

## **AUDIT AND GOVERNANCE COMMITTEE**

Date: Wednesday 6 March 2024  
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 rear of the Customer Services Centre, Paris Street.

### *Membership -*

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

### Agenda

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

1 **Apologies**

To receive apologies for absence from Committee Members.

2 **Minutes**

To approve and sign the minutes of the meeting held on 29 November 2023.

(Pages 5 -  
10)

3 **Declaration of Interests**

Councillors are reminded of the need to declare any discloseable pecuniary interests that relate to business on the agenda and which have not already been included in the register of interests, before any discussion takes place on the item. Unless the interest is sensitive, you must also 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."

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|----|--|----------------------|
| 5  | <b>City Council Net Zero Risk Register</b><br>To consider the report of the Director Net Zero and City Management.   | (Pages 11<br>- 20)   |
| 6  | <b>Interim Audit Findings Report for Exeter City Council 2021/22</b><br>To consider the report of the External Auditor (Grant Thornton).                     | (Pages 21<br>- 54)   |
| 7  | <b>The Audit Findings Report for Exeter City Council 2022/23</b><br>To consider the report of the External Auditor (Grant Thornton).                         | (Pages 55<br>- 96)   |
| 8  | <b>Interim Annual Auditor's Annual Report on Exeter City Council 2021/22 and 2022/23</b><br>To consider the report of the External Auditor (Grant Thornton). | (Pages 97<br>- 140)  |
| 9  | <b>Final Statement of Accounts 2022/23</b><br>To consider the report of the Director Finance.  | (Pages<br>141 - 292) |
| 10 | <b>Management Letter of Representation 2022/23</b><br>To consider the report of the Director of Finance.   | (Pages<br>293 - 296) |
| 11 | <b>Informing the Audit Risk Assessment</b><br>To consider the report of Director Finance.  | (Pages<br>297 - 326) |
| 12 | <b>Annual Internal Audit Plan 2024/25</b><br>To consider the report of the Audit Managers.   | (Pages<br>327 - 344) |
| 13 | <b>Internal Audit Quarterly Progress Report</b><br>To consider the report of the Audit Managers.   | (Pages<br>345 - 370) |
| 14 | <b>Review of Corporate Governance Risk Register</b><br>To consider the report of the Director Finance.   | (Pages<br>371 - 384) |

### **Date of Next Meeting**

The next **Audit and Governance Committee** will be held on Wednesday 24 July 2024 at 5.30 pm

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

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## AUDIT AND GOVERNANCE COMMITTEE

Wednesday 29 November 2023

### Present:-

Councillor Wardle (Chair)

Councillors Jobson, Allcock, Atkinson, Fullam, Miller, Mitchell, M, Moore, D, Patrick, Snow and Williams, M

### Apologies

Councillor Branston

### Also Present

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

Julie Masci. Director, Audit (External; Audit) Grant Thornton

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### MINUTES

The minutes of the meeting held 27 September 2023 were taken as read, approved and signed by the Chair as correct.

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### DECLARATION OF INTERESTS

No declarations of disclosable pecuniary interests were made.

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### EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE

The Director, External Auditor (Grant Thornton) referred to the circulated report on progress made on their recent activity, in relation to the financial statements audit with two audit years for 2021/22 and 2022/23 to bring to a close. The Audit Findings report had been presented to this Committee for 2021/22 and good progress continued to be made in relation to the outstanding areas of work. The majority of the 2021/22 audit had now been completed, and an update on this was included in this agenda. There had been substantial progress on the 2022/23 financial statement and Grant Thornton were working with the Council's finance team to progress the outstanding work in that regard.

The Department for Levelling Up, Housing and Communities (DHLUC) had suggested proposals to address the national backlog of local authority audits, which would offer an opportunity to finalise a number of audits that they were undertaking. She anticipated the outcome of consultation would be known shortly to ensure that both they and the Council had some clarity on this matter.

The Director Finance stated that there were no significant issues identified in the final accounts and the intention was to present the 2022/23 final Statement of Accounts to the March meeting of the Audit and Governance Committee.

The Audit and Governance Committee noted the report.

**EXTERNAL AUDITORS - INTERIM AUDIT FINDINGS REPORT 2021/22**

The Director, External Audit (Grant Thornton) presented an update of the Interim Audit Findings report on the Council's 2021/22 financial statements. She provided an update on further work undertaken since the last Committee meeting in September 2023, and confirmed there were no matters that would require a modification of their audit opinion. There had not been any significant changes or additional issues to bring to Members' attention. The Value for Money work was ongoing and work in respect of the 2021/22 audit was a joint exercise with the 2022/23 arrangements.

The Director Finance made the following responses to Members' enquiries:-

- information on the completion of declaration of interests of senior officers had been sought and an update would be provided at the next meeting of this Committee.
- progress had been made, as part of a review of the way financial systems were managed across the whole Council, and the number of finance staff who had superuser access.
- Exeter City Living had made appropriate loan repayments in the 2020/21, 2021/22 and 2022/23 financial years. It was appropriate for a minimum revenue provision (MRP) to be allocated for debt repayment for 2023/24 as there would be no loan repayments, and this would be equivalent to what would have been received from Exeter City Living.

**RESOLVED** that the Audit and Governance Committee noted the update of the Interim Audit Findings report.

**STATEMENT OF ACCOUNTS 2021/22**

The Director Finance presented the report on the Council's Statement of Accounts for 2021/22 for approval and adoption. It was a statutory requirement to publish the Statement of Accounts which were intended to provide a 'true and fair view' of the financial position and transactions of the Council, including the Group financial statements as at 31 March 2022. The Finance team had some outstanding work to complete. However, there was no change in the overall position as reported to Members in July 2022 on the final outturn position for the Council. The recommendation included a request for delegated powers to be granted to the Director Finance with the Chair of the Audit and Governance Committee to sign off the 2021/22 accounts and support the arrangements for the 2022/23 Audit.

The Director Finance made the following responses:-

- the sum of £3.53 million quoted in the consolidation of the Group Accounts was an error.
- a discrepancy relating to a photograph of the Members depicted in the Statement of Accounts would be updated, if allowed to ensure they aligned with the reporting period for 2021/22.
- a reference to an associate organisation listed in the notes of the financial statement was correct from an accounting point of view.

The Director, External Audit (Grant Thornton) clarified that when looking at group structures, the reference to associate organisations was defined as not having control, but having some form of influence. A Member wished her comment drawing attention to the listing of associate organisations in the Statement of Accounts and a reference made to the relevant guidance as set



out in the Charity Commission to be noted.

**RESOLVED** that:-

- (1) the Audit and Governance Committee approve the audited Statement of Accounts for 2021/22, and
- (2) subject to any additional material changes to the accounts be delegated to the Director Finance and the Chair of the Audit and Governance Committee to be agreed, and to make any further amendments before signing the accounts and to report back to the March meeting of this committee any findings if they are identified in the remainder of the Audit.

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### **MANAGEMENT LETTER OF REPRESENTATION**

The Director Finance referred to the Management Letter of Representation to the External Auditor Grant Thornton in respect of the 2021/22 Statement of Accounts, which confirmed the Council had provided all the necessary information, and as required as part of the Audit.

The Director Finance responded to a Member's enquiry on the exclusion of Exeter City Living in the representation of the Statement of Accounts for 2020/21, advising that there was no post balance sheet event added. There would be a reference to a review in the 2022/23 Statement of Accounts to determine if this will be a post balance sheet event.

**RESOLVED** that the Audit and Governance Committee approve the Management Letter of Representation, and request that it be signed by the Director Finance and the Chair of the Audit and Governance Committee for forwarding to the External Auditor, Grant Thornton.

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### **INTERNAL AUDIT PROGRESS REPORT**

The Audit Manager (HK) presented the quarterly report on the internal audit work carried out during the period 1 July to 30 September 2023, and advised on overall progress against the Annual Audit Plan. The team were on target to deliver the Plan and there were no outstanding remedial actions to report. She drew Members' attention to an audit with limited assurance relating to corporate credit cards. The Director Finance had made reference to this in the Section 151 comments in the report, indicating that a review by the Strategic Management Board had resulted in a decision to reduce the number of corporate credit cards held.

The Audit Manager responded to Members; questions as follows:-

- that a satisfactory opinion was provided on the spa operations at St Sidwells Point.
- the authority had already carried out significant work in respect of business continuity before the Covid pandemic. This work had stood the authority in good stead enabling priority services to continue to operate with minimum disruption. Implementation of a full business continuity framework was currently work in progress, with a statement of intent to ensure business continuity good practice was met. Every local authority had a responsibility to work with outside partners and businesses to review and recover their activities or business following a major event as part of civil contingency.

The Director Finance responded to Members' comments and enquiries:-

- a timescale for reporting on the significant government issues arising from the Annual Governance Statement would be made when the current financial challenges were no longer an issue for local government.
- a review on housing rents was undertaken in 2012, with the introduction of a central Payment and Collection team to deliver the Council's One View of Debt. It was appropriate for Housing Services to take back the collection of housing rents, as they had good experience of debt recovery and a direct relationship with tenants.
- internal Audit were only responsible for reviewing the system of internal control and do not make a judgement as to whether the system in place would ensure the Council met any targets.

The Audit and Governance Committee noted the Internal Audit Progress Report for the second quarter of the year 2022/23.

67 **LOCAL GOVERNMENT OMBUDSMAN'S ANNUAL REVIEW OF COMPLAINTS**  
**2022-23**

The Corporate Manager (Executive Support) presented the report and explained the role of the Local Government Ombudsman (LGO) in investigating and resolving complaints about Councils. This report included details of the complaints received by Exeter City Council, and the decisions made by the LGO for the year ending 31 March 2023, which were set out in Annex A of the report. Comparator information of the complaints received by other Devon Councils and Councils in Exeter's "CIPFA Nearest Neighbours Model" or family group, were also included and provided an assurance of the number of complaints that were referred from Exeter.

It was noted the Local Government Ombudsman and Housing Ombudsman had just completed a consultation exercise on proposals to establish a Joint Complaint Handling Code. More information would be presented to Members when the proposals were finalised. In response to a question, the Corporate Manager explained that, in line with the Council's policy, efforts were made to resolve an issue or problem at the first point of contact. If a matter could not be resolved satisfactorily, it would be treated as a complaint.

With reference to the case that was upheld, and the Ombudsman's requirement to produce a policy setting out how the Council would deal within accurately advertised properties on the housing register, he would check if this was an operational or council policy and, if the latter, whether it been agreed by Members. He would also check if the service had actually changed the way it describes policies in line with the Ombudsman's recommendation.

The Audit and Governance Committee noted the Local Government Ombudsman's Annual Review of Complaints 2022/23 report.

68 **REVIEW OF CORPORATE RISK REGISTER**

The Director Finance presented the report, and advised the Audit and Governance Committee of the Council's risk management process, which had involved a significant piece of work carried out with the Strategic Management Board (SMB) and Members over the last 12 months to redefine the Risk Register.

A review of the Corporate Risk Register was before the Audit and Governance Committee to comment on the new process in place to manage risk. The report,

which had been reviewed by the relevant Directors of the SMB and Portfolio Holders was presented to the Executive meeting on 28 November. Members were invited to review and comment on the Risk Register, and any comments would be reported to SMB to continue to strengthen the approach and ensure the Risks were identified and accurately linked together. The Director Finance also advised that he would present a draft Risk Policy to the Audit and Governance Committee in March for Members to comment upon.

The Director Finance responded to the following Members' comments:-

- staff recruitment of some professions remained a challenge in some areas of the Council, including in Estates and Commercial Property Management team, Engineering and Planning, with pay being cited as a factor.
- the Risk Register covered the city's heritage assets and maintenance of the Roman Wall, which had historic significance was very challenging. A revised sum had been set aside in the Capital Programme for repairs to the Wall, and the reworked scheme remained a high priority.
- a request had been made for scrutiny of the commercial property portfolio with a report to Strategic Scrutiny Committee.
- the risk of property failing would be an inability to deliver a full service from the premises and a key mitigation was to regularly review the property portfolio with disposal to provide funding to help maintain the stock.
- the Exeter Development Fund could offer an opportunity to provide the necessary infrastructure to make the development of brownfield sites viable. He would take back the Member's comment about viability, and deliverability of the Fund to the relevant colleague.
- a Member's suggestion that the Risk Register should include a diary log of events and activities was noted.
- an amendment to the Audit & Governance Committee's terms of reference in relation to risk would reflect their changed monitoring and comment role and ensure the reporting schedule was better aligned to the Executive. He would seek an update of the Constitution to reflect the revised reporting regime of the Risk Register.

The Audit and Governance Committee noted the Corporate Risk Register.

(The meeting commenced at 5.30 pm and closed at 7.30 pm)

Chair

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## REPORT AUDIT AND GOVERNANCE COMMITTEE

**Date of Meeting:** 6 March 2024

**Report of:** Net Zero Exeter & City Management

**Title:** City Council Net Zero Risk Register

### Is this a Key Decision?

No

### Is this an Executive or Council Function?

Council

### 1. What is the report about?

- 1.1 An update of the City Council's Net Zero Risk Register and assessment of the risk to carbon reduction measures needed to enable the Council to achieve its Net Zero target of 2030. To address the risk of inaction to service delivery and adaptation required to protect Council services in relation to climate change.

### 2. Recommendations:

- 2.1 That the Audit and Governance Committee recommend to Council that the City Council's Net Zero Risk Assessment update is noted and approved; and
- 2.2 It is noted that the risk assessment table contains key measures introduced and will continue be updated every six months.

### 3. Reasons for the recommendation:

- 3.1 To highlight the risks associated with measures required to reduce City Council carbon emissions. Climate Change, carbon performance and management technologies are changing all the time and as such both the Risk Register and Carbon Reduction Plan are live documents reviewed every six months.
- 3.2 To enable the Net Zero team to strategically plan resources, organisational change and secure funding, such as the Public Sector Decarbonisation Scheme (central government grant) to Social Housing Decarbonisation Fund to use fabric first measures and low carbon technologies across our estate and housing stock. To deliver activity and reduce emissions, to support one of the main City Council's strategic priorities.
- 3.3 To enable risks associated with Climate Change and reducing City Council carbon emissions to be measured, monitored, reported on and incorporated into all City Council processes.

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

- 4.1 Financial and non-financial resources to reduce City Council carbon emissions are in place to support the Net Zero team, detailed a July 2022 report to Executive. An update on spend is within a report to Strategic Scrutiny March 2024.
- 4.2 Further work is being undertaken to identify the scale of financial and non-financial resources needed for the City Council to achieve net zero by 2030 and to protect services against climate change. This work will be reported to Strategic Scrutiny when completed .
- 4.3 Achieving net zero, whether nationally, locally or organisationally, requires broad action across all emission scopes and by every service. To enable the Council to deliver Net Zero by 2030 will require a significant increase in financial investment and operational capacity internally, from government at a local, regional and national level and potentially from private investment.

#### **5. Section 151 Officer Comments:**

- 5.1 The register highlights the challenges in delivering such a huge piece of work with limited financial resources. The economic conditions including high interest rates exacerbate the challenge.

#### **6. What are the legal aspects?**

- 6.1 Section 1 of the Climate Change Act 2008 states that it is the duty of the Secretary of State to ensure that the net UK carbon account for the year 2050 is at least 100% lower than the 1990 baseline. The target was originally 80% and was increased to 100% by the Climate Change Act 2008 (2050 Target Amendment) Order 2019.
- 6.2 Exeter City Council has declared a climate emergency and set the target of achieving net zero by 2030.

#### **7. Monitoring Officer's comments:**

- 7.1 This report raises no legal issues of concern to the Monitoring Officer.

#### **8. City Council Net Zero Risk Register**

- 8.1 The Council's Net Zero Carbon Reduction Plan will be reported to Strategic Scrutiny March 2024, after review by all Council services and a full update completed by the Net Zero Team.
- 8.2 The City Council's latest Green House Gas Inventory will be included in the Strategic Scrutiny Report March 2024, and will highlight a decrease in the total carbon emissions. The report also includes the supporting Carbon Reduction Plan, which is a live and continually updated document. The Carbon Reduction Plan will continue to inform the work programme of the Net Zero team, City Council services, and subsequent budget required to deliver net zero.
- 8.3 Correspondingly, the updated Risk Register first developed in July 2022 (Appendix 1) is a live document and covers aspects of net zero activity within the City Council.

8.4 Within the Net Zero Risk Register, (Appendix 1) remains red as current resources (financial and capacity) available to City Council, will not enable the organisation to reach net zero by 2030. The Net Zero team are constantly looking at ways to reduce corporate carbon emissions through change behaviour or innovative solutions in reducing our carbon emissions; they are also applying for external funding to speed up the delivery of the action plan.

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

9.1 This report and the work of the Net Zero team links directly to the Exeter Vision and a number of strategic priorities. Work will have to be delivered in partnership with all City Council service areas to reduce our carbon emissions.

Exeter Vision	Innovative & Analytical City	The team has developed a range of data sets to monitor City Council carbon emissions
	Healthy & Inclusive	Ensure City Council owned homes are energy efficient
	The Most active city in the UK	Projects are developed to support active travel for employees
	Liveable & connected	Commercial and residential properties are energy efficient and built to the best possible standard
	A leading sustainable city	The City Council is a role model for other organisations in Exeter

Corporate Plan	Net Zero Carbon City	Net Zero team focuses on reducing City Council carbon emissions to deliver Net Zero by 2030
	Prosperous Local Economy	Green Accord supports a local supply chain, better recording of data and procuring locally
	Healthy & Active City	Working in partnership with Live & Move in developing sustainable and active travel options and low traffic neighbourhoods for staff
	Housing & Building Great Neighbourhoods and Communities	Working with Building Greater Exeter, Liveable Exeter and other developers in developing sustainable and accessible neighbourhoods and new homes, using sustainable constructions methods
	Thriving Culture & Heritage	The decarbonisation programme of cultural and heritage buildings we occupy

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

10.1 The City Council’s annual Green House Gas Inventory report, supporting carbon reduction plan and risk register will inform the work programme of the Net Zero team for the foreseeable future. These documents are presented to Strategic

Scrutiny and Audit & Governance on a six-monthly basis for ongoing monitoring and scrutiny.

10.2 The Net Zero team have been successful in providing improved data, and more accurate carbon accounting, to ensure the annual footprint report is accurate allowing the City Council to better monitor progress and impact.

10.3 The financial cost to deliver net zero within the City Council will be significant. At every opportunity, funding bids are submitted to capture available grants to deliver projects needed to decarbonise the Council's operation and protect services.

## **11. Equality Act 2010 (The Act)**

11.1 In developing the action plan, the Net Zero team will take into account the potential impact of actions 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. An EQIA will be undertaken for each action being developed.

11.2 An EQIA was undertaken in developing the new Net Zero & Business team in allocating resources.

## **12. Carbon Footprint (Environmental) Implications:**

12.1 The City Council declared a Climate Emergency in 2019 and as part of this commitment it aims to achieve net zero carbon emissions for its corporate activities by 2030. The Risk Register will consider the carbon reduction measures required to achieve net zero.

## **13. Are there any other options?**

13.1 There is the option of not committing financial and non-financial resources to work towards Net Zero within the City Council. This would result in a of direction to reduce carbon emissions and the City Council's 2030 target. On a regular basis, the Net Zero team will be sourcing and applying for external funding to enable delivery of the City Council's carbon reduction plan, working towards a net zero City Council.

**Director Net Zero & City Management, David Bartram**

Author: Service Lead Net Zero & Business

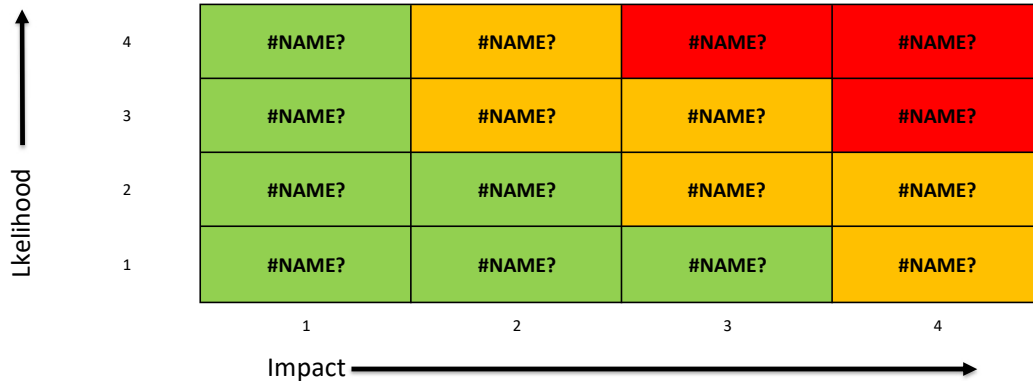
## **Local Government (Access to Information) Act 1972 (as amended)**

Background papers used in compiling this report:-

Contact for enquires:  
Democratic Services (Committees)  
Room 4.36  
01392 265275



## City Council Net Zero Risk Register



Risk Ref	Risk Description	Inherent Risk	Residual Risk	Owner
1	Target to reduce City Council carbon emissions to 'net zero' by 2030	16	12	Net Zero Project Manager
2	Unable to reduce City Council Scope 1 direct emissions from owned sources (fuel consumption and company vehicles)	12	8	Net Zero Project Manager
3	Unable to reduce City Council Scope 2 indirect emissions from generation of purchased energy	12	6	Net Zero Project Manager
4	Unable to reduce City Council Scope 3 other indirect emissions (supply chain, assets, investment, waste disposal, employees commuting)	16	12	Net Zero Project Manager
5	Reliance on afforestation to offset carbon emissions	9	4	Service Lead Net Zero & Business
6	Employees unable to work due to extreme weather events	6	4	Net Zero Project Manager
7	Services and budgets at risk from climate related failure and global effects on the energy system	6	4	Net Zero Project Manager
8	Risks to tenants and leaseholders health, wellbeing and operationally from increased exposure to extreme weather in homes and corporate buildings	6	4	Net Zero Project Manager
9	{Risk Title}	N/A	N/A	N/A
10	#REF!	#REF!	#REF!	#REF!

# City Council Net Zero Risk Register

Ref	Service	Risk Title and Description	Date Risk Identified	Risk Owner	Inherent Risk			Existing Mitigations & Controls (What has been done to control the risk?)	Residual Risk			Further Mitigations & Controls to be put into place	Target Implementation Date	Notes
					L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			
1	Net Zero & Business	<p><b>Target to reduce City Council carbon emissions to 'net zero' by 2030</b></p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> <li>Ineffective data monitoring &amp; methodology</li> <li>Change in Corporate Priorities</li> <li>Lack of understanding of climate emergency and net zero ambition</li> <li>Officers unwilling or with no capacity to engage or make changes to their service</li> <li>Lack of technological advancement and financial barriers</li> <li>Growth in activity levels increasing scope 3 emissions</li> <li>Buying or building new buildings/property</li> </ul> <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> <li>Not achieving Strategic Priority of Net Zero Carbon City</li> <li>Reputational risk and damage</li> <li>Carbon emissions not decreasing</li> <li>Services being under the spot light as high carbon emitters</li> <li>Reliance on offsetting</li> <li>High spend to achieve aggressive carbon reduction methods</li> <li>Lack of funds to reduce carbon emissions</li> </ul>	13/06/2022	Net Zero Project Manager	4	4	16	<ul style="list-style-type: none"> <li>Establishment of Net Zero Team</li> <li>Regular engagement with relevant Directors on changes needed to reduce service carbon emissions</li> <li>Engagement with South West Centre for Energy and Environment (SWEEG) to establish improved data and changes required to reduce carbon emissions and production of Corporate Carbon Footprint. As a result of improved data collection and interpretation the City Council's carbon emissions have been revised. Emissions for 2022/23 were 46,495 tCO<sub>2</sub>e, which represents a reduction of 1,959 tCO<sub>2</sub>e (4%) on the previous year</li> <li>Engagement with the Devon Climate Emergency team</li> <li>Network to learn from best practice with industry and other public organisations</li> <li>Net Zero Ambassadors meet on regular basis to share best practice and support service changes</li> <li>Carbon Literacy training roll out programme in place delivering training to Net Zero Ambassadors, SMB, OMB, Cllrs and other officers, Carbon Literate Organisation Bronze standard achieved</li> <li>Monitoring legislative changes to support a reduction in carbon emissions</li> <li>Regular 1-2-1's with Portfolio Holder for Climate and Ecological Crisis</li> <li>Be open and transparent with all Net Zero Ambassadors, Officers, Service areas and Cllrs</li> <li>News items regularly posted in City Newsletter and website</li> <li>Dissemination of the Water Lane Smart Grid and Storage Project</li> </ul>	3	4	12	<ul style="list-style-type: none"> <li>Review targets and continue to update and revise carbon reduction plan</li> <li>Continue to deliver regular updates and presentations to Audit &amp; Governance on the Risk Register, Carbon Footprint and implementing of the City Council Carbon Reduction Plan</li> <li>Contracts of Net Zero Data Support Officer and Sustainability Project Officer will end in March 2026. Contracts need to be extended, or this will result in failure to deliver the Carbon Reduction Plan and meet Net Zero targets</li> <li>Net Zero Ambassadors to be involved with setting annual action plan and to be allocated budget to reduce carbon emissions within service area</li> </ul>	2030	The City Council's Carbon GHG footprint report has been updated. The 2022/23 inventory shows an overall carbon emission reduction of 4% based on the previous year.
Page 14	Net Zero & Business	<p><b>Unable to reduce City Council Scope 1 direct emissions from owned sources (fuel consumption and company vehicles)</b></p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> <li>Inability to plan for net zero due to uncertainty of assets disposal</li> <li>Lack of financial resources to make changes within each service area</li> <li>Lack of full funding and/or match funding where business case is not viable</li> <li>Lack of asset condition data and investment audits</li> <li>Funding packages do not fit with City Council's Strategic Priorities or eligibility match</li> <li>Lack of capacity in managing external funding bids and delivery of multiple projects</li> <li>Covid impact and temperature effect (reduced heating due to warmer temperatures) show decline in emissions but mask lack of efficiency</li> <li>Lack of investment in Leisure stock by previous operator</li> <li>Lack of specialist vehicle replacement</li> <li>Electrical replacement availability</li> </ul> <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> <li>Backlog of projects and initiatives developed</li> <li>Some innovative projects not able to progress with low feasibility or asset uncertainty</li> <li>Net Zero projects stalled, due to lack of external / internal funding</li> <li>City Council unable to achieve net zero by 2030</li> </ul>	15/06/2022	Net Zero Project Manager	3	4	12	<ul style="list-style-type: none"> <li>Investigate potential sources of funding and optimisation of PSDS</li> <li>Regular discussions with other local public organisations to evaluate joint funding bids</li> <li>Development of a comprehensive business case presented</li> <li>Engagement with Procurement</li> <li>BMS upgrade and EMIS secured through PSDS finding to provide better data</li> <li>A wide range of housing measures to reduce emissions from domestic housing stock is supported by better data and a range of effective measures around energy efficiency</li> <li>Water Lane Solar Farm battery storage in place, directly connected to EV charging infrastructure to support full electrification of fleet</li> <li>Electric RCV's purchased, electric vans and pool car in operation</li> <li>Report commissioned to support whole fleet electrification and equipment across all services</li> <li>City Heat Network feasibility study being conducted</li> <li>Alternative fuel for fleet vehicles being investigated</li> <li>External funding streams sought from PSDS, Sport England, MEND and internal invest to save opportunity</li> <li>Investment grade decarbonisation audits to be carried out on a priority basis, to target available grants to establish work needed and cost.</li> </ul>	2	4	8	<ul style="list-style-type: none"> <li>Continue to monitor and seek funding opportunities and establish business case for viable projects</li> <li>Regular discussions with DCC &amp; LEP to secure funding for Exeter region</li> <li>Detailed decarbonisation plans needed to deliver more aggressive measures for decarbonisation in high consumption buildings</li> <li>Greater asset management capacity needed to deliver energy efficiency for property maintenance</li> <li>Continue to investigate leasing options and availability of alternative fuels, in addition to electric fleet and equipment across all services</li> </ul>	2030	Funding required is limited by scope of grants, and current financial instability including cost of borrowing.
	Net Zero & Business	<p><b>Unable to reduce City Council Scope 2 indirect emissions from generation of purchased energy</b></p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> <li>Energy efficiency measures fail to drive down consumption as per Scope 1 (above)</li> <li>Change in national policy which does not incentivise PV</li> <li>National grid decarbonisation is slower than forecasted</li> <li>Carbon savings from self generation is reduced</li> </ul> <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> <li>Potential reduction in national carbon saving from grid decarbonisation</li> <li>Carbon saving of solar PV is outweighed by energy security and financial savings</li> <li>City Council unable to achieve net zero by 2030</li> </ul>	15/06/2022	Net Zero Project Manager	3	4	12	<ul style="list-style-type: none"> <li>Significant Solar estate installed across the corporate estate, including Water Lane Solar farm and private wire to supply Exton Road</li> <li>Battery storage installed at Solar Farm and Livestock Centre and John Lewis Car Park to increase self supply</li> <li>LED lighting schemes installed</li> <li>Development of a comprehensive business case presented to support energy saving schemes</li> <li>New solar opportunities for self supply on 13 corporate assets being investigated</li> <li>Keep finance / legal / audit involved with the delivery of the commercial activity as well as energy saving</li> </ul>	2	3	6	<ul style="list-style-type: none"> <li>As per Scope 1, extensive energy saving measure across all buildings required</li> <li>Extending solar generation with wind, hydroponer and hydrogen</li> <li>Engage local public sector bodies to ensure collaborative schemes are explored</li> <li>Continue to monitor and seek funding opportunities and establish business case for viable projects</li> <li>Join Regen SW</li> </ul>	2030	Funding required is limited by scope of grants, and current financial instability including cost of borrowing.
	Net Zero & Business	<p><b>Unable to reduce City Council Scope 3 other indirect emissions (supply chain, assets, investment, waste disposal, employees commuting)</b></p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> <li>Insufficient data capture to provide meaningful incentive for reduction</li> <li>Procurement Policy unable to support carbon reduction measures in our supply chain e.g. contractors do not/unable to reduce emissions</li> <li>High financial cost of using contractors with low associated GHG emissions (Procuring a 'green' alternative is prohibitively more expensive)</li> <li>City Council purchase of new assets and increased carbon outputs</li> <li>City Council build new residential and commercial property which increases carbon outputs</li> <li>Lower cost options when carrying out building maintenance repairs which can increase carbon emissions and spend in the longer term</li> <li>Carrying out building maintenance, decarbonisation activity not considered</li> <li>Supply chain do not implement changes to their business</li> </ul> <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> <li>Scope 3 emissions increase on an annual basis</li> <li>City Council unable to achieve net zero by 2030</li> <li>Reputational damage &amp; risk</li> </ul>	13/06/2022	Net Zero Project Manager	4	4	16	<ul style="list-style-type: none"> <li>Procurement Policy amendment to support a reduction in Scope 3 emissions</li> <li>Net Zero Ambassadors influence procurement decisions within their own service area - spend less</li> <li>Green Accord undergoing relaunch to support supply chain and use of contractors with commitments to mitigate climate change</li> <li>Regular internal and external communications to introduce better methodology to capture accurate meaningful data to incentivise reduction, "you cant manage what you don't measure"</li> <li>LEVI bid to support further EV charging infrastructure to include staff EV charging</li> <li>New technology and agile working facilities for reduction in staff travel emissions</li> <li>Regular 1-2-1's with Portfolio Holder for Climate and Ecological Crisis</li> <li>New Environmental Requirements have been established and to be introduced for all contracts over £100k and high impact contracts over £25k.</li> <li>Planned regular discussions with Procurement and service leads on spend and how to best tackle Scope 3 emissions</li> <li>Relaunch of Green Accord scheme to better engage with Council's supply chain and reduce emissions throughout supply chain</li> </ul>	3	4	12	<ul style="list-style-type: none"> <li>Seek requirement that all contracts over £100k should be required to state GHG emissions for that particular contract</li> <li>Embodied emission evaluation needed for new developments and acquisitions to assess whole life impact of carbon emissions. This includes assessment of building new versus use of existing assets and building efficiently</li> <li>Sustainable building maintenance policy to review lifecycle emissions and overall cost benefit of low carbon alternatives</li> <li>Review of Green Travel Plan to support reduced staff transport related activities and lower emission alternatives and other modes of transport, including reduction of unnecessary journeys</li> </ul>	2030	Procurement Task and Finish (T&F) group established, focusing on supplier engagement and improved accuracy of Scope 3 data



## Risk Guidance

Risk management will help identify and deal with the key risks facing the organisation in the pursuit of its objectives and the process outlined within this policy should be used to identify and manage all key risks to the Council's ability to deliver its priorities. It covers strategic priorities, operational activities and delivery of services, projects and partnership outcomes.

### *What is a risk?*

A risk is a significant uncertainty that may affect the councils' ability to achieve its objectives. A risk may be in the form of a threat but could equally relate to the ability to exploit opportunities.

### *What is risk management?*

Risk management is a process to identify, assess, manage, and control potential events or situations, to provide reasonable assurance regarding the achievement of the council's objectives – it is about making the most of opportunities (risk aware) rather than avoiding risks altogether (risk adverse).

Successfully managing risks helps us in; How risks are managed is very important in helping;

- meeting outcomes and objectives
- improving service delivery
- achieving value for money and:
- reducing unwelcome surprises.

## **REFER TO THE SEPARATE RISK REGISTER GUIDANCE DOCUMENT FOR COMPREHENSIVE INSTRUCTIONS ON HOW TO COMPLETE THE RISK REGISTER**

Likelihood matrix		
Score	Definition	Likelihood of occurrence
Very likely (4)	Almost certain/is expected to occur in most circumstances	91%-100%
Likely/possible (3)	Will/might occur at some time	56%-90%
Unlikely (2)	Could occur at some time	16%-55%
Remote (1)	Rare/may occur in exceptional circumstances	1%-15%

Impact matrix		
Score	Definition	
Major (4)	Critical impact on the achievement of objectives and overall performance	
	Critical opportunity to innovate/improve performance missed/wasted	
	Huge impact on costs and/or reputation	
	Very difficult to recover from and possibly requiring a long term recovery period	
Serious (3)	Major impact on costs and objectives, Substantial opportunity to innovate/improve performance missed/wasted Serious impact on output and/or quality and reputation Medium to long term effect and expensive to recover from	
	Significant (2)	Waste of time and resources Good opportunity to innovate/improve performance missed/wasted Moderate impact on operational efficiency, output and quality Medium term effect which may be expensive to recover from
		Minor (1)

Risk Ref	Risk Title	Date of Closure



# Interim Audit Findings for Exeter City Council

Year ended 31 March 2022

March 2024

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## Your key Grant Thornton team members are:

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## Section

1. Headlines
2. Financial statements
3. Value for money arrangements
4. Independence and ethics

## Appendices

- A. Action plan
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- C. Audit adjustments
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the 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.

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

Name : Julie Masci

For Grant Thornton UK LLP

Date : 6 March 2024

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# 1. Headlines

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

## Financial Statements

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

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

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

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

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

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

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

Our anticipated audit report opinion will be unmodified.

# 1. Headlines

## Value for Money (VFM) arrangements

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

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

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

Value for money work is complete and the Auditor's Annual report is to be presented at the March Audit and Governance Committee. The NAO have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 2021-22 audits.

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

We have undertaken and prepared a joint report of 2021-22 and 2022-23 arrangements in order to give members the most relevant and timely reporting. A summary of our findings is set out in section 3

## Statutory duties

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

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

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

We expect to certify the completion of the audit upon the completion of our work subject to formal conclusion of two elector objections on the 2021-22 financial statements.

## Significant Matters

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

# 2. Financial Statements

## Overview of the scope of our audit

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

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

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## Audit approach

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

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

## Conclusion

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

### Acknowledgements

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

# 2. Financial Statements



## Our approach to materiality

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

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

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

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



## 2. Financial Statements - Significant risks

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

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

### Risks identified in our Audit Plan

### Commentary

#### Management override of controls

Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Authority face external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Council, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated the design effectiveness of management controls over journals, including undertaking a walkthrough of the process and controls. No issues were identified from completion of this
- obtained a full download of the general ledger alongside the trial balance and uploaded these onto our data analysis software, Inflo.
- Inflo undertakes a number of checks on the data such as unbalanced transactions, unbalanced user IDs and transactions with blank account descriptions. Where any differences were noted by Inflo, we followed these up with the Council and obtained sufficient explanations and corroborations for these.
- we have reviewed the manual journals within inflo to identify those deemed to be high risk to be selected for testing. We selected and shared the sample of journals with the Council for them to provide us with evidence to support the entries.

~~Our work in this area is ongoing and~~ We have identified one issue in relation to one member of the finance team having super user access. We identified that the team member had posted 25 journals in the year and from this three were further reviewed to ensure these have been appropriately transacted. The superuser has the ability to add and remove staff members from the general ledger which gives a wider scope for manipulation of data. Testing of journals included those posted by the super user and no further issues have been identified. ~~Our work in this area is ongoing and we will report any further findings to management and members~~



# 2. Financial Statements - Significant risks

## Risks identified in our Audit Plan

## Commentary

### The Revenue cycle includes fraudulent transactions

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted because:

- There is little incentive to manipulate revenue recognition
- Opportunities to manipulate revenue recognition are very limited
- The culture and ethical frameworks of local authorities, including Exeter City Council, mean that all forms of fraud are seen as unacceptable

We have not identified any issue in our work in relation to revenue and therefore consider that the rebuttal is still appropriate.

### Risk of fraud related to expenditure recognition PAF Practice Note 10

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)

For expenditure recognition we will

- Evaluate the groups accounting policy for recognition of expenditure for appropriateness;
- Gain an understanding of the Council's system for accounting for expenditure and evaluate the design of the associated controls;
- Agree, on a sample basis, amounts recognised as expenditure in the financial statements to supporting documents
- Identify and test a sample of transactions received post year end to ensure these have been classified to the correct year

We have not identified any issues in our work in relation to expenditure.



# 2. Financial Statements - Significant risks

## Risks identified in our Audit Plan

## Commentary

### Valuation of land and buildings

The group revalue its land and buildings, including HRA properties, on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Management use the services of an internal valuer to estimate the current value as at 31 March 2022.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation expert and the scope of their work.
- evaluated the competence, capabilities and objectivity of the valuation expert.
- written to the valuer to confirm the basis on which the valuations were carried out.
- reviewed the fixed asset register and valuation reports to identify a sample of land and buildings which have been revalued in year for further testing. In doing this we considered those assets whose values at 31 March 2022 are above performance materiality, those assets where there has been a valuation movement or other change outside of our expectation and a sample of assets where the movement is in line with expectation
- for each item within our sample we have requested detailed calculation sheets for the 2022 revaluation exercise to support and evidence the assumptions used to calculate the updated valuations. We continue to discuss this requirement with the Council.
- We have identified and shared our sample of other land and building assets and have been provided with evidence as to how these values have been calculated.
- Reviewed those assets not revalued in year to ensure there is not a material variance between the market value and the carrying value

We have not identified any issues in relation to the valuation of land and buildings in the work completed to date.

### Valuation of Investment Property

The Council revalue Investment Properties annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£56m) and the sensitivity of this estimate to changes in key assumptions.

We therefore identified valuation of Investment Properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation expert and the scope of their work.
- evaluated the competence, capabilities and objectivity of the valuation expert.
- written to the valuer to confirm the basis on which the valuations were carried out.
- reviewed the fixed asset register and valuation reports to identify a sample of investment properties which have been revalued in year for further testing. In doing this we considered those assets whose values at 31 March 2022 are above performance materiality, those assets where there has been a valuation movement or other change outside of our expectation and a sample of assets where the movement is in line with expectation
- for each item within our sample we have requested detailed calculation sheets for the 2022 revaluation exercise to support and evidence the assumptions used to calculate the updated valuations.

We have not identified any issues in relation to the valuation of investment property.

## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of land and buildings (Council Dwellings)

The group revalue its land and buildings, including HRA properties, on an annual basis to ensure that the carrying value is not materially different from the current value or fair value (for surplus assets) at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Management use the services of an internal valuer to estimate the current value as at 31 March 2022.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

Council dwellings represent a significant proportion (£264m) of the Council's asset base and in accordance with the CIPFA code, these assets are valued in line with the Stock valuation resource accounting 2016:guidance for valuers which has been provided by Central Government. We have reviewed the Council's approach to valuing these assets and we have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation expert and the scope of their work.
- Reviewed the classification of beacon properties to ensure that these have been assigned in line with the stock valuation resource accounting guidance and that properties have been assigned to the appropriate beacon categories.
- evaluated the competence, capabilities and objectivity of the valuation expert.
- written to the valuer to confirm the basis on which the valuations were carried out.
- reviewed the fixed asset register and valuation reports to identify a sample of Council Dwellings which have been revalued in year for further testing. In doing this we considered those assets whose values at 31 March 2022 are above performance materiality, those assets where there has been a valuation movement or other change outside of our expectation and a sample of assets where the movement is in line with expectation
- for each item within our sample we have requested detailed calculation sheets for the 2022 revaluation exercise to support and evidence the assumptions used to calculate the updated valuations.
- For sample testing we have compared beacon valuations with similar properties to ensure that valuations are in line with market conditions and where variances outside of our parameters are identified we will request further information and support from management and the valuer.

We have not identified any issues in relation to this work.



## 2. Financial Statements - Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£99 million liability in the Council's balance sheet at 31/03/22) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Council's pension fund net liability as a significant risk of material misstatement.

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls. No issues were identified from completion of this. Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation
- Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- Undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- Obtain assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

All unsigned audits for 2021-22 were paused at the 31 March 2023 to consider the impact of publication of the results of the triennial actuarial review of pensions valuations. This resulted in changes in member numbers within pension funds and has led to a material adjustment in the pension liability disclosures for the Council as at 31 March 2022. This has required management to commission a new actuarial valuation and adjust the accounts accordingly. The Council has prepared revised financial statements reflecting the new actuarial assumptions relevant to 31 March 2022. This has resulted in an overall reduction to the Council's net pensions liability of £9.9m.

We have performed additional audit procedures to ensure the revised pension valuation has been adjusted appropriately within the financial statements, as we performed additional member data testing on the inputs used to inform the actuary's triennial valuation of the fund as a whole. Furthermore, we have reviewed the revised actuarial assumptions used by the actuary in preparing its revised valuation and we are satisfied that these revised assumptions are within expected tolerances as set out by our consulting actuary (as auditor's expert). This additional work will require an increase to our audit fees as set out in Appendix D.

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

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

## 2. Financial Statements – key judgements and estimates

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

### Significant judgement or estimate

### Summary of management's approach

### Audit Comments

### Assessment

#### Land and Building valuations – £119.5m

Other land and buildings is comprised of specialised assets such as leisure centres, which are required to be valued at depreciated cost (DRC) at year end, reflecting the modern equivalent asset necessary to deliver the same service provision. The remainder of land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.

The Council revalues its land and buildings on a rolling programme with a maximum period of five years between revaluations. This is a mixture of full revaluations and a desktop exercise using indices. The Council has engaged its internal valuer to complete the valuation of properties as at 31 March 2022 and 48% of land and building assets were subject to a full revaluation during 2021-22.

Management has considered the year end value of non-valued properties, and the potential value change in the assets revalued at 31 March 2021 by applying indices to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties values.

The total year end valuation of land and buildings was £119.5m, a net decrease of £6.9m from 2021-22 (£126.4m)

We have reviewed the detail of your assessment of the estimate considering:

- The assessment of the Council's in-house valuers
- The completeness and accuracy of the underlying information used to determine the estimate
- The reasonableness of the overall decrease in the estimate
- The adequacy of the disclosure of the estimate in the financial statements
- The sensitivities used by the valuer to assess completeness and consistency with our understanding and
- Consistency of the estimate against Gerald Eve reported indices

Testing of the valuer's assumptions requires that sufficient evidence be provided to support any underlying assumptions or indices used to calculate a revaluation. Management have been able to provide appropriate audit evidence to support these underlying assumptions.

Where assets are not revalued in the financial year, assurance is required that these are not materially different to the current value at year end. From discussion with management the Terms of Engagement with the valuer require that those assets not included in the full valuation process are assessed for any material valuation fluctuations and a desktop exercise is undertaken. The valuer's report states which assets have been fully revalued and which have been subject to a desktop review. As such all assets revalued in the year have been given a certified valuation at 31 March 2022. We have included all assets in our work and this has concluded that land and building assets are not materially misstated in the balance sheet.

Light Purple

### Assessment

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

# 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £56m	<p>The Council revalue its investment property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date</p> <p>The Council's commercial investment portfolio consists of a mixture of assets comprising both industrial and commercial usage.</p> <p>The Council has engaged JLL, as an external expert, to complete the 2021-22 valuation of these investment properties.</p> <p>The Council engaged its internal valuer to undertake the valuation of the remaining investment properties.</p> <p>The total year end valuation of investment properties was £56m, a net increase of £2.6m from 2020-21 (£53.4m)</p>	<p>We have reviewed the detail of your assessment of the estimate considering:</p> <ul style="list-style-type: none"> <li>The assessment of the Council's internal valuers and management's expert JLL</li> <li>The completeness and accuracy of the underlying information used to determine the estimate</li> <li>The reasonableness of the overall increase in the estimate</li> <li>The adequacy of the disclosure of the estimate in the financial statements</li> <li>We have used an auditor's expert to review the work undertaken by both the external valuer.</li> </ul> <p>Our work requires that we review and gain assurance over the assumptions and any indices used and our work has not identified any issues.</p>	Light Purple

## Assessment

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

# 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<b>Net pension liability – £123.4m</b>	<p>The Council's net pension liability as 31 March 2022 is £99.3m, following the triennial review (PY £134.7m) comprising the Local Government and unfunded defined benefit pension scheme obligations.</p> <p>The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes</p> <p>A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022. A roll forward approach is used in the intervening periods, which utilises key assumptions such as a life expectancy, discount rates, salary growth and investment returns.</p> <p>Given the significant value of the net pensions fund liability small changes in assumptions can result in significant valuation movements.</p> <p>There has been a decrease of £35.4m in the net actuarial deficit during 2021-22</p>	<ul style="list-style-type: none"> <li>We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. No issues were identified from our review of the controls in place.</li> <li>We also evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out. This included undertaking procedures to confirm the reasonableness of the actuarial assumptions made:</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value 2019 valuation</th> <th>Revised Actuary Value 2022 Valuation</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.6%</td> <td>2.6%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>3.2%</td> <td>3.2%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>4.2%</td> <td>CPI + 1% = 4.2%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>24/22.7</td> <td>23 / 21.7</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>25.4/24</td> <td>24.3/22.9</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>We checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial reports and did not identified any inconsistencies.</li> <li>The Council has considered that the impact of GMP equalisation is not material to the Statement of Accounts. Based on our review of this area we concur with this view</li> </ul>	Assumption	Actuary Value 2019 valuation	Revised Actuary Value 2022 Valuation	Assessment	Discount rate	2.6%	2.6%	●	Pension increase rate	3.2%	3.2%	●	Salary growth	4.2%	CPI + 1% = 4.2%	●	Life expectancy – Males currently aged 45 / 65	24/22.7	23 / 21.7	●	Life expectancy – Females currently aged 45 / 65	25.4/24	24.3/22.9	●	Light Purple
Assumption	Actuary Value 2019 valuation	Revised Actuary Value 2022 Valuation	Assessment																								
Discount rate	2.6%	2.6%	●																								
Pension increase rate	3.2%	3.2%	●																								
Salary growth	4.2%	CPI + 1% = 4.2%	●																								
Life expectancy – Males currently aged 45 / 65	24/22.7	23 / 21.7	●																								
Life expectancy – Females currently aged 45 / 65	25.4/24	24.3/22.9	●																								

## Assessment

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

# 2. Financial Statements - key judgements and estimates

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

## Assessment

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

# 2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £37.2m	<p>The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.</p> <p>There is a requirement to assess whether income received has conditions attached and should therefore be considered grant income or another classification of income. This will allow the Council to ensure the correction presentation of revenue in line with the Code</p>	<ul style="list-style-type: none"> <li>We have reviewed management's processes for identifying whether they are agent or principal for grant income and ensured that the appropriate disclosures have been made in the statement of accounts</li> <li>We have agreed a sample of grant income to third party documentation including the grant paying body to ensure that revenue has been correctly disclosed</li> <li>We have reviewed supporting documentation to identify any conditions an ensure that the Council has complied with these</li> <li>We have reviewed year end accruals to understand how these have been calculated and that these are appropriately accounted for.</li> <li>We have reviewed the Council's assessment as to whether they are acting as principal or agent in the treatment and recognition of grant revenue, and specifically covid grant funding, and considered that this is appropriate</li> </ul> <p>We have not identified any issues in relation to this area.</p>	Light Purple

## Assessment

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



# 2. Financial Statements - key judgements and estimates

## Significant judgement or estimate

### Summary of management's approach

### Audit Comments

### Assessment

#### Minimum Revenue Provision - £957k

The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance

The year end MRP charge was £957k, a net decrease of £22k from 2020-21.

The Council's minimum revenue policy sets out the Council's approach to reclaim prior year voluntary revenue provision. The Council made voluntary payments totalling £5.02m from 2013-14 to 2018-19 and is reclaiming the total amount over a three year period covering 2019-20 to 2021-22. We have undertaken work to give us sufficient assurance that the voluntary payments were made as detailed above and that it is appropriate for the Council to reclaim these based on the statutory guidance. We were able to conclude that the approach taken by the Council is in line with the statutory guidance and is reasonable.

The Council's calculation approach to MRP was deemed to be prudent and calculated in line with the requirements other than one area noted below

The Council do not provide for MRP on capital loans to third parties. Grant Thornton's interpretation of the regulation is that this is a requirement. Whilst we acknowledge the Council is reducing the capital financing requirement with the annual loan payments this is over a long period of time and therefore the Council are not setting aside sufficient funds for capital expenditure paid and still outstanding. The Council have subsequently reviewed the future viability of Exeter City Living Ltd (ECL) and have discontinued significant elements of ECL's trading services. This will have a direct impact on loans provided by the Council and subsequent repayment by ECL. The cumulative impact up to and including 2022-23 is not material and management will need to re-evaluate their MRP in light of any future loan recovery implications on the financial statements.

- The approach taken by the Council to reclaim prior year voluntary payments is reasonable
- The Council are not providing MRP for capital loan payments to third parties. Our view is that this is not in line with the regulations
- With the exception of the above comment the Council's MRP is deemed to be prudent.

#### Management response

Not agreed. Whilst the section 151 Officer understands why the recommendation has been made, it is his professional opinion that the recommendation, if followed would provide for an MRP that over provides and therefore is not prudent. This is because the loan repayment fully provides for the amount required to be set aside in line with the Council's policy to repay debt in line with the relevant assets useful life. If the Council set aside this amount from revenue as well it would, by the time the loan was repaid, have locked away twice as much as required resulting in a positive capital financing requirement and a waste of taxpayers funds. The section 151 Officer does not believe this is the intention of either the Government or External Audit, whose roles (in relation to this) partly exist to protect taxpayers. Indeed the Government has recognised this issue and have included proposed changes in the new statutory guidance on MRP in respect of capital loans.

It is important to note that MRP exists to replace proper accounting practice in respect of depreciation, amortisation and movement in market values, where Councils have a statutory override in place that removes these transactions. There is proper accounting practice in place for capital loans and this should be enforced properly instead.

Grey

#### Assessment

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



## 2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
●	Declarations of interest were only made by two senior officers, as in 2020-21. The system used does not require senior officers to complete a declaration where this is a nil disclosure. There is a risk that related parties are not declared by all senior officers	See pages 27 -28 for the recommendations within the action plan.
●	An IT review undertaken in previous years identified that there were 8 members of finance staff with superuser IDs of which one is a senior member of finance. This would allow the user to amend key data and should be limited to staff supporting ICT operational functions and not those with finance responsibilities. Whilst testing in 2021-22 has not identified any inappropriate usage the access level has not been fully addressed and there remains a risk of manipulation of data and financial information	See pages 27 - 28 for the recommendations within the action plan.

### Assessment

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

## 2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit & Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. Our testing identified the following control issue in relation to related parties: <ul style="list-style-type: none"> <li>• Declarations of interest were not received from all officers</li> </ul> Our work has not identified any further issues.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group.
Confirmation requests from third parties	We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. We have yet to receive confirmation for four investment balances and continue to work with management to complete this process. Any issues identified from this work will be reported to members at Audit & Governance Committee.  We requested from management permission to send confirmation requests to the Pension Fund auditor. This permission was granted and the requests were sent. This confirmation has been provided and no further issues have been identified.
Accounting practices	Our review found no material omissions in the financial statements.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management were provided.  We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.



## 2. Financial Statements - other communication requirements



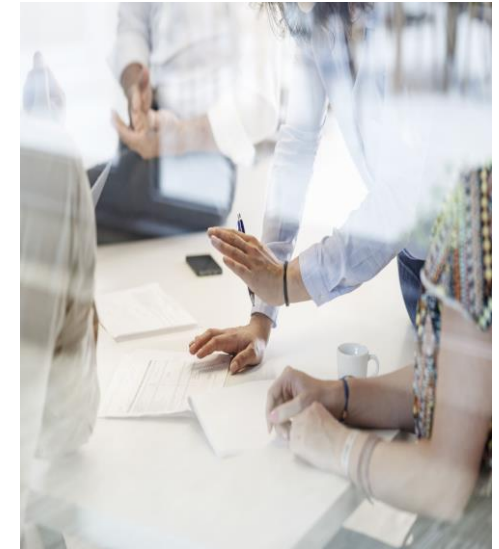
### Our responsibility

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

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council's financial reporting framework</li> <li>the Council's system of internal control for identifying events or conditions relevant to going concern</li> <li>management’s going concern assessment.</li> <li>The impact of management’s decisions to reduce service provision by Exeter City Living Ltd</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. This work is not required at Exeter City Council as they do not exceed the threshold required for the completion of this work.</p>
Certification of the closure of the audit	<p>We expect to certify the completion of the audit upon the completion of our work subject to formal conclusion of two elector objections on the 2021-22 financial statements.</p>



# 3. Value for Money arrangements

## Approach to Value for Money work for 2021/22

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

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

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### Improving economy, efficiency and effectiveness

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



### Financial Sustainability

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



### Governance

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

## Potential types of recommendations

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



### Statutory recommendation

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



### Key recommendation

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



### Improvement recommendation

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

# 3. VFM - our procedures and conclusions

Value for money work is complete and the Auditor's Annual report is to be presented at the March Audit and Governance Committee

NAO have issued Auditor Guidance Note 3 (AGN 03) in relation to Auditors' Work on Value for Money (VFM) Arrangements for 2021-22 audits.

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

As a firm, we have taken a decision to prepare a combined VFM report covering both the 2021-22 and 2022-23 arrangements in order to give members the most relevant and timely reporting and ensure this reflects the most up to date arrangements at the Council.

As part of our 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. The table below details the weaknesses identified and the work undertaken which have resulted in two key recommendations.

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## Significant weakness identified during Audit

## Procedures undertaken

## Key Recommendations

During 2021/22 and 2022/23 the Council was involved with a number of subsidiaries. The Governance arrangements for all subsidiaries was considered and identified the following issues:

- No consistent approach or policy in place setting out what governance arrangements should be adopted
- Lack of clear objectives against which performance could be effectively monitored
- Lack of reporting of progress/performance monitoring and member oversight
- Lack of clarity over who is acting as the shareholder representative

We have:

- Reviewed governance arrangements in place to assess suitability
- Reviewed meeting minutes and performance monitoring
- Held discussions with officers to further understand what arrangements are in place

The Council should review the alternative delivery models with which it is involved and assess if continuing with these arrangements is appropriate and provides the best value for money. Where it is appropriate to continue the Council should strengthen the governance arrangements as follows:

- Determine who will act as the shareholder representative or Council lead
- Agree the objectives or benefits expected through partnership working so that performance can be effectively monitored
- Introduce periodic financial and performance monitoring reports which are reviewed by members within public meetings

Throughout 2020/21, 2021/22 and 2022/23 and up to the time of reporting the Council has not reported performance against its strategic priorities as set out in the Corporate Plan. The Council does not have a performance management framework and does not have a corporate view on its performance

We have

- Review the Corporate plan and considered performance monitoring against the strategic priorities
- Considered the adequacy of the overall Council performance framework

The Council should ensure corporate performance monitoring of its strategic priorities is undertaken and reported to the Executive or Full Council on a quarterly basis. Directorate and service performance monitoring should support and be linked to the Council's strategic priorities. A robust performance management framework should clearly set out the approach required



# 4. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix D.

## Transparency

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

## Audit and non-audit services

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

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

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

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

# Appendices



# A. Action plan – Audit of Financial Statements

We have identified 4 recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Management has incorrectly excluded assets from the Council's balance sheet as a result of the consolidation process. Housing assets purchased by the Council from Exeter City Living should be included in the balance sheet and failure to do so could lead to the risk of a material misstatement within the financial statements.	<p>Management should ensure that the consolidation process for producing group accounts is appropriately followed and that all intercompany transactions are correctly disclosed in the statement of accounts</p> <p><b>Management response</b></p> <p>All intercompany transactions are eliminated during the consolidation process but agree that this does not apply to asset transactions. It is agreed that when assets are exchanged only the unrealised profit or loss on the transaction needs to be dealt with</p>
Medium	The Council has a senior member of the finance staff with superuser access to the system. There is a risk of misuse of this access and this not being picked up due to the access rights provided to a superuser.	<p>We recommend the Council review the user accounts identified with administration privileges and revoke those that do not require this.</p> <p><b>Management response</b></p> <p>Agreed. Super user access permissions will be reviewed</p>

## Controls

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

# A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	The Council does not provide MRP for capital loan payments to third parties. This is not deemed to be in line with the regulations. There is a risk that going forward, MRP will be materially understated.	<p>We recommend the Council reassess the treatment of the MRP on capital loans to third parties</p> <p><b>Management response</b></p> <p>Not agreed. Whilst the section 151 Officer understands why the recommendation has been made, it is his professional opinion that the recommendation, if followed would provide for an MRP that over provides and therefore is not prudent. This is because the loan repayment fully provides for the amount required to be set aside in line with the Council's policy to repay debt in line with the relevant assets useful life. If the Council set aside this amount from revenue as well it would, by the time the loan was repaid, have locked away twice as much as required resulting in a positive capital financing requirement and a waste of taxpayers funds. The section 151 Officer does not believe this is the intention of either the Government or External Audit, whose roles (in relation to this) partly exist to protect taxpayers.</p> <p>Indeed the Government has recognised this issue and have included proposed changes in the new statutory guidance on MRP in respect of capital loans.</p> <p>It is important to note that MRP exists to replace proper accounting practice in respect of depreciation, amortisation and movement in market values, where Councils have a statutory override in place that removes these transactions. There is proper accounting practice in place for capital loans and this should be enforced properly instead.</p>
Low	From the work performed within remuneration disclosures, we agreed the declarations obtained from the monitoring officer and have found that where there is a nil return officers are not completing declaration forms. Whilst we acknowledge this is in line with Council policy it is Audit opinion that there is a risk that declarations of interest will not be properly declared and that governance procedures will not be properly followed.	<p>A declaration of interest should be completed by all senior officers including nil returns to provide assurance that no potential conflict of interests have been omitted and that appropriate governance arrangements have been followed</p> <p><b>Management response</b></p> <p>We are satisfied that the Strategic Management team have complied with the obligations on them as prescribed in the officers code of conduct. However, in order to improve our process, the Strategic Management team (the Chief Executive and Directors) shall be reminded annually of the need to declare any interest they may have and where no such declaration is needed, they will be required to complete a nil return. On this basis, they will be renewing their declarations annually even where there is nothing new to report.</p>

## Controls

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

# B. Follow up of prior year recommendations

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

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

## Assessment

- ✓ Action completed
- X Not yet addressed

# C. Audit Adjustments

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

## Impact of adjusted misstatements

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

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

## Misclassification and disclosure changes

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

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

## Impact of unadjusted misstatements

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

# D. Fees

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

<b>Audit fees</b>	<b>2022-23 Planned fee</b>	<b>2022-23 Proposed fee</b>
Council Audit fee per audit plan	£82,548	£94,549
<b>Total audit fees (excluding VAT)</b>	<b>£82,548</b>	<b>£94,549</b>

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

- fees per financial statements £82,548
- Additional fees for Group audit £7,500
- Additional IAS19 work required in relation to the triennial pensions valuation £6,000
- total fees per above £94,549

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

# Audit fees – detailed analysis

Scale fee published by PSAA	£49,073
Raising the bar/regulatory factors	£3,125
Enhanced audit procedures for Property, Plant and Equipment	£5,688
Enhanced audit procedures for Pensions	£688
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs 540	£2,100
Additional audit requirements relating to journals and grants testing	£3,000
Additional local risk factors – Group audit work	£7,875
Additional local risk factors – Additional VFM risk work	£3,000
Remote working	£5,000
Additional IAS19 procedures following the revised triennial pensions valuation (as explained on page 11)	£6,000
<b>Total proposed audit fees 2021/22 (excluding VAT)</b>	<b>£94,549</b>



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# The Audit Findings for Exeter City Council

Year ended 31 March 2023



# Contents



## Your key Grant Thornton team members are:

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

Name: Julie Masci  
For Grant Thornton UK LLP  
Date: 25 February 2024

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

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Exeter City Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

## Financial Statements

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

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

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS 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 commenced remotely during November 2023 and is well progressed with 90% of the audit complete. Our findings to date are summarised on pages 8 onwards. We have not identified any adjustments to the financial statements in relation to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix E. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix C. Our follow up of recommendations from the prior year's audit are detailed in Appendix D.

We identified some delays in receiving evidence and working papers to support the 22/23 financial statements. This was in part due to the on-going 2021/22 audit which meant both audit years were running alongside each other. The Council also needs to ensure that sufficient staff capacity is available to support the timely completion of audit work. We would like to work closely with the Council going forward to ensure the process runs more smoothly in future years.

Subject to the completion of the remaining audit procedures set out on page 6, we anticipate issuing an unqualified audit opinion by 31 March 2024 as set out in appendix E.

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

Our anticipated financial statements audit report opinion will be unmodified.

Our work on the Council's value for money (VFM) arrangements is complete and reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). Further details are set out overleaf. We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

# 1. Headlines

---

## Value for Money (VFM) arrangements

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

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

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

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified two significant weaknesses in the Council's arrangements in respect of governance and improving economy, efficiency and effectiveness. Therefore we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (Section 3).

---

## Statutory duties

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

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

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

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

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

We have completed the majority of work under the Code and expect to certify the completion of the audit upon the completion of our work subject to formal conclusion of the elector objections received on the 2021-22 financial statements.

---

## Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

---

# 1. Headlines

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## National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](#)

We would like to thank everyone at the Council for their support in working with us on the 202/23 audit.

---

## National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

---

# 2. Financial Statements

## Overview of the scope of our audit

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

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

## Audit approach

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

- an evaluation of the group's internal controls environment, including its IT systems and controls;
- an evaluation of the component of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that we required specific procedures on material balances to be performed by the component auditor
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding areas being finalised, we anticipate issuing an unqualified audit opinion by the end of March, following reporting to the Audit and Governance Committee meeting on 6 March 2024, as detailed in Appendix I. These outstanding items include:

- review of component auditors working papers
- finalisation of audit testing on Investment properties and land and buildings
- debtors and creditors testing
- collection fund testing
- finalisation of audit testing on pension liability
- 2 items remaining on testing of fees and charges income
- finalising our review of the minimum revenue provision
- testing of the movement in reserves statement
- receipt of management representation letter
- finalising our going concern review of the Group
- review of the final set of financial statements.
- Any follow up resulting from our final quality control review

### Acknowledgements

We would like to take this opportunity to record our appreciation for the assurance provided by the finance team and other staff.



# 2. Financial Statements



## Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan from September 2023.

We set out in this table our determination of materiality for Exeter City Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	2,710,000	2,690,000	This is equivalent to approximately 2% of the gross expenditure of the Council /Group for the financial year and is the same percentage and measure as the previous year
Performance materiality	2,032,500	2,017,500	No change in senior management and key reporting personnel, low number of misstatements and recommendations in the prior year audit,
Trivial matters	135,000	134,500	Set at 5% of materiality.



## 2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Commentary
<p><b>Management override of controls</b></p> <p><b>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</b></p>	<p>For the Council we;</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals</li> <li>• analysed the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>We have identified the following issues in relation to our work on the Council in respect to this risk</p> <ul style="list-style-type: none"> <li>• a number of super users were identified who have ability to add and remove staff from the General Ledger which gives a wider scope for manipulation of data. We undertook specific focused testing in this area as part of our journals testing and did not identify any inappropriate journal entries because of this</li> <li>• we identified 2 journals where the incorrect effective date had been entered into the system. Although this did not impact the validity of the journals, we recommend journal poster are reminded of the need to ensure this is inputted correctly.</li> </ul> <p>We did not identify any further issues from our work.</p> <p>We have not reviewed the component auditor file at this stage and therefore are unable to conclude on this risk in the group audit.</p>



# 2. Financial Statements: Significant risks

## Risks identified in our Audit Plan

## Commentary

### Improper revenue recognition

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Exeter City Council, mean that all forms of fraud are seen as unacceptable.

As per our group audit scope set out in the audit plan, we did not rebut the risk of fraud in revenue recognition for the group audit due to the main income streams relating to house sales and this being outside of normal nature of income received by the Council.

We have not reviewed the component auditor file at this stage and therefore are unable to conclude on this risk in the group audit.

### Risk of fraud related to expenditure recognition PAF Practice Note 10

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)

For expenditure recognition we

- evaluated the groups accounting policy for recognition of expenditure for appropriateness;
- gained an understanding of the Council's system for accounting for expenditure and evaluate the design of the associated controls
- agreed, on a sample basis, amounts recognised as expenditure in the financial statements to supporting documents
- identified and tested a sample of transactions received post year end to ensure these have been classified to the correct year

We have not identified any issues in relation to expenditure for the Council

We have not reviewed the component auditor file at this stage and therefore are unable to conclude on this risk in the group audit.

## 2. Financial Statements: Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of land and buildings (including Council Dwellings)

The Council revalues its land and buildings on a rolling five yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

The Council's portfolio of Council Dwellings is revalued five-yearly, with an indexation exercise applied in intervening years in accordance with the "Beacon" methodology .

We have

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation
- reconciled the data provided to the valuer to year end council dwelling listings
- confirmed the valuation method for sub-archetype Council Dwellings is appropriate
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

#### Valuation of Council Dwellings

Through our review and challenge of valuations performed for HRA Council Dwellings, we are satisfied that the beacon approach has provided a materially accurate and reasonable valuation estimate as at 31 March 2023. Our conclusions are set out in more detail on page 16.

#### Valuation of Land and Buildings

We have progressed well in our required procedures for the valuation of land buildings and are in the process of concluding our work on this.

## 2. Financial Statements: Significant risks

### Risks identified in our Audit Plan

### Commentary

#### Valuation of Investment Property

The Council revalue its investment property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£56m at 31/03/22) and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of an external valuer to estimate the current value as at 31 March 2023.

We have

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuations were carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register.

We have progressed well in our required procedures for the valuation of investment properties and are in the process of discussing our final queries with the Council's external valuer who has undertaken the valuations in 2022/23.

# 2. Financial Statements: Significant risks

## Risks identified in our Audit Plan

### Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£28.9m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.

A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

## Commentary

We have

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report
- obtained assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

We have completed the majority of the work required to gain assurance over the valuation of the pension fund net liability as at 31 March 23 and no issues have been noted in completion of this work. Our findings in relation to this are set out in more detail on page 17.

The following area is still outstanding:

- agree the source data that is provided to the actuary to the Council's records.

## Audit findings

# 2. Financial Statements - Observations in respect of other risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary	
<p><b>Exeter City Living Ltd (ECL)</b></p> <p>A decision was made in October 2023 to scale down the operations of ECL with the company being retained for the limited purpose of holding and managing property (6 Guildhall flats).</p> <p>Although this decision was made after the end of the 2022/23 financial year, we have considered whether this decision has impact on areas including going concern, post balance sheet events and the impact on the carrying value of loan receivables from ECL to the Council and whether this has any impact on the 2022/23 position.</p>	<p>Our work in this area is currently on-going.</p>	<p>TBC</p>
<p><b>Guildhall Shopping Centre</b></p> <p>During the 2022/23 financial year, the Council purchased the long leasehold interest relating to the Guildhall Shopping centre and has taken back full control of the asset bringing the asset back onto the Council's balance sheet. The Council made an early termination payment to the lessee's of the shopping centre.</p> <p>We have considered the accounting treatment of this.</p>	<p>Our work in this area is currently on-going.</p>	<p>TBC</p>
<p><b>St Sidwells Point</b></p> <p>St Sidwells Point Leisure centre was completed in 2022/23. The value of the asset held at 31 March 2023 was reported to be £7.047 million less than the cost to build.</p>	<p>In 2022/23 St Sidwells Point leisure centre was transferred from assets under construction to property, plant and equipment recognising the asset came into use in the year. The leisure centre has been built to passivhaus environmental standards. We engaged our auditors valuation expert to review the Councils proposed approach for valuing this asset.</p> <p>Our work in this area is currently on-going</p>	<p>TBC</p>

## 2. Financial Statements: Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Exeter City Council	Grant Thornton	<p>See pages 8 to 11 for significant risks work undertaken and any issues identified in relation to significant risks.</p> <p>As part of our work we have reviewed the consolidation process including intercompany transaction eliminations. We have not identified any issues in relation to this work.</p>	There is no impact on the group audit opinion.
Exeter City Living	PKF Francis	<p>Full scope UK statutory audit performed by Exeter City Living auditors PKF Francis. Given the timing of the audit being undertaken prior to our commencement of the 2022/23 group audit we have not discussed our risks and planning with the component auditors prior to them undertaking their work. Therefore, we will consider as part of our review of the component auditors work, whether there are any further procedures we will need to undertake to obtain sufficient assurance for the Group opinion.</p>	Our work in this area is still on-going, we have not reviewed the component auditors work at this stage.

## 2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £154.133m	<p>The Council revalue its land and buildings on a rolling programme with a maximum period of five years between revaluations. This is a mixture of full revaluations and desktop reviews. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£154.133m) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>Management has considered the year end value of non-valued properties and the potential value change in the assets revalued at 31 March 2021 by applying indices to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material changes to property values.</p> <p>The total year end valuation of land and buildings was £154.133m, a net increase of £36.3m from 2021/22 (£119.52m).</p>	Our work is still on-going in this area.	TBC

### Assessment

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

## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £98.561m	<p>The Council revalues its investment property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>The Council's commercial investment portfolio consists of a mixture of assets comprising both industrial and commercial usage.</p> <p>The total year end valuation of investment properties was £98.651m (prior year £56.034m)</p> <p>The significant increase in the valuation of investment properties from the prior year was due to the Council ending the lease of the Guildhall Shopping Centre during 2022/23 following the Council's acquisition of the leasehold interest, returning full ownership back to the Council. This was therefore shown as an addition to investment properties in 2022/23.</p>	Our work is still on-going in this area.	TBC
Land and Buildings – Council Housing - £316.272m	<p>The Council owns over 4700 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting Guidance. The guidance requires the use of the beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has 25 beacon properties.</p>	<p>Council dwellings represent a significant proportion (£316.272m) of the Council's asset base and in accordance with the CIPFA code, these assets are valued in line with the Stock valuation resource accounting 2016: guidance for values which has been provided by central guidance. The approach taken by the Council is a full revaluation every five years with desktop reviews in the intervening four years. 2022/23 was an intervening year and therefore a desktop review was undertaken where the Council's valuer applied an index to the portfolio of dwellings. We challenged the valuer on the suitability of this index and also the suitability of the beacon approach taken by the Council including how the Council ensure the beacons are up to date and reflective of the portfolio. Overall we were able to obtain sufficient audit evidence to support the Council's valuation of Council dwellings.</p>	<p>● Light Purple</p>

### Assessment

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



# 2. Financial Statements: key judgements and estimates

## Significant judgement or estimate

## Summary of management's approach

## Audit Comments

## Assessment

Net pension liability – £28.935m

The Council's net pension liability at 31 March 2023 is £28.935m comprising the Devon Pension Fund Local Government defined benefit pension scheme.

The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from these schemes. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed at 31 March 2022. Given the significant value of the net pension fund liability (surplus), small changes in assumptions can result in significant valuation movements. There has been a £70m net actuarial gain/loss during 2022/23.

- we identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. No issues were identified from our review of the controls in place.
- we also evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out. This included undertaking procedures to confirm the reasonableness of the actuarial assumptions made:

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.8%	4.5%-4.8%	●
Pension increase rate	2.95%	2.65%-2.95%	●
Salary growth	3.95%	CPI+1% = 3.95%	●
Life expectancy – Males currently aged 45/65	23.1/21.8	20.9-23.4 / 19.5-22.1	●
Life expectancy – Females currently aged 45/65	24.4/22.9	24.3-25.9 / 22.9 – 24.5	●

- we have gained assurance over the completeness and accuracy of the underlying information used to determine the estimate
- we have gained assurance over the reasonableness of the Council's share of LGPS pension assets, and
- we have reviewed the adequacy of disclosure of the estimate in the financial statements.

TBC

## Assessment

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

## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £4.54m	The Council are responsible for repaying a proportion of successful rateable value appeals. Management calculates the level of provision required. This calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VAO) and previous success rates. The provision has increased by £0.098m in 2022/23	<ul style="list-style-type: none"> <li>no issues were identified with the appropriateness of the underlying information used to determine the estimate</li> <li>a new valuation takes effect on 1 April 2023. The rateable valuation 2017 list is closed after this date and further appeals can only be made in limited circumstances up to 30 September 2023. This reduces the need for provisions for un-lodged appeals as at 31 March 2023. The Council has therefore not made any provision for un-lodged appeals. We deem this to be an appropriate approach to take.</li> <li>there are no other changes to the way the Council determines its provision for NNDR appeals since the prior year</li> <li>the method is in line with industry practise adjusted to reflect the specific circumstances of the Council</li> <li>the disclosure of the estimate in the financial statements is adequate</li> <li>management has increased the amount set aside against the majority of its provisions, however we note that the increase in the provision is not reflective of the amount of provision used, which is generally lower than the increase. This indicates that the Council is taking a cautious approach to the recognition of provisions.</li> <li>we are satisfied that the current levels of provisions for NNDR appeals are reasonable.</li> </ul>	<p>●</p> <p>Grey</p>

### Assessment

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

## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation- £37.3m	<p>The Council receives a number of grant and contributions and is required to follow the requirements set out in sections 2.23 and 2.6 of the Code. The main consideration are to determine whether the Council is acting as principal / agent and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific and hence credited to service revenue accounts or of a general or capital nature in which case they are credited to taxation and non-specific grant income.</p> <p>There is a requirement to assess whether income received has conditions attached and should therefore be considered grant income or another classification of income. This will allow the Council to ensure the correct presentation of revenue in line with the code.</p>	<ul style="list-style-type: none"> <li>we have reviewed management's processes for identifying whether the Council is acting as the principal or agent which would determine whether the Council recognises the grant at all</li> <li>we have agreed a sample of grant income to third party documentation including the grant paying body to ensure that revenue has been correctly disclosed.</li> <li>completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income</li> </ul> <p>We have not identified any issues in relation to this area.</p>	<p>● Light Purple</p>

### Assessment

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

## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<b>Minimum Revenue Provision - £1.909m</b>	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The Council made a year-end minimum revenue provision of £1.9m and reclaimed £1.48m of prior year voluntary overpayments.</p>	<p>The Council's MRP policy was agreed at the February 2022 Executive meeting and sets out the Council's approach to calculating MRP.</p> <p>Key points of the policy:</p> <ul style="list-style-type: none"> <li>the amount set aside is matched against the useful life of assets with the only exception writing off historic debt which is being undertaken over 50 years</li> <li>the Council adopt either the asset life (equal instalment) or the asset life (annuity) method</li> </ul> <p>We reviewed the Council calculations to ensure all expected assets and debt had been included in the calculation and challenged those where 50 years were used as the basis of the MRP given the statutory guidance states the useful life should normally not exceed a maximum useful of 50 years. Note the Council did not make a provision for the Guildhall Shopping centre. This is in line with the statutory guidance which states MRP can be postponed until the financial year following the one in which the asset becomes operational.</p> <p>The Council previously made voluntary overpayment of MRP from 2013/14 – 2018/19. This is where the Council pay more MRP than they consider prudent and the statutory guidance allows for previous year's overpayments to be offset against the current year's prudent provision. The Council made voluntary overpayments totalling £5m and are offsetting these over a number of years to smooth the required MRP. In 2022/23 the amount reclaimed was £1.48 million. We have reviewed the Council's process and calculations for these and are able to conclude there approach is appropriately evidenced.</p> <p>Our work in this area is still in progress.</p>	<p>●</p> <p>Blue</p>

### Assessment

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

## 2. Financial Statements: key judgements and estimates

### Significant judgement or estimate

### Summary of management's approach

### Audit Comments

### Assessment

Minimum Revenue Provision - £1.909m

The Council do not provide for MRP on capital loans to third parties. Grant Thornton's interpretation of the regulation is that this is a requirement. Whilst we acknowledge the Council is reducing the capital financing requirement with the annual loan payments this is over a long period of time and therefore the Council are not setting aside sufficient funds for capital expenditure paid and still outstanding. The Council have subsequently reviewed the future viability of Exeter City Living Ltd (ECL) and have discontinued significant elements of ECL's trading services. This will have a direct impact on loans provided by the Council and subsequent repayment by ECL. The cumulative impact up to and including 2022-23 is not material and management will need to re-evaluate their MRP in light of any future loan recovery implications on the financial statements.

- The approach taken by the Council to reclaim prior year voluntary payments is reasonable
- The Council are not providing MRP for capital loan payments to third parties. Our view is that this is not in line with the regulations
- With the exception of the above comment the Council's MRP is deemed to be prudent.

#### Management response

Not agreed. Whilst the section 151 Officer understands why the recommendation has been made, it is his professional opinion that the recommendation, if followed would provide for an MRP that over provides and therefore is not prudent. This is because the loan repayment fully provides for the amount required to be set aside in line with the Council's policy to repay debt in line with the relevant assets useful life. If the Council set aside this amount from revenue as well it would, by the time the loan was repaid, have locked away twice as much as required resulting in a positive capital financing requirement and a waste of taxpayers funds. The section 151 Officer does not believe this is the intention of either the Government or External Audit, whose roles (in relation to this) partly exist to protect taxpayers. Indeed the Government has recognised this issue and have included proposed changes in the new statutory guidance on MRP in respect of capital loans.

It is important to note that MRP exists to replace proper accounting practice in respect of depreciation, amortisation and movement in market values, where Councils have a statutory override in place that removes these transactions. There is proper accounting practice in place for capital loans and this should be enforced properly instead.



Blue













#### Assessment

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





## 2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

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IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure		
eFinancials	ITGC assessment (design and implementation effectiveness only)					Management Override of Controls	We identified a control weakness whereby six (6) Super Users have User Accounts that allows them to change access rights of other users including themselves. This puts an additional risk on the segregation of duties and the whole internal control system of ECC. Due to this, we increased the risk profile within our journals risk assessment to reflect the heightened risk.
ASH – Debtors System	ITGC assessment (design, implementation and operating effectiveness)					N/A	N/A
CivicaPay - Income Management System	ITGC assessment (design and implementation effectiveness only)					N/A	N/A

### Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

## 2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group, which is included in the Audit and Governance Committee papers.

## 2. Financial Statements: other communication requirements

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Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests for bank and investment balances. This permission was granted and the requests were sent. We have received all the responses. We requested from management permission to send confirmation requests to the Pension Fund Auditor. This permission was granted and the requests were sent. This confirmation has been provided.
Accounting practices	Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided. We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during the audit.



## 2. Financial Statements: other communication requirements



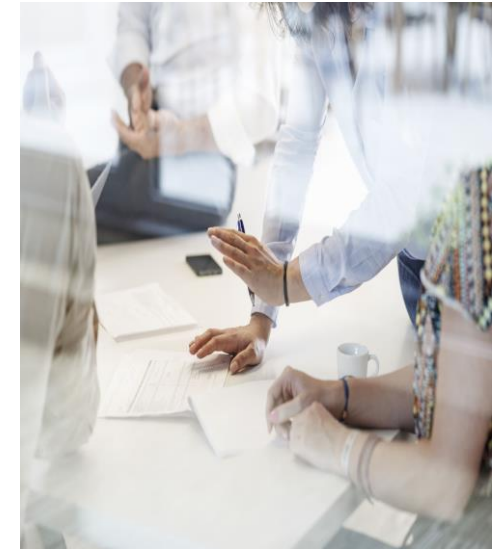
### Our responsibility

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

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council's financial reporting framework</li> <li>the Council's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>Given the decision to discontinue significant aspects of the operations of the Council's housing development company Exeter City Living Ltd in October 2023, we must also consider whether this has any impact on the Group's ability to be prepared as a going concern.</p> <p>On the basis of this work completed to date, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix I</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We are able to conclude that:</p> <ul style="list-style-type: none"> <li>• the Annual Governance Statement does comply with disclosure requirements and is not misleading or inconsistent within information of which we are aware from our audit</li> <li>• we have not applied any of our statutory powers or duties</li> <li>• we have reported significant weaknesses in respect of our value for money work. See page 27 for more details.</li> </ul>



## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> <li>• note that work is not required as the Council does not exceed the threshold.</li> </ul>
Certification of the closure of the audit	<p>We are unable to certify the closure of the audit due to outstanding objections relating to the 2021/22 year which means the certificate has not been issued for the prior year audit. We will be able to certify the closure once the statement of reasons have been issued for both objections.</p>

# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2022/23

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

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

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### Improving economy, efficiency and effectiveness

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



### Financial Sustainability

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



### Governance

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

## Potential types of recommendations

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



### Statutory recommendation

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



### Key recommendation

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



### Improvement recommendation

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

# 3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our 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. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code, see Appendix I.

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
A risk of significant weakness was identified in respect of the Council's unidentified savings and/or funding gaps in financial planning for 2022/23.	We considered how the Council Plan to bridge its funding gaps and identify achievable savings	No significant weaknesses in arrangements identified, but improvement recommendations remain outstanding from 202/21	No statutory recommendations or key recommendations made in respect of this.
A risk of significant weakness was identified in relation to Exeter City Living governance arrangements.	We considered whether effective processes and systems are in place in relation to significant partnerships	One significant weakness in arrangements identified, one key recommendation made, and five improvement recommendations raised.	Key recommendation: The Council should review the alternative delivery models with which it is involved and assess if continuing with these arrangements is appropriate and provides the best value for money. Where it is appropriate to continue, the Council should strengthen the governance arrangements as follows: <ul style="list-style-type: none"> <li>• Determine who will act as he shareholder representative or Council lead</li> <li>• Agree the objectives or benefits expected through partnership working so that performance can be effectively monitored</li> <li>• Introduce periodic financial and performance monitoring reports which are reviewed by members within public meetings</li> </ul>
No risks of significant weakness were identified	We considered how the Council governs its subsidiaries and ADMs.	One significant weakness in arrangements identified and one key recommendation made.	Key recommendation: The Council should ensure corporate performance monitoring of its strategic priorities is undertaken and reported to the Executive or Full Council on a quarterly basis. Directorate and service performance monitoring should support and be linked to the Council's strategic priorities. A robust performance management framework should clearly set out the approach required.

---

# 5. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix F.

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

# 5. Independence and ethics

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified which were charged from the beginning of the financial year to February 2024, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Housing Capital receipts grant	6,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-review (because GT provides audit services)	To mitigate against the self-review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decided whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Subsidy return	30,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £30,500 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self-review (because GT provides audit services)	To mitigate against the self-review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decided whether to amend returns for our findings and agree the accuracy of our reports on grants.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors All services have been approved by the Audit and Governance None of the services provided are subject to contingent fees.

# 5. Independence and ethics

As part of our assessment of our independence we note the following matters:

<b>Matter</b>	<b>Conclusion</b>
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements



# Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion
- I. Audit letter in respect of delayed VFM work

# A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

# B. Action Plan – Audit of Financial Statements

We have identified 2 recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p>As noted in the past two years, we have continued to identify issues with the Council's declaration of interests as not all declarations were received for all officers. The declaration of interest is an important control to ensure impartiality, openness and transparency in decision making. Where this is nothing to declare, nil returns should be required from senior officers.</p>	<p>Declaration of interests should be completed by all officers including nil returns.</p> <p><b>Management response</b></p> <p>This is not agreed. There is no suggestion that any officer has failed to comply with the officers code of conduct which states only that there is an obligation to disclose interests in contracts under section 117 of the Local Government Act 1972. There is no obligation to disclose any other interest an employee may have. In the event that the Auditors consider that the officer's code of conduct should be amended, then they are invited to set out how and why</p>
<p>● Medium</p>	<p>The Council has finance staff with superuser access to the system. These are a risk of misuse of this access and this not being picked up due to the access rights provided to a superuser.</p>	<p>We recommend the Council review the user accounts identified with administration privileges and revoke those that do not require this.</p> <p><b>Management response</b></p> <p>Agreed. The review of user permissions is due to be undertaken as part of the Council's planned move to a new finance management system, from eFinancials to CloudFinancials. The project is due to start in April 2024 and 'go live' in April 2025</p>

## Controls

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

# C. Follow up of prior year recommendations

We identified the following issues in the audit of Exeter City Council's 2021/22 financial statements, which resulted in recommendations being reported in our 2021/22 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	In 2021/22 management incorrectly excluded assets the Council's balance sheet as a result of the consolidation process. We recommended that management should ensure the consolidation process for producing group accounts is appropriately followed	No issues were identified in our audit work on the group consolidation in 2022/23.
X	The Council has a number of individuals within the finance team with superuser access to the system. We recommend the Council review the user accounts and revoke those that do not require this.	This recommendation remains in place in 2023/24. Note this recommendation was also made in the 2020/21 audit and therefore has been outstanding for 2 years.
X	Not all officers made declarations. A declaration of interest should be completed by all senior officers including nil returns.	This recommendation remains in place in 2023/24. Note this recommendation was also made in the 2020/21 audit and therefore has been outstanding for 2 years.

## Assessment

- ✓ Action completed
- X Not yet addressed

# D. Audit Adjustments

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

## Impact of adjusted misstatements

At this stage, we have not identified any adjusted misstatements to the Council or the Group financial statements.

## Misclassification and disclosure changes

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

Disclosure Omission	Auditor recommendations	Adjusted?
A small number of amendments were made to the financial statements to enhance the clarity of the accounts to the reader.	These will be reflected in the final revised accounts.	✓
A non-adjusting post balance sheet event has been added into the financial statements to reflect the decision in October 2023 to significantly reduce the capacity of its housing development company.	This has been reflected in the final revised accounts	✓

## Impact of unadjusted misstatements

At this stage, we have not identified any unadjusted misstatements to the Council or the Group's financial statements. There were no unadjusted errors in 2021/22.

# E. Fees and non-audit services

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

Audit fees	Proposed fee	Final fee
Scale fee published by PSAA	£53,949	£53,949
Group Audit – Additional work	£6,325	£6,325
Property, Plant and Equipment engagement of auditor's expert	£5,000	TBC
Additional work on Value for Money (VfM) under new NAO code	£9,000	£9,000
Increased audit requirements of revised ISA540	£2,100	£2,100
Increased audit requirements in relation to Grants and Journals	£3,000	£3,000
Increased audit requirements of revised ISA315	£3,000	£3,000
Increased audit requirements in relation to change in circumstances testing	£500	£500
Increased audit requirements in relation to Collection Fund testing	£750	£750
Other Local Risk Factors	£4,500	TBC
<b>Total audit fees (excluding VAT)</b>	<b>£88,124</b>	<b>TBC</b>

# E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services	36,500	TBC – work in progress
Total non-audit fees (excluding VAT)	£36,500	TBC

## Audit fees reconciliation to fees included within Statement of accounts:

Page 91 Fees payable in respect of external audit services per statement of accounts £94k. Difference of 6k to audit fee due to the Council closing the accounts on an estimated audit fee for 2023/24. Trivial difference.

Page 91 Fees payable in respect of certification of grant claims and returns per statement of accounts £38k. Difference of £1.5k to non-audit fees due to Council closing the accounts on an estimate of the non-audit fees for 2023/24. Trivial difference.

None of the above services were provided on a contingent fee basis

This covers all services provided by us and our network to the group, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

# F. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

**This impacts audits of financial statement for periods commencing on or after 15 December 2021.**

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> <li>the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures</li> <li>the identification and extent of work effort needed for indirect and direct controls in the system of internal control</li> <li>the controls for which design and implementation needs to be assess and how that impacts sampling</li> <li>the considerations for using automated tools and techniques.</li> </ul>
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>increased emphasis on the exercise of professional judgement and professional scepticism</li> <li>an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence</li> <li>increased guidance on management and auditor bias</li> <li>additional focus on the authenticity of information used as audit evidence</li> <li>a focus on response to inquiries that appear implausible</li> </ul>
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> <li>Consideration is also being given to the potential impacts on confidentiality and independence.</li> </ul>
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>clarification of the requirements relating to understanding fraud risk factors</li> <li>additional communications with management or those charged with governance</li> </ul>
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.



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# H. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the group with an unmodified audit report.

TO BE ADDED

Page 93



# Interim Auditor's Annual Report on Exeter City Council

Page 95

2021/22 and 2022/23

February 2024

Final

# Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the City 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 City Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

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# Executive summary



## Value for money arrangements and key recommendations

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Council's arrangements for 2021/22 and 2022/23. As part of our 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.

The Council faces significant funding challenges in 2023/24 and beyond and has begun to take measures to address these through the identification of savings and development of the One Exeter Programme, however, one year funding settlements and uncertainty over funding streams remain. The Council has maintained a prudent level of reserves to mitigate the financial challenges in the short term.

The table overleaf illustrates that the number of significant weaknesses and key recommendations raised has increased since 2020/21. We have found that arrangements have not improved in relation to the Council's alternative delivery models and that the Council's performance management arrangements need to significantly improve. The Council also needs to progress recommendations more promptly to ensure previous recommendations are actioned on a timely basis.







Arrangements should be strengthened and the Council should action the following key recommendations:

- consider the alternative delivery models (subsidiaries) with which it is involved and assess if continuing with these arrangements is appropriate and provides the best value for money
- ensure corporate performance monitoring of its strategic priorities is undertaken and reported to the Executive or Full Council on a quarterly basis. Directorate and service performance monitoring should support and be linked to the Council's strategic priorities and a robust performance management framework should clearly set out the approach required.




# Executive summary



## Value for money arrangements and key recommendations

Criteria	Risk assessment	2021/22 Auditor Judgment	2022/23 Auditor Judgment	Direction of travel
Financial sustainability	One risk identified that the Council has unidentified savings and/or funding gaps in financial planning for 2021/22 and 2022/23.	 No significant weaknesses in arrangements identified, one improvement recommendation raised and improvement recommendations remain outstanding from 2020/21.	 No significant weaknesses in arrangements identified, one improvement recommendation raised and improvement recommendations remain outstanding from 2020/21.	↔
Governance	One risk of significant weakness was identified in relation to Exeter City Living, relates to both years.	 One significant weakness and one key recommendation raised and four improvement recommendations.	 One significant weaknesses in arrangements identified, one key recommendation made and five improvement recommendations raised.	↓
Improving economy, efficiency and effectiveness	No risks of significant weakness identified.	 No significant weaknesses in arrangements identified, but three improvement recommendation made.	 One significant weaknesses in arrangements identified, one key recommendation made and three improvement recommendations.	↓

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

# Executive summary



## Financial sustainability

In 2021/22 the Council did not need to deliver any savings to meet the budget gap, but has since seen an increase in the budget gap and the savings required from 2022/23 onwards, with savings to the value of £3.15m up to and including 2025/26, yet to be identified. The Council has begun to take measures to address the financial challenges through the identification of savings and development of the One Exeter Programme, however, the Council will need to continue to carefully manage its financial position. In addition, consultation on the budget and proposed savings has been very limited, this will increase in importance and relevance as more varied savings are required. The Council has maintained a prudent level of reserves to mitigate the financial challenges in the short term.

We have raised one new improvement recommendations and two remain outstanding from 2020/21.



## Governance

The significant weakness identified in 2020/21 remains in place, as the Council has not made sufficient improvements in 2021/22 and 2022/23 to address the governance arrangements for Exeter City Living, which has led to decision making resulting in significant loss or exposure to significant financial risk. In addition, we have broadened the scope of our review of governance arrangements to other connected entities and conclude that effective governance arrangements have not been in place for its other alternative delivery models; Exeter City Futures Community Interest Company, Exeter Business Centre Limited, Exeter Science Park Limited, Exeter Canal and Quay Trust Limited, Monkerton Heat Company Limited, Dextco Limited, which could also lead to decision making resulting in significant loss or exposure to significant financial risk.

Throughout 2022, the Chief Executive and Growth Director was seconded to Exeter City Futures Community Interest Company for two days a week and the Director for Transformation for three days per week. This arrangement was not formally monitored or reported to members and the Chief Executive and Growth Director has since left the Council. In March 2023, the Council appointed its new permanent Chief Executive however selection for this appointment was limited to internal candidates. Whilst our work appropriately makes no assessment of the final decisions reached by Council on this appointment, in our view, the restriction of this appointment to internal candidates for the Council's most senior chief officer and Head of Paid Service did not represent good practice, promote good public engagement or maximise its opportunity to attract attention of all possible candidates that were suitably qualified to apply for such a key officer role.

We have raised one new key recommendation and the key recommendation from 2020/21 remains outstanding. We have also raised five additional improvement recommendations and five remain outstanding from 2020/21.



## Improving economy, efficiency and effectiveness

The Council has an agreed corporate plan which was reviewed and updated in October 2022. However, throughout 2021/22 and 2022/23 the Council has not had an effective formal performance management framework in place and has not monitored or reported progress against its strategic objectives in a formal and consistent way. The Council has not had a corporate view of its performance and neither have scrutiny had an opportunity to challenge or review performance. This is a significant weakness in arrangements as the Council does not have effective performance management arrangements in place to enable members to assess current performance and take appropriate action or secure improvement in areas as required.

We have raised one key recommendation for 2021/22, three new improvement recommendations and five remain outstanding from 2020/21.



# Executive summary



## 2021/2

We have not yet completed the 2021/22 financial statement audits for Exeter City Council. Our work is substantially complete and interim Audit Findings Reports were issued and reported to the Council's Audit and Governance Committee on 27 September 2023 and 29 November 2023 reporting our progress and findings to date.

Once this audit is completed this Auditor's Annual Report will be updated for any significant findings and issued as a final version.

## 2022/3

We have not yet completed the 2022/23 financial statement audits for Exeter City Council.

Once this audit is completed this Auditor's Annual Report will be updated for any significant findings and issued as a final version.





# Key recommendations



## Recommendation 1

The Council should review the alternative delivery models with which it is involved and assess if continuing with these arrangements is appropriate and provides the best value for money. Where it is appropriate to continue, the Council should strengthen the governance arrangements as follows:

- determine who will act as the shareholder representative or Council lead
- agree the objectives or benefits expected through partnership working so that performance can be effectively monitored
- introduce periodic financial and performance monitoring reports which are reviewed by members within public meetings.

### Audit year

2021/22 or 2022/23

### Why/impact

Effective governance arrangements ensure that performance is monitored and reported so that action can be taken to improve performance as required.

### Auditor judgement

We have identified this as a significant weakness as the Council did not have effective governance arrangements in place to monitor and report performance to members on its alternative delivery models.

### Summary findings

During 2021/22 and 2022/23 the Council was involved in the following; Exeter City Living, Exeter City Futures Community Interest Company (ECF), Exeter Business Centre Limited, Exeter Science Park Limited, Exeter Canal and Quay Trust Limited, Monkerton Heat Company Limited, Dextco Limited and Strata Service Solutions Ltd.

We considered the governance arrangements in place for all of the ADMs listed above and found that, apart for Strata Services Solutions Limited, the following weaknesses in the governance arrangements:

- no consistent approach or policy in place setting out what governance arrangements should be adopted
- lack of clear objectives against which performance could be effectively monitored
- lack of reporting of progress/performance monitoring and member oversight
- lack of clarity over who is acting as the shareholder representative.

### Management Comments

Agreed. The Council has a number of interests, which will each be reviewed. The review of ECL has already concluded resulting in the scaling back of the Company. However, the governance of the smaller Company will be fully documented. ECF no longer operates and a review of the governance arrangements and performance of ESPL has just been completed. The Council will therefore review the need for and then the governance and reporting arrangements for ESPL, EBC and ECQT. The Council considers the existing arrangements for Strata to be adequate although the review will consider whether any further reporting to Council would be beneficial.

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

# Key recommendations



## Recommendation 2

The Council should ensure corporate performance monitoring of its strategic priorities is undertaken and reported to the Executive or Full Council on a quarterly basis. Directorate and service performance monitoring should support and be linked to the Council’s strategic priorities. A robust performance management framework should clearly set out the approach required.

### Audit year

2021/22 and 2022/23

### Why/impact

The performance monitoring would enable the Council to identify areas of strengths and weaknesses, track progress and make necessary adjustments to improve its overall performance.

### Auditor judgement

We have identified this as a significant weakness in arrangements as the Council did not have proper arrangements in place to monitor its strategic priorities as set out in its corporate plan.

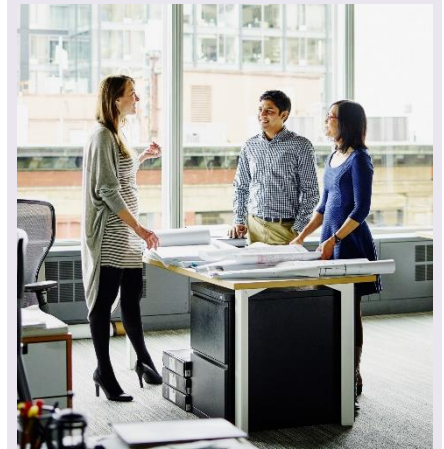
### Summary findings

Throughout 2020/21, 2021/22 and 2022/23 and up to the time of reporting the Council has not reported performance against its strategic priorities as set out in the corporate plan. The Council does not have a performance management framework and does not have a corporate view on its performance.

### Management Comments

Agreed. This is a key priority of the Chief Executive, and a named Director is leading this project.

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



# Use of auditor's powers

We did not need to apply the following powers in either 2021/22 or 2022/23:

## 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

## 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.

## 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.

## 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.

## 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 received two objections from local residents on the 2021/22 financial statements, this page and the report will be updated following conclusion of that work.

# Securing economy, efficiency and effectiveness in the City Council's 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).



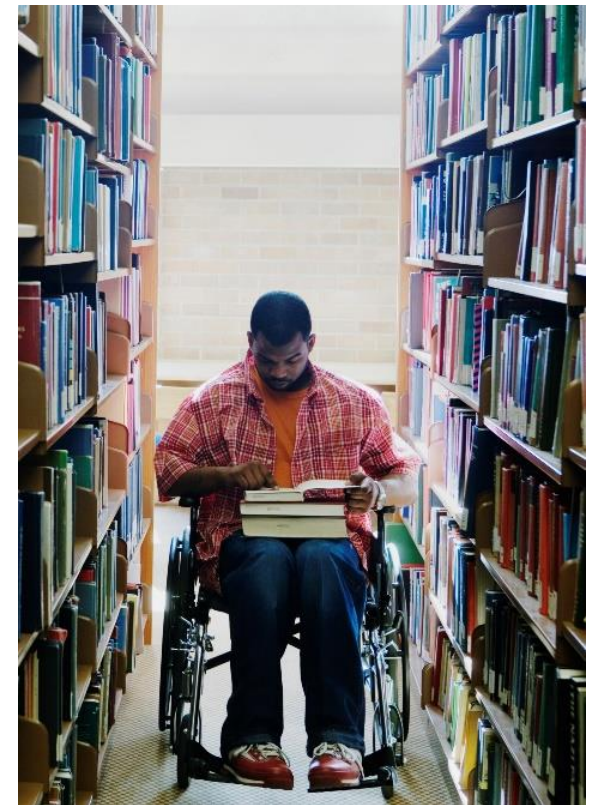
## Governance

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 City 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 the City Council's arrangements in each of these three areas, is set out on pages 11 to 30. Further detail on how we approached our work is included in Appendix B.

# Financial sustainability



## We considered how the City Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them 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 which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

## Outturn 2021/22

The 2021/22 general fund outturn position was a surplus of £5.4m against a budget of £21.5m. This position was achieved by additional funds of £6.3m from the earmarked reserves and £0.8m increase in the general fund working balances. The general fund balance increased to £5.48m. Service underspends during the year have been attributed to staff vacancies as a result of difficulties in recruitment and complexities in getting products and services delivered.

In 2021/22 the Council did not require savings to be made.

The Housing Revenue Account (HRA) ended the year with a deficit of £1.804m, a £5.622m positive variance against the planned deficit of £7.427m for the year. The key reason for this variance to budget was a delay in the capital programme, attributable to increasing costs and difficulty in securing contractors. The HRA working balance (reserve) had built up a considerable balance at the end of 2020/21 (£12.95m) and the Council planned to reduce the working balance through contributions to capital, but this had not been possible due to the delays in the capital programme. At the end of 2021/22 the HRA working capital balance was £11.15m, £7.15m above the agreed contingency balance of £4m.

The financial position above was report to members in July 2022.

## Capital 2021/22

The Council began the financial year with a general fund capital budget of £100.2m, some additions were made to the budget (total £1.1m) as grant funding was provided, but the most significant change was the reduction in quarter 3 (£29m) as projects were deferred until 2022/23. The capital budget at the year end was £72.3m.

Capital spend in 2021/22 was £17.04m, 23.6% of the revised budget and only 17% of original approved capital programme. The Council has agreed to carry forward £55.39m to future years. During 2021/22 the capital programme slipped due to costs and availability of contractors. The Council has looked to address this, see the 2022/23 capitals section below.

The HRA capital programme for 2021/22 was £23.78m and the Council spent in year £19.33m, 81% of the budget. £4.45m will be carried forward to future years.

## Outturn 2022/23

The 2022/23 general fund outturn fund outturn position was a surplus of £4.7m against a budget of £20.87m. This was achieved by additional funds of £1.5m from the earmarked reserves and £0.63m increase in general fund reserves. Savings of £1.13m were delivered in year.

The HRA ended the year with a deficit of £3.9m, £0.7m below the planned deficit £4.6m. The Council has continued to try and reduce the HRA working balance to fund capital spend. At the end of 2022/23 the working capital balance had reduced from £11.15m to £7.2m, £3.2m above the £4m agreed contingency.

## Capital 2022/23

The capital programme at the start of the year was £131m and included £84m carried forward from 2021/22. The capital programme was revised during the year to £63.9m. The Council spent £59.6m which included £44m on the Guildhall Shopping Centre, only 45% of original programme. As part of the 2023/24 the Council has reviewed and prioritised its capital programme to ensure it is affordable going forward. The Council has agreed to carry forward £24.5m to future years and the 2023/24 revised capital budget is £62.5m.

# Financial sustainability

The HRA capital programme for 2021/22 was £15.83m and the Council spent in year £13.6m, 86% of the budget. £2.3m will be carried forward to future years.

## Medium Term Financial Planning

The Council's Medium Term Financial Plan is reviewed and updated annually and for both 2021/22 and 2022/23 was approved in February as part of the budget setting process. Prior to this, the MTFP was reviewed by the Executive in the January of each year along with the budget strategy.

We consider that the MTFP is based upon realistic and appropriate assumptions based on the information available to the Council at the time. We have considered the 2022/23 MTFP compared to the MTFP agreed in 2023 and have not identify any significant issues which undermine the assumptions.

In February 2021 the Council identified a budget funding gap of £6m, this increased to £6.35m in 2022 and reduced to £3.15m (from 2024/25 to 2026/27) as a significant amount of savings were identified and agreed for the 2023/24 financial year. This is illustrated in the table below:

### Savings requirement as per the February 2023 MTFP

Year	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Savings and additional income identified	5.508	0.743	1.007	0.387	<b>7.645</b>
Funding gap	0	0.75	1.2	1.2	<b>3.15</b>
Total	5.508	1.493	2.207	1.587	<b>10.795</b>

The Council has a programme in place to identify savings, the One Exeter organisational change programme. This programme was agreed in February 2022 and includes a range of workstreams that will create efficiencies and savings through new ways of working.

The Council requires significant savings in 2023/24 and carried out a number of actions to identify these savings as part of the One Exeter Programme, which included:

- a detailed review of discretionary services
- service reviews to reduce costs
- additional proposals from the Strategic Management Board (SMB).

These actions were able to identify £3.945m in savings. The remainder of the savings/additional income identified in the table opposite include £1.56m of additional rental income from the Guildhall Shopping Centre. The Guildhall Shopping Centre was acquired by the Council in 2022/23.

In 2021/22, the Council did not need to deliver any savings and as such no monitoring was required. In 2022/23, the Council had a savings target of £1.288m and delivered £1.126m (87%). The Council began reporting savings delivery (One Exeter programme budget reductions) to members from the first quarter of 2022/23 and provided the information as an appendix to the quarterly budget monitoring reports. These arrangements address the recommendation raised in 2020/21 and more detail can be found on page 32.

In 2020/21, we raised an improvement recommendation that:- *The Council should ensure that it consults with residents and businesses as part of the budget process.* In 2022/23 no consultation was undertaken and in 2022/23 consultation was limited to the Exeter Chamber and the InExeter Business Improvement District Board. This recommendation remains outstanding and further detail can be found on page 32.

We have considered whether the MTFP was linked to the Council's workforce planning. However, the Council did not have workforce plans in place during 2021/22 or 2022/23. We have raised an improvement recommendation on page 14.



# Financial sustainability

## Reserves and risk mitigation

The purpose of the unearmarked general fund (GF) reserve is to meet costs arising from any unplanned or emergency events such as unforeseen financial liabilities or natural disasters. These reserves also act as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to ‘smooth’ expenditure on a one-off basis across years. Whereas earmarked reserves are set aside for specific purposes.

The Council agreed a prudent level of unearmarked GF reserves at a minimum level of £3m in both its 2022/23 and 2023/24 budget. As at 31 March 2022, the Council held £5.5m and £6.1m at 31 March 2023.

The chart illustrates that the Council has seen a general increase in its GF reserves over the past five/six years, with a slight decrease in 2022/23.

We raised an improvement recommendation in 2020/21 that the Council should consider a risk based calculation for the minimum level of GF reserves. 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. **This improvement recommendation remains outstanding.**

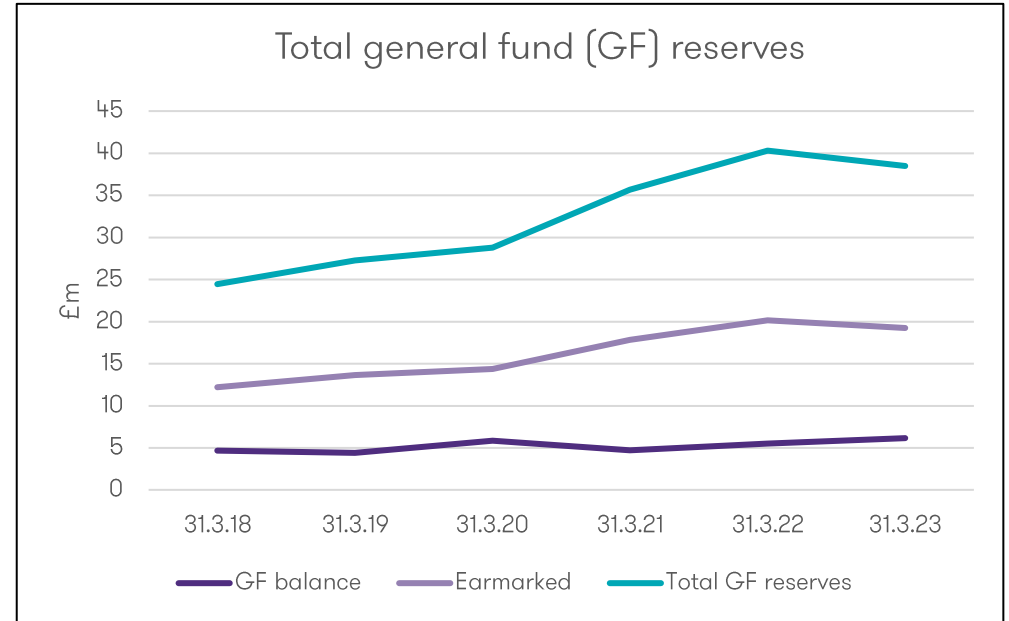
We have also considered in 2022/23 the total GF reserves as a percentage of net revenue expenditure, equal to 39%. In comparison to over 100 district councils this was below the average and the Council was below the midpoint, however **we consider that the Council holds a prudent level of reserves and that these reserves could enable the Council to mitigate its current financial risks.**

## Capital strategy and treasury management

The Council approved its Capital Programme, Capital Strategy, Treasury Management Strategy and Prudential Code indicators in February 2022 and February 2023 as part of the budget setting processes for each financial year. These documents set out the Council’s capital expenditure, capital financing and borrowing projections.

In both 2021/22 and 2022/23 the Section 151 officer confirmed that the Council had remained within its prudential indicators.

The table opposite identifies the capital spend in 2021/22 and 2022/23 and budgeted spend for 2023/24. The capital strategy and its affordability remain a risk for the Council and as such has reduced its capital programme for 2024/5 onwards, as set out in its prudential indicators report.



Capital borrowing	2021/22 £m	2022/23 £m	2023/24* £m
Revised capital programme	72.3	63.9	37.5
Year end spend	17.04	59.6	
Spend funded from borrowing	11.8 69%	58.3 98%	27.8 74%

\* 2023/24 figures are based on 2023/24 budget whereas the previous two years are outturn figures

# Improvement recommendations



## Financial sustainability

### Recommendation 1

The Council should develop a workforce strategy and ensure it is linked to the Council's medium term financial strategy (MTFS)

### Audit year

2021/22 and 2022/23

### Why/impact

Changes in the workforce can impact on the financial position of the Council, both releasing funds and requiring additional funds, so both plans and strategies should not be developed in isolation

### Auditor judgement

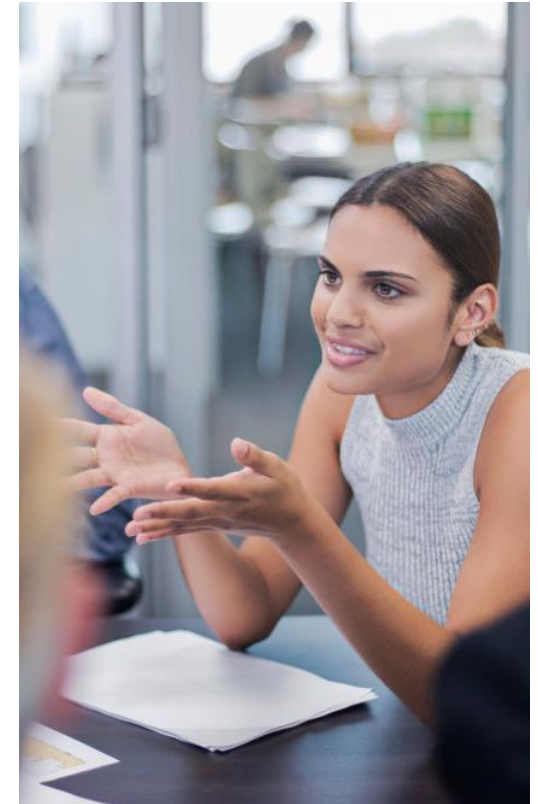
We were unable to assess if the MTFS took into account any changes in workforce as the Council did not have a workforce strategy in place in 2021/22 and 2022/23.

### Summary findings

As above.  
See page 12 for further detail.

### Management Comments

Agreed. The Council will introduce a Workforce Strategy. It is one of the planned improvements under One Exeter.



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



# Governance



## We considered how the City Council:

- 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 effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

## Budget setting and monitoring

### Revenue

The setting of revenue and capital budgets followed a similar process in 2022/23 and 2023/24. Although due to the savings required in 2023/24 some additional discussions were required with both officers and members.

The process in each year began with discussions with the Senior Management Board, following the identification of the best, medium and worst-case scenarios that had been developed by the finance team. This exercise for 2023/24 established unidentified savings ranging from £1m to £2.3m. This requirement increased as the interim financial settlement was announced, and other assumptions were determined to £3.945m as previously mentioned on page 12.

Due to the amount of savings required meetings were held with the member portfolio leads, the Labour group of members and the Leader of the Council. For each year the overall budget was then presented and discussed to a formal meeting of Scrutiny, the Executive, informally with all members before final agreement by Full Council.

Budget monitoring was carried out by the Finance Team and budget reports are provided to budget holders on a quarterly basis.

For both years, the Executive received quarterly budget monitoring reports.

### HRA

The HRA budgets followed the same process as set out above and were agreed alongside the revenue budgets.

### Capital

The capital budgets were also agreed alongside the revenue budgets.

Capital financing requirements were included within the budget for 2022/23 and 2023/24, including projections for the next four years.

**Overall, we identified no significant weaknesses in the Council's approach to budget setting and monitoring.**

### Managing risk

The Audit and Governance Committee had responsibility for reviewing the Corporate Risk Register (CRR) throughout 2021/22 and 2022/23 and reviewed it on a quarterly basis. The Strategic Management Board also had responsibility for reviewing the risks being posed to the Council and ensuring that significant risks were recorded on the Corporate Risk Register (CRR) along with mitigating actions. Service leads monitored risks at an operational level and were required to provide feedback any issues to their directors.

The Council's risk management policy, dated February 2015, sets out the approach, responsibilities, and procedures for managing risk. In 2020/21 we recommended that the Council should formally review the risk management policy to ensure that it accurately reflects the Council's appetite for risk and responsibilities for recording, reporting and managing risk. This recommendation remains outstanding and further detail can be found on page 32.

In addition, in 2020/21, we made an improvement recommendation for the Council to align its risks with its corporate objectives. This recommendation has now been addressed.

# Governance

## Managing risk (continued)

In 2023/24 the Council commissioned a review of its risk management arrangements, we understand that the Council will review and make changes based on these findings.

**Based on our review of the 2021/22 and 2022/23 work, we have not found any significant weakness in the Council's systems for managing and reporting risk.**

## Internal control

Throughout 2021/22 and 2022/23, the Council had an effective internal audit service in place that adhered to the guidelines of the Public Sector Internal Audit Standards (PSIA). The last PSIA review was conducted in January 2020 which confirmed that the internal audit is functioning satisfactorily. The next review is scheduled for January 2025.

The Audit and Governance Committee approved the Council's internal audit plans in March 2021 and 2022 for each respective year. For 2021/22 and 2022/23 internal audit completed 98% of its planned work, 3% above its planned target of 95% and for both years quarterly updates on the progress made against the internal audit plan were reported to the Audit and Governance Committee.

These quarterly reports also included commentary on high risk recommendations and issues raised in previous Internal Audit reports. However, we have established that the Council does not have a process to ensure that recommendations raised by external audit are regularly reported to the Audit and Governance Committee. In 2020/21 within our Auditor's Annual Report we raised one key recommendation and 21 improvement recommendation. The key recommendation remains outstanding and 11 improvement recommendation also require addressing. Based on these findings we consider that **the Council should strength the monitoring arrangements to ensure recommendations raised by Internal Audit and external audit are followed up and completed in a timely manner.**

For 2021/22 and 2022/23, the Internal Audit Manager provided an overall positive opinion for the year, stating that *"the key systems are operating satisfactorily and that there are no fundamental breakdowns of control resulting in material discrepancy"*.

**We have not found any areas of significant weakness in the management and reporting of internal control in 2021/22 or 2022/23.**

## Monitoring standards

The Council has an up-to-date counter fraud policy and whistleblowing policy. The Code of Conduct which is within the Constitution was reviewed and updated annually, whereas the Counter Fraud and the Whistleblowing Policies were updated in November 2022 and July 2022 respectively. The policies are reviewed and agreed by the Audit and Governance Committee every two years.

We note that throughout 2021/22 and 2022/23 that no issues were raised using the whistleblowing policy, it is however difficult to determine whether this indicates that no issues required raising or whether staff are not sufficiently aware of the policy or feel comfortable to speak up. **The Council should consider if staff are aware of the whistleblowing policy and if it would be beneficial to raise awareness of the policy.**

The Council's Constitution included codes of conduct for both members and officers, which were last updated in April 2023. These codes outlined the expected standards of behaviour for all council employees and elected members.

The Council published Members' registers on its website, and these registers were updated during the year. Registers have also been maintained for employees, these include gifts and hospitality and declaration of interests.

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

# Governance

## Exeter City Living (ECL)

ECL is the Council's housing development company and is a subsidiary of Exeter City Group. The aim of the company was to provide additional housing and to generate income for the Council. As at 31 March 2023, the company had been operating for four years. The Council is the sole shareholder and all reserved matters (decisions relating to a pre-determined list of matters that cannot be made by the Company Board) should be taken by the Full Council.

In 2020/21 we raised a key recommendation relating to the ECL:- *The Council should review the governance arrangements for Exeter City Living to ensure that financial performance is reported and closely monitored by the Council and that the conflict of interest between statutory officers who are also Board members is addressed.* In addition, we raised specific requirements, as set out in the table opposite. These requirements were not addressed in full.

Loans to the value of £10.066m are also held by ECF and require repayment to the Council. We understand that this is being addressed in 2023/24.

Whilst we note that a decision was made in October 2023 to significantly reduce the operations of ECL, so that it will no longer operate as a housing development company, this does not impact on 2021/22 and 2022/23 when stronger governance arrangements were required. Therefore, we have concluded that the governance arrangements in relation to ECF remained a significant weakness in 2021/22 and 2022/23.

The decision to scale down the operations of ECF was taken in 2023/24 and included; housing development to move back to the Council and ECL operations to be limited to management and maintenance of the six flats which are part of the Guildhall Shopping Complex. A third party review was undertaken and legal and financial advice sought to support this decision.

Specific requirements:	Action taken during 2021/22 and 2022/23
Approval of an annual business plan	The 2022/23 business plan was approved in February 2022 by Full Council, this included the commitment to funding projects as set out in the business plan. ECL did not produce a 2021/22 business plan.
Quarterly financial and performance reports that identify progress against the business plan	During 2021/22 and 2022/23 only one financial and performance report was presented to the Executive in September 2022. This was for the first six months of 2022/23. It provided financial information (budgeted loss expected). Information was provided on what had been achieved in the first six and next step for the following six month, but the report could have been clearer as to whether ECL was on track with regards to the business plan.
Consideration be given to publishing company business cases and reports on public agendas, with only commercially sensitive information treated as exempt from the public	Business cases were prepared by ECL and approved by the ECL board, they did not require approval by the Council and were for those projects approved by the Council within the business plan. For this reason the business cases were not available on public Council committee agendas.
Address 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	The S151 Officer and the Monitoring Officer resigned from the ECL Board in November 2022 and in February 2023 whilst two new Non-Executive Directors are appointed the Development Director and the Finance Manager were appointed to the ECL Board.

# Governance

## Governance arrangements for the Council's subsidiaries/alternative delivery models (ADMs)

In addition to Exeter City Living, during 2021/22 and 2022/23, the Council was involved in the following; Exeter City Futures Community Interest Company (ECF), Exeter Business Centre Limited, Exeter Science Park Limited, Exeter Canal and Quay Trust Limited, Monkerton Heat Company Limited, Dextco Limited and Strata Service Solutions Ltd.

### Exeter City Futures (ECF) Community Interest Company

Exeter City Futures, a Community Interest Company limited by guarantee, was established in 2015 with a view to working with partners to deliver net zero across the city. ECF provided the mechanism for partners to come together; Exeter City Council, University of Exeter, Exeter College and Royal Devon University Healthcare NHS Foundation Trust to delivery net zero by 2030.

The Council and partners had limited resources available to deliver this priority, so the Council agreed in December 2021 to second the Chief Executive and Growth Director for two days a week to ECF and the Director for Transformation to support for three days per week. Both roles began on the 2 January 2022. The aim was to review these arrangements in 12 months' time.

The Council did not receive any financial contribution from the Company for these secondments and the intention was that these secondments would act as a catalyst to progress the net zero objectives. A secondment agreement was not put in place and the Council did not define or consider how the secondments would be assessed and monitored during the year. In June 2022 a report was presented to the Strategic Scrutiny Committee which set out what was being undertaken to progress net zero. However, this report did not consider the secondments or the performance of ECF.

The secondments ended in December 2022 at the same time that a decision was reached to terminate the Chief Executive and Growth Director's employment with the Council. The Council did not review the arrangements relating to the secondment or ECF. In the summer of 2023 the ECF Board made the decision to wind-up ECF and voluntary liquidation began in August 2023. There is no public record of this decision.

Whilst we recognise that the Council is free to make a decision to second staff to other organisations, if it has followed an appropriate decision process, the Council should ensure that clear objectives are set, and that the arrangement is actively monitored to ensure efficient and effective use of resources.

We have raised an improvement recommendation on page 22: - **When the Council second employees to other organisations the Council should ensure that clear objectives are set and that arrangements are introduced to monitor and ensure efficient and effective use of resources.**

**Arrangements should also include a process to make changes or exit the secondment if the objectives are not being met.**

In addition to ECL and ECF, we considered the governance arrangements in place for all of the ADMs previously listed and found that, apart for Strata Services Solutions Limited, the following weaknesses in the governance arrangements were identified:

- no consistent approach or policy in place setting out what governance arrangements should be adopted
- lack of clear objectives against which performance could be effectively monitored
- lack of reporting of progress/performance monitoring and member oversight
- lack of clarity over who is acting as the shareholder representative.

Based on the work we have undertaken in 2021/22 and 2022/23 we have concluded that the significant weakness identified in 2020/21 has not been resolved and that the weakness is applicable to the majority of the Council's ADMs.

**The Council did not have effective and proper governance arrangements in place to be fully sighted on performance (financial and other) of its ADMs to be able to hold them to account. The arrangements in place were inconsistent, were not open and transparent and did not enable suitable challenge and scrutiny.**

# Governance

## Exeter City Futures Community Interest Company (continued)

We have raised the following key recommendation on page 7.

The Council should review the alternative delivery models with which it is involved and assess if continuing with these arrangements is appropriate and provides the best value for money. Where it is appropriate to continue the Council should strengthen the governance arrangements as follows:

- determine who will act as the shareholder representative or Council lead
- agree the objectives or benefits expected through partnership working so that performance can be effectively monitored
- introduce periodic financial and performance monitoring reports which are reviewed by members within public meetings.

## Exeter Development Fund

Whilst in operation ECF has worked in partnership with Global City Futures (consultancy firm) to develop the business case for Exeter Development Fund, also known as the 'Exeter City Fund'. This partnership has been successful in securing £850,000 in additional funds as follows:

- £380,000 in March 2021
- £470,000 in February 2022.

A small proportion of these funds £49,500, was passed to ECF and was spent to develop the Exeter Development Fund business case. The remaining funds are held by the Council within its earmarked reserves. With the wind up of ECF the responsibility and continued progression of the Exeter Development Fund has reverted to the Council.

Throughout 2021/22 and 2022/23 progress and reporting on the Exeter Development Fund was limited to the Executive in January 2022. Where the Executive were provided with the strategic business case for the Exeter Development Fund. The Combined Strategic Scrutiny and Customer Focus Scrutiny Committee were sighted on sections of the business case in April 2022, June 2022 and July 2022. There has been no public member reporting since.

In order to display the principles of good governance; openness and transparency the Council needs to ensure that members have oversight and a clear understanding of the funds received and how the Exeter Development Fund is progressing. We have raised the following improvement recommendation on page 23:- **The Council should agree which member committee should have oversight and be responsible for decision making to ensure openness and transparency.**

## Appointment of the Chief Executive/Head of Paid Services

In December 2022, the former Chief Executive left the Council following a management re-structure exercise. The Deputy Chief Executive post was to be removed from the senior management structure with effect from the 1 April 2023. Whilst a new Chief Executive was recruited, the Council's existing Deputy Chief Executive held the position of Interim Chief Executive.

A job specification and advert was developed for the post which was advertised internally. No external recruitment was undertaken. In March 2023, the Council agreed the appointment of a new permanent Chief Executive. The selection process included a Selection Committee and agreement by the Executive prior to the decision being made by the Council.

The selection process followed the procedures required as set out in the Council's Constitution. Whilst our work appropriately makes no assessment of the final decisions reached by Council on this appointment, in our view, the restriction of this appointment to internal candidates is uncommon in these circumstances and does not promote good, transparent governance arrangements. Open, external recruitment for its most senior chief officer and Head of Paid Service as a large public sector organisation represents good practice, promotes good public engagement and maximises the Council's opportunity to attract attention of all possible candidates that were suitably qualified to apply for such a key officer role.

We have raised an improvement recommendation:- **The Council should ensure that all chief officer posts are open to external candidates and advertised accordingly.**

Further details are set out on page 24.



# Improvement recommendations



## Governance

### Recommendation 2

The Council should consider if staff are aware of the whistleblowing policy and if it would be beneficial to raise awareness of the policy.

### Audit year

2021/22 and 2022/23

### Why/impact

Raising awareness of the whistleblowing policy should increase the likelihood of staff using the policy.

### Auditor judgement

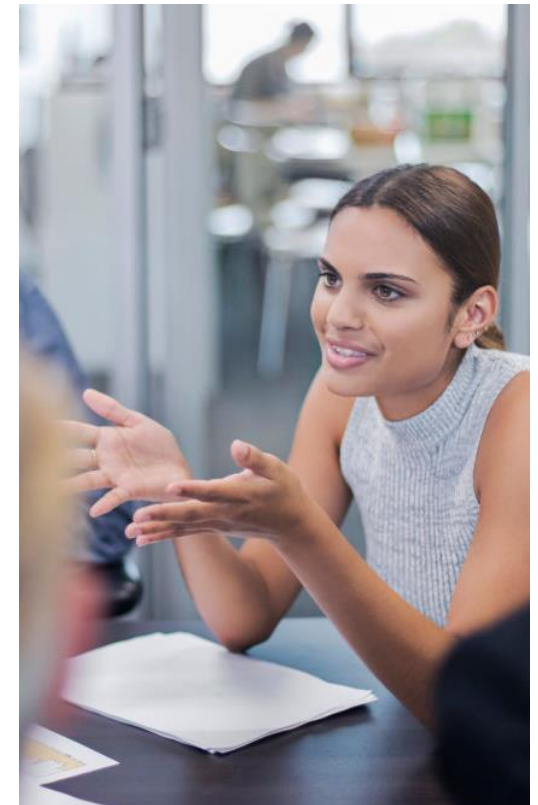
We have not identified any significant weakness in arrangements, but we have raised a recommendation to support management in making appropriate improvements.

### Summary findings

No issues or concerns have been raised through the whistleblowing policy in 2021/22 and 2022/23.

### Management Comments

Noted. The Council has an annual reminder process in place which makes all staff aware of the policy and provides a line. This was last provided on 10 July 2023. However the Council has just started to use metacompliance to monitor staff awareness of policies and when the whistleblowing Policy is next reviewed, it will be added to metacompliance and reading the Policy will be mandatory.



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

# Improvement recommendations



## Governance

### Recommendation 3

The Council should strengthen the monitoring arrangements to ensure recommendations raised by external audit are followed up and completed in a timely manner.

### Audit year

2021/22 and 2022/23

### Why/impact

Introducing monitoring arrangements should improve the rate at which recommendations are addressed improves and ensures members are abreast of recommendations which are outstanding.

### Auditor judgement

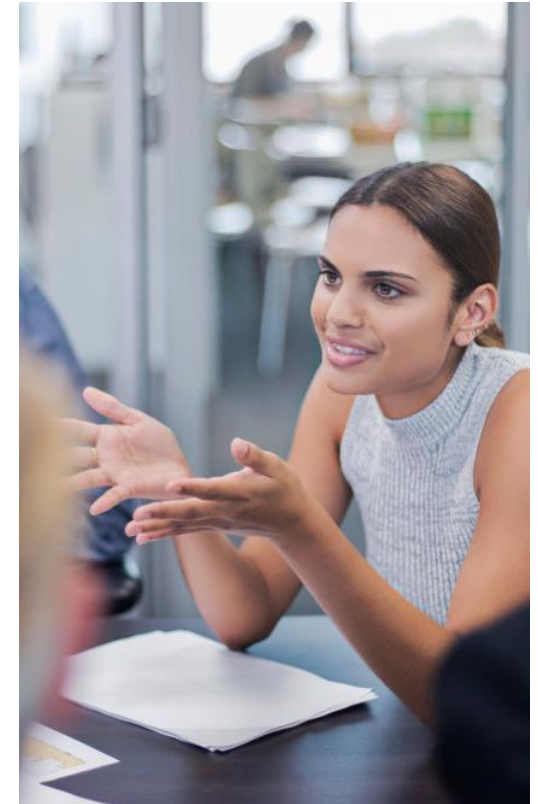
We have not identified any significant weakness in arrangements, but we have raised a recommendation to support management in making appropriate improvements.

### Summary findings

The Internal Audit quarterly reports presented to the Audit and Governance Committee included commentary on high risk recommendations and issues raised in previous Internal Audit reports.  
The Council does not have a process to ensure that recommendations raised by external audit are regularly reported to the Audit and Governance Committee. In 2020/21 within our Auditor's Annual Report we raised one key recommendation and 21 improvement recommendation. The key recommendation remains outstanding and ten improvement recommendation also require addressing.

### Management Comments

Agreed – We will add a quarterly update to SMB meetings to monitor progress.



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

# Improvement recommendations



## Governance

### Recommendation 4

When the Council secondments employees to other organisations the Council should ensure that clear objectives are set and that arrangements are introduced to monitor and ensure efficient and effective use of resources. Arrangements should also include a process to make changes or exit the secondment if the objectives are not being met.

#### Audit year

2021/22 and 2022/23

#### Why/impact

These changes would ensure that the Council is clear on the purpose and objectives of the secondment and if the secondment is delivering its objectives as planned.

#### Auditor judgement

We have not identified any significant weakness in arrangements, but we have raised a recommendation to support management in making appropriate improvements.

#### Summary findings

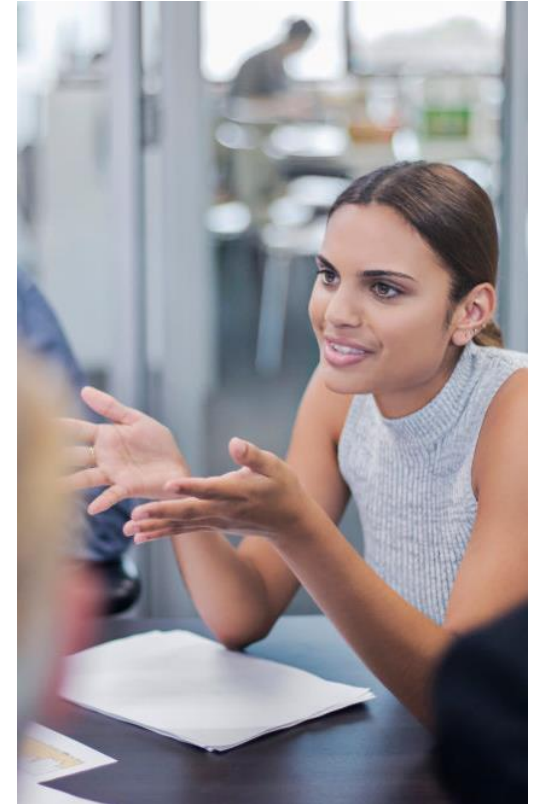
The Council agreed in December 2021 to second the Chief Executive and Growth Director and the Director for Transformation to Exeter City Futures.

A secondment agreement was not put in place and the Council did not define or consider how the secondments would be assessed and monitored during the year. In June 2022 a report was presented to the Strategic Scrutiny Committee which set out what was being undertaken to progress net zero. However, this report did not consider the secondments or the performance of ECF.

The secondments ended in December 2022 at the same time that a decision was reached to terminate the Chief Executive and Growth Director's employment with the Council. The Council did not review the arrangements relating to the secondment or ECF.

#### Management Comments

Agreed – we will implement this for all future secondments.



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



# Improvement recommendations



## Governance

### Recommendation 5

Exeter Development Fund - the Council should agree which member committee should have oversight and be responsible for decision making to ensure openness and transparency.

### Audit year

2021/22 and 2022/23

### Why/impact

Ensuring that decisions and monitoring of the Exeter Development Fund take place in a public member committee will demonstrate openness and transparency within the Council's governance arrangements.

### Auditor judgement

We have not identified any significant weakness in arrangements, but we have raised a recommendation to support management in making appropriate improvements.

### Summary findings

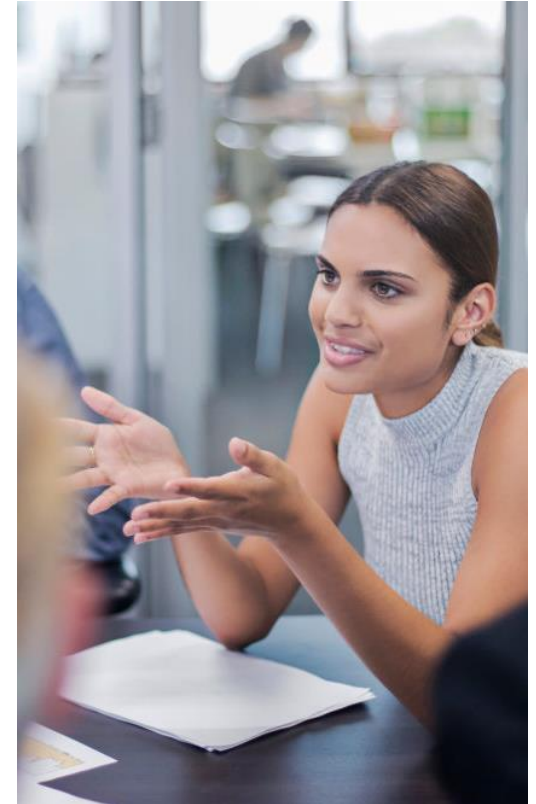
Exeter City Futures (ECF) in partnership with Global City Futures (consultancy firm) have developed a business case for Exeter Development Fund. £850,000 in additional funds has been secured.

A small proportion of these funds £49,500, was passed to ECF to develop the Exeter Development Fund business case. The remaining funds are held by the Council within its earmarked reserves. With the wind up of ECF the responsibility and continued progression of the Exeter Development Fund has reverted to the Council.

Throughout 2021/22 and 2022/23 progress and reporting on the Exeter Development Fund was limited to the Executive in January 2022. Where the Executive were provided with the strategic business case for the Exeter Development Fund. The Combined Strategic Scrutiny and Customer Focus Scrutiny Committee were sighted on sections of the business case in April 2022, June 2022 and July 2022. There has been no public member reporting since.

### Management Comments

Agreed - although it is clear that the Executive will be the decision making body, the Council will confirm scrutiny procedures. It is intended to report on the work when the current piece of work has been completed.



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

# Improvement recommendations



## Governance

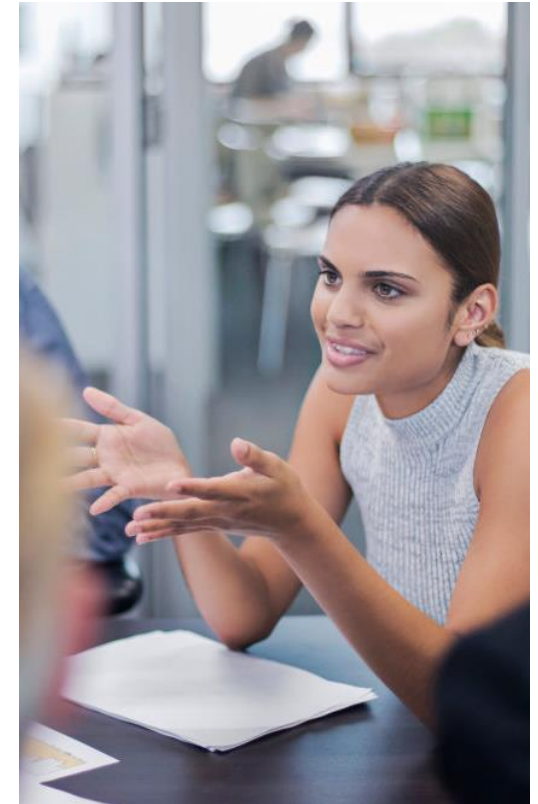
**Recommendation 6** The Council should ensure that all chief officer posts are open to external candidates and advertised accordingly.

**Audit year** 2022/23

**Why/impact** Advertising Chief Officer posts externally promotes good governance and public engagement and maximises the Council's opportunity to attract attention of all possible candidates that are suitably qualified to apply.

**Auditor judgement** We have not identified any significant weakness in arrangements, but we have raised a recommendation to support management in making appropriate improvements.

**Summary findings** In March 2023 the Council agreed the appointment of a new permanent Chief Executive. The selection process followed the procedures required as set out in the Council's Constitution. Whilst our work appropriately makes no assessment of the final decisions reached by Council on this appointment, in our view, the restriction of this appointment to internal candidates is uncommon in these circumstances and does not promote transparent governance arrangements. Open, external recruitment for its most senior chief officer and Head of Paid Service as a large public sector organisation represents good practice, promotes good public engagement and maximises the Council's opportunity to attract attention of all possible candidates that were suitably qualified to apply for such a key officer role.



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

# Improvement recommendations



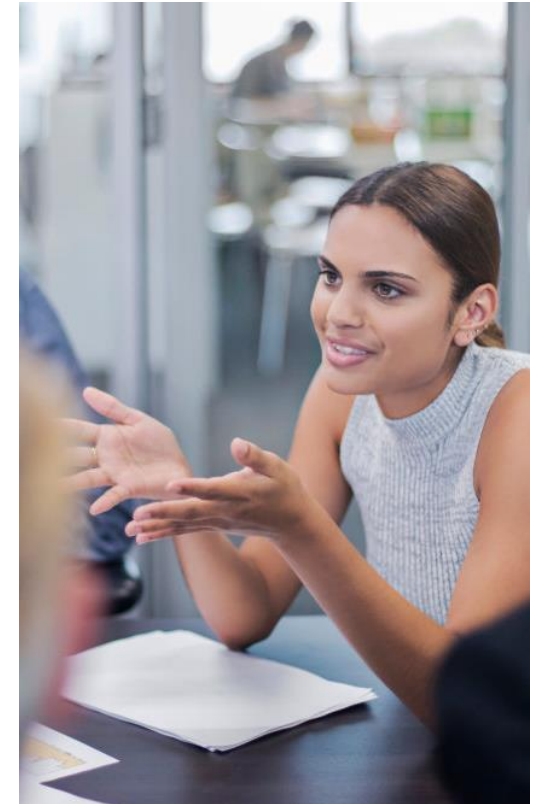
## Governance

### Recommendation 6 (continued)

The Council should ensure that all chief officer posts are open to external candidates and advertised accordingly.

### Management Comments

Not agreed. The Council had a very clear strategic direction that it wished to pursue in order to address a number of concerns raised regarding governance at the Council and other priorities set out in the Council's One Exeter programme. It was also stage 1 of a management restructure and was dependent on the reduction of one senior post and the resulting saving. The Council had tested the vision of the successful candidate on an interim basis prior to a competitive, internal process. Given that the Council had a very clear vision of the strategy it needed to pursue, if the Council had followed Grant Thornton's recommendation, it would have risked wasting thousands of pounds of taxpayers money on an external recruitment process and potential redundancy payment (up to £450,000). The process for appointing every post at the Council is considered on its own merits and an appropriate process put in place. In a period where Councils are struggling to find suitable candidates across a whole range of services, succession planning is critical to ensuring continuity of service delivery. Grant Thornton are reminded that the process for recruitment was supported by the LGA, had a panel including opposition members and the police and crime commissioner, and the appointment was unanimously approved by Full Council and no issues were raised by either the LGA or Council. The process is not illegal, nor outside of the Council's constitutional process. It is the Council's view that following the recommendation, on this occasion, would have had the opposite effect in respect of value for money. The Council has not been provided with any evidence to support the statement that this is uncommon.



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

# Improving economy, efficiency and effectiveness



## We considered how the City Council:

- 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 and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

## Managing performance

The Council has set out its intentions to implement a performance management framework to monitor the achievement of its strategic objectives as set out in the corporate plan since 2020/21. The Council has recognised this requirement within its Annual Governance Statement in 2021/22 and 2022/23. However, as of December 2023 the Council does not yet have a performance management framework in place.

As a result, the Council does not have a formal process to monitor progress against its strategic priorities as set out in its corporate plan to the Executive or Full Council.

The corporate plan in place during 2021/22 was agreed in October 2020. In October 2022 a revised corporate plan was introduced. The revised corporate plan set out that progress should be reviewed annually, this review has not taken place. Throughout 2020/21, 2021/22, 2022/23 the Council has not monitored or reported performance against its strategic priorities and has yet to do so in 2023/24. As a result, the Council does not have a corporate view on its performance and neither have scrutiny had an opportunity to challenge or review performance.

Whilst a limited number of individual performance reports have been reviewed by members, for example progress on delivering net zero - other service performance reporting has not been undertaken and consistently reported.

We are aware that the Council has been developing and issuing internal performance reports using Power BI. These reports have been developed within each service area, however are not consistent and do not enable the Council to track its strategic priorities.

Our review of the Council's arrangements for managing performance has identified a significant weakness in arrangements, a failure to have effective performance management arrangements in place to enable members to assess current performance and take appropriate action or secure improvement in areas as required. We have raised a key recommendation on page 8 - **The Council should ensure corporate performance monitoring of its strategic priorities is undertaken and reported to the Executive or Full Council on a quarterly basis. Directorate and service performance monitoring should support and be linked to the Council's strategic priorities. A robust performance management framework should clearly set out the approach required.**

## 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 are aware that the Council has undertaken benchmarking as part of the Local Government Association (LGA) Social Housing Management Peer Challenge. As a result of this review the Council made improvements to the service provided, planned for a new consumer regulation regime for ensuring accountability to residents and addressed shared best practice approaches.

# Improving economy, efficiency and effectiveness

## Benchmarking continued

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; housing services and cultural and related services.

These high-cost areas were discussed with the S151 officer who confirmed that the Council is aware of why costs are high in comparison to others in relation to cultural services, as this includes museum services and leisure services. Whereas the reason for housing services (non-HRA) including homeless services was unknown.

Whilst benchmarking can only 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 and should investigate further those areas which have been identified as high cost. We have not raised an improvement recommendation as this was raised in 2020/21 and details can be found on page 37.

## Procurement and contract management

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.

There has been no quarterly review of the progress made against the Procurement Strategy by the Devon District Procurement Group in 2021/22 or 2022/23. Progress is reviewed when the Strategy is updated, with the last review carried out relating to the 2015-18 Strategy in December 2019. This was raised as a recommendation in 2020/21 and remains outstanding.

The Council had a procurement and contract procedures policy in place throughout 2021/22 and 2022/23 which was reviewed on 4 November 2021 and 19 January 2023. The policy outlines the purpose of the procedures, which includes accountability in how procurement and contract management is undertaken, seeking value for money through competition, and acting in a joined-up manner consistent with considering category spend requirements across the whole Council and not in isolation.

We found no evidence of the Council failing to operate a fair procurement exercise and found no evidence of repeated commissioning from review of the contracts register. The head of procurement confirmed that procurement professionals help in the tender process, which is always signed off before procurement happens. This ensures that all procurement exercises are conducted fairly and in compliance with the Council's procurement procedures and regulations.

The Council had an agreed waiver process in place throughout 2021/22 and 2022/23. In 2021/22, 38 waivers to the value of £4.962m were reported and 29 for £3.18m in 2022/23. From our review of these waivers, we noted that although these waivers were reported to the Senior Management Board, Portfolio Holders, Section 151, and Monitoring Officer on a quarterly basis, they were not reported to members. In order to improve openness and transparency **the Council should consider reporting the numbers and reason for waivers to members in a public meeting such as Audit and Governance Committee.**

Through discussions with officers we have established that the Council does not have a corporate approach to contract management and that effective contract management is not embedded across the Council. Contract management is a recognised weakness and in June 2023 the SMB approved a proposal to engage relevant officers in the Cabinet Office Contract Management training. Introducing contract management training was an improvement recommendation raised in 2020/21 which remains outstanding.

Within the procurement team a forward plan which acts as an operational pipeline is maintained, but this is not available corporately or across the service areas. We recommend that the Council should maintain a contracts pipeline that would identify contracts as they come up for renewal and is reliant on reviewing the contract register and checking in with procurement leads to find out what they have coming up in the next three months.

Our work has not identified any areas of significant weakness regarding how the Council manages its procurement, we have raised three improvement recommendations.



# Improving economy, efficiency and effectiveness

## Partnerships

In 2021/22 and 2022/23, the Council maintained a partnership register to ensure that partnerships meet its agreed partnership protocol. The register was reviewed and updated annually and published on the intranet, and it was also reviewed by SMB. The Council uses partnership guidance to categorise its partnerships, but these partnerships are not linked to the corporate plan objectives.

The Council has reported progress on specific partnerships to members and Wellbeing Exeter, a key partnership is an example of this. In July 2021 a report to Council described the proposed continuation of the Wellbeing Exeter program and associated governance review.

**We have identified a significant weakness regarding how the Council governs its subsidiaries and ADMs. This significant weakness was raised on page 7. We have not found evidence of significant weaknesses within its other strategic partnerships. However, we have raised an improvement recommendation to explore opportunities to link its partnerships to the corporate plan to ensure that they are aligned with overall objectives and priorities.**



# Improvement recommendations



Improving economy, efficiency and effectiveness

<b>Recommendation 7</b>	The Council should consider reporting all contract waivers to members.
<b>Audit year</b>	2021/22 and 2022/23
<b>Why/impact</b>	Reporting all contract waivers to members would ensure transparency and accountability in the Council's decision-making processes and ensure that all members are aware of any movement away from standard procurement procedures and can hold the Council accountable for its decisions.
<b>Auditor judgement</b>	We have not identified any significant weakness in arrangements, but we have raised a recommendation to support management in making appropriate improvements.
<b>Summary findings</b>	From our review of agreed waivers for 2021/22 and 2022/23 there was no evidence that these waivers were reported to members. This may suggest a lack of transparency in the Council's decision-making process. It is important for members, to be informed about any exceptions to standard procedures or conflicts of interest to ensure that decisions are made in the best interest of the Council and its constituents and to enable appropriate challenge.
<b>Management Comments</b>	Agreed – we will introduce a procurement update report to Members, which will include the list of contract waivers. This will either be to the Executive or via the Scrutiny Bulletin.



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

# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 8

The Council should consider how it can improve and strengthen contracts management and develop a corporate contracts pipeline that would identify contracts as they come up for renewal.

## Audit year

2021/22 and 2022/23

## Why/impact

Maintaining a contracts pipeline would make it easier for contracts coming up for renewal to be identified and should reduce the number of waivers required.

## Auditor judgement

We have not identified any significant weakness in arrangements, but we have raised a recommendation to support management in making appropriate improvements.

## Summary findings

Contract management is recognised as weakness by the Council. In order to identify contracts coming up for renewal the Council is reliant on reviewing the contract register and checking in with procurement leads to find out what they have coming up for renewal in the next three months.

## Management Comments

Agreed – although the Council has a contracts register and is aware of the pipeline of contracts, contract management needs strengthening and is one of the areas being considered as part of the overall One Exeter programme, with a view to ensuring a more consistent approach across the Council. Additionally, training has been identified and will be implemented as soon as possible.



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



# Improvement recommendations



Improving economy, efficiency and effectiveness

## Recommendation 9

The Council has a partnerships register and should consider linking each partnership to the corporate objective to which contributes.

## Audit year

2021/22 and 2022/23

## Why/impact

This will ensure that partnerships are focused on achieving specific outcomes that are aligned with the Council's strategic goals.

## Auditor judgement

We have not identified any significant weakness in arrangements, but we have raised a recommendation to support management in making appropriate improvements.

## Summary findings

The Council maintains a register for its partnerships which highlights the scope of what needs to be achieved and how, it has a wide range of partnerships but they are not linked to the corporate plan objectives.

## Management Comments

Agreed – we will add a link to the relevant corporate objective for each of the partnerships.



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

# Follow-up of previous key recommendation

1	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	<p>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:</p> <ul style="list-style-type: none"> <li>the Council approves an annual company business plan;</li> <li>the Council receives detailed quarterly financial and performance update reports that identify progress against the business plan;</li> <li>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;</li> <li>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.</li> </ul>	Key Recommendation	July 2022	<p>Some improvements were made in 2022/23, as follows:</p> <ul style="list-style-type: none"> <li>approval of the 2022/23 business plan was in February 2022 by Full Council; a business plan was not produced in 2021/22</li> <li>the presentation of one financial and performance report to the Executive in September 2022. This covered the first six months of 2022/23; the report could have been clearer as to whether ECL was on track with regards to the business plan</li> <li>business cases throughout 2021/22 and 2022/23 were not available to the public</li> <li>the S151 Officer and Monitoring Officer resigned from the Board.</li> </ul> <p>Whilst we recognise that some progress was made we considered that insufficient improvements were made and that the significant weakness remained in place during 2021/22 and 2022/23</p> <p>Whilst we note that a decision was made in October 2023 to significantly reduce the operations of ECL, following a review by Local partnerships, so that it will no longer operate as a housing development company, this does not impact on 2021/22 and 2022/23 when stronger governance arrangements were required.</p> <p>As at October 2023 ECL had loans to the value of £10.066m outstanding, which remain payable to the Council.</p>	No	See key recommendation raised on page 7.

# Follow-up of previous improvement recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The Council should ensure that it consults with residents and businesses as part of the budget process.	Improvement Recommendation	July 2022	In 2022/23 no consultation was undertaken and in 2022/23 consultation was limited to the Exeter Chamber and the InExeter Business Improvement District Board. Public consultation has not been undertaken on the 2022/23 budget or the 2023/24 budget including the proposed savings.	Partial	Address the original recommendation and consult with residents.
2	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.	Improvement Recommendation	July 2022	The Council began reporting savings delivery (One Exeter programme budget reductions) from the first quarter of 2022/23. The detail was provided as an appendix to the quarterly budget monitoring reports. The first three quarterly reports RAG rated each saving scheme providing an indication of the expected delivery and each saving was RAG rated. The final report provides the final year end position.	Yes	No
3	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.	Improvement Recommendation	July 2022	The Council has scaled back its approach to commercialisation and is no longer looking to make savings in this area. The income generation workstream in the One Exeter programme is now focused on car park income rather than commercialisation.	No longer applicable	No

# Follow-up of previous improvement recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
4	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.	Improvement Recommendation	July 2022	The MRP position is now consistently reported in the budget and the MRP statement.	Yes	No
5	The key treasury monitoring and outturn reports should include MRP forecasts against budget in addition to interest receivable and payable.	Improvement Recommendation	July 2022	This recommendation has been implemented in 2023/24 in the Treasury Management mid-year report.	Yes	No
6	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.	Improvement Recommendation	July 2022	The Council has interpreted the regulations differently to our view and has continued to apply existing MRP principles in 2021/22 and 2022/23. Recognising the recent decision made around the future operations of ECL, additional MRP has been provided for in 2023/24.	Partial	Address the original recommendation
7	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.	Improvement Recommendation	July 2022	The Council has not undertaken a risk-based of the minimum level of reserves. This would require quantifying each individual risk.	No	Address the original recommendation

# Follow-up of previous improvement recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
8	The risks within the corporate risk register should be mapped to corporate objectives.	Improvement Recommendation	July 2022	The Council has reviewed its risk register and now aligned to the Corporate objectives as evidenced in the risk register presented to the Audit and Governance Committee on 27 September 2023.	Yes	No further action
9	The Audit and Governance Committee should formally review and approve the Council's Risk Management Policy at regular intervals.	Improvement Recommendation	July 2022	Outstanding The policy was last reviewed and updated in February 2015	No	Implement original recommendation
10	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.	Improvement Recommendation	July 2022	The quarterly progress reports provided to the Audit and Governance Committee now include a summary on high-risk recommendations	Yes	No further action
11	The Council should ensure that e-procurement is rolled out across the organisation and appropriate controls around electronic orders enforced.	Improvement Recommendation	July 2022	The Council rolled out eProcurement across the whole organisation in September 2022, along with a reiteration of the rule around purchase orders and that they are required for all invoices.	Yes	No further action
12	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.	Improvement Recommendation	July 2022	Implemented The anti-money laundering policy was agreed in March 2023 and the counter fraud strategy in November 2022.	Yes	No

# Follow-up of previous improvement recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
13	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.	Improvement Recommendation	July 2022	This was addressed in 2021..The Code of Conduct requires gifts over £50 to be declared.	Yes	No further action
14	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.	Improvement Recommendation	July 2022	Outstanding We understand that this process is currently underway.	No	Implement original recommendation
15	The responsibility for sending reminders to staff of the requirement to declare interests, gifts and hospitality should be established and annual reminders sent.	Improvement Recommendation	July 2022	Outstanding	No	Implement original recommendation
16	Completed Scrutiny Programme Board proformas, which include the reasons why a scrutiny request is accepted or rejected, should routinely be available to all Members.	Improvement Recommendation	July 2022	Outstanding The Scrutiny Programme Board (SPB) proformas are completed and submitted to request a subject to be considered by one of the Council's scrutiny committees. The SPB have to consider requests from Members via proformas, the Council, the public and proposals from Executive, Strategic Management Board (SMB) or Scrutiny Committees. SPB do not routinely provide feedback on the outcome of the proforma requests to all Members.	No	Implement original recommendation

# Follow-up of previous improvement recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
17	Through the One Exeter programme, the Council should ensure that key service performance indicators are agreed and reported on a quarterly basis to Executive.	Improvement Recommendation	July 2022	Service performance and progress against the Council's strategic priorities has not been reported to the Executive in 2021/22 or 2022/23.	No	See key recommendation on page 8
18	The Council should consider the need for a data quality policy as part of the review and implementation of the performance management framework.	Improvement Recommendation	July 2022	Outstanding	No	Implement original recommendation
19	The Council should be routinely benchmarking service costs in order to identify areas where efficiencies could be achieved, or services improved.	Improvement Recommendation	July 2022	Outstanding	No	Implement original recommendation
20	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.	Improvement Recommendation	July 2022	Outstanding	No	Implement original recommendation
21	The Council should ensure that procurement and contract management training is rolled out to appropriate officers.	Improvement Recommendation	July 2022	Outstanding The training has been approved but has yet to be rolled out.	No	Implement original recommendation

# Opinion on the financial statements for 2021/22 and 2022/23



## Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

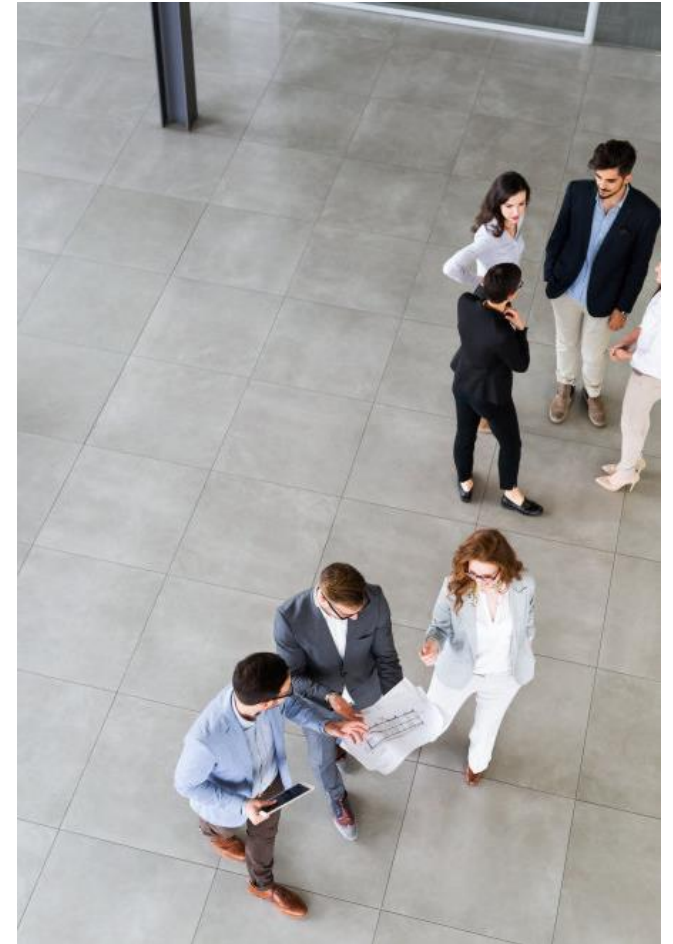
We will conduct our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

## Audit opinion on the financial statements

We have not yet completed the 2021/22 and 2022/23 financial statement audits for Exeter City Council. Once these audits are completed this Auditor's Annual Report will be updated for any significant findings and issued as a final version.





# Appendices

# Appendix A – Responsibilities of the City Council

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.

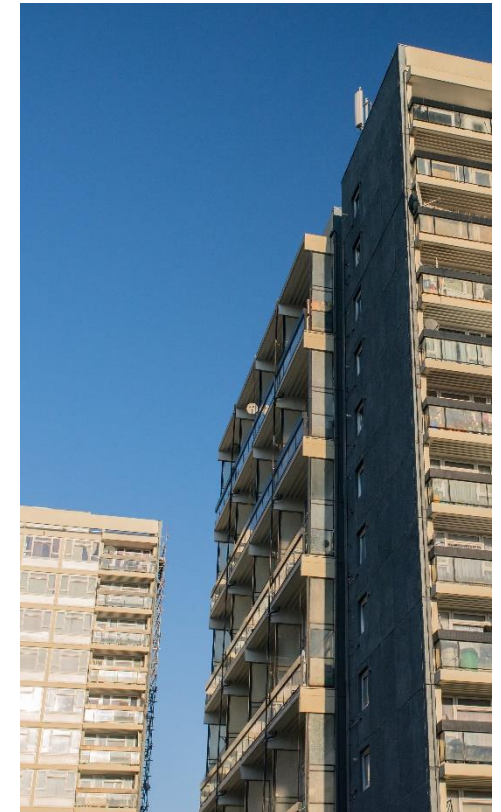
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records 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 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 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 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 is responsible for assessing the City 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 City Council will no longer be provided.

The City 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 Councils 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:

Year of audit	Risk of significant weakness	Procedures undertaken	Findings	Outcome
2021/22 and 2022/23	Financial sustainability was identified as a potential significant weakness.	We considered: <ul style="list-style-type: none"> <li>savings plans identified to date</li> <li>delivery of the 2022/23 budget and financial plan</li> <li>potential funding gaps in financial planning.</li> </ul>	We have not identified a significant weakness in arrangements.	Appropriate arrangements in place.
2021/22 and 2022/23	Governance arrangements relating to Exeter City Living and was identified as a potential significant weakness, see page 7 for more details.	We considered the governance arrangements in place including overall monitoring and management by members through the Council's democratic processes.	Adequate arrangements were not in place in 2021/22 and 2022/23	The significant weakness identified in 2020/21 remains in place for 2021/22 and 2022/23 and have identified a new significant weakness. One key recommendation raised on page 7.
2021/22 and 2022/23	Improving economy, efficiency and effectiveness was not identified as a significant weakness.	No additional work was undertaken	A significant weakness was identified during our review relating to performance management arrangements.	A key recommendation was raised on page 8.

# Appendix C – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the City Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	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 City Council. We have defined these recommendations as ‘key recommendations’.	Yes	Pages 7 and 8.
Improvement	These recommendations, if implemented should improve the arrangements in place at the City Council, but are not a result of identifying significant weaknesses in the City Council’s arrangements.	Yes	Page 14 Pages 20-24 Pages 29-31



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## REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 6 March 2024

Report of: Director Finance

Title: Statement of Accounts 2022/23

### Is this a Key Decision?

No

### Is this an Executive or Council Function?

Council

#### 1. What is the report about?

- 1.1 To seek Members' approval of the Council's Statement of Accounts for 2022/23, subject to conclusion of the audit.

#### 2. Recommendations:

- 2.1 It is recommended that delegated powers are given to the Director Finance and Chair of Audit and Governance Committee to approve the Statement of Accounts for 2022/23 upon the conclusion of the audit and to report back to this committee any significant findings, if any are identified in the remainder of the audit.

#### 3. Reasons for the recommendation:

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

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

- 4.1 The Statement of Accounts is intended to give a 'true and fair' view of the financial position and transactions of the Council, including group financial statements, as at 31 March 2023.

#### 5. Section 151 Officer Comments:

- 5.1 Progress in the audit has been encouraging and will leave the team better placed to work towards delivering timely accounts in the future. It is pleasing to note that there are no significant issues identified at this stage.

#### 6. What are the legal aspects?

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

- 6.2 The Accounts and Audit Regulations 2015 required local authorities to publish unaudited financial statements by 31 May 2023 and to start the period for the public inspection from the first working day of June.
- 6.3 As reported to Audit and Governance Committee on 26 July 2023, the Council was unable to achieve these deadlines because the 2021/22 accounts have not been signed off by the auditors and subsequent information arising from the 2022 triennial valuation of the pension fund became available. This subsequent information resulted in adjustments to the 2021/22 Statement of Accounts and the opening balances for 2022/23, resulting in more work and delays to close the accounts.
- 6.4 In accordance with Regulation 15 (1a) a notice to explain the delays was published on the Council's website. The unaudited accounts were published on 31 August 2023 and the period for the public inspection ran from 1 September to 12 October 2023.
- 6.5 The audit of the accounts has been undertaken in accordance with the statutory framework established by section 20 of the Local Audit and Accountability Act 2014, by the Council's external auditors, Grant Thornton.

## **7. Monitoring Officer's Comments:**

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

## **8. Report Details:**

### **EXTERNAL AUDIT OF THE 2022/23 STATEMENT OF ACCOUNTS**

#### **8.1 Appointed Auditor**

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

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

#### **8.2 2021/22 and 2022/23 Audit**

As reported to Audit and Governance Committee on 29 November 2023, the delay with the audit of the 2021/22 Statement of Accounts has resulted in the audit for both 2021/22 and 2022/23 running alongside each other. Significant progress has been made on both audits and Grant Thornton anticipate issuing an unqualified audit opinion by 31 March 2024, subject to completion of the remaining audit procedures.

#### **8.3 Statement of Accounts 2022/23**



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

The draft Statement of Accounts were received by the auditors on 31 August 2023.

Information contained in the Statement of Accounts has been consolidated into the Whole of Government Accounts for 2022/23.

#### **8.4 Presentation of the Statement of Accounts**

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

#### **8.5 Main Changes to the Accounts**

The Code did not adopt any new accounting standards for the 2022/23 financial year, which enabled the accounts to be prepared on a consistent basis with the prior year.

Since the issue of the draft accounts, an additional narrative disclosure has been added in respect of Exeter City Living

- **Events after the Reporting Period**

It has been necessary to disclose the Council's decision on 17 October 2023 to reduce the capacity of its housing development company, Exeter City Living Ltd, as an event which took place after 31 March 2023, but provides information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date.

#### **8.6 Audit Findings**

At the time of writing, our external auditors anticipate issuing an unqualified audit opinion on the Authority's financial statements and have not identified any misstatements to the Council or the Group financial statements.

An amendment to the value of capital commitments was made along with a small number of narrative amendments.

Overall, the amendments to date have had no impact on either the General Fund balance or the Housing Revenue Account balance, which remain as reported to Council. The overall financial performance of the Council for 2022/23 was reported to Executive on 27 June 2023 and to Council on 18 July 2023.

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

The Statement of Accounts set out the financial position at the end of the 2022/23 and the transactions of the Council during 2022/23, both of which help underpin delivery of the Corporate Plan.

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

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

## **11. Equality Act 2010 (The Act)**

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

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

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

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

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

11.4.1 The report is for information only.

## **12. Carbon Footprint (Environmental) Implications:**

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

## **13. Are there any other options?**

Not applicable

### **Director Finance**

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

Background papers used in compiling this report:

None

Contact for enquiries:

Democratic Services (Committees)  
Room 2.3  
(01392) 265275

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# STATEMENT OF ACCOUNTS

2022-2023



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# Narrative Report

## 1. Background

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

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

This Narrative Report provides information about Exeter, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position at 31 March 2023 and is structured as follows:

- An introduction to Exeter
- Key information about Exeter City Council
- The Corporate Plan
- Financial Performance 2022/23
- Non-Financial Performance 2022/23
- Future Financial Plans
- Statement from Director Finance

## 2. Introduction to Exeter

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

Exeter is the capital city of the county of Devon.

Below are some key facts about Exeter:

**Population:** Exeter has an estimated population of 128,900 and is at the heart of a travel to work area of over 470,000 residents.

**Employment:** The city’s wider area includes much of the district council areas of East Devon, Teignbridge and Mid Devon. 288,100 of these residents are of working age and just under 241,300 are employed. Well over half the workforce is well qualified, substantially higher than the national average.

**Commuters:** Approximately 35,000 people commute into Exeter on a daily basis.

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

**Business:** 4,877 registered for business rates.

**Average City Centre footfall:** 1,364,000 people per month.

**Connectivity:** Exeter has an international airport, two railway routes into London (Paddington and Waterloo), major routes by road (M5 to Bristol), three park and ride schemes and joined up cycle routes within the city.

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

## Narrative Report

**Education:** The University of Exeter is among a very few universities to be both a member of the Russell Group and have a Gold award from the Teaching Excellence Framework (TEF), for its international reputation for excellence in both teaching and research. The University of Exeter is ranked 143<sup>rd</sup> in the latest (2022) Times Higher Education World University Rankings, the most influential global league table.

Exeter College is a thriving and growing tertiary college. An Ofsted Inspection in 2022 resulted in the college retaining the accolade of Outstanding. The College also scored the top assessment of 'strong' for its approach to meeting the skills needs of the area. This makes Exeter College the first college in the country to achieve the highest judgement in both elements of Ofsted's new enhanced inspections.

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

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

**Sport:** Exeter Chiefs play in Premiership Rugby, England's top division of rugby. Founded in 1871, the club play their home games at Sandy Park, which is located on the outskirts of the city. The Chiefs have become one of the leading clubs in the Premiership, winning the championship title twice in 2016-17 and 2019-20. In October 2020, the Chiefs won the Champions Cup, the top prize in European club rugby union. They have won the Anglo-Welsh Cup/Premiership Rugby Cup three times, most recently in 2022/23.

Exeter City Football Club is a professional association football club, which was founded in 1901. Following their promotion, the 2022/23 season was the club's first season in the League One since the 2011/12 season.

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

### 3. Key Information about Exeter City Council

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

#### Political Structure

There are 39 councillors on Exeter City Council, representing the 13 wards of the City. The political make-up of the Council during the 2022/23 financial year was:

Party	Councillors
Labour seats	25
Conservative	5
Liberal Democrat	2
Green Party	5
Independent	2

The local elections for Exeter City Councillors from May 2023 were held on 4 May 2023. Each elected Councillor is appointed for a four year term, with a third of the 39 seats contested each year (one seat per ward).



# Narrative Report

## YOUR CITY COUNCILLORS 2023/24 (AMENDED 16 MAY 2023)

### ALPHINGTON



### DURYARD & ST JAMES



### EXWICK



### HEAVITREE



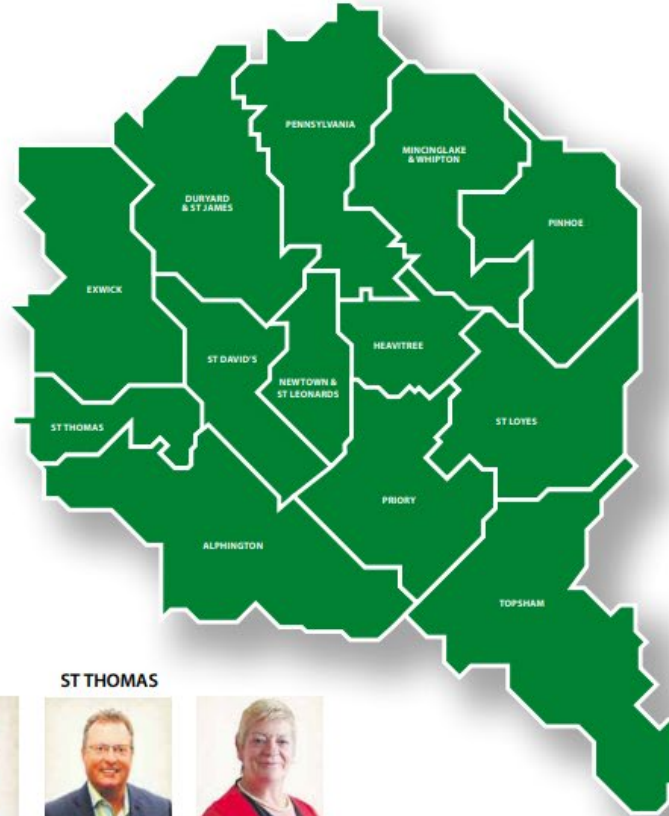
### MINCINGLAKE & WHIPTON



### NEWTOWN & ST LEONARDS



### PENNSYLVANIA



### PINHOE



### PRIORY



### ST DAVID'S



### ST LOYES



### ST THOMAS

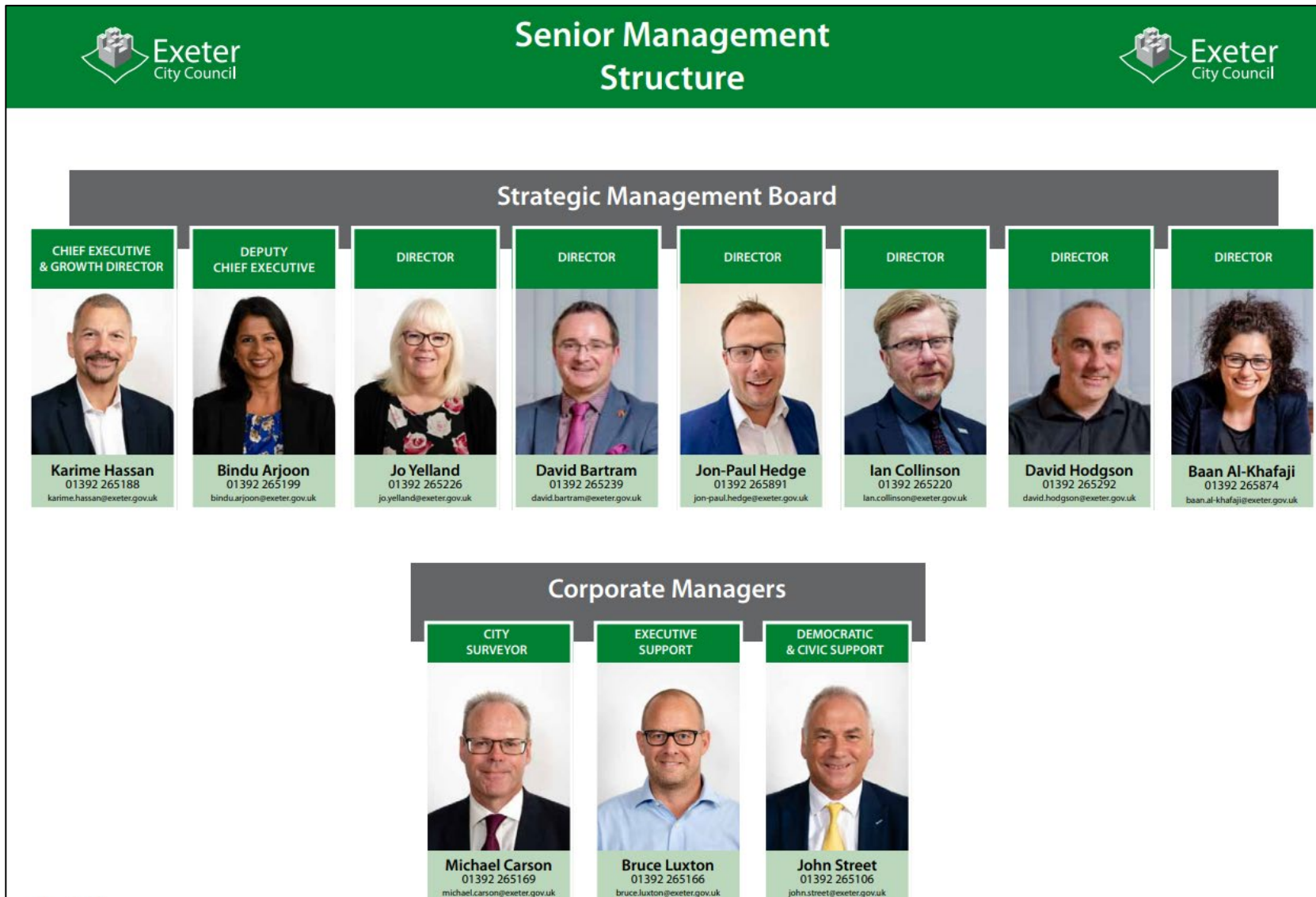


### TOPSHAM



# Narrative Report

Exeter City Council's Senior Management Structure for the 2022/23 Financial Year:



# Narrative Report

## Council Employees

The Council employed 824 people in full time and part time contracts in March 2023, compared to 817 people in March 2022.

In the context of managing scarce public resources, remuneration at all levels within the Council needs to be adequate to secure and retain high-quality employees dedicated to the service of the public, but at the same time providing value for money to the residents of Exeter. The Council works within a pay and reward framework which seeks to ensure that its pay and reward processes and procedures facilitate the retention and recruitment of employees with the right skills and capabilities to meet the needs of the Council now and in the future. The framework also takes account of regional and national variations, local market factors, is open and transparent and complies with equal pay legislation.

The pay policy for 2022/23 reflected the following:

- The Council adapted the National Local Government Pay Scale to include locally agreed spinal column points. With effect from 1 January 2014, the Council adopted the Real Living Wage as its minimum spinal column point, and the Living Wage of £9.90 per hour from 1 April 2022 equates to Grade A of the Council's pay scale. The Living Wage is determined nationally in or around November each year. The Council applies any uplift to the Living Wage from 1 April in the year following the increase.
- The nationally negotiated pay award for employees on Spinal Column Points 3 - 52 inclusive (Grades B – P)
- Salary increases for Chief Officers are made in line with increases agreed by the Joint National Council's for Chief Officers and Chief Executives.

The Council has 10 staff who are union representatives, with one officer spending at least 50% of their working hours on union activity.

The Council is undertaking a significant business transformation designed to modernise service delivery and respond to the financial pressures it is under. An interim senior management solution is needed to facilitate this transformation and on 20 December 2022 Council agreed to terminate the Chief Executive and Growth Director, Karime Hassan's, employment on service efficiency grounds. On 13 March 2023, the Council announced the appointment of Bindu Arjoon as the Council's new Chief Executive.

## 4. The Council's Corporate Plan 2022-2026

On 18 October 2022, Council approved the council's 2022-2026 Corporate Plan; one of the key strategic documents that frames the actions of the Council.

The Corporate Plan has been updated to reflect the changes that have occurred since we produced Our Strategy 2018-2021, as we face up to complex and unprecedented challenges. Some of these followed directly in the wake of the Covid-19 pandemic and our exit from the European Union. Others include the climate emergency, the housing emergency, and the decline of the High Street and health inequalities.

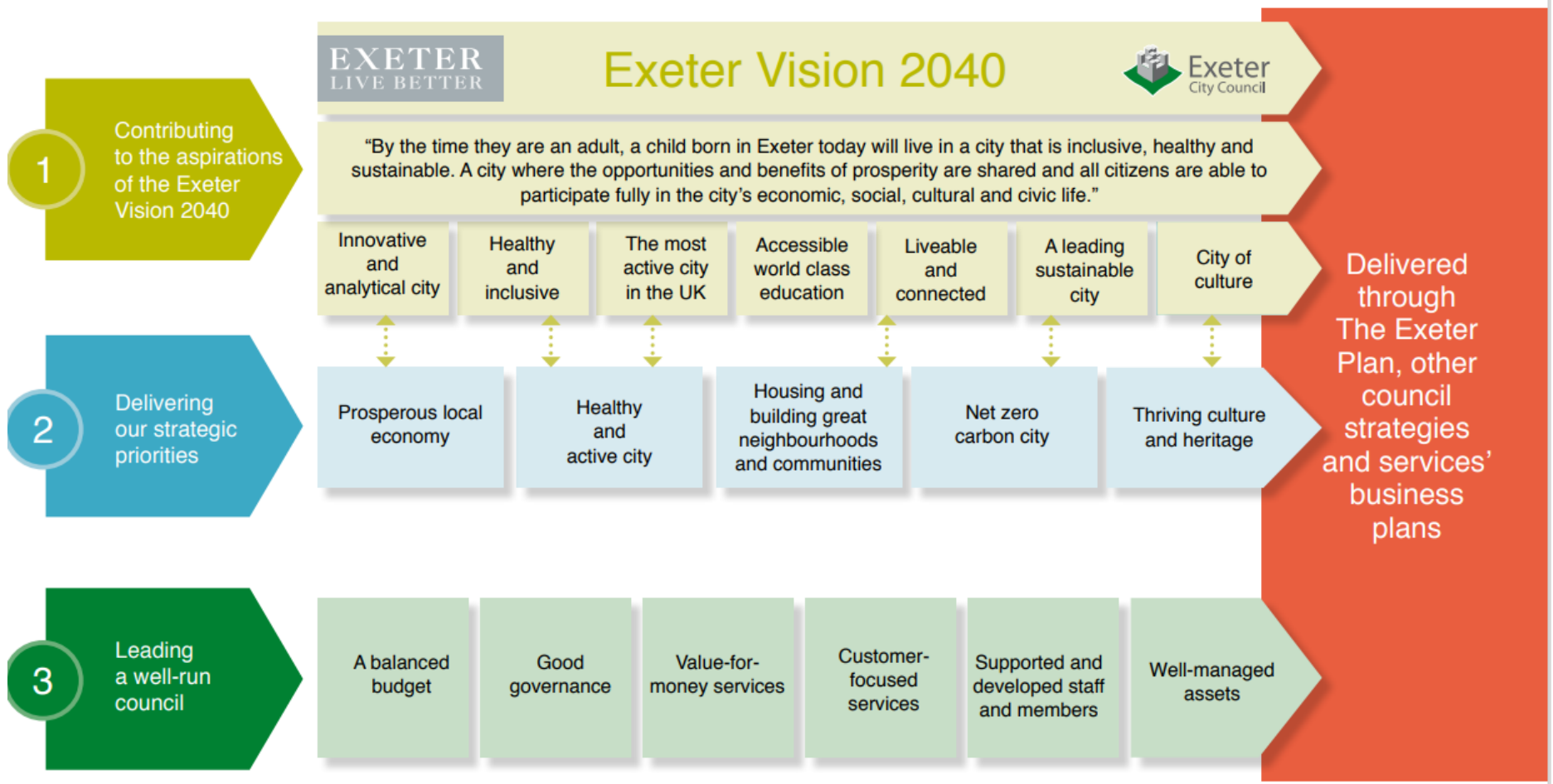
Delivery of the plan will be very much dependent on the rapidly-changing economic climate, the availability and prioritisation of our resources. Government funding cuts mean we must reduce our budget by £6.6m by 2026. Focusing on the council and achieving savings is critical. We are still aspirational for our city so innovative and creative working with the private sector and our partners will be critical. Against this backdrop, the council will be focusing on:

- Contributing to the aspirations of the Exeter Vision 2040
- Delivering our strategic priorities
- Leading a well-run council

# Narrative Report

## Corporate Plan on a page

Page 152





**Our values and behaviours – how we work**

We know that only the exemplary behaviour and positive attitude of our employees will deliver outstanding results for those that visit, work in and live in the city.

We are developing a Values and Behaviours Framework, which represents how we will deliver the planned outcomes of this plan. Our values and behaviours are central to who we are as a council and they help to develop the right working environment to deliver our ambitious goals for the city.

These are our initial thoughts, developed through working with a small group of staff. Over the coming months, we will work with staff more widely and elected members to seek further feedback and to refine the framework.

**Equality and diversity**

As a service provider, community leader and employer we are committed to being an exemplar in promoting equality and tackling social exclusion. We demonstrate this commitment through our corporate equality group, corporate equality plan, our equality objectives and our values and behaviours. We also undertake equality impact assessments of our policies, programmes and plans to ensure we are considering their impact on equality groups.



## Narrative Report

### 5. Financial Performance 2022/23

2022/23 was undoubtedly a challenging year financially across the Country. Significant inflation fuelled by high energy prices, a higher than anticipated national pay settlement and income streams still struggling to reach the budget meant that the Council had to take action to address significant issues. Whilst the headline figures set out that, some £628,000 is being added to the General Fund reserve, this is offset by supplementary budget requests totalling £1.807m to be funded from the Reserve. In addition to this, the Council used £2 million from the earmarked reserve set aside to address budget volatility. Whilst the Council was protected by its decision to set aside funds, this is an untenable position that the Council cannot afford to reoccur. It also gives a strong endorsement to the reason for holding a General Fund Reserve level at no less than £3 million. The Council's medium term financial plan anticipates reserves being reduced to the minimum required by 2024/25.

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

	Revised Annual Budget £'000	Year End Outturn £'000	Variance to Budget £'000
Chief Executive & Growth Director	3,517	3,189	(328)
Housing & Supporting People	4,224	3,280	(944)
City Development	2,942	1,127	(1,815)
Communications, Culture & Leisure Facilities	7,155	7,014	(141)
Net Zero Exeter and City Management	4,634	5,336	702
Finance	(11)	(2,516)	(2,505)
Corporate Services	2,597	2,962	365
Less Notional Capital Charges	(4,187)	(4,187)	-
<b>Service Committee Net Expenditure</b>	<b>20,871</b>	<b>16,205</b>	<b>(4,666)</b>
Net Interest	1,083	660	(423)
Revenue Contribution to Capital	-	71	71
Minimum Revenue Provision	958	429	(529)
<b>General Fund Expenditure</b>	<b>22,912</b>	<b>17,365</b>	<b>(5,547)</b>
Transfer To/(From) Working Balance	(1,816)	628	2,444
Transfer To/(From) Earmarked Reserves	(3,718)	(12,347)	(8,629)
<b>General Fund Net Expenditure</b>	<b>17,378</b>	<b>5,646</b>	<b>(11,732)</b>
<b>Met By:</b>			
Formula Grant	(4,985)	(4,985)	-
Business Rates Growth / Pooling Gain	(3,274)	8,209	11,483
New Homes Bonus	(1,362)	(1,362)	-
Sales, Fees & Charges Compensation	-	(16)	(16)
CIL Income	(1,342)	(1,077)	265
Council Tax	(6,415)	(6,415)	-
	<b>(17,378)</b>	<b>(5,646)</b>	<b>11,732</b>
	<b>March 2022</b>	<b>March 2023</b>	
<b>Working Balance</b>	<b>5,523</b>	<b>6,151</b>	

## Narrative Report

The outturn results for the last couple of years have been skewed by the pandemic and the Government's support to business and Councils. However, during 2022/23 this moved from Covid related support measures to supporting those affected by the cost of living crisis and providing support to Ukrainian refugees.

**Devon Household Support Fund** is a Department for Work and Pensions scheme to support low income households struggling with the increased costs of essential goods and services. Devon County Council distribute part of their funding to district councils to operate local welfare support schemes. The extension scheme ran 1 April 2022 to 30 September 2022 and fund 3 ran from 1 October 2022 to 31 March 2023.

**Council Tax Rebate – Discretionary** The Government announced on 3 February 2022, a package of support known as the Energy Bills rebate, to help households with rising energy bills. There was a mandatory award of £150 to households in Council Tax bands A to D who met specified eligibility criteria. An additional discretionary scheme and a limited funding budget was given to all councils with some specified criteria, but essentially for councils to identify and make payments to support households with their energy bills. In Exeter the discretionary rebate amount was £125 per household based on the following criteria:

- Households in council tax bands E (not with a disablement band reduction to band D applied) to H as at 1 April 2022 receiving council tax support,
- Households in council tax bands E (not with a disablement band reduction to band D applied) to H as at 1 April 2022 getting a 25% council tax discount as a sole occupier

A small proportion of funding was reserved for exceptional hardship cases not fitting the criteria above or the criteria for the mandatory scheme.

**Homes for Ukraine scheme** The Government launched the Homes for Ukraine Scheme in March 2022 and provided funding to councils through a £10,500 tariff for each arrival in their area. Devon County Council distribute the funding, so that district councils can help to support Ukrainians and provide essential council services such as homelessness assistance.

### Cost of Living Support Measures Reported in the Council's Outturn Report

Where the authority has some discretion over the amounts awarded and the criteria for entitlement; has some control over the distribution of the funding, they have been reported as income and expenditure in the authority's financial statements. In these circumstances, the authority is deemed to be acting as a 'principal'. The table below sets out the grants schemes that have been included in the 2022/23 Council's accounts.

Grant	Funding	Expenditure	Balance as at 31 March 2023
Devon Household Support Fund Extension	371,868.80	360,194.50	(11,674.30)
Devon Household Support Fund 3	362,853.00	362,853.00	0.00
Council Tax Rebate - Discretionary	188,700.00	186,663.00	(2,037.00)
Homes for Ukraine Scheme	390,057.22	390,057.22	0.00
<b>Total</b>	<b>1,313,479.02</b>	<b>1,299,767.72</b>	<b>(13,711.30)</b>

## Narrative Report

### Business Rates

Due to the extent of business rate reliefs granted by the government to businesses to support them during the Covid-19 outbreak, the actual business rates receivable in the year is lower. However, the government provided Section 31 grants to offset the loss in business rates income locally, which have been held in an earmarked reserve (£11.098m as at 31 March 2022) and are being released to the General Fund in accordance with current collection fund accounting rules. A net transfer of £10.804m has been transferred from the reserve in 2022/23, taking the earmarked reserve to £0.294m, as at 31 March 2023.

### General Fund Working Balance

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

The outturn for 2022/23 resulted in a £0.628m transfer to the General Fund Working Balance, taking it to £6.151m as at 31 March 2023.

### Government Schemes Not Reported in the Council's Outturn Report

During the year, the authority was responsible for distributing a range of Government support measures to households to help towards rising energy bills or to hosts that offer support to Ukrainians in the UK, where both the eligibility and amounts paid were defined by the Government. In these circumstances, the authority is deemed to be acting as an 'agent'. These grants are not reflected in the Council's accounts, except for any sums due to or from the authority for differences between the grant funding and actual eligible costs. As at 31 March 2023, the Council held £1.44m as a net creditor provision, for amounts due to be distributed or returned to Government in 2023/24.

<b>Grant</b>	<b>Funding</b>	<b>Expenditure</b>	<b>Balance as at 31 March 2023</b>
Council Tax Energy Bill Rebate	7,426,800.00	6,605,550.00	(821,250.00)
Alternative Fuel Payment	635,480.00	13,200.00	(622,280.00)
Ukrainian Sponsors	270,900.00	270,900.00	0.00
<b>Total</b>	<b>8,333,180.00</b>	<b>6,889,650.00</b>	<b>(1,443,530.00)</b>



## Narrative Report

### 2022/23 Capital Outturn

The Council spent £73.047m on its Capital Programme in 2022/23 compared to the revised forecast spend of £79.699m. This comprised £59.449m on General Fund and £13.598m on HRA capital expenditure.

The variance between the outturn forecast and actual outturn for the year was £6.652m will require the re-profiling of planned expenditure into future years and therefore does not present any financial issues for the Council.

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

	2022/23 Forecast Outturn £'000	2022/23 Outturn £'000	Variance £'000
<b>Capital Expenditure:</b>			
Chief Executive & Growth Director	505	415	(90)
Net Zero Exeter and City Management	7,519	5,881	(1,638)
Housing & Supporting People	18,509	15,742	(2,767)
Communications, Culture and Leisure Facilities	4,751	4,584	(167)
Finance	48,415	46,425	(1,990)
<b>Total Expenditure</b>	<b>79,699</b>	<b>73,047</b>	<b>(6,652)</b>
<b>Resources:</b>			
Major Repairs Reserve	3,519	4,077	558
Capital Receipts	6,883	7,311	428
Grants and Contributions	6,436	5,008	(1,428)
Community Infrastructure Levy (CIL)	170	3,227	3,057
Revenue Contributions	5,080	5,071	(9)
Prudential Borrowing	57,611	48,353	(9,258)
<b>Total Financing</b>	<b>79,699</b>	<b>73,047</b>	<b>(6,652)</b>

## Narrative Report

### Key achievements in 2022/23 Capital Programme:

- **New Leisure Complex; St Sidwell's Point**  
Exeter's brand new leisure centre, St Sidwell's Point, opened its doors and welcomed customers for the first time on 29 April 2022.

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



Inside St Sidwell's Point

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



Inside St Sidwell's Point



- **Solar Farm and Battery Storage Facility**  
Exeter's £3.5m solar park and battery storage facility went live in February 2023 and is now powering the city's electric fleet of vehicles, recycling centre and offices with green energy.

The project is the first of its kind in the region and delivers a further step towards the City Council's ambition of becoming Net Zero Carbon by 2030.



## Narrative Report

The Water Lane Solar Park at Marsh Barton features 3,700 solar panels which creates 1.2MW of clean, renewable energy. The substantial battery facility is capable of storing 2MW and provides flexibility between peak generation and peak usage.

Part funded by the European Regional Development Fund, the facility is built on an inactive landfill site.



Exeter's £3.5m solar park and battery storage facility

- **Guildhall Shopping Centre**

In May 2022 the City Council acquired the Guildhall Shopping Centre to secure its future use.

The popular shopping centre will continue as a key retail and food and drink destination for Exeter and the Council will invest in improvements.



Guildhall Shopping Centre

- **Rough Sleepers Accommodation**

The Council has bought back former one-bed council homes as part of an initiative to end rough sleeping in the city.

The homes will go to people who have a current or recent history of rough sleeping and in the future will form part of the Council's wider temporary accommodation offer.



One-bed council homes

## Narrative Report

### Housing Revenue Account

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

During 2022/23 the HRA reported an operating deficit of £3.903m. The deficit was met by a transfer out of the HRA working balance.

The Council's current policy is such that the minimum level of the HRA working balance will remain at no less than £4 million, as a contingency against financial risks. As at 31 March 2023, the working balance was £7.555m, considerably higher than the minimum level. This is predominantly due to delays with certain capital schemes, including kitchen and bathroom replacements, the Hamlin Gardens development and the Vaughan Road development. Further revenue contributions will be required over the remainder of the Medium Term Financial Plan towards financing the capital schemes, which will reduce the working balance.

Local housing authorities are able to borrow for housebuilding in accordance with the Prudential Code. During 2022/23, work continued on Phase 1 of a new HRA House-building programme, which provides for four development schemes that will deliver 100 new homes into the HRA.

### Key achievements

During the year the Council continued the housing retrofit programme with focus on the least energy efficient homes. A bid for Government Social Housing Decarbonisation Fund (SHDF) grant was successful and a further £1.5m has now been secured – this takes the grant awarded to £4.1m in the last 3 years and, to date, 650 properties have had retrofit works completed. The Council's work in this area was recognised at the South West Energy Awards where Exeter City Council won the Regional Landlord of the Year and Regional Large Scale Project of the Year categories. In addition to these major category wins, the Council also achieved a Commended Award for Regional Council of the Year.

Two new developments commenced during 2022/23 as part of the Council's housing development programme – at Hamlin Gardens 21

flats will be constructed and will be available in the spring of 2024. Additionally, work started on site at Vaughan Road with Phase 1 consisting of 35 affordable homes.

The Council completed its first extra care housing development at Edwards Court – 53 one and two bedroom flats which have been designed, built and certified to the rigorous passiv-haus standard. The buildings ventilation system also includes heat recovery which is around 90% efficient – this heat recovery coupled with the airtightness and insulation means that the energy required to heat the building will be reduced by up to 90%. Edwards Court is now fully operational and provides an in house catering service.

The Housing Team has an agreed Resident Involvement strategy and action plan and held a successful community event at Wonford with plans to carry out more events with more initiatives to follow.

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

### HRA Benchmarking

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

Headline measures	Value	Quartile	Performance
<b>Cost headlines</b>			
Overheads cost per property	£218	1st	Within top 25% of peer group
Total cost per property of Housing Management	£269	3rd	Below average of the peer group
Total cost per property of Responsive Repairs & Void Works	£923	3rd	Below average of the peer group
<b>Operation performance headlines</b>			
Average number of calendar days taken to complete repairs	13.60	3rd	Below average of the peer group
Staff turnover in the year %	8%	1st	Within top 25% of peer group
Overall satisfaction with service	81.9%	2nd	Within top 50% of peer group



## Narrative Report

### Pension Fund

The Council has net pension liabilities of £28.935m in the Balance Sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund. A full actuarial valuation was undertaken as at 31 March 2019 to review the contribution levels of the Council for the period 1 April 2020 to 31 March 2023 which was set at 17.6% of pensionable pay for future service plus a monetary amount in respect of the pension deficit of £4.337m, which was paid up-front during 2020/21.

### Borrowing

The Capital Financing Requirement is £226.43m of which £73.242m relates to the HRA.

Actual borrowing is £166.277m, which comprises the principal outstanding on long-term loans from the PWLB. The loans include; £8.137m on-lent to Exeter City Living Ltd, £72.244m in respect of the HRA, £43.448m for the Guildhall Shopping Centre, £34.393m for the new leisure centre and £8.055m for capital acquisitions. The rest of the requirement is managed via internal borrowing.

### 6. Non-Financial Achievements 2022/23

Although 2022/23 has proven to be a particularly difficult year for Exeter City Council and the Local Government sector as a whole, below are some of the positive outcomes during the last financial year:

- The Council's Royal Albert Memorial Museum won Gold in the Inclusive and Accessible Tourism category at the Devon Tourism Awards. This category recognizes organisations providing truly memorable visitor experiences for everyone, particularly those with accessibility requirements and demonstrating excellence across every aspect.
- St Sidwell's Point, the Council's city centre leisure centre is continuing to be recognised nationally. It won two more prestigious awards – the national RICS award for Environmental

Impact and best Civic Development at the Exeter Property Awards.



- Exeter's new solar farm and battery storage facility at Marsh Barton has been shortlisted in the 2023 RTPi South West Awards for Planning Excellence. The RTPi Planning Excellence awards showcase and celebrate the best plans, people and projects, and recognise the positive contribution planning professionals make to communities.
- The City Council won two of the major categories – Regional Landlord of the Year and Regional Large Scale Project of the Year at the South West Energy Efficiency Awards 2023. The awards were for the Council's ambitious housing retrofit programme, which is expanding in the city, improving living conditions and providing affordable warmth for tenants.



Bindu Arjoon, Cllr Barbara Denning, Adrian Pengelly and Lawrence Blake

## Narrative Report

### Significant Projects and Matters

#### One Exeter

Since the appointment of the new Chief Executive there has been an enhanced focus to deliver on the strategic priority of 'Leading a Well-Run Council'. This will concentrate on the core functions of the council as well as the transformational work identified through the One Exeter programme. Going forward, the programme will be structured around the six pillars of Leading a Well-Run Council set out in the council's Corporate Plan:

- A balanced budget
- Good governance
- Value-for-money services
- Customer-focused services
- Supported and developed staff and members
- Well-managed assets

Over the last year the programme has delivered the following outcomes:

- A draft Digital Customer Strategy is nearing completion and this will outline key priorities, for delivering a new mission of excelling at customer and digital service and ensuring that customer needs guide how services are developed and delivered. This draft strategy will be going to public and partner consultation over the summer with a report back to Executive and Council in November.
- The roll out of Microsoft 365 has started with all office based employees now having access to Microsoft Teams.
- A new Values and Behaviours framework has been co-designed with employees and forms part of the new Performance and Development Review process. This will help to ensure that the values are embedded across the council.
- All Service Leads have undertaken a review of their service to find a 15% budget reduction over the life of the Medium Term Financial Plan and identify opportunities for providing an improved customer experience. Not only has this work identified proposals for a 15% service cost reduction, it has also identified further opportunities to reduce costs by bringing together cross cutting functions. The feasibility of this is currently being explored.
- A Staff Survey has been conducted and the results have been used to inform the proposed Employee Wellbeing Framework and Green Travel Plan

## Narrative Report

- A Decision Making Accountability review has been undertaken by the Local Government Association to understand how decisions are made within the council and whether they are being made at the right level. The findings from this will help to inform a new organisational structure.

Over the next six months, the work programme will focus on

- Introducing a Council Improvement Plan, which will incorporate the work of the One Exeter programme
- Embedding the Values and Behaviours across the organisation
- Approving the Employee Wellbeing Framework and Green Travel Plan
- Introducing a new Performance and Development Review process
- Finalising and implementing the draft Digital Customer Service Strategy
- Undertaking a review of the cross cutting functions identified by the service reviews
- Conducting a restructure of the senior management arrangements to improve decision making and reduce silo working

**ONE EXETER**  

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**ONE COUNCIL · ONE TEAM**

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## Narrative Report

### Sport England Partnership

The Live and Move programme has developed through a partnership between Exeter, Cranbrook and Sport England as part of the national Local Delivery Pilot programme. Sport England is working with 12 places across the country to identify how physical activity can tackle health inequalities and build healthier, more active communities. Following an award of £4.721m in June 2019 by Sport England, Exeter City Council embarked on a delivery programme to achieve the Local Delivery Pilot outcomes, named 'Live & Move'. A further £1.883m has been awarded to continue delivery of the programme in line with the Sport England strategy 'Uniting the Movement' to March 2025.

The refreshed Live and Move strategy ensures the programme is closely aligned to and directly impacts the following key council corporate strategic priorities; building great neighbourhoods and communities, promoting active and healthy lifestyles and Net Zero Carbon City ambition.



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

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

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

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

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

### Live & Move Sustainable Outcomes and Long Term Impacts

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

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



## Narrative Report

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

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

Our Local Active Lives survey fieldwork and analysis is identifying some positive signs:

- The inactivity gap between men and women in Exeter is narrowing
- Physical activity levels recovering and increasing following the pandemic
- Physical activity levels are recovering within our culturally diverse communities, there has been a considerable decrease in inactivity amongst black and minority ethnic residents

In 2022/23 we have further developed the Live and Move programme and delivered:

Through **Wellbeing Exeter** over 4,500 referrals have been delivered since the inception of the programme, more than 7,500 of which were referred with physical activity requirements. Wellbeing Exeter now includes a self-referral process working with organisations outside of primary care to enable residents to be signposted into wellbeing support from within their community. A strategic review is underway looking at the long term sustainability and funding model.

Detailed designs, extensive technical surveys and further local engagement with a new set of Trustees is taking the **Wonford Community Wellbeing Hub** closer to planning in late 2023. A formal business case is being developed to identify the capital and revenue costing models for the building. **Inclusive Communities** grows from strength to strength.

New programmes are being delivered with **Exeter Leisure**, a This Girl Can programme attracted over 100 women from Wonford taking part in new activities, over 300 staff from the NHS accessed a workplace health, wellbeing and fitness programme across leisure sites. New activities are being introduced and supported including Pickleball.

The **Local Walking and Cycling Infrastructure Plan** has been launched, whilst the Exeter Local Plan has been consulted with a real focus on active lifestyles and creating places that support improved health outcomes for new developments. The first scheme, Water Lane is being developed with a design code that is heavily influenced by Sport England active design principles

The final designs for a transformational active streets programme **Newtown** is being finalised and consulted on in September 2023.

A social movement is developing and a digital platform created through Live & Move – [www.liveandmove.co.uk](http://www.liveandmove.co.uk) where you can find out further information of all of the above, case studies and plans for the future.

## Narrative Report

### Liveable Exeter

#### Vision

**“By the time they are an adult, a child born in Exeter today will live in a city that is inclusive, healthy and sustainable – a city where the opportunities and benefits of prosperity are shared and all citizens are able to participate fully in the city’s economic, social, cultural and civic life” Exeter Vision 2040**

Exeter has a vision for 2040 to be a global leader in addressing the social, economic and environmental challenges including climate change and urban renewal. Liveable Exeter is an Exeter City Council initiative which will support the Exeter Plan to deliver the Exeter Vision 2040.

#### Liveable Exeter Principles

The Liveable Exeter document highlights how a transformational housing delivery programme can be the means to bring major investment into the city and renew its infrastructure for the 21<sup>st</sup> Century with the aim of improving peoples’ lives and wellbeing.

The principles will be used as a tool for planning officers, members, developers and others discussing and bringing forward proposals for brownfield development within the city. The principles apply to all stages of planning and design from locating development and identifying projects for infrastructure renewal down to the detailed design of individual buildings.



# Narrative Report

## Future Financial Plans

### Revenue

The Council's General Fund Medium Term Financial Plan (MTFP), on the next page, will achieve the requirement to maintain a minimum balance of £3 million. However, the MTFP indicates that further reductions are required from 2024/25 to 2026/27 to fully address the additional spending pressures. The proposed budget for 2023/24 makes use of one off reserves totalling £2.386 million, which will need to be addressed in future years. The reductions required total £5.287 million, of which proposals covering £2.137 million have been identified. The reset of business rates and impact of the formula funding review have been removed pending further clarity on the timing of their implementation

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

### Risk assessment

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

- Economic volatility, higher interest rates and inflation have added substantial costs to running services. The Council's funding has not kept pace with the scale of increases seen. Further volatility and price pressures will result in greater reductions being required. Conversely, there is a chance that prices will settle and indeed in some cases reduce. This would have a positive impact on the reductions required;
- The Government's review of the future funding formula for Local Government, including a business rates rest, coupled with the potential loss of New Homes Bonus, would add a further significant gap in funding over the Medium Term Financial Plan. The overall impact of both streams of funding stopping in the next four years would require further reductions of around £3.3 million.

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

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

## Narrative Report

### Medium Term Revenue Plan (2022/23 – 2026/27)

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
<b>Resources</b>					
Revenue Support Grant	855	1,572	902	920	938
Business Rates income	7,404	7,557	7,956	7,909	7,952
CIL income	1,324	793	793	793	793
New Homes Bonus	1,362	672	600	600	600
Council Tax	6,416	6,785	6,968	7,248	7,539
<b>Likely resources</b>	<b>17,361</b>	<b>17,379</b>	<b>17,219</b>	<b>17,470</b>	<b>17,822</b>
<b>Expenditure</b>					
Service expenditure	21,233	19,834	15,640	15,342	14,362
Net Interest	1,011	1,320	1,581	1,805	1,773
Repayment of debt	2,438	2,495	2,538	2,583	2,629
Additional repayment of debt	(1,480)	(800)	(250)	(450)	0
	23,202	22,849	19,509	19,280	18,764
<b>Other funding</b>					
Contribution to/ (from) earmarked reserves	(5,453)	424	601	604	617
Contribution to/ (from) balances - Other	(388)	(386)	(1,398)	(207)	28
	(5,841)	38	(797)	397	645
<b>Further reductions required</b>	-	-	<b>(750)</b>	<b>(1,200)</b>	<b>(1,200)</b>
<b>Potential reductions identified</b>	-	<b>(5,508)</b>	<b>(743)</b>	<b>(1,007)</b>	<b>(387)</b>
<b>Total Net Budget</b>	<b>17,361</b>	<b>17,379</b>	<b>17,219</b>	<b>17,470</b>	<b>17,822</b>
<b>Balanced Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Opening General Fund Balance	5,522	5,134	4,748	3,350	3,143
Closing General Fund Balance	5,134	4,748	3,350	3,143	3,171

Please note, the MTFP has been extracted from the 2023/24 published Budget Book and therefore projected General Fund Balances differ to balances reported, as at 31/3/2023.

## Narrative Report

### HRA Medium Term Revenue Plan (2022/23 – 2026/27)

	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
<b>Resources</b>					
Rents	19,400	19,400	20,563	21,221	21,900
Service Charges	1,187	1,187	1,250	1,265	1,280
Other	1,027	1,028	1,350	1,429	1,448
Inflation on income	-	1,549	751	713	736
<b>Likely resources</b>	<b>21,614</b>	<b>23,164</b>	<b>23,915</b>	<b>24,628</b>	<b>25,364</b>
<b>Expenditure</b>					
HRA expenditure base budget	15,174	15,466	15,753	15,354	15,621
Inflation on expenditure	-	318	126	128	130
Repairs & Maintenance Programme	-	(50)	(134)	119	199
Reduction in Ash Die Back budget	-	-	(153)	-	-
Service Review savings	-	-	(257)	-	-
Depreciation	4,073	4,073	3,998	3,948	3,948
Revenue Contribution to Capital Outlay	5,000	4,000	2,500	3,350	3,550
Net interest	1,964	1,898	1,898	1,898	1,898
	26,211	25,705	23,731	24,797	25,346
<b>Other Funding</b>					
Contribution to / (from) HRA Working Balance	(4,597)	(2,541)	183	(169)	18
<b>Total Net budget</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Opening HRA Working Balance	11,146	6,549	4,008	4,191	4,022
Closing HRA Working Balance	6,549	4,008	4,191	4,022	4,040

Please note, the HRA MTFP has been extracted from the 2023/24 published Budget Book and therefore projected HRA Balances differ to balances reported, as at 31/3/2023.

## Capital Programme (2023/24 – 2026/27)

<b>GENERAL FUND - CAPITAL PROGRAMME 2023/24 AND FUTURE YEARS</b>				
<b>SCHEMES LISTED WITHIN COUNCIL PURPOSES</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive & Growth Director	999	104	104	104
Net Zero Exeter and City Management	16,724	2,121	1,150	950
Housing & Supporting People	518	-	-	-
Communications, Culture and Leisure Facilities	6,647	100	100	100
Finance	37,107	954	933	-
<b>TOTAL GENERAL FUND CAPITAL PROGRAMME</b>	<b>61,995</b>	<b>3,279</b>	<b>2,287</b>	<b>1,154</b>
<b>FINANCING:</b>				
Capital Receipts	2,304	204	100	204
Disabled Facility Grant	1,652	800	800	800
Community Infrastructure Levy	1,887	225	200	-
Revenue Contributions to Capital Outlay	558	169	-	-
Other Grants & Contributions	9,078	385	-	-
Prudential Borrowing	46,516	1,496	1,187	150
<b>TOTAL GENERAL FUND CAPITAL FINANCING</b>	<b>61,995</b>	<b>3,279</b>	<b>2,287</b>	<b>1,154</b>

<b>HOUSING REVENUE ACCOUNT - CAPITAL PROGRAMME 2023/24 AND FUTURE YEARS</b>				
	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
City Development	27,429	16,854	11,156	11,517
<b>TOTAL HRA CAPITAL PROGRAMME</b>	<b>27,429</b>	<b>16,854</b>	<b>11,156</b>	<b>11,517</b>
<b>FINANCING:</b>				
Major Repairs Reserve	13,469	7,870	5,806	6,467
Capital Receipts	4,670	4,984	2,000	1,500
Commuted Sums	1,538	-	-	-
Other Grants and Contributions	1,352	-	-	-
Revenue Contributions to Capital	4,000	2,500	3,350	3,550
Prudential Borrowing	2,400	1,500	-	-
<b>TOTAL HRA CAPITAL FINANCING</b>	<b>27,429</b>	<b>16,854</b>	<b>11,156</b>	<b>11,517</b>



## Narrative Report

The Capital Programme, on the previous page, reflects the plans approved in the 2023/24 Budget Book along with budgets slipped from 2022/23 and the associated financing. The Council continues to have an ambitious capital programme, which includes:

Two new developments commenced during 2022/23 as part of the Council's housing development programme with further development spend of £9.2m budgeted in 2023/24 – at Hamlin Gardens 21 flats will be constructed and will be available in the Spring of 2024. Additionally, work started on site at Vaughan Road with Phase 1 consisting of 35 affordable homes. All new homes are being built to the passiv-haus environmental standard and form part of the Council's wider plans to create 500 new passiv-haus Council homes in Exeter by 2030.



The Gardens, Vaughan Road, Whipton



Hamlin Gardens, view from North West

Trews Weir will be repaired and fully refurbished to extend its lifespan and to protect the Ship Canal and Exeter Quayside for generations to come. Working in partnership with the Environment Agency, in addition to the weir refurbishment we are likely to upgrade or replace the existing Fish Pass to improve migration up the River Exe for a wider range of fish now present in the river up to Trews Weir. This complex scheme is expected to take three years to design, gain approvals and complete the construction works.



Trews Weir



## Narrative Report

### Message from Dave Hodgson, Director Finance

2022/23 saw unprecedented, in year, financial pressures in Local Government. A higher than expected pay award, inflation, energy prices, higher interest rates and the Cost of Living crisis meant that the Council's finances were under severe strain. The Council was fortunate that it had set aside funds, which could be used to address some of those pressures. The outcome saw a drawdown of General Fund reserves to balance the outturn position and this, along with the ongoing cost pressures, have been built into the medium term financial plan.

Alongside this, the Council has also been identifying ways to increase the funding available to maintain and enhance its property portfolio and to invest in the workforce. The One Exeter transformation programme is dedicated to identifying the cost reductions required across the medium term financial plan alongside implementing improvements to the corporate structure and employees' wellbeing.

The Council does have to address a significant gap in its resources over the life of the medium term financial plan, with a requirement to identify a further £7.5m of savings over the next four financial years. Of this, proposals totalling £2.8m have been identified with a further £4.7m required from the range of cross cutting themes under the One Exeter programme. These programmes will require a shift in the way the Council generates resources as well as streamlining the way the Council is run.

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

**Dave Hodgson CPFA**  
**Director Finance**

The Council's IT Company, Strata Service Solutions Ltd, set up in partnership with East Devon and Teignbridge District Councils has completed its eighth full year in operation and has delivered a refund in line with that agreed at the start of the financial year, along with an additional amount to enable further investment in the service to be delivered.

Exeter City Living Ltd, the Council's development company is continuing to support the delivery of new affordable homes, whilst making progress with other sites. Although market conditions and higher interest rates are making the development landscape challenging.

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

**Councillor A J Wardle**  
**Chair – Audit and Governance Committee**

## Statement of Responsibilities for the Statement of Accounts

### The Authority's Responsibilities

The authority is required to:

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

### The Chief Finance Officer's Responsibilities

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

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

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

### Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of Exeter City Council at the reporting date and of its income and expenditure for the year ended 31 March 2023.

**Dave Hodgson CPFA**  
**Director Finance**  
**6 March 2024**

## Explanation of the Core Financial Statements

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

### Core Financial Statements

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

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

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

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

## Core Financial Statements

### Comprehensive Income and Expenditure Statement

	Restated 2021-2022		Net Expenditure £'000		2022-2023		Notes	
	Gross Expenditure £'000	Gross Income £'000			Gross Expenditure £'000	Gross Income £'000		
	3,311	(128)	3,183	Chief Executive & Growth Director	3,955	(417)	3,538	
	39,181	(33,885)	5,296	Housing & Supporting People	39,991	(35,688)	4,303	
	2,488	(2,398)	90	City Development	2,901	(1,482)	1,419	
	23,131	(7,121)	16,010	Communications, Culture & Leisure Facilities	26,312	(9,687)	16,625	
	21,553	(13,501)	8,052	Net Zero Exeter & City Management	21,109	(13,858)	7,251	
	10,703	(466)	10,237	Finance	3,036	(534)	2,502	
	4,045	(739)	3,306	Corporate Services	3,849	(544)	3,305	
	20,217	(20,489)	(272)	Housing Revenue Account	32,353	(21,594)	10,759	
	956	(417)	539	Strata Service Solutions Ltd	1,140	(627)	513	38
	<b>125,585</b>	<b>(79,144)</b>	<b>46,441</b>	<b>Cost of Services</b>	<b>134,646</b>	<b>(84,431)</b>	<b>50,215</b>	
			1,431	Other operating expenditure			(1,607)	12
			(3,496)	Financing and investment income and expenditure			6,816	13
			(28,825)	Taxation and non-specific grant income			(23,343)	14
			<b>15,551</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>32,081</b>	
				<b>Other Comprehensive Income and Expenditure</b>				
			(20,152)	(Surplus) or deficit on revaluation of property, plant and equipment			(16,238)	27
			(44,982)	Remeasurement of the net defined benefit liability/(asset)			(78,688)	27
			<b>(65,134)</b>	<b>Total Other Comprehensive Income and Expenditure</b>			<b>(94,926)</b>	
			<b>(49,583)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(62,845)</b>	

The Council's internal financial reporting structure changed in 2022/23 following changes to director responsibilities. The segment information for the prior year has therefore been restated.

## Core Financial Statements

### Movement in Reserves Statement

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

## Core Financial Statements

### Movement in Reserves Statement

	General Fund Working Balance (£'000)	Earmarked Reserves (£'000)	Sub total General Fund Total	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Total Usable Reserves (£'000)	Unusable Reserves (£'000)	Total Authority Reserves (£'000)
<b>Balance at 31 March 2022 carried forward</b>	<b>(5,521)</b>	<b>(26,002)</b>	<b>(31,523)</b>	<b>(11,468)</b>	<b>(12,938)</b>	<b>(18,189)</b>	<b>(19,503)</b>	<b>(93,621)</b>	<b>(303,188)</b>	<b>(396,809)</b>
<b>Movement in Reserves during 2022-2023</b>										
Total Comprehensive Income & Expenditure	22,000	-	22,000	10,082	-	-	-	32,082	(94,927)	<b>(62,845)</b>
Adjustments between accounting basis and funding basis under statutory provisions (Note 10)	(10,273)	-	(10,273)	(6,170)	207	(15)	707	(15,544)	15,544	<b>0</b>
Transfers to / (from) Earmarked Reserves	(12,357)	12,357	-	-	-	-	-	0	-	<b>0</b>
<b>(Increase) / Decrease in 2022-2023</b>	<b>(630)</b>	<b>12,357</b>	<b>11,727</b>	<b>3,912</b>	<b>207</b>	<b>(15)</b>	<b>707</b>	<b>16,538</b>	<b>(79,383)</b>	<b>(62,845)</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>(6,151)</b>	<b>(13,645)</b>	<b>(19,796)</b>	<b>(7,556)</b>	<b>(12,731)</b>	<b>(18,204)</b>	<b>(18,796)</b>	<b>(77,083)</b>	<b>(382,571)</b>	<b>(459,654)</b>

## Core Financial Statements

### Balance Sheet

2021-22 £'000	2022-23 £'000	Note
485,622 Property, Plant and Equipment	494,460	15
56,034 Investment Property	98,561	16
22,743 Heritage Assets	22,743	17
448 Intangible Assets	474	
6,536 Long Term Investments	5,633	19
24,007 Long Term Debtors	20,386	19
<b>595,390 Total Long-Term Assets</b>	<b>642,257</b>	
192 Inventories	203	
30,914 Short-Term Debtors	13,319	19, 20 & 21
39,019 Short-Term Investments	15,202	19
4,290 Assets Held for Sale	2,063	22
68,279 Cash & Cash Equivalents	27,754	19 & 23
<b>142,694 Total Current Assets</b>	<b>58,541</b>	
(1,510) Short-Term Borrowing	(1,537)	19
(63,210) Short-Term Creditors	(33,541)	19 & 24
(5,171) Provisions	(5,668)	25
<b>(69,891) Total Current Liabilities</b>	<b>(40,746)</b>	
(166,695) Long term borrowing	(165,160)	19
(2,760) Capital Grants Receipts in Advance	(2,835)	19 & 36
(2,641) Long-Term Creditors	(3,468)	19
(99,288) Pension Scheme Liability	(28,935)	42
<b>(271,384) Total Long-Term Liabilities</b>	<b>(200,398)</b>	
<b>396,809 Net Assets</b>	<b>459,654</b>	
<b>Financed by:</b>		
93,621 Usable Reserves	77,083	26
303,188 Unusable Reserves	382,571	27
<b>396,809 Total Reserves</b>	<b>459,654</b>	

These financial statements replace the unaudited financial statements certified by the Responsible Financial Officer, Dave Hodgson, on 31 August 2023.

**Dave Hodgson, CPFA, Director Finance**



## Core Financial Statements

### Cash Flow Statement

2021-22 £'000		2022-23 £'000	Notes
15,551	Net (surplus) or deficit on the provision of services	32,081	
(56,890)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(58,448)	
13,138	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	10,117	
<b>(28,201)</b>	<b>Net cashflows from Operating Activities</b>	<b>(16,250)</b>	28
50,956	Investing Activities	55,823	29
(59,181)	Financing Activities	952	30
<b>(36,426)</b>	<b>Net (Increase) or decrease in cash and cash equivalents</b>	<b>40,525</b>	
<b>31,853</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>68,279</b>	
<b>68,279</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>27,754</b>	

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## 1. Accounting Policies

### General Principles

The Statement of Accounts summarises the authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, supported by International Financial Reporting Standards (IFRS) and statutory guidance.

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

### Accruals of income and expenditure

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

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

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

**Capitalisation of borrowing costs**; the authority has a policy of capitalising borrowing costs. No borrowing costs have been capitalised by the Council up to 2022/23.

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

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

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

### Creditors and Debtors

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

### Capital receipts

Capital receipts are sums received by the authority from the sale of assets. A proportion of capital receipts relating to certain housing disposals are payable to the government. However, the receipts may be retained providing the local authority has signed an agreement to re-invest the receipts in the provision of replacement homes within 5 years. Exeter City Council entered into the latest retention agreement in June 2023.

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

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

## Notes to the Financial Statements

### Cash and cash equivalents

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

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

### Contingent assets and liabilities

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

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

### Council tax and non-domestic rates (NDR)

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

Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share

proportionally the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### Accounting for Council Tax and NDR

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

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

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

### Pool of Authorities for Non Domestic Rates

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

### Employee benefits

#### Benefits payable during employment

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

#### Termination benefits

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

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

#### Post-employment benefits

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

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

- The liabilities of the pension fund attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate that is based on market yields at the reporting date of a 'high quality corporate bond'.
- The assets of the pension fund attributable to the authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unlisted securities - current bid price
  - property – market value

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

#### Service cost

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

## Notes to the Financial Statements

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

### Re-measurements

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

### Contributions paid to the pension fund

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

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

### McCloud Judgement

There are uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgements, which relate to age discrimination. Remedial regulations are expected in 2023 and uncertainty over the benefit changes proposed will remain until these have been finalised.

On the basis that an allowance has already been made in respect of the impact on liabilities (allowed for as a past service cost) and projected service costs, then no explicit adjustment is required by the actuaries for their results this year.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the

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

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

### Discretionary Benefits

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

### Events after the Balance Sheet date

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

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

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



## Notes to the Financial Statements

### Financial instruments

#### Financial Liabilities

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

#### Financial Assets

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

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

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

#### Financial Assets Measured at Amortised Cost

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

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

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

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

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

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

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

However, for financial assets deemed to be pooled investment funds, e.g. CCLA Property Fund, statutory regulations are in place until 31 March 2025 that permit fair value gains and losses to be reversed out of the General Fund balance to the Financial Instruments Adjustment Account.



## Notes to the Financial Statements

### Fair value measurements of financial assets

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

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

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

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

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

### Expected Credit Loss Model

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

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

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

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

### Government grants and contributions

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

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

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

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

## Notes to the Financial Statements

### Business Improvement District (BID)

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

### Community Infrastructure Levy (CIL)

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

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

### Heritage assets

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

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

**Museum Exhibits / Art / Civic Regalia** – A non-electronic register of the assets is held by the Museum and Guildhall and from this an insurance valuation has been produced. The Council will use the insurance valuation, as at 31 March 2023, as a measurement of the valuation of the assets. The assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. Impairments and disposals are treated as per the policy on property, plant and equipment.

### Interest in companies and other entities

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

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

### Inventories

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

### Investment properties

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

### Measurement

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

## Notes to the Financial Statements

### Valuations

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

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

### Valuation Technique

Three valuation techniques can be applied:

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

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

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

### Income from Investment Properties

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

### Joint operations

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

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

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

### Leases

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

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

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

## Notes to the Financial Statements

### The Authority as Lessee

#### Finance Leases

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

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

Lease payments are apportioned between:

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

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

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

#### Operating Leases

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

### The Authority as Lessor

#### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

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

#### Operating Leases

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

## Notes to the Financial Statements

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

### Overheads and support services

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

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

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

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

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

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

### Property, plant and equipment

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

#### Recognition

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

#### Measurement

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

#### Donated Assets

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



## Notes to the Financial Statements

### Balance Sheet Valuation

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

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

### Revaluations

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

A decrease in value is accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service in the Comprehensive Income and Expenditure Statement.

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

### Impairment

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

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

### Depreciation

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

## Notes to the Financial Statements

The following policies are used for depreciation:

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

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

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

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

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

### Components

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

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

### Disposals

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

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

### Non-current Assets Held for Sale

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



## Notes to the Financial Statements

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

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

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

### Provisions

Provisions are made where an event has taken place on or before the Balance Sheet date that gives the authority a present obligation that probably requires settlement by a transfer of economic benefits and a reliable estimate can be made of the amount of the obligation. These are charged to the service in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation and are measured at the best estimate of the amount required to settle the obligation. When payments are eventually made they are charged to the provision carried in the Balance Sheet.

### Reserves

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service and the reserve is transferred back into the General Fund Balance so that there is no net charge against council tax. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the authority – these reserves are explained in the relevant policies.

### Revenue charges for non-current assets

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

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

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

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

### Revenue expenditure funded from capital under statute

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

## Notes to the Finance Statements

### 2. Expenditure and Funding Analysis

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

Restated 2021-22	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis (Note 7) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Chief Executive & Growth Director	2,837	346	3,183
Housing & Supporting People	4,286	1,010	5,296
City Development	(251)	341	90
Communications, Culture & Leisure Facilities	4,709	11,301	16,010
Net Zero Exeter & City Management	2,832	5,220	8,052
Finance	(558)	10,795	10,237
Corporate Services	2,220	1,086	3,306
Housing Revenue Account	1,799	(2,071)	(272)
Strata Service Solutions Ltd	-	539	539
<b>Net Cost of Services</b>	<b>17,874</b>	<b>28,567</b>	<b>46,441</b>
Other income and expenditure	(10,210)	(20,680)	(30,890)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>7,664</b>	<b>7,887</b>	<b>15,551</b>

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

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

The Council's internal financial reporting structure changed in 2022/23 following changes to director responsibilities. The segment information for the prior year has therefore been restated.

## Notes to the Financial Statements

### Expenditure and Funding Analysis

2022-2023	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis (Note 7) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Chief Executive & Growth Director	3,186	352	3,538
Housing & Supporting People	3,206	1,097	4,303
City Development	1,122	297	1,419
Communications, Culture & Leisure Facilities	5,667	10,958	16,625
Net Zero Exeter & City Management	3,330	3,921	7,251
Finance	(2,812)	5,314	2,502
Corporate Services	2,506	799	3,305
Housing Revenue Account	3,913	6,846	10,759
Strata Service Solutions Ltd	-	513	513
<b>Net Cost of Services</b>	<b>20,118</b>	<b>30,097</b>	<b>50,215</b>
Other income and expenditure	(4,479)	(13,655)	(18,134)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>15,639</b>	<b>16,442</b>	<b>32,081</b>

<b>Opening General Fund and HRA Balance at 1 April 2022</b>	<b>(42,991)</b>
Add surplus on General Fund and HRA Balance in Year	15,639
<b>Closing General Fund and HRA Balance at 31 March 2023</b>	<b>(27,352)</b>

Analysed between General Fund and HRA Balances	General Fund	HRA	Total
Opening Balance at 1 April 2022	(31,523)	(11,468)	(42,991)
(Surplus) or Deficit in Year	11,727	3,912	15,639
<b>Closing General Fund and HRA Balance at 31 March 2023</b>	<b>(19,796)</b>	<b>(7,556)</b>	<b>(27,352)</b>

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

Local authorities are required to report the impact of accounting changes that will be required by a new standard that has been issued but not yet adopted. For this disclosure, the standards introduced by the 2023/24 Code and effective from 1 April 2023, include:

- Definition of Accounting Estimates (amendment to IAS 8) issued in February 2021
- Disclosure of Accounting Policies (amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021
- Deferred Tax related to Assets and Liabilities arising from a single transactions (amendments to IAS 12) issued in May 2021
- Updating a Reference to the Conceptual Framework (amendments to IFRS 3) issued in May 2020

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

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

### 4. Critical Judgements in Applying Accounting Policies

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

#### Asset classification

Assets classified as held for sale might be particularly impacted by the higher interest rates, as the potential to discourage buyers increases uncertainty around judgements as to whether a sale is deemed 'highly probable'. Judgement has therefore been required to consider whether inflation or the cost of borrowing is likely to impact on the expectation for a sale. Where there is sufficient evidence that the authority remains committed to its plan to sell the asset it has remained classified as held for sale.

#### Expected Credit Losses

The cost of living pressures and higher interest rates may impact on future debt recovery. Judgement has therefore been required in respect of expected credit losses. The Council uses a range of data to help inform any loss allowances – for debtors with common risk characteristics it is based upon historically observed rates of recover but adjusted for future expectations of recovery.

#### Group Accounts

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

#### Joint Operation

Strata Service Solutions Ltd is a registered company which has been established to assist the three authorities; Exeter City

Council, East Devon District Council and Teignbridge District Council, in the provision and operation of shared ICT services. It is deemed to be a joint operation due to the inherent rights to the assets and obligations for liabilities each authority has relating to the joint arrangement, based upon the following facts and circumstances:

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

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

### 5. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director Finance, D Hodgson CPFA, 6 March 2024. Events taking place after this date are not reflected in the 2022/23 financial statements or notes. Where events took place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following event, which took place after 31 March 2023, as they provide information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date:

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

## Notes to the Financial Statements

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

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

Item	Uncertainties	Effect if actual result differs from Assumptions
<p><b>Pensions liability</b></p>	<p>Estimates of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Those assumptions are detailed in Note 42 to the accounts. The carrying value of this long term liability at the end of the reporting period was £28.935m.</p> <p>For 2022/23, the actuarial report was requested using the results of the latest Triennial 2022 Actuarial Valuation of the Devon Pension Fund. The actuary's standard approach uses 12 months actual cash-flow data and asset values at 31 March 2023.</p> <p>The estimated cost of the Court of Appeal judgement in relation to the McCloud and Sargeant cases, which relate to age discrimination, were updated as part of the 2022 valuation update. However, the impact on LGPS members' past and present service benefits will only be known once the Government publish the final set of remedial regulations.</p>	<p>The impact of a change in the actuarial assumptions will be to increase or decrease the net pension liability shown in the Balance Sheet. For example, a 1% increase in the discount rate would result in a decrease of £3.062m in the pension liability and £0.161m in the Projected Service Cost. However the assumptions interact in a complex way. During the year the actuaries have reduced the liability by £105.323m as a result of assumptions being updated.</p> <p>These changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from council tax.</p>

## Notes to the Financial Statements

Item	Uncertainties	Effect if actual result differs from Assumptions
<b>Valuation of Property, Plant and Equipment</b>	<p>The Council operates a rolling programme of valuation reviews which ensures all assets are revalued at intervals no greater than five years with; 20% of assets revalued each year, the top 4 highest value assets revalued every year and a desktop valuation undertaken for those assets not subject to the rolling revaluation.</p> <p>The Council's in-house valuer applies professional judgement in respect of the current value of assets including assumptions on property condition where no inspection data is available, that properties meet minimum EPC rating requirements, that there has been no recent flooding, properties are not contaminated and are free of radon gas. Valuations are undertaken in accordance with Royal Institution of Chartered Surveyors (RICS) guidance.</p> <p>The in-house valuer maintains knowledge of property conditions through their ongoing involvement with Corporate Property management services.</p> <p>Where external valuers were instructed to provide valuations as at 31 March 2023, property inspections were undertaken.</p>	<p>In 2022/23 £470.405m of PPE was subject to a revaluation and a variation of 1% in the value of these assets would result in a change in the carrying amount of £4.7m in the Balance Sheet.</p>
<b>Expected Credit Losses</b>	<p>At 31 March 2023, the authority had a balance of £12.878m for short-term debtors (excluding NDR deficit amounts). A review of significant balances suggested that a loss allowance for doubtful debts totalling £4.135m was appropriate.</p> <p>The loss allowance was based upon historically observed rates of recovery adjusted for future expectations of recovery for each type of debtor. However, the Council cannot be certain that this impairment allowance is sufficient to offset any losses through non-payment debts. This is due to the uncertainty around which organisations and individuals may become economically unviable due to the impact of the pandemic, interest rate rises and inflation rate rises. Rising costs of living may impact on debtor's ability to pay, with energy and fuel prices at elevated levels in part due to the war in Ukraine.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of impairment of doubtful debts would require an additional £4.135m to be set aside as an allowance.</p>



## Notes to the Financial Statements

Item	Uncertainties	Effect if actual result differs from Assumptions
<b>Investment Properties</b>	<p>Investment properties are required to be measured at fair value, reflecting market conditions at the end of the reporting period (i.e. 31 March 2023). Where the Authority uses significant unobservable inputs to measure the fair value of its investment properties (Level 3 of the fair value hierarchy), there is a greater level of subjectivity involved, including assumptions regarding rent growth and yield.</p> <p>Valuations have been carried out by Vickery Holman, a local firm of external registered valuers with experience in asset valuations for local authorities. Where inspections have not been carried out, assumptions are made in respect of property condition, that properties meet minimum EPC rating requirements, no recent flooding, properties are not contaminated and are free of radon gas. Valuations are undertaken in accordance with Royal Institute of Chartered Surveyors (RICS) guidance.</p>	<p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.</p> <p>As at 31 March 2023, investment properties were valued at £4.518m based on Level 3 of the fair value hierarchy and a variation of 1% in the value of these assets would result in a change in the carrying amount of £0.045m in the Balance Sheet.</p>
<b>Business rates</b>	<p>The Council receives income from business rates which forms part of its funding of its revenue budget. Due to the uncertain impact of rising energy and fuel prices on businesses and potential rateable value appeals it is possible that current assumptions may not be fully accurate.</p> <p>The NDR arrears balance of £1.984m at the Balance Sheet date is deemed to be at risk of material adjustment within the next year due to current economic circumstance which may result in some businesses struggling to pay. A review of arrears suggested that an impairment of doubtful debts of 47% (£0.930m) was appropriate. However, in the current economic climate it is not certain that such an allowance will be sufficient.</p>	<p>Whilst economic uncertainty means any estimate of the impact would be highly uncertain, the impact would feed through in to the collection fund balance which would then be taken account of in future years' budgets.</p> <p>If collection rates were to deteriorate further, a doubling of the amount of the impairment of doubtful debts would require an additional £0.930m to be set aside as an allowance.</p>

## Notes to the Financial Statements

### 7. Note to the Expenditure and Funding Analysis

<b>Restated</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
<b>Adjustments between Funding and Accounting Basis 2021-22</b>	(Note 7.1)	(Note 7.2)	(Note 7.3)	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive & Growth Director	-	346	-	346
Housing & Supporting People	24	945	41	1,010
City Development	5	336	-	341
Communications, Culture & Leisure Facilities	10,022	1,269	10	11,301
Net Zero Exeter & City Management	3,103	2,153	(36)	5,220
Finance	7,934	(896)	3,757	10,795
Corporate Services	696	390	-	1,086
Housing Revenue Account	2,682	584	(5,337)	(2,071)
Strata Service Solutions Ltd	-	-	539	539
<b>Net Cost of Services</b>	<b>24,466</b>	<b>5,127</b>	<b>(1,026)</b>	<b>28,567</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(9,480)</b>	<b>2,747</b>	<b>(13,947)</b>	<b>(20,680)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>14,986</b>	<b>7,874</b>	<b>(14,973)</b>	<b>7,887</b>
<b>Adjustments between Funding and Accounting Basis 2022-23</b>	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
<b>Adjustments between Funding and Accounting Basis 2022-23</b>	(Note 7.1)	(Note 7.2)	(Note 7.3)	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive & Growth Director	3	348	1	352
Housing & Supporting People	327	821	(51)	1,097
City Development	5	292	-	297
Communications, Culture & Leisure Facilities	9,702	1,258	(2)	10,958
Net Zero Exeter & City Management	2,211	1,876	(166)	3,921
Finance	445	(1,371)	6,240	5,314
Corporate Services	456	338	5	799
Housing Revenue Account	7,821	462	(1,437)	6,846
Strata Service Solutions Ltd	-	-	513	513
<b>Net Cost of Services</b>	<b>20,970</b>	<b>4,024</b>	<b>5,103</b>	<b>30,097</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(8,580)</b>	<b>2,622</b>	<b>(7,697)</b>	<b>(13,655)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>12,390</b>	<b>6,646</b>	<b>(2,594)</b>	<b>16,442</b>

The Council's internal financial reporting structure changed in 2022/23 following changes to director responsibilities. The segment information for the prior year has therefore been restated.

## Notes to the Financial Statements

### Note 7.1: Adjustments for Capital Purposes

Adjustments for capital purposes reflect:

- **For services** this column adds in depreciation and impairment and adjusts for revenue expenditure funded from capital under statute and removes the revenue contribution to capital made by the Housing Revenue Account.
- **Other income and expenditure from the Expenditure and Funding Analysis** adjusts for statutory charges for capital financing i.e. Minimum Revenue Provision, Voluntary Revenue Provision and other capital contributions are deducted. It also adjusts for capital disposals with a transfer of the income on the disposal and the amounts written-off. The pooling payment in respect of properties sold under the right-to-buy scheme, capital grants and the gain on donated assets are also recognised.

### Note 7.2: Net Change for the Pensions Adjustments

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

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For other income and expenditure from the Expenditure and Funding Analysis** – the net interest on the defined benefit liability is charged to the CIES.

### Note 7.3: Other Differences

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

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

## Notes to the Financial Statements

### 8. Segmental Reporting

The net expenditure figures in the Expenditure and Funding Analysis for the Council's services include the following particular amounts of income and expenditure.

	Chief Executive & Growth Director £'000	City Development £'000	Housing & Supporting People £'000	Communications, Culture & Leisure Facilities £'000	Net Zero Exeter & City Management £'000	Finance £'000	Corporate Services £'000	Housing Revenue Account £'000
<b>2021-2022 Restated</b>								
<b>Expenditure</b>								
Benefit payment	-	-	28,704	-	-	-	-	-
Revenue Contribution to Capital	-	-	-	-	-	-	-	3,397
Net interest expense	-	-	-	-	-	-	-	1,940
Covid support payments	-	-	1,278	63	1,354	-	-	-
Depreciation & impairment	43	-	(14)	10,022	3,148	7,933	696	6,530
<b>Income</b>								
Benefit subsidy	-	-	(27,076)	-	-	-	-	-
Car park income	-	-	-	-	(7,544)	-	-	-
Covid grant funding	-	-	(490)	(467)	-	-	-	-
Furlough funding	-	-	(8)	(147)	-	(1)	(7)	-
Revenues from other external sources	(117)	(1,368)	(2,603)	(3,784)	(4,747)	(494)	(412)	(20,278)
Revenues from transactions with other operating segments of the authority	(469)	-	(265)	(39)	(710)	(531)	(453)	(93)
<b>2022-2023</b>								
<b>Expenditure</b>								
Benefit payment	-	-	28,411	-	-	-	-	-
Revenue Contribution to Capital	-	-	-	-	-	-	-	5,000
Net interest expense	-	-	-	-	-	-	-	1,442
Depreciation & impairment	3	5	327	9,702	2,248	445	456	16,913
<b>Income</b>								
Benefit subsidy	-	-	(26,916)	-	-	-	-	-
Car park income	-	-	-	-	(8,504)	-	-	-
Leisure membership	-	-	-	(2,308)	-	-	-	-
Revenues from other external sources	(394)	(1,225)	(2,426)	(4,312)	(4,788)	(506)	(476)	(21,574)
Revenues from transactions with other operating segments of the authority	(559)	-	(295)	(77)	(731)	(944)	(495)	(95)

The Council's internal financial reporting structure changed in 2022/23 following changes to director responsibilities. The segment information for the prior year has therefore been restated.

## Notes to the Financial Statements

### 9. Expenditure and Income Analysed by Nature

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

	2021-22	2022-23
	£'000	£'000
<b>Expenditure:</b>		
Employee benefits expenses	35,082	39,041
Other service expenses	61,908	65,273
Depreciation, amortisation, impairment	28,591	30,331
Interest payments	3,741	4,889
Levies payable	-	3
Net interest on the net defined benefit liability	2,662	2,526
Pension Fund administration expenses	90	96
Impairment losses	671	531
Payments to Housing Capital Receipts Pool	425	0
<b>Total expenditure</b>	<b>133,170</b>	<b>142,690</b>
<b>Income:</b>		
Fees, charges and other service income	(23,141)	(27,266)
Revenue from contracts with service recipients	(18,811)	(19,873)
Interest and investment income	(9,749)	(2,037)
Income from council tax, non-domestic rates	(12,612)	(13,221)
Government grants and contributions	(39,836)	(39,311)
Furlough funding	(163)	-
Covid grants	(2,175)	(16)
Cost of Living Support grants	-	(923)
Homes for Ukraine Scheme	-	(390)
Capital grants and contributions	(11,227)	(6,773)
Movements in Financial Instruments held at Fair Value through Profit and Loss	(821)	907
Gain on the disposal of assets	916	(1,706)
<b>Total income</b>	<b>(117,619)</b>	<b>(110,609)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>15,551</b>	<b>32,081</b>

### 9A. Revenue from Contracts with Service Recipients

	2021-22	2022-23
	£'000	£'000
<b>Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:</b>		
Revenue from contracts with service recipients	18,826	19,908
Impairment of receivables or contract assets	(15)	(35)
<b>Total included in Comprehensive Income and Expenditure Statement</b>	<b>18,811</b>	<b>19,873</b>
<b>Amounts included in the Balance Sheet for contracts with service recipients:</b>		
Receivables, which are included within debtors (Note 20)	315	255
<b>Total included in net assets</b>	<b>315</b>	<b>255</b>

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

## Notes to the Financial Statements

### 10. Adjustments between Accounting Basis and Funding Basis under Regulations

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

#### General Fund Balance

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

#### Housing Revenue Account Balance

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

#### Major Repairs Reserve

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

#### Capital Grants Unapplied

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

#### Capital Receipts Reserve

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

## Notes to the Financial Statements

	Usable Reserves									
	2021-22					2022-23				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to the Comprehensive Income and Expenditure Statement</b>										
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:										
~ Pension costs (transferred to or from the Pensions Reserve)	(7,306)	(877)	-	-	-	(6,179)	(727)	-	-	-
~ Financial instruments (transferred to the Financial Instruments Adjustment Account)	858	-	-	-	-	(868)	-	-	-	-
~ Council Tax and NDR (transfers to or from the Collection Fund)	6,320	-	-	-	-	10,923	-	-	-	-
~ Holiday pay (transferred to the Accumulated Absences Reserve)	(27)	-	-	-	-	(40)	(5)	-	-	-
~ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(11,123)	(8,101)	-	-	(7,196)	(17,517)	(18,726)	-	-	(235)
<b>Total Adjustments to the Comprehensive Income and Expenditure Statement</b>	<b>(11,278)</b>	<b>(8,978)</b>	<b>0</b>	<b>0</b>	<b>(7,196)</b>	<b>(13,681)</b>	<b>(19,458)</b>	<b>0</b>	<b>0</b>	<b>(235)</b>
<b>Adjustments between Revenue and Capital Resources</b>										
~ Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	331	4,972	(5,303)	-	-	2,908	4,247	(7,155)	-	-
~ Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(48)	48	-	-	-	(51)	51	-	-
~ Payments to the Government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(425)	-	425	-	-	-	-	-	-	-
~ Posting of HRA resources from revenue to the Major Repairs Reserve	-	3,849	-	(3,849)	-	-	4,092	-	(4,092)	-
~ Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	957	-	-	-	-	1,909	-	-	-	-
~ Voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account)	(664)	-	-	-	-	(1,480)	-	-	-	-
~ Adjustment to Long Term Debtor Repayments	-	-	-	-	-	-	-	-	-	-
~ Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	-	3397	-	-	-	71	5,000	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>199</b>	<b>12,170</b>	<b>(4,830)</b>	<b>(3,849)</b>	<b>0</b>	<b>3,408</b>	<b>13,288</b>	<b>(7,104)</b>	<b>(4,092)</b>	<b>0</b>
<b>Capital Financing Adjustments</b>										
~ Use of the Capital Receipts Reserve to finance capital expenditure	-	-	4,773	-	-	-	-	7,311	-	-
~ Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	897	-	-	-	-	4,077	-
~ Application of capital grants to finance capital expenditure	-	-	-	-	2356	-	-	-	-	942
~ Cash payments in relation to deferred capital receipts	-	-	48	-	-	-	-	-	-	-
<b>Total Capital Financing Adjustments</b>	<b>0</b>	<b>0</b>	<b>4,821</b>	<b>897</b>	<b>2,356</b>	<b>0</b>	<b>0</b>	<b>7,311</b>	<b>4,077</b>	<b>942</b>
<b>Total Adjustments</b>	<b>(11,079)</b>	<b>3,192</b>	<b>(9)</b>	<b>(2,952)</b>	<b>(4,840)</b>	<b>(10,273)</b>	<b>(6,170)</b>	<b>207</b>	<b>(15)</b>	<b>707</b>



## Notes to the Financial Statements

### 11. Movements in Earmarked Reserves

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

	Balance 31 March 2021	Transfers in	Transfers out	Balance 31 March 2022	Transfers in	Transfers out	Balance 31 March 2023
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Building Control Reserve	39	19	-	58	-	(46)	12
Capital Fund	500	-	-	500	-	-	500
Covid Response Funds	6,957	202	(2,941)	4,218	454	(2,133)	2,539
Economic Development	103	10	-	113	1,301	(13)	1,401
Environment	1,000	-	(32)	968	-	(102)	866
Housing GF Reserves	353	-	(104)	249	340	(15)	574
Land Charges Reserve	263	62	-	325	17	-	342
Leisure Reserves	550	67	(56)	561	-	(292)	269
Museum Reserves	733	6	(6)	733	-	(351)	382
New Homes Bonus	134	-	-	134	-	-	134
NDR Deficit	17,424	11,084	(17,410)	11,098	-	(10,804)	294
Planning Reserves	1,407	635	(23)	2,019	80	(419)	1,680
Redundancy Reserve	500	500	(62)	938	706	(596)	1,048
Transformation	422	264	(3)	683	-	(93)	590
Other Earmarked Reserves	2,047	1,200	(101)	3,146	695	(1,076)	2,765
Strata Usable Reserves	259	-	-	259	-	(10)	249
<b>Total</b>	<b>32,691</b>	<b>14,049</b>	<b>(20,738)</b>	<b>26,002</b>	<b>3,593</b>	<b>(15,950)</b>	<b>13,645</b>

Movements in earmarked reserves continue to be at higher than usual levels and this is predominantly due to the NDR Deficit. The accounting arrangements for NDR meant that losses incurred in 2020/21, due to collection losses and rate reliefs to particular business sectors, were able to be carried forward. The earmarked reserve reflects the setting aside of grant scheme monies which the Government implemented to compensate authorities for the lost income, which have been debited back to the General Fund Balance in both 2021/22 and 2022/23.

## Notes to the Financial Statements

### 12. Other Operating Expenditure

	2021-22	2022-23
	£'000	£'000
Pension Fund Administration Expenses	90	96
Levies - Strata Service Solutions	-	3
Payment to the Government's Housing Capital Receipt Pool	425	-
(Gain) / losses on the disposal of non-current assets	916	(1,710)
(Gain) / losses on disposal of assets - Strata Service Solutions Ltd	-	4
	<b>1,431</b>	<b>(1,607)</b>

### 13. Financing and Investment Income and Expenditure

	2021-22	2022-23
	£'000	£'000
Interest payable and similar charges	3,741	4,889
Net interest on the net defined benefit liability	2,587	2,438
Net interest on the net defined benefit liability - Strata Service Solutions Ltd	75	88
Interest receivable	(1,033)	(2,753)
Income and expenditure in relation to investment properties and changes in their fair value	(8,856)	651
Other investment income and expenditure	141	80
Movements in Financial Instruments held at Fair Value through Profit and Loss	(821)	907
Impairment losses	671	531
Interest receivable - Strata Service Solutions Ltd	(1)	(15)
	<b>(3,496)</b>	<b>6,816</b>

### 14. Taxation and Non-specific Grant Income

	2021-22	2022-23
	£'000	£'000
Council tax income	(6,247)	(6,534)
Non-domestic rates	(6,365)	(6,687)
Non-ringfenced government grants	(3,768)	(3,333)
Capital grants and contributions	(11,227)	(6,773)
<b>Covid Grants:</b>		
Sales, Fees & Charges		
Compensation Scheme	(457)	(16)
Covid Support Grant	(761)	-
	<b>(28,825)</b>	<b>(23,343)</b>

## Notes to the Financial Statements

### 15. Property, Plant and Equipment

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

## Notes to the Financial Statements

	Council Dwellings and Garages £'000s	Other Land and Buildings £'000s	Vehicles, Plant & Equipment £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Surplus Assets £'000s	Assets under Construction £'000s	Total Property, Plant and Equipment £'000s
<b>Cost or valuation</b>								
As at 1 April 2022	290,453	119,520	25,179	5,794	5,392	117	58,178	<b>504,633</b>
Additions	11,709	4,141	4,525	329	64	-	5,111	<b>25,879</b>
Donations	-	-	-	-	-	-	-	<b>0</b>
Revaluations - Revaluation Reserve	15,452	(4,864)	-	-	-	-	-	<b>10,588</b>
Revaluations - CIES	-	221	-	-	-	-	-	<b>221</b>
Impairments - CIES	(12,832)	(9,532)	-	-	-	-	-	<b>(22,364)</b>
Derecognition - disposals	(1,369)	-	(627)	(28)	-	-	-	<b>(2,024)</b>
Reclassifications - held for sale	(1,592)	-	-	-	-	-	-	<b>(1,592)</b>
Reclassifications - surplus	-	-	-	-	-	(117)	-	<b>(117)</b>
Reclassifications - AUC	14,451	44,647	-	-	-	-	(59,098)	<b>0</b>
Reclassifications - Investment property	-	-	-	-	-	-	-	<b>0</b>
Other movements - Strata Service Solutions Ltd	-	-	68	-	-	-	-	<b>68</b>
<b>Gross Book Value At 31 March 2023</b>	<b>316,272</b>	<b>154,133</b>	<b>29,145</b>	<b>6,095</b>	<b>5,456</b>	<b>0</b>	<b>4,191</b>	<b>515,292</b>
<b>Depreciation and impairments</b>								
At 1 April 2022	-	-	(15,425)	(3,586)	-	-	-	<b>(19,011)</b>
Depreciation Charge	(4,062)	(1,912)	(2,140)	(245)	-	-	-	<b>(8,359)</b>
Depreciation written out to Revaluation Reserve	4,032	1,600	-	-	-	-	-	<b>5,632</b>
Impairment - CIES	11	312	-	-	-	-	-	<b>323</b>
Derecognition - disposals	19	-	564	-	-	-	-	<b>583</b>
<b>Accumulative Depreciation At 31 March 2023</b>	<b>0</b>	<b>0</b>	<b>(17,001)</b>	<b>(3,831)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(20,832)</b>
<b>Balance Sheet amount at 31 March 2023</b>	<b>316,272</b>	<b>154,133</b>	<b>12,144</b>	<b>2,264</b>	<b>5,456</b>	<b>0</b>	<b>4,191</b>	<b>494,460</b>

## Notes to the Financial Statements

### Revaluations

The frequency of revaluations and significant assumptions applied in estimating fair value are set out in the statement of accounting policies. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuations, as at 31 March 2023 were carried out by the Council's in-house valuers; registered with the Royal Institution of Chartered Surveyors, and externally appointed valuers.

	Council Dwellings and Garages £'000s	Other Land and Buildings £'000s	Vehicles, Plant & Equipment £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Surplus Assets £'000s	Assets under Construction £'000s	Total Property, Plant and Equipment £'000s
<b>Carried at historical cost</b>	-	-	29,145	6,095	5,456	-	4,191	<b>44,887</b>
<b>Valued at current value as at:</b>								
31 March 2019	-	-	-	-	-	-	-	<b>0</b>
31 March 2020	-	-	-	-	-	-	-	<b>0</b>
31 March 2021	-	-	-	-	-	-	-	<b>0</b>
31 March 2022	-	-	-	-	-	-	-	<b>0</b>
31 March 2023	316,272	154,133	-	-	-	-	-	<b>470,405</b>
<b>Gross Book Value At 31 March 2023</b>	<b>316,272</b>	<b>154,133</b>	<b>29,145</b>	<b>6,095</b>	<b>5,456</b>	<b>0</b>	<b>4,191</b>	<b>515,292</b>

### Capital Commitments

At 31 March 2023, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2023/24 and future years budgeted to cost £17.318m. Similar commitments at 31 March 2022 were £9.293m. The major commitments are:

- £ 0.544m St Sidwell's Point Leisure Complex
- £ 11.600m Vaughan Road, phase I
- £ 3.549m Hamlin Gardens council housing development
- £ 0.099m Bus station construction
- £ 1.602m Planned enhancements to housing stock (boiler replacements, electrical re-wiring)
- £ 0.126m Other (IT and property improvements)

## Notes to the Financial Statements

### 16. Investment Properties

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

	2021-22	2022-23
	£'000	£'000
Rental income from investment property	4,363	9,431
Direct operating expenditure arising from investment property	(612)	(3,238)
<b>Net gain</b>	<b>3,751</b>	<b>6,193</b>

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

With regards to the Guildhall Shopping Centre, the Department for Levelling Up, Housing and Communities permitted the Council to borrow in respect of acquiring this investment property on the basis that any net gain is set aside specifically for the purposes of economic regeneration. During 2022/23, the shopping centre generated a net gain of £1.301m, which has been set aside in an earmarked reserve for economic regeneration future spend.

#### Fair Value Hierarchy

Details of the authority's investment properties and information about fair value hierarchy as at 31 March 2023 and comparatives as at 31 March 2022 are as follows:

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

Class of Asset	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2023 £'000
Industrial	2,637	4,235	6,872
Retail	70,008	31	70,039
Leisure	7,385	-	7,385
Office	11,701	-	11,701
Other Commercial	2,312	252	2,564
<b>Total</b>	<b>94,043</b>	<b>4,518</b>	<b>98,561</b>

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

	2021-22	2022-23
	£'000	£'000
Balance at 1 April	53,388	56,034
Additions :		
Purchases	-	49,061
Construction	-	-
Subsequent expenditure	-	310
Disposals	(159)	
Net gains / losses from fair value adjustments	5,105	(6,844)
Transfers:		
To/from Property, Plant & Equipment	(2,300)	
<b>Balance at 31 March</b>	<b>56,034</b>	<b>98,561</b>

## Notes to the Financial Statements

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

#### Significant Observable Inputs – Level 3

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

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

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

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

	Industrial	Retail	Leisure	Office	Other Commercial	Fair value as at 31 March 2023
<b>Level 3 fair value measurements</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 1 April	4,560	3,361	96	-	712	8,729
Gains/(losses) recognised in the CIES resulting from changes in the fair value	332	(26)	-	-	(140)	166
Additions	-	-	-	-	-	0
Transfers in and out of level 3	(657)	(3,304)	(96)	0	(320)	(4,377)
Disposals	-	-	-	-	-	0
<b>Level 3 balance at 31 March</b>	<b>4,235</b>	<b>31</b>	<b>0</b>	<b>0</b>	<b>252</b>	<b>4,518</b>

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

Property type	Lease type	Rent type	Fair value as at 31 March 2023 £'000	Valuation technique used to measure fair value	Unobservable inputs	Range / percentage used	Sensitivity
Industrial	Commercial	Market	1,556	Income approach	Rent & Yield	Rent £3.50 - £8 psf Yield 7 - 10%	Significant changes in rental levels or yield will result in a significantly lower or higher fair value
	Ground	Nominal	925	Income approach	Rent & Yield	Rent £3.50 - £8 psf Yield 2.5 - 10%	Significant changes in rental levels or yield will not result in a significant difference to the fair value
	Ground	Gearred	1,754	Income approach	Yield	Yield 3.5 - 8%	Significant changes in yield will result in a significantly lower or higher fair value
Retail	Commercial	Market	-	Income approach	Rent & Yield	Rent £13 - £25 psf ITZA. Yield 9 - 12%	Significant changes in rental levels or yield will result in a significantly lower or higher fair value
	Ground	Nominal	31	Income approach	Rent & Yield	Rent £15 - £42 psf ITZA. Yield 7 - 10.5%	Significant changes in rental levels or yield will not result in a significant difference to the fair value
	Ground	Gearred	-	Income approach	Yield	Yield 7-8%	Significant changes in yield will result in a significantly lower or higher fair value
Other commercial	Commercial	Market	-	Income approach	Yield	Yield 10- 12%	Significant changes in yield will result in a significantly lower or higher fair value
	Ground	Gearred	134	Income approach	Yield	Yield 9%	Significant changes in yield will result in a significantly lower or higher fair value
	Ground	Nominal	118	Income approach	Yield	Yield 5.5 - 12%	Significant changes in yield will not result in a significant difference to the fair value



## Notes to the Financial Statements

### 17. Heritage Assets

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

	Museum Exhibits £'000	Civic Regalia and Paintings at the Guildhall £'000	Artefacts at St Nicholas Priory £'000	Total £'000
<b>Cost or Valuation</b>				
<b>1 April 2021</b>	20,000	2,663	163	<b>22,826</b>
Additions	-	-	-	<b>0</b>
Disposals	-	-	(163)	<b>(163)</b>
Revaluations	-	80	-	<b>80</b>
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	<b>0</b>
Impairment Losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	<b>0</b>
<b>31 March 2022</b>	<b>20,000</b>	<b>2,743</b>	<b>0</b>	<b>22,743</b>
<b>Cost or Valuation</b>				
<b>1 April 2022</b>	20,000	2,743	-	<b>22,743</b>
Additions	-	-	-	<b>0</b>
Disposals	-	-	-	<b>0</b>
Revaluations	-	-	-	<b>0</b>
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	<b>0</b>
Impairment Losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	<b>0</b>
<b>31 March 2023</b>	<b>20,000</b>	<b>2,743</b>	<b>0</b>	<b>22,743</b>

### 18. Further Information on the Collections

#### St Nicholas Priory

St Nicholas Priory is the 900 year old guest wing of a former Benedictine Priory in Exeter City Centre. Adorned with quality replica furniture and painted in the bright colours of the period, the Priory is presented as the 1602 home of the wealthy Hurst family. The display of Elizabethan items is from the city's collection. The artefacts at Nicolas Priory were removed from the Council's insurance portfolio following the grant of a long lease to Exeter Historic Buildings Trust and treated as a disposal in accordance with the policy on property, plant and equipment during 2021/22.

#### Guildhall

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

#### Royal Albert Memorial Museum

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

#### Other Heritage Assets

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

## Notes to the Financial Statements

### 19. Financial Instruments

#### Classification of Financial Instruments

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

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

#### Categories of Financial Instruments

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

#### Financial Assets

	Long-term				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000
<b>Financial Assets</b>								
Fair value through profit or loss	5,554	4,651	-	-	30,007	25,080	-	-
Amortised cost	982	982	24,007	20,386	77,291	17,876	4,496	4,617
<b>Total Financial Assets</b>	<b>6,536</b>	<b>5,633</b>	<b>24,007</b>	<b>20,386</b>	<b>107,298</b>	<b>42,956</b>	<b>4,496</b>	<b>4,617</b>
Non-financial assets	-	-	-	-	-	-	26,418	8,702
<b>Total</b>	<b>6,536</b>	<b>5,633</b>	<b>24,007</b>	<b>20,386</b>	<b>107,298</b>	<b>42,956</b>	<b>30,914</b>	<b>13,319</b>

## Notes to the Financial Statements

### Financial Liabilities

	Long-term				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000	31 March 2022 £'000	31 March 2023 £'000
<b>Financial Liabilities</b>								
Fair value through profit or loss	-	-	-	-	-	-	-	-
Amortised cost	166,695	165,160	2,397	3,211	1,510	1,537	16,420	14,340
<b>Total Financial Liabilities</b>	<b>166,695</b>	<b>165,160</b>	<b>2,397</b>	<b>3,211</b>	<b>1,510</b>	<b>1,537</b>	<b>16,420</b>	<b>14,340</b>
Non-financial liabilities	-	-	3,004	3,092	-	-	46,790	19,201
<b>Total</b>	<b>166,695</b>	<b>165,160</b>	<b>5,401</b>	<b>6,303</b>	<b>1,510</b>	<b>1,537</b>	<b>63,210</b>	<b>33,541</b>

### Material Soft Loans Made by the Authority

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

	2021-22 £'000	2022-23 £'000
<b>Balance at start of year</b>	<b>1,067</b>	<b>1,129</b>
New loans granted in the year	-	-
Fair value adjustment on initial recognition	-	-
Accrued interest	62	64
<b>Nominal value at 31 March</b>	<b>1,129</b>	<b>1,193</b>

### Valuation Assumptions

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

## Notes to the Financial Statements

### Reclassification of Financial Instruments

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

### Income, Expense, Gains and Losses

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

	2021-22 Surplus or Deficit on the Provision of Services £'000	2022-23 Surplus or Deficit on the Provision of Services £'000
<b>Net gains/losses on:</b>		
Financial assets measured at fair value through profit and loss	(821)	907
Financial assets measured at amortised cost	-	-
Financial liabilities measured at fair value through profit and loss	-	-
Financial liabilities measured at amortised cost	-	-
<b>Total net gains/losses</b>	<b>(821)</b>	<b>907</b>
<b>Interest receivable:</b>		
Financial assets measured at fair value through profit and loss	(241)	(928)
Financial assets measured at amortised cost	(792)	(1,825)
<b>Total interest receivable</b>	<b>(1,033)</b>	<b>(2,753)</b>
<b>Interest payable</b>	<b>3,741</b>	<b>4,889</b>

### Changes in the valuation technique

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

## Notes to the Financial Statements

### Fair Value of Financial Assets

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

	Fair Value Level	Valuation technique used to measure fair value	Balance Sheet 31 March 2022 £'000	Fair Value 31 March 2022 £'000	Balance Sheet 31 March 2023 £'000	Fair Value 31 March 2023 £'000
<b>Financial Assets Held at Fair Value</b>						
Financial instruments classified as fair value through profit and loss:						
Money market funds	1	Unadjusted quoted prices in active markets for identical shares	30,007	30,007	25,080	25,080
Local Authorities' Property Fund	1	Unadjusted quoted prices in active markets for identical shares	5,554	5,554	4,651	4,651
<b>Total</b>			<b>35,561</b>	<b>35,561</b>	<b>29,731</b>	<b>29,731</b>

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

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

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

## Notes to the Financial Statements

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

	Fair Value Level	Restated			
		Balance Sheet 31 March 2022 £'000	Fair Value 31 March 2022 £'000	Balance Sheet 31 March 2023 £'000	Fair Value 31 March 2023 £'000
<b>Financial Assets Held at Amortised Cost</b>					
Unquoted equity investment	3	982	982	982	982
Loans made for service purposes	2	10,002	10,002	11,292	11,292
Lease receivables	3	14,005	14,005	9,094	9,094
Short term investments	2	39,019	39,019	15,202	15,202
Cash (including bank accounts)	2	38,272	38,272	2,674	2,674
Short term debtors	3	30,914	30,914	13,319	13,319
<b>Total Financial Assets</b>		<b>133,194</b>	<b>133,194</b>	<b>52,563</b>	<b>52,563</b>
<b>Financial Liabilities Held at Amortised Cost</b>					
Long term borrowing	2	166,695	164,520	165,160	110,234
Short term borrowing	2	1,510	1,510	1,537	1,537
Finance lease liabilities	3	2,397	2,397	3,211	3,211
Long term creditors	3	245	245	257	257
Capital grants receipts in advance	3	2,760	2,760	2,835	2,835
Short term creditors	3	63,210	63,210	33,541	33,541
<b>Total Financial Liabilities</b>		<b>236,817</b>	<b>234,642</b>	<b>206,541</b>	<b>151,615</b>

### Fair Value Disclosure of PWLB Loans

The Council's borrowings are all with the PWLB. The fair value of PWLB loans measures the economic effect of terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, this is referred to as the new loan rate. One approach is to measure the interest that the authority will pay on its PWLB commitments for fixed rate loans and compare these to the terms of these loans with the new loan rates available from PWLB, on the Balance Sheet date. Under this approach, the difference between the carrying amount and fair value measures the variation in interest costs that the authority will pay over the remaining terms of the loans, against what would be paid if the loans were at prevailing rates. If a value is calculated on this basis, the carrying amount of £167.759m (£165.160m long term and £1.509m short term borrowing) would be valued at £110.234m. Alternatively, if the authority were to seek to move to the notional new loan rate by repaying the loans to the PWLB, the exit price, including a penalty charge, would be based on the PWLB Premature Repayment Rates at the Balance Sheet date and this fair value would be £130.197m.

## Notes to the Financial Statements

### 20. Debtors

Long-term Debtors		Short-term Debtors	
2021-22	2022-23	2021-22	2022-23
£'000	£'000	£'000	£'000
-	-	3,481	4,315
-	-	(914)	(1,693)
-	-	<b>2,567</b>	<b>2,622</b>
-	-	1,844	1,858
-	-	(1,310)	(1,334)
-	-	<b>534</b>	<b>524</b>
-	-	811	765
-	-	(477)	(481)
-	-	<b>334</b>	<b>284</b>
-	-	18,640	1,874
-	-	1,053	32
-	-	1,059	148
-	-	450	1,858
-	-	3,992	3,571
-	-	461	342
-	-	838	928
14,005	9,094	141	80
1,130	1,194	-	-
181	166	-	-
8,596	9,838	223	259
95	94	-	-
<b>24,007</b>	<b>20,386</b>	<b>30,292</b>	<b>12,522</b>

### 21. Debtors for Local Taxation

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

	2021-22	2022-23
	£'000	£'000
Less than 1 year	491	780
Less impairment allowance	(213)	(268)
<b>Less than 1 year</b>	<b>278</b>	<b>512</b>
Over 1 to 5 years	662	548
Less impairment allowance	(371)	(311)
<b>Over 1 to 5 years</b>	<b>291</b>	<b>237</b>
Over 5 to 10 years	88	84
Less impairment allowance	(45)	(43)
<b>Over 5 to 10 years</b>	<b>43</b>	<b>41</b>
Over 10 to 15 years	8	8
Less impairment allowance	(4)	(4)
<b>Over 10 to 15 years</b>	<b>4</b>	<b>4</b>
Over 15 years	7	4
Less impairment allowance	(1)	(1)
<b>Over 15 years</b>	<b>6</b>	<b>3</b>
<b>Total Debtors for Local Taxation</b>	<b>622</b>	<b>797</b>



## Notes to the Financial Statements

### 22. Assets Held for Sale

	2021-22	2022-23
	£'000	£'000
<b>Balance at 1 April</b>	<b>4,683</b>	<b>4,290</b>
Assets newly classified:		
Property, plant and equipment	1,605	1,851
Revaluation gains	147	17
Assets declassified:		
Property, plant and equipment	(116)	(142)
Assets sold	(2,029)	(3,953)
<b>Balance at 31 March</b>	<b>4,290</b>	<b>2,063</b>

### 23. Cash and Cash Equivalents

	2021-22	2022-23
	£'000	£'000
Cash held by the Council	241	113
Bank current accounts	4,649	(753)
Money Market Funds	30,007	25,080
Short-term investments	30,000	-
Short-term call accounts	3,002	3,057
Strata - Cash at bank and in hand	380	257
<b>Total cash and cash equivalents</b>	<b>68,279</b>	<b>27,754</b>

### 24. Short Term Creditors

	Restated	
	2021-22	2022-23
	£'000	£'000
Trade Payables	21	280
Collection Fund amounts	28,567	17,216
Income in Advance	5,883	4,301
Other Payables	10,033	9,590
Covid funding to be transferred to other parties	10,796	539
Energy Bill Support Scheme *	7,427	1,446
Creditors of Strata Service Solutions Ltd	483	169
<b>Total Short Term Creditors</b>	<b>63,210</b>	<b>33,541</b>

\*Restated to separately report the monies held on behalf of the Government in respect of the Energy Bills Support Scheme. The authority acts as an agent for the Government in distributing funding to those in need in accordance with set criteria.

### 25. Provisions

	Business Rates Appeal Provision	Loan Loss Allowances	Total Provisions
	£'000	£'000	£'000
<b>Balance as at 1 April 2022</b>	<b>4,442</b>	<b>729</b>	<b>5,171</b>
Additional provisions	681	399	1,080
Provision utilised in year	(583)	-	(583)
Unused amounts reversed in year	-	-	-
Unwinding of discount	-	-	-
<b>Balance as at 31 March 2023</b>	<b>4,540</b>	<b>1,128</b>	<b>5,668</b>

## Notes to the Financial Statements

### 26. Usable Reserves

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

	2021-22	2022-23
Usable Reserve	£'000	£'000
General Fund Balance	5,521	6,151
Housing Revenue Account	11,468	7,556
Capital Receipts Reserve	12,938	12,731
Major Repairs Reserve	18,189	18,204
Earmarked Reserves	26,002	13,645
Capital Grants Unapplied	19,503	18,796
<b>Balance at 31 March</b>	<b>93,621</b>	<b>77,083</b>

### 27. Unusable Reserves

	2021-22	2022-23
Unusable Reserve	£'000	£'000
Revaluation Reserve	157,876	170,695
Capital Adjustment Account	242,999	232,743
Financial Instrument Adjustment Account	448	(421)
Deferred Capital Receipts Reserve	14,194	9,222
Pensions Reserve	(100,717)	(28,934)
Collection Fund Adjustment Account	(10,971)	(48)
Accumulated Absences Account	(641)	(686)
<b>Total Unusable Reserves</b>	<b>303,188</b>	<b>382,571</b>

### Revaluation Reserve

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

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

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

2021-22 Revaluation Reserve	2022-23
£'000	£'000
149,646 Balance at 1 April	157,876
38,085 Upward revaluation of assets	26,620
Downward revaluation of assets and impairment losses not charged to	
(17,933) CIES	(10,382)
20,152 Surplus / (deficit) on revaluation	16,238
Difference between fair value depreciation and historical cost	
(9,879) depreciation	(2,124)
(2,043) Accumulated gains on assets sold	(1,295)
(11,922) Amount written off to CAA	(3,419)
<b>157,876 Balance at 31 March</b>	<b>170,695</b>

## Notes to the Financial Statements

### Capital Adjustment Account (CAA)

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

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

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

2021-22 Capital Adjustment Account		2022-23
£'000		£'000
245,759	Balance at 1 April	242,999
(28,422)	Charges for depreciation and impairment of non-current assets	(30,179)
(169)	Amortisation of intangible assets	(153)
45	Revenue expenditure funded from capital under statute	38
(698)	Capital loan loss allowance	(399)
(4,247)	Amounts of non-current assets written-off on disposal or sale as part of the gain/loss on disposal	(4,103)
(33,491)		(34,796)
9,879	Adjusting amounts to Revaluation reserve	2,124
<b>222,147</b>	Net amount written out of the cost of non-current assets in year	<b>210,327</b>
	<b>Capital finance applied in year:</b>	
4,773	Use of Capital Receipts Reserve	7,311
897	Use of the Major Repairs Reserve	4,077
6,387	Capital Grants and contributions applied - CIES	7,479
0	Capital Grants and contributions applied - Capital Grants Unapplied Account	-
957	Statutory provision for financing capital	1,909
(664)	Voluntary provision for financing capital	(1,480)
3,397	Capital Expenditure charged directly to the General Fund and HRA	5,071
15,747		24,367
5,105	Movements in the market value of Investment Properties	(6,844)
0	Movement in the Donated Assets Account	-
0	Repayment of Long Term Debtors	4,893
<b>242,999</b>	<b>Balance at 31 March</b>	<b>232,743</b>

## Notes to the Financial Statements

### Financial Instruments Adjustment Account

This reserve absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. Up until 31 March 2025, this account also holds the gains and losses that would otherwise hit the General Fund balance in respect of pooled investment funds.

2021-22 Financial Instruments Adjustment Account £'000	2022-23 £'000
(411) Balance at 1 April	448
Statutory reversal of movements in Financial Instruments held at Fair	
822 Value through Profit and Loss	(907)
Transfer to Capital Adjustment	
- Account - soft loan write off	-
Amount by which finance costs charged to CIES differ from finance costs charged in year under statute	38
<b>448 Balance at 31 March</b>	<b>(421)</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by

employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2021-22 Pensions Reserve £'000	2022-23 £'000
(137,516) Balance at 1 April	(100,717)
Remeasurements of the net defined benefit liability/(asset)	78,688
44,756	
Other items treated as Other Comprehensive Income and Expenditure	-
226	
Reversal of items relating to retirement benefits in the CIES	(12,880)
(13,419)	
Employers pension contributions and direct payments to pensioners	5,975
5,236	
<b>(100,717) Balance at 31 March</b>	<b>(28,934)</b>

## Notes to the Financial Statements

### Deferred Capital Receipts Reserve

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

2021-22 Deferred Capital Receipts £'000 Reserve	2022-23 £'000
14,170 Balance at 1 April	14,194
Deferred sale proceeds forming part of the 165 gain/loss on disposal to CIES	(4,893)
(141) Transfer of Finance Lease Premium to CIES	(79)
Transfer to Capital Receipts Reserve upon - receipt of cash	-
<b>14,194 Balance at 31 March</b>	<b>9,222</b>

A finance lease relating to the Guildhall shopping Centre was terminated early, as the Council acquired the leasehold interest in May 2022. This has resulted in a reduction in deferred sale proceeds in conjunction with a reduction in long term debtors of £4.893m in the Balance Sheet.

### Collection Fund Adjustment Account

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

2021-22 Collection Fund Adjustment £'000 Account	2022-23 £'000
(17,292) Balance at 1 April	(10,971)
Amount by which council tax and NNDR income credited to CIES differs from that calculated for 6,321 the year under statute	10,923
<b>(10,971) Balance at 31 March</b>	<b>(48)</b>

### Accumulated Absences Account

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

2021-22 Accumulated Absences Account £'000	2022-23 £'000
(614) Balance at 1 April	(641)
Settlement / cancellation of previous year's 614 accrual	641
(641) Amounts accrued at the end of year	(686)
Amount by which remuneration charged to CIES differs from remuneration charged for the year (27) under statute	(45)
<b>(641) Balance at 31 March</b>	<b>(686)</b>

## Notes to the Financial Statements

### 28. Cash Flow Statement – Operating Activities

	2021-22	2022-23
	£'000	£'000
<b>Net (surplus) / deficit on provision of Services</b>	15,551	32,081
<b>Adjusted for non-cash movements:</b>		
Depreciation	(16,239)	(8,359)
Impairment	(12,183)	(21,820)
Amortisation	(169)	(153)
Investment (losses) / gains	-	-
Donated assets	-	-
Pension liability	(8,184)	(6,905)
Carrying amount of non-current assets sold	(6,294)	(5,398)
Movement in investment properties	5,105	(6,844)
Finance lease income	(23)	(80)
Other	(914)	(2,931)
Movement in inventories	27	11
Movement in debtors	(14,307)	(16,776)
Movement in creditors	(3,709)	10,807
<b>Items classified as investing and financing activities:</b>		
Proceeds from the sale of property, plant & equipment	5,255	7,155
Items classified elsewhere	7,883	2,962
<b>Net cashflows from Operating Activities</b>	<b>(28,201)</b>	<b>(16,250)</b>

### 29. Cash Flow Statement – Investing Activities

	2021-22	2022-23
	£'000	£'000
Purchase of non-current assets	33,270	73,292
Purchase of short and long-term investments	547,000	111,000
Other payments for investing activities	3,249	4,058
Proceeds from the sale of non-current assets	(5,255)	(7,155)
Proceeds of short and long-term investments	(516,000)	(118,000)
Other receipts for investing activities	(11,308)	(7,372)
<b>Net cash flows from investing activities</b>	<b>50,956</b>	<b>55,823</b>

### 30. Cash Flow Statement – Financing Activities

	2021-22	2022-23
	£'000	£'000
Cash receipts of short and long-term borrowing	(44,000)	0
Other receipts for financing activities	(16,681)	(1,382)
Cash payments for the reduction of liabilities relating to finance leases	587	852
Repayments of short and long-term borrowing	913	1,482
<b>Net cash flows from financing activities</b>	<b>(59,181)</b>	<b>952</b>

### 31. Reconciliation of Liabilities arising from Financing Activities

The total of Financing cash flows of £0.952m reconciles to the movement in borrowings in the Balance Sheet, excluding £1.382m in respect of Collection Fund cash-flows and a £0.852m reduction in liabilities relating to finance leases. Apart from this, there have been no non-cash movements in borrowing amounts on the Balance Sheet.

## Notes to the Financial Statements

### 32. Members Allowances

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

	2021-22 £'000	2022-23 £'000
Salaries	14	15
Allowances	399	406
Expenses	-	-
<b>Total</b>	<b>413</b>	<b>421</b>

### 33. Officers' Remuneration

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

	Salary, fees & allowances	Expenses	Compensation for Loss of Office	Total Remuneration	Employers Pension Contributions (inc. strain payments)	Total
2022-23	£	£	£	£	£	£
Chief Executive & Growth Director (left 31 March 2023)	123,678	-	60,877	<b>184,555</b>	185,125	<b>369,680</b>
Deputy Chief Executive	103,755	38	-	<b>103,793</b>	18,261	<b>122,054</b>
Director (0.81 FTE)	71,942	-	-	<b>71,942</b>	12,620	<b>84,562</b>
Director (0.86 FTE)	76,739	388	-	<b>77,127</b>	13,506	<b>90,633</b>
Director	88,729	-	-	<b>88,729</b>	15,616	<b>104,345</b>
Director (Finance)	88,729	362	-	<b>89,091</b>	15,616	<b>104,707</b>
Director (Corporate Services)	88,729	-	-	<b>88,729</b>	15,616	<b>104,345</b>
Director (City Development wef 4 April 2022)	87,989	-	-	<b>87,989</b>	15,486	<b>103,475</b>
City Surveyor	71,915	-	-	<b>71,915</b>	12,657	<b>84,572</b>
Corporate Manager - Executive Support	65,148	-	-	<b>65,148</b>	11,466	<b>76,614</b>
Corporate Manager - Democratic/Civic Support (0.80 FTE) Leaving 31 May 2023 *	52,823	66	60,812	<b>113,701</b>	31,297	<b>144,998</b>

\*Additional £4,706 allowances and £828 employers pension contributions receivable in respect of Returning Officer duties



## Notes to the Financial Statements

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

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

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

Remuneration band	Number of employees	
	2021-22	2022-23
£50,000 - £54,999	2	3
£55,000 - £59,999	7	4
£60,000 - £64,999	6	9
£65,000 - £69,999	3	3
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	1
£85,000 - £89,999	1	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	1

## Notes to the Financial Statements

### 34. Termination Benefits

The number of exit packages with total cost per band and total cost of compulsory redundancies and other departures are set out below. The total cost of £595,683 has been charged to the Comprehensive Income and Expenditure Statement in 2022/23.

Exit Package Cost Band	Number of employees		Total Cost of exit packages in each band	
	2021-22	2022-23	£'000	£'000
<b>Compulsory Redundancies</b>				
Less than £20,000	6	3	12	10
£20,001 - £39,999	1	-	30	-
£40,000 - £59,999	-	-	-	-
<b>Other Departures Agreed</b>				
Less than £20,000	4	6	16	61
£20,001 - £39,999	1	4	27	107
£40,000 - £59,999	-	1	-	46
£60,000 - £79,999	-	1	-	67
£80,000 - £99,999	-	1	-	81
£100,000 - £149,999	-	-	-	-
£150,000 - £199,999	-	-	-	-
£200,000 - £249,999	-	1	-	224
<b>Total</b>	<b>12</b>	<b>17</b>	<b>85</b>	<b>596</b>

### 35. Audit Costs

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

	2021-22	2022-23
	£'000	£'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	83	94
Fees payable to Grant Thornton; external audit services carried out by the appointed auditor in respect of prior year	22	-
Fees payable to Grant Thornton; certification of grant claims and returns	34	38
<b>Total</b>	<b>139</b>	<b>132</b>

## Notes to the Financial Statements

### 36. Grants, Contributions and Donations

The Authority credited the following grants, contributions and donations to the comprehensive income and expenditure statement in 2022/23:

	2021-22	2022-23
	£'000	£'000
<b>Credited to Taxation and non-specific grant income</b>		
Council taxpayers	(6,247)	(6,534)
Revenue Support Grant	(602)	(894)
New Homes Bonus	(1,941)	(1,362)
NDR	(6,365)	(6,687)
Community Infrastructure Levy	(1,225)	(1,077)
Other Capital Grants & Contributions	(11,227)	(6,773)
Covid Grants	(1,218)	(16)
<b>Total</b>	<b>(28,825)</b>	<b>(23,343)</b>
<b>Credited to Services</b>		
Benefit Subsidy	(27,076)	(26,916)
Furlough funding	(163)	-
Covid Grants	(957)	-
Cost of Living Support Grants	-	(923)
Homes for Ukraine Scheme	-	(390)
NDR Cost of Collection	(209)	(212)
Sport England	(1,197)	(1,104)
Homelessness and Rough Sleepers Support Grant	(1,720)	(2,434)
CT/HB Admin Grant	(690)	(456)
Other Grants and Contributions	(5,176)	(4,856)
<b>Total</b>	<b>(37,188)</b>	<b>(37,291)</b>

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

	2021-22	2022-23
	£'000	£'000
<b>Capital Grants receipts in advance</b>		
Affordable Housing - Pinhoe	(179)	-
Affordable Housing - Yeoman Gardens	-	(34)
Car Club - Harrington Lane	(87)	(89)
Community Facility - Hill Barton	(205)	(208)
Community Facility - Newcourt	(369)	(376)
Extracare - St Loyes	(27)	-
Habitats Mitigation	-	(33)
Land at Beacon Avenue	(6)	(6)
Leisure Contribution - Bishops Court	(303)	(309)
Leisure Contribution - Hill Barton	(111)	(70)
Leisure Contribution - Holland Park	(55)	(56)
Leisure Contribution - Monkerton	(78)	(102)
Leisure Contribution - Newcourt	(548)	(558)
Leisure Contribution - Rydon Lawns	(12)	(12)
Leisure Contribution - Rydon Place	(186)	(190)
Leisure Contribution - St Loyes	(292)	(298)
Leisure Contribution - Tithebarn Green	(23)	(106)
Leisure Contribution - Yeoman Gardens	-	(8)
Leisure Contribution - Brookhayes	(49)	(43)
Local Energy Networks	(28)	(29)
Other Grants	(202)	(308)
<b>Total</b>	<b>(2,760)</b>	<b>(2,835)</b>

## Notes to the Financial Statements

### 37. Related Parties

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

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

**Council Members** – have direct control over the council's financial and operating policies. The total of member allowances paid in 2022/23 is shown in Note 32. During the financial year, the Council paid grants to organisations totalling £49,163 (£28,500 2021/22-restated in respect of grants to Turntable) in which thirteen members had an interest. In all instances, the grants were made with proper considerations of declarations of interest. The relevant members did not take part in any discussion relating to the grants. Payments totalling £237,653 (£226,509 2021/22-restated in respect of payments to Turntable) were also made to organisations in which ten members had an interest in respect of goods and services.

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

### Entities Controlled or Significantly Influenced by the Authority

#### Exeter City Group Ltd and Exeter City Living Ltd

Exeter City Group Ltd (holding company) and Exeter City Living Ltd (housing development company) are subsidiary companies due to the Council's 100% shareholding. The main purposes of the group are to build more and better homes to tackle housing need in Exeter, help reduce the substantial pressures on the Council's housing waiting list and to improve the lives of those residents currently living in poor quality homes. To date, the Council has provided four loan advances to facilitate the development of sites, undertake site viability investigations and provide adequate working capital. The balance outstanding as at 31 March 2023 was £10.096m.

#### Exeter Business Centre Ltd (EBC)

EBC's main purpose is the letting of affordable business units to support small businesses. The Authority controls EBC through its ownership of 100% of the shares in the Company and it is deemed to be a subsidiary. EBC had net assets of £88,338 as at 31 March 2023 (£95,040 as at 31 March 2022).

#### Exeter Canal and Quay Trust Ltd (ECQT)

ECQT has a charitable status and its main objectives are to preserve and develop the Exeter Canal and Quay area. ECQT is deemed to be an associate company, as the company is limited by guarantee and the Council has significant influence through its representation on the Trust Board. The Council leases a number of assets to ECQT on a long term basis at nil rent, with the exception of Double Locks Hotel whereby rent is 5% of turnover divided equally between ECQT and the Council (£35,855 in 2022/23). ECQT also contributed £135,326 towards Council costs mostly in respect of running the Custom House Visit Centre during 2022/23.

## Notes to the Financial Statements

### Exeter Science Park Ltd

The principal activity of the Company is to ensure the successful delivery of the Science Park by enabling the market for the Science Park to be developed through connections with the knowledge base at the University of Exeter, the Met Office and the Peninsula College of Medicine and Dentistry. The largest shareholder is Devon County Council (46%) along with the East Devon District Council (18.8%) and University of Exeter (15.3%).

The Authority has a 19.9% shareholding in the Company. It is deemed to be an associate due to the Council's ownership interest and significant influence. The Council has previously provided a loan of £1m towards funding the building of the Science Park centre, in two loan advances of £500,000 with interest charged at 2.55% and 2.62% respectively. The loans are repayable on maturity in 2023/24. The Council has also provided a guarantee to the University of Exeter for a lease granted to Exeter Science Park Ltd of up to £950,054.

### Exeter City Futures Community Interest Company

The Authority is a registered Member of Exeter City Futures Community Interest Company, which is a type of company designed in particular for social enterprises that want to use their profits and assets for the public good. The primary objectives of the Company are to promote and work towards the decarbonisation of the City of Exeter.

It was announced that Exeter City Futures would close by the end of June 2023 and that the community interest company goals will continue to be delivered through the strategies of the Council, Devon County Council, the University of Exeter, Exeter College and the Royal Devon University Healthcare NHS Foundation Trust.

Exeter City Futures was instrumental in developing the Net Zero Exeter 2030 Plan and bringing institutions and communities together

around four themes; energy, transport, capability and sustainability, and the net zero plan has been adopted by leaders across all partners.

### Monkerton Heat Company Ltd

The company was set up to help facilitate the formation of a district heating network, as part of planning requirements relating to five major residential developments at Monkerton. Exeter City Council is a shareholder along with the five developers.

The purpose of the company is to hold a 999 year head lease for the pipelines and to grant an 80 year sub-lease to the energy supplier – both leases at nil consideration. As a result, the company is considered a dormant company as it is not carrying on any kind of business activity or receiving any form of income.

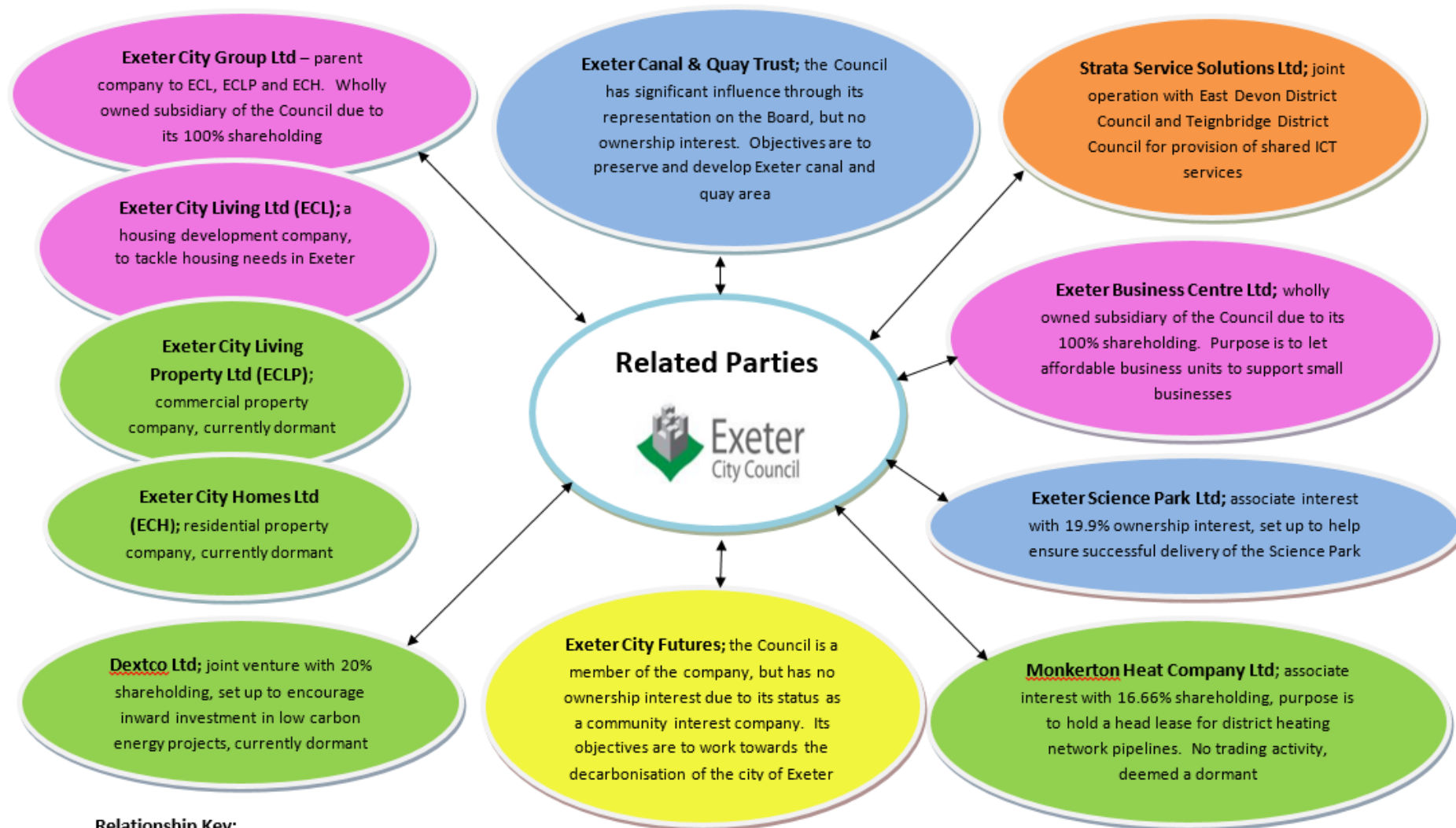
### Dextco Ltd

Dextco Ltd was established to procure a delivery partner and funding to implement a district heating network in Exeter to deliver a reliable, low cost energy infrastructure which will encourage inward investment, thereby driving growth in the local economy and skilled jobs for the workforce. Exeter City Council is one of five equal shareholders comprising; Devon County Council, Royal Devon & Exeter NHS Foundation Trust, University of Exeter and Teignbridge District Council.

Dextco Limited is deemed to be a joint venture, as it is a separate legal entity with shareholders that have equal and collective control with decisions made unanimously. In 2021/22 a collective decision was made to place the company into abeyance with any further activities being temporarily suspended.

The next page contains a visual representation of the entities controlled or significantly influenced by the Authority, to further support the Related Party disclosure note.

## Notes to the Financial Statements



**Relationship Key:**

Subsidiary	Associate	Joint operation	Related party	Dormant
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## Notes to the Financial Statements

### 38. Interests in Joint Operations

Exeter City Council, Teignbridge District Council and East Devon District Council each have interests in a joint operation called Strata Service Solutions Ltd, a registered company (company number 09041662) whose registered office is Civic Centre, Paris Street, Exeter, Devon, EX1 1JN. The business of the Company is the operation and provision of a shared information communications technology service to each of the Councils.

The proportions of ownership interests are; Exeter City Council (35.936%), Teignbridge District Council (27.372%) and East Devon District Council (36.692%). Each authority has equal voting rights, with decisions taken collectively and unanimously.

The figures that have been consolidated into the Council's single entity financial statements in respect of Strata Service Solutions Ltd are:

	2021-22	2022-23
<b>Adjustments to CIES</b>	<b>£'000</b>	<b>£'000</b>
Fees	(2,568)	(2,949)
Cost of sales	1,369	1,558
Admin expenses	1,740	1,904
Transfer of pension scheme liability	-	-
<b>Cost of Services</b>	<b>541</b>	<b>513</b>
Loss/(Gain) on disposal of assets	-	4
Pension Fund Administration	-	3
Net interest on the net defined benefit liability	74	88
Levies	-	3
Interest receivable	-	(15)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>615</b>	<b>596</b>
Remeasurement of the net defined benefit liability	(650)	(3,589)
<b>Total CIES</b>	<b>(35)</b>	<b>(2,993)</b>

	2021-22	2022-23
<b>Adjustments to Balance Sheet</b>	<b>£'000</b>	<b>£'000</b>
Property, plant & equipment	93	(14)
Intangible assets	(82)	26
Investment in Strata removed upon consolidation and replaced with proportional share of assets and liabilities	(280)	(434)
<b>Total Long Term Assets</b>	<b>(269)</b>	<b>(422)</b>
Inventories	-	2
Short Term Debtors	98	90
Cash & cash equivalents	71	(123)
<b>Total Current Assets</b>	<b>169</b>	<b>(31)</b>
Short Term Creditors	(195)	314
<b>Total Current Liabilities</b>	<b>(195)</b>	<b>314</b>
Capital Grants Receipts in Advance	63	(107)
Pension Scheme Liability	267	3,239
<b>Total Long Term Liabilities</b>	<b>330</b>	<b>3,132</b>
<b>Net assets</b>	<b>35</b>	<b>2,993</b>
Financed by:		
Usable Reserves	(1)	(8)
Unusable Reserves	36	3,001
<b>Total Reserves</b>	<b>35</b>	<b>2,993</b>



## Notes to the Financial Statements

### 39. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2021-22	2022-23
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>160,236</b>	<b>178,753</b>
<b>Capital Investment</b>		
Intangible Assets		
Property, Plant and Equipment	34,227	25,880
Investment Properties	-	44,477
Long Term Debtors	-	1,500
Long Term Investments	280	434
REFCUS	1,828	718
<b>Sources of Finance</b>		
Capital Receipts	(4,778)	(7,311)
Government grants and other contributions	(8,259)	(8,235)
Sums set aside from revenue	(3,397)	(5,071)
Major Repairs Reserve	(897)	(4,077)
Minimum Revenue Provision	(957)	(1,909)
Voluntary Revenue Provision	664	1,480
Repayment of Long Term Debtors	(194)	(209)
<b>Closing Capital Financing Requirement</b>	<b>178,753</b>	<b>226,430</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow (unsupported by Government financial assistance)	18,517	47,677
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>18,517</b>	<b>47,677</b>

## Notes to the Financial Statements

### 40. Leases

#### Council as Lessee

##### Finance Leases

The Council is taking a phased approach to leasing in items of plant and vehicles, as items fall due for replacement. A total of 15 vehicles and plant were acquired under finance leases during 2022/23, bringing the total number of vehicles and plant leased to 97 as at 31/3/2023.

The Council also holds fifteen investment property assets, which have been leased in under finance leases, owing to the length of the lease. However, fifteen leases did not attract a lease premium payment, nor is there an annual lease payment due. The assets therefore have been initially recognised in the accounts at zero, being the lower of the net present value of the lease payments or the fair value of the asset. Only the acquisition of a 999 year leasehold interest in Senate Court attracted a lease premium. Where appropriate the assets have been revalued to reflect the value to the Council of the lease, were the Council to sell it at market value.

The assets acquired under these leases are carried in the Balance Sheet at the following net amounts:

	2021-22 £'000	2022-23 £'000
<b>Net amount carried in the Balance Sheet</b>		
Council dwellings	395	431
Other land and buildings	9,900	4,995
Investment property	7,950	7,444
Vehicles, plant and equipment	2,540	3,702

The authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the authority and finance costs that will be payable by the authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2021-22 £'000	2022-23 £'000
<b>Finance lease liabilities (net present value of minimum lease payments)</b>		
Current	599	867
Non-current	2,397	3,211
<b>Finance costs payable in future years</b>	641	815
<b>Total minimum lease payments</b>	<b>3,637</b>	<b>4,893</b>

The minimum lease payments will be payable over the following periods:

	Minimum lease payments		Finance lease liabilities	
	2021-22 £'000	2022-23 £'000	2021-22 £'000	2022-23 £'000
Not later than one year	728	1,042	599	867
2 - 5 years	2,760	3,384	2,272	2,817
5+ years	149	467	125	394
	<b>3,637</b>	<b>4,893</b>	<b>2,996</b>	<b>4,078</b>

The authority has sub-let some properties held under finance leases. At March 2023 the minimum future payments expected to be received under non-cancellable sub-leases is £1.501m.

## Notes to the Financial Statements

### Operating Leases

The Council holds some capital assets, principally property, plant and equipment under operating lease agreements. The majority of the lease payments represent rent payments to landlords who have provided property on short term leases for use as temporary accommodation.

Rental payments made in the year amounted to £318,334 (2021/22 £286,207).

The future minimum lease payments due under non-cancellable leases in future years can be broken down as follows:

	2021-22 £'000	2022-23 £'000
Not later than one year	72	69
2 - 5 Years	77	54
5+ Years	36	35
	<b>185</b>	<b>158</b>

### Council as a Lessor

#### Finance Leases

The Authority has 55 leases, which would be classified as finance leases under IFRS. The asset valuation in the Balance Sheet is therefore based on the freehold interest in the asset.

The gross investment is made up of the following amounts:

	2021-22 £'000	2022-23 £,000
<b>Finance Lease Debtor (net present value of minimum lease payments)</b>		
Current	141	80
Non-current	14,005	9,094
Unearned finance income	14,146	9,174
Unguaranteed Residual Value	26,267	20,815
<b>Gross Investment in Lease</b>	<b>40,413</b>	<b>29,989</b>
<b>Minimum lease payments are:</b>		
Per annum	703	378

The lease out of the Guildhall Shopping Centre ended during 2022/23, following the Council's acquisition of the leasehold interest, returning full ownership back to the Council. This resulted in a significant reduction in finance lease debtors.

Rents due in respect of leases out (lessor) are collected by the Council's ASH Debtors system. As there is a possibility that worsening financial circumstances might result in lease payments not being made, the authority has set aside an allowance for uncollectable amounts using the simplified approach. Please refer to Note 20.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

## Notes to the Financial Statements

### Operating Leases

The Council leases out approximately 350 commercial premises, which are held as investment properties. Note 16 sets out the value of the investment properties in the accounts.

The future minimum lease payments receivable under non-cancellable leases in future years can be broken down as follows:

	2021-22	2022-23
	£'000	£'000
Not later than one year	2,725	2,835
2 - 5 Years	8,008	8,229
5+ Years	57,437	70,920
	<b>68,170</b>	<b>81,984</b>

### 41. Impairments and Downward Valuations

During 2022/23, the Council recognised impairment losses of £22.364m in relation to its council dwellings and operational land and buildings. Impairment losses of £0.221m charged to the Surplus and Deficit on the Provision of Services in previous financial years were reversed.

The impairments mainly reflect capital expenditure incurred without a commensurate increase in respective asset values, the HRA impairments also include the application of the Existing Use Value - Social Housing (EUV-SH) valuation basis:

- Edwards Court extra care facility was opened in 2022/23 and the total impairment on the 53 flats was £12.139m
- 2022/23 saw the completion of St Sidwells Point. The value as at 31st March 2023 was £7.047m less than the cost to build
- Improvements to the Riverside Leisure Centre roof during the year resulted in an impairment of £0.577m
- The external valuation of the Royal Albert Memorial Museum resulted in an impairment of £1.107m

The impairment reversals reflect an upward movement in market yield. The impairments are reflected in Note 15 which reconciles the movement over the year in the Property, Plant and Equipment balances.

## Notes to the Financial Statements

### 42. Defined Benefit Pension Scheme

#### Participation in Pension Scheme

As part of the terms and conditions of employment, the authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until the employees retire, the authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

- Exeter City Council participates in the Local Government Pension Scheme, which is administered by Devon County Council in accordance with the Local Government Pension Scheme Regulations 2013. The Pension Fund Committee oversees the management of the Fund.
- The Local Government Pension Scheme is a defined benefit statutory scheme and currently provides benefits based on career average revalued earnings.
- The principle risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the general fund and HRA the amounts required by statute.
- The Pension Reserve shows the City Council's current deficit in the Devon County Council Pension Fund. The figure has been derived from the latest triennial valuation of the LGPS pension fund at 31 March 2022, but re-measured at the reporting date.

#### Basis for Estimating Assets and Liabilities

The most recent triennial valuation was carried out as at 31 March 2022 and has been updated by Barnett Waddingham, independent actuaries to the Devon County Council Pension Fund as at 31 March 2023.

To assess the value of the liabilities at 31 March 2023, the actuaries have rolled forward the value of the Employer's liabilities calculated for the funding valuations as at 31 March 2022, using financial assumptions that comply with IAS 19.

To calculate the asset share the actuaries have rolled forward the assets at 31 March 2022 allowing for investment returns, contributions paid into and estimated benefits paid from the Fund by the Council and its employees.

#### Scheduled Contributions

Exeter City Council's contribution rate during 2022/23 was 17.6% of pensionable pay. The contribution rates certified for the Council at 31 March 2022 valuation are as follows:

##### Future Service Pay

2023/24 – 2025/26	19.6% of pensionable pay
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##### Past Service Deficit

2023/24	£1.120 million
2024/25	£1.160 million
2025/26	£1.200 million

## Notes to the Financial Statements

### Local Government Pension Scheme Assets Comprised:

Asset Share	2021-22		2022-23	
	£'000	%	£'000	%
Equities	14,207	9	12,197	8
Overseas Equities	80,170	50	69,264	45
Infrastructure	9,492	6	13,902	9
Gilts	21,157	13	-	-
Other Bonds	3,176	2	33,062	21
Property	13,330	10	13,553	9
Cash	2,237	1	1,836	1
Target Return Portfolio	14,705	9	10,747	7
Alternative Assets	(68)	-	60	-
<b>Total</b>	<b>158,406</b>	<b>100</b>	<b>154,621</b>	<b>100</b>

### Significant Assumptions used by the Actuary:

	2021-22	2022-23
Discount rate for scheme liabilities	2.6% pa	4.8% pa
Rate of increase in salaries	4.2% pa	3.95% pa
Rate of increase in pensions	3.2% pa	2.95% pa
Rate of inflation - RPI	4.2% pa	3.95% pa
Rate of inflation - CPI	3.2% pa	2.95% pa
Longevity at 65 - current pensioners		
Men	21.7	21.8
Women	22.9	22.9
Longevity at 65 - future pensioners		
Men	23.0	23.1
Women	24.3	24.4
Conversion of pension into lump sum		
Pre April 2008 permitted amount	50%	50%
Post April 2008 permitted amount	50%	50%

### Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the cost of services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge that is required to be made against council tax and the HRA is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out via the Movement in Reserves Statement.

The following transactions have been made in the comprehensive income and expenditure statement and the movement in reserves statement during the year:

	2021-22	2022-23
	£'000	£'000
<b>Cost of Services</b>		
Current Service Cost	10,224	10,204
Loss / (Gain) on curtailment	212	54
(Gain) / Loss from Settlements	-	-
<b>Other Operating Expenditure</b>		
Administration expenses	96	96
<b>Financing and Investment Income and Expenditure</b>		
Net Interest on the net defined benefit liability	2,662	2,526
<b>Total post-employment benefits charged to the CIES</b>	<b>13,194</b>	<b>12,880</b>
<b>Movement in Reserves Statement:</b>		
Reversal of net charges	(13,194)	(12,880)
Actual Employers contributions payable to the scheme	5,235	5,975

## Notes to the Financial Statements

### Pension Assets and Liabilities Recognised in the Balance Sheet:

	2021-22 £'000	2022-23 £'000
Present value of defined benefit obligation	257,693	183,557
Fair Value of Scheme Assets	(158,405)	(154,622)
<b>Net liability arising from defined benefit obligation</b>	<b>99,288</b>	<b>28,935</b>

### Reconciliation of the Movements in the Fair Value of Scheme Assets:

	2021-22 £'000	2022-23 £'000
Opening fair value of assets	145,215	154,209
Opening fair value of Strata assets	3,735	4,196
Interest income	2,962	4,097
Re-measurement gains / losses	8,419	(6,107)
Administration expenses	(96)	(96)
Contributions by the employer	3,917	4,273
Contributions by participants	1,360	1,522
Net benefits paid out	(7,107)	(7,472)
Settlement prices received / (paid)	-	-
<b>Closing fair value of assets</b>	<b>158,405</b>	<b>154,622</b>

### Reconciliation of the Present Value of Scheme Liabilities (Defined Benefit Obligation):

	2021-22 £'000	2022-23 £'000
Opening present value of liabilities	276,186	250,029
Opening present value of Strata liabilities	7,470	7,664
Current service cost	10,224	10,204
Interest cost	5,624	6,623
Contributions by participants	1,360	1,522
Re-measurement (gains) and losses:		
Change in demographic assumptions	(15,370)	(443)
Change in financial assumptions	(10,623)	(104,880)
Experience loss (gain)	(10,283)	20,256
Benefits paid out	(6,863)	(7,236)
Past service cost, including curtailments	212	54
Liabilities assumed / (extinguished) on settlements	-	-
Unfunded pension payments	(244)	(236)
<b>Closing present value of liabilities</b>	<b>257,693</b>	<b>183,557</b>



## Notes to the Financial Statements

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions.

The sensitivity analysis below sets out the impact on the defined benefit obligations for each change while all other assumptions remain constant:

	Increase in assumption £'000	Decrease in assumption £'000
Longevity (increase or decrease by 1 year)	190,666	176,234
Rate of increase in salaries (increase or decrease by 1%)	183,564	183,018
Rate of increase in pensions (increase or decrease by 1%)	185,930	180,715
Rate for discounting scheme liabilities (increase or decrease by 1%)	180,495	186,155

## Notes to the Financial Statements

### 43. Charitable and Trust Funds

The Council administers six charitable/trust funds related to Leisure and Museum services, principally from legacies left by individual Exeter inhabitants over a period of years.

The funds do not represent assets of the Council and are not included in the Balance Sheet. The funds are:

	Value of fund at 31 March 2022 £'000	Expenditure £'000	Income £'000	Value of fund at 31 March 2023 £'000
Reynolds Chard Bequest	455	-	12	467
Veitch Bequest	23	-	-	23
Dorothy Holman Trust	27	-	-	27
Bowling Green Marshes	2	-	1	3
Topsham Recreation Ground	18	-	-	18
King George Playing Field Trust	19	(19)	28	28
	<b>544</b>	<b>(19)</b>	<b>41</b>	<b>566</b>

## Notes to the Financial Statements

### 44. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock movements

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Council's finance team, under policies approved by full Council as set out in the Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

#### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the annual investment strategy. The Council's latest Treasury Management Strategy, incorporating the Annual Investment Strategy was approved on 21 February 2023, which is available on the Council's website (use search function for the 2023/24 Budget Book).

#### Credit Risk Management Practices

The authority's credit risk management practices are set out in the annual Investment Strategy, with particular regard to determining the credit criteria and monitoring arrangements for specified investments.

## Notes to the Financial Statements

The table below sets out the credit risk management practices and estimation techniques for calculating impairment loss allowances.

Asset Type	Credit Risk Management Practice	Estimation of Impairment Loss Allowance
<b>Loans to businesses and voluntary organisations</b>	Loans are subject to internal credit risk assessment, based on audited accounts, match funding secured or management accounts. Loans are treated as credit impaired where the borrower defaults on the terms of the loan or there is evidence of significant financial difficulties. Balances are not written off until there is no realistic prospect of recovery.	12 month expected credit losses are calculated in respect of loans where the credit risk has not increased significantly, using a probability of default approach. Lifetime expected credit losses are calculated in respect of loans where the credit risk has increased significantly, i.e. when default has occurred, using probability weighted outcomes.
<b>Short term investments:</b>  Loans to other local authorities	Investments guaranteed by statute - no credit risk. However, a monetary limit of £5m may be placed with each upper tier and lower tier local authority for up to 12 months	No allowance required
Investments with banks and building societies	Deposits are restricted by the Council's treasury strategy to institutions with high credit ratings (Fitch and Moodys ratings). Up to £4m may be placed with UK owned banks and buildings societies with F1+ and P-1 credit ratings for up to 12 months, up to £3m may be placed with foreign owned banks that deal in sterling holding short-term credit ratings no lower than F1+ and P-1 for up to 9 months and up to £3m may be placed with UK owned banks and building societies holding short-term credit ratings no lower than F1 and P-1 for up to 6 months. Consideration is given to recalling any existing investments when an institution has been downgraded	12 month expected credit losses are calculated applying risk factors provided by the Council's treasury management advisers, Link Asset Services.
<b>Sundry debtors</b>	Sundry debtors are not subject to internal credit rating and have been grouped for the purposes of calculating expected credit losses. The groupings used comprise: - Trade receivables Recovery of overpaid housing benefits Council Tax and NDR balances are not written off until all debt recovery actions have been taken and there is no realistic prospect of recovery	Trade receivables & recovery of overpaid housing benefits - Expected credit losses are calculated using provision matrices based on historical data in respect of aged debt, adjusted for future expectations of recovery. - Council Tax and NDR - Expected credit losses are calculated using provision matrices based on the stages of debt recovery actions and historically observed rates of recovery adjusted for future expectations of recovery.

## Notes to the Financial Statements

### Impairment Loss Allowances

The changes in the loss allowance for each class of financial asset during the year are as follows:

	Allowance at 1 April 2022 £'000	Allowance for assets originated or acquired £'000	Allowance for assets de- recognised £'000	Assets switching measurement basis £'000	Changes in models/risk parameters £'000	Other movements £'000	Allowance at 31 March 2023 £'000
<b>Deposits with bank and building societies</b>							
12-month expected credit losses	-	-	-	-	-	-	-
<b>Loans to business and voluntary organisations</b>							
12-month expected credit losses	729	-	-	-	-	399	1,128
Lifetime expected credit losses	-	-	-	-	-	-	-
<b>Other debtors</b>							
Sundry debtors	914	-	-	-	-	779	1,693
Overpaid Housing Benefits	1,310	-	-	-	-	24	1,334
Housing rents	477	-	-	-	-	4	481
Council Tax and NDR	634	-	-	-	-	(7)	627
<b>Total Loss Allowances</b>	<b>4,064</b>	-	-	-	-	<b>1,199</b>	<b>5,263</b>

## Notes to the Financial Statements

### Credit Risk Exposure

The authority has the following exposure to credit risk at 31 March 2023:

	Credit risk rating	Gross carrying amount
	£'000	£'000
<b>Deposits with bank and building societies:</b>		
12-month expected credit losses	Low	6,092
<b>Loans to business and voluntary organisations:</b>		
12-month expected credit losses	Low	11,471
Lifetime expected credit losses	High	-
<b>Other debtors:</b>		
Sundry debtors	Other *	4,315
Overpaid Housing Benefits	Other *	1,858
Housing rents	Other *	765
Council Tax and NDR	Other *	1,424
<b>Total amount exposed to credit risk</b>		<b>25,925</b>

#### \* Credit risk rating – Other

These debtors are not subject to internal credit rating. The Code allows a simplified approach, which removes the need to consider changes in credit risk. Instead, expected credit losses are considered for debtors with common risk characteristics based upon historical experience but updated for future conditions.

#### Exposure to Credit Risk on Guarantees

The Council also has exposure to credit risk on a guarantee provided to the University of Exeter in respect of an 18 year lease granted to Exeter Science Park Ltd (in which the Council has a shareholding interest). The risk of the guarantee being called in considered low, as the lease payments are included in the company's Business Plan. The maximum value of the guarantee is £950,055 and the Council's exposure will reduce annually as lease payments are made by the company.

## Notes to the Financial Statements

### Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority may need to replenish its borrowings at a time of unfavourable interest rates. All trade and other payables are due to be paid in less than one year, although some debt repayment plans are agreed over a longer period in order to support individuals and businesses experiencing financial difficulties, but these measures are not expected to present a significant risk to liquidity and instead encourage continuing payment behaviour.

The Council has several long-term loans with the PWLB and one interest free loan in respect of energy saving projects. The maturity analysis of financial liabilities is as follows:

	Restated	
	31 March 2022	31 March 2023
	£'000	£'000
Less than 1 year	1,511	1,537
1 - 2 years	1,537	1,565
2 - 5 years	4,720	4,778
5 - 10 years *	8,405	8,556
+ 10 years *	151,671	149,898
	<b>167,844</b>	<b>166,334</b>

\*Restated to split repayments between 5-10 years and over 10 years in order to align to statistical returns to central government

### Market risk

#### Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowing and investments. Movements in interest rates have a complex impact on the Council. For example a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expenses charged to the Income and Expenditure will rise
- borrowings at fixed rates - the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Income and Expenditure will rise
- investments at fixed rates - the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the CIES. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the CIES and affect the General Fund



## Notes to the Financial Statements

Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income & Expenditure in the CIES.

The Council has a number of strategies for managing interest rate risk; however it has not borrowed using variable rate loans for many years.

If on the 31 March 2023 the interest rates are 1% higher than the actual interest rates the financial impact would be:

### **Borrowing:**

As at 31 March 2023, the Council had a number of long-term loans with the PWLB amounting to £166m. A 1% increase in interest rates would increase the cost of borrowing by £1.66m a year. However, the Council is protected from interest rate rises in respect of these arrangements due to the fixed rates of borrowing.

### **Investments:**

In respect of the fixed term deposits of £15m a 1% increase in interest rates would increase interest receivable by £150k a year. The impact of a 1% fall in interest rates would be the same, but with the movements being reversed.

### **Price Risk**

The authority does not generally invest in equity shares but does have shareholdings to the value of £982k in a number of associates and joint ventures on the Balance Sheet, held at historic cost.

As the shareholdings have arisen in the acquisition of specific interests, the authority is not in a position to limit its exposure to price movements by diversifying its portfolio. However, the authority can monitor factors that might cause a fall in the value of specific shareholdings through having significant influence.

The Council has investments in pooled investment funds, which are classified as fair value through profit and loss, including £25.080m in money market funds and a £5m investment in the CCLA Local Authorities' Property Fund. At the end of each financial year the value of the local authority's investment is adjusted to equal the number of units held multiplied by the published bid price, with the gain or loss charged to the Surplus or Deficit on the Provision of Services. However, the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003, allows local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds. Following consultation, the Government has announced that the statutory override will remain in place, for an additional two-year period, until 31 March 2025.

### **Foreign Exchange Risk**

The authority has no financial assets or liabilities denominated in foreign currencies and thus no exposure to loss arising from movements in exchange rates.

## Notes to the Financial Statements

### 45. Statutory Harbour Authority

Exeter City Council is the harbour authority for the Exe Estuary.

An annual Statement of Account relating to harbour activities is required to be prepared, in accordance with the 1964 Harbours Act.

	2021-22	2022-23
	£'000	£'000
<b>Income</b>		
Fees and Charges	(123)	(27)
<b>Total Income</b>	<b>(123)</b>	<b>(27)</b>
<b>Expenditure</b>		
Employees	197	194
Premises	71	62
Supplies and Services	33	43
Transport	40	37
Capital Charges	52	47
<b>Total Expenditure</b>	<b>393</b>	<b>383</b>
<b>Net cost of Harbour Activities as included in the Comprehensive Income and Expenditure Statement</b>	<b>270</b>	<b>356</b>

## Group Accounts

The Code sets out a requirement to prepare Group Accounts where the authority has interests in subsidiaries, associates and/or joint ventures, subject to consideration of materiality. As at 31 March 2023, the authority has the following interests (please also refer to Note 37, Related Parties, for more information):

### Composition of the Group:

Entity	Purpose	Significant judgements	Relationship with the Exeter City Council	Accounting	Materiality
Exeter City Group Ltd and Exeter City Living Ltd	Housing development company to sell homes on the open market, to tackle housing needs in Exeter and to improve the provision of quality homes	100% shareholding	Subsidiary	Line-by-line consolidation of assets, liabilities, income and expenditure	<b>Material</b> 2022/23 is the fourth full year of trading for the company with work in progress valued at £4.041m and an operating loss of £1.3m for the year. Intra group loans of £10.096m from the Council are in place at 31/3/2023.
Exeter Canal and Quay Trust Ltd	Charitable status and its main objectives are to preserve and develop Exeter Canal and Quay area	The company is limited by guarantee and the Council has significant influence through its representation on the board	Associate	Equity method	<b>Not material</b> The Council has significant influence but no interest in the net assets of the charity and no rights to the profits
Exeter Business Centre Ltd	Main purpose is the letting of affordable business units to support small businesses	100% shareholding	Subsidiary	Line-by-line consolidation of assets, liabilities, income and expenditure	<b>Not material</b> Largest item for consolidation is turnover of £233k (20/21) and net assets of £133k (20/21) and £227k turnover (21/22) and net assets of £95k (21/22). No material changes expected in the 22/23 accounts
Exeter Science Park Ltd	Principal activity is to ensure the successful delivery of the Science Park by enabling the market for the Science Park to be developed through connections with the knowledge base at the University of Exeter, the Met Office and the Peninsula College of Medicine and Dentistry	19.9% ownership interest and significant influence through its representation on the board	Associate	Equity accounting	<b>Not material</b> Accounts to 31 March 2022 show Council's equity share of profit at (£373k) and (£1.360m) net assets and draft accounts to 31 March 2022 show Council's equity share of profit at (£11k) and £1.372m net assets
Dextco Ltd	Established to fund and implement low carbon energy projects across Devon to deliver a reliable, low cost energy infrastructure which will encourage inward investment	20% shareholding with equal and collective control with five equal shareholders and unanimous decisions	Joint Venture	Equity method	<b>Not material</b> Financial year-end 31 Dec (unable to synchronise with all shareholders), accounts to 31 Dec 2020 reports nil profit/loss and net assets of £25k - the same as 2019/20. The company was placed into abeyance during 2021/22
Monkerton Heat Company Ltd	Set up to facilitate the formation of a district heating network, as part of planning requirements relating to five major residential developments at Monkerton	16.66% shareholding with significant influence due to representation on the board	Associate	Equity accounting	<b>Not material</b> The company is deemed to be a dormant company with no transactions to recognise

## Group Accounts

### Non Material Interests

As set out in the previous table, the authority has applied judgement in respect of materiality (both singly and in aggregate) and assessed that its interests in Exeter Canal and Quay Trust Ltd, Exeter Business Centre Ltd, Exeter Science Park Ltd, Dextco Ltd and Monkerton Heat Company Ltd are not material. Where non-material interests are excluded from the Group Accounts, the Council's interests are carried at cost in the single entity Balance Sheet.

### Group Accounts

The Group Accounts consist of the Core Financial Statements, which have been prepared using consistent accounting policies as those applied to the authority-only accounts. Notes have been omitted if there are no material differences to the disclosures already made.

The Group Accounts have been prepared by combining Exeter City Living Ltd.'s income and expenditure and assets and liabilities with those of the Council on a line-by-line basis, eliminating intra-group transactions. Copies of Exeter City Living Ltd.'s accounts to 31 March 2023 can be obtained from Exeter City Living Ltd, Civic Centre, Paris Street, Exeter, EX1 1JN.

### Exeter City Group Ltd and Exeter City Living Ltd

Exeter City Group Ltd (holding company) and Exeter City Living Ltd (housing development company), are subsidiary companies of Exeter City Council who own a 100% shareholding in the group. The main purpose of the group are to build more and better homes to tackle housing need in Exeter, help reduce the substantial pressures on the Council's housing waiting list and to improve the lives of those residents currently living in poor quality homes. During the year, the Group continued to take forward its development projects with the following activities taking place in the year:

- Demolition and enabling works were completed in the year for both the Clifton Hill and The Gardens Whipton sites utilising funding secured from One Public Estates Land Release Fund
- The Gardens Whipton also moved into the delivery phase with ECL entering into a Development Agreement with the Council's Housing Revenue Account (HRA) to deliver 91 new Passiv-haus homes (plus Communal Room) on a phased basis. The construction contract for the first phase of 35 homes was awarded to Classic Builders (South West) Ltd who took possession of the site on 20 March 2023
- The project to deliver 21 new Passiv-haus homes for the HRA at Hamlin Gardens continues with ECL as Development Agent and Nevada Construction Ltd as main contractor targeting completion in March 2024
- Development work towards planning submissions on four sites (circa 200 homes) has continued with planning applications expected in 2023-24 and Initial Development Feasibility Work on six HRA sites (circa 200-350 homes) was completed to enable the HRA to decide which sites to take forward to Council for approval to develop to provide new Affordable Homes

The challenges in the current construction market, continue to impact on the timing of delivering the build phase of developments. The successful procurement of a main contractor for the Whipton Gardens development using an open tender with a different collaborative contractual approach has highlighted Exeter City Living's proactive approach to enable delivery in an uncertain unprecedented economic environment.

## Group Comprehensive Income & Expenditure Statement

	Restated 2021-2022		Net Expenditure £'000		2022-2023		Notes
	Gross Expenditure £'000	Gross Income £'000			Gross Expenditure £'000	Gross Income £'000	
	3,268	(14)	3,254	Chief Executive & Growth Director	3,936	48	3,984
	39,181	(33,885)	5,296	Housing & Supporting People	39,991	(35,688)	4,303
	2,488	(2,356)	132	City Development	2,901	(1,390)	1,511
	23,106	(7,119)	15,987	Communications, Culture & Leisure Facilities	26,116	(9,687)	16,429
	21,544	(13,501)	8,043	Net Zero Exeter & City Management	21,109	(13,858)	7,251
	10,701	(409)	10,292	Finance	3,036	(451)	2,585
	4,045	(643)	3,402	Corporate Services	3,849	(436)	3,413
	19,377	(20,489)	(1,112)	Housing Revenue Account	32,343	(21,594)	10,749
	956	(417)	539	Strata Service Solutions Ltd	1,140	(627)	513
	750	36	786	Exeter City Group Ltd - subsidiary	1,198	(869)	329
	<b>125,416</b>	<b>(78,797)</b>	<b>46,619</b>	<b>Cost of Services</b>	<b>135,619</b>	<b>(84,552)</b>	<b>51,067</b>
			1,431	Other operating expenditure			(1,607)
			(3,052)	Financing and investment income and expenditure			7,230
			(28,775)	Taxation and non-specific grant income			(23,393)
			<b>16,223</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>33,297</b>
				<b>Other Comprehensive Income and Expenditure</b>			
			(20,152)	(Surplus) or deficit on revaluation of property, plant and equipment			(16,238)
			(44,982)	Remeasurement of the net defined benefit liability/(asset)			(78,688)
			<b>(65,134)</b>	<b>Total Other Comprehensive Income and Expenditure</b>			<b>(94,926)</b>
			<b>(48,911)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(61,629)</b>

The Council's internal financial reporting structure changed in 2022/23 following changes to director responsibilities. The segment information for the prior year has therefore been restated.

## Group Movement in Reserves Statement

	General Fund Working Balance (£'000)	Earmarked Reserves (£'000)	Sub total General Fund Total	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Council's share of Reserves of Subsidiary (£'000)	Total Usable Reserves (£'000)	Unusable Reserves (£'000)	Total Authority Reserves (£'000)
<b>Balance at 31 March 2022 carried forward</b>	<b>(5,521)</b>	<b>(26,002)</b>	<b>(31,523)</b>	<b>(11,468)</b>	<b>(12,938)</b>	<b>(18,189)</b>	<b>(19,503)</b>	<b>3,311</b>	<b>(90,310)</b>	<b>(303,188)</b>	<b>(393,498)</b>
<b>Movement in Reserves during 2022-2023</b>											
Total Comprehensive Income & Expenditure	22,000	-	22,000	10,082	-	-	-	1,216	33,298	(94,927)	<b>(61,629)</b>
Adjustments between accounting basis and funding basis under statutory provisions (Note 10)	(10,273)	-	(10,273)	(6,170)	207	(15)	707	-	(15,544)	15,544	<b>0</b>
Transfers to / (from) Earmarked Reserves	(12,357)	12,357	-	-	-	-	-	-	0	-	<b>0</b>
<b>(Increase) / Decrease in 2022-2023</b>	<b>(630)</b>	<b>12,357</b>	<b>11,727</b>	<b>3,912</b>	<b>207</b>	<b>(15)</b>	<b>707</b>	<b>1,216</b>	<b>17,754</b>	<b>(79,383)</b>	<b>(61,629)</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>(6,151)</b>	<b>(13,645)</b>	<b>(19,796)</b>	<b>(7,556)</b>	<b>(12,731)</b>	<b>(18,204)</b>	<b>(18,796)</b>	<b>4,527</b>	<b>(72,556)</b>	<b>(382,571)</b>	<b>(455,127)</b>

## Group Balance Sheet

2021-22 £'000	2022-23 £'000	Note
485,622	494,460	15
56,034	98,561	16
22,743	22,743	17
448	474	
6,536	5,633	19
15,411	10,548	19
<b>586,794</b>	<b>632,419</b>	
1,737	4,294	
30,764	13,078	19, 20 & 21
39,019	15,202	19
4,290	2,063	22
72,302	29,269	19 & 23
<b>148,112</b>	<b>63,906</b>	
(1,510)	(1,537)	19
(63,341)	(33,595)	19 & 24
(5,173)	(5,668)	25
<b>(70,024)</b>	<b>(40,800)</b>	
(166,695)	(165,160)	19
(2,760)	(2,835)	19 & 36
(2,641)	(3,468)	19
(99,288)	(28,935)	42
<b>(271,384)</b>	<b>(200,398)</b>	
<b>393,498</b>	<b>455,127</b>	
<b>Financed by:</b>		
90,310	72,556	26
303,188	382,571	27
<b>393,498</b>	<b>455,127</b>	

These financial statements replace the unaudited financial statements certified by the Responsible Financial Officer, Dave Hodgson, on 31 August 2023.

**Dave Hodgson, CPFA, Director Finance**



## Group Cash-Flow Statement

2021-22 £'000		2022-23 £'000	Notes
18,673	Net (surplus) or deficit on the provision of services	33,297	
(58,610)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(55,929)	
13,143	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	10,149	
<b>(26,794)</b>	<b>Net cashflows from Operating Activities</b>	<b>(12,483)</b>	28
49,060	Investing Activities	54,564	29
(59,181)	Financing Activities	952	30
<b>(36,915)</b>	<b>Net (Increase) or decrease in cash and cash equivalents</b>	<b>43,033</b>	
<b>35,387</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>72,302</b>	
<b>72,302</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>29,269</b>	

## Group Notes to the Accounts

### 1. Financial Instruments

	Long-term				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023	31 March 2022	31 March 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial Assets</b>								
Fair value through profit or loss	5,554	4,651	-	-	30,007	25,080	-	-
Amortised cost	982	982	15,411	10,548	81,314	19,391	4,346	4,376
<b>Total Financial Assets</b>	<b>6,536</b>	<b>5,633</b>	<b>15,411</b>	<b>10,548</b>	<b>111,321</b>	<b>44,471</b>	<b>4,346</b>	<b>4,376</b>
Non-financial assets	-	-	-	-	-	-	26,418	8,702
<b>Total</b>	<b>6,536</b>	<b>5,633</b>	<b>15,411</b>	<b>10,548</b>	<b>111,321</b>	<b>44,471</b>	<b>30,764</b>	<b>13,078</b>

	Fair Value Level	Restated			
		Balance Sheet		Balance Sheet	
		31 March 2022	31 March 2022	31 March 2023	31 March 2023
		£'000	£'000	£'000	£'000
<b>Financial Assets Held at Amortised Cost</b>					
Unquoted equity investment	3	982	982	982	982
Loans made for service purposes	2	1,406	1,406	1,454	1,454
Lease receivables	3	14,005	14,005	9,094	9,094
Short term investments	2	39,019	39,019	15,202	15,202
Cash (including bank accounts)	2	42,295	42,295	4,189	4,189
Short term debtors	3	30,764	30,764	13,078	13,078
<b>Total Financial Assets</b>		<b>128,471</b>	<b>128,471</b>	<b>43,999</b>	<b>43,999</b>

Restated to reflect all financial assets, only excluding those held at fair value through profit and loss

## Group Notes to the Accounts

### 2. Inventories

	Exeter City Council consumables 2021/22 £'000s	Exeter City Council consumables 2022/23 £'000s	Strata proportional share of stock 2021/22 £'000s	Strata proportional share of stock 2022/23 £'000s	Subsidiary work in progress 2021/22 £'000s	Subsidiary work in progress 2022/23 £'000s	Total 2021/22 £'000s	Total 2022/23 £'000s
Balance at 1 April	161	188	4	4	2,973	1,545	3,138	1,737
Purchases	344	463	-	2	520	2,549	864	3,014
Expense in year	(317)	(454)	-	-	(1,948)	(3)	(2,265)	(457)
Written off balances	-	-	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
<b>Balance at 31 March</b>	<b>188</b>	<b>197</b>	<b>4</b>	<b>6</b>	<b>1,545</b>	<b>4,091</b>	<b>1,737</b>	<b>4,294</b>

### 3. Cash and Cash Equivalents

	2021-22 £'000	2022-23 £'000
Cash held by the Council	241	113
Bank current accounts	4,649	(753)
Money Market Funds	30,007	25,080
Short-term investments	30,000	-
Short-term call accounts	3,002	3,057
Strata - Cash at bank and in hand	380	257
Subsidiary - Cash at bank and in hand	4,023	1,515
<b>Total cash and cash equivalents</b>	<b>72,302</b>	<b>29,269</b>

### 4. Cash flow Statement – Investing Activities

	2021-22 £'000	2022-23 £'000
Purchase of non-current assets	30,820	71,842
Purchase of short and long-term	547,000	111,000
Other payments for investing activities	3,249	4,058
Proceeds from the sale of non-current assets	(4,885)	(7,155)
Proceeds of short and long-term	(516,000)	(118,000)
Other receipts for investing activities	(11,124)	(7,181)
<b>Net cash flows from investing</b>	<b>49,060</b>	<b>54,564</b>

## HRA Income & Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2021-22		2022-23	
£'000	Income	£'000	£'000
(18,850)	Dwelling rents	(19,926)	
(410)	Non dwelling rents	(336)	
(1,018)	Charges for services and facilities	(908)	
<b>(20,278)</b>	<b>Total Income</b>		<b>(21,170)</b>
	<b>Expenditure</b>		
6,900	Repairs and maintenance	7,664	
6,257	Supervision and management	6,750	
103	Rents, rates, taxes and other charges	387	
6,530	Depreciation and impairment of non-current assets	16,913	
22	Debt management costs	23	
<b>19,812</b>	<b>Total Expenditure</b>		<b>31,737</b>
<b>(466)</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>10,567</b>
194	HRA share of Corporate and Democratic Core		191
<b>(272)</b>	<b>Net Cost of HRA Services</b>		<b>10,758</b>

## HRA Income & Expenditure Statement

2021-22 £'000		2022-23 £'000
(272)	<b>Net Cost of HRA Services</b>	<b>10,758</b>
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
(1,380)	(Gain) or loss on sale of HRA non-current assets	(1,545)
2,193	Interest payable and similar charges	2,155
(253)	Interest and investment income	(713)
294	Net interest on the net defined benefit liability (asset) and administration expenses	265
(1,975)	Capital grants and contributions receivable	(838)
<b>(1,393)</b>	<b>(Surplus) or deficit for the year on HRA services</b>	<b>10,082</b>

### Movement on the HRA Statement

2021-22 £'000		2022-23 £'000
(13,267)	Housing Revenue Account surplus brought forward	(11,468)
(1,393)	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	10,082
3,192	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(6,170)
<b>1,799</b>	<b>(Increase) or decrease in the HRA Balance</b>	<b>3,912</b>
<b>(11,468)</b>	<b>Housing Revenue Account surplus carried forward</b>	<b>(7,556)</b>

## Notes to the HRA Statements

### 1. HRA Dwellings

	Flats	Houses and Bungalows	Total
At 31 March 2022	2,513	2,280	<b>4,793</b>
At 31 March 2023	2,532	2,260	<b>4,792</b>

### 2. Vacant Possession Value of Dwellings

At 1 April 2023 the vacant possession value of the dwellings was £893.491m, this compares to the tenanted market value in the Balance Sheet of £312.722m. The difference of £580.769m represents the economic cost to the Government of providing council housing at less than open market rents.

### 3. Council Own Build Scheme

The Council's Own Build scheme involves the development of 21 homes at Sivell Place and Merlin Crescent. Whilst the developments remain within the overall umbrella of the Housing Revenue Account, the costs and incomes arising from the developments are accounted for separately as part of their build costs were financed from borrowing. The cost of servicing the borrowing will therefore be met from the rent income received from the completed dwellings.

### 4. Impairment Charges

Impairment charges of £12.821m (£2.682m 2021/22) were debited to the HRA Income and Expenditure Account in 2022/23 although they were reversed out in the Statement of Movement on the HRA Balance, to avoid having an impact on rent levels, in accordance with the Code of Practice.

### 5. HRA Capital Receipts

The following capital receipts were received during the year from disposals of land, houses and other property within the authority's HRA:

	2021-22 £'000	2022-23 £'000
Land	-	-
Dwellings	4,924	4,196
Repayment of discounts	-	-
	<b>4,924</b>	<b>4,196</b>
Less amount pooled	(425)	-
	<b>4,499</b>	<b>4,196</b>

## Notes to the HRA Statements

### 6. Balance Sheet Valuation of Assets

	Dwellings	Garages	Vehicles, Plant & Equipment	Assets Under Construction	Surplus Assets	Assets Held for Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2022	286,593	3,860	73	16,519	-	1,638	<b>308,683</b>
At 31 March 2023	312,722	3,550	45	3,937	-	1,991	<b>322,245</b>

Within the valuation of Council dwellings as at 31 March 2023 of £312.722m, £158.275m was attributable to the value of land (2021/22 £145.052m) and £154.447m to buildings (2021/22 £141.541m).

### 7. HRA Capital Expenditure

HRA capital expenditure amounted to £13.598m during 2022/23 (£19.268m 2021/22), the expenditure and sources of finance were as follows:

	Sources of Finance					Total
	Major Repairs Reserve	Revenue Contributions	Borrowing	Grants & Other Contributions	Capital Receipts	Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Land	-	-	-	-	-	-
Houses	4,076	5,000	-	191	4,331	<b>13,598</b>
Other	-	-	-	-	-	-
<b>Total</b>	<b>4,076</b>	<b>5,000</b>	<b>-</b>	<b>191</b>	<b>4,331</b>	<b>13,598</b>



## Notes to the HRA Statements

### 8. Depreciation

The depreciation charges for the year in respect of HRA assets were:

	2021-22	2022-23
	£'000	£'000
<b>Operational assets</b>		
Dwellings	3,764	4,011
Garages	51	51
Equipment	33	29
<b>Total depreciation charged</b>	<b>3,848</b>	<b>4,091</b>
Less depreciation written off - disposals	(22)	(19)
Less depreciation written off - revaluations	(3,772)	(4,032)
Less depreciation written off - impairments	(21)	(11)
<b>Total depreciation</b>	<b>33</b>	<b>29</b>

## Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

2021-2022			2022-2023		
Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
<b>Income</b>					
76,561	-	76,561	79,918	-	79,918
-	(969)	(969)	-	(1,672)	(1,672)
-	56,063	56,063	-	73,731	73,731
<b>76,561</b>	<b>55,094</b>	<b>131,655</b>	<b>79,918</b>	<b>72,059</b>	<b>151,977</b>
<b>Expenditure</b>					
<b>Demands on the Fund by:</b>					
8,956	-	8,956	9,302	-	9,302
3,410	368	3,778	3,463	442	3,905
57,231	3,309	60,540	58,721	3,978	62,699
6,169	14,707	20,876	6,405	17,679	24,084
-	18,383	18,383	-	22,098	22,098
-	209	209	-	211	211
83	-	83	10	-	10
Bad and doubtful debts					
252	(4)	248	161	487	648
520	(70)	450	410	(90)	320
-	2,379	2,379	-	243	243
<b>76,621</b>	<b>39,281</b>	<b>115,902</b>	<b>78,472</b>	<b>45,048</b>	<b>123,520</b>
<b>60</b>	<b>(15,813)</b>	<b>(15,753)</b>	<b>(1,446)</b>	<b>(27,011)</b>	<b>(28,457)</b>
(1,371)	43,559	42,188	(1,311)	27,746	26,435
<b>(1,311)</b>	<b>27,746</b>	<b>26,435</b>	<b>(2,757)</b>	<b>735</b>	<b>(2,022)</b>

## Notes to the Collection Fund

### 1. Council Tax base

The council tax base, for tax setting purposes, is calculated by reference to the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings. The figures for 2022/23 were:

	Band Dwellings	Less Discounts	Technical Changes	Conversion Factor	Band D equivalents
A Relief	26	15	-	5/9ths	6
A	9,559	3,626	17	6/9ths	3,967
B	14,292	3,118	(2)	7/9ths	8,689
C	13,098	1,841	(2)	8/9ths	10,004
D	8,195	785	4	9/9ths	7,414
E	3,996	281	(1)	11/9ths	4,539
F	1,961	122	1	13/9ths	2,658
G	946	50	3	15/9ths	1,498
H	31	3	-	18/9ths	56
<b>Band D equivalent</b>					<b>38,831</b>
Less Hardship Relief (Band D)					0
<b>Total Band D equivalent</b>					<b>38,831</b>
Collection rate					97%
<b>Tax base</b>					<b>37,666</b>

### 2. Income from Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values (£190.018m at March 2023) multiplied by a uniform rate 51.2p (49.9p for those receiving small business relief) for 2022/23.



**Exeter City Council**

# Annual Governance Statement

2022-23

### Scope of Responsibility

Exeter City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of Delivering Good Governance in Local Government (CIPFA/Solace 2016). This statement explains how Exeter City Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, paragraph 4(3), which required all relevant bodies to prepare an Annual Governance Statement.

The Code of Governance sets out the seven principles of good governance and the arrangements the Council has put in place to meet each of these principles:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the law
2. Ensuring openness and comprehensive stakeholder engagement
3. Defining outcomes in terms of sustainable economic, social and environmental benefits
4. Determining interventions necessary to optimise the achievement of the intended outcomes
5. Developing the Council's capacity. Including the capability of its leadership and individuals within it
6. Managing risk and performance through robust internal control and strong public financial management
7. Implementing good practices in transparency, reporting and audit to deliver effective accountability

A copy of the Council's code is available on our website.

## Annual Governance Statement

### The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled together with activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its purposes and to consider whether those purposes have led to the delivery of appropriate, cost-effective services.

The Council's system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. There is an ongoing process designed to identify and prioritise risks to the achievement of Council policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at Exeter City Council for the year ended 31 March 2023 and up to the date of the approval of the annual statement of accounts.

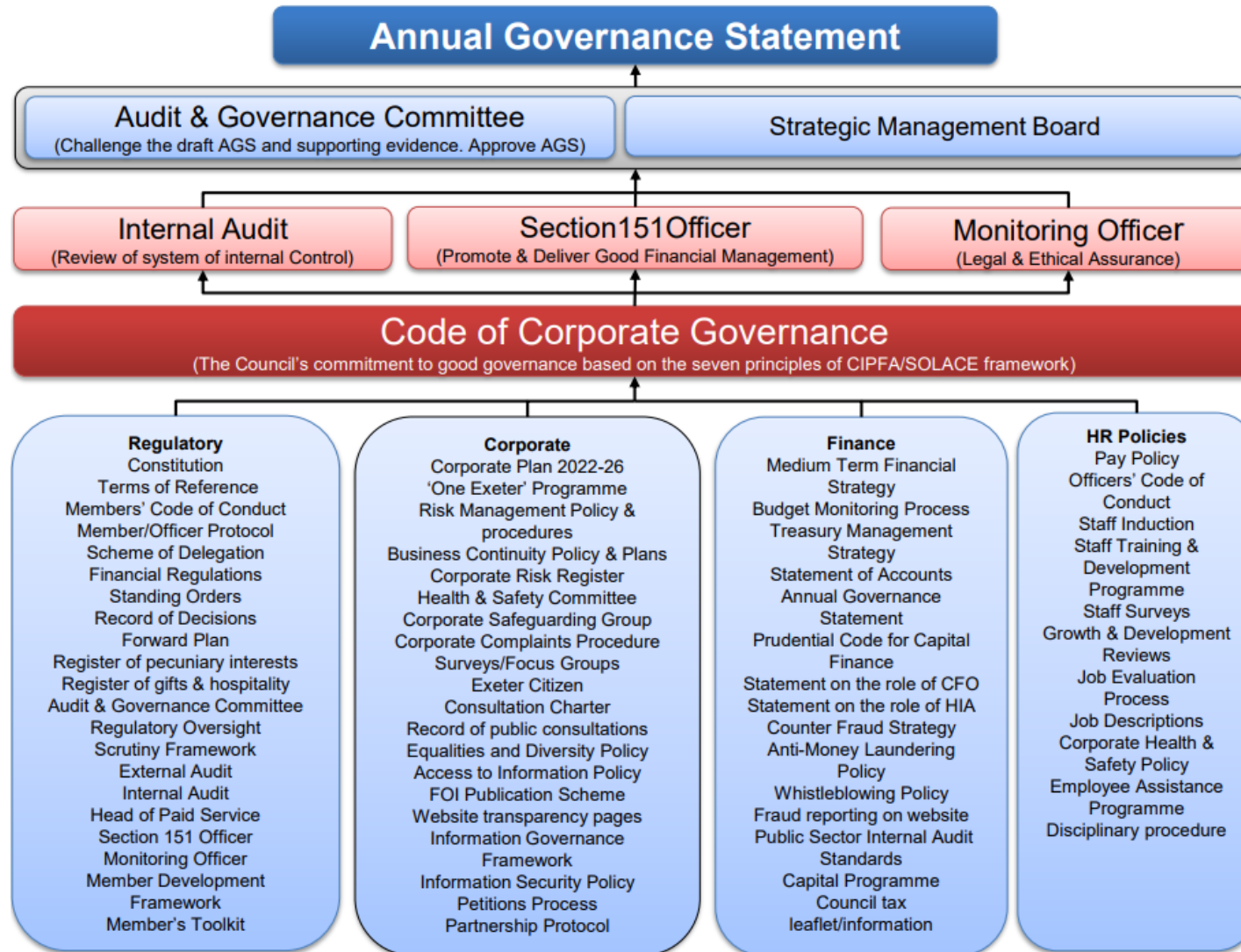
### The Governance Framework

The Council's Governance Framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The Framework recognises that the Council's business is focussed upon its corporate priorities and seeks to facilitate delivery to our local communities of the goals set out in the Council's Corporate Plan 2022-26. The structures and processes, risk management and other internal control systems, such as standards of conduct, form part of this Framework, which is about managing the barriers to achieving the Council's objectives.

The local Code of Corporate Governance is reviewed annually through the Audit and Governance Committee and was last reviewed and recommended for approval by Council on 08 March 2023. Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Strategic Management Board (SMB) which comprises the Chief Executive, Directors, Director Finance (Section 151), Director Corporate Services (Monitoring Officer).

The Council has designed systems and processes to regulate, monitor and control its activities in order to achieve its vision and objectives. The Code of Corporate Governance sets out the controls in full.

# Annual Governance Statement





## Annual Governance Statement

### Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:

- ✓ The work of the Strategic Management Board who have responsibility for the development and maintenance of the governance environment
- ✓ The work of Executive who are responsible for considering overall financial and performance management and receive comprehensive reports throughout the year;
- ✓ The work of Customer Focus and Strategic Scrutiny Committees who monitor the overall financial performance of the Council;
- ✓ The work of the Audit & Governance Committee who monitor the standards of conduct of Members, effectiveness of risk management, the work of Internal Audit and the system of internal control;
- ✓ The Section 151 Officer who is responsible for delivering and overseeing the financial management of the Council
- ✓ The Monitoring Officer who provides assurance that the Council has complied with its statutory and regulatory obligations;
- ✓ Annual reviews of the Council's key financial and non financial systems by Internal Audit against known and evolving risks which are reported on a quarterly basis to the Audit & Governance Committee;
- ✓ Annual reviews of the Council's financial accounts and records by the External Auditors leading to their opinion as published in the year-end statements;
- ✓ Ongoing reviews of strategic and operational risks in each service area and the conduct of risk analysis and management in respect of major projects undertaken by the Council;
- ✓ Reviews and, where appropriate, updates of the Council's Constitution including Financial Regulations and Standing Orders
- ✓ Comments made by other review agencies and inspectorates

### Risk Management

Responsibility for the risk management process sits with the Audit and Governance Committee. Review of the risks included in the Corporate Risk Register (CRR) is undertaken by the Executive as owners of the CRR, this is done on a quarterly basis. The Council's Strategic Management Board (SMB) are responsible for constantly reviewing the risks being posed to the Council and ensuring that significant risks are recorded on the CRR along with the mitigating actions. Service Leads monitor risks at operational level and feedback any issues to their Director. Any significant risks, at operational level, that could impact the Council corporately are escalated to the CRR. The administrative support for the CRR process is provided by the Audit Manager.

## Annual Governance Statement

### Financial Management Arrangements

The Council's financial management arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2010) as set out in the "Application Note to Delivering Good Governance in Local Government: Framework". The Section 151 Officer is a member of the Council's Strategic Management Board.

### Internal Audit

The Internal Audit Service has been managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS) which were introduced in April 2013. It is a requirement of the standards that an independent external review of Internal Audit's compliance with PSIAS is undertaken every five years. This external review was completed in January 2020 when the external assessor concluded that:

"It is our overall opinion that the Exeter City Council Internal Audit Team generally conforms to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards." Generally Conforms is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards.

Based on the assurance work undertaken by Internal Audit, the Audit Manager has provided an opinion on the adequacy of the control environment as part of the Annual Internal Audit Report which concluded that the key systems are operating soundly and that there are no fundamental breakdowns of controls resulting in material discrepancy.

### External Audit

The Council's external auditor (Grant Thornton) has not yet issued a certificate of completion in respect of 2020/21, although all necessary audit work has been completed. With regards to 2021/22, the audit of the Council's financial statements remains ongoing, but substantial progress has been made. Unfortunately the audit commenced later than planned, in the middle of October 2022, due to Grant Thornton's commitment to a prior audit and a delay transitioning to the Council's audit.

## Annual Governance Statement

### Corporate Complaints

During 2022-23, 14 corporate complaints were received compared to 13 in 2021-22. Of the 13 complaints received, 11 were dealt with at Stage 1, 2 were dealt with at stage 2 and 2 are still to be resolved.

### Performance Management

Performance management of individual services, for example building control, planning and waste management has been developed in our Power BI dashboards. The scope of these dashboards continues to expand and the reports enable accessible, visible data and analytics to support managers in monitoring performance. A review of the priorities and objectives in the corporate plan will be undertaken shortly following the appointment of the new Chief Executive. When completed a performance framework will be introduced to enable reporting and monitoring of performance across key areas of the council.

## Annual Governance Statement

### Key Issues 2022-23

This Statement is intended to provide reasonable assurance. It is stressed that no system of control can provide absolute assurance against material misstatement or loss. In concluding this overview of the Council's governance arrangements, three key issues have been identified for 2022-23 shown in the table below. Progress will be subject to regular monitoring by the Audit and Governance Committee.

Issue No.	Issue Identified	Summary of Action to be Taken
1	<p>Financial position – Significant inflation fuelled by high energy prices, a higher than anticipated national pay settlement and income streams still struggling to reach the budget meant that the Council had to take action to address significant issues during 2022/23. The unprecedented cost pressures also meant that significant reductions and additional income were required to deliver a balanced budget for 2023/24.</p> <p>The Council's medium term financial plan anticipates reserves being reduced to the minimum required by 2024/25 and further budget reductions of £5.1m are required by 2028.</p>	<p>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.</p> <p>It is imperative that strong financial discipline is maintained across the Council to ensure that the reductions are delivered. It should also be noted that areas of concern around income targets; business rates, parking, trade waste, Civic Centre rental will be subject to close monitoring during the year rental will be subject to close monitoring during the year.</p>
2	<p>Debt Collection – The Council has actively been seeking to identify new income streams as part of the 'One Exeter' project. Whilst this is good news, our work has identified that there are significant weaknesses within service areas around raising invoices and the subsequent collection of debt for all income streams. For example, services are being provided but invoices are not always raised, or not raised promptly, to collect fees for services provided. It should be noted that this weakness relates only to service areas and does not apply to the Council's Income Collection Team.</p>	<p>An external review of debt collection has been already been commissioned the results of which are due to be presented to the Council shortly. As debt management is also one of the themes for the cross cutting review this report will feed into that review.</p>

## Annual Governance Statement

### Key Issues 2022-23

Issue No.	Issue Identified	Summary of Action to be Taken
3	<p>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:</p> <ul style="list-style-type: none"><li>• external factors e.g. regulatory change and compliance, climate change</li><li>• internal factors e.g. The One Exeter project to deliver the digitalisation/transformation of service delivery</li></ul>	<p>The Audit Managers have been involved in a number of the One Exeter work streams, including the cross cutting theme reviews. Involvement at this early stage should help identify risks to the internal control environment that could arise due to any changes being brought about by the program and this work will continue as the project develops.</p> <p>Internal Audit have also been asked to input into the development of service plans advising on governance and risk assessment processes.</p>



## Approval of the Annual Governance Statement

To the best of our knowledge, the governance arrangements, as outlined in this AGS have been operating effectively during the year. During the review of effectiveness, we have identified three key areas of concern and we propose over the coming year to take steps to address these concerns in order to enhance our governance arrangements and are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness. Progress against the action plan will be monitored quarterly by the Audit & Governance Committee.

**Signed:** ..... **Date:** .....  
Councillor Wardle  
**Chair of Audit & Governance Committee**

**Signed:** ..... **Date:** .....  
Dave Hodgson CPFA  
**Director Finance & Section 151 Officer**

**Signed:** ..... **Date:** .....  
Councillor Bialyk  
**Leader of the Council**

**Signed:** ..... **Date:** .....  
Bindu Arjoon  
**Chief Executive**

## Auditors Report



## Auditors Report

**Auditors Report**

**Auditors Report**

**Auditors Report**

## Auditors Report

## Auditors Report

## Glossary of Terms

### **Accounting Period**

The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local authority accounts.

### **Accrual Basis**

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made

### **Actual**

Actual, as opposed to budget, expenditure and income directly attributable to an accounting period, generally referred to as actuals.

### **Appointed Auditors**

For audits of Council accounts from 1 April 2018, Public Sector Audit Appointments Limited (PSAA) is responsible for appointing an auditor, as Exeter City Council opted into its national appointment arrangements. Grant Thornton (UK) LLP is the Council's appointed Auditor.

### **Associate Companies**

An associate is an entity over which the Council has significant influence.

### **Balances**

Working balances are reserves needed to finance expenditure in advance of income from debtors, precepts and grants. Any excess may be applied at the discretion of the authority, to reduce future demands on the Collection Fund or to meet unexpected costs during the year. Balances on holding accounts and provisions are available to meet expenditure in future years without having adverse effect on revenue expenditure.

### **Budget**

A statement of the income and expenditure policy plan of the Council over a specified period. The most common is the annual Revenue Budget expressed in financial terms and including other physical data, e.g. staff resources.

### **Capital Expenditure**

This is expenditure on the acquisition of a fixed asset, or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

### **Capital Financing**

The raising of money to meet the cost of capital expenditure. Capital expenditure may be financed by borrowing, leasing, and contributions from revenue accounts, the proceeds from the sale of capital assets, capital grants and contributions from developers or others.



## Glossary of Terms

### **Capital Grants**

Grants specifically towards capital expenditure on a specific service or project.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the leading professional accountancy body for public services. CIPFA publishes the annual Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code constitutes proper accounting practice.

### **Collection Fund**

This is a statutory fund kept separate from the main accounts of the Council. The Collection fund shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities (Devon County Council, Police and Crime Commissioner for Devon and Cornwall and Devon & Somerset Fire and Rescue Service) and the government of council tax and non-domestic rates.

### **Community Assets**

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and may have restrictions on their disposal.

### **Contingent Liability or Assets**

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately and for which provision has not been made in the Council's accounts.

### **Council Tax Requirement**

This is the estimated revenue expenditure on General Fund services that will be financed from the Council Tax after deducting income from fees and charges, General Fund Balances, specific grants and any funding from reserves.

### **Creditors**

Amounts owed by the authority for work done, goods received or services rendered, but for which payment was not made at the balance sheet date.

### **Current Service Cost**

This is an increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

### **Current Assets**

Assets that can be expected to be consumed or realised during the next accounting period.

## Glossary of Terms

### **Current Liabilities**

Amounts that will become due or could be called upon during the next accounting period.

### **Curtailement**

The cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

### **Debtors**

Amounts due to the Council that have not been received at the balance sheet date.

### **Deferred Liabilities**

This represents the liability for principal repayments on finance leases.

### **Depreciation**

This is the measure of the wearing out, consumption or other reduction in the useful economic life of property, plant and equipment.

### **Earmarked Reserves**

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

### **Employee Costs**

These include salaries, wages and employer's national insurance and superannuation costs payable by the Council, together with training expenses and charges relating to the index-linking of pensions of former employees.

### **External Audit**

The independent examination of the activities and accounts of local authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

### **Fair Value**

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## Glossary of Terms

### **Final Accounts**

Accounts prepared for an accounting period, showing the net surplus (profit) or deficit (loss) on individual services and a balance sheet is prepared for them. They are produced as a record of stewardship and are available to interested parties. Local authorities are required to publish each year a Statement of Accounts, as specified in the Accounts and Audit Regulations 2015.

### **Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

### **Financial Instruments**

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

### **Financial Year**

The local authority financial year commences 1 April and finishes 31 March the following year.

### **Financial Regulations**

These are a written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

### **Government Grants**

Payments by central government towards local authority expenditure. They must be specific e.g. Housing Benefits, or general e.g. Revenue Support Grant.

### **Housing Benefit**

This is an allowance to persons receiving little or no income to meet, in whole or part, their rent. Benefit is allowed or paid by local authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to local authorities. Benefits paid to the Authority's own tenants are known as rent rebates and that paid to private tenants as rent allowances.

### **Housing Revenue Account**

Local authorities are required to maintain a separate account, the Housing Revenue Account, which sets out the expenditure and income arising from the provision of Council housing.

### **Impairment**

A reduction in the value of an asset below its value held in the Balance Sheet. Factors which may cause such a reduction include; fall in general prices, a decline in an asset's market value and evidence of obsolescence or physical deterioration.

## Glossary of Terms

### **Interest**

An amount receivable or payable for the use of a sum of money when it is invested or borrowed.

### **Inventories**

Items of raw materials and stock an authority has procured to use on a continuing basis which it has not consumed or the value of work in progress.

### **Investment Properties**

Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

### **Materiality**

Information is material if omitting it or misstating it could influence the decisions that users make on the statement of accounts.

### **Minimum Revenue Provision (MRP)**

The minimum amount that must be charged to an authority's revenue accounts and set aside for the repayment of debt. It is calculated in accordance with the Council's approved MRP policy.

### **Non Domestic Rates (NDR)**

NDR is also referred to as business rates; is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. Authorities can voluntarily form a business rate retention pool, where all authorities in the pool can benefit from keeping a proportion of business rate revenue as well as growth on the revenue that is generated in their area to spend on local services.

### **Net Book Value**

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

### **Non-Current Assets**

Assets that can be expected to be of use or benefit to the Authority in providing its service for more than one accounting period.

### **Operating Lease**

A lease under which ownership of the asset remains with the lessor; the lease costs are revenue expenditure to the Authority.

## Glossary of Terms

### **Precepts**

The amount levied by various Authorities that is collected by the Council on their behalf. The major precepting authorities in Exeter are Devon County Council, Devon and Somerset Fire and Rescue Service and Devon and Cornwall Police Authority.

### **Prior Period Adjustments**

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

### **Property, Plant and Equipment (PPE)**

Tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administration purposes, and are expected to be used during more than one year.

### **Public Works Loan Board (PWLB)**

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities

### **Revenue Contribution to Capital Outlay (RCCO)**

The mechanism by which items of capital expenditure can be financed by the General Fund or Housing Revenue Account

### **Revenue Expenditure Financed by Capital under Statute (REFCUS)**

Expenditure which has been legally capitalised but which does not produce a fixed asset for the council, e.g. renovation grants for homeowners.

### **Revenue Support Grant**

A grant paid by government to meet a proportion of the local authority expenditure necessary to provide a standard level of service throughout the country.

### **Subsidiary**

A subsidiary is an entity that is controlled by another entity (the parent). A reporting authority controls an entity if it has; power over the entity, exposure to or rights to variable returns from its involvement with the entity and the ability to use its power over the entity to affect the amounts of its returns.

### **Value for Money**

An expression describing the benefit obtained (not just in financial terms) for a given input of cash. The term is widely used within public bodies, but there are many difficulties in its use because value, as such, is a subjective measure and there are rarely supporting objective measures. The appointed auditors are required to consider value for money with the three objectives of economy of input, efficiency of operation and effectiveness of output in service provision and report on the Council's arrangements for securing VFM.





**Exeter**  
City Council



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Exeter EX1 1JN  
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Bristol  
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**Please ask for:**

**Direct Dial:** 01392 265292

**Email:** [David.hodgson@exeter.gov.uk](mailto:David.hodgson@exeter.gov.uk)

**Our ref:**

**Date:** 6 March 2024

Dear Sirs,

## **Exeter City Council** **Financial Statements for the year ended 31 March 2023**

This representation letter is provided in connection with the audit of the financial statements of Exeter City Council and its subsidiary undertakings, Exeter City Living Ltd, for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the group and Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### **Financial Statements**

- We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of land and buildings, investment properties, council dwellings and the net pension liability.



We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- Except as disclosed in the group and Council financial statements:
  - there are no unrecorded liabilities, actual or contingent
  - none of the assets of the group and Council has been assigned, pledged or mortgaged
  - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- We have considered the misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misclassifications and disclosure changes and are free of material misstatements, including omissions.
- The financial statements are free of material misstatements, including omissions.
- Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
  - a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
  - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

- c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

- We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.
- We have considered whether the Council is required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised on the grounds that:
  - We have not made equal pay payments previously or in the accounting year in question
  - We have got any live payment liability
  - We are not aware of any pending equal pay claims.
- We confirm there were no circumstances or impairment indications present within Exeter City Living Ltd at 31 March 2023 that would warrant a need for a write down of the recoverable amount of debt at that date.

### Information Provided

- We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
  - additional information that you have requested from us for the purpose of your audit; and
  - access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.
- We have communicated to you all deficiencies in internal control of which management is aware.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
  - management;
  - employees who have significant roles in internal control; or

- others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

- We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**Narrative Report**

- The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

**Approval**

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 6 March 2024.

Yours faithfully

Name            Councillor A J Wardle

Position        Chair - Audit and Governance Committee

Date             6 March 2024

Signature       .....

Name            Dave Hodgson

Position        Director Finance (Section 151 Officer)

Date             6 March 2024

Signature       .....

**Signed on behalf of the Council**

# Informing the audit risk assessment for Exeter City Council 2022/23

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**Julie Masci**  
Director  
02920 347506  
[Julie.masci@uk.gt.com](mailto:Julie.masci@uk.gt.com)



Agenda Item 11

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any 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.

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## Purpose

The purpose of this report is to contribute towards the effective two-way communication between Exeter City Council's external auditors and Exeter City Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

## Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.



## Purpose

This report includes a series of questions on each of these areas and the response we have received from Exeter City Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

# General Enquiries of Management

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Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2022/23?	Cost of living crisis. Significant inflation fuelled by high energy prices and a higher than anticipated national pay settlement. In terms of key event, the Council acquired the Guildhall Shopping Centre in May 2022.
2. Have you considered the appropriateness of the accounting policies adopted by Exeter City Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Yes accounting policies reviewed and remain appropriate for 2022/23
3. Is there any use of financial instruments, including derivatives? If so, please explain	CCLA Property Fund and money market funds. Classified as FVTPL, but statutory reversal in place for 2022/23 and extended for 2 years from 1 April 2023 for unrealised fair value movements
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	Support measures for those affected by the cost of living crisis and providing support to Ukrainian refugees. Judgements have been made in respect of whether the Council is acting as a principal or agent.

# General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	A guarantee to the University of Exeter remains in place for a lease granted to Exeter Science Park Ltd
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by Exeter City Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>Ashfords LLP; instructed to secure a Harbour Revision Order for Exeter City Council. This work is ongoing.</p> <p>Ashfords LLP; purchase of the Guildhall Shopping Centre (completed)</p> <p>Ashfords LLP; estates work in respect of the Guildhall Shopping Centre (continuing)</p> <p>Chilcotts Law Limited; surrender of three leases and grant of a new 200 year lease in relation to a site at Summerland Street, Exeter</p>

## General Enquiries of Management

Question	Management response
9. Have any of the Exeter City Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	<p>Various consultants employed in respect of the capital projects, as the Council appoint multi-disciplined teams for QS, design, project management for certain schemes.</p> <p>Barnett Waddingham provide actuarial reports for Devon LGPS</p> <p>The Council subscribes to the Ichabod (local government technical accounting service) for bulletins on emerging accounting issues</p> <p>VAT advice is provided by PSTax</p>
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	<p>Yes, impairment losses are assessed for financial assets exposed to credit risk, including sundry debtors, statutory debtors (e.g. council tax and NDR), rents, investments and loans. A collective assessment approach is taken where a group of receivables have shared risk characteristics. Where loss allowances are calculated for individual financial assets, it is based upon an assessment of the risk of default occurring and estimated losses if default occurs.</p>

# Fraud

## Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Exeter City Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

• assessment that the financial statements could be materially misstated due to fraud,

- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Exeter City Council's management.

# Fraud risk assessment

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Question	Management response
<p>1. Has Exeter City Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Council's risk management processes link to financial reporting?</p>	<p>Yes, insofar as conducting the fraud risk assessment, the results of which are recorded in the fraud risk table (copy provided).</p> <p>Please see fraud risk table.</p> <p>Any financial risks arising from the Council's risk management processes are taken into consideration as part of preparing the Council's medium term financial plan and help inform decisions on minimum General Fund and HRA working balances as a contingency. Under Section 25 of the Local Government Act 2003 the Section 151 officer has a duty to report on the robustness of estimates and adequacy of reserves, appropriate for the risks to which it is exposed.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>High risk before mitigating actions are: Main Accounting, Income Management, Procurement, Creditors, Insurance, Private Sector Waste Services, Taxi Licensing, Social Housing, Right to Buy, NDR, Payments and Collection, Council Tax, Housing Benefits, Contract Management, Grants (incl. DFG, Covid Business) and ICT. The only area remaining high risk after mitigating controls being in place is ICT due to external high risks and constantly changing and emerging risks. (Please see fraud risk table for more details).</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Exeter City Council as a whole, or within specific departments since 1 April 2022? If so, please provide details</p>	<p>An allegation was received that a number of comments received in support of a planning application for a housing development were fictitious, but after referral to the Police it was concluded that there was a lack of evidence and the investigation was closed.</p>

# Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Internal Audit report on their work to the Audit and Governance Committee on a Quarterly basis.</p> <p>The Corporate Risk Register is reviewed and updated by the Senior Management Board on a Quarterly basis in conjunction with the relevant portfolio holder. This is then presented to Executive and Audit and Governance Committee for review on a quarterly basis.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Exeter City Council where fraud is more likely to occur?</p>	<p>The Council has a specific fraud risk table (copy provided), this is reviewed on a regular basis and shared with the Senior Management Board and the Portfolio Holder for Corporate Services.</p> <p>We do not have any specific concerns regarding the risk of fraud.</p> <p>No</p>
<p>6. What processes do Exeter City Council have in place to identify and respond to risks of fraud?</p>	<p>Internal Audit regularly review and update fraud risk assessment, Counter Fraud Strategy regularly reviewed and updated, anonymous whistleblowing via website, self- assessment against Fighting Fraud Locally, DWP shared information, IIA information, NFI data matching</p>

# Fraud risk assessment

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Question	Management response
<p>7. How do you assess the overall control environment for Exeter City Council, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Internal Audit review the internal control processes and provide assurance to Management. The risk based audit plan determines the areas covered each year.</p> <p>Management have agreed remedial action for all high and medium risk issues identified within Internal Audit reports during the year.</p> <p>Counter fraud and whistleblowing e-learning, articles in staff newsletters, participation in the NFI, online reporting facilities for members of the public to raise concerns.</p> <p>The wife of the Chief Finance Officer/S151 works within the Finance team as Service Accountant, she does not report directly to the Chief Finance Officer. However, whilst we currently do not have any concerns there is always a greater potential for fraud/override of controls.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Whilst we currently do not have any concerns, there is potential for misreporting within the commercial activities of the Council, including Exeter City Living.</p>



# Fraud risk assessment

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Question	Management response
<p>9. How does Exeter City Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>Codes of Conduct in place, counter Fraud/Whistleblowing training is undertaken as part of induction e-learning, articles in staff newsletter</p> <p>Raising awareness via staff newsletters. Internet information. Whistleblowing policy.</p> <p>Staff are encouraged to report any concerns they may have and all will be appropriately investigated</p> <p>No</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>S151, Accountants, Contract Managers, Procurement, Planning Officers.</p> <p>Their service areas are considered higher risk when establishing the internal audit plan</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No</p> <p>Partnership Protocol in place, Conditions in Partnership/contract agreement, Pre-procurement vetting process (including bribery risks) in place, data matching and NFI, The Council has established the correct legal process when setting up the Exeter City Living related party relationship.</p>

# Fraud risk assessment

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Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Internal Audit provide a quarterly progress report to the A&amp;G Committee. Any concerns would be raised here. In addition fraud statistics are included in the Annual Internal Audit report.</p> <p>Quarterly Internal Audit progress report, reviews the work and findings of Internal Audit. Counter Fraud and Whistleblowing Policies regularly reviewed, updated and approved by A &amp; G Committee</p> <p>No issues arising</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No</p>

# Law and regulations

## Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that Exeter City Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

## Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Exeter City Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>The Council's Monitoring Officer provides advice on all laws and regulations. The team provides professional support to services to assist with compliance. No system of assurance can provide 100% assurance.</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Any significant new laws and regulations are highlighted to Council along with the implications. Audit &amp; Governance receive reports on new laws and consultations on Governance related issues.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2022 with an on-going impact on the 2022/23 financial statements? If so, please provide details</p>	<p>No instances of non-compliance or suspected non-compliance</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>There are no actual or potential litigation or claims that would affect the financial statements</p>

# Impact of laws and regulations

Question	Management response
5. What arrangements does Exeter City Council have in place to identify, evaluate and account for litigation or claims?	The Monitoring Officer and section 151 Officer are both part of SMB and work closely together. Insurance is managed within Finance and regularly reports new claims.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No

# Related Parties

## Matters in relation to Related Parties

Exeter City Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Exeter City Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any body that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

## Related Parties

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Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Exeter City Council's 2022/23 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and Exeter City Council</li> <li>whether Exeter City Council has entered into or plans to enter into any transactions with these related parties</li> <li>the type and purpose of these transactions</li> </ul>	<p>The group boundary has been reviewed and there have been no changes in related parties. However, on 17 October 2023 the Council resolved to significantly reduce the capacity of Exeter City Living Ltd. The company will be retained for the limited purpose of holding and managing six residential flats in the Guildhall Shopping Centre. For 2022/23 this is an event after the reporting date that has not been adjusted for, but is relevant to an understanding of the authority's financial position.</p>
<p>2. What controls does Exeter City Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Regular review of group boundary and assessment of relationships with the Council. Member Services also manage declaration of interests, so that Members/Officers omitted from participating in Council discussions/decisions where appropriate</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>As above. Authorisation limits are in place and the Constitution sets out how decisions are made and procedures to be followed, including delegations to officers and deputies and financial regulations.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>As above</p>

# Going Concern

## Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Page 314 Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

4 For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.



# Going Concern

Question	Management response
<p>1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Exeter City Council will no longer continue?</p>	<p>The Council has a robust financial management process, including a medium term financial plan and regular budget monitoring. The medium term financial plan is updated every one or two months and issues arising are brought to the attention of the management team. Budget monitoring includes a process for action where overspends are identified, involving either the Director or the Management Team as a whole to ensure mitigating steps are taken. The Council also holds reserves to protect against short, sharp economic (or other) shocks. These are monitored in line with the regular budget monitoring reports.</p>
<p>2. Are management aware of any factors which may mean for Exeter City Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>ECC is not aware of any factors that will impact on statutory services being unable to continue. The mitigations listed above will help to protect against the current economic challenges facing the Country.</p>
<p>3. With regard to the statutory services currently provided by Exeter City Council, does Exeter City Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Exeter City Council to cease to exist?</p>	<p>The City Council is in a position to continue to run its statutory services for the foreseeable future. Whilst there is a gap in funding anticipated over the life of the medium term financial plan, there is a clear plan in place (One Exeter) to address this.</p>
<p>4. Are management satisfied that the financial reporting framework permits Exeter City Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?</p>	<p>Yes, there is no reason to assume that Exeter City Council will cease to be run as going concern. As set out above the financial position is such that there are sufficient safeguards in place to run Council Services for the foreseeable future.</p>

# Accounting estimates

## Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

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As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

# Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Critical judgements are disclosed in Note 3 to the accounts. Classes of transactions that are significant include; pension liability, valuation of PPE and business rates
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	We seek professional advice in respect of the accounting estimates
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	We seek professional advice in respect of the key accounting estimates and assess the impact of emerging accounting standards as adopted by the Code
4. How do management review the outcomes of previous accounting estimates?	We seek professional advice in respect of whether previous assumptions and estimates need to be updated
5. Were any changes made to the estimation processes in 2022/23 and, if so, what was the reason for these?	Vickery Holman were instructed for the valuation of a number of operational properties and investment properties. The previous external valuer, JLL, was unable to meet our reporting timetable due to other commitments.

# Accounting Estimates - General Enquiries of Management

Question	Management response
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Accounting estimates that require specialist advice or knowledge are determined following a review of in-house expertise and capacity and are procured externally, where deemed necessary.
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	<p>The instruction of Barnett Waddingham is co-ordinated on behalf of Devon authorities by Devon County Council, as the administering authority to the Devon County Council Pension Fund.</p> <p>The instruction to external valuers specifies that valuations are to be provided in accordance with Internal Financial Reporting Requirements and the current RICS Valuation guidance.</p>
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Specialist advice is provided by suitably qualified professionals
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	Accounting estimates are reported to Audit and Governance Committee as part of approving the annual Statement of Accounts

# Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No, other than those set out in Appendix A
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	No changes to accounting estimates, as set out in Appendix A
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Accounting estimates are reported to Audit and Governance Committee as part of approving the annual Statement of Accounts

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Property, Plant and Equipment valuations	Fair value for land/buildings defined as 'existing use' by the Council, where there is no market based evidence of fair value because the specialist nature of the asset, depreciated replacement cost is used.	Full valuations are performed on a rolling basis to cover 20% of assets per annum, but with the top 4 highest value assets re-valued every year. Assets not included in the full valuation are assessed at the reporting date in order to ensure that carrying amounts are not materially different to current values	In-house and external RICS valuers	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion	No
	Existing Use Value – Social Housing, valuations use the beacon method, which is based on estimated vacant possession value, adjusted to reflect continuing occupation by a secure tenant	Full valuations are performed in respect of council dwellings every 5 years and interim desktop valuations are performed in the intervening financial years to ensure the carrying amounts are not materially different at the reporting date			
Depreciation	Straight line depreciation, except reducing balance method for vehicles	Significant components in relation to the total cost of an asset are depreciated separately and asset lives and residual values are also	In-house and external RICS valuers	Depreciation reflects the consumption of assets and assumptions are made in respect of the level of repairs and maintenance in relation to individual assets. In-house	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Impairments	Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where the recoverable amount of the asset is estimated that is lower than the carrying amount of the asset, an impairment loss is recognised.	Specialist advice is instructed to undertake annual impairment reviews	In-house and external RICS valuers	Degree of uncertainty inherent with any revaluation. We employ professional valuers and rely on expert opinion	No
Valuation of defined benefit net pension fund liabilities	Valuation of the Pension Fund's assets and liabilities are provided by experts in this field, using financial assumptions that comply with IAS 19.	Specialist advice is provided by the external actuaries. The Council reviews the data to be provided to the actuary by Devon County Council, updating as necessary.	Valuations provided by external actuaries; Barnett Waddingham	The employer is exposed to a number of risks; investment risk, interest rate risk, inflation risk and longevity risk. An annual Pension Fund report is obtained to reflect the actuaries latest estimates and assumptions, in accordance with IAS 19.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals	Accruals are made in line with the Council's accruals accounting policy	Regular budget monitoring, engagement with budget holders, increasing the use of purchase ordering and reviewing the invoice register all support the identification of accruals	Qualified accountants and budget holders	Accruals are made when a reliable estimate can be made.	No
Provisions	Provisions are measured at best estimate (including risks and uncertainties) of the expenditure required to settle the present obligation	Provisions are identified through regular budget monitoring and engagement with budget holders, which flags potential issues to management	VOA data in respect of NDR appeals	Each provision is assessed on an individual basis to ensure it meets criteria of a provision per IAS 37. The degree of uncertainty is assessed when determining whether a provision is the correct treatment for an item.	No

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## REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: **6<sup>th</sup> MARCH 2024**

Report of: **AUDIT MANAGERS**

Title: **INTERNAL AUDIT ANNUAL PLAN 2024/25**

### Is this a Key Decision?

No

### Is this an Executive or Council Function?

Council

#### 1. What is the report about?

The Audit and Governance Committee has responsibility for approving the annual Internal Audit plan and ensuring that appropriate risk assessments have been carried out when formulating the plan. This report details the proposed areas of work for the 2024/25 year.

#### 2. Recommendations:

That the 2024/25 Internal Audit Plan be approved.

#### 3. Reasons for the recommendation:

To meet the terms of reference of the Audit and Governance committee and the Internal Audit Charter.

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

No additional resources implications

#### 5. Section 151 Officer comments:

The plan has been developed following consultation with SMB. As the Council is hoping to join the South West Audit Partnership next year, the plan is subject to change and designed this way. Additional days will be allowed, for example for Counter Fraud work. Any changes will be brought back to the Committee for approval.

#### 6. What are the legal aspects?

The requirement for an internal audit function is implied by section 151 of the Local Government Act 1972 which states, inter alia, that authorities shall 'make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs'. Internal audit is a statutory service in accordance with the Accounts and Audit (England) Regulations 2015. Members will note the reasons for the internal audit process and the process for managing risk as set out in this report together with the internal audit plan for 2023-25. Further details on the internal audit function are set out in Exeter City Council's Internal Audit Charter.

## **7. Monitoring Officer's comments:**

Whilst the audit plan may be subject to change, auditor's reports are valuable because they provide independent insight/assessment of service areas ultimately leading to:

- Business/system improvements;
- Compliance with statutory requirements and regulations;
- Detection and prevention of fraud;
- Added credibility;
- Financial assurance.

## **8. Report details:**

8.1 The Internal Audit Strategy including the audit rolling plan was established in line with internal control and risk management best practice, and is used to establish the basis of the Audit Plan.

8.2 The final Audit Plan has been compiled using risk analysis along with information from the Council's Corporate Risk register, feedback from Strategic Management Board about their priorities and any specific concerns they may have, and also feedback from the Chair and Deputy Chair of the Audit and Governance Committee.

8.3 The detailed plan is 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?**

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:

11.4.1 The report is for information only

**12. Carbon Footprint (Environmental) Implications:**

No direct carbon/environmental impacts arising from the recommendations.

**13. Are there any other options?**

N/A

Director Finance, David Hodgson

Author: Audit Managers, Helen Putt and Helen Kelvey

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

Background papers used in compiling this report:-

None

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Internal Audit Service

# Annual Audit Plan 2024-25

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## 1. Introduction

The role of internal audit is that of an:

*'Independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'.*  
(Public Sector Internal Audit Standards 2017 (PSIAS))

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

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In summary, Internal Audit's main objectives are to:

- Contribute to the achievement of the Council's strategic objective by providing a quality, independent and objective audit service that effectively meets the Council's needs, adds value, improves operations and helps protect public resources
- Provide a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes
- Provide advice and support to management to identify improvements and enable an effective control environment to be maintained
- Promote a counter fraud culture within the Council to aid the prevention and detection of fraud

*\*Please see the Internal Audit Charter for the detailed objectives*

The internal audit plan provides the mechanism through which we can ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant stakeholders, to ensure it continues to reflect the needs of the Council. We will continue to report progress against the plan to Audit and Governance Committee quarterly.

We make every effort to work with other assurance providers to minimise duplication.

## 2. Your Internal Audit Team

The Internal Audit Function is provided 'in house' and consists of the Audit Manager and 2 auditors each working 4 days per week, Monday to Thursday.



Helen Kelvey, Audit Manager



Helen Putt, Audit Manager



Davina Blanchard, Auditor



Sandra Please, Auditor

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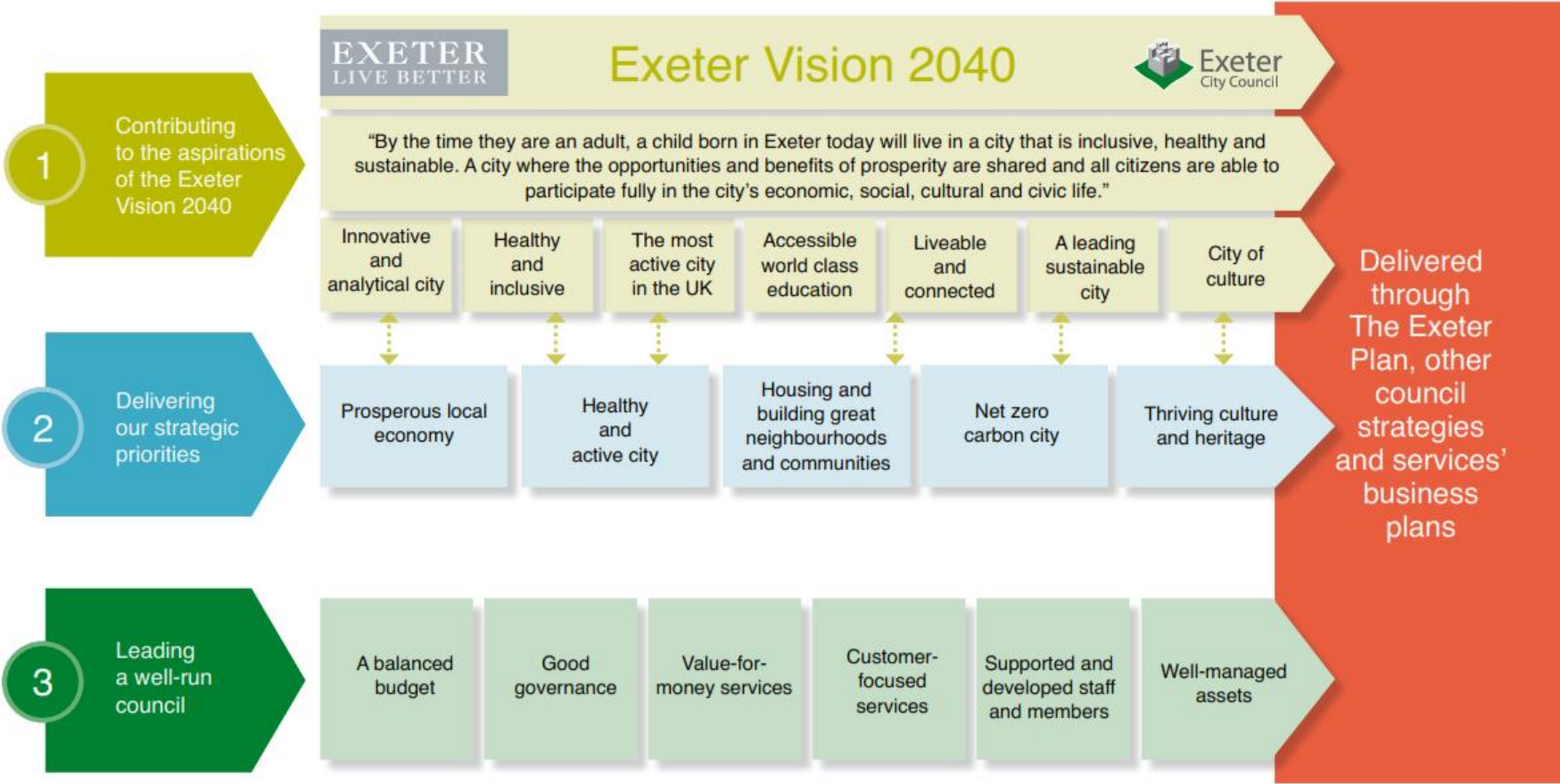
## 3. Conformance with internal auditing Standards

We operate in accordance with the Public Sector Internal Audit standards 2017 (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. Our last external assessment, in January 2020, concluded that:

“It is our overall opinion that the Exeter City Council Internal Audit Team **generally conforms** to the Public Sector Internal Audit Standards, including the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.” **Generally Conforms** is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

# 4. Council' Corporate Plan

## Our plan on a page



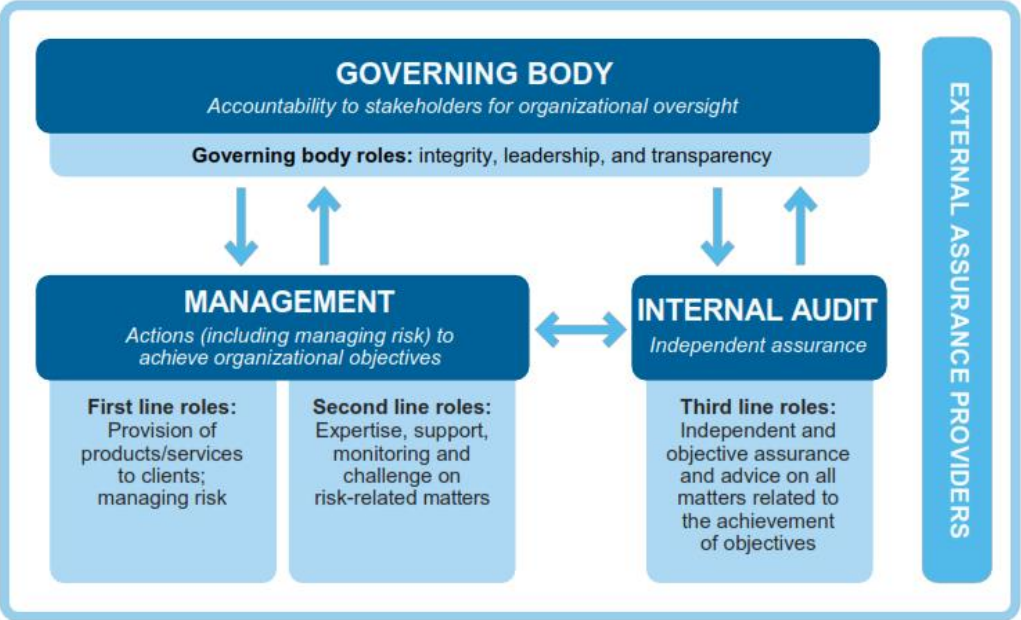
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## 5. Council Risk

The Council has a clear framework and approach to risk management. The strategic risks contained in the Corporate Risk Register and assessed by the Council are a key focus of our planning for the year to ensure it meets the organisation’s assurance needs and contributes to the achievement of their objectives. We will monitor the corporate risk register closely over the course of the year to ensure our plan remains agile to the rapidly changing landscape.

To ensure the effectiveness of an organisation’s risk management framework, the Audit and Governance Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation. The Institute of Internal Auditors endorses the Three Lines model as a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

### The IIA’s Three Lines Model



**KEY:**    ↑ Accountability, reporting    ↓ Delegation, direction, resources, oversight    ↔ Alignment, communication coordination, collaboration

LINE	FUNCTIONS/INDIVIDUALS	RESPONSIBILITY	ROLES
<b>FIRST</b>	Management – Operational functions and support functions such as HR and finance.	Action	<ul style="list-style-type: none"> <li>to achieve organisational objectives</li> <li>to deliver services</li> <li>to manage risk</li> <li>to directly support activities of the organisation</li> </ul>
<b>SECOND</b>	Management – e.g. legal, information security, quality assurance, health and safety, ERM/risk	Action	<ul style="list-style-type: none"> <li>to achieve organisational objectives</li> <li>to provide assistance with managing risk</li> <li>to provide complementary expertise, support, monitoring and challenge to those in the first-line roles</li> </ul>
<b>First and second line roles may be blended or separate</b>			
<b>THIRD</b>	Internal Audit	Assurance	<ul style="list-style-type: none"> <li>to provide independent and objective assurance and advice on the adequacy and effectiveness of governance and risk management</li> </ul>
	Governing Body - Audit & Governance Committee	Accountability	<ul style="list-style-type: none"> <li>ensures appropriate structures and processes are in place for effective governance (delegates responsibility and provides resource)</li> <li>ensures organisational objectives and activities are aligned with the prioritised interests of stakeholders</li> <li>establishes and oversees an independent, objective and competent internal audit function to provide clarity and confidence on progress toward the achievement of objectives</li> </ul>

### The role of The Three Lines

Internal audit is uniquely positioned within the organisation to provide global assurance to the audit committee and senior management on the effectiveness of internal governance and risk processes. It is also well-placed to fulfil an advisory role on the coordination of assurance, effective ways of improving existing processes, and assisting management in implementing recommended improvements. In such a framework, internal audit is a cornerstone of an organisation's corporate governance.

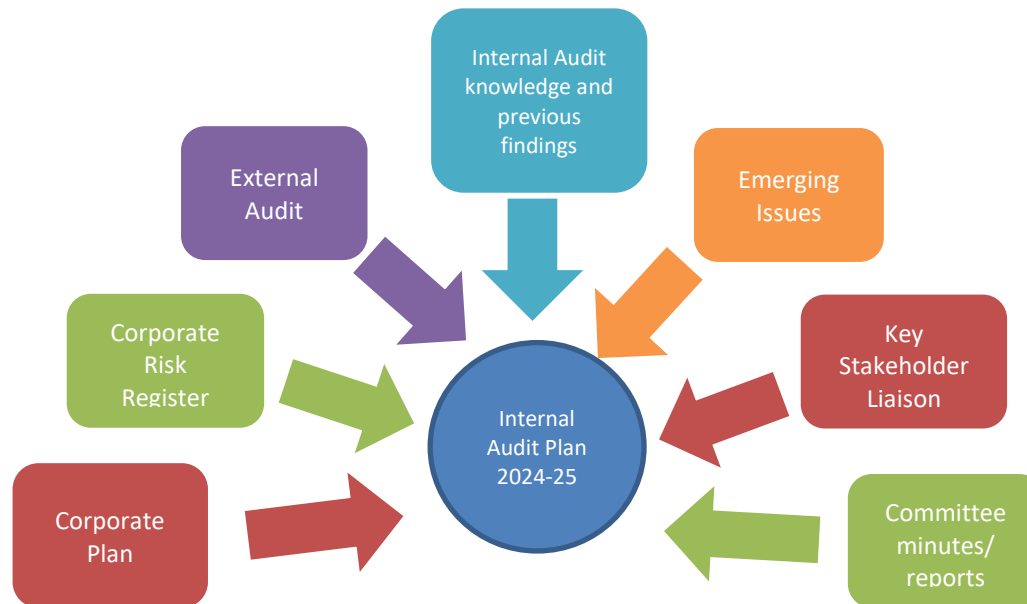
The use of The Three Lines to understand the system of internal control and risk management should not be regarded as an automatic guarantee of success. All three lines need to work effectively with each other and with the audit committee in order to create the right conditions.

## 6. Developing the internal audit plan

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation. The Council obtains assurance from a number of other sources as detailed in the Annual Governance Statement.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised and a suitable breadth of assurance is obtained.

We have used various sources of information and discussed priorities for internal audit with the following groups:



## 7. Internal Audit Plan

The Internal audit service has 488 days within the plan. Of those days, 166 are fixed days for audit planning and control, general administration, advice and guidance, follow-ups and other activities conducted by Internal Audit. A small amount of the fixed time is set aside as a contingency to allow for unplanned work such as frauds. The remaining 322 days will be used for the planned work as detailed below.

The audit risk ratings are calculated using a score against nine different criteria; Audit assurance/perception, reputation/sensitivity, complexity of system, finance, operational impact, inherent fraud risk, staff morale/turnover/change, volume of transactions and other assurance sources. This helps us to determine the frequency of audit and level of coverage required.

The plan is grouped into Service Areas of the Council and also linked to the Strategic Priorities of the Council.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
<b>Leading A Well Run Council</b>			
<b>Corporate Audits</b>			
Health and Safety	Health and Safety is a legislative requirement.  Risk – legislative risk, risk of significant financial penalties	High	General assurance on compliance taking into account current priorities and concerns raised by the Health and Safety Committee
Risk Management	Systems and processes to manage the Council's risks that could prevent it from meeting its objectives  Risk – financial risks. Failure to meet objectives and purpose	Medium	General support to help embed risk management across the Council.
Counter Fraud	The arrangements in place to fight fraud against the Council.	Medium	General support for counter fraud

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
	Risk – financial risk increased risk of fraud against the Council.		
Contract Management	<p>The way in which the Council manages its contracts.</p> <p>Risk – Contractors fail to deliver their obligations leading to poor value for money.</p>	High	We will be reviewing the contract management processes for a sample of existing contracts.
ICT/Cyber Security	<p>Protection of the Council’s computer systems and networks including, against malicious attacks usually aimed at accessing, changing or destroying sensitive information or interrupting normal business processes.</p> <p>Risk – Financial, operational and reputational</p>	High	Reliance is placed on the work of Strata’s Internal Auditors, the Devon Audit partnership, to avoid duplication and make use of their specialist expertise. We will review the annual report and ensure that any risks identified in the report, affecting Exeter City Council, are being addressed.
<b>Leading a Well Run Council</b>			
<b>Finance</b>			
Main Accounting	<p>The accounting function of the Council</p> <p>Risk - Financial risk, non-compliance with regulations</p>	High	Support and control testing for the implementation of the new Finance system. This area is covered extensively by External Audit, therefore, reliance will be placed on this work to help provide assurance and to avoid duplication.
Income Management	<p>The management of income to the Council</p> <p>Risk – financial risk</p>	High	Support and control testing for the implementation of the new Pay360 system.
Procurement	<p>The purchasing of goods and services for the Council</p> <p>Risk – financial risk</p>	Medium	General assurance with the changes in the procurement thresholds.



Audit Heading	Description and organisational risk	Audit Risk rating	Scope
Creditors	<p>Payment of the Councils suppliers of goods and services</p> <p>Risk – financial risk, risk of fraudulent transactions</p>	High	Cyclical coverage of the core financial systems to meet regulatory requirements. Reviews of the use and management of the Corporate Credit cards. To incorporate VAT coding by service areas.
Corporate Property Assets	<p>Management of the Council’s property assets</p> <p>Risk – financial risk</p>	Medium	Review of maintenance and capital program of works
Housing Benefit Subsidy	<p>Processing and payment of Housing Benefit.</p> <p>Risk – financial risk, subsidy penalties</p>	Medium	General assurance. This is an area covered in depth by our External auditors, therefore the level of coverage by Internal Audit will be reduced.
Council Tax	<p>Council tax is the main source of locally-raised income for local authorities. Council tax is made up of several elements. Exeter City Council, as a ‘collecting authority’ is responsible for collecting the council tax for Devon County Council, Devon &amp; Somerset Fire and Rescue service and Devon &amp; Cornwall Police Authority</p> <p>Risk - financial risk</p>	Medium	General assurance that controls are working effectively
Sundry Debtors	<p>Exeter City Council generates income from a wide range of services for example Planning application fees, collecting trade waste and hiring out conference facilities. Where income is not collected at the point of sale it is collected via a sundry debtors invoice.</p> <p>Risk - financial risk</p>	High	General assurance that the internal control system is working effectively.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
<b>Leading A Well Run Council</b>			
<b>Corporate Services</b>			
People Management (including Payroll)	<p>The management of the Council’s human resource, including Payroll.</p> <p>Risk – financial risk, risk of fraud</p>	High	Payroll general assurance. An external consultant has been commissioned to carry out some work on People Management, therefore we will determine the scope of any work on this once we understand the scope of the work of the external consultant.
<b>Leading a Well Run Council</b>			
<b>City Management</b>			
Waterways	<p>Management of the Council’s canal, quay and harbour responsibilities</p> <p>Risk – Legislative and financial risk</p>	Low	Review of stock controls, budget and income management control
<b>Net Zero Carbon City</b>			
<b>Net Zero Exeter</b>			
Net Zero/Carbon Reduction	<p>One of the Council’s priorities is to deliver Net Zero Carbon City by 2030.</p> <p>Risk – Reputational and financial</p>	Medium	Follow-up and continuation of ongoing audit work to review the processes to action the Council priority of Net Zero City and also Net Zero Council.

Audit Heading	Description and organisational risk	Audit Risk rating	Scope
<b>Housing and Building Great Neighbourhoods</b>			
<b>Housing and Supporting People</b>			
Housing – customers, assets, needs	Provision of social housing, assessment of housing need, support for homelessness and the provision of good quality accommodation across the city.  Risk - financial, legislative and reputational risk	High	General assurance
<b>Housing and Building Great Neighbourhoods</b>			
<b>City Development</b>			
CIL and S106	The administration of Community Infrastructure Levy and S106.  Risk – financial risk	Medium	General assurance work with a new, fully resourced, team in place.
<b>Thriving Culture and Heritage</b>			
<b>Culture and Leisure Facilities</b>			
Communications – social media	The Council uses Social Media as a tool to provide information to the public. A new policy has recently been published.  Risk – reputational risk	Medium	Compliance with the new policy.

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## REPORT TO AUDIT & GOVERNANCE

Date of Meeting: 6th MARCH 2024

Report of: AUDIT MANAGERS

Title: INTERNAL AUDIT PROGRESS REPORT 3RD QUARTER 1<sup>st</sup> OCTOBER TO 31<sup>ST</sup> DECEMBER 2023

### Is this a Key Decision?

No

### Is this an Executive or Council Function?

COUNCIL

#### 1. What is the report about?

- 1.1 To report on internal audit work carried out during the period 1<sup>st</sup> October to 31<sup>st</sup> December 2023, to advise on overall progress against the Audit Plan and to report any emerging issues requiring consideration.

#### 2. Recommendations:

- 2.1 That the Internal Audit Progress Report for the third quarter of the year 2023/24 be noted.

#### 3. Reasons for the recommendation:

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

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

None

#### 5. Section 151 Officer Comments:

- 5.1 Progress remains good and it is pleasing to note that there are no instances of outstanding recommendations.

#### 6. What are the legal aspects?

This report provides an update on internal audit work carried out. It does not raise any legal issues.

#### 7. Monitoring Officer Comments:

Auditors reports are a valuable tool because they can provide an independent assessment/check of:

- Business/system improvements;
- Compliance with statutory requirements and regulations;
- Detection and prevention of fraud;
- Added credibility;
- Financial assurance.

#### 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 2023/24 Audit Plan was approved at this Committee on 8th March 2023.

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

<b>Substantial Assurance</b>	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
<b>Satisfactory Assurance</b>	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
<b>Limited Assurance</b>	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.
<b>No assurance</b>	Control is generally weak leaving the system open to error or abuse or significant non-compliance with basic control processes leaves the processes/systems open to error or abuse

### 8.1 Work Undertaken

A summary of progress against the annual audit plan to date is shown at Appendix A, together with the current status of each area for review. The outcomes of the review, where completed, are detailed in the Executive Summary for each report issued during the last quarter Appendices B-F.

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

Progress against the annual audit plan is on target.

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

There are currently no outstanding remedial actions or high risk issues.

### 8.3 Governance Issues

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

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

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

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

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

N/A

### 11. Equality Act 2010 (The Act)

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

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

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

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

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

11.4.1 The report is for information only

### 12. Carbon Footprint (Environmental) Implications:

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

### 13. Are there any other options?

N/A

Director Finance, David Hodgson

Author: Audit Managers, Helen Putt and Helen Kelvey

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1972 (AS AMENDED)**

Background papers used in compiling this report:-  
None

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Room 2.3  
01392 265275



**EXETER CITY COUNCIL  
AUDIT AND GOVERNANCE COMMITTEE**

**PROGRESS OF 2023-24 AUDIT PLAN TO DATE**

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

<b>Audit Review</b>	<b>Report Status</b>	<b>Overall Opinion</b>	<b>No. of Findings</b>	<b>Executive Summary of final report issued during this quarter</b>
Health and Safety	In progress			
Corporate Governance	Q4			
Risk Management	In progress			
Information Governance	Deferred			Red Quadrant commissioned to carry out review of Council information Governance – duplication of work.
Counter Fraud	In progress			
Partnerships	In progress			
Contract Management	Q4			
Community Grants Awarded	Final	Satisfactory	5 Medium 7 Low	Reported September 2023
External Funding / Grants Received	In progress			
Cyber Security	In progress			
Main Accounting	In progress			
Income Management	Draft report			
Creditors				
<ul style="list-style-type: none"> <li>• Creditors – Corporate credit card</li> </ul>	Final	Limited Assurance	5 Medium	Reported December 2023

<b>Audit Review</b>	<b>Report Status</b>	<b>Overall Opinion</b>	<b>No. of Findings</b>	<b>Executive Summary of final report issued during this quarter</b>
<ul style="list-style-type: none"> <li>Amendments to supplier bank details</li> </ul>	In progress			
Treasury Management	Final	Substantial	2 Low	Reported December 2023
VAT	In progress			
Payments and collection	Final	Satisfactory	3 Medium 2 Low	Reported December 2023
Sundry Debtors	In progress			
NDR	Final	Substantial	2 Medium 2 Low	Reported December 2023
People Management (including Payroll)	Final	Substantial Satisfactory	14 Medium 3 Low	Please see Appendix B
Licensing	In progress			
Fleet Management	In progress			
Car Parks – Stray dogs	Final	Satisfactory	3 Medium 6 Low	Reported September 2023
Net Zero/Carbon Reduction	Final	Satisfactory	4 Medium 10 Low	Please see Appendix C
Housing – customers, assets, needs				
<ul style="list-style-type: none"> <li>Housing – Laundry cash at Edwards Court</li> </ul>	Final	Substantial	2 Low	Reported September 2023
Planning	Final	Satisfactory	5 Medium 8 Low	Please see Appendix D
Leisure Facilities - Spa	Final	Satisfactory	6 Medium 1 Low	Reported December 2023
Leisure Facilities – Food & Beverages	Final	Satisfactory	4 Medium 1 Low	Please see Appendix E
Visit Exeter (part 1)	Final	Substantial	2 Low	Appendix F
Visit Exeter (part 2) Post implementation	Q4			
Disabled Facilities Grant	Final	Substantial	1 Low	Reported December 2023
Business Continuity Management – 2022-23	Final	Satisfactory	10 Medium	Reported December 2023



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## 2. People Management - Payroll Audit Report Executive Summary

**Audit Objective** The overall objective of this audit was to review the adequacy and effectiveness of the system of internal controls designed to manage and mitigate financial and non-financial risks relating to the payroll system.

		Number of actions	
		Priority	Number
<b>Assurance Opinion – this has been provided for the three separate elements of the process;</b> Transaction Processing - Payroll Substantial  HR Business Partners and Administration - Satisfactory  Service Authorisers – Satisfactory	Substantial definition: There is a sound system of internal control designed and operating in a way that gives a reasonable likelihood that the objectives will be met.	High	0
	Satisfactory definition; Whilst there is basically a 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.	Medium	14
		Low/Advisory	3
		<b>Total</b>	<b>17</b>

**Audit Approach and Scope**

The scope of the audit included:

- a follow up the previous payroll audit's agreed actions.
- sample testing a selection of ad hoc monthly payments from the June 2023 salary transactions to check that they have been paid in accordance with council policies, procedures or guidance documents.
- agreeing the Establishment Report (as of 1 August 2023) on i-Trent to the records held by the respective Service Leads.

Key controls tested	Assessment	Actions Raised
Expense claims are processed in accordance with council guidance		Expense claims are being paid that do not conform to council policies. Insufficient guidance available to staff to enable them to correctly make a claim
The Establishment Report		There are a number of issues where the establishment is not accurate for example staff are in the wrong posts, redundant posts have not been removed, former casual staff are still showing as current
Reconciliations		Reconciliations are not being undertaken on a regular basis. Outstanding items are not being investigated promptly.

**Summary and next steps**

In general, the payroll function is performing well and documents to support the ad hoc payments are retained accordingly.

However, the lack of clear guidance and training has resulted in a number of services processing claims that are not in accordance with council policies. A number of HR policies are in the process of being reviewed and updated, once this has been completed, it is essential that the policies are communicated across the organisation and that clear and up to date information is published on the intranet in one easy to find location. Additionally, staff should be reminded of the need to keep up to date with all policies and procedures on a regular basis.

This is a final report of the audit findings and incorporates the remedial action agreed with the Service Lead HR and the System Lead, Information & Payroll Services.

Remedial action has been agreed with management for all the findings identified.

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## 2. Net Zero Audit Progress Report Executive Summary

The objective of this review was to assess the progress made towards achieving the Net Zero Exeter 2030 Plan

Assurance Opinion		Number of actions	
		Priority	Number
Satisfactory (based on those areas under the control of the Council)	Whilst there is a basically sound system of internal control, the self-assessment has highlighted some weaknesses which put some of the objectives at risk.	High	0
		Medium	4
		Low/Advisory	10
		Total	14

**Audit Approach and Scope**  
 Using the National Audit Office publication ‘Climate Change Risk: A good practice guide for Audit and Risk Assurance Committees,’ a number of questions were extracted to create an internal ‘self-assessment’ document.

The document was forwarded to the Service Lead Net Zero & Business & City Management, and the Corporate Energy Manager, Net Zero & Business for their comments and now forms the basis of this progress report.

Key controls listed on the self-assessment	Assessment	Actions Raised
Governance & Leadership Assurance	Yellow	Internal communication could be improved
Integration	Green	
Collaboration and Best Information	Yellow	Wider workforce/key decision makers need to be aware of the councils’ climate-change risk appetite
Risk Identification and Assessment	Yellow	Notification of climate change-related developments, policy and regulatory changes could be improved
	Green	

**Summary and next steps**  
 In terms of progress, the Net Zero team have created a Carbon Reduction Plan. This is a live document which is reviewed every six months and provides an update on progress made, as well as legislative, financial, technical and operational changes. The last update dated August 2023 can be viewed on the councils website.

They have also produced a council net zero risk register. This is regularly updated, at the time of the audit, the last update being 11 November 2023.

Both documents are communicated to Members and Senior Management at least every six months.

It is interesting to see from the Carbon Reduction Plan the breadth of ‘net zero’ projects the team are involve in i.e., obtaining grants for insulation projects, navigation software for residential waste collection routes, solar opportunities etc. Internally, Net Zero Ambassadors have been appointed, Carbon Literacy training is in the process of being rolled-out to staff, and the Committee report template is to be updated to include a section on climate change impact of the report recommendation. However ‘Net Zero’ is a very complex subject, the council will not be able to achieve the ‘net zero by 2030’ target without the assistance of partners, institutions and communities – great reliance is placed on their continued buy-in and co-operation.

There is still a lot of work to be done – the project is very much ‘work in progress.’

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## 2. Planning Applications Audit Report Executive Summary

### Audit Objective

The overall objective of this audit was to try and help determine the causes for the drop in performance regarding speed of determining planning applications and to help find solutions to make improvements. In addition the adequacy and effectiveness of the system internal controls procedures designed to manage and mitigate financial and non-financial risks relating to the processing of planning applications was reviewed.

### Assurance Opinion

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.

### Number of actions

Priority	Number
High	0
Medium	5
Low/Advisory	8
Total	13

### Audit Approach and Scope

The scope of the audit included a review of the following:

- testing of key controls as shown below (using the Planning Advisory Service Management Challenge Toolkits to assist in this)
- checking a sample of minor planning applications ('pending consideration' and with an application date greater than 1 January 2023) and major applications (decisions made in the current assessment period 01/10/21-30/09/23) to ensure that the correct processes were being followed.

(Note: During the course of the audit I was advised that the Planning Advisory Service (PAS) were producing a development management review report (issued 4 August 2023). As this audit had already commenced, as agreed with the Service Lead Planning, the PAS report has not been taken into account when determining my findings.)

Key controls tested	Assessment	Actions Raised
Performance Management		<ul style="list-style-type: none"> <li>• Difficulties in obtaining adequate performance monitoring reports from Uniform</li> <li>• Extensions of time not agreed with developers and cases found where whilst an extension of time had been obtained there was inadequate evidence held on Uniform</li> </ul>
Workload Management		
Processes, ICT and administration		<ul style="list-style-type: none"> <li>• Lack of a dedicated admin team to process, validate and publicise applications</li> </ul>
Political Leadership		
Pre-applications		<ul style="list-style-type: none"> <li>• Lack of a structured chargeable pre-application service</li> </ul>
Receipt and validation		
Allocation and consultation		<ul style="list-style-type: none"> <li>• Delays in carrying out consultation process after applications have been validated</li> </ul>
Considering an application		<ul style="list-style-type: none"> <li>• Compliance with pre-commencement conditions is not regularly monitored</li> </ul>

### Summary and next steps

There appear to be numerous factors contributing towards the drop in speed of determining planning applications, including insufficient resources, the lack of chargeable pre-application service and delays in starting the publicity and consultation process. It is pleasing to note that since the audit, it was agreed at Executive (28 November 2023) to give delegated authority to the Director of City Development in consultation with the relevant Portfolio Holder to draft pre-application charges for major applications before publication for consultation. In addition, the Service Lead - City Development is currently in the process of preparing a business case for the appointment of a Business Manager.

This is a final report of the audit findings and incorporates the remedial action agreed with the Assistant Service Leads (Planning and City Development (Major Projects) and the Service Lead – City Development. Remedial action has been agreed with management for all the medium risk findings.

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## 2. Leisure Centres - Food & Beverages Audit Report Executive Summary

**Audit Objective** The main objective of this audit was to review the adequacy and effectiveness of the system of internal controls designed to manage and mitigate financial and non-financial risks relating to the operation of food and beverage services across the Leisure Centres.

Assurance Opinion	Whilst there is a basically sound system of internal control there are weaknesses which put some of the objectives at risk or there is evidence that the level of non-compliance with some of the controls may put some of the objectives at risk	Number of actions	
		Priority	Number
Satisfactory		High	0
		Medium	4
		Low/Advisory	1
		Total	5

**Audit Approach and Scope**  
 The scope of the audit included a review of the following:  
 - testing of key controls as shown below  
  
 The period covered by the audit is April 2023 to-date.  
  
 Note: An audit report on the SSP was issued in February 2023 and one on Accounting for Leisure Income in April 2023. This audit covers in more detail the processes in operation in respect of food and beverage processes.

Key controls tested	Assessment	Actions Raised
Policies and procedures		
Staff induction, training & meetings		
Health & safety		
Incoming recording and reconciliation		<ul style="list-style-type: none"> <li>Accurate financial information not available to accurately determine the profitability of the Food &amp; Beverage functions</li> <li>Unders and overs not coded to a separate financial code</li> </ul>
Invoicing		<ul style="list-style-type: none"> <li>3 invoices found which had been outstanding for more than 5 months</li> </ul>
Ordering of goods & services		<ul style="list-style-type: none"> <li>Procurement of some suppliers not made in accordance with contract regulations</li> </ul>
Licensing		
Performance monitoring		
Marketing		

**Summary and next steps**  
 Generally processes are working well, there are clear guidelines for Food & Beverage staff to follow and staff appear to receive regular training and team meetings.  
  
 This is a final report of the audit findings and incorporates the remedial action agreed with the Food & Beverage Manager and the Service Accountant for Leisure Facilities. Remedial action has been agreed with management for all the findings identified.

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## 2. Visit Exeter Audit Report Executive Summary

**Audit Objective** The overall objective of this audit was to review the records maintained by the Visit Exeter team prior to the sharing of the information with Ignyte.

Assurance Opinion	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.	Number of actions	
		Priority	Number
Substantial		High	0
		Medium	0
		Low/Advisory	6
		Total	6

**Audit Approach and Scope**  
 The scope of this audit is to check that;

- members listed on the Visit Exeter database have been invoiced within the last twelve months.
- those organisations appearing on the Visit Exeter Website have all paid for this service.
- any debtors are being actively chased for payment.

Key controls tested	Assessment	Actions Raised
On database or website yet no invoice raised		
Database not up to date		

**Summary and next steps**  
 The Visit Exeter records were previously reviewed as part of the Sundry Debtor audit in October 2022 and a number of issues were identified, such as the information on the database not being kept up to date, invoices not being raised, or them not being raised promptly. I am pleased to note that this has improved immensely, the database has been cleansed with all former members being archived to a separate tab and organisations invoiced regularly. As part of the data cleansing, an audit of the Visit Exeter website against current members was undertaken and the correcting action taken accordingly.

This audit has, however, identified a small number of anomalies, the main issue being that the InExeter membership cannot be reconciled to the invoices that have been raised. In respect of the other queries raised, they have or are being investigated, and actioned where necessary, by the Tourism team in a prompt manner.

This is a final report of the audit findings and incorporates the remedial action agreed with the Service Lead, Culture, Leisure & Tourism, Communications and the Tourism Manager.

Remedial action has been agreed with management for all the findings identified.

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**PROGRESS REPORT ON SIGNIFICANT GOVERNANCE ISSUES IDENTIFIED IN THE ANNUAL GOVERNANCE STATEMENT 2022-23**

AGS Issue No.	Issue identified	Responsible Officer	Summary of action proposed	Update Sept 2023	Update December 2023	Update March 2024	Notes
1	Financial position – Significant inflation fuelled by high energy prices, a higher than anticipated national pay settlement and income streams still struggling to reach the budget meant that the Council had to take action to address significant issues during 2022/23. The unprecedented cost pressures also meant that significant reductions and additional income were required to deliver a balanced budget for 2023/24. The Council's medium term financial plan anticipates reserves being reduced to the minimum required by 2024/25 and further budget reductions of £5.1m are required by 2028.	Director Finance	One Exeter plan is operational and being progressed. Specific reduction targets have been set for each year of the plan. This is being monitored monthly by SMB. Clear programmes of work are in place and are being actioned. It is imperative that strong financial discipline is maintained across the Council to ensure that the reductions are delivered. It should also be noted that areas of concern around income targets; business rates, parking, trade waste, Civic Centre rental will be subject to close monitoring during the year.	Income remains below target in a number of areas. As a result the budgets have been amended for 2024-25.	The position remains the same as it was in September.	The budget for 2024/25 has been passed. As members are aware there is significant work required now to deliver a balanced budget in 2025/26.	
2	Debt Collection – The Council has actively been seeking to identify new income streams as part of the 'One Exeter' project. Whilst this is good news, our work has identified that there are significant weaknesses within service areas around raising invoices and the subsequent collection of debt for all income streams. For example, services are being provided but invoices are not always raised, or not raised promptly, to collect fees for services provided. It should be noted that this weakness relates only to service areas and does not apply to the Council's Income Collection Team.	Service Lead - Revenues, Benefits and Customer Access	An external review of debt collection has been already commissioned the results of which are due to be presented to the Council shortly. As debt management is also one of the themes for the cross cutting review this report will feed into that review.	The external review of debt collection has been completed and a report will be going to the Strategic Management Board for consideration at their meeting of 26 September 2023.	The report has been agreed and two further posts will be added. A supplementary budget request has been included in the report to Executive (Nov 28). It is envisaged that at least in the short term the reductions in bad debt provision will cover the costs of the new post	Council have approved additional funding to support a better approach to debt recovery. This is well underway but it should be noted will not address the issue of services not raising invoices promptly. Once the new team is established it is hoped there will be capacity to support improvements in services.	
3	Change Management – the current scale and pace of change due to a number of factors presents a risk to achieving objectives and may impact the extent to which the organisation is capable of maintaining acceptable levels of compliance amid the shake-up of operations and control systems. These factors include the following: • external factors e.g. regulatory change and compliance, climate change • internal factors e.g. The One Exeter project to deliver the digitalisation/transformation of service delivery	Audit Managers	The Audit Managers have been involved in a number of the One Exeter work streams, including the cross cutting theme reviews. Involvement at this early stage should help identify risks to the internal control environment that could arise due to any changes being brought about by the program and this work will continue as the project develops. Internal Audit have also been asked to input into the development of service plans advising on governance and risk assessment processes	We are continuing to provide support as needed and requested.	We are continuing to provide support as needed and requested.	We are continuing to provide support as needed and requested.	















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## REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 6<sup>TH</sup> March 2024

Report of: Director Finance

Title: REVIEW OF CORPORATE RISK REGISTER

### Is this a Key Decision?

No

### Is this an Executive or Council Function?

Risk management is a Council function.

Risk Management is an important element of the council's Code of Corporate Governance.

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

#### 1. What is the report about?

- 1.1 The report, which was also presented to the Executive on the 5<sup>th</sup> March, advises the Audit & Governance Committee of the Council's risk management progress and presents the revised Corporate Risk Register (Appendix A), which has been linked to the Council's Strategic Priorities.

#### 2. Recommendations:

- 2.1 That the Audit & Governance Committee notes the quarterly report on the Corporate Risk Register and comments on the process in place to manage risk.

#### 3. Reasons for the recommendation:

- 3.1 To ensure that the risks associated with meeting the Council's strategic priorities are properly considered, managed and monitored.

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

- 4.1 The Executive and, Directors and Senior Managers, as appropriate, are asked to review the Corporate Risk Register on a quarterly basis. The register is reviewed quarterly by the Strategic Management Board.
- 4.2 Any actions agreed to mitigate the risks identified in the Corporate Risk Register may result in some resource implication. These would be subject to a specific report and the resource implications would be considered in that report.

## 5. Section 151 Officer comments:

SMB and the Executive have produced an agreed new register based on the Council's Corporate Priorities. A new summary page has been added setting out the level of intervention required and the impact of failing to address the risk. The risk in relation to finance has been updated to reflect the fact that a balanced budget has been set for 2024-25. This does not mitigate the longer term associated risks, but carries the risk forward.

## 6. What are the legal aspects?

Risk Management is an essential management tool in order to manage, assess and prioritise risks. Members will note the content of this report and the attached updated Corporate Risk register which identifies risk to the Council.

## 7. Monitoring Officer's comments:

7.1 The risk register identifies for members attention the overall risk to the Council in order that this can be understood and managed proactively, optimising success by minimising threats.

## 8. Report details:

8.1 In light of a review of the council's approach to risk management, the Corporate Risk Register (Appendix A) has been revised following a workshop facilitated by the Council's insurers, Zurich. The risks identified in the revised Corporate Risk Register link to the Council's Strategic Priorities. As part of the Council's Improvement Programme, the Strategic Management Board has reviewed the council's approach to risk and propose that the Corporate Risk Register should be presented to Executive to provide assurance that the appropriate mitigations are in place. The council's Audit & Governance Committee will continue to have a role in ensuring that the council has a robust process in place for identifying and mitigating risks.

8.2 Each risk is assessed against the following matrix, assessing the likelihood and impact before and after mitigation.

Likelihood ↑	4	4	8	12	16
	3	3	6	9	12
	2	2	4	6	8
	1	1	2	3	4
		1	2	3	4
		Impact →			

8.3 The Risk Register will include a new summary page, which will enable Members to see the scope of the corporate risks in one straightforward table.



8.4 Alongside each risk on the summary page, there is a table, which sets out an assessment of the resources required to manage the risks under the themes of Time, Financial, People and Assets. This will allow for an assessment of the resources required to mitigate each risk to an acceptable level allowing members to determine if the resources required are deliverable and achievable.

8.5 In addition, the summary page will include an assessment of how the risks will affect a range of drivers. The drivers are set out below and look at the impact of failing to deliver the corporate priorities and failure in each of the four pillars.

Political	Financial	Reputational	Regulatory	Legal	Compliance	Community
-----------	-----------	--------------	------------	-------	------------	-----------

8.6 The two tables above use Very high, High, Medium, Low and Very Low to assess the resources required and the risk drivers.

8.7 The Final Column will assess the Council's risk appetite, whether it is open to risk, more cautious or even risk averse.

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

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

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

N/A

## **11. Equality Act 2010 (The Act)**

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

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

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

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

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

11.4.1 The report is for information only

11.4.2 Actions to mitigate the risks identified in the Corporate Risk Register may result in some future impact, however, any actions proposed would be subject to a specific report and the impacts would be considered in that report.

## **12. Carbon Footprint (Environmental) Implications:**

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

12.1.2 Actions to mitigate the risks identified in the Corporate Risk Register may result in some future impact, however, any actions proposed would be subject to a specific report and the impacts would be considered in that report

## **13. Are there any other options?**

N/A

Director Finance

Author: Audit Managers

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

Background papers used in compiling this report:-

None

Contact for enquires:  
Democratic Services (Committees)  
Room 4.36  
01392 265275

Review: Apr-23

Reference	Category	Corporate Plan Alignment Area	Risk Description	Risk Scoring		
				Inherent	Residual	Target Date
1	Strategic	Net Zero Carbon City	Delivering against the key challenges in the Net Zero Carbon City section of the Corporate Plan	16	16	Apr-30
2	Strategic	Healthy and Active City	Making progress towards a Healthy and Active City	12	6	Ongoing
3	Strategic	Leading a Well-run Council	Adapting the council workforce to ensure appropriate skills and experience (Developing a future proof workforce)	9	6	Sep-24
4	Strategic	Leading a Well-run Council	Maintaining the Financial Sustainability of the Council	16	8	Feb-24
5	Strategic	Leading a Well-run Council	Maintaining the Council's Property and Infrastructure Assets	16	12	Feb-24
6	Strategic	Housing and Building Great Neighbourhoods	Delivering Housing and Building Great Neighbourhoods and Communities	16	16	
7	Strategic	Thriving Culture and Heritage	Maintaining a thriving Culture and Heritage sector	9	2	Mar-26
8	Strategic	Prosperous Local Economy	Delivering against the key challenges in the 'Prosperous Local Economy' section of the Corporate Plan.	12	9	Mar-24
9	Strategic	Leading a Well-run Council	Progressing the design and delivery of a corporate Customer and Digital Strategy	16	8	Mar-24

Internal Resources			
Time	Financial	People	Assets
High	High	High	High
Medium	Medium	High	High
Medium	High	Low	Very Low
High	Low	High	Very Low
Very High	Very High	High	Very High
Very High	High	Medium	Low
Medium	High	High	Medium
Low	Low	Low	Low
High	High	High	High

External Risk Drivers for Appetite						
Political	Financial	Reputational	Regulatory	Legal	Compliance	Community
Very High	Low	Very High	Very Low	Very Low	Low	High
Very High	Low	Very High	Low	Low	Low	High
Very High	Very High	Very High	Medium	Medium	Medium	Very High
Very High	Very High	Very High	Very High	Very High	Very High	Very High
Medium	Very High	High	High	Very High	Very High	Very High
Very High	High	Very High	High	High	High	Very High
High	High	Medium	High	Low	Low	Medium
Very High	Very High	High	Medium	Low	Low	Very High
Medium	High	Medium	Medium	Low	Low	Medium

Risk Appetite Rating
Cautious (M)
Open to Risk (H)
Open to Risk (H)
Cautious (M)
Cautious (M)
Open to Risk (H)
Cautious (M)
Open to Risk (H)
Open to Risk (H)

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# Corporate Risk Register

					Review Month:			March 2024			
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Tracking notes and monitoring	Target Implementation Date
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		
1	<b>Delivering against the key challenges in the Net Zero Carbon City section of the Corporate Plan</b>										
	<p><u>The key challenges are:</u></p> <ul style="list-style-type: none"> <li>GHG emissions in Exeter were on a downward trajectory with emissions down by a third from 2008 to 2019. This reduction is largely due to the reduction in the carbon intensity of the national electricity grid. There has been a 64% reduction in emission from the power sector (with most generation plant located outside Exeter) between 2007 and 2019. It is concerning that emissions from buildings and transport are exceeding targets set for 2020 and the lack of progress in these sectors, combined with growth in the city, will potentially lead to increases in emissions. Significant work to reduce emissions from buildings and transport will be required to deliver Net Zero for the City.</li> </ul> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> <li>No resources currently assigned within ECC to Citywide Net Zero ambitions</li> <li>Financial pressures and the large costs of carbon reduction</li> <li>Behavioural challenges over influencing businesses and public</li> <li>Technical capability to deliver and limited solutions available on the market</li> <li>Lack of control over all stakeholders (businesses, visitors etc.)</li> <li>Political environment and acceptance of policy changes required</li> <li>Misalignment with the Devon Climate Plan and the wider UK plan to reduce carbon emissions</li> <li>Failure to engage with resident and business of Exeter to ensure solutions proposed meet real need.</li> </ul> <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> <li>Exeter does not meet its citywide target of becoming Net Zero by 2030.</li> </ul>										
	November 2019	PH - Climate & Ecological Crisis Officer Lead: None Identified	4	4	16	We are working with the University and Devon County Council to support their work in this area and focusing on reducing our own carbon emissions. Our internal carbon net zero plan is now the subject of a separate risk register presented half yearly to the Audit & Governance Committee by the Corporate Energy Manager, Net Zero Team.	4	4	16	February 2024: A way forward for City Wide Net Zero was discussed and agreed with SMB. A report was presented to Executive Jan 2024 and Council Feb 2024 Council on a way forward, utilising earmarked reserves. Programme Manager to be established for two years within the structure to lead on City Wide Net Zero with a likelihood of recruitment May 2024. A report will be presented to Strategic Scrutiny every six months.	Apr-30
Page 375	<b>Making progress towards a Healthy and Active City</b>										
	<p><u>Potential causes</u></p> <ul style="list-style-type: none"> <li>Inability to deliver a cost neutral leisure service due to the financial nature of the service, cost of service delivery, and political aspiration of running a well run adequately funded service.</li> <li>Increasing socio-economic challenges and their impact on health inequalities and wellbeing with fuel poverty for example, resulting in reduced mental and physical wellbeing, with people in particular groups increasingly feeling isolated and unable to cope.</li> <li>Finding a sustainable funding model for Wellbeing Exeter, which we know makes a difference to the health and wellbeing of individuals and communities at a time of increasing pressure on public sector budgets.</li> <li>The ongoing risks to public swimming pools, gyms and leisure centres nationwide as a consequence of the Covid pandemic and increasing costs.</li> <li>The impact of the increasing cost of living, wage bill and energy on costs, whilst trying to keep costs to Exeter residents low.</li> <li>Responding to the post-pandemic impact on health inequalities and deprivation including a decrease in physical inactivity for those on low incomes or from culturally-diverse communities.</li> </ul> <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> <li>Inability to deliver a cost neutral leisure service.</li> <li>Conflict between aspiration of delivering 'cost neutral' and political expectation to deliver a well run service.</li> <li>Wellbeing Exeter closure and significant impact on creating stronger communities</li> <li>Inequalities deepen across the city.</li> <li>Sport England don't continue to fund work - including capital development for Wonford</li> <li>Short term changes may not be sustainable</li> </ul>										
	May 2023	Portfolio Holder for Leisure and Physical Activity <b>Officer Lead:</b> Director for Culture, Tourism and Leisure	4	3	12	Sport England provide external funding until 2025 and possibly longer. Playing Pitch Strategy identifies opportunities SSP has increased leisure membership beyond 10,000 and provides the opportunity for wider reach. Built Facilities Strategy underway. Engagement with multiple stakeholders around delivery of Wellbeing Exeter. Strong defined and realistic commercial targets monitored regularly	3	2	6	'Discussions between Sport England and Live and Move are taking place around 'Deepening' the work in this next phase. SE want to scale what works in other areas of the country. Those conversations should be completed by March 24 along with any capital financial ask around the potential Wonford redevelopment.	Ongoing

						Review Month:			March 2024		
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Tracking notes and monitoring	Target Implementation Date
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		
3	<b>Adapting the council workforce to ensure appropriate skills and experience (Developing a future proof workforce)</b>										
	<p><u>Key Challenges</u></p> <ul style="list-style-type: none"> <li>- the Council is changing and staff will need to develop new knowledge and skills to meet future needs</li> <li>- the Council has an ageing workforce and does not routinely succession plan</li> <li>- The Council is having difficulty recruiting into key areas</li> <li>- The Council's workforce is not reflective of the city's demographics</li> </ul> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> <li>- <u>The introduction of new technology to provide an improved customer experience</u></li> <li>- Competition from the public and private sector in attracting new employees</li> </ul> <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> <li>- <u>Loss of experience</u></li> <li>- <u>Increased spending on agency workers</u></li> <li>- <u>Not having cost effective council services delivering the right outcomes</u></li> <li>- Service disruption</li> <li>- Cost of appeals / challenges across the council services</li> <li>- Increased stress / pressure on workforce</li> </ul>										
	June 2019	Corporate & Democratic Services and Environmental Health <b>Officer Lead:</b> Director Corporate Services	3	3	9	Market supplement scheme in place - Apprenticeship opportunities for new and existing staff - Employing part qualified staff and training them (internal and external) - procurement, planning etc. - Improvements in metric tracking (age, gender, skills profiles) - Business Partnering model allowing for greater collaboration between service areas and HR - Metrics reported to SMB Ensure robust implementation of new workforce planning process (local mgmt team led) - Utilising agile program to complement modernisation of work environment - Review of progress against GDR. <u>Further Mitigations due for completion in next 12 months</u> - Review of council's Equalities, Diversity and Inclusion arrangements - Review of recruitment and retention policies - Roll out of new Performance and Development Review process - Pay Strategy Review - Development of Succession Plans for every Service - Development of training programme to meet future needs of the organisation (linked to risk 9)	2	3	6	Risk updated March 2024 Staff metrics tracking now being compared to ONS statistics. New Performance and Development Reviews have been rolled out to staff.	Sep-24

			Review Month:			March 2024					
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4	<b>Maintaining the Financial Sustainability of the Council</b>										
	<p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> <li>- Inability to deliver £5.1m savings target over four year period (to 2027-28);</li> <li>- Inability to maintain Business Rates income at levels currently generated;</li> <li>- Policy, regulatory or legislative changes which are not fully funded from central govt;</li> <li>- Impact of high inflation, rising interest rates and other external economic factors;</li> <li>- Potential for Local Government Finance redistribution (including a reset of Business Rates);</li> </ul> <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> <li>- Significant reductions required to Statutory Services, which become unable to function legally;</li> <li>- unable to balance budget, Government intervention required;</li> <li>- larger than anticipated reductions (in year or over longer term).</li> <li>- reduction in reserves below minimum level;</li> <li>- impacts on council services and therefore resident outcomes.</li> </ul>										
	January 2018	Leader of the Council <b>Officer Lead:</b> Director Finance	4	4	16	Detailed MTFP assessed and agreed with Members; - One Exeter plan agreed and being implemented with suitable governance arrangements in place; - Budget for 2023-24 agreed; - Significant investment in city centre regeneration (St Sidwell's point & bus station) including developing a new vision for the rest of the site which includes mixed use; - Appropriate level of unringfenced general fund reserves to protect against shocks; - Identify and bid for alternative sources of funding; - Lobby government for relaxation of council tax increase restrictions; - The Council has a clear strategy to address the savings required.	2	4	8	May 2023 - The MTFP has been rolled over and work has begun on reviewing the One Exeter Programme in the context of the updated Plan. Energy price inflation has started to ease and is expected to fall over the year before stabilizing. The Council will also benefit from the Change in VAT treatment for Leisure. 'Oct 2023 - SMB have met and finalised the proposals to balance the 2024-25 budget. Some favourable assumptions around energy costs, insurance costs and Government Grant have allowed some of the income challenges to be addressed and deliver a balanced budget from the Service review proposals. The proposals have been checked and confirmed by each Directors (with a small number being removed). No further reductions are required. Longer term, there is a need for a further £5.7m reductions of which proposals totalling £1.3m have been identified. The cross cutting work and digital transformation work will underpin the Council's approach to addressing this gap.	Feb-24

						Review Month:			March 2024		
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<b>5</b>	<b>Maintaining the Council's Property and Infrastructure Assets</b>										
	<p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> <li>• Council owns 100 operational properties and 600 Commercial Properties as well as 28 Bridges, 50 Parks, 90 Play Areas Footpaths, Highways, walls and a River, Canal and other watercourses</li> <li>• Shortages of materials and labour causing delay and increased costs across the capital programme</li> <li>• Interest Rate rises causing the cost of borrowing to rise significantly</li> <li>• Additional Borrowing adds pressure to the financial stability of the Council.</li> </ul> <p><u>Potential impacts:</u></p> <ul style="list-style-type: none"> <li>• Increased costs to Council</li> <li>• Sheer number of assets extremely high for a District Council, potential to cause significant financial harm</li> <li>• 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</li> </ul>										
	August 2021	Leader of the Council Officer Lead: Director Finance	4	4	16	<ul style="list-style-type: none"> <li>- Consider Programme of Asset rationalisation</li> <li>- Identify alternative sources of funding to reduce borrowing</li> <li>- Commercial Properties mainly let on a full repairing lease basis</li> <li>- Reviewed existing capital programme to defer and remove schemes.</li> <li>- Change of emphasis to internally borrow in the short term to offset interest rate rises.</li> </ul>	4	3	12	<p>May 2023 - Capital Programme has been reduced. This does not mitigate the risk of deterioration of assets, but manages the risk to the financial position. Targeted review of assets to determine value. Making review of long leases a priority to deliver further capital receipts. 'October 2023 - Progress has been made in implementing the new structure in Corporate Property to deliver the capital programme. The work on a disposal strategy is continuing, which will allow further works to continue. Priority is being given to those statutory service properties and assets, but this is dependent on the Council generating further, significant, capital receipts to deliver without having a substantial, negative impact on the Council's revenue position.</p>	Feb-24



						Review Month:			March 2024		
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6	<b>Delivering Housing and Building Great Neighbourhoods and Communities</b>										
<p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> <li>- brownfield first approach is the most sustainable option, and aligns with government policy but most sites are currently unviable and developers are unwilling to invest, resulting in sites being stalled</li> <li>- inadequate infrastructure funding for brownfield land regeneration</li> <li>- lack of specialist staff resources to support the work</li> <li>- inability to address complex land assembly and infrastructure challenges</li> <li>- significant abnormal costs associated with this type of programme</li> <li>- low land/property values and lack of investment appetite (especially BTR sector)</li> <li>- Significant local community opposition to development</li> </ul> <p><u>Potential impacts:</u></p> <ul style="list-style-type: none"> <li>- significant loss of income to fund services/infrastructure (CIL; S106; NHB; Council Tax; Business Rates) and inability to secure external funding from government</li> <li>- increased traffic congestion and net-zero not achieved by 2030</li> <li>- Exeter Plan found unsound resulting in city housing needs not being met and exacerbating the Devon Housing Crisis, especially in terms of affordable housing; lack of 5-year housing supply resulting in loss of planning control/sub-optimal development and loss of green space/special characteristics of Exeter.</li> <li>- new neighbourhoods not created, existing communities become unbalanced and suffer from lack of infrastructure/services, and economy of the city is stalled</li> <li>- active travel and accessible city aspirations not met</li> <li>- unsustainable development and new homes do not meet Garden City principles</li> <li>- housing built on greenfield sites</li> </ul>											
Page 379	November 2021	Leader of the Council Officer Lead: Director City Development & Housing	4	4	16	<p>Successful bidding for government funding programmes (Brownfield Land Release Fund; Garden Communities; One Public Estate; New Development Corporations Competition Fund) is supporting Liveable Exeter and Council Owned Building projects</p> <ul style="list-style-type: none"> <li>- project management capacity brought in</li> <li>- business cases, feasibility studies, development frameworks for strategic sites undertaken (E.g. Marsh Barton, Southgate, Water Lane)</li> <li>- Director of City Development &amp; Housing appointed</li> <li>- ECC demonstrating willingness to acquire land and property using CPO powers, and dispose of land to the private sector, where necessary to move forward in a sensible phased programme</li> <li>- ECC recognises need to step up the support commensurate with the scale and pace of development required</li> <li>- Through the Exeter Design Quality Partnership ECC has adopted an enabling and collaborative culture with developers and landowners, instilling confidence in the planning process. Enhanced Member Training is offered to improve quality of decision making in planning</li> <li>- Liveable Exeter Place Board established to bring together the city's institutions to take ownership of the vision and aspirations and to work collectively on obstacles to delivery</li> <li>- Preapplication advice on key sites helping to bring development forward more quickly and better quality</li> </ul> <p>- new local plan that includes the vision and principles as part of the formal planning policy</p>	4	4	16	<p>May 2023: Consultation on an outline draft Exeter Plan was completed; A comprehensive study of Council car parks has been concluded; A Stage 1 Feasibility on Southgate completed; Consultants appointed to deliver a Development Framework and Design Code for Water Lane; the Exeter Design Quality Partnership has been established; Planning Performance Agreements have been completed for Water Lane and Exeter St Davids - planning applications anticipated later in year; a successful recruitment process in City Development has been undertaken and only one senior post remains vacant; consultants have been appointed to undertake a FBC for the EDF; The Growth Board meets monthly to monitor progress on LE/brownfield sites and identify delivery solutions; a portfolio of sites for R3 BLRF are being brought together; Vaughan Road Phase 1 has commenced; a project team has been assembled to kick start City Point.</p> <p>October 2023: Exeter Plan: Full draft published for 12-week public consultation on 23.10.2023. Liveable Exeter Projects: Stage 2 Feasibility Study for 'Liveable Southgate' site is underway and due to be completed in March 2024; Draft Liveable Water Lane Development Framework and Design Code published for 6-week public consultation on 23.10.2023. Exeter Design Quality Partnership (EDQP): A planning charter incorporating new pre-application charges to be presented to Executive and Council for approval in November/December 2023. Government funding programmes: Work commenced on Business Case for Exeter Development Fund; Brownfield Land Release Fund 1 (BLRF). Cathedral &amp; Quay car park and Bonhay Meadows - no longer being taken forward and grant monies to be returned to DLUHC; Belle Isle, Canal Basin, Mary Arches Car Park and Lower Weir Road - Delivery Plans are being prepared and discussions underway with One Public Estate (OPE) to vary the terms of the Grant Funding Agreement to allow for delayed land release triggers. Former ECL sites: Clifton Hill - subject to confirmation by Full Council, a delivery plan and business case will be produced. Council Owned Building Programme (COB): Vaughan Road - Phase 1 (35 homes) under construction and Delivery Plans for phases 2 &amp; 3 (56 homes) being prepared; Laings, Rennes House, Chestnut Avenue &amp; Clifford Close - Project Plans for each site being prepared. Planning Applications: Outline planning application received for Water Lane "southern development zone"; Detailed planning application for Haven Banks retail park to be considered by Planning Committee on 05.12.2023. Pre-applications discussions with Network Rail on St David's Station car parks suspended and awaiting new programme and timescales: Other City Development/Housing</p>	

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<b>7</b>	<b>Maintaining a thriving Culture and Heritage sector</b>										
	<p><u>Potential Causes:</u></p> <ul style="list-style-type: none"> <li>• Uncertainty around National Portfolio Organisations</li> <li>• To be seen by the Arts Council as 'Priority Place' against levelling up schematics</li> <li>• Moving from delivery to enabling and facilitation</li> <li>• Inability to create a flourishing night-time economy</li> <li>• A need to balance cultural ambition with the national funding picture and local financial challenges</li> <li>• A need to support Visit Exeter as a vital mechanism for promotion of our events, business and cultural offer.</li> <li>• Budget savings to address the medium term financial plan</li> <li>• UNESCO City of Lit working as a separate entity to the city, which is the designation holder.</li> </ul> <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> <li>• Loss of NPO funding</li> <li>• Loss of wider impact of cultural regeneration of the city.</li> <li>• Inability to support night time economy</li> <li>• Inability to support cultural sector</li> <li>• Inability to deliver services including RAMM, Corn Exchange, Red Coats, Custom House, Underground Passages, Box Office</li> <li>• Non-renewal of UNESCO status</li> <li>• Reputational impact locally, nationally and internationally</li> </ul>										
	May 2023	Deputy Leader <b>Officer Lead:</b> Director Culture, Tourism and Leisure	3	3	9	Strong relationship with Arts Council England and stakeholders. New five year Cultural Strategy being developed with tangible deliveries. Significant cultural assets owned and run by the cultural sector. UNESCO City of Literature status awarded and monitored. Funding agreed with ACE until 2026 with Exeter's National Portfolio Organisations	1	2	2	The restructure of RAMM's senior team is now complete and the focus is on NPO business case delivery. The renewal of the city's UNESCO designation is also taking place in Q3 of 2023 with ECC officers supporting Exeter City of Literature.	Mar-26
	<b>Delivering against the key challenges in the 'Prosperous Local Economy' section of the Corporate Plan.</b>										
	<p>The key challenges are:</p> <ul style="list-style-type: none"> <li>• Retention and recruitment, with some difficult-to-fill vacancies, which is stifling business growth.</li> <li>• A rise in residents becoming economically inactive, particularly those in the 50+ age groups.</li> <li>• Matching the learning and skills opportunities for residents with current and future job opportunities.</li> <li>• Low levels of graduate retention from the University of Exeter.</li> <li>• Levels of aspiration amongst our young people and limited awareness of opportunities.</li> </ul> <p><u>Potential Causes:</u> Following budget reductions in April 2019 and the discretionary services review implemented in April 2023 there is no longer an economic development service or skills function. Both discretionary services have ceased and there is no officer resource or budget to progress this corporate priority.</p> <p><u>Potential Impacts:</u> The identified key challenges are not addressed.</p>										
	May 2023	Deputy Leader <b>Officer Lead:</b> Director Net Zero and City Management	3	4	12	We have worked with the University and Exeter College to enable them to take on more of a leading role in this area.	3	3	9	No change	Mar-24
<b>9</b>	<b>Progressing the design and delivery of a corporate Customer and Digital Strategy</b>										
	<p><u>The key challenges are:</u> Digital technology has, and is continuing to change the way people live, connect and work. The Covid-19 pandemic has seen resident and customer expectations shift. Digital technology has evolved significantly and for most of us, digital technologies have become an essential part of our lives and we all want easy access to joined-up information and efficient secure services in the palm of our hand. People increasingly expect to interact with organisations wherever they like, whenever they like, on whichever device they have and on whatever channel they choose. With customer behaviour changing faster than ever, the task of digital transformation demands significant changes to people, processes and technology. We are currently lagging behind many other Councils in our development of digital services and how we engage with our customers to improve and develop them. We have identified this as a priority to address in the One Exeter programme. We are taking a strategic approach and will be launching a draft Customer Communication and Digital Services Strategy consultation alongside developing a digital road map in partnership with Strata our shared IT Company and our co-owners (Teignbridge and East Devon District Councils). Our key challenges are the pace and scale of transformation needed in business processes; functional and organisational structures; culture; skills and resources within the Council and also within and between Strata and our partners.</p> <p><u>Potential Causes:</u></p> <p><u>Potential Impacts:</u> Failure to agree and implement the required level of Corporate change will impact on the ability of the Council to deliver a balanced MTFP which requires transformational change in how are services are delivered. One Exeter requires staff working more effectively to meet increases in demand with higher costs and reduced income. Digital, integrated and automated services are essential to achieving the most cost-effective outcomes for customers.</p>										

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	May 2023	Leader of the Council Officer Lead: Director Transformation	4	4	16	Implementing a strategic, corporate approach to ICT, digital, automation and customer communication Deeper collaboration and development of shared approaches and services with Strata, Teignbridge and East Devon District Councils Implementing a single integrated transformation programme across the Council, with strong leadership from SMB and the Extended Management Team Breaking down service silos and introducing a customer-centric culture to underpin functional and structural integration across the Council Investing in updating technology resources and skills	2	4	8	Strata Board appointed new Director of ICT and Digital : his leadership is evident in the new more agile and flexible approach to digital and the needs of the Councils within the Strata leadership. Strat and partner Councils have agreed and are implementing a new operational governance architecture which will ensure better alignment and clear routes to achieving transformation objectives. Strata Joint Executive Committee endorsed and supportive of the new approach. A Draft Digital Customer Strategy for Exeter has been produced, consulted upon and is now going for approval by Executive on 7th November and for adoption by Full Council on 12th December. Through the One Exeter programme the Cross Cutting themes project is now moving from discovery into design phase which has the potential to offer a blueprint for the future operating model of the business side of the Council. This will have a greater focus on streamlined business process and operations. MS 365 roll out is well underway and due for completion by end of December 2023. Reseach and development work for a new data strategy and architecture to underpin the aspirations in the Digital Customer Strategy are on track and due for adoption by the end of December 2023. The impact of all this work has reduced the likelihood of the identified risks happening.	Mar-24

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