence of significant weaknesses in the Council's budget setting arrangements.

Medium term financial plan (MTFP)

Review of the Council's MTFP indicates that financial planning is based on realistic assumptions, although annual settlements and the delay of the fair funding review and business rate reset have made financial planning more difficult. The MTFP includes assumptions around New Homes Bonus, business rate income, council tax increases, fees and charges, inflation and borrowing costs.

The MTFP approved in February 2021 as part of the 2021/22 budget setting process models a £2.3m reduction to business rate income in 2022/23. This reflects the anticipated reforms to local government funding and the business rate reset. New Homes Bonus is forecast to reduce to zero in 2023/24 once the final legacy payment is received.

There is evidence that financial modelling includes sensitivity analysis and consideration of alternative proposals. The 2021/22 budget report sets out the implications on Council tax income of a reduced council tax increase from 3.12% to 1.99%. The medium term financial plan is modelled on the basis of worst, mid and best case scenarios which reflect different assumptions for government funding.

The Council keeps its financial plans under review and Members are kept informed throughout the budget process. Executive considered the budget strategy 2021/22 and MTFP in January 2021, with a further update to the MTFP provided in the 2021/22 budget report in February. The approved annual budget forms the baseline for modelling the medium term financial plan.

The February 2021 MTFP identifies the further savings required to balance the budget for the period 2021/22 to 2024/25. The total gap identified over the four year period is £6.0m, arising from the loss of business rate growth and New Homes Bonus funding, plus additional spending pressures.

The table overleaf summarises the MTFP position as at February 2021.

Further savings required as per the February 2021 MTFP

| Year | 2021/22 £m | 2022/23 £m | 2023/24 £m | 2024/25 £m | Total £m |
|-------------------|---------------|---------------|---------------|---------------|-------------|
| Annual budget gap | 0 | 2.50 | 1.75 | 1.75 | 6.00 |

Page 19 The Council has significant savings to make in the medium term, the exact timing and financial impact of which will depend on the results of the fair funding review, business rate reset and ending of New Homes Bonus. The business rate reset has now been delayed for at least a further year, with the February 2022 MTFP modelling significant savings required to balance 2023/24, with a total savings target of £6.35m to 2025/26.

The Council's approach to balancing the budget gaps identified in the MTFP is through the One Exeter organisational change programme that was approved in February 2022. This programme includes workstreams that will create efficiencies and savings through new ways of working. Workstreams include reviewing leisure services, implementing a new target operating model, corporate property and income generation.

An indicative savings target of £7.9m to 2026/27 is currently allocated across the various One Exeter workstreams. Some savings from these workstreams have already been identified and included in the 2022/23 budget. These include a £0.55m saving through releasing capital receipts to fund the fleet lease contract, a £0.25m saving through a review of support service recharges and £0.4m saved through a review of discretionary services.

Currently savings included within the annual budget are monitored as part of the standard quarterly budget monitoring reports. We recommend that the progress made in identifying and delivering the significant savings that are required from the One Exeter programme should be separately monitored and reported to Members. Reporting should include savings required for current and future years and include a RAG rating as to their risk of delivery. This will ensure sufficient Member oversight of the programme and the opportunity to challenge workstreams where there is a risk that sufficient savings will not be delivered.

The MTFP approved in February 2021 models total net contributions from the GF balance of

£1.6m to help balance the position between 2021/22 and 2024/25. However, the GF balance is projected to remain in excess of the minimum prudent level of £3.0m, representing 25% - 27% of the net budget.

The Council approved the Commercial Strategy in January 2020, with the vision of developing commercial activity in order to provide a surplus from services that contributes to the financial sustainability of the Council. The pandemic has affected the roll out of commercialisation, which in 2020/21 was focused on trade waste and the Council's activity as harbour authority, with the purchase of a company that repairs buoys. Commercialisation is one of the workstreams within the One Exeter organisational change programme.

Internal Audit reviewed the Council's progress with implementing the Commercial Strategy, issuing a limited assurance audit opinion in July 2021. The review identified areas for improvement relating to the monitoring and scrutiny of commercial activity and ensuring consistency with the Strategy. We have made an improvement recommendation that the Council should ensure that it puts in place adequate governance arrangements to monitor commercialisation as this activity increases to support the One Exeter programme.

The Council has an historic investment property portfolio valued at £53.4m as at 31 March 2021. This investment property made a net contribution of £3.1m to the Council in 2020/21. The portfolio is all within the Council area and includes leisure, retail and commercial property. The most recent acquisitions relate to two office blocks purchased in 2019/20 and held partly for place shaping and protection of the city scape. The property purchased in 2019/20 is the only investment property funded from borrowing, incurring a £0.3m MRP charge, thus reducing the budget risk from commercial property investment.

There are plans to purchase further investment property, most significantly the Guildhall for a total of £55m. The Council provides for the financial impact of this investment within its financial plans, forecasting an additional £0.6m MRP cost and additional income of £0.9m in the MTFP to fund associated costs. The objectives for the purchase of this property are primarily regeneration and the ability to free up land elsewhere on which to deliver new housing. The S151 Officer has been in discussion with the government to confirm that this purchase does not relate to an asset primarily for yield and confirm that the Council can continue to access PWLB funding the future.

We have found no evidence of significant weakness in the Council's financial planning

arrangements. Improvement recommendations have been identified to further strengthen arrangements, including monitoring the delivery of savings and ensuring adequate consultation to inform future decision making.

Capital strategy and treasury management

The Council approved the Capital Programme, Capital Strategy, Treasury Management Strategy and Prudential Code indicators in February 2021 as part of the budget setting process. These documents set out the Council’s capital expenditure, capital financing and borrowing projections.

The Council approved a GF capital programme of £20.2m for 2021/22. The total capital programme to 2024/25 is £109.3m and is funded through a borrowing requirement of £95m.

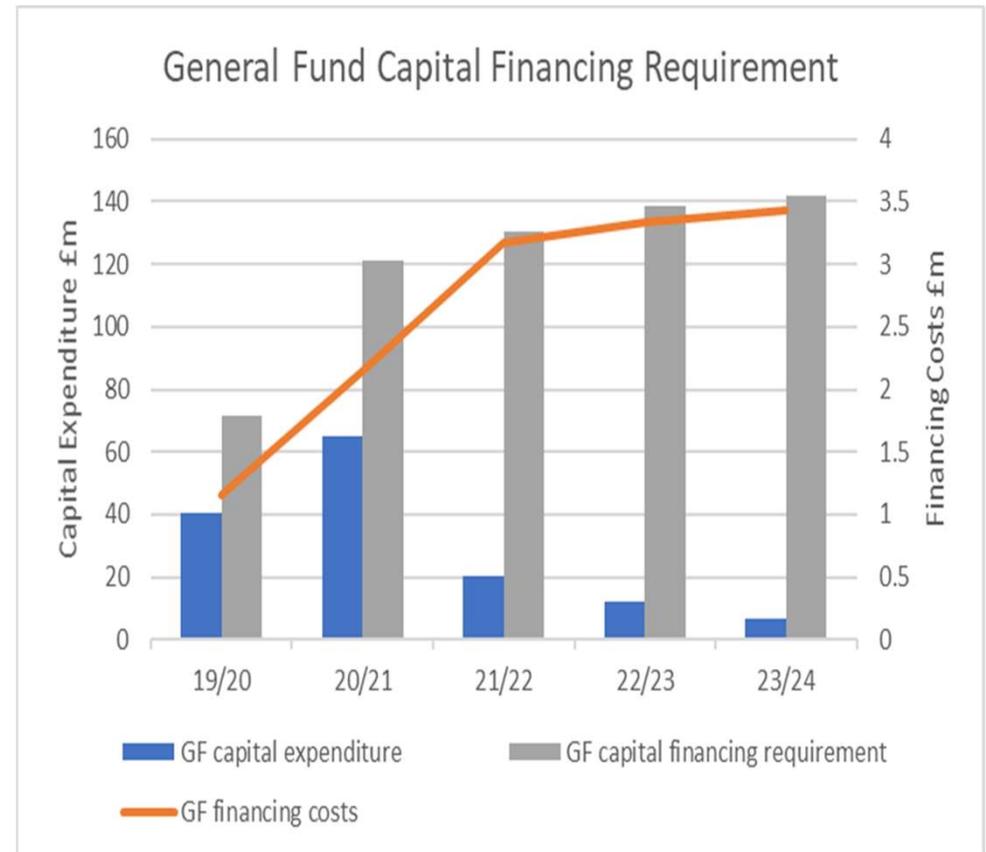
An HRA capital programme was approved at £24.2m for 2021/22, with a total programme to 2024/25 of £85.7m. This is funded through a £22.3m borrowing requirement.

Borrowing is required to fund a significant proportion of the General Fund capital programme as grant and internal resources have reduced. There were no new capital bids made or approved in the 2021/22 budget. The capital programme supports corporate priorities and includes significant investment in the waste and recycling service with new recycling containers and enhancements to the materials reclamation facility. The programme also supports a significant asset maintenance programme for the Council’s multi-story carparks which will protect the significant income stream from these assets.

The Council’s GF capital financing requirement is forecast to increase significantly as the Council funds the capital programme from borrowing. The forecast is that it will increase from £71.3m in 2019/20 to 141.8m by 2023/24, with the majority of the increase in 2020/21.

The Prudential Indicators approved in February 2021 reflect the impact on the General Fund of the forecast borrowing required to fund the capital programme. Interest costs are forecast to increase from £1.0m in 2019/20 to £1.9m by 2023/24 as the capital financing requirement increases. Similarly MRP costs are forecast to rise from £0.7m in 2019/20 to £1.6m by 2023/24.

The table overleaf demonstrates these increases in the capital financing requirement and associated financing costs.



We note that the 2021/22 budget for MRP is £0.69m while the MRP Statement discloses £1.27m. The difference relates to the use of historic voluntary revenue provision (VRP) overpayments to offset the actual charge for 2021/22. We have made an improvement recommendation that the MRP statement should reflect the overall position for MRP in the year, including both MRP and VRP.

Treasury mid year update and outturn reports contain an analysis of interest receivable and payable against the budget, but do not include an analysis of MRP costs against the budget. The GF outturn report does include the MRP outturn against budget within the overall GF summary. We have made an improvement recommendation that the key treasury monitoring reports should include MRP forecasts against budget in addition to interest receivable and payable.

We reported in the Audit Findings Report 2020/21 that the Council are not charging MRP against the capital loan payments to third parties, including Exeter City Living. In our view prudent MRP must be determined with respect to the authority's total capital financing requirement, including capital loans. The government has consulted on revisions to the Local Authorities (Capital Finance and Accounting) Regulations 2003 and proposes to clarify that MRP provision has to be made for capital loans. We have made an improvement recommendation that the Council should ensure that it complies with the revised 2003 Regulations when they are published.

The Council undertook daily cash flow monitoring during 2020/21. Despite the impact of the pandemic creating cost pressures and reducing income, the Council did not experience any liquidity issues during the year due to the significant government support it received and the cashflow benefits from the business grant process.

We have found no evidence of significant weakness in the Council's capital and treasury arrangements. The Council should ensure it complies with the revised Local Authorities (Capital Finance and Accounting) Regulations 2003 once they are published by providing for MRP on capital loans.

Reserves and risk mitigation

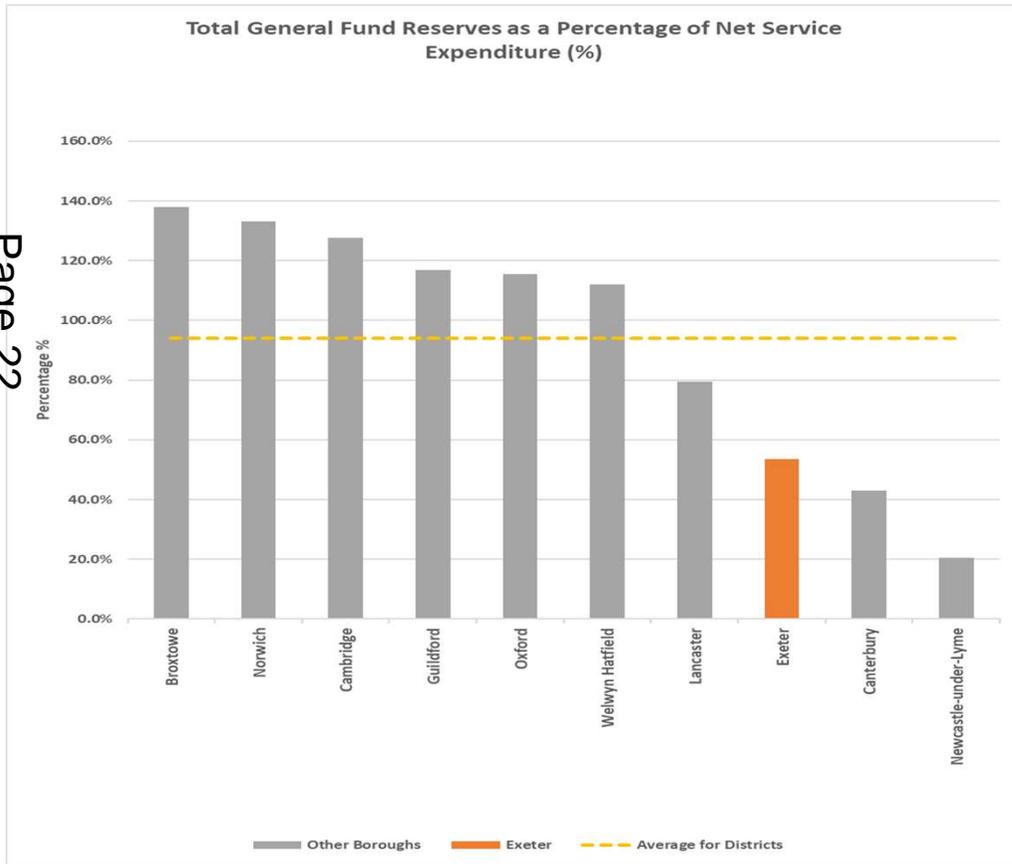
The Council holds unallocated GF balances that are maintained to mitigate the impact of unforeseen budget variances. The prudent level for unallocated GF reserves was confirmed as £3.0m during the budget setting process. As at 31 March 2021 the Council held £4.7m in unallocated GF balances. This represents 27% of the £17.1m net GF budget approved for 2021/22.

The prudent level is based on experience and knowledge of the risks within the Council's budget rather than a specific risk based calculation. While this level is in excess of the CIPFA benchmark of 5%-10% of net budget as a prudent GF balance, we have made an improvement recommendation that the Council should consider a risk based calculation. This would ensure that the level of GF balances the Council maintains reflects, and is sufficient to mitigate, the specific budget risks that the Council is exposed to.

The Council also holds earmarked revenue reserves, which increased from £8.5m at 1 April 2020 to £32.4m as at 31 March 2021. This increase includes the £17.4m S31 grant that was received to fund the collection fund deficit caused by the pandemic. Within earmarked reserves are funds which are also available to mitigate the financial risk that the Council faces. These include:

- budget volatility reserve £4.0m (established as part of 2020/21 closedown position);
- business rate volatility reserve £1.0m (established as part of 2020/21 closedown position);
- redundancy reserve £0.5m;
- transformation reserve £0.4m.

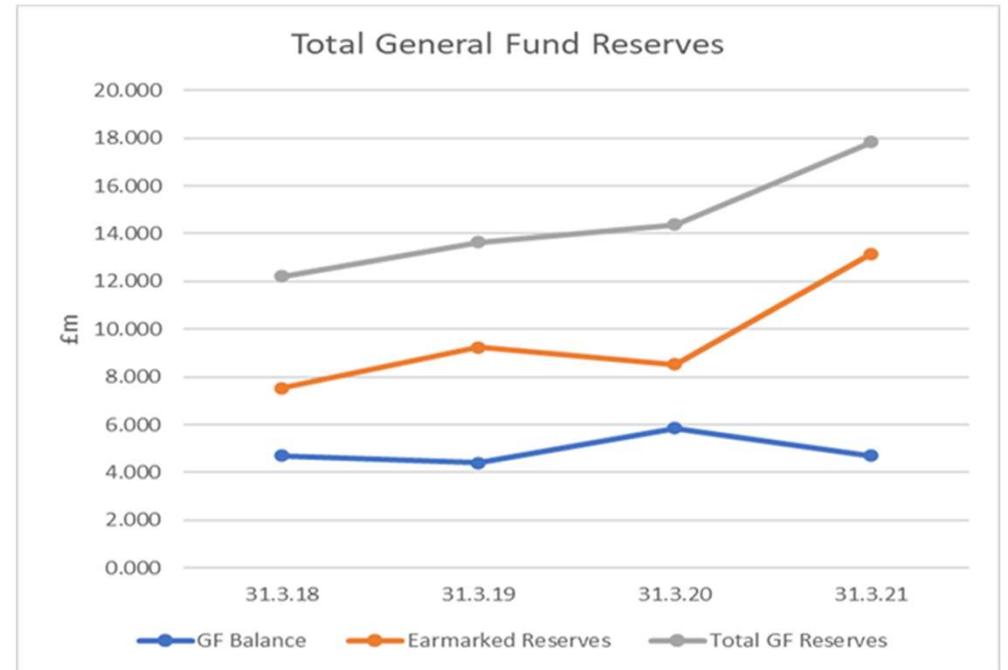
While the Council was able to increase reserves as at 31 March 2021 in order to provide increased financial resilience and fund corporate priorities, the graph overleaf demonstrates that the Council's level of reserves is below the average of 9 "nearest neighbour" authorities when comparing total GF and earmarked reserves to net service spend. The Council's reserves represent 53.4% of net service spend compared to an average of 94.0%. Data from the 2019/20 financial statements is used because 2020/21 data includes the S31 Collection Fund grants thus making comparisons difficult.



It should be noted that such comparisons do not take into account the specific circumstances relevant to different local authorities, for example levels of debt or capital funding plans. As such they can only provide a high level comparison of the total reserves held by an authority.

In mitigation, within earmarked reserves the Council holds significant funds to manage budget risk relating to the business rates, budget volatility and strategic contingencies. There is also no evidence that the total level of GF and earmarked reserves have been eroded in recent years.

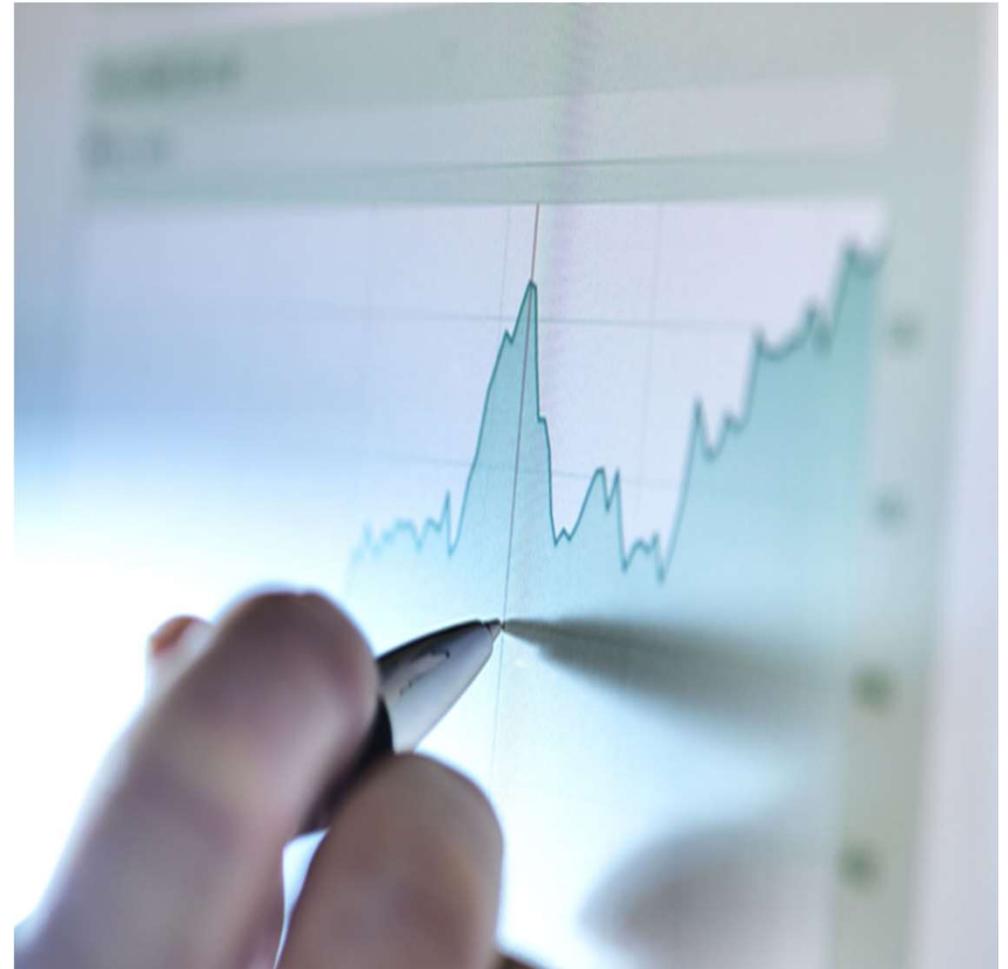
After adjusting for the £17.4m S31 grant that was held at 31 March 2021 to fund the collection fund deficit and £1.9m in carried forward pandemic-related business grant reserves, the Council had total GF and earmarked reserves of £17.8m at the year end. This represents an increase from £14.4m as at 1 April 2020. Total GF and earmarked reserves have increased for each of the last four financial years as demonstrated in the table below.



The level of reserves is considered adequate in the context of the GF balance exceeding the £3m minimum balance, and at £4.696m representing 27% of the 2021/22 net budget. Earmarked reserves have increased over time and were bolstered through the favourable 2020/21 closedown through the establishment of specific and substantial budget risk reserves that total £5m.

The MTFP does model the use of GF balances to help balance the budget while recurring savings are delivered, with a net contribution of £1.6m between 2021/22 and 2024/25. When the budget was set in February 2021 the forecast was that this use of GF balance would maintain the GF balance above the minimum prudent level of £3m, and equate to between 25% and 28% of the net budget each year. We note that the actual 2020/21 outturn position for the GF balance of £4.7 was marginally lower than the £4.9m forecast when the budget was set. Under the MTFP model this could mean GF balances fall to £2.9m in 2023/24 before being topped up in 2024/25 to £3.1m

We have found no evidence of significant weakness with regard to the Council's reserves strategy and mitigation of risk. The Council should continue to review the level of reserves it holds in order to ensure that they are adequate to mitigate financial risk, and that the Council can respond to unforeseen budget variances without impacting on its ability to deliver corporate priorities. We have made an improvement recommendation that the Council should consider a risk based calculation for the recommended level of GF balances.



Improvement recommendations



Financial sustainability

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|---------------------------|---|
| 1 Recommendation | The Council should ensure that it consults with residents and businesses as part of the budget process. |
| Why/impact | Consultation with external stakeholders will be particularly relevant as the Council reviews services through the One Exeter organisational change programme. |
| Summary findings | The 2021/22 budget did not rely on savings from reductions in service to balance the position. Against this context there was no consultation undertaken with residents or businesses. |
| Management comment | Agreed - the Council will reinstate its budget consultation with business, which it temporarily stopped during the Covid pandemic. The Council will seek to identify a process for consulting with residents on the proposals for the 2023-24 budget. |



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Financial sustainability

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|---------------------------|---|
| 2 Recommendation | The progress made in identifying and delivering the significant savings that are required from the One Exeter programme should be separately monitored and reported to Members. Reporting should include savings required for current and future years and include a RAG rating as to the risk of delivery. |
| Why/impact | Separate detailed monitoring of the savings required through One Exeter will ensure sufficient Member oversight of the programme and the opportunity to challenge workstreams where there is a risk that sufficient savings will not be delivered. |
| Summary findings | Currently savings included within the annual budget are monitored as part of the standard quarterly budget monitoring reports. The One Exeter organisational change programme is the mechanism by which the Council will balance the significant budget gaps identified in the MTFP, with workstreams allocated an indicative savings target of £7.9m to 2026/27. |
| Management comment | Agreed – the Council has reported the programme to Members in February 2022. Updates will be reported, either as a separate part of the budget monitoring report or via a separate report to Committee. |



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Financial sustainability

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|---------------------------|--|
| 3 Recommendation | The Council should ensure that it puts in place adequate governance arrangements to monitor commercialisation as this activity increases to support the One Exeter programme. |
| Why/impact | As the Council begins to rely increasingly on the commercialisation of Council services it should ensure that there are appropriate arrangements in place to approve, monitor and scrutinise commercial activity. This is necessary to ensure that the benefits identified in business cases are achieved and the risks of commercialisation are identified and understood. |
| Summary findings | <p>The Council approved the Commercial Strategy in January 2020, with the vision of developing commercial activity in order to provide a surplus from services that contributes to the financial sustainability of the Council. The pandemic has affected the roll out of the commercialisation, which in 2020/21 was focused on trade waste and the Council's activity as harbour authority with the purchase of a company that repairs buoys. Commercialisation is one of the workstream within the One Exeter organisational change programme.</p> <p>Internal Audit reviewed the Council's progress with implementing the Commercial Strategy, issuing a limited assurance audit opinion. The review identified areas for improvement relating to the monitoring and scrutiny of commercial activity and ensuring consistency with the Strategy.</p> |
| Management comment | Agreed – the Council is reviewing its approach to commercialisation. If a concerted effort to continue with Commercialisation is approved, then this will include regular reporting to Committee on progress. |



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Financial sustainability

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|---------------------------|--|
| 4 Recommendation | The MRP statement should reflect the overall position for MRP in the year and the implications for the annual budget, incorporating both MRP and VRP. |
| Why/impact | The MRP statement should identify the budget implications of the Council's MRP policy. |
| Summary findings | The 2021/22 budget for MRP is £0.69m while the MRP Statement discloses £1.27m. The difference relates to the use of historic voluntary revenue provision (VRP) overpayments to offset the actual charge for 2021/22. |
| Management comment | Agreed – this was a one-off error, where the decision to use some of the voluntary overpayments to offset the actual MRP properly charged was omitted from the statement. |



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Financial sustainability

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|---------------------------|---|
| 5 Recommendation | The key treasury monitoring and outturn reports should include MRP forecasts against budget in addition to interest receivable and payable. |
| Why/impact | Treasury reporting should include the MRP budget, and measure performance against the budget, in order to provide for a full understanding of the Council's treasury activity and an understanding of the risks that the Council is exposed to. |
| Summary findings | The treasury mid year update report and outturn reports contain an analysis of interest receivable and payable against the budget, but do not include an analysis of MRP costs against the budget. The GF outturn report does include the MRP outturn against budget within the overall GF summary. |
| Management comment | Agreed – this can be incorporated immediately. MRP forecasts are currently provided to members via the budget strategy and Budget setting papers, but can be included in these reports as well. |



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Financial sustainability

| | |
|---------------------------|--|
| 6 Recommendation | The Council should ensure that it complies with the revised 2003 Regulations when they are published by providing prudent MRP provision on capital loans made to third parties. |
| Why/impact | The proposed revisions to the 2003 Regulations will clarify that MRP should be provided on capital loans. |
| Summary findings | We reported in the Audit Findings Report 2020/21 that the Council are not charging minimum revenue provision (MRP) against capital loans that have been made to third parties. In our view prudent MRP must be determined with respect to the authority's total capital financing requirement including capital loans. The government has consulted on revisions to the Local Authorities (Capital Finance and Accounting) Regulations 2003 and proposes to clarify that MRP provision has to be made for capital loans. |
| Management comment | The Council will comply with regulations, however it should be noted that these have been delayed. As the Council currently acts fairly, in that it properly sets aside the loan repayment principal to reduce the Council's own debt, it is felt that the Council is acting appropriately to protect future taxpayers by reducing its debt in line with the reduction in the asset. |



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Financial sustainability

7 Recommendation The Council should consider using a risk based calculation for the minimum prudent level of GF balances. This should have regard to the specific budget risks the Council is exposed to, their magnitude and likelihood of occurring.

Why/impact A risk based calculation would ensure that the level of GF balances the Council maintains reflects, and is sufficient to mitigate, the specific budget risks that the Council is exposed to

Summary findings The Council holds unallocated GF balances that are maintained to mitigate the impact of unforeseen budget variances. The prudent level for unallocated GF reserves was confirmed as £3.0m during the budget setting process. As at 31 March 2021 the Council held £4.7m in unallocated GF balances. This represents 27% of the £17.1m net GF budget approved for 2021/22.

The prudent level is based on experience and knowledge of the risks within the Council's budget rather than a specific risk based calculation. While this level of reserves exceeds the CIPFA benchmark of 5%-10% of net budget for prudent levels of GF balances, we have made an improvement recommendation that the Council should consider a risk based calculation.

Management comment The Council will look at best practice elsewhere to identify a suitable, documented risk based approach. However, it is the section 151 Officer's view that limiting reserves to the CIPFA benchmark of 5-10% of net budget would leave the Council at significant risk.



The range of recommendations that external auditors can make is explained in Appendix C.

Governance



We considered how the Council:

- considered the impact of Covid-19 on the governance arrangements
- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

COVID-19 arrangements

During the 2020/21 financial year the Council supported the community, businesses and the delivery of critical services through the pandemic, and adapted governance arrangements as required. The majority of staff worked from home during the year, with staff redeployed from non-critical services to support the Council's response to the pandemic. The Council launched the Exeter Community Wellbeing support service to provide support to vulnerable members of the community and those required to self isolate. A call centre was set up that matched those needing help to appropriate groups and organisations, with help available for shopping and medication collection.

Council, Executive and essential Committee meetings were held remotely throughout the year, allowing for public participation and for the democratic decision making process to continue. The Council's scrutiny committees restarted once the impact of the pandemic started to ease, focusing on Covid-19 updates from portfolio holders up until December 2020.

The strategic management board held daily meetings during the height of the pandemic in order to coordinate the Council's response. These meetings were minuted and provide a record of the decisions taken and actions agreed. The strategic management board used the Council's business continuity plans to inform decision making.

Work on revising and updating business continuity plans was accelerated as the pandemic developed through January 2020. This ensured robust plans were in place by the time that the pandemic impacted on the Council and community. As the impact of the pandemic subsided, internal audit undertook a "lessons learned" review to provide information to managers on what went well and what could have been done better in relation to business continuity.

The Council made changes to internal controls and processes as required. A central procurement hub was set up for ordering personal protective equipment using an online form. Changes were made to the creditor payment process to enable staff to work from home, with paper invoices received at the civic offices scanned and emailed to the team for payment. Invoices were paid on immediate terms so as to support the cashflow of suppliers and service continuity.

The internal audit plan was amended to reflect the capacity of both the audit team and services. The revised plan included audit reviews for new areas of risk, including business grants, the income compensation grant and an inventory check for the in-house leisure service.

The Executive approved the Exeter Recovery Plan in June 2020. In addition to the Council's involvement with the local resilience forum's business and economy recovery task group, a Council led response was coordinated through the Liveable Exeter Place Board. The Board includes organisations from across Exeter as well as key community figures, and seeks to address key themes such as construction and development, the city centre and the visitor economy.

The Council administered £42m in government funded business support, test and trace and local restrictions grants during the year. Internal audit carried out grant pre and post payment check reviews and were able to give either satisfactory or

substantial audit assurance opinions to all of the various grant schemes that the Council administered.

All of the above provides evidence of appropriate actions being taken to address the risks and challenges presented by the Covid-19 pandemic.

Managing risk

The Audit and Governance Committee review the Council's corporate risk register quarterly. The corporate risk register is reviewed by officers to ensure that it only contains strategic risks, with operational risks managed through service level risk registers. Review of the corporate risk register confirms that it contains only strategic risks and that the number reported is not excessive, thus allowing for detailed monitoring and understanding of key risks.

The risk registers include most of the features of good practice that we would expect to see. Each risk has a description, risk owner, RAG rated inherent and residual risk scores, mitigating actions and target dates. We recommend that risks on the corporate risk register are mapped to corporate objectives to ensure that only strategic risks are included and that their potential impact on Council priorities is understood.

The Council's Risk Management Policy is dated 2015 and there is no formal review of the policy by the Audit and Governance Committee. We recommend that this policy is formally reviewed and approved at regular intervals to ensure that it accurately reflects the Council's appetite for risk and the responsibilities for recording, reporting and managing risk. There are risk management guidance notes for officers, dated 2019, which set out the procedures for completing the risk register and these are available on the Council's intranet.

From our work we have not identified any significant areas of weakness in the Council's arrangements to manage and report risk but we have made improvement recommendations to further strengthen arrangements.

Internal control

The Council maintains its own in-house internal audit function. The independent external assessment of internal audit carried out in January 2020 confirmed that the service generally conforms to the Public Sector Internal Audit Standards.

The Audit and Governance Committee approved the 2020/21 Internal Audit Plan in March 2020. The audit plan was amended during the year due to the impact of the pandemic on the audit team and services. Resources were directed to newly emerging risks including business grants, the income compensation grant and an inventory check for the in-house leisure service. The Internal Audit Annual Report confirms that 483 audit days were delivered against the planned 472 days. A reasonable audit assurance opinion was given for 2020/21 with internal audit concluding that key control systems are operating satisfactorily.

The Audit and Governance Committee receives quarterly internal audit progress reports which include details of completed audits against the plan, the audit opinion, high risk findings and an audit summary. The internal audit team monitor the implementation of recommendations through a tracker, with the progress reports containing a statement confirming that agreed actions from previous reports are being progressed satisfactorily, or revised action plans agreed.

We recommend that the progress reports include a schedule of previous high risk recommendations agreed, target dates and notes on the progress made in implementing the recommendations. This will allow the Audit and Governance Committee to hold managers to account where weaknesses in controls have been identified and actions to address them agreed. It would allow for better scrutiny of recommendations where timescales have been extended and action plans revised.

We note that while the creditors audit was given a satisfactory audit assurance opinion, a high risk finding was identified with regard to the low level of electronic orders being placed, resulting in a weakness in control through lack of order pre-authorisation. This issue had been identified in previous audits. We understand that the Council is implementing an e-procurement system to be rolled out in 2022 that will require electronic orders to be raised, with a no purchase order, no pay rule to be enforced. We have made an improvement recommendation that the Council should ensure that e-procurement is rolled out across the organisation and appropriate controls around electronic orders enforced.

From our work we have found no areas of significant weakness in the management and reporting of internal control, but have identified improvement recommendations that will further strengthen arrangements.

Monitoring Standards

The Whistle Blowing Policy is reviewed by Audit and Governance Committee every two years, and was last approved in March 2020. We note that the Council's Anti-Money Laundering Policy was last approved in July 2018, while the Counter Fraud Strategy has not been approved since 2014. The Counter Fraud Strategy is subject to internal review every two years and is evidenced by a version control log, but is only reapproved by Committee should there be significant updates.

We have made an improvement recommendation that the Anti-Money Laundering Policy and Counter Fraud Strategy should be formally reviewed and approved by the Audit and Governance Committee on a regular basis, in the same way as the Whistle Blowing Policy. This ensures that they remain up to date and reflect best practice and legislation, but also regular formal review helps maintain an appropriate culture with regard to the prevention and detection of fraud and corruption.

The Council has officer and Member Codes of Conduct which form part of the Constitution and include the policies for registering interests and gifts and hospitality. The Audit and Governance Committee considered the LGA model Member Code of Conduct during the year, with the Council approving the model Code in April 2021.

We note that the previous Member Code of Conduct that applied during 2020/21 did not require Members to declare gifts and hospitality. The Code adopted in April 2021 includes the requirement for gifts and hospitality over £50 to be declared and declarations are publicly available on the Council's website. We have made an improvement recommendation that even where legislation may not require the declaration of gifts and hospitality, or similar declarations relating to maintaining high standards of behaviour, that the Council should adopt robust ethical arrangements that promote the highest standards of behaviour, openness and transparency.

While the officer Code of Conduct contains guidance on declaring interests, it does not explicitly state that these should be recorded on the register. The Code requires that officers disclose interests to an appropriate manager. Limited declarations were made by officers in 2020/21 and there is no requirement for confirmation of nil returns from senior officers. We have made an improvement recommendation that the officer Code of Conduct should include the requirement for interests to be recorded on the official register and that nil returns are required from senior officers.

Members are reminded of the requirement to declare interests, gifts and hospitality through annual training on the Code of Conduct.

From our work we could not find evidence that officers are reminded of the requirement to declare interests, gifts or hospitality. We have made an improvement recommendation that the responsibility for sending reminders to staff should be established and annual reminders sent.

The Council has a range of officers who are responsible for ensuring and monitoring compliance with statutory standards, such as the Monitoring Officer and the Section 151 Officer who both sit on the Council's leadership team. From our work we have not identified any significant instances of non-compliance with legislation or the Constitution.

We have received a representation from a member of the public raising concerns around the Council's arrangements for Scrutinising the decisions made by Executive. We have reviewed the Council's Scrutiny arrangements and while we have found no evidence of significant weakness, we have made an improvement recommendation to strengthen arrangements. The Scrutiny Programme Board receives proforma requests from Members requesting items for scrutiny. We recommend that the completed proformas, which include the reasons why a request is accepted or rejected, are routinely available to all Members to ensure maximum transparency around decision making.

We have not identified any significant weaknesses with regard to the Council's arrangements for ensuring adherence to laws and regulations or ethical standards. We have identified areas where arrangements could be strengthened, particularly around the formal review and approval of key policies, the officer Code of Conduct and Scrutiny Programme Board decisions.

Budgetary control 2020/21

We have considered the Council's processes for monitoring the 2020/21 budget during what was a difficult year to accurately forecast costs and income due to the effects of the pandemic, periods of lockdown, and incremental announcements of government funding.

The financial implications of the pandemic were modelled and reported early in the financial year to Executive in July 2020. Options to address the £11.2m deficit included the use of Covid-19 funding, GF balances, earmarked reserves, reductions to minimum revenue

provision charges, as well as service savings.

The financial position continued to be closely monitored throughout the financial year and reported quarterly to Executive. In addition the financial impact of the pandemic was monitored through the monthly Covid-19 returns that were submitted to the government. By the end of the financial year a £1.16m contribution from the GF balance was required, an improved position compared to the emergency budget forecast of £1.25m. The action taken through the emergency budget contributed to the £5.4m surplus on the cost of services at the year end, allowing for reserves to be set aside to mitigate future budget risk and support corporate priorities.

Quarterly budget monitoring reports include a detailed analysis of budget variances accompanied by a narrative for the General Fund and the Housing Revenue Account. Monitoring includes both revenue and capital expenditure. There is clear evidence that trends in expenditure are analysed and forecast to the year end. The narrative to the budget variances includes impacts on future years where this can be determined.

Arrangements are in place for the finance team to engage with budget managers to regularly review financial performance using revenue and capital budget monitoring statements and data downloaded from the finance system. Budget managers also have access to the finance system.

We have not identified any significant weaknesses with regard to the Council's arrangements for budget monitoring.

Exeter City Living governance arrangements

Exeter City Living is the Council's wholly-owned housing development company. The Council is exposed to significant financial risk through the loans that it has approved to the company for funding housing development. As at 31 March 2021 there were £9.0m of council loans outstanding, with a further £15.6m of loans approved and yet to be drawn down. After the company's first two years of trading the company had accumulated losses of £2.2m as at 31 March 2021. The Council's General Fund received £0.46m in loan interest for 2020/21, which is forecast to increase by £0.7m once the further approved borrowing is drawn down.

While the Council approved the 2020/21 Exeter City Living business plan in July 2020, this was rolled forward with no plan approved for 2021/22 and no further loan approvals

required. It is good practice that business plans are updated and approved on an annual basis. While the activities within the 2020/21 business plan continued into 2021/22, the assumptions regarding the costs and delivery of the projects should have been updated in a new business plan that reflected current market conditions and the impact of the pandemic.

We also note that the Council did not receive any monitoring reports during 2020/21 on the progress made in delivering the schemes within the business plan, or a year end review of what the company had achieved compared to the plan. The Council was therefore not able to hold the company Directors formally to account for the implementation of the plan and progress made on individual schemes.

The Exeter City Living Board do receive detailed financial monitoring reports which compare actual performance to the budget and forecasts for the year. The information includes forecasts for the company as a whole and on a site by site basis. We consider this information should form the basis of regular reporting to the Council.

The Council made changes to the company's governance arrangements during 2020/21, aimed at creating additional capacity within the company and improving political and corporate oversight. The changes included the appointment of the Council's S151 Officer and Monitoring Officer as additional Directors onto the company Board. It is not best practice for a council's S151 Officer to hold a position on council-owned company Boards. Certain decisions of the shareholder require ratification by the S151 Officer, while it is a legal requirement that company Directors must act in the best interests of the company. We note that the company does not have a Director of Finance and that the finance function is carried out by the Council's finance department. The Monitoring Officer is also exposed to a conflict of interest between their statutory officer role for the Council and that of a company Director.

Other governance changes included the appointment of the Chief Executive and Growth Director to the role of shareholder representative for the Council, able to undertake delegated decisions in consultation with the Leader and relevant portfolio holder. This shareholder representative group is the contact for the day to day relationship between the Council and the company.

We have received representations from members of the public raising concerns around the governance arrangements for Exeter City Living, referring to a perceived conflict of interest

with statutory officers also holding Director positions within the company. Concerns have also been raised as to why all company business plans and decision reports are treated as exempt agenda items. While some elements of company decision reports are commercially sensitive and rightly treated as exempt items, the Council should review its approach to treating all such agenda items as exempt, in order to increase the transparency of decision making.

We are therefore identifying a significant weakness with regard to the governance arrangements for Exeter City Living that could lead to decision making that could lead to significant loss or exposure to significant financial risk. It is important that the Council is fully sighted on the financial performance of Exeter City Living (with its target of becoming profitable by 2022/23), the progress being made on individual schemes that contribute to corporate housing priorities, and the financial risk that the Council is exposed to with the loans that have been approved.

We recommend that:

- the Council approves an annual company business plan;
- the Council receives detailed quarterly financial and performance update reports that identify progress against the business plan;
- consideration be given to publishing company business cases and reports as public agenda items, with only commercially sensitive information treated as exempt from the public;
- the Council addresses the conflict of interest created by the appointment of the S151 Officer and Monitoring Officer to the Board, and considers whether the Council should appoint an independent Director of Finance.

Improvement recommendations

Governance

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|---------------------------|--|
| 8 Recommendation | The risks within the corporate risk register should be mapped to corporate objectives. |
| Why/impact | We recommend that risks on the corporate risk register are mapped to corporate objectives to ensure that only strategic risks are included and that their potential impact on Council priorities is understood. |
| Summary findings | The Audit and Governance Committee review the Council's corporate risk register quarterly. The risk registers include most of the features of good practice that we would expect to see. Each risk has a description, risk owner, RAG rated inherent and residual risk scores, mitigating actions and target dates. Risks on the corporate risk register are not mapped to corporate objectives. |
| Management comment | Agreed – this will be introduced once the Corporate Plan has been approved in October. |



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

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| 9 Recommendation | The Audit and Governance Committee should formally review and approve the Council's Risk Management Policy at regular intervals. |
| Why/impact | Reviewing the Risk Management Policy at regular intervals will ensure that it accurately reflects the Council's appetite for risk and the responsibilities for recording, reporting and managing risk. |
| Summary findings | The Council's Risk Management Policy is dated 2015 and there is no formal review of the policy by the Audit and Governance Committee. |
| Management comment | Agreed. This is already in progress. The policy has been reviewed and the first draft is being finalised. This will then be passed on to SMB and once approved, it will be taken to the Audit and Governance Committee for review and approval. |



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

10 Recommendation Internal Audit progress reports should include a schedule of previous high risk recommendations agreed, target dates and notes on the progress made in implementing the recommendations.

Why/impact Including a schedule of high level recommendations agreed and the progress made in implementing them will allow the Audit and Governance Committee to hold managers to account where weaknesses in controls have been identified and actions to address them agreed. It would allow for better scrutiny of recommendations where timescales have been extended and action plans revised

Summary findings The Audit and Governance Committee receives quarterly internal audit progress reports which include details of completed audits against the plan, the audit opinion, high risk findings and an audit summary. The internal audit team monitor the implementation of recommendations through a tracker, with the progress reports containing a statement confirming that agreed actions from previous reports are being progressed satisfactorily or revised action plans agreed. There is no schedule of high risk recommendations and the progress made in implementing them included within the reports.

Management comment Agreed. This will be introduced for the next A & G meeting in September.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

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| 11 Recommendation | The Council should ensure that e-procurement is rolled out across the organisation and appropriate controls around electronic orders enforced. |
| Why/impact | E-procurement systems allow for the pre-authorisation of electronic orders before they are sent to suppliers. This creates a separation of duties within the ordering process and creates additional checks that spend is appropriate and a budget exists. |
| Summary findings | While the creditors audit was given a satisfactory audit assurance opinion, a high risk finding was identified with regard to the low level of electronic orders being placed, resulting in a weakness in control through lack of order pre-authorisation. This issue had been identified in previous audits. We understand that the Council is implementing an e-procurement system to be rolled out in 2022 that will require electronic orders to be raised, with a no purchase order, no pay rule to be enforced. |
| Management comment | Agreed. The Council is on target for a go live 12/13 September, which will see a new Buyer role that will enforce the accurate use of POs and be able to refer back those which are not raised correctly. The no PO no pay rule will be mandated and there will be a very short list of exceptions to this rule. |



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

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| 12 Recommendation | The Anti-Money Laundering Policy and Counter Fraud Strategy should be formally reviewed and approved by the Audit and Governance Committee on a regular basis, in the same way as the Whistle Blowing Policy. |
| Why/impact | Regular formal review and approval of these policies ensures that they remain up to date and reflect best practice and legislation. Regular formal review also helps maintain an appropriate culture with regard to the prevention and detection of fraud and corruption. |
| Summary findings | The Whistle Blowing Policy is reviewed by Audit and Governance Committee every two years, and was last approved in March 2020. The Council's Anti-Money Laundering Policy was last approved in July 2018, while the Counter Fraud Strategy has not been approved since 2014. The Counter Fraud Strategy is subject to internal review every two years and is evidenced by a version control log, but is only reapproved by Committee should there be significant updates. |
| Management comment | Agreed. Committee Services have been asked to add this to the agenda timetable. |



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Governance

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| 13 Recommendation | Even where legislation may not require the declaration of gifts and hospitality, or similar declarations relating to maintaining high standards of behaviour, the Council should adopt robust ethical arrangements that promote the highest standards of behaviour, openness and transparency. |
| Why/impact | Members should be required to adhere to the highest ethical standards. We consider it unusual that in the past there was no requirement for Members to declare gifts and hospitality. |
| Summary findings | <p>The Member Code of Conduct forms part of the Constitution and includes the policies for registering interests and gifts and hospitality. The Audit and Governance Committee considered the LGA model Member Code of Conduct during the year, with the Council approving the model Code in April 2021.</p> <p>The previous Member Code of Conduct that applied during 2020/21 did not require Members to declare gifts and hospitality. The Code adopted in April 2021 includes the requirement for gifts and hospitality over £50 to be declared and declarations are publicly available on the Council's website.</p> |
| Management comment | Agreed. Audit has already noted that the currently members code of conduct requires councillors to declare any gift or hospitality received over £50 in value. This obligation will continue. Any such declaration made will continue to be made publicly available. |



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

14 Recommendation The officer Code of Conduct should include the requirement for interests to be recorded on the official register and that nil returns are required from senior officers.

Why/impact The declaration of interests is an important control to ensure impartiality, openness and transparency in decision making. The Code should be explicit in the actions required from officers.

Summary findings While the officer Code of Conduct contains guidance on declaring interests, it does not explicitly state that these should be recorded on the register. The Code requires that officers disclose interests to an appropriate manager. Limited declarations were made by officers in 2020/21 and there is no requirement for a confirmation of nil returns from senior officers.

Management comment Agreed. The officers code of conduct will be amended so that:

- A nil return is required from senior officers;
- The code makes explicit that any declaration of interest is recorded on the Register.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

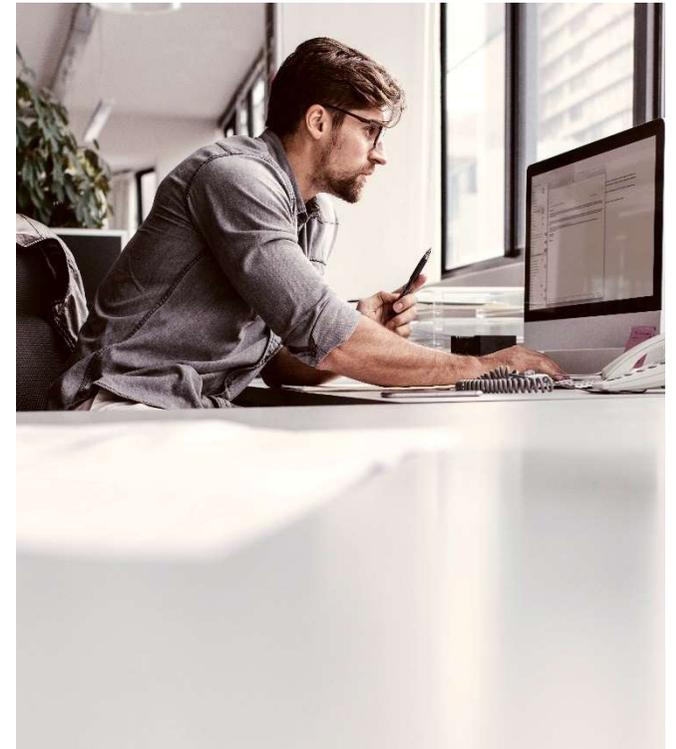
15 Recommendation The responsibility for sending reminders to staff of the requirement to declare interests, gifts and hospitality should be established and annual reminders sent.

Why/impact Officers should be reminded regularly of the requirement to declare interests, gifts and hospitality to ensure that registers are up to date and to ensure that an appropriate ethical culture is promoted at the Council.

Summary findings Members are reminded of the requirement to declare interests, gifts and hospitality through annual training on the Code of Conduct.

From our work we could not find evidence that officers are reminded of the requirement to declare interests, gifts or hospitality.

Management comment Agreed. All staff will be sent an annual reminder of the requirement to declare any interest, gifts and hospitality.

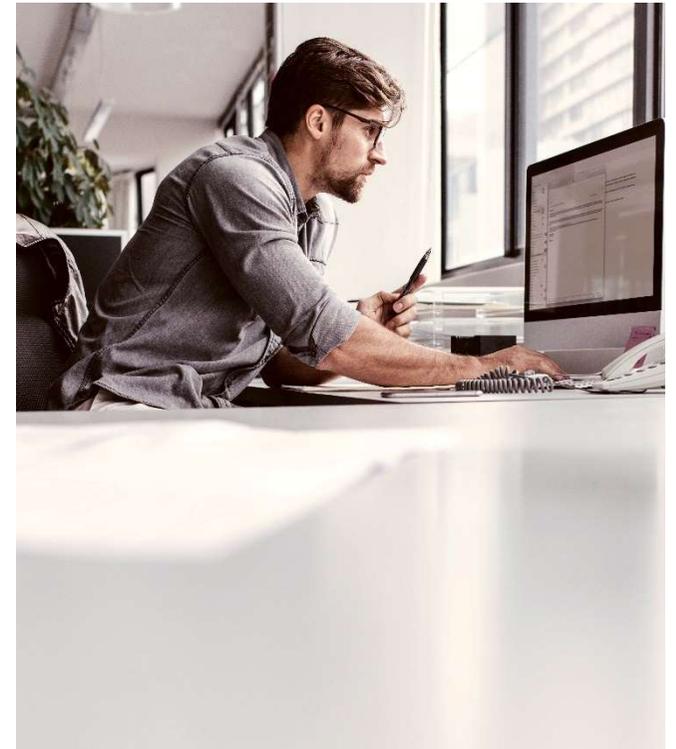


The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

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|---------------------------|---|
| 16 Recommendation | Completed Scrutiny Programme Board proformas, which include the reasons why a scrutiny request is accepted or rejected, should routinely be available to all Members. |
| Why/impact | Currently the proforma is available to the Member requesting the item for scrutiny. Routinely making the decision records available to all Members will ensure maximum transparency around decision making. |
| Summary findings | <p>We have received a representation from a member of the public raising concerns around the Council's arrangements for Scrutinising the decisions made by Executive.</p> <p>We have reviewed the Council's Scrutiny arrangements and we have found no evidence of significant weakness.</p> <p>The Scrutiny Programme Board receives proforma requests from Members requesting items for scrutiny. The proforma seeks to identify the topic for scrutiny, the main issues to be addressed and the outcome that is hoped to achieve from scrutiny. The proforma contains criteria used by the Scrutiny Programme Board to determine the request and reasons if a topic is rejected.</p> |
| Management comment | Agreed. Completed Scrutiny Programme proformas will be made routinely available to all members. |



The range of recommendations that external auditors can make is explained in Appendix C.

Improving economy, efficiency and effectiveness



We considered how the Council:

- responded to the changes required as a result of Covid-19
- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance management

The Council had planned to implement a performance management framework to monitor the achievement of strategic objectives as set out in the Corporate Plan. The Annual Governance Statement recognises that the approval of this framework has been delayed due to the pandemic, but that performance management will be an integral part of the One Exeter programme. As a result there was no formal corporate approach to the reporting of key performance indicators to the Executive during 2020/21. We have made an improvement recommendation that through the One Exeter programme, the Council should ensure that key service performance indicators are agreed and reported on a quarterly basis to Executive.

We have not identified the lack of a performance management framework or formal corporate performance monitoring as a risk of significant weakness. There is evidence that Members were updated during the year with regard to key priority areas for the Council. The monthly Covid-19 updates from portfolio holders to scrutiny committees included updates on corporate priorities, including the St Sidwell's Point construction project, Sport England delivery pilot, Liveable Exeter programme, net zero Exeter and leisure services delivery. Performance was reported for key areas such as carparks, commercial rents, housing, and planning applications. The minutes of these meetings are adopted by Council and provide evidence that key areas of performance were reported during the year.

The Executive received performance information with regard to aged debt, write offs and creditor payment performance as part of the quarterly budget monitoring reports. Services also continued to undertake their own performance monitoring through the use of the Power BI tool that extracts service related system data and presents it in a dashboard format. The housing service continued to monitor performance using the benchmarking provided by Housemark, and this was reported to the Council Housing Advisory Board.

The Council does not have a data quality policy. We recommend that as part of the review and implementation of the performance management framework, the Council considers the need for a data quality policy. Such policies ensure that the data used for performance monitoring is timely, complete, reliable and consistent.

Our review of the Council's arrangements for managing performance has not identified any significant areas of weakness, but the Council should ensure that it now adopts a performance management framework and formally reports key performance indicators to the Executive.

Benchmarking

Benchmarking is an effective tool that enables an organisation to compare and analyse its performance with others. It can provide a basis for collaboration and identify areas for improvement.

We have identified that the Council does undertake performance benchmarking for some service areas. The Council uses Housemark, the national benchmarking tool for housing services, the results of which are reported to the Council Housing Advisory Board. The planning service undertakes benchmarking of activity against other councils for a range of performance indicators. Grounds maintenance and street cleaning undertake benchmarking through the Association of Public Sector Excellence.

There is however no corporate wide approach to benchmarking services with other organisations to analyse performance.

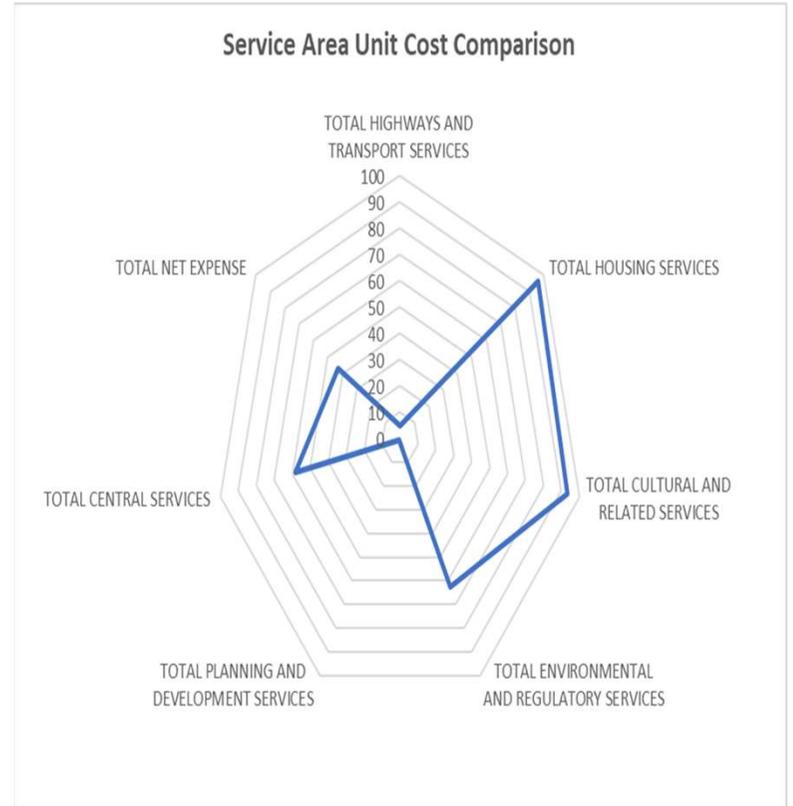
The benchmarking that we undertook using our management tool ‘CFO Insights’ compared the unit costs for a range of services and identified areas where the unit costs were very high in comparison to other district councils. These are summarised in the graph opposite have been discussed with the finance team.

While the charts opposite are only able to provide an indication of where costs are high, we consider that the Council should be routinely benchmarking service costs in order to identify areas where efficiencies could be achieved. Formal corporate benchmarking of service costs can be used to inform future budget rounds and service redesign.

We have made an improvement recommendation that the Council should develop a corporate benchmarking approach to routinely compare performance, to identify areas for improvement and inform the allocation of resources.

On the spider chart a rank of 50 represents the group median. The group in this case is all district councils. If a measure is closer to the outside of the chart it would be classed as ‘very high cost’, whereas if the line is closer to zero, then it would be classed as ‘very low cost’ in comparison to the group.

The data is based on the 2020/21 Revenue Outturn submissions to the government.



Significant partnerships

The Council works with a variety of partners to deliver corporate objectives and priorities for the local area. There are many examples of strategies developed at partnership level being translated into actions for the Council to deliver, and evidence that partnership work is overseen by the Council.

The Council is in partnership with East Devon and Teignbridge councils to deliver IT services through Strata. The Strata Joint Executive meets regularly to consider Director reports, budget and performance monitoring and to approve business plans. The minutes for these meetings are adopted by Council. The partnership has delivered significant savings since 2015, with additional savings delivered in 2020/21 above the business plan target in order to support partners during the pandemic.

The Council approved the draft Resource and Waste Management Strategy for Devon and Torbay in December 2020. The strategy was developed by the Devon Authorities Strategic Waste Committee and includes key targets relating to achieving net zero carbon, increasing recycling and reducing waste.

The Liveable Exeter Place Board brings community figures and organisations together to collaborate and help deliver the Liveable Exeter Garden City Programme which aims to secure the funding to build 12,000 new homes. The Exeter 2040 Vision includes outcomes that go beyond district council responsibilities and includes health, care and wellbeing services and a high quality built environment. The Place Board provides a mechanism to support the delivery of the Council's corporate priorities in relation to promoting active and healthy lifestyles and building great neighbourhoods. The Place Board is also focused on the delivery of the Recovery Plan. Executive received updates on the governance structure of the Board and updates on the Recovery Plan during the year.

Exeter and Cranbrook are one of 12 local delivery pilots working on new approaches to build healthier active communities. Sport England awarded funding of £4.721m in June 2019 and Exeter City Council has embarked on a delivery programme to achieve the pilot outcomes. A further £1.883m has been awarded to continue delivery of the programme to March 2025. The focus is on 20 geographic areas with the highest concentrations of those most at risk from inactivity and poor health.

The Council reviewed its safeguarding policy in December 2020 which had been updated to reflect best practice. The policy contains an action plan that includes safeguarding training for Members and officers, and supports corporate priorities relating to neighbourhoods and active and healthy lifestyles. The Council has a Corporate Safeguarding Group that provides governance and works with the Devon Safeguarding Adults Partnership, Devon Children and Families Partnership and Safer Devon Partnership to ensure best practice is followed.

The Council maintains a partnership register which confirms the purpose, membership, lead officer, financial commitment and exit strategy for each partnership. Partnership guidance is available to officers that sets out the definition of a partnership, approval process, partnership agreements and the partnership register.

Our work has not identified any areas of significant weakness regarding how the Council works with its strategic partners.

Procurement

The Council is part of the Devon District Procurement Authorities partnership, approving the Procurement Strategy 2019-22 in December 2019. The strategy includes an action plan with four priorities relating to contract management, sustainable procurement, engaging with local businesses and behaving commercially. The Strategy states that the Devon District Procurement Group will review progress made against the plan quarterly.

Through our work we have confirmed that there is no quarterly review of the progress made against the Procurement Strategy by the Devon District Procurement Group. Progress is reviewed when the Strategy is updated, with the last review carried out relating to the 2015-18 strategy in December 2019. The Council's procurement team does monitor the progress made against the Strategy internally, but this is not formally reported to Members.

We have made an improvement recommendation that the Devon District Procurement Group should regularly review the progress made by each council in implementing the Procurement Strategy as was the intention when the Strategy was approved. The results of the review should be reported to Members.

From our review of internal audit's work relating to procurement and contract management,

and through discussions with officers, we note that procurement and contract management training has been delayed due to the pandemic. Contract management is an important part of the procurement cycle and we recommend that the Council should now ensure that training is rolled out to appropriate officers so that they are aware of the requirements of the procurement and contract procedures, which were updated in December 2021.

Our work has not identified any areas of significant weakness regarding the Council's procurement arrangements.

Improvement recommendations



Improving economy, efficiency and effectiveness

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|---------------------------|--|
| 17 Recommendation | Through the One Exeter programme, the Council should ensure that key service performance indicators are agreed and reported on a quarterly basis to Executive. |
| Why/impact | Performance monitoring information should be reported to Executive to allow the progress in achieving strategic priorities to be reviewed and areas for service improvement identified. |
| Summary findings | The Council had planned to implement a performance management framework to monitor the achievement of strategic objectives as set out in the Corporate Plan. The Annual Governance Statement recognises that the approval of this framework has been delayed due to the pandemic, but that performance management will be an integral part of the One Exeter programme. As a result there was no formal corporate approach to the reporting of key performance indicators to the Executive during 2020/21. |
| Management comment | Agreed – a performance management framework, including updates on the actions in the 2022-26 corporate plan and key performance indicators, will be reported regularly to Executive from January 2023. |



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

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|---------------------------|--|
| 18 Recommendation | The Council should consider the need for a data quality policy as part of the review and implementation of the performance management framework. |
| Why/impact | Data quality policies ensure that the data used for performance monitoring is timely, complete, reliable and consistent. |
| Summary findings | The Council does not have a data quality policy. |
| Management comment | Agreed – the council will revisit and publish its Data Quality Strategy. |



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

19 Recommendation The Council should be routinely benchmarking service costs in order to identify areas where efficiencies could be achieved or services improved.

Why/impact Benchmarking is an effective tool that enables an organisation to compare and analyse its performance with others. It can provide a basis for collaboration and identify areas for improvement. Formal corporate benchmarking of service costs can be used to inform future budget rounds and service redesign.

Summary findings We have identified that the Council does undertake performance benchmarking for some service areas. There is however no corporate wide approach to benchmarking services with other organisations to analyse performance.

Management comment The Council uses APSE for targeted benchmarking of frontline services and has undertaken significant benchmarking in respect of the HRA. The Council will look for cost effective ways to expand benchmarking across services.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

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| 20 Recommendation | The Devon District Procurement Group should regularly review the progress made by each council in implementing the Procurement Strategy, as was the intention when the Strategy was approved. The results of the review should be reported to Members. |
| Why/impact | Members should be kept informed of the progress made in implementing the agreed procurement priorities contained within the Procurement Strategy. |
| Summary findings | <p>The Council is part of the Devon District Procurement Authorities partnership, approving the Procurement Strategy 2019-22 in December 2019. The Strategy includes an action plan of procurement priorities. The Strategy states that the Devon District Procurement Group will review progress made against the plan quarterly.</p> <p>There is no quarterly review of the progress made against the Procurement Strategy by the Devon District Procurement Group. Progress is reviewed when the Strategy is updated, with the last review carried out relating to the 2015-18 Strategy in December 2019. The Council's procurement team does monitor the progress made against the Strategy internally, but this is not formally reported to Members.</p> |
| Management comment | Agreed. This is in progress, with the Devon Districts Group already gathering data for the performance against strategy. An annual report to Members will be added to the committee work plan. |



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations



Improving economy, efficiency and effectiveness

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| 21 Recommendation | The Council should ensure that procurement and contract management training is rolled out to appropriate officers. |
| Why/impact | Contract management is an important part of the procurement cycle. Officers involved with the procurement and contract management cycle should be kept up to date of the requirements of the procurement and contract procedures, which were updated in December 2021. |
| Summary findings | From our review of internal audit's work relating to procurement and contract management, and through our discussions with officers we note that officer procurement and contract management training has been delayed due to the pandemic. |
| Management comment | Agreed. Training has been identified via LGA and work is underway to identify the appropriate Officers to attend this. Completion by Quarter 4 2022/23. |



The range of recommendations that external auditors can make is explained in Appendix C.

Opinion on the financial statements



Audit opinion on the financial statements

We gave an unqualified opinion on the Council's financial statements on 21 March 2022.

Audit Findings Report

More detail can be found in our Audit Findings Report, which was published and reported to the Council's Audit and Governance Committee on 9 March 2022.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

These instructions have yet to be issued and as such we cannot complete this work or formally certify the closure of our audit.

Preparation of the accounts

The revised deadline for approving the draft statement of accounts in accordance with the Accounts and Audit (Amendment) Regulations 2021 was 31 July 2021.

Issues arising from the accounts:

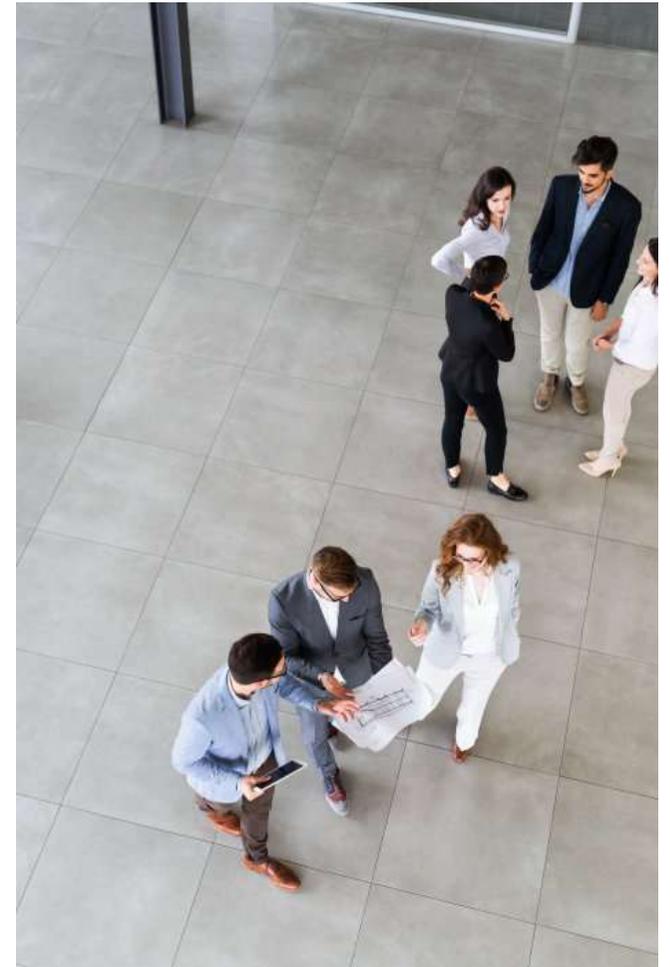
No material adjustments were required to the financial statements. One disclosure adjustment in relation to the collection fund adjustment account was identified.

We have made a recommendations that:

- all senior officers should be required to submit an annual declaration of interests;
- the user accounts identified with administration privileges are reviewed;
- no further journal postings are made via superuser IDs;
- the treatment of MRP on capital loans is reassessed;
- the latest available information is used by the valuer to support investment property valuations;
- information on valuer's judgements regarding complex investment properties is provided.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair,
- Prepared in accordance with relevant accounting standards,
- Prepared in accordance with relevant UK legislation.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B - Risks of significant weaknesses - our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

| Risk of significant weakness | Procedures undertaken | Findings | Outcome |
|--|---|---|--|
| Financial sustainability was identified as a potential significant weakness at the planning stage, see pages 9 to 22 for more details. | We reviewed the Council's arrangements for financial planning and budget setting as part of our standard financial sustainability procedures. | No significant weaknesses identified | Appropriate arrangements in place, seven improvement recommendations raised. |
| Governance was not identified as a potential significant weakness at the planning stage, see pages 23 to 36 for more details. | As part of our standard governance procedures we have reviewed the governance arrangements for Exeter City Living. | A significant weakness has been identified in relation to the governance arrangements for Exeter City Living. | One key recommendation raised and nine improvement recommendations raised. |
| A risk of significant weakness was identified during our detailed VFM work in relation to Exeter City Living governance arrangements. | No additional procedures undertaken | No significant weaknesses identified | Appropriate arrangements in place, five improvement recommendations raised. |

Appendix C - An explanatory note on recommendations

A range of different recommendations can be raised by the Council's auditors as follows:

| Type of recommendation | Background | Raised within this report | Page reference |
|------------------------|---|---------------------------|---|
| Statutory | Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report. | No | N/A |
| Key | The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'. | Yes | Pages 6 - 7 |
| Improvement | These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements. | Yes | Pages 16 - 22 Pages 28 - 36 Pages 41 - 45 |

Appendix D – Use of formal auditor’s powers

We bring the following matters to your attention:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We have not issued any statutory recommendations.

Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We have not issued a public interest report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We have not made an application to the Courts.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We have not issued any advisory notices.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We have not applied for a judicial review.



REPORT TO AUDIT & GOVERNANCE

Date of Meeting: 30th NOVEMBER 2022

Report of: AUDIT MANAGERS

Title: INTERNAL AUDIT PROGRESS REPORT 2nd QUARTER 1st JULY TO 30th SEPTEMBER 2022

Is this a Key Decision?

No

Is this an Executive or Council Function?

COUNCIL

1. What is the report about?

1.1 To report on internal audit work carried out during the period 1st July to 30th September 2022, 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 2022/23 be noted.

3. Reasons for the recommendation:

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

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

4.1 None

5. Section 151 Officer Comments:

5.1 Much of the report is positive, however, the weaknesses in the debtors system require addressing as the Council needs to ensure that all income due is raised and received. It is important to ensure that this is monitored and rectified going forwards.

6. What are the legal aspects?

6.1 None identified.

7. Monitoring Officer Comments:

7.1 It is gratifying to note tht the majoiry of the areas audited have been assessed as "satisfactory assurance". Having said that, there is always room for improvement.

8. Report details:

This Committee is responsible for the implementation and active monitoring of audit processes and actions, which includes performance against the annual audit plan, reviewing quarterly internal audit progress reports and seeking responses and assurance from management where remedial action has not been agreed or

implemented within a reasonable timescale. The 2022/23 Audit Plan was approved at this Committee on 9th March 2022.

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

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

8.1 Work Undertaken

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

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

I am pleased to report that all of the agreed actions from previous audit reports are being progressed satisfactorily.

Progress against the annual audit plan is on target.

8.2 Progress report on 'high' risk issues and remedial action agreed

Progress of the high risk issue identified during the first quarter of 2022-23:

Building Greater Exeter Partnership

| Issue identified | Remedial Action agreed | Target Date | Notes on progress |
|--|--|-------------|--|
| The Terms of Reference does not specify the arrangements for allocating the assets and liabilities in the event of the termination of the partnership. | The Skills & City Inclusivity Manager will arrange for a termination 'clause' to be included in the ToR. | 30.09.22 | October 2022 The Terms of Reference have been updated to include the allocation of assets and liabilities in the event of the termination of the partnership. |

During the second quarter of 2022-23, two 'high' risk issues were identified and remedial action agreed as follows:

Sundry Debtors

| Issue identified | Remedial Action agreed | Target Date | Notes on progress |
|---|--|-------------|--|
| Allotments 182 anomalies were identified relating to the collection of income from allotments, where plots are shown as live but invoices have either not been raised or not raised for some time. | The Commercial Services Support Manager is currently investigating the anomalies. All actions/updates arising from this are being recorded and will be actioned i.e. invoices raised, spreadsheet updated, ASH periodic customer accounts corrected, by the team | Oct 2022 | |
| Visit Exeter Income relating to Visit Exeter membership fees, business support, screen adverts etc. is collected via sundry debtor invoices. A review of the Visit Exeter database and the sundry debtors system identified 3 instances where the database recorded that invoices had been raised but there was no evidence of the invoice in the sundry debtors system. | Relevant invoices have now been raised. Consideration is being given to raising membership invoices via the periodic system to ensure they are always raised annually. | March 2023 | No further action required. To follow-up next year. |

8.3 Amendment to Audit Plan

The annual audit plan included time for a review of the governance arrangements of Exeter City Living, however, following a recommendation by the Council's External Auditors, Grant Thornton an external independent review has been commissioned. Therefore, to avoid duplication assurance will be sought from this piece of work.

8.4 Governance Issues

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

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

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

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

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

N/A

11. Equality Act 2010 (The Act)

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

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

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

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

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

11.4.1 The report is for information only

12. Carbon Footprint (Environmental Impactions)

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

13. Are there any other options?

13.1 N/A

Helen Kelvey/Helen Putt
Audit Manager

Local Government (Access to Information) Act 1972 (as amended)
Background papers used in compiling this report:

None

Contact for enquiries:
Democratic Services (Committees)
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01392 265115

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**EXETER CITY COUNCIL
AUDIT AND GOVERNANCE COMMITTEE**

PROGRESS OF 2022-23 AUDIT PLAN TO DATE

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

| Audit Review | Report Status | Overall Opinion | Direction of travel since last audit | No. of Findings & Remedial Action Agreed (High Risk only) | Summary (where completed within this quarter) |
|---|----------------------|------------------------|---|--|---|
| IT/STRATA | In progress | | | | |
| Main Accounting | In progress | | | | |
| Income Management | | | | | |
| Procurement | | | | | |
| Creditors | | | | | |
| People Management | | | | | |
| Elections & Electoral Registration | Final | Substantial Assurance | No previous rating | 0 | No matters arising |
| Private Sector Landlord Services | | | | | |
| Better Care Fund Grant (DFG & Warm Up Grants) | Final | Substantial Assurance | | 2 Medium 2 Low | Reported Q1 |
| Waste and Recycling | Final | Substantial Assurance | ↑ | 1 medium 3 Low | <p>Garden waste collection is a chargeable service for registered customers, which any household within the Exeter boundary can apply for. The Council does not collect from allotments or other non-residential properties. Garden waste is only accepted in one of the special brown bins (supplied by the Council) or in a bio-degradable sack, which can be purchased by the householder.</p> <p>The scope of the audit was to;</p> <ul style="list-style-type: none"> • review and update where necessary the system description • obtain assurance that payments for this service are being collected in full and processed correctly |

| Audit Review | Report Status | Overall Opinion | Direction of travel since last audit | No. of Findings & Remedial Action Agreed (High Risk only) | Summary (where completed within this quarter) |
|--|----------------------|------------------------|---|--|--|
| | | | | | There was one medium and three low risk findings. Remedial action has been agreed for all findings. |
| Building Greater Exeter (BGE) | Final | Satisfactory Assurance | No previous audit | 1 High 3 Medium 2 Low | Reported Q1 |
| Climate Change/Net Zero Exeter | In progress | | | | |
| Commercialisation and Project Management | | | | | |
| Sport England | In progress | | | | |
| Communications – Social Media | Final | Satisfactory Assurance | No previous rating | 9 Medium 3 Low | <p>Social media is any digital technology that allows users to instantly generate and share information with the public. It's a great way of connecting, engaging and communicating with a large and wider audience, equally it can be daunting, hostile and full of legal pitfalls which can damage reputations and be costly and time-consuming.</p> <p>The Communication Team is responsible for setting up social media accounts for service areas and training their staff in the use of social media. Alongside the training, all staff are issued with the social media guidance document.</p> <p>The scope included;</p> <ul style="list-style-type: none"> • Reviewing the social media guidance document • Ensuring that the councils social media account users are aware of their responsibilities • Checking that passwords are changed regularly • Reviewing posts to the councils' social media accounts to check they are delivered to a high standard <p>There were nine medium and three low risk findings. Remedial action was agreed for all findings.</p> |
| Leisure Facilities | In progress | | | | |
| Housing Benefit Subsidy-claims from state pension age claimants not in receipt of pension credit | Final | Satisfactory Assurance | No previous rating on this aspect | 1 Medium 1 Low | The DWP pays authorities subsidy equal to their 'qualifying expenditure' on housing benefit. Correctly paid HB qualifies for 100% subsidy, however, to encourage authorities to monitor and control costs, certain areas of benefit expenditure are penalised. These include certain overpayments and certain high eligible rents. Authorities can also fail to receive subsidy if they cannot |

| Audit Review | Report Status | Overall Opinion | Direction of travel since last audit | No. of Findings & Remedial Action Agreed (High Risk only) | Summary (where completed within this quarter) |
|----------------|---------------|--|--------------------------------------|---|---|
| | | | | | <p>provide the necessary information and evidence to support their claims.</p> <p>The group of pension age claimants have a high potential for error in the income/capital/household details, however, these cases are not reliably picked up the DWP HB award accuracy programme, so are not regularly reviewed. A request was made to Internal Audit to carry out a review of these cases to identify if there is a prevalence of inaccurate claims in this section of the caseload and whether these inaccuracies are purely administrative or add up to incorrect awards. The results of this audit will inform the assessors whether a more significant review of these cases needs to be undertaken by Housing Benefits.</p> <p>As a result of this audit, in future more of these types of claims will be selected for review from the list the DWP provides for accuracy checking. Normally the checking process would concentrate on cases highlighted as high risk by the DWP. However, there is now justification in checking samples of pension age claims which are likely to have been classified as a lower risk on the list by the DWP.</p> <p>There was one medium risk and one low risk finding. Remedial action has been agreed for both findings.</p> |
| Council Tax | | | | | |
| Sundry Debtors | Draft Report | <p>Income Collection Team Substantial</p> <p>Service Areas Limited Assurance</p> | No previous rating to compare | <p>2 High 9 Medium 8 Low</p> | <p>Sundry Debtors is the system for collection of income due to the Council.</p> <p>The scope of the audit was to;</p> <ul style="list-style-type: none"> • check that the sundry debtor policies and procedures are up to date and readily available to users • review the raising of sundry debtor invoices • select a sample of 10 outstanding invoices to check that suitable recovery action has been undertaken • ensure that the cancellation of invoices and write-off of outstanding debt is undertaken in accordance with Financial Regulations <p>establish that Members are provided with relevant sundry debtor information on a regular basis</p> <p>The audit identified two high risk, nine medium risk and two low risk findings.</p> |

| Audit Review | Report Status | Overall Opinion | Direction of travel since last audit | No. of Findings & Remedial Action Agreed (High Risk only) | Summary (where completed within this quarter) |
|---|---------------|-----------------------|--------------------------------------|---|--|
| | | | | | <p>Remedial action has been agreed for all findings. The details of the high risk findings are included in the main body of the report.</p> <p>A summary of the key issues identified in the audit were that; In line with the One Exeter Programme progress is being made to identify and set up new streams of income, however, the 'back office' processes/resource to support both the raising of invoices and subsequent collection of the debt for all income streams (both old and new) require attention – the audit has identified examples where;</p> <ul style="list-style-type: none"> • Services are being provided yet invoices are not being raised • Invoices are not being raised promptly after the supply of the service • Service Areas are not always undertaking debt recovery at all and/or in a prompt manner <p>In such instances the council will be incurring costs rather than generating an income</p> |
| Health & Safety | | | | | |
| Equalities and Diversity | | | | | |
| Risk Management | In progress | | | | |
| Business Continuity | | | | | |
| Contract Management | In progress | | | | |
| External Grants/Funding received | | | | | |
| Safeguarding | | | | | |
| Performance Management | | | | | |
| Exeter City Living | Deferred | | | | See Nov 22 Internal Audit progress report. |
| Covid related work/Post assurance: Omicron | Final | Substantial Assurance | N/A | 1 Medium | Reported Q1 |

| Audit Review | Report Status | Overall Opinion | Direction of travel since last audit | No. of Findings & Remedial Action Agreed (High Risk only) | Summary (where completed within this quarter) |
|-----------------------------------|----------------------|------------------------|---|--|--|
| Test & Trace Support | Final | Substantial Assurance | N/A | No matters arising | |
| Review of Hospitality/Disclosures | | | | | |

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PROGRESS REPORT ON SIGNIFICANT GOVERNANCE ISSUES IDENTIFIED IN THE ANNUAL GOVERNANCE STATEMENT 2021-22

| AGS Issue No. | Issue identified | Responsible Officer | Summary of action proposed | Update Sept 2022 | Update November 2022 | Update March 2023 | Notes |
|---------------|--|---------------------|--|---|--|-------------------|-------|
| 1 | Financial position – The Government’s continued delays in implementing the Fair Funding Review and business rates reset implementing the Fair funding review and business Rates reset have led to further uncertainty over the Medium term Financial Plan. However, the financial position remains precarious with significant reductions required to balance the budget over the medium term. The impact of the pay award and high inflation mean the Council need to reduce spend by £6.6m over the life of the MTFP regardless of the Governments plans. There is an immediate requirement to reduce expenditure by £2.3m in time for the 2023-24 budget. | Director Finance | One Exeter plan is operational and being progressed. Specific reduction targets have been set for each year of the plan. This is being monitored monthly by SMB. Clear programmes of work are in place and are being actioned. | The MTFP has been updated in light of the offered pay award and projections relating to fuel, energy and other inflationary increases. This has locked in the requirement for delivering £6.6m of savings over the life of the MTFP. However, work has progressed with the One Exeter Transformation programme to ensure that a balanced budget can be delivered. | Further information on the impact of the energy cost increases have raised the amount required to around £3.4m for 2023-24. Further work has been undertaken to either bring forward elements of the One Exeter programme or identify new options to cover the additional costs. | | |
| 2 | Net Zero 2030 – the Council has set a net zero target date of 2030 for council operations as opposed to the Devon County Council and central government target of 2050. In setting this central government target, the Committee on Climate Change (CCC) recognised that whilst this target is technically feasible it is highly challenging without sustained policy interventions across several sectors, many of which will be complex, costly and time-consuming. In choosing to set a target 20 years ahead of national and other locally set targets is high risk. However, this has already been recognised and will be monitored by the Audit & Governance Committee as part of the corporate risk register process. | Director Net-Zero | To be monitored as part of the Corporate Risk Register monitoring process. | | | | |
| | Change Management – the current scale and pace of change due to a number of factors presents a risk to achieving objectives and may impact the extent to which the organisation is capable of maintaining acceptable levels of compliance amid the shake-up of operations and control systems. These factors include the following: <ul style="list-style-type: none"> external factors e.g. regulatory change and compliance, climate change internal factors e.g. The One Exeter project to deliver the digitalization/transformation of service delivery | Audit Managers | The Audit Managers have been involved in a number of the One Exeter work streams, including the service review process and production of the ‘How to’ guidance for service leads. Involvement at this early stage should help identify risks to the internal control environment that could arise due to any changes being brought about by the program and this work will continue as the project develops. Internal Audit have also been asked to input into the development of service plans advising on governance and risk assessment processes. | No further updates at this stage. | Internal Audit continues to assist as needed. | | |

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REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 30TH NOVEMBER 2022

Report of: AUDIT MANAGER

Title: COUNTER FRAUD STRATEGY APPROVAL

Is this a Key Decision?

No

Is this an Executive or Council Function?

COUNCIL

1. What is the report about?

1.1 This committee has responsibility for approval of the Council's Counter Fraud Strategy which is reviewed biennially.

2. Recommendations:

2.1 To approve the updated Counter Fraud Strategy at Appendix A.

3. Reasons for the recommendation:

3.1 The Council's Counter Fraud Strategy needs to be reviewed every two years to ensure that it is up to date and remains fit for purpose.

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

4.1 None.

5. Section 151 Officer comments:

5.1 There are no financial implications contained in this report. However the strategy underpins the Council's approach to fraud and therefore provides an important element of the overall financial framework.

6. What are the legal aspects?

6.1 None identified.

7. Monitoring Officer's comments:

7.1 This raises no issues for the Monitoring Officer.

8. Report details

8.1 The Council's Counter Fraud Strategy was reviewed in September 2021, however, there were no updates to the content of the strategy and so it was agreed that it would not be presented to the Audit and Governance Committee for approval, however, during the audit conducted by the Council's External Auditor's, Grant Thornton, it was recommended that the strategy should be presented to the Audit and Governance Committee even if there are no changes. Therefore, the strategy was reviewed again in September 2022 and

is now being presented to the Audit and Governance Committee for the biennial approval. There were no changes during the review.

8.2 Once approved by this committee, the updated policy will be communicated to all staff and councillors via the Council's policy management software.

8.3 A copy of the updated policy is included at Appendix A.

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

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

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

10.1 N/A

11. Equality Act 2010 (The Act)

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

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

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

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

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

11.4.1 The report is for information only

12. Carbon Footprint (Environmental) Implications:

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

13. Are there any other options?

13.1 No

DIRECTOR:

Dave Hodgson

Director of Finance

AUTHOR:

Helen Putt

Audit Manager

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

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Counter Fraud Strategy

Contents

| | |
|--|---|
| 1.0 Introduction | 2 |
| 2.0 Definitions..... | 2 |
| 3.0 Key principles | 3 |
| 4.0 Corporate framework..... | 3 |
| 5.0 Roles and responsibilities | 4 |
| 5.1 Management responsibilities | 4 |
| 5.2 Employees’ responsibilities..... | 4 |
| 5.3 Councillors’ responsibilities | 4 |
| 5.4 Role of the responsible officer..... | 4 |
| 5.5 Role of internal audit | 5 |
| 5.6 Role of the external auditor..... | 5 |
| 5.7 Culture | 5 |
| 6.0 Prevention Strategy | 6 |
| 7.0 Detection Strategy | 7 |
| 8.0 Fraud Response Plan..... | 7 |
| 9.0 Review | 7 |

1.0 Introduction

1.1 Exeter City Council is committed to the prevention and detection of fraud, bribery and corruption. Any suspected cases of fraud, bribery or corruption will be investigated and wherever possible, the Council will refer the matter to the police in order that perpetrators can be prosecuted, and losses recovered through all appropriate means.

1.2 Misuse of public funds deprives the Council of finance it needs to achieve its agreed goals and strategic objectives. As a consequence of lack of finance, citizens (particularly those in need) may be deprived of vital services.

1.3 The purpose of this policy is to set out for councillors and employees, the Council's key principles and approach to countering fraud, bribery and corruption.

1.4 The table at the end of this document provides a simple reference of dos and don'ts should you suspect a fraud.

2.0 Definitions

2.1 Fraud

Fraud is an intentional criminal activity which can include theft. Types of fraud that could affect the Council include obtaining assets or services by deception; forgery and false accounting intended to mislead or misrepresent, for example, providing false information when submitting a claim.

The Fraud Act 2006 provides that people carrying out serious frauds can be imprisoned for up to 10 years. Fraud includes:

- taking something you are not entitled to (e.g. cash, supplies, even peoples' identities)
- false accounting
- deception
- forgery

2.2 Bribery

The Bribery Act 2010 defines bribery as "the inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards or other advantages whether monetary or otherwise" The Bribery Act 2010 came into force in July 2011. The Act forces organisations to evaluate how, and with whom, they do business and makes them accountable for ensuring that safeguards are in place to prevent bribery.

2.3 Corruption

Corruption is the abuse of entrusted power for private gain. It affects everyone who depends on the integrity of people in a position of authority. The Bribery Act 2010 repealed all Corruption Acts in whole and therefore there is now no offence of corruption; therefore whilst corruption exists as a term, it no longer exists as an offence. However, Section 7 of the Act creates a new offence of failure by an organisation to prevent a bribe being paid for or on its behalf.

Should a bribery offence occur, senior officers of the Council could be held accountable if they have failed to put in place appropriate preventative measures within the organisation.

3.0 Key principles

3.1 Our commitment to eliminate fraud, bribery and corruption are summarised by the following principles:

- Culture - create an anti-fraud, anti-corruption, anti-bribery and zero tolerance culture
- Prevention - review existing, and check new, policies and systems to ensure that any apparent weaknesses are removed and fit-for-purpose
- Detection - provide appropriate mechanisms for employees to voice their concerns and protect those who do make reports
- Investigation - maintain formal procedures to investigate fraud or corruption whenever it is suspected
- Sanctions - deal robustly with perpetrators of fraud or corruption, and to have no hesitation in referring cases to the police where it is appropriate to do so
- Redress - use reasonable measures to seek redress to recover any monies defrauded

4.0 Corporate framework

4.1 Everyone has a role to play in the prevention and detection of fraud, bribery or corruption. We expect employees and elected members to lead by example.

4.2 Our staff are our first line of defence against most acts of attempts of fraud, corruption or bribery. We expect and encourage them to be alert to the possibility of acts of fraud, corruption or bribery and to raise any such concerns at the earliest opportunity.

4.3 Staff have a duty to protect the assets of the Council, including information, as well as property. When an employee suspects that there has been fraud or corruption, they must report the matter to their Manager and Internal Audit. Roles and responsibilities are covered in more detail below.

4.4 A key element of prevention is the range of interrelated policies and procedures the Council has in place that together seek to create a zero tolerance culture. These have been formulated in line with appropriate legislative requirements and include:

- this Counter Fraud Strategy
- the Fraud response plan
- codes of conduct for councillors and employees
- standing orders and financial regulations
- procurement and contract procedures
- accounting procedures and records
- internal control systems
- Internal Audit
- recruitment and selection procedures
- disciplinary procedures
- anti-money laundering procedures
- the Whistleblowing policy

- Regulation of Investigatory Powers (RIPA) procedures
- Local Planning Code of Conduct
- The Council's Constitution

5.0 Roles and responsibilities

The corporate framework can only be effective in prevention or detection if the policies, procedures and arrangements are complied with, and there are clear lines of accountability and responsibility which are:

5.1 Management responsibilities

5.1.2 The day-to-day responsibility for the prevention and detection of fraud and corruption rests with line managers who are responsible for:

- identifying the risks to which systems, operations and procedures are exposed, including maintaining awareness of potential new and emerging fraud risks;
- developing and maintaining effective controls to prevent and detect fraud;
- ensuring that controls are being complied with

5.1.3 Managers must ensure that all of their staff are aware of the Council's counter fraud arrangements, as well as the Whistleblowing Policy. Managers must also encourage an environment in which their staff feel that they are able to approach them should they suspect irregularities are occurring.

5.1.4 During the recruitment process, managers should ensure that, as far as possible, potential employees are appropriately screened and vetted to establish the integrity of potential employees, whether permanent, temporary or casual posts. This should be done in consultation with Human Resources. This is a key preventative measure against fraud and could include, for example, verifying qualifications, identity checks, eligibility to work in the UK, and for certain posts credit checks (e.g. for posts with financial responsibilities) or Disclosure and Barring Service (DBS) checks (previously CRB checks) where appropriate

5.2 Employees' responsibilities

5.2.1 All employees must:

- act with propriety in the use of resources and in the handling and use of public funds, whether they are involved with cash or payment systems, receipts or dealing with contractors, suppliers or customers;
- immediately report, without fear of recrimination, if they suspect or believe there is evidence of irregular or improper behaviour or that fraud may be being committed
- comply with the employees' code of conduct (available on the Intranet)

5.3 Councillors' responsibilities

5.3.1 Councillors have a duty to the citizens of Exeter to protect Council assets from all forms of abuse. This is reflected by the adoption of this policy and compliance with the code of conduct for members, relevant legislation, policies and procedures

5.4 Role of the responsible officer

5.4.1 Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations make the 'responsible officer' Director Finance responsible for ensuring the Council has adequate control systems and measures in place

5.5 Role of internal audit

5.5.1 The purpose of internal audit is to provide independent and objective assurance to the Council on risk management, control and governance, by evaluating their effectiveness in achieving the Council's stated objectives. This includes promoting an anti-fraud, anti-bribery and anti-corruption culture within the Council to aid the prevention and detection of fraud.

5.5.2 Responsibility for managing counter fraud has been assigned to Internal Audit. This will include responsibility for horizon scanning for potential new and emerging risks and sharing information about this with managers, as appropriate.

5.5.3 Amongst the range of services provided it includes fraud and irregularity investigations in which:

- specialist skills and knowledge will be provided to assist in an investigation, or lead where appropriate. If necessary, the services of specialist fraud investigators will be employed to assist with investigations as needed; and
- fraud prevention controls and detection processes are assessed for effectiveness

5.5.4 All suspected fraud or irregularities should be reported to Internal Audit, with the exception of benefit and tenancy fraud which will be investigated by the relevant service provider. However, statistics relating to these types of fraud should be reported to Internal Audit on a periodic basis in order that Internal Audit can maintain a central record of all reported fraud

5.6 Role of the external auditor

5.6.1 The external auditor reviews the Council's arrangements for preventing and detecting fraud, bribery and corruption. Whilst external auditors do not have a specific preventative role, they are always alert to the possibility of fraud, bribery and corruption and will report any grounds for suspicion that comes to their attention.

5.7 Culture

5.7.1 We expect anyone and any organisation associated with Exeter City Council to act with integrity and operate high ethical values. We operate a zero tolerance culture and expect councillors and employees to strictly comply with the Nolan Committee's Seven Principles of Public Life:

- selflessness
- integrity
- objectivity
- accountability
- openness
- honesty
- leadership

5.7.2 The councillors and the employees' codes of conduct define the Council's expectations, and state what behaviour is deemed acceptable and what is unacceptable. The codes are published on the Council's website and are readily accessible

5.7.3 We will not tolerate bribery. It is unacceptable to:

- Give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given
- Give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure
- Accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them
- Accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return
- Retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy
- Engage in activity in breach of this policy.

5.7.4 All staff must adhere to section 117 of the Local Government Act 1972 and our Constitution, which says that they must tell us about any interests they have in any contracts relating to our affairs, similarly they must disclose any close personal relationships with both colleagues and external contractors (refer to the Code of Conduct for guidance). Staff must tell us about any fees or rewards that they are offered in their official capacity, other than their normal salary. In any event, fees or rewards should not be accepted without first ensuring compliance with the Code of Conduct for Council employees

5.7.5 Councillors are reminded of their responsibilities with details included in the Councillor's Code of Conduct. The details include rules on declaring and registering any possible areas of conflict between an elected councillor's Council duties and responsibilities and any other area of their personal or professional life.

5.7.6 Those working and serving in the public sector hold a position of trust and so are expected to act with the utmost honesty and integrity. Public servants that commit fraud, corruption or bribery can expect Courts to apply maximum penalties and sentences for breaking that public trust

5.7.7 Counter fraud training is delivered via an e-learning module, and provided to all councillors and employees. New councillors and employees must undertake the training as part of their induction training process, during which they are made aware of the Council's culture and of the policies and procedures they must comply with. This training ensures councillors and employees are aware of the different types of fraud and of the sanctions that can be taken against wrong-doers.

6.0 Prevention Strategy

6.1 Prevention is the best and most efficient way to tackle fraud, bribery and corruption, and prevent losses to the Council, therefore, we have established robust systems of internal controls that are designed to prevent and detect fraud, bribery and corruption, examples of these include:

- cross-checking data and information provided by applicants with that held on other systems to check that the information agrees and is accurate
- baseline checking of job applicants in order to combat identity fraud and false claims. These measures include checking: proofs of identity; employment history; educational and professional qualifications, experience, etc.
- active participation in the National Fraud Initiative data matching exercise that crosschecks data held by the Council with data held by other local and public authorities, Government departments and other organisations. Where suspect data is found, the cases are thoroughly investigated, and appropriate action taken or sanctions imposed.
- Internal controls such as separation of duties and authorisation of financial transactions

6.2 Internal Audit will:

- risk assess fraud risks using the Internal Audit risk assessment method used to establish the annual audit plan;
- horizon scan for emerging and latest fraud threats using publications and information issued by Government and other relevant bodies (e.g. CIFAS newsletter) and Internal Audit will report those emerging threats to relevant managers and work with them to develop plans to address and tackle those threats;
- ensure internal audit staff attend relevant training and seminars to keep up to date with the latest fraud trends and emerging risks;
- as appropriate and in consultation with management, publicise proven frauds to raise awareness of fraud risks to help identification of fraud;
- keep an up to date Fraud Response Plan and Collection of evidence policy giving guidance on conducting an investigation
- provide reminders to employees to raise awareness of:
 - the Council's policies, procedures and rules;
 - the fact that they must report any suspicions of fraud, bribery and corruption they may have
- test internal controls are in place and working effectively. Where actual or potential weaknesses are identified, recommendations are made to enhance the effectiveness and robustness of controls

7.0 Detection Strategy

7.1 We provide appropriate mechanisms to detect fraud, bribery and corruption, and to enable employees and members of the public to voice their concerns, these include:

- Internal Auditors assessing the effectiveness and robustness of systems' internal controls by, for example, checking transactions are valid
- providing fraud reporting mechanisms, such as on-line reporting or dedicated fraud reporting phone number, to encourage the reporting of benefits and other types of frauds.
- maintaining a Whistleblowing Policy and procedures (that are published on the Council's website) to encourage employees to report concerns about malpractice

8.0 Fraud Response Plan

8.1 We have established a Fraud Response Plan to compliment this strategy which lays out, in more detail, how we will respond to suspected fraud including investigations, sanctions and redress.

9.0 Review

9.1 This policy will be reviewed by Internal Audit, in consultation with other relevant persons, and approved by the Audit and Governance Committee, at least biennially.

Last reviewed: September 2022

REPORT TO AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 30th November 2022

Report of: Corporate Manager (Executive Support)

Title: Local Government Ombudsman's Annual Review of Complaints 2021-22

Is this a Key Decision?

No

Is this an Executive or Council Function?

No

1. What is the report about?

1.1. The report explains the role of the Local Government & Social Care Ombudsman (LGO) in investigating and remedying complaints about councils. It also presents the LGO's annual review of complaints about Exeter City Council for the year ending 31 March 2022.

1.2. Complaints relating to Housing Services that escalate to the Ombudsman are investigated by the Housing Ombudsman Service (HOS). Whilst these complaints are not part of the LGO legal duty to communicate with elected members, they have been included in Annex A to inform members of all ombudsman cases.

2. Recommendations:

2.1. That members note the report and highlight any issues with the complaints referred to in the LGO's annual review.

3. Reasons for the recommendation:

3.1. 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 significant 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 to prepare a formal report to the council (Audit and Governance Committee) on all Ombudsman complaint decisions.

6.2. The LGO considers that this duty is satisfactorily discharged if the Monitoring Officer makes a periodic report to the council summarising the findings on all upheld complaints over a specific period. This may be adequately addressed through an annual report on complaints to members, hence this report.

6.3. On rare occasions, the LGO can also issue a '*Formal Public Report*' if a local authority, or any part of it:

- has acted or is likely to act in such a manner as to constitute maladministration or service failure perhaps because of the scale of the fault or injustice, or the number of people affected

- and where the LGO has conducted an investigation in relation to the matter

6.4. Under the provisions of The Local Government Act 1974, whenever the LGO issues a Formal Public Report the council is obliged to lay that report before the council for consideration and respond within three months setting out the action taken, or proposed to be taken, in response to the report. The LGO has not issued any Formal Public Reports in relation to Exeter City Council.

6.5. In the unlikely event that an authority is minded not to comply with the LGO's recommendations following a finding of maladministration, he would always expect the Monitoring Officer to report this to members under section five of the Act. This is an exceptional and unusual course of action for any authority to take and should be considered at the highest tier of the authority.

7. Monitoring Officer's comments:

7.1. This report satisfies the obligation on the Monitoring Officers to report to members all ombudsmen's decisions as described in paragraph 6 above.

8. Report details:

8.1. The LGO investigates complaints from the public about councils and some other bodies providing public services in England. The LGO investigates alleged or apparent maladministration or service failure that have caused injustice to the complainant. Most council services can be investigated including planning, council tax and housing benefit and some areas of housing. Maladministration in broad terms might include:

- flaws in policies or decision making
- poor administrative practice
- failure to adhere to or consider properly statutory guidelines
- failing to consider properly the exceptional circumstances of an individual or a situation
- not properly considering statutory powers or duties
- failing to give an adequate service

8.2. The LGO will usually only become involved after a council's complaints procedure has been exhausted. If the LGO finds the council acted with fault, which caused the person an injustice, it will recommend a remedy to put things right. The LGO's remedies are aimed at putting the person back in the position they would have been were it not for the fault. Where appropriate it also recommends action to avoid similar issues affecting other people - such as reviewing practice and procedure - and can recommend remedies for other persons affected by faults found in an individual complaint

8.3. Details of the complaints received by the LGO about Exeter City Council, and the decisions made by the LGO on those complaints, for the year ending 31st March 2022 are set out Annex A. Members will note that:

- The Ombudsman received, and made decisions on 12 cases
- 7 of those cases were closed after initial enquiries, 2 were not upheld, advice was given to the complainant in 2 and 1 was referred back to the council for resolution
- The ombudsman did not propose a remedy or recommend service improvements for any cases

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

9.1. Effective handling of complaints and following due process are facets of a well-run council.

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

10.1. No risks identified.

11. Equality Act 2010 (The Act)

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

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs;
- and foster good relations between people by tackling prejudice and promoting understanding.

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

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

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

11.4.1 The report does not set policy and there is no negative impact.

12. Carbon Footprint (Environmental) Implications:

12.1 Not applicable

13. Are there any other options?

13.1 Not applicable.

**Bruce Luxton
Corporate Manager (Executive Support)**

Local Government (Access to Information) Act 1972 (as amended)
Background papers used in compiling this report:-

None

**Summary of complaint statistics from the Local Government and Social Care Ombudsman
and the Housing Ombudsman Service for the year ending 31 March 2022**

| Reference | Category | Decided | Decision | Decision Reason | Remedy | Service improvement recommendations |
|-----------|---|------------|--|--|---------------------------|-------------------------------------|
| 21005063 | Planning & Development | 06/09/2021 | Closed after initial enquiries | Other reason not to investigate | None | None |
| 20013187 | Housing Needs | 25/05/2021 | Closed after initial enquiries | No worthwhile outcome achievable by investigation | None | None |
| 21003249 | Environmental Services & Public Protection & Regulation | 15/12/2021 | Not Upheld | No maladministration found | None | None |
| 21003653 | Housing Needs | 14/06/2021 | Advice given | Signpost to the council's complaints process | None | None |
| 21006831 | Environmental Services & Public Protection & Regulation | 03/02/2022 | Closed after initial enquiries | Not warranted by alleged maladministration/service failure | None | None |
| 21011035 | Planning & Development | 06/12/2021 | Closed after initial enquiries | 26B(2) not made in 12 months (out of time) | None | None |
| 21011483 | Housing Needs | 02/03/2022 | Not Upheld | No worthwhile outcome achievable by further investigation | None | None |
| 21011677 | Planning & Development | 04/01/2022 | Closed after initial enquiries | Not warranted by alleged injustice | None | None |
| 21011845 | Planning & Development | 10/11/2021 | Referred back for local resolution | Premature decision - advice given | None | None |
| 21013707 | Corporate & Other Services | 19/01/2022 | Advice given | Previously considered and decided | None | None |
| 21016833 | Environmental Services & Public Protection & Regulation | 18/02/2022 | Closed after initial enquiries | Not warranted by alleged maladministration/service failure | None | None |
| 21018040 | Corporate & Other Services | 22/03/2022 | Closed after initial enquiries | Other reason not to investigate | None | None |
| 202103088 | Housing Services | 19/12/2021 | Recommendation to deliver rejected resolution from Stage Two Investigation | No maladministration handling complainant request Complaint resolved satisfactorily | Good will gesture offered | None |
| 202005117 | Housing Services | 10/02/2021 | Review process | No maladministration of work | None | None |

| Reference | Category | Decided | Decision | Decision Reason | Remedy | Service improvement recommendations |
|-----------|------------------|------------|--|-------------------------------------|--------|-------------------------------------|
| | | | | completed or complaint handling | | |
| 202201594 | Housing Services | 12/09/2022 | Closed after initial enquiries | Not within jurisdiction (timescale) | None | None |
| 202107316 | Housing Services | 03/12/2022 | Advising resident to log complaint initially | Complaints process not used | None | None |
| 202126322 | Housing Services | 02/03/2022 | Advising resident to log complaint initially | Complaints process not used | None | None |
| 202008830 | Housing Services | 11/06/2021 | No maladministration of complaint handling Service failure – advice given to resident | Compensation order - £75.00 | £75.00 | None |

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REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 30th NOVEMBER 2022

Report of: Chief Executive & Growth Director

Title: Corporate Risk Register

Is this a Key Decision?

No

Is this an Executive or council function?

Risk management is a council function.

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

1. What is the report about?

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

2. Recommendations:

2.1 That the committee reviews and notes Corporate Risk Register

3. Reasons for the recommendation:

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

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

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

5. Section 151 Officer comments:

5.1 The Strategic Management Board is working with Zurich to undertake a review of the Corporate Risk Register. The initial meeting has taken place and it is hoped that the refreshed risk register will be presented to the March Committee. The financial risk has been updated to reflect the impact of higher energy costs.

6. What are the legal aspects?

6.1 None identified.

7. Monitoring Officer's comments:

7.1 Nothing to add to the S.151 officer's comment as set out above.

8. Report details:

8.1 The Corporate Risk Register (Appendix A) has been reviewed and updated by members of SMB as follows:

8.2 Risk 1 The details of the risk and mitigations have been updated to reflect the current position.

8.3 An update on each risk can be found in the notes column of the Corporate Risk Register (Appendix A)

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

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

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

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

11. Equality Act 2010 (The Act)

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

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs;
- and foster good relations between people by tackling prejudice and promoting understanding.

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

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

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

11.4.1 The report does not set policy.

12. Carbon Footprint (Environmental) Implications:

12.1 Not applicable

13. Are there any other options?

13.1 Not applicable.

Chief Executive and Growth Director

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

Background papers used in compiling this report:-

Contact for enquires: Democratic Services (Committees) 01392 265275

Corporate Risk Register

Review Month: **October 2022**

| Ref | Date Risk Identified | Risk Owner | Inherent Risk | | | Existing Mitigations & Controls (What has been done to control the risk?) | Residual Risk | | | Further Mitigations & Controls to be put into place | Target Implementation Date |
|-----|--|--|---------------|--------|------------|--|---------------|--------|------------|---|----------------------------|
| | | | L'hood | Impact | Risk Score | | L'hood | Impact | Risk Score | | |
| 1 | <p>Inability to deliver Carbon Net Zero aspirations for Exeter by 2030 (External)</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Financial pressure and economics of carbon reduction - Behavioural challenges over influencing businesses and public - Technical capability to deliver - Lack of control over all stakeholders (businesses, visitors etc.) - Political environment and acceptance of policy changes required - Misalignment with Devon Climate Plan - Failure to engage with resident and business of Exeter to ensure solutions proposed meet real need <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Reputational - Failure to deliver inclusive growth and retain vibrancy of Exeter as a great place to live - Conflict within Region - Short term changes may not be sustainable | | | | | | | | | | |
| | 08.11.19 | Executive Updates to be provided by Karime Hassan Chief Executive & Growth Director | 4 | 3 | 12 | <p>Ideally there would be an alignment of the national and county goals for net zero emissions. Regrettably Devon County have now committed to a net zero 2050 goal in line with the national goal. This is a significant blow to the ambitions of the city to deliver on the more challenging 2030 goal. Given the significance of transport to the goal of net zero emissions it has made it highly unlikely that the city can achieve an ambitious timetable for that sector.</p> <p>In the absence of policy alignment it could be appropriate that the city and its partners reflect on the role the city plays in terms of the agenda. For example the city council continue to innovate and show willingness to pilot initiatives and create a powerful narrative around pioneering initiatives accepting that getting to scale is another challenge altogether.</p> <p>The other consideration is whether the city begins to focus on adaption rather than prevention. Climate adaption rather than eliminating greenhouse gas emissions will become a topic for discussion in months to come. The national and international debate is possibly moving backwards and whilst not an immediate issue for discussion, as time moves on a lack of a clear route to delivery will inevitably suggest adaption becomes the issue.</p> | 4 | 3 | 12 | <p>Greenhouse gas emissions inventory sector by sector published and approved by the City Council. This identifies the scale of the challenge to achieve a net zero Exeter by 2030. It includes a range of targets on an annual basis to achieve in a linear progression the decarbonisation of the city. The report identified the sectors where the greatest reductions required, namely buildings, energy and transport. In the absence of funding or legal powers to effect change, Exeter City Futures has organised a number of workshops to explore the feasibility and willingness to look at different approaches to securing change.</p> <p>Transport initiatives to support a step change in active travel and/or use of public transport.</p> <p>Expansion of district heating networks</p> <p>Accelerate roll out of EV charging infrastructure,</p> <p>Work continues with the green construction group at the Exeter College regarding the scope of the pipeline for retrofit of homes. The scale of the challenge is becoming clearer every day. For example a recent meeting with a heat pump manufacturer with the largest market share in the country revealed that it was installing 18k homes pa across the country. The net zero agenda for the city requires us to deliver 42,000 heat pumps to homes in the city alone. This would be on top of a district heat network for a further 11,200 homes. The scale of the challenge is extraordinary.</p> <p>Exeter City Futures together with the Centre for Leadership at the University of Exeter hosted a meeting of a number of organisational leaders to explore</p> | Apr-30 |

| | | | | | | Review Month: | | | October 2022 | | |
|---|----------------------|------------|---------------|--------|------------|---|---------------|--------|--------------|---|----------------------------|
| Ref | Date Risk Identified | Risk Owner | Inherent Risk | | | Existing Mitigations & Controls (What has been done to control the risk?) | Residual Risk | | | Further Mitigations & Controls to be put into place | Target Implementation Date |
| | | | L'hood | Impact | Risk Score | | L'hood | Impact | Risk Score | | |
| | | | | | | | | | | <p>the leadership challenge to realise a net zero goal and it revealed good practice being pursued by the Met Office in its journey to net zero and the appetite for collaboration from parties across the city. Positive experiences and willingness to work together is suggestive of a strong commitment to the agenda notwithstanding the obvious challenges to get to a 2030 goal.</p> <p>Train services especially along the Waterloo to Exeter line have impacted negatively on supporting people to shift from car to public transport. A less than satisfactory bus services within the city has been widely commented upon throughout the city and is setting us backwards in our strategy to support active travel and a shift to public transport.</p> <p>Policies to support the net zero Exeter 2030 goal are reflected in the draft city plan.</p> <p>Work of scrutiny to support the green construction agenda is in plan and a range of parties are now fully co-operating with Exeter College to firm up a pipeline. Recruitment of skilled labour to support retrofit work is an obvious bottle neck and members may want to probe this issue further with Exeter College.</p> <p>Exeter City Fund is still being looked at by scrutiny committee and members will need to take a view on whether the fund is the appropriate mechanism to fund the green construction ambition of the City Council. Presently there is little comfort that can be drawn from national government on funding for housebuilding and regeneration or the quality of development desired by the city council in pursuance of the net zero agenda. The City Fund was an attempt to find such a mechanism. If this approach is not acceptable to members, there is no obvious alternative that has been identified.</p> | |
| <p>Tracking Notes and Monitoring:</p> <p>September 2022:</p> <p>Updates to work to be done provided.</p> <p>November 2022:</p> <p>The details of the risk and corresponding mitigations have been updated. It should also be noted that, following the Scrutiny Governance review, it has been proposed that a Strategic Scrutiny Sub Committee for Climate Change is established, however, this is pending approval by Council in the New Year.</p> | | | | | | | | | | | |

| | | | | | | Review Month: | | | October 2022 | | |
|---|---|------------|---------------|--------|------------|---|---------------|--------|--------------|---|----------------------------|
| Ref | Date Risk Identified | Risk Owner | Inherent Risk | | | Existing Mitigations & Controls (What has been done to control the risk?) | Residual Risk | | | Further Mitigations & Controls to be put into place | Target Implementation Date |
| | | | L'hood | Impact | Risk Score | | L'hood | Impact | Risk Score | | |
| 2 | Failure to meet Exeter's Housing supply needs as a planning authority and meet strategic 5 years ambitions | | | | | | | | | | |
| | <p>Potential Causes:</p> <ul style="list-style-type: none"> - Inadequate Land supply - Not granted enough planning permissions - Student development cannot be included in housing supply figures - House builders drip feeding - Political / community buy in to developments - Exeter Local Plan not progressing quickly enough, encounters delays in programme, or is delayed by external factors such as changes to the Planning system or though protracted discussions with neighbouring authorities re region wide issues. <p>Potential Impacts:</p> <ul style="list-style-type: none"> - Vulnerability to development coming forwards/gaining consent which is not in keeping with the character of the city and which may be contrary to strategic ambitions - such as the 2040 Vision or net-zero commitment. - Financial risks with increased appeals, and potentially lost income - Social outcomes - inequality, rising social service costs - significant waiting list - Reputational impact if development on not appropriate location | | | | | | | | | | |
| Page 97 | June 2013 | Executive | 4 | 4 | 16 | - Brownfield opportunities identified and developed into the Liveable Exeter strategy - The Liveable Exeter programme has secured further funding to support work on the Liveable programme - Higher density developments being encouraged within the city centre. - Social Housing being developed following the lifting of borrowing cap-ambition for 500 homes over 10 years' - Appropriately briefing members to ensure robust decision making processes - The Council is currently able to demonstrate a housing land supply of 4 years and 8 months against the 5 year requirement | 4 | 4 | 16 | - The Local plan is continuing to progress with a timetable now established and the statement of community involvement developing. The first statutory stage of public consultation on the Local Plan was completed in November 2021 (Regulation 18 Issues Consultation) - Selling positive image of high quality high density brownfield developments through the Liveable Exeter programme. - using existing planning policy to resist inappropriate development proposals in order to continue to protect the character and beauty of the city. - regular updating of the 5 year land supply position in order to closely monitor land supply in the city | Ongoing |
| Tracking Notes and Monitoring: | | | | | | | | | | | |
| March 2022: | | | | | | | | | | | |
| The Planning Inspector for the Pennsylvania Road appeal (held November 2021) has concluded that the Council is able to demonstrate a housing supply of 4 years and 8 months. Since that appeal decision was received, a further appeal has been held for Land at Redhills. At that appeal hearing, the Council argued that it is now able to demonstrate a 5 year housing supply due to the granting of planning consents since November 2021. However, until the Redhills appeal decision is received, the Council must accept that it cannot demonstrate a 5 housing supply for development management purposes." | | | | | | | | | | | |
| Sept 2022: At the Spruce Close appeal, the Inspector has determined that Exeter does not have 5-year land supply. The Planning Committee has resolved to refuse the former Police Station, Heavitree Road application for PBSA and Co-living. The Director of City Development has signed a PPA to bring forward a planning application for land at Water Lane. ECC has been granted a further £250,000 government capacity funding for 2020/21 to support Liveable Exeter. The Statement of Community Involvement has been adopted; Executive has approved the outline draft Exeter Plan for public consultation, commencing 26.09.22; consultants have been appointed to develop a set of Liveable Exeter principles and a detailed design code for Water Lane and Marsh Barton. | | | | | | | | | | | |
| Nov 2022: Director City Development is leading a piece of work to dive deeper to understand the risks to the City's housing pipeline and Liveable Exeter. This is a corporate project and will carry over into the New Year. It will conclude with a report to Executive. The work is still being scoped at this stage. | | | | | | | | | | | |

| | | | | | | Review Month: | | | October 2022 | | |
|---|--|--|---------------|--------|------------|---|---------------|--------|--------------|--|----------------------------|
| Ref | Date Risk Identified | Risk Owner | Inherent Risk | | | Existing Mitigations & Controls (What has been done to control the risk?) | Residual Risk | | | Further Mitigations & Controls to be put into place | Target Implementation Date |
| | | | L'hood | Impact | Risk Score | | L'hood | Impact | Risk Score | | |
| 3 | Failure to adapt council workforce to ensure appropriate skills and experience | | | | | | | | | | |
| | <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> - Ageing workforce (half of staff over 50, considerable enough) - Difficulty to recruit into key areas - professional areas (planners, lawyers) - Empowerment, skills and engagement of managers to enable this change <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> - Loss of experience - Increased spending on agency workers - Not having cost effective council services delivering the right outcomes - Service disruption - Cost of appeals / challenges across the council services - Increased stress / pressure on workforce | | | | | | | | | | |
| Page 98 | June 2019 | Baan Al-Khafaji Director Corporate Services | 3 | 3 | 9 | <ul style="list-style-type: none"> - Market supplement scheme in place - Apprenticeship opportunities for new and existing staff - Employing part qualified staff and training them (internal and external) - procurement, planning etc. - Improvements in metric tracking (age, gender, skills profiles) - Business Partnering model allowing for greater collaboration between service areas and HR - Metrics reported to SMB | 2 | 3 | 6 | <ul style="list-style-type: none"> - Ensure robust implementation of new workforce planning process (local mgmt team led) - Utilising agile program to compliment modernisation of work environment - Review of progress against GDR. | Ongoing |
| <p>Tracking Notes and Monitoring:</p> <p>March 2022: No further update received</p> <p>June 2022: No further update received</p> <p>November 2022: No further updates</p> | | | | | | | | | | | |

| | | | | | | Review Month: | | | October 2022 | | |
|---|--|---------------------------------|---------------|--------|------------|---|---------------|--------|--------------|--|----------------------------|
| Ref | Date Risk Identified | Risk Owner | Inherent Risk | | | Existing Mitigations & Controls (What has been done to control the risk?) | Residual Risk | | | Further Mitigations & Controls to be put into place | Target Implementation Date |
| | | | L'hood | Impact | Risk Score | | L'hood | Impact | Risk Score | | |
| 4 | Maintaining the Financial Sustainability of the Council | | | | | | | | | | |
| | <p>Potential Causes:</p> <ul style="list-style-type: none"> - Fair funding review from central government involving rebase lining of business rates (income loss of £2.5m per annum) and determination of a new formula which could have funding implications. - Inability to deliver £6.6m savings target over four year period. - Inability to grow Exeter city centre and associated business rates etc. - Policy, regulatory or legislative changes which are not fully funded from central govt. - Impact of high inflation, rising interest rates and other external economic factors. <p>Potential Impacts:</p> <ul style="list-style-type: none"> - unable to balance budget. - reduced income for council services. - larger than anticipated cuts (in year or over longer term). - reduction in reserves. - impacts on council services and therefore resident outcomes. | | | | | | | | | | |
| Page 99 | January 2018 | Dave Hodgson - Director Finance | 4 | 4 | 16 | <ul style="list-style-type: none"> - Detailed MTFP assessed and agreed with Members - One Exeter plan agreed and being implemented with suitable governance arrangements in place. - Budget for 2022-23 agreed with significant reserves to protect against Covid related income losses. - Significant investment in city centre regeneration (St Sidwell's point & bus station) including developing a new vision for the rest of the site which includes mixed use - Business Development manager extended to continue to identify and grow commercial opportunities - Strong level of unringfenced general fund reserves to protect against shocks | 2 | 4 | 8 | <ul style="list-style-type: none"> - Continue to respond to consultations making case for council - Lobby government for relaxation of council tax increase restrictions - The Council has a clear strategy to address the £6m savings required, although the exact timing of Government decisions around Business Rates and New Homes Bonus remains uncertain. - Significant funding in an earmarked Reserve to protect against income shortfalls or timing issues with reductions. - Further work being undertaken to identify (or bring forward) options to address further reductions required. | Feb-23 |
| <p>Tracking Notes and Monitoring:</p> <p>September 2022: The MTFP has been updated and the pay award / inflation means that savings are required totalling £6.6m regardless of the outcome of Government decisions.</p> <p>November 2022: Director Finance to provide a detailed verbal update at the A&G meeting.</p> | | | | | | | | | | | |

| | | | Review Month: | | | October 2022 | | | | | |
|----------|--|---------------------------------|---------------|--------|------------|--|---------------|--------|------------|---|----------------------------|
| Ref | Date Risk Identified | Risk Owner | Inherent Risk | | | Existing Mitigations & Controls (What has been done to control the risk?) | Residual Risk | | | Further Mitigations & Controls to be put into place | Target Implementation Date |
| | | | L'hood | Impact | Risk Score | | L'hood | Impact | Risk Score | | |
| 5 | Increased cost of all capital building Projects | | | | | | | | | | |
| | Potential Causes: - Shortages of materials and labour causing delay and increased costs across the capital programme. - Interest Rate rises causing the cost of borrowing to rise significantly. Potential impacts - Increased costs to Council - Delay in all projects, predominantly the condition survey projects and HRA programme, leading to prolonged periods of buildings being below the standard the Council is aiming for. | | | | | | | | | | |
| | August 2021 | Dave Hodgson - Director Finance | 4 | 4 | 16 | The global economic impacts are difficult to mitigate. Members may need to reprioritise, accept higher tender costs or delay the capital programme. Those projects already underway will see additional costs arising. | 4 | 4 | 16 | Review existing capital programme with a view to deferring and removing schemes. Change of emphasis to internally borrow in the short term to offset interest rate rises. | Feb-23 |
| Page 100 | Tracking Notes and Monitoring: | | | | | | | | | | |
| | September 2022: Interest rates have now increased to around 2.5% higher than at the start of the year. This adds around £25,000 per million borrowed. This will have a negative impact on the revenue position of the Council, when further external borrowing is required. November 2022: Director Finance to provide a detailed verbal update at the A&G meeting | | | | | | | | | | |

| | | | | | Review Month: | | | October 2022 | | | |
|-----|---|--|---------------|--------|---------------|--|---------------|--------------|------------|--|----------------------------|
| Ref | Date Risk Identified | Risk Owner | Inherent Risk | | | Existing Mitigations & Controls (What has been done to control the risk?) | Residual Risk | | | Further Mitigations & Controls to be put into place | Target Implementation Date |
| | | | L'hood | Impact | Risk Score | | L'hood | Impact | Risk Score | | |
| 6 | Failure to deliver the Liveable Exeter Programme | | | | | | | | | | |
| | <p>Potential Causes:</p> <ul style="list-style-type: none"> - a challenge to the viability of development - inadequate funding for brownfield land regeneration - lack of staff resources to support the work - inability to address complex land assembly and infrastructure challenges - significant abnormal costs associated with this type of programme <p>Potential impacts</p> <ul style="list-style-type: none"> - increased costs to the Council - carbon neutral not achieved by 2030 - city housing needs not met by 2040 - new communities not created - active and accessible city aspirations not met - new homes do not meet Garden City principles - housing built in locations the council is seeking to avoid | | | | | | | | | | |
| | Nov 21 | Executive 'Ian Collinson- Director City Development | 4 | 4 | 16 | <ul style="list-style-type: none"> - Brownfield land release fund: <ul style="list-style-type: none"> - project management capacity brought in - sites included in ECL business case - Director of Planning & Development appointed - examples of the strategic investment required are the housing infrastructure fund (HIF) and other strategic investment funds such as administered by One Public Estate and the Department for Levelling Up, Housing and Communities - some funding has been secured on an annual basis from Homes England - LDA design commissioned to produce Marsh Barton Development framework - DCC & ECC progressing work on development brief for Southgate | 4 | 4 | 16 | <ul style="list-style-type: none"> work to be undertaken with One Public Estate on the Exeter City Fund concept - there needs to be a willingness to acquire land and property to move forward in a sensible phased programme including a willingness to compulsory purchase land - need to step up the support commensurate with the scale and pace of development required - new local plan that includes the vision and principles as part of the formal planning policy - the Council adopts an enabling culture rather than relying on a regulatory culture - Exeter City Living to lead by example - Exeter Place Board to bring together the city's institutions to take ownership of the vision and aspirations and to work collectively on obstacles to delivery - draft tender for parking strategy - City Fund outline business case in draft with Scrutiny Committee - Officer to continue to approach landowners in key locations to bring forward key sites in the programme | Nov-24 |

| | | | | | Review Month: | | | October 2022 | | | |
|--|----------------------|------------|---------------|--------|---------------|---|---------------|--------------|------------|---|----------------------------|
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| | | | L'hood | Impact | Risk Score | | L'hood | Impact | Risk Score | | |
| <p>Tracking Notes and Monitoring:</p> <p>Sept 2022: Joint Scrutiny Committee has held three meetings to better understand the Exeter Development Fund concept. This has identified the outline business case, the failings with the current business as usual model, the opportunities with development corporation models of delivery, and the challenges to visibility as a consequence of the current approaches to funding development. A Task and Finish Group has been established for scrutiny to conclude its consideration of the concept prior to Executive considering the proposal. DLUHC Garden Communities capacity funding is being used effectively to help unlock sites, but this funding is not sufficient and is at risk of being scrapped. The level of resources required to support an ambitious transformation programme is significant and whilst the development corporation model, would be a means to secure greater resources to the programme, this could be years away. There are tangible examples of progress being made with the programme and progress with the Exeter Plan preparation (see also above under Risk 2). There is strong private sector interest in the Water Lane area and St David's Station/Red Cow and ECC has built a strong collaborative approach with land owners/developers. Consultants have been engaged to master plan the Marsh Barton area and develop a strategic design code for Water Lane. This work could be replicated across other strategic sites, given sufficient resources. However strategic uncertainty is hitting confidence in the construction sector where inflation is hurting viability. Developers are unable/unwilling to risk significant investment in bringing forward brownfield land. Homes England is reluctant to commit government funding to provide infrastructure loans/grant and acquire land to unlock sites. ECL is continuing to develop a pipeline of deliverable sites on Council owned land with support from City Development. Recent appeal decisions have left the Council in a weak policy position.</p> <p>Nov 2022: As for risk 2 the Director City Development is leading a piece of work to dive deeper to understand the risks to the City's housing pipeline and Liveable Exeter. This is a corporate project and will carry over into the New Year. It will conclude with a report to Executive. The work is still being scoped at this stage.</p> | | | | | | | | | | | |

| | | | Review Month: | | | October 2022 | | | | | |
|-----|---|------------|---------------|--------|------------|---|---------------|--------|------------|---|----------------------------|
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| | | | L'hood | Impact | Risk Score | | L'hood | Impact | Risk Score | | |
| 7 | Inability to deliver Carbon Net Zero aspirations for Exeter City Council operations by 2030 (Internal) | | | | | | | | | | |
| | At the request of members, with effect from June 2022 this risk is now the subject of a separate risk register to be present half yearly to the Audit & Governance Committee by the Corporate Energy Manager, Net Zero Team | | | | | | | | | | |

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