

## **AUDIT AND GOVERNANCE COMMITTEE**

Date: Wednesday 27 November 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 Liz Smith, Democratic Services Officer on 01392 265425.

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), Atkinson, Begley, Ketchin, Knott, Miller-Boam, Mitchell, M, Moore, Palmer, Patrick and Williams, M

### Agenda

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

**1 Minutes**

To approve and sign the minutes of the meeting held on 25 September 2024.

(Pages 3 -  
6)

**2 Declaration of Interests**

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

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

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

- |    |  |                      |
|----|--|----------------------|
| 4  | <b>External Audit Progress Report and Sector Update</b><br>To consider the report of the Council's External Auditor.             | (Pages 7 -<br>20)    |
| 5  | <b>External Auditors - Final Audit Findings Report 2022/23</b><br>To consider the report of the Council's External Auditor.      | (Pages 21<br>- 64)   |
| 6  | <b>Management Letter of Representation 2022/23</b><br>To consider the report of the Strategic Director for Corporate Resources.  | (Pages 65<br>- 70)   |
| 7  | <b>Statement of Accounts 2022/23</b><br>To consider the report of the Strategic Director for Corporate Resources.                | (Pages 71<br>- 220)  |
| 8  | <b>Internal Audit Progress Report</b><br>To consider the report of the Audit Managers.   | (Pages<br>221 - 238) |
| 9  | <b>Corporate Governance Audit Report</b><br>To receive the report of the Chief Executive.  | (Pages<br>239 - 252) |
| 10 | <b>Review of Corporate Governance Risk Register</b><br>To consider the report of the Strategic Director for Corporate Resources. | (Pages<br>253 - 282) |

**Date of next Audit and Governance Committee** Wednesday 12 February 2025 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 on 01392 265425 for further information.

**Individual reports on this agenda can be produced in large print on request to Democratic Services on 01392 265425**

## **AUDIT AND GOVERNANCE COMMITTEE**

Wednesday 25 September 2024

### **Present:-**

Councillor Wardle (Chair)

Councillors Jobson, Atkinson, Begley, Ketchin, Knott, Moore and Palmer

### **Also Present**

Strategic Director for Corporate Resources, Strategic Director for Place, Head of Service - Finance, Manager, SWAP Internal Audit Services, Audit Manager (DAJ), Net Zero Project Manager and Democratic Services Officer (LS)

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### **APOLOGIES**

Apologies were received from Councillors Mitchell and Williams, M.

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### **MINUTES**

The minutes of the meeting held 24 July 2024 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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### **CORPORATE NET ZERO RISK REGISTER**

The Net Zero Project Manager presented the Corporate Net Zero Risk Register Report making the following points:-

- that a costed organisational review was underway;
- a report would be presented to Strategic Scrutiny in December;
- a representative from the Exeter University would present to Strategic Scrutiny on the Descent Report;
- that there were constraints in the City for grid connects as a result of works needed at the Matford Bulk Supply Point which was estimated to last 3-4 years and may restrict the ability to deliver decarbonisation projects;
- new procurement rules implemented in May require carbon footprint data from all contracts over £25,000, together with more stringent environmental standards for contracts over £100,000;
- funding projects were constrained by the scope of grants and borrowing costs; and
- that collaboration with Devon County Council and the Climate Emergency Tactical Group continued to ensure alignment.

The Net Zero Project Manager and Strategic Director for Corporate Services answered Members' questions making the following points:

- that PSDS funding was flagged on the risk register;
- that the scope of grants was not always helpful where large infrastructure was concerned;
- that they would look to give a detailed response to tree query outside the meeting;
- that a Member could email regarding assumptions in the risk register, to receive a response;

- that under 2.2 information about what had been done and next steps could be provided; and
- that this was a service risk register for net zero which gave more detail than the Corporate Risk Register.

The Audit & Governance Committee noted the Corporate Net Zero Risk Register.

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

The Assistant Director, SWAP Internal Audit Services presented the Internal Audit Progress Report for Quarter 1 including the Audit Plan making the following points:-

- that 2023/24 was substantially complete;
- that 2024/25 there were 6 review in progress;
- that new Strategic Management Board were familiarising with audit and amendments would be reported to Audit and Governance Committee in future; and
- that whilst there was limited assurance on Sundry Debtors action plans were in place.

In response a Members question, the Assistant Director, SWAP explained that some of the work had not yet begun and placeholders could be seen on page 24.

One Member expressed disappointment that the audit was almost complete as their ward was predominantly affected and would have liked to be involved. The Assistant Director agreed to consider what had been said.

The Assistant Director agreed to follow up on a question regarding how NCIL was allocated and what community consultation in respect of its use was carried out.

The Audit and Governance Committee noted the Internal Audit Progress Report for Quarter 1 Including Audit Plan.

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### **EXTERNAL AUDIT PLAN 2023/24**

The Council's External Auditor presented the report on the External Audit Plan for the year 2023-24 drawing attention to:

- the context of the report;
- material entries as a result of Exeter City Living;
- Value for Money including governance, financial control and partnerships;
- change of Audit Manager bringing further oversight to the audit; and
- back-stop would mean that any audits now signed by December 2024 would be disclaimed.

The Audit Manager, Strategic Director for Corporate Resources and Head of Service - Finance answered Members' questions making the following points:

- that he understood that letters were being drafted regarding 2021/22 audit;
- that 2022/23 were expected to be signed off before the back-stop;
- the value of the Guildhall Shopping Centre would go to Grant Thornton partner panel as there was disagreement however no impact on the tax payer;
- the Estates team were carrying out a valuation;
- that Exeter Quay and Canal Trust was a charity therefore independently audit not through Grant Thornton;



- that it would be a management decision whether the Policy came back to committee; and
- that the Council held influence within Exeter Quay and Canal Trust but no interest in the equity.

Councillor Moore stated that she was one of the complainants.

The Audit & Governance Committee noted the report of the External Auditor.

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## **REVIEW OF CORPORATE GOVERNANCE RISK REGISTER**

The Strategic Director for Corporate Resources presented the report which advised the Audit and Governance Committee of the Council's risk management process and presented the updated Corporate Risk Register which has been linked to the Council's Strategic Priorities. In presenting the report the Strategic Director for Corporate Resources made the following points:-

- that a number of officers who supported Portfolio Holders had changed;
- as a result there would be updates following review of the register; and
- that he hoped the register was now more readable as changes had been made.

In response to questions from Members, the Strategic Director for Corporate Resources and Strategic Director for Place responded:-

- that no formal response had been received from Sport England as yet;
- that a strategy had been drafted and would likely be considered in October;
- that the Council invests significantly in the Culture offer
- that the City Wall would lie within Maintaining property and Infrastructure;
- that there were a lot of historically important buildings and infrastructure which would be overwhelming were all to be represented in detail within the register; and
- that a Property Assets service plan would identify those buildings.

The Strategic Director of Corporate Resources agreed to raise with the Executive the following points made by Members:-

- that Progressing the design & delivery of a Corporate Customer and Digital Strategy, actions were all internally facing; and
- query whether anti-fraud in the Planning process was included; and

The Strategic Director of Corporate Resources agreed to raise with the Strategic Director for People whether the NCIL amount reflects the 25%.

The Acting Monitoring Officer and Strategic Director of Corporate Resources explained that the process for adding items to the agenda would be reviewed and that the Audit and Governance Committee could recommend that the Executive approve the risk register.

The Chair moved and Councillor Atkinson seconded that the Audit and Governance Committee considers the council's Corporate Risk Register and recommends its approval to Executive; and notes the revised Corporate Risk Policy which has been approved and following a vote was CARRIED.

(The meeting commenced at 5.30 pm and closed at 6.37 pm)

Chair

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# Exeter City Council

Audit progress report and sector updates

November 2024



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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 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 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.

# Introduction

## Your key Grant Thornton team members for 2023/24 are:

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

The paper also includes a series of sector updates in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

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

# Progress at November 2024

## Financial Statements Audit

### 2021/22

We anticipate that the audit opinion will be signed in November 2024.

### 2022/23

The 2022/23 Audit Findings Report forms a separate agenda item for this meeting. We expect to issue the audit opinion shortly after the Audit and Governance Committee.

### 2023/24

For 2023/24, your key engagement team members will be Jackson Murray (Director) and David Johnson (Manager). Both Jackson and David have been involved in the Council's external audit previously.

We presented our audit plan to the Audit and Governance Committee 25 September 2024. We have subsequently begun our final statements audit in October 2024 and are making progress to date. The introduction of the backstop date of 28 February 2025 for 2023/24 financial year audits means that our work must be complete in advance of this date to avoid a backstop disclaimed opinion. We continue to work with Officers to ensure that the audit can be concluded in advance of this date. We are also discussing the dates of future Audit and Governance Committee meetings to ensure that these align with the updated accounts timetable.

We can provide any further updates to Committee members during the meeting.

## Value for Money

### 2021/22 and 2022/23

A joint Auditor's Annual Report covering 2021/22 and 2022/23 was reported to the Audit and Governance Committee in March 2024. The final version will be issued alongside the financial statement opinions.

### 2023/24

Meetings with key officers are scheduled in November, and we aim to complete our detailed value for money work by the end of December 2024. We will report findings to the next Audit and Governance Committee.

# Audit Deliverables

Below are some of the audit deliverables planned for 2023/24.

2023/24 Deliverables	Planned Date*	Status
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Council’s 2023/24 financial statements.</p>	September 2024	Presented to Audit and Governance Committee 25 September 2024
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the Audit and Governance Committee.</p>	TBC – prior to 28 February 2025	In progress
<p><b>Auditors Report</b></p> <p>This includes the opinion on your financial statements.</p>	TBC – prior to 28 February 2025	In progress
<p><b>Auditor’s Annual Report</b></p> <p>This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.</p>	TBC – prior to 28 February 2025	In progress

# Ending the local audit backlog

A plan for restoring timely assurance to the Local Government audit system was announced by the Minister of State for Local Government and English Devolution on 30th July 2024.

When parliamentary time permits, secondary legislation is going to be used to amend the Accounts and Audit Regulations (2015) and to introduce five new backstop dates:



1. Financial years up-to-and-including 2022/23: 13 December 2024;
2. Financial year 2023/24: 28 February 2025;
3. Financial year 2024/25: 27 February 2026;
4. Financial year 2025/26: 31 January 2027;
5. Financial year 2026/27: 30 November 2027; and
6. Financial year 2027/28: 30 November 2028.

Paul Dossett, Grant Thornton Partner and Head of Local Government, has had an article published in The MJ, where he reviews the reasons for the delays in audited accounts and considers what is required for a long-term solution:

<https://www.themj.co.uk/beyond-the-local-audit-backstop>

Key messages from the Minister are that:

For financial years up to and including 2022/23, if financial audits are not complete by 13 December 2024, disclaimed or modified opinions will be required. The Minister recognises that in most cases these may remain in place for up to two years.

The Minister's statement is, however, "crystal clear" that where there are modified opinions for financial accounts, auditors' other statutory duties – including to report on Value for Money (VfM) arrangements, to make statutory recommendations, and to issue Public Interest Reports, will still be a high priority.

There will be some limited grounds for exemption to meeting the audited accounts backstop dates: Where auditors are considering a material objection; where recourse to the court could be required; or from 2023/24, where the auditor is not yet satisfied with the body's Value for Money arrangements. Nevertheless, Councils need to be aware that the Government intends to publish a list of bodies and auditors that do not have an exemption and yet still do not meet the proposed new dates.

To help Councils comply with these arrangements, for financial years 2024/25 to 2027/28, the Minister states that the deadline for filing Category 1 'draft' (unaudited) accounts will be extended from 31 May to 30 June (allowing higher quality draft accounts); and there will be no routine inspections of local audits (by the Financial Reporting Council or by the Institute of Chartered Accountants in England and Wales) for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so.

Once implemented, the hope is that the new arrangements will help to restore the robust assurance needed to underpin good governance and accountability.

**For the full statement, see [Written statements - Written questions, answers and statements - UK Parliament](#).**



# Lessons from recent Auditors' Annual Reports

In July 2024, Grant Thornton shared findings from a review of just under 100 recent Auditors' Annual Reports (AARs), covering around 30% of all Councils in England. With around 730 different areas for improvement identified, the AARs highlighted five key areas where local government is facing increased challenge:



1. Transformation and saving plans;
2. The Dedicated Schools Grant;
3. Financial governance and internal control;
4. Performance management and procurement; and
5. The Housing Revenue Account.

To help Councils with their challenge, Grant Thornton's Lessons report summarised suggestions for improvement into a single checklist for success.

## Key questions for Audit Committees from the checklist for success:

- External audit recommendations – are we up to date with monitoring progress and implementation and prior year recommendations?
- Savings and reserves – is our medium-term financial plan up to date?
- Special educational needs and disability – are we on track with arrangements to close any deficit?
- Workforce – do we have an up-to-date strategy?
- The Housing Revenue Account – when did we last review the strategy and arrangements for governance and internal control?

Even before the July 2024 general election, local authorities were key to delivering nationally important policies. Under the new government, the sector looks likely to play an even more pivotal role as, for example, proposed reforms to planning and housebuilding get underway. Audit Committees can use the Grant Thornton checklist for success to assess how ready their organisation is to take advantage of the new opportunities likely to open-up and to step into the new, higher profile role they are likely to be invited to play.

For a full copy of the report, see [Lessons from recent auditor's annual reports \[grantthornton.co.uk\]](https://www.grantthornton.co.uk)



# Code of practice on good governance

In June 2024, SOLACE, CIPFA and Lawyers in Local Government (LLG) jointly published a new code of practice on good governance. The code provides advice and sets expectations for the three highest profile statutory roles in local government – the Head of Paid Service, the Chief Finance Officer, and the Monitoring Officer. The aim of the code is to enable these three high profile officers to effectively work together in a ‘Golden Triangle’ - to best advise members, implement decisions, and help achieve good outcomes.

This is a powerful publication because it is the first in which SOLACE, CIPFA and LLG have spoken as one voice. Whilst the Seven Principles of Public Life, or Nolan Principles, apply to all public office holders (and indeed all those in other sectors delivering public services), expectations of the three most senior statutory officers in Councils go further. The fact that this guide is targeted specifically at their three roles is therefore more than welcome.

The new code of practice sets out seven standards the “Golden Triangle” officers should comply with, alongside a series of more direct requirements they should adhere to. The code provides guidance to the three officers concerned; can be used to explain their roles more clearly to others; and provides context for conversations about the roles, the requirements, and actions to be undertaken.

Questions Audit Committees can use the code to ask themselves surround: Do we understand what our most senior officers do? And do they understand the standards they are bound by?

**For a full copy of the Code of Practice, see [Code of Practice on Good Governance for Statutory Officers June 2024.pdf \(solace.org.uk\)](#)**

## The seven standards of the Golden Triangle are:



### Understand Governance

Roles and responsibilities



### Act Wisely

A duty of enquiry & the exercise of statutory functions



### Lead Ethically

The Seven Principles of Public Life



### Act Effectively

Robustness in working arrangements



### Resource the Roles

Get the tools to do the job



### Build Resilience

Deputies and development



### Deliver sound decision making

The outcome of good governance

# Internal Audit - supporting a healthy service

The Chartered Institute of Internal Auditors (CIIA) published an assessment of the health and status of internal audit within local government in July 2024, using research based on survey findings from 44% of all councils in the United Kingdom and Northern Ireland. The findings were stark and could make worrying reading for any Audit Committee, as survey responses unveiled:

- Fear of speaking out about key findings, including around financial sustainability;
- Difficulty in discussing financial assurance matters with Audit Committee members in public meetings;
- Lack of member understanding of the work of internal audit; and
- Insufficient staffing and inability to recruit to vacant posts, affecting completion of the Internal Audit plan.

New Global Internal Audit Standards (GIAS) are due to come into effect in January 2025 and can be adopted now if entities wish. They include considerations specifically for the public sector.

Respective responsibilities for members and management around supporting, overseeing, and resourcing the internal audit function can be found in the CIIA report.

Audit committees and senior management in local government should consider whether any of the findings are relevant to their organisation and, if so, consider using the transition to the new GIAS as an opportunity to challenge and revisit their practices.

**For a full copy of the Institute's findings, see [An evaluation of the health of internal audit in local authorities.pdf](#) ([iia.org.uk](https://iia.org.uk))**

## Summary of respective responsibilities to provide:

### Support:

#### Audit committee

Champion the internal audit function.

#### Senior management

Support recognition of the function throughout the organisation.

### Oversight:

#### Audit committee

Gain an understanding of Internal Audit findings.

Discuss any disagreements with the Chief Executive and senior management.

#### Senior management

Assist members in understanding the effectiveness of the organisation's governance, risk management and control processes and escalate to members any matters of importance.

### Resources:

#### Audit committee

Discuss the sufficiency of resources, both in numbers and capabilities, at least annually.

#### Senior Management

Engage with members to provide sufficient resources and resolve any issues around resourcing.

# Annual review of local government complaints

The Local Government and Social Care Ombudsman's latest Annual Review of Local Government Complaints was published in July 2024.

The review shows that nationally, there has been an increase in the number of complaints received, an increase in the number of complaints upheld, and ongoing issues within special educational needs; housing; and adult social care services.

The review argues that complaints can be seen as a valuable source of information, and it encourages councils to use complaints information to identify early warning signs of service failure. It includes best practice resources to help councils take valuable learning from complaints, including a performance map and data tables.

Readers are advised by the review to consider, using the interactive data for those councils they are interested in:

- Uphold rates;
- Suitable remedy rates;
- Compliance rates; and
- The nature of service improvement recommendations made.

Councils should bear in mind that since April 2024 **[new overview and scrutiny: statutory guidance for councils, combined authorities and combined county authorities](#)** recommends that scrutiny committee work programmes are informed by the reports and recommendations issued by the Ombudsman.

**[For a full copy of the Ombudsman's Annual Review, see Annual Review of Local Government Complaints.](#)**



# Homelessness and housing targets

The National Audit Office (NAO) published a report in July 2024 on the effectiveness of government in tackling homelessness.

The report noted that homelessness is now at the highest level since comparable data collection began in the early 2000s, despite local government spending on homelessness services having more than doubled since 2010/11. The report also noted that a co-ordinated government response is difficult because there was, at the time of writing the report, no strategy or published target for statutory homelessness; and, again at the time of writing the report, the Department for Levelling Up, Housing and Communities had limited power to influence other government departments' decisions on cross-cutting matters that can affect homelessness services.

The National Audit Office argued that homelessness funding is fragmented and generally short-term, inhibiting homelessness prevention work and limiting investment in good-quality temporary accommodation or other forms of housing.

New housebuilding targets announced by the new government on 30<sup>th</sup> July may help, but consistent funding and a move away from short termism and a clear strategy are also going to be essential levers that national and local government are now going to have to develop.

**For a copy of the National Audit Office report, see [the effectiveness of government in tackling homelessness \(nao.org.uk\)](https://nao.org.uk).**

**For the government's new housebuilding targets, see [Housing targets increased to get Britain building again - GOV.UK \(www.gov.uk\)](https://www.gov.uk)**

## £2.44bn

Spent by local government in 2022/23 on homelessness services

## 60%

Proportion of local government 2022/23 total gross expenditure on housing services (excluding that relating to their own housing) that was used to deal with homelessness, up from 25% in 2010/11

## 15

Cross-government boards that have a remit relevant to homelessness





# The social landlord role – what can councils do better?

The Housing Ombudsman published its latest Insight Report in July 2024: [Insight report - Issue 17 \(housing-ombudsman.org.uk\)](https://housing-ombudsman.org.uk/insight-report-issue-17)

The report focused on London – noting that 47% of the cases determined by the Ombudsman in 2023/24 were from residents living in a London postcode, despite the fact that just under one in six homes in the Ombudsman's membership is located within Greater London.

No other region of England has such a wide gap between the proportion of social housing and complaints, but the Ombudsman noted that outside Greater London, other councils and landlords should also take note of the recommendations and learning points, especially in other urban areas, as they provide vital indicators of where things go wrong and how to stop that from happening.

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The report recommends that landlords:

- Foster a positive complaints culture - leadership and governance should be seen to support the complaints' function, including promoting internal cooperation and engagement with the complaints process;
- Don't lose sight of the person at the centre of a complaints issue – try to ameliorate the impact of issues outside the landlord's full control and avoid blame. Be clear about landlord responsibilities where resolution involves dealing with third parties;
- Show that the resident's experience is important – ensure that details are taken and recorded appropriately so that residents feel listened to; the right solution is found to resolve the issue swiftly; and the communication to the resident is courteous and accurate;
- Remember that complaint handling is a landlord's opportunity to regain a resident's trust after they have had a bad experience; and
- Use insight and intelligence from complaints strategically. This ranges from effective root cause analysis of casework through to identifying risks and horizon scanning.

The report makes good reading for members looking to better understand how they can help to stop things going wrong in the council's relationship with residents.



# Audit Committee resources

## The Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

## LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email [ami.beeton@local.gov.uk](mailto:ami.beeton@local.gov.uk) LGA Senior Adviser, for more information.

## Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

## Code of Audit Practice for local auditors (NAO):

<https://www.nao.org.uk/code-audit-practice/>

## Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

## The Three Lines of Defence Model (IAA)

<https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

## Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>

## CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

### Audit Committees: Practical Guidance For Local Authorities And Police

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

### Delivering Good Governance in Local Government

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

### Financial Management Code

<https://www.cipfa.org/fmcode>

### Prudential Code

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

### Treasury Management Code

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition>





# The Audit Findings for Exeter City Council

Year ended 31 March 2023



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## Your key Grant Thornton team members are:

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## Section

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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: 15 November 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

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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 we have a small number of queries and final review to close off. We will update the committee verbally on these. Our findings are summarised from page 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 2022/23 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 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 weakness 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 have worked through the specific aspects of the matters raised and in conclusion, we have made specific recommendations and requested updates to the 2021-22 and 2022-23 financial statements to clarify the Council's key judgements to its stakeholders.

This work is additional work required as part of our responsibilities as auditors and will be subject to a separate fee. Whilst we have concluded our work to be satisfied that there are no unresolved material matters within the financial statements, we are currently our provisional views for each of the two objections received are currently progressing through clearance and legal review processes. Final fees at the conclusion of our work will be discussed and agreed with management and require final approval by PSAA.

We are satisfied that we have conducted sufficient work to reach our final conclusions for the financial statements opinion. Whilst this will allow us to issue our opinion on the financial statements, our certificate of closure of the audit will be certified upon formal conclusion of the elector objections received on the 2021-22 financial statements, once these have been issued as final.

## Significant matters

We did not encounter any significant difficulties arising during our audit. We identified the classification of the Guildhall Shopping Centre a significant matter and have concluded on this on page 14 of the report.

# 1. Headlines

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## National context – audit backlog

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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? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

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

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## National context – level of borrowing

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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.

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## 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 27 November 2024, as detailed in Appendix H. These outstanding items include:

- any follow up queries 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>Management override of controls</p> <p>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.</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>The Council need to continue to look to strengthen their control environment in respect to the points raised above. The findings form our testing of journals did not identify and issues with the appropriateness of the journals.</p> <p>For all journals reviewed we concluded that they were appropriate transactions.</p>



# 2. Financial Statements: Significant risks

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Risks identified in our Audit Plan	Commentary
<p><b>Improper revenue recognition</b></p> <p>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</p>	<p>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:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Exeter City Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>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.</p> <p>We consider the rebuttal at the Council level to continue to be appropriate. We did not identify any issues in relation to revenue recognition at the group audit level.</p>
<p><b>Risk of fraud related to expenditure recognition</b> <b>PAF Practice Note 10</b></p> <p>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)</p>	<p>For expenditure recognition we</p> <ul style="list-style-type: none"> <li>• evaluated the groups accounting policy for recognition of expenditure for appropriateness;</li> <li>• gained an understanding of the Council’s system for accounting for expenditure and evaluate the design of the associated controls</li> <li>• agreed, on a sample basis, amounts recognised as expenditure in the financial statements to supporting documents</li> <li>• identified and tested a sample of transactions received post year end to ensure these have been classified to the correct year</li> </ul> <p>We have not identified any issues in relation to expenditure for the Council or Group.</p>

# 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
<p><b>Valuation of land and buildings (including Council Dwellings)</b></p> <p>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.</p> <p>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 .</p>	<p>We have</p> <ul style="list-style-type: none"><li>• evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;</li><li>• evaluated the competence, capabilities and objectivity of the valuation expert</li><li>• written to the valuer to confirm the basis on which the valuation was carried out</li><li>• 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</li><li>• reconciled the data provided to the valuer to year end council dwelling listings</li><li>• confirmed the valuation method for sub-archetype Council Dwellings is appropriate</li><li>• tested revaluations made during the year to see if they had been input correctly into the Council’s asset register</li><li>• 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.</li></ul> <p><b>Valuation of Council Dwellings</b></p> <p>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 17.</p> <p><b>Valuation of Land and Buildings</b></p> <p>Through our review and challenge of valuations undertake for Land &amp; Buildings, we noted one property where a calculation error in the valuation led to an undervaluation of the property of £1.1 million. We were able to isolate the error to this property and no other similar issues were identified. Overall, we were able to obtain sufficient assurance over the material accuracy of the valuation of land &amp; buildings. Our conclusions are set out in more detail on page 17.</p>

# 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
<p><b>Valuation of Investment Property</b></p> <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. 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.</p> <p>Management have engaged the services of an external valuer to estimate the current value as at 31 March 2023.</p>	<p>We have</p> <ul style="list-style-type: none"><li>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</li><li>evaluated the competence, capabilities and objectivity of the valuation expert</li><li>written to the valuer to confirm the basis on which the valuations were carried out</li><li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li><li>tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council’s asset register.</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> <p>We undertook some specific detailed work on the Council’s purchase of the Guildhall Shopping centre including</p> <ul style="list-style-type: none"><li>reviewing the appropriateness of the accounting entries</li><li>challenging the classification of the asset as an Investment property.</li></ul> <p>We were able to conclude that the Guildhall Shopping Centre accounting treatment and classification were appropriate. Please see page 14 for more information regarding the challenge of the classification.</p> <p>Overall we were able to obtain sufficient assurance over the material accuracy of Investment Property valuations.</p>

## 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.
- Considered whether the onerous funding commitment that is reflected in the draft 2023/24 statement of accounts would impact on prior years.

The Council requested an IFRIC 14 assessment by their actuary to understand if there was an onerous funding commitment in the 2021/22 and 2022/23 financial years. The Council does have an onerous funding commitment in 2023/24. The actuary confirmed the 2021/22 and 202/23 years would not be affected by this. We have reviewed the actuary's assessment and are satisfied with their conclusion.

We have completed 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 18.

## 2. Financial Statements – Significant matters discussed with management

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>In October 2023 a decision was made to significantly reduce the operations of Exeter City Living Ltd which means the Loans Exeter CC has given ECL will not all be paid back to the Council. We therefore challenged the Council on whether this needs to be reflected in the calculation of the expected credit loss given this new information changes the future economic conditions of the loans and the expected repayment of these.</p>	<p>We are able to conclude that there were no indicators of impairment at the balance sheet date.</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. The Council consulted with us to seek our views on its approach to the valuation. We engaged an auditor's valuation expert to review the basis of the valuation and raised a number of challenge questions for the council to consider.</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 auditors valuation expert raised a number of questions which the Council's valuer responded to. We were able to conclude that the valuation approach taken by the Council for St Sidwells point Leisure centre is appropriate.</p>	<p>We are able to conclude that the valuation approach used to value St Sidwells Points as at 31 March 2023 is appropriate.</p>

## 2. Financial Statements – Significant matters discussed with management

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>Guildhall Shopping Centre</b></p> <p>We have considered the accounting treatment of this acquisition and the Council's classification of the asset as an Investment Property.</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 has held the asset as an Investment Property on the balance sheet as at 31 March 2023.</p> <p><u>Accounting treatment of the purchase of the Guildhall</u></p> <p>The Council provided us with an accounting paper to support the accounting entries of the purchase of the Guildhall. Given the Council purchased the long leasehold interest and took back control of the asset, the accounting for this is more complex. In particular we considered the treatment of the early termination of the finance lease and the deferred capital receipt which would no longer be realised in the future.</p> <p><u>Classification of the Guildhall Shopping Centre</u></p> <p>On review of the information provided by management, our initial view was this asset should be accounted for as Property, Plant and Equipment. This is because the CIPFA code (which adapts IAS 40) requires investment properties to be solely for the purpose of earning rentals or capital appreciation. Furthermore, the property was funded using PWLB borrowings which is rewarded on the condition that Council's do not use the funding for investment assets brought primarily for yield. On review of the Council's report presented to Executive and Council in October 2021 'Acquisition of property to support the delivery of Liveable Exeter', it was noted that the purchase of the Guildhall was part of a wider regeneration and housing strategy for the City.</p> <p>We therefore challenged management on this and management provided us with further detailed paper summarising the factors which informed their view including:</p> <ul style="list-style-type: none"> <li>• In considering the acquisition of the asset, the Council did consider the contribution this would make to its objectives for regeneration, but at the reporting date the Council's objectives for holding the asset are currently restricted to maximising rental income in order to fund regeneration projects.</li> <li>• Rental income achieved from the asset will be ringfenced for regeneration projects</li> </ul> <p>We considered management's view and given the judgements involved, we undertook further consultation within Grant Thornton to conclude on the matter. We were able to conclude that this is an area of accounting judgement and although there is clear evidence to support classifying the property as Property, Plant and Equipment, it is not unreasonable that the Council has come to the view that this is an Investment Property. We therefore requested management to expand its disclosures in the financial statements in relation to this with a Critical Judgement disclosure to ensure it is clear to the reader of the accounts the basis on which they are currently holding the asset and the judgements involved.</p> <p>Given the material nature of the acquisition and the intention for the asset to be part of wider regeneration and housing plans as part of the Liveable Exeter vision, we are required bring this critical judgement made by the Council to the attention of those charged with governance.</p>	<p>We are able to conclude that the accounting treatment and classification of the Guildhall Shopping Centre as an Investment property is appropriate as at 31 March 2023.</p> <p>Given we have deemed this to be a key judgement area, the Council has included a 'critical judgement' within the financial statements to explain the judgement and the reasonings behind holding the asset as an Investment property.</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 12 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>	<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 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>	<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 in-house valuers</li><li>• The completeness and accuracy of the underlying information used to determine the estimate</li><li>• The reasonableness of the overall decrease in the estimate</li><li>• The adequacy of the disclosure of the estimate in the financial statements</li><li>• The sensitivities used by the valuer to assess completeness and consistency with our understanding and</li><li>• Consistency of the estimate against Gerald Eve reported indices</li></ul> <p>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.</p> <p>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 2023. 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.</p> <p>We identified an asset where the valuation calculation was incorrect leading to an under-valuation in the asset of £1.1 million. We were able to isolate the error and did not find any further errors of this nature. The error was due to a calculation error rather than an error in the key judgements or estimates.</p>	<p>●</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
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>	<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> <p>We determined the classification of the Guildhall to be a key judgement. We have reported our consideration of this on page 14.</p>	<div>●</div> <div>Light Purple</div>
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>	<div>●</div> <div>Light Purple</div>


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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# 2. Financial Statements: Key judgements and estimates

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment																								
Net pension liability – £28.935m	<p>The Council’s net pension liability at 31 March 2023 is £28.935m comprising the Devon Pension Fund Local Government defined benefit pension scheme.</p> <p>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.</p> <p>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.</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><tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr><tr><td>Discount rate</td><td>4.8%</td><td>4.5%-4.8%</td><td>●</td></tr><tr><td>Pension increase rate</td><td>2.95%</td><td>2.65%-2.95%</td><td>●</td></tr><tr><td>Salary growth</td><td>3.95%</td><td>CPI+1% = 3.95%</td><td>●</td></tr><tr><td>Life expectancy – Males currently aged 45/65</td><td>23.1/21.8</td><td>20.9-23.4 / 19.5-22.1</td><td>●</td></tr><tr><td>Life expectancy – Females currently aged 45/65</td><td>24.4/22.9</td><td>24.3-25.9 / 22.9 – 24.5</td><td>●</td></tr></table>	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	●	<div>●</div> <div>Light Purple</div>
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	4.8%	4.5%-4.8%	●																								
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Life expectancy – Males currently aged 45/65	23.1/21.8	20.9-23.4 / 19.5-22.1	●																								
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<b>Assessment</b> <ul style="list-style-type: none"><li>● [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated</li><li>● [Blue] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic</li><li>● [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious</li><li>● [Light Purple] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious</li></ul>		<ul style="list-style-type: none"><li>The Council updates the employer's contributions in the pension note to the actual (actuary uses estimated). This reduces the overall liability reported by £272,000 compared to the actuary figures.</li><li>we have gained assurance over the completeness and accuracy of the underlying information used to determine the estimate</li><li>we have gained assurance over the reasonableness of the Council’s share of LGPS pension assets, and</li><li>we have reviewed the adequacy of disclosure of the estimate in the financial statements.</li></ul>																									

## 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 unlodged 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>	 Grey

### Assessment

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## 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>●</p> <p>Light Purple</p>

### Assessment

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# 2. Financial Statements: Key judgements and estimates

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
Minimum Revenue Provision – £1.909m	<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 councils 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 staturoy guidance allows for previous year’s overpayments to be offset against the current year’s prudent provision. The Council made voluntrary overpayments totaling £5.6m and are offsetting these over a number of years to smooth the required MRP. In 22/23 the amount reclaimed was £1.48 million. We have reviewed the Councils process and calculations for these and are able to conclude there approach is appropriately evidenced.</p> <p>On review of the Council’s calculation of MRP on historical debt it was noted that the Council had been providing MRP for some assets where these have been financed through other means. Furthermore the working papers to support the MRP calculated on historical debt were challenging to follow and therefore we recommend the Council review the supporting working papers for historical debt to ensure there is a clear audit trail and MRP is only charged on the assets funded through borrowing. Overall we are satisfied with the material accuracy of the MRP on historical debt.</p> <p>As reported in prior years, 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.</p>	<div><div></div><div>Blue</div></div>

# 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.

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)	<div></div>	<div></div>	<div></div>	<div></div>	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)	<div></div>	<div></div>	<div></div>	<div></div>	N/A	N/A
CivicaPay - Income Management System	ITGC assessment (design and implementation effectiveness only)	<div></div>	<div></div>	<div></div>	<div></div>	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



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.
Subsequent events review	As part of our review of subsequent events we noted a decision was made in May 2024 to agree a conversion of the Council’s outstanding loan to with Exeter Science Park to equity. The Loan was due for repayment in January 2025. The total amount of debt owed by Exeter Science Park to the Council is £1.2m (principal plus interest). At the reporting date 31 March 2023, the Council was aware of the likely difficulties in the loan being repaid but no decision was made at that stage of how to resolve the issue. As there was reasonable and supportable evidence at year end to impair the loans, this is an adjusting post balance sheet event. However, as the value of the total debt is below materiality, the Council has not adjusted or disclosure this information within the financial statements on the grounds of materiality. We concur with this assessment.

## 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. The 2023/24 financial statements for Exeter City Living Ltd have been prepared on a going concern basis and we have sufficient evidence to confirm that the group continues to be 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 28 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>
<b>Certification of the closure of the audit</b>	<p>We are unable to certify the closure of the 2022/23 audit until such time as the certificate for the 2021/22 audit has been issued. This will be finalised once the final statements of reasons have been issued for both objections received on the 2021/22 financial statements. We have undertaken sufficient work on these matters and adjustments to the accounts have been prepared by management to assure us that there are no unresolved material matters.</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.

Page 48



### 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
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 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:

Matter	Conclusion
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

# 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 5 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
● Medium	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>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>
● Medium	The Council has 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. 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

## B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
● Medium	<p><u>Minimum Revenue provision</u></p> <p>The Council does not provide MRP for capital loan payments to third parties. This is not deemed to be in line with the regulations. The Council should consider this going forward in respect to any future capital loans</p> <p>The Council should review it's working papers to support it's MRP on historical debt to ensure there is a clear audit trail and MRP is only charged on the assets funded through borrowing</p>	<p>We recommend the Council reviews it MRP process for capital loans to third parties going forward.</p> <p>We recommend the Council review its working papers which support MRP calculated on historical debt.</p> <p><b>Management response</b></p> <p>See appendix C for this.</p>
● Medium	<p>The Council did not keep a record of the transaction reports to support card payments for a number of car parks.</p> <p>The Council should ensure the transaction reports are held by the Council in order to ensure a clear audit trail from the original transactions to the weekly summary spreadsheets collated by the Council.</p>	<p>The Council should ensure the transaction reports are held by the Council in order to ensure a clear audit trail from the original transactions to the weekly summary spreadsheets collated by the Council.</p> <p><b>Management response</b></p> <p>Agreed. Officers have liaised with the merchant acquirer for car park card payments and arranged access to necessary reports.</p>
● Medium	<p>The Guildhall shopping centre is a material asset for the Council which involved critical judgement in dertermining it's classification. Given its role in the Council's future regeneration and housing plans, there may be triggers which would impact on the judgement.</p>	<p>As part of the closedown process, the Council should produce a paper to support the classification judgement of the shopping centre as at each year end.</p> <p><b>Management response</b></p> <p>Agreed. Management will continue to consider the appropriate asset classification of the Guildhall Shopping Centre and produce a supporting paper for this critical judgement.</p>

### Controls

- High – Significant effect on financial statements
  - Medium – Limited Effect on financial statements
  - Low – Best practice
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# 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 including an update to the figures within the capital commitments note.	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	✓
Disclosure amendments required to the Senior officer remuneration note to clarify the terms of the senior officer secondments to Exeter City Futures Ltd	This has been reflected in the final revised accounts	✓
A critical judgement note has been added to the financial statements to reflect the Council's judgement on the classification of the Guildhall Shopping Centre as an Investment Property.	This has been reflected in the final revised accounts	✓

## Impact of unadjusted misstatements

We identified 1 unadjusted misstatements to the Council or the Group financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Reason for not adjusting?
A calculation error in the valuation schedule for an 'Other, Land and Building' property led to an undervaluation in the property of £1.1 million		Dr Other Land and Buildings £1,100 Cr Unusable reserves £1,100	Not material.
Overall impact		£1,100	

# E. Fees and non-audit services

We set out below a schedule of our current audit fees to date. Some aspects of our fees are still to be finalised and will be subject to agreement by management. All fee variations proposals are subject to approval by PSAA.

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*
Additional fees in relation to public objections and other correspondence received on the financial statements		TBC*
<b>Total audit fees (excluding VAT)</b>	<b>£88,124</b>	<b>TBC*</b>

\*Several aspects of our 2022-23 audit fees are still to be finalised following additional work required across a number of areas of the financial statements and VFM audits, including:

- Accounting for St Sidwell point and consultation with Auditor's valuation expert
- Accounting for Guildhall shopping centre
- Additional group procedures relating to the curtailment of activities delivered by Exeter City Living
- Consideration of impact of public objections and further member and public correspondence in relation to the statement of accounts
- Additional risk based work and VFM significant weakness arising in relation to the Council's group structures and associated governance arrangements

We will prepare a final fees proposal to management at the conclusion of our work.

# 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

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Audit fees reconciliation to fees included within Statement of accounts:

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.

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	<p>The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of:</p> <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	<p>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.</p>
Professional scepticism	<p>The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <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	<p>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.</p> <ul style="list-style-type: none"> <li>Consideration is also being given to the potential impacts on confidentiality and independence.</li> </ul>
Fraud	<p>The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <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	<p>The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.</p>

# H. Audit opinion

Our audit opinion is included below.

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

OPINION WORDING TO FOLLOW



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Grant Thornton UK LLP  
2 Glass Wharf  
Bristol  
BS2 0EL

Civic Centre, Paris Street, Exeter, EX1 1JN  
[www.exeter.gov.uk](http://www.exeter.gov.uk)

**Please ask for:**

**Direct Dial:** 01392 265292

**Email:** [David.hodgson@exeter.gov.uk](mailto:David.hodgson@exeter.gov.uk)

**Our ref:**

**Date:** 27 November 2024

Dear Grant Thornton UK LLP,

## **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.
- We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for the misstatement brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. 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.
- We are satisfied that the judgements disclosed in the Council's financial statements relating to the Guildhall Shopping Centre and the classification of this as an investment property are appropriate.

### 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 27 November 2024.

Yours faithfully

Name            Councillor A J Wardle

Position        Chair - Audit and Governance Committee

Date            27 November 2024

Signature       .....

Name            Dave Hodgson

Position        Director Finance (Section 151 Officer)

Date            27 November 2024

Signature       .....

**Signed on behalf of the Council**

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## REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 27 November 2024

Report of: Strategic Director Corporate Resources

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 and adoption of the Council's Statement of Accounts for 2022/23.

#### 2. Recommendations:

- 2.1 It is recommended that the Audit and Governance Committee approve the audited Statement of Accounts for 2022/23.

#### 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 Members may be aware that the Government have implemented backstop dates in relation to outstanding local audits. For financial years up to and including 2022/23, the backstop date for publishing audited accounts is 13 December 2024. I am therefore pleased to report that the Council is on course to meet this deadline.

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

In March 2024, delegated powers were given to the Strategic Director for Corporate Resources 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.

Since that time, a significant matter has been identified in respect of the classification of the Guildhall Shopping Centre and it is considered appropriate to bring the Statement of Accounts back to committee for approval.

#### **Significant matter discussed with the auditors**

The Council acquired the Guildhall Shopping Centre in May 2022 to preserve its future as a retail destination and key strategic asset in the centre of the city, forming a vital part of the North Gate vision in Liveable Exeter.

The acquisition was facilitated by a loan from the Public Works Loan Board on the basis that any surplus income will be reinvested specifically for regeneration projects, rather than being applied to wider services.

Judgement has been required to consider whether classifying the asset as an investment property or as property, plant and equipment (PPE) in the Council's balance sheet is appropriate, based on whether it is held solely to earn rentals or for capital appreciation or both. In considering the acquisition of the asset, the Council did consider the contribution this would make to its objectives for regeneration, but at



the reporting date the Council's objectives for holding the asset are currently restricted to maximising rental income to fund regeneration projects.

Management have judged that the measurement, presentation and disclosure of the Guildhall Shopping Centre as an investment property provides the appropriate information for users, based upon the following significant matters:

- As at 31 March 2023, management and letting of the entire shopping centre is contracted to Cushman and Wakefield, a global commercial real estate services leader for all aspects of commercial leasing
- The management and letting agents are not contracted to apply any policies that would contribute to the Council's service objectives
- The Council does not make any operational use of the property to facilitate the delivery of services
- It was not acquired for subsequent sale
- The site remains a key retail and food and drink destination for Exeter with the Council investing in improvements to minimise voids, protect footfall and protect commercial rents

Our auditors have concluded that it is not unreasonable that the Council has come to this view but requested that this critical judgement is disclosed in the Statement of Accounts to ensure it is clear to the reader of the accounts the basis on which the Council is holding the asset and the judgements involved.

Note 4 Critical Judgements in Applying Accounting Policies has therefore been updated to include the judgement made in respect of the Guildhall Shopping Centre.

### **8.3 Audit Findings**

At the time of writing, our external auditors anticipate issuing an unqualified audit opinion on the Authority's financial statements.

## **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

## **Strategic Director Corporate Resources**

### **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

# 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



LABOUR

Yvonne Atkinson



LABOUR

Bob Foale



LABOUR

Steve Warwick

### DURYARD & ST JAMES



LIB DEM

Kevin Mitchell



LIB DEM

Michael Mitchell



LABOUR & CO-OP

Martin Pearce



LABOUR & CO-OP

Phil Bialyk



LABOUR

Paul Knott



LABOUR & CO-OP

Susannah Patrick

### EXWICK



GREEN

Carol Bennett



LABOUR

Barbara Denning



GREEN

Catherine Rees

### HEAVITREE

### MINCINGLAKE & WHIPTON



LABOUR

Naima Allcock



LABOUR

Emma Morse



LABOUR

Ruth Williams

### PENNSYLVANIA



LABOUR

Zion Lights



LABOUR & CO-OP

Josie Parkhouse



LABOUR & CO-OP

Martyn Snow

### PRIORY



LABOUR

Marina Asvachin



LABOUR

Jane Begley



LABOUR

Tony Wardle

### ST LOYES



CONSERVATIVE

Peter Holland



CONSERVATIVE

Anne Jobson



CONSERVATIVE

Alison Sheridan

### ST THOMAS



LIB DEM

Adrian Fullam



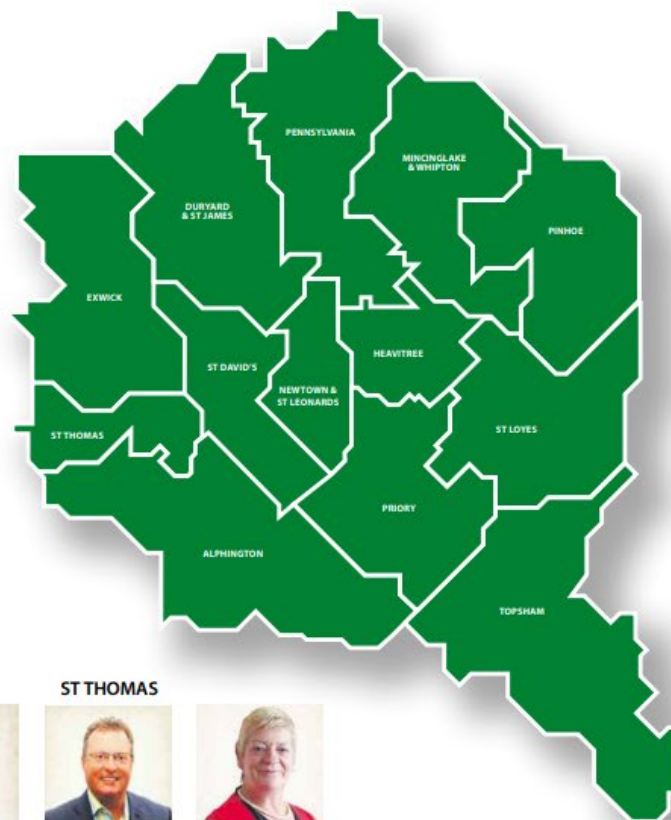
LABOUR & CO-OP

Rob Hannaford



LABOUR

Laura Wright



### NEWTOWN & ST LEONARDS



LABOUR

Richard Branston



GREEN

Andy Ketchin



LABOUR

Matthew Vizard

### PINHOE



INDEPENDENT

David Harvey



LABOUR

Mollie Miller



LABOUR & CO-OP

Duncan Wood

### ST DAVID'S



GREEN

Diana Moore



GREEN

Tess Read



GREEN

Amy Sparling

### TOPSHAM



LABOUR

Joshua Ellis-Jones



CONSERVATIVE

Andrew Leadbetter



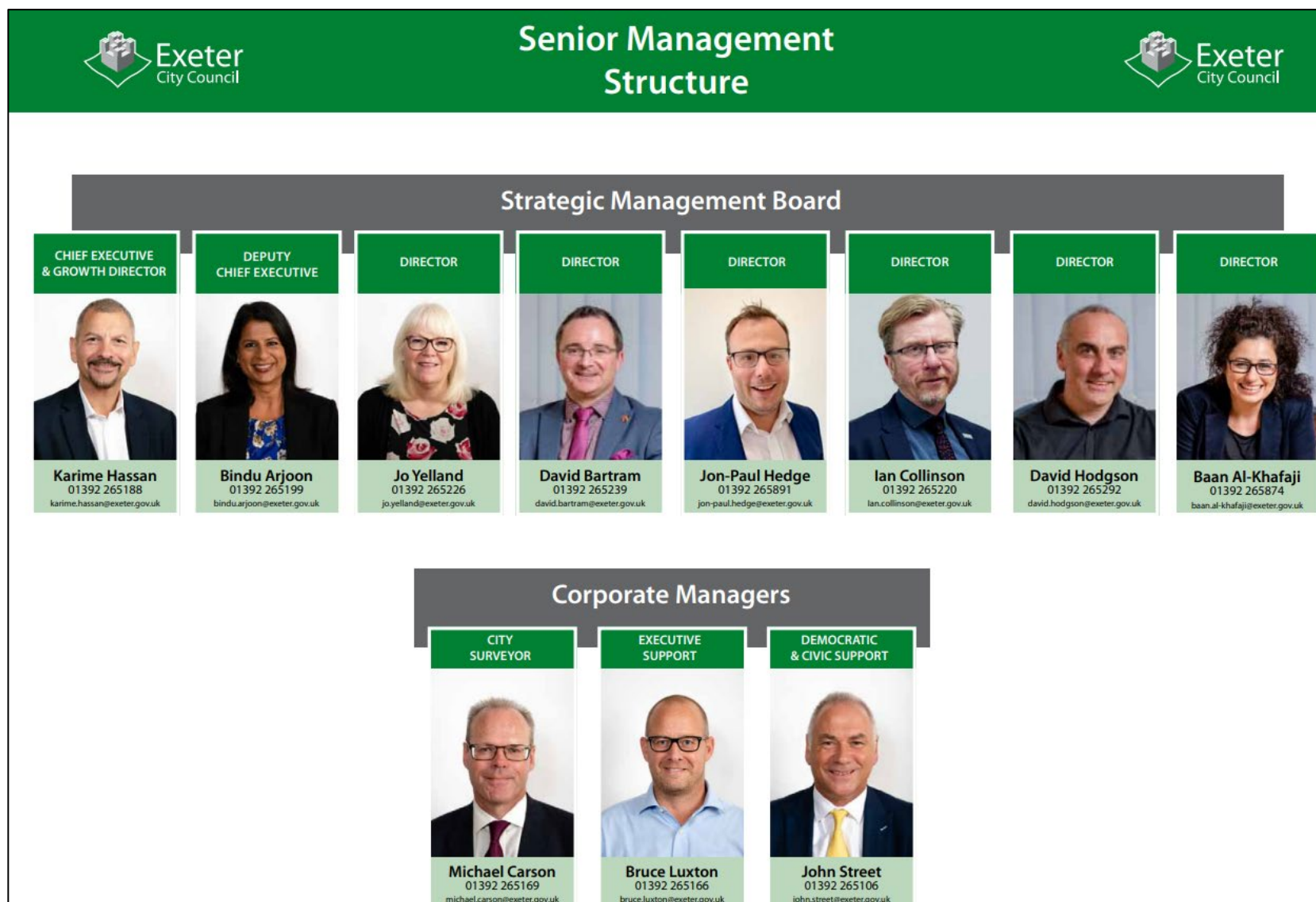
LABOUR

Matthew Williams



# 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.

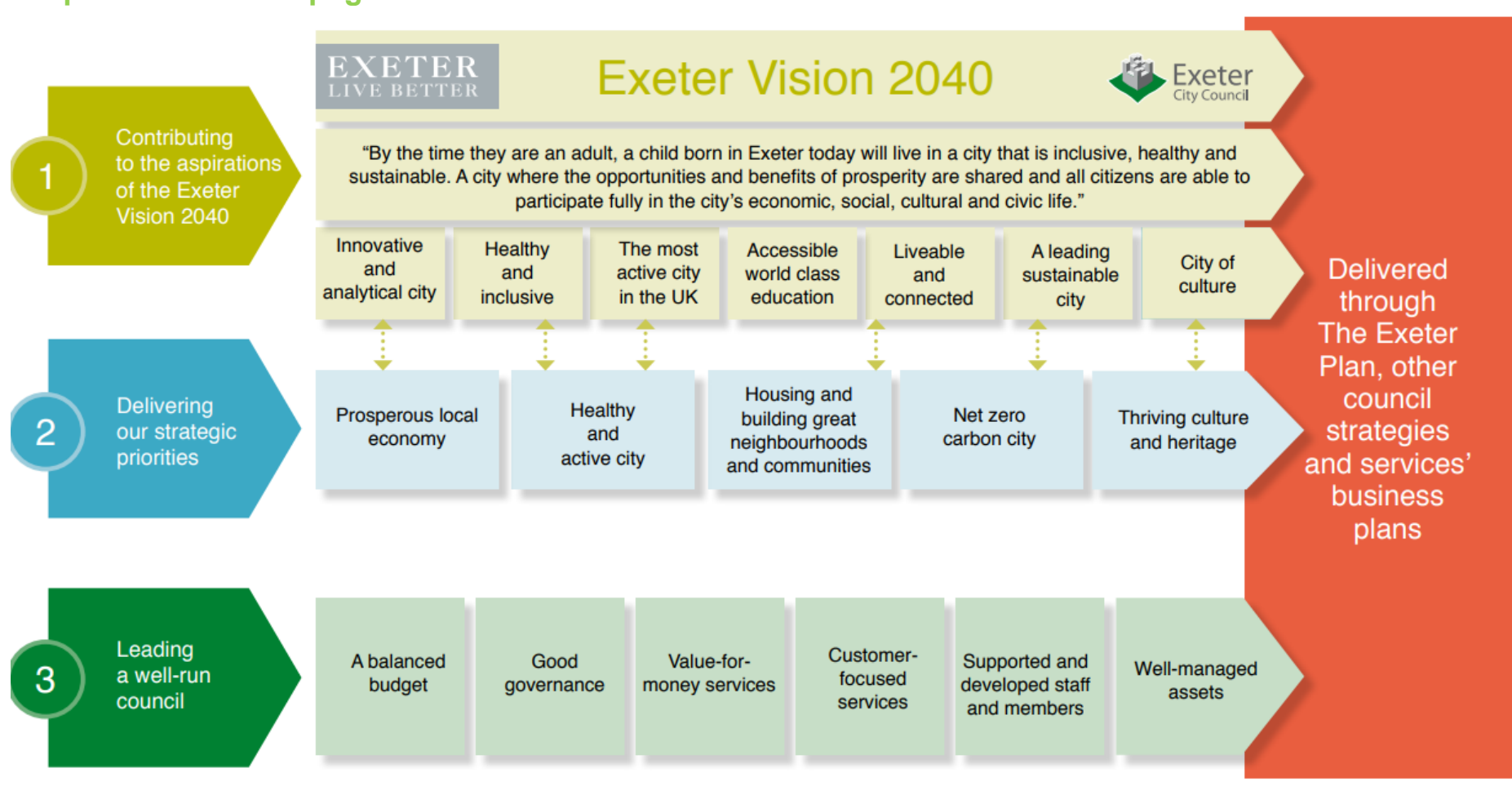
The Corporate Plan has been updated to reflect the changes that have occurred since we produced Our Strategy 2018-2021, as we face up to complex and unprecedented challenges. Some of these followed directly in the wake of the Covid-19 pandemic and our exit from the European Union. Others include the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



## Narrative Report

### 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.

Grant	Funding	Expenditure	Balance as at 31 March 2023
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.

## Narrative Report

### Capital Programme (2023/24 – 2026/27)

GENERAL FUND - CAPITAL PROGRAMME 2023/24 AND FUTURE YEARS				
SCHEMES LISTED WITHIN COUNCIL PURPOSES	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
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>

HOUSING REVENUE ACCOUNT - CAPITAL PROGRAMME 2023/24 AND FUTURE YEARS				
	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000
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
Commutated 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**  
**27 November 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			2022-2023			Notes	
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'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
125,585	(79,144)	46,441	Cost of Services	134,646	(84,431)	50,215	
		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
		15,551	(Surplus) or Deficit on Provision of Services			32,081	
			Other Comprehensive Income and Expenditure				
		(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
		(65,134)	Total Other Comprehensive Income and Expenditure			(94,926)	
		(49,583)	Total Comprehensive Income and Expenditure			(62,845)	

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

## Notes to the Financial Statements

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.

### Guildhall Shopping Centre

The Council acquired the Guildhall Shopping Centre in May 2022 to preserve its future as a retail destination and key strategic asset in the centre of the city, forming a vital part of the North Gate vision in Liveable Exeter.

The acquisition was facilitated by a loan from the Public Works Loan Board on the basis that any surplus income will be reinvested specifically for regeneration projects, rather than being applied to wider services.

Judgement has been required to consider whether classifying the asset as an investment property or as property, plant and equipment (PPE) in the Council's balance sheet is appropriate, based on whether it is held solely to earn rentals or for capital appreciation or both. In considering the acquisition of the asset, the Council did consider the contribution this would make to its objectives for regeneration of the local areas, but at the reporting date the Council's objectives for holding the asset are currently restricted to maximising rental income in order to fund regeneration projects.

Management have judged that the measurement, presentation and disclosure of the Guildhall Shopping Centre as an investment property provides the appropriate information for users, based upon the following significant matters:

- As at 31 March 2023, management and letting of the entire shopping centre is contracted to Cushman and Wakefield, a global commercial real estate services leader for all aspects of commercial leasing
- The management and letting agents are not contracted to apply any policies that would contribute to the Council's service objectives
- The Council does not make any operational use of the property to facilitate the delivery of services
- It was not acquired for subsequent sale
- The site remains a key retail and food and drink destination for Exeter with the Council investing in improvements to minimise voids, protect footfall and protect commercial rents

## Notes to the Financial Statements

At the reporting date, it is judged that the Centre is being managed as a discrete asset being operated on commercial terms and can reasonably be treated as Investment Property with appropriate disclosure of the existence of restrictions on the Council's ability to use the net income from the Centre, in accordance with PWLB borrowing conditions.

The valuation of the Guildhall Shopping Centre would remain the same whether held as PPE or as an Investment Property. The availability of market-based evidence means that the current value of the asset in its existing use for PPE is the same as the 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, for Investment Property. There is no overall impact on the Council's net assets, as at 31 March 2023.

The main impact of treatment as Investment Property is to bring the asset within the scope of the disclosures of rental income and running costs and to require movements in fair value to be included in the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement, allowing an assessment of the asset's performance as an investment.

In the longer term, the site may include operational elements such as housing or offices, and enable commercial moves into the Centre, which would support delivery of homes elsewhere in the city, as part of the Liveable Exeter vision, and management will continue to assess the appropriate classification of the property.

### 5. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director Finance, D Hodgson CPFA, 27 November 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
<b>Pensions liability</b>	<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</b>	<b>Net change</b>	<b>Other</b>	<b>Total</b>
<b>Adjustments between Funding and Accounting Basis 2021-22</b>	<b>for Capital</b>	<b>for the</b>	<b>Differences</b>	<b>Adjustments</b>
	<b>Purposes</b>	<b>Pensions</b>	<b>(Note 7.3)</b>	
	<b>(Note 7.1)</b>	<b>(Note 7.2)</b>		
	<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</b>	<b>Net change</b>	<b>Other</b>	<b>Total</b>
	<b>for Capital</b>	<b>for the</b>	<b>Differences</b>	<b>Adjustments</b>
	<b>Purposes</b>	<b>Pensions</b>	<b>(Note 7.3)</b>	
	<b>(Note 7.1)</b>	<b>(Note 7.2)</b>		
	<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 £'000	2022-23 £'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 £'000	2022-23 £'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 £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
<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 £'000	2022-23 £'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 £'000	2022-23 £'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 £'000	2022-23 £'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 Council secured borrowing from the Public Works Loan Board, as the acquisition met the characteristics of regeneration projects in accordance with current lending term scheme guidance. The guidance sets out that where rental income is reinvested into the scheme or similar regeneration projects it meets the definition of regeneration. The Council therefore sets aside any surplus rental income generated from the shopping centre 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
Level 3 fair value measurements	£'000	£'000	£'000	£'000	£'000	£'000
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	Geared	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	Geared	-	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	Geared	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	Fair Value	Balance Sheet	Fair Value
			31 March 2022	31 March 2022	31 March 2023	31 March 2023
			£'000	£'000	£'000	£'000
Financial Assets Held at Fair Value						
Financial instruments classified as fair value through profit and loss:						
Money market funds	1	Unadjusted quoted prices in active markets for identical shares	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
Total			35,561	35,561	29,731	29,731

### 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
-	-	Trade Debtors	3,481
-	-	Less impairment allowance	(914)
-	-	<b>Trade Debtors</b>	<b>2,567</b>
-	-	Overpaid Housing Benefits	1,844
-	-	Less impairment allowance	(1,310)
-	-	<b>Overpaid Housing Benefits</b>	<b>534</b>
-	-	Rents - General and HRA	811
-	-	Less impairment allowance	(477)
-	-	<b>Rents - General and HRA</b>	<b>334</b>
-	-	Collection Fund amounts	18,640
-	-	Covid-19 funding	1,053
-	-	VAT	1,059
-	-	Housing Benefit Subsidy	450
-	-	Other receivable amounts	3,992
-	-	Prepayments	461
-	-	Debtors of Strata Service Solutions Ltd	838
14,005	9,094	Finance lease debtors	141
1,130	1,194	Exeter Science Park	-
181	166	Exeter Council for Voluntary Service	-
8,596	9,838	Exeter City Living Ltd	223
95	94	Other loans	-
<b>24,007</b>	<b>20,386</b>	<b>Total Debtors</b>	<b>30,292</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 £'000	2022-23 £'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 £'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
<b>Total cash and cash equivalents</b>	<b>68,279</b>	<b>27,754</b>

### 24. Short Term Creditors

	Restated 2021-22 £'000	2022-23 £'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 £'000	Loan Loss Allowances £'000	Total Provisions £'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	£'000
245,759 Balance at 1 April		242,999
Charges for depreciation and impairment of non-current assets	(30,179)	
(28,422) (169) Amortisation of intangible assets	(153)	
45 Revenue expenditure funded from capital under statute	38	
(698) Capital loan loss allowance	(399)	
Amounts of non-current assets written-off on disposal or sale as part of the gain/loss on disposal	(4,103)	
(4,247) (33,491)	(34,796)	
9,879 Adjusting amounts to Revaluation reserve		2,124
Net amount written out of the cost of non-current assets in year		210,327
<b>222,147</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	
Capital Grants and contributions applied - Capital Grants		
0 Unapplied Account	-	
957 Statutory provision for financing capital	1,909	
(664) Voluntary provision for financing capital	(1,480)	
Capital Expenditure charged directly to the General Fund		
3,397 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 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.

<b>2021-22 Financial Instruments Adjustment Account</b>	<b>2022-23</b>
<b>£'000</b>	<b>£'000</b>
(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	
37 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.

<b>2021-22 Pensions Reserve</b>	<b>2022-23</b>
<b>£'000</b>	<b>£'000</b>
(137,516) Balance at 1 April	(100,717)
Remeasurements of the net defined	
44,756 benefit liability/(asset)	78,688
Other items treated as Other	
Comprehensive Income and	
226 Expenditure	-
Reversal of items relating to	
(13,419) retirement benefits in the CIES	(12,880)
Employers pension contributions and	
5,236 direct payments to pensioners	5,975
<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 £'000	2022-23 £'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 £'000	2022-23 £'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 £'000	2022-23 £'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

In December 2021 the Council resolved to second the Chief Executive and Growth Director for two days a week and the Director for Transformation for three days per week for a 12-month period from January 2022 to Exeter City Future CIC. The Council continued to meet the remuneration costs on the basis that the work related to progressing one of the Council's key strategic priorities; Net Zero Exeter 2030. No backfill arrangements were therefore necessary. The 12-month period started in January 2022 (financial year 2021/22) and ended in 2022/23.

## 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
Compulsory Redundancies				
Less than £20,000	6	3	12	10
£20,001 - £39,999	1	-	30	-
£40,000 - £59,999	-	-	-	-
Other Departures Agreed				
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 £'000	2022-23 £'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 £'000	2022-23 £'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 £'000	2022-23 £'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



## 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 £'000	2022-23 £'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
	544	(19)	41	566



## 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:

	<b>Allowance at 1 April 2022 £'000</b>	<b>Allowance for assets originated or acquired £'000</b>	<b>Allowance for assets de- recognised £'000</b>	<b>Assets switching measurement basis £'000</b>	<b>Changes in models/risk parameters £'000</b>	<b>Other movements £'000</b>	<b>Allowance at 31 March 2023 £'000</b>
<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>-</b>	<b>-</b>	<b>-</b>	<b>-</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 £'000	Gross carrying amount £'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:

	<b>Restated</b>	
	<b>31 March 2022</b>	<b>31 March 2023</b>
	<b>£'000</b>	<b>£'000</b>
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 £'000	2022-23 £'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			2022-2023			Notes
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'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 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
15,411 Long Term Debtors	10,548	19
<b>586,794 Total Long-Term Assets</b>	<b>632,419</b>	
1,737 Inventories	4,294	
30,764 Short-Term Debtors	13,078	19, 20 & 21
39,019 Short-Term Investments	15,202	19
4,290 Assets Held for Sale	2,063	22
72,302 Cash & Cash Equivalents	29,269	19 & 23
<b>148,112 Total Current Assets</b>	<b>63,906</b>	
(1,510) Short-Term Borrowing	(1,537)	19
(63,341) Short-Term Creditors	(33,595)	19 & 24
(5,173) Provisions	(5,668)	25
<b>(70,024) Total Current Liabilities</b>	<b>(40,800)</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>393,498 Net Assets</b>	<b>455,127</b>	
<b>Financed by:</b>		
90,310 Usable Reserves	72,556	26
303,188 Unusable Reserves	382,571	27
<b>393,498 Total Reserves</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 £'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	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	
		Balance Sheet	Fair Value	Balance Sheet	Fair Value
		31 March 2022 £'000	31 March 2022 £'000	31 March 2023 £'000	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	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 £'000	2022-23 £'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			Council			
Tax	NDR	Total	Tax	NDR	Total	
£'000	£'000	£'000	£'000	£'000	£'000	
Income						
76,561	-	76,561	Council tax	79,918	-	79,918
-	(969)	(969)	Transitional Protection - sums due to / (from) the Council	-	(1,672)	(1,672)
-	56,063	56,063	NDR	-	73,731	73,731
76,561	55,094	131,655		79,918	72,059	151,977
Expenditure						
Demands on the Fund by:						
8,956	-	8,956	Police and Crime Commissioner for Devon and Cornwall	9,302	-	9,302
3,410	368	3,778	Devon & Somerset Fire and Rescue Service	3,463	442	3,905
57,231	3,309	60,540	Devon County Council	58,721	3,978	62,699
6,169	14,707	20,876	Exeter City Council	6,405	17,679	24,084
-	18,383	18,383	Central Government	-	22,098	22,098
-	209	209	Costs of Collection Allowance	-	211	211
83	-	83	Exeter City Council Fund Transfer	10	-	10
Bad and doubtful debts						
252	(4)	248	Write offs	161	487	648
520	(70)	450	Impairment for Uncollectable Debt	410	(90)	320
-	2,379	2,379	Provisions for Appeals	-	243	243
76,621	39,281	115,902		78,472	45,048	123,520
60	(15,813)	(15,753)	(Surplus) / Deficit	(1,446)	(27,011)	(28,457)
(1,371)	43,559	42,188	Fund balance b/f	(1,311)	27,746	26,435
(1,311)	27,746	26,435	Fund Balance c/f	(2,757)	735	(2,022)



## 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**

## Annual Governance Statement

### Scope of Responsibility

Exeter City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of Delivering Good Governance in Local Government (CIPFA/Solace 2016). This statement explains how Exeter City Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015, paragraph 4(3), which required all relevant bodies to prepare an Annual Governance Statement.

The Code of Governance sets out the seven principles of good governance and the arrangements the Council has put in place to meet each of these principles:

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the law
2. Ensuring openness and comprehensive stakeholder engagement
3. Defining outcomes in terms of sustainable economic, social and environmental benefits
4. Determining interventions necessary to optimise the achievement of the intended outcomes
5. Developing the Council's capacity. Including the capability of its leadership and individuals within it
6. Managing risk and performance through robust internal control and strong public financial management
7. Implementing good practices in transparency, reporting and audit to deliver effective accountability

A copy of the Council's code is available on our website.

## Annual Governance Statement

### The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled together with activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its purposes and to consider whether those purposes have led to the delivery of appropriate, cost-effective services.

The Council's system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. There is an ongoing process designed to identify and prioritise risks to the achievement of Council policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at Exeter City Council for the year ended 31 March 2023 and up to the date of the approval of the annual statement of accounts.

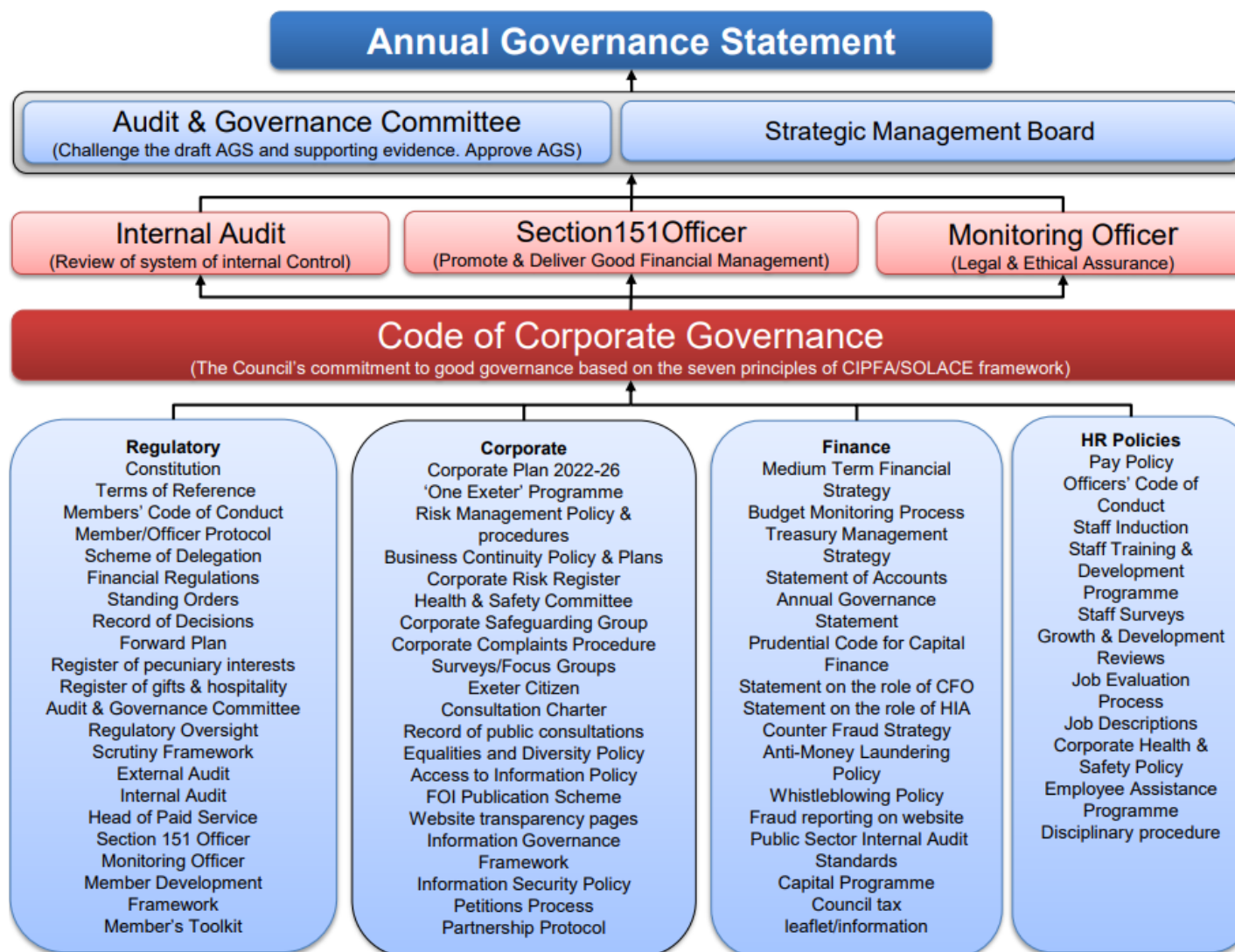
### The Governance Framework

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

## Glossary of Terms

### Accounting Period

The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local authority accounts.

### Accrual Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made

### Actual

Actual, as opposed to budget, expenditure and income directly attributable to an accounting period, generally referred to as actuals.

### Appointed Auditors

For audits of Council accounts from 1 April 2018, Public Sector Audit Appointments Limited (PSAA) is responsible for appointing an auditor, as Exeter City Council opted into its national appointment arrangements. Grant Thornton (UK) LLP is the Council's appointed Auditor.

### Associate Companies

An associate is an entity over which the Council has significant influence.

### Balances

Working balances are reserves needed to finance expenditure in advance of income from debtors, precepts and grants. Any excess may be applied at the discretion of the authority, to reduce future demands on the Collection Fund or to meet unexpected costs during the year. Balances on holding accounts and provisions are available to meet expenditure in future years without having adverse effect on revenue expenditure.

### Budget

A statement of the income and expenditure policy plan of the Council over a specified period. The most common is the annual Revenue Budget expressed in financial terms and including other physical data, e.g. staff resources.

### Capital Expenditure

This is expenditure on the acquisition of a fixed asset, or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

### Capital Financing

The raising of money to meet the cost of capital expenditure. Capital expenditure may be financed by borrowing, leasing, and contributions from revenue accounts, the proceeds from the sale of capital assets, capital grants and contributions from developers or others.

## Glossary of Terms

### **Capital Grants**

Grants specifically towards capital expenditure on a specific service or project.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the leading professional accountancy body for public services. CIPFA publishes the annual Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code constitutes proper accounting practice.

### **Collection Fund**

This is a statutory fund kept separate from the main accounts of the Council. The Collection fund shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities (Devon County Council, Police and Crime Commissioner for Devon and Cornwall and Devon & Somerset Fire and Rescue Service) and the government of council tax and non-domestic rates.

### **Community Assets**

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and may have restrictions on their disposal.

### **Contingent Liability or Assets**

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately and for which provision has not been made in the Council's accounts.

### **Council Tax Requirement**

This is the estimated revenue expenditure on General Fund services that will be financed from the Council Tax after deducting income from fees and charges, General Fund Balances, specific grants and any funding from reserves.

### **Creditors**

Amounts owed by the authority for work done, goods received or services rendered, but for which payment was not made at the balance sheet date.

### **Current Service Cost**

This is an increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

### **Current Assets**

Assets that can be expected to be consumed or realised during the next accounting period.

## Glossary of Terms

### **Current Liabilities**

Amounts that will become due or could be called upon during the next accounting period.

### **Curtailment**

The cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

### **Debtors**

Amounts due to the Council that have not been received at the balance sheet date.

### **Deferred Liabilities**

This represents the liability for principal repayments on finance leases.

### **Depreciation**

This is the measure of the wearing out, consumption or other reduction in the useful economic life of property, plant and equipment.

### **Earmarked Reserves**

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

### **Employee Costs**

These include salaries, wages and employer's national insurance and superannuation costs payable by the Council, together with training expenses and charges relating to the index-linking of pensions of former employees.

### **External Audit**

The independent examination of the activities and accounts of local authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

### **Fair Value**

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.



## Glossary of Terms

### **Final Accounts**

Accounts prepared for an accounting period, showing the net surplus (profit) or deficit (loss) on individual services and a balance sheet is prepared for them. They are produced as a record of stewardship and are available to interested parties. Local authorities are required to publish each year a Statement of Accounts, as specified in the Accounts and Audit Regulations 2015.

### **Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

### **Financial Instruments**

A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

### **Financial Year**

The local authority financial year commences 1 April and finishes 31 March the following year.

### **Financial Regulations**

These are a written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

### **Government Grants**

Payments by central government towards local authority expenditure. They must be specific e.g. Housing Benefits, or general e.g. Revenue Support Grant.

### **Housing Benefit**

This is an allowance to persons receiving little or no income to meet, in whole or part, their rent. Benefit is allowed or paid by local authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to local authorities. Benefits paid to the Authority's own tenants are known as rent rebates and that paid to private tenants as rent allowances.

### **Housing Revenue Account**

Local authorities are required to maintain a separate account, the Housing Revenue Account, which sets out the expenditure and income arising from the provision of Council housing.

### **Impairment**

A reduction in the value of an asset below its value held in the Balance Sheet. Factors which may cause such a reduction include; fall in general prices, a decline in an asset's market value and evidence of obsolescence or physical deterioration.

## Glossary of Terms

### **Interest**

An amount receivable or payable for the use of a sum of money when it is invested or borrowed.

### **Inventories**

Items of raw materials and stock an authority has procured to use on a continuing basis which it has not consumed or the value of work in progress.

### **Investment Properties**

Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

### **Materiality**

Information is material if omitting it or misstating it could influence the decisions that users make on the statement of accounts.

### **Minimum Revenue Provision (MRP)**

The minimum amount that must be charged to an authority's revenue accounts and set aside for the repayment of debt. It is calculated in accordance with the Council's approved MRP policy.

### **Non Domestic Rates (NDR)**

NDR is also referred to as business rates; is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. Authorities can voluntarily form a business rate retention pool, where all authorities in the pool can benefit from keeping a proportion of business rate revenue as well as growth on the revenue that is generated in their area to spend on local services.

### **Net Book Value**

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

### **Non-Current Assets**

Assets that can be expected to be of use or benefit to the Authority in providing its service for more than one accounting period.

### **Operating Lease**

A lease under which ownership of the asset remains with the lessor; the lease costs are revenue expenditure to the Authority.

## Glossary of Terms

### **Precepts**

The amount levied by various Authorities that is collected by the Council on their behalf. The major precepting authorities in Exeter are Devon County Council, Devon and Somerset Fire and Rescue Service and Devon and Cornwall Police Authority.

### **Prior Period Adjustments**

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

### **Property, Plant and Equipment (PPE)**

Tangible assets that are held for use in the production or supply of goods and services, for rental to others, or for administration purposes, and are expected to be used during more than one year.

### **Public Works Loan Board (PWLB)**

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities

### **Revenue Contribution to Capital Outlay (RCCO)**

The mechanism by which items of capital expenditure can be financed by the General Fund or Housing Revenue Account

### **Revenue Expenditure Financed by Capital under Statute (REFCUS)**

Expenditure which has been legally capitalised but which does not produce a fixed asset for the council, e.g. renovation grants for homeowners.

### **Revenue Support Grant**

A grant paid by government to meet a proportion of the local authority expenditure necessary to provide a standard level of service throughout the country.

### **Subsidiary**

A subsidiary is an entity that is controlled by another entity (the parent). A reporting authority controls an entity if it has; power over the entity, exposure to or rights to variable returns from its involvement with the entity and the ability to use its power over the entity to affect the amounts of its returns.

### **Value for Money**

An expression describing the benefit obtained (not just in financial terms) for a given input of cash. The term is widely used within public bodies, but there are many difficulties in its use because value, as such, is a subjective measure and there are rarely supporting objective measures. The appointed auditors are required to consider value for money with the three objectives of economy of input, efficiency of operation and effectiveness of output in service provision and report on the Council's arrangements for securing VFM.



**Exeter**  
City Council

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**Civic Centre**  
**Exeter EX1 1JN**  
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## **REPORT TO AUDIT AND GOVERNANCE COMMITTEE**

Date of Meeting: **27 November 2024**

Report of: **Head of Internal Audit, Assistant Director SWAP**

Title: **INTERNAL AUDIT PROGRESS REPORT FOR THE YEAR ENDED 31 MARCH 2025 – QUARTER 2**

### **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 second quarter of 2024/25, to advise on overall progress against the Audit Plan and to highlight areas where improvements in governance, risk or internal controls have been agreed.

#### **2. Recommendations:**

2.1 That the Internal Audit Progress Report for the second quarter of 2024/25 be noted.

#### **3. Reasons for the recommendation:**

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

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

4.1 None

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

5.1 The Council joined South West Audit Partnership (SWAP) from 1st April 2024 and now provide the Internal audit service for the Council and this report is the second quarterly update provided by SWAP. It is pleasing to note that 50% of the audit plan is now in progress and that audit work remains on target to deliver the programme of agreed audits

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

6.1 Internal Audit is a statutory requirement in accordance with the broad requirements of section 151 of the Local Government Act 1972 which requires that, inter alia, '...every local authority shall make arrangements for the proper administration of their financial affairs'. More particularly, the role of Internal Audit is set out in the Accounts and Audit (England) Regulations 2015. Regulation 3 requires a local authority to have '...a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives, ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk'. Regulation 5 sets out the provisions concerning the role of Internal Audit and states that '[a] relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'

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

7.1 Internal audit is an essential function '...providing risk-based and objective assurance, advice and insight' as stated in the Institute for Internal Auditors' 2017 Mission Statement.

The Mission Statement provides a definition of the role of internal audit and states that the fundamental purpose, nature and scope of internal audit is to provide '...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 evaluating and improving the effectiveness of risk management, control and governance processes'.

By working with services across the Council, Internal Audit works to ensure that Council objectives are met and that risks are well managed.

## **8. Report details:**

8.1 This Committee receives quarterly internal audit progress reports. This allows progress against the agreed plan and the main issues arising to be monitored, seeking assurance from management that action has been taken, where necessary. The 2024/25 Audit Plan was approved at this Committee on 6th March 2024. 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.

## **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 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

Author: Lisa Fryer, Assistant Director SWAP

## **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



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# Exeter City Council






## Report of Internal Audit Activity

### Progress Report – To end October 2024

Year Ended 31 March 2025

# Internal Audit Update – Quarter 1 2024/25 update ‘At a Glance’

## The Headlines

	<b>2023/24 Internal Audit Plan</b>  Last two reports finalised. 23/24 Plan now complete.
	<b>2024/25 Progress Update</b> <ul style="list-style-type: none"> <li>5 assurance audits and 1 follow-up finalised in the period</li> <li>50% of planned audits have been completed, are at draft report stage, or are in progress.</li> </ul>
	<b>High corporate risks</b>  None reported in the period.
	<b>Plan Changes</b> <ul style="list-style-type: none"> <li>The new SMB have reviewed the plan to ensure that it continues to focus on the highest risks and priorities. Higher priority audits have replaced four audits as a result. The scope of other planned audits has also been more clearly defined.</li> </ul>
	<b>Range of innovations and enhancements made to our internal audit process throughout the year</b> SWAP is in the process of setting up a monitoring system for actions agreed within audit reports. Once established it will allow managers to view and update their agreed audit actions. Monitoring reports will enable management and members to review progress being made.

## Internal Audit Assurance Opinions 2024/25

	Nov	YTD
Substantial	1	1
Reasonable	2	2
Limited	2	2
No Assurance	0	0
<b>Total</b>	<b>5</b>	<b>5</b>

## Internal Audit Agreed Actions 2024/25

	Nov	YTD
Priority 1	1	1
Priority 2	15	15
Priority 3	9	9
<b>Total</b>	<b>25</b>	<b>25</b>

## Summary

As part of our rolling plan reports, we will detail progress against the approved plan and any updates in scope and coverage.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating significant risks previously identified through audit activity.

The contacts at SWAP in connection with this report are:

**Lisa Fryer**

Assistant Director

[lisa.fryer@swapaudit.co.uk](mailto:lisa.fryer@swapaudit.co.uk)

**Moya Moore**

Executive Director of Operations

[moya.moore@swapaudit.co.uk](mailto:moya.moore@swapaudit.co.uk)



### Summary

#### Introduction

This 2024/25 progress report allows monitoring against the 2024/25 plan, agreed by this Committee in March 2024. The plan remains flexible and SMB have recently reviewed it to ensure the plan remains reflective of current risks and priorities. The schedule provided at **Appendix D** details progress made against the plan, including these changes.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed at **Appendix A** of this document.

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in them receiving a ‘limited Assurance Opinion’ is given as part of this report in **Appendix B**.

A follow-up review is performed in respect of all limited assurance opinion audits. This is important to provide evidence that recommendations have been implemented to reduce areas of risk identified. The results of this work can be found at **Appendix C**.

In circumstances where findings have been identified which are considered to represent high corporate risks to the Council, due to their importance, these issues are separately summarised. No significant corporate risks were reported in the period.

# Internal Audit Plan Update

Our audit plan coverage assessment is designed to provide an indication of whether we have provided sufficient, independent assurance to monitor the organisation's risk profile effectively.

For those areas where no audit coverage is planned, assurance should be sought from other sources to provide a holistic picture of assurance against key risks.



## SWAP audit plan coverage across strategic risks

The table below provides a summary of how our completed audits and work in progress to date this year provides assurance over key strategic risks areas in the Internal Audit Plan. As the year builds and more work is completed, coverage across the key risk areas will increase. 'Reasonable' coverage reflects delivery of planned assurance levels.

Table Key			
		Reasonable internal audit coverage 2024-25	Partial internal audit coverage 2024-25
		No internal audit coverage 2024-25	
No	Strategic Risk	Risk Score	Coverage
1	Delivering the key challenges in the Net Zero Carbon City section of the Corporate Plan	High	Reasonable Assurance in 23/24
2	Making progress towards a Healthy and Active City	Medium	Leisure - Reasonable Assurance in 23/24
3	Adapting the council workforce to ensure appropriate skills and experience (future proof workforce)	Medium	Occupational Health Services
4	Maintaining the Financial Stability of the Council	Medium	Budget Monitoring, Creditors, Housing Benefit Decisions, Debt Management, Council Tax arrears, payroll, Fraud baseline
5	Maintaining the Council's Property and Infrastructure Assets	High	Corporate Property Assets, Disabled Facilities Grant, HRA Repairs & Maintenance
6	Delivering Housing and Building Great Neighbourhoods and Communities	High	CIL governance, S106 governance
7	Maintaining a thriving Culture & Heritage Sector	Low	
8	Delivering against the key challenges in the 'Prosperous Local Economy' section of the Corporate Plan	Medium	
9	Progressing the design and delivery of a corporate Customer and Digital Strategy	Medium	Covered by Strata

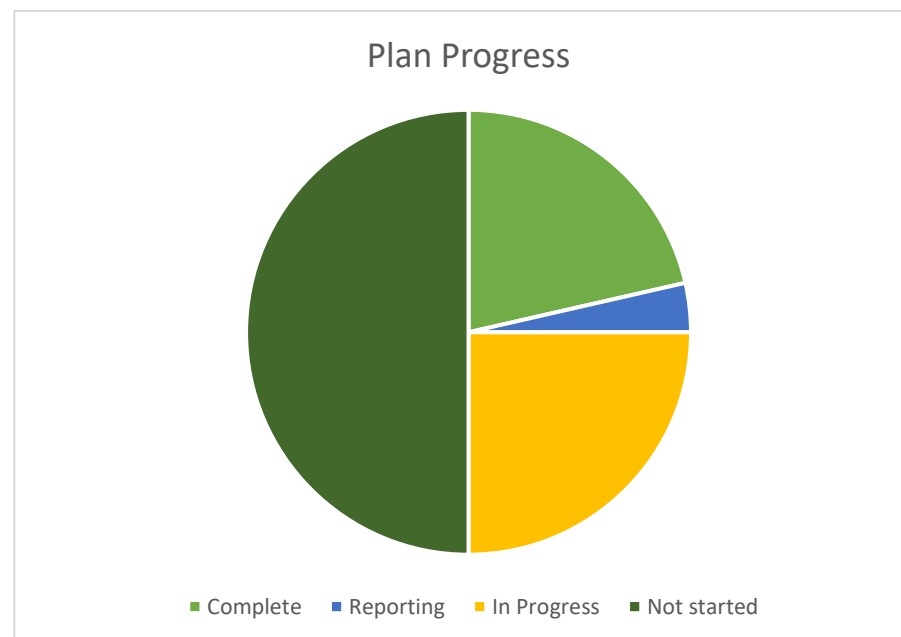
## Internal Audit Plan Update

We will build our audit plan as the year progresses to ensure that we are auditing the right things at the right time.



2024/25 Progress Year to Date

50%.



50% of the plan is now at least in progress. Time has been needed to familiarise the staff transferred from Exeter to SWAP's audit system and associated processes. Reasonable process in progressing the plan is now being made and we are on target to deliver the programme of audits agreed.

Assurance Definitions	
<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
<b>Limited</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>Reasonable</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Substantial</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Definition of Corporate Risks	
Risks	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Agreed Actions	
In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:	
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.



## 2. Corporate Governance Audit Report Executive Summary

### Audit Objectives

To ensure that the requirements of good governance are reflected in the council's local Code of Corporate Governance  
Identify the systems, processes and documentations that provide evidence of compliance  
Identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation

Assurance Opinion		Number of actions	
Limited Assurance	Weaknesses in the system of internal controls are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.	Priority	Number
		High	0
	Some aspects of Corporate Governance are working well, however, there are several aspects that have not been addressed for some time meaning that only limited assurance can be gained that Corporate Governance is operating as expected.	Medium	10
		Low/Advisory	7
		Total	17
Audit Approach and Scope			
The scope of this audit is detailed in the 'key controls tested' section below. A detailed list of the specific areas of review will be provided upon request.			
Evidence was obtained from various sources for example policies and procedures published both on the Internet and intranet, committee minutes available on the council's website and discussions with council officers.			
Key controls tested		Actions Raised	
Code of Corporate Governance		The Code of Governance (CoG) has not been published since 2019/20	
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law			
Ensuring openness and comprehensive stakeholder engagement		Public Consultation process is not working efficiently/effectively	
Defining outcomes in terms of sustainable economic, social, and environmental benefits		Achievements/changes to the Corporate Plan are not publicised	
Determining the interventions necessary to optimise the achievement of the intended outcomes			
Developing the organisations capacity, including the capability of its leadership and the individuals within it		Investment in the current and future workforce requires attention	
Managing risks and performance through robust internal control and strong public financial management		Risk Management Policy has not been approved	
Implementing good practices in transparency, reporting and audit to deliver effective accountability		The Assurance database is not accurate	
Summary and next steps			
Whilst the audit opinion shows Limited Assurance, it must be noted that all the tests undertaken in the two sections below are satisfactory;			
<ul style="list-style-type: none"><li>Behaving with integrity (Codes of Conduct, Whistleblowing, Counter Fraud, Anti-Money laundering, Complaints)</li><li>Interventions necessary to achieve the intended outcomes (processes followed/controls in place when submitting reports to Members for approval)</li></ul>			
Furthermore, in all the other sections, a number of those tests were also satisfactory.			
SMB have taken ownership of the audit recommendations and plan to review progress against the agreed actions on a regular basis.			

## 2023/24 Health &amp; Safety Training 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 the risks relating to the provision of H&S training for council staff

**Assurance Opinion**

Limited Assurance

Weaknesses in the system of internal controls are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.

**Number of actions**

Priority	Number
High	1
Medium	1
Low/Advisory	2
Total	4

**Audit Approach and Scope**

This audit reviewed the controls in place to ensure that mandatory Health and Safety (H&S) training is identified and undertaken and that appropriate evidence retained. The scope of the audit is shown below;

Key controls tested	Assessment	Actions Raised
Recording H&S training required and received		Not all areas have a record of the H&S training requirements of their staff, nor the training undertaken
Identifying H&S training needs		H&S training needs are not being fully identified
H&S Representative meetings		Not all back-office service areas are represented at their meetings
Corporate H&S Training Competency Policy		The policy is incorrectly showing at draft on the intranet

**Summary and next steps**

The responsibility for identifying and ensuring delivery of Health and Safety Training is the responsibility of services areas, supported by the Health and Safety team. Requirements for mandatory and refresher training are included within the Council's Health and Safety Training and Competency Policy.

This audit demonstrated inconsistencies in relation to training records held by services. Although there were some examples of high-quality records, others were found to be incomplete in relation to both the identification and recording of Health and Safety Training.

This is a final report of the audit findings and incorporates the remedial action agreed with the Interim Director – Environment, Waste and Operations and the Environmental Health & Community Safety Manager.

## General Creditors Audit – Final Report – October 2024



## Audit Objective

To provide assurance that the council has an effective control framework in place for its Accounts Payable/Creditor function.

## Executive Summary



## Assurance Opinion

The review identified significant gaps, weaknesses, or instances of non-compliance. The system of governance, risk management, and control requires improvement to effectively manage risks to the achievement of objectives in the area audited

## Management Actions

Priority 1	0
Priority 2	4
Priority 3	3
<b>Total</b>	<b>7</b>

## Organisational Assessment

Our audit work includes areas that we consider have a low organisational risk and potential impact. We believe the key audit conclusions and any resulting outcomes still merit attention but could be addressed by service management in their area of responsibility.

## Risk

Low

## Key Conclusions



**New supplier checks.** They are not always being carried out prior to engaging the supplier. Company information provided by the supplier is not always verified.



**Monthly monitoring reports.** The monthly 'unauthorised credit notes', 'credit balances on supplier accounts' and 'outstanding commitments and accruals' reports issued to efin users are not always being reviewed and the correcting action taken.



**Duplicate payments.** Checks are not undertaken on a regular, i.e. monthly or quarterly basis. There is no process in place to record and monitor the return of the duplicated payments.



**Segregation of duties.** The segregation of duties between the input and authorisation role are in place through system controls.

## Audit Scope

We reviewed the risk that fraudulent, invalid or late payments are made resulting in reputational damage and/or financial losses for the council.

To do this we assessed the following controls;

- Checks are undertaken to ensure suppliers are legitimate:
- Segregation of duties are in place
- Invoices are paid in accordance with procedures
- Monies paid to the supplier in excess of the amounts due are recognised and action is taken to reclaim them.

The periods under review are:

- Invoices and credit notes posted since January 2024
- New suppliers added to the system since January 2024
- Duplicated payments between December 2022 and June 2024.

## Other Relevant Information

This report summarises the key findings from this audit. The audit plan that accompanies this report provides greater details of the findings along with the agreed actions that will be taken to address these findings.


## Review of maintenance &amp; capital programme of works – Final Report – October 2024



## Audit Objective

To review the adequacy and effectiveness of the system of internal controls designed to manage and mitigate risks relating to the maintenance of Corporate Properties & the capital programme of works.

## Executive Summary

	Assurance Opinion	Management Actions		Organisational Risk Assessment	Medium	
	The review identified significant gaps, weaknesses or non-compliance. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area identified.	Priority 1	1	Our audit work includes areas that we consider have a medium organisational risk and potential impact.		
		Priority 2	6			
		Priority 3	1	The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.		
		Total	8			

## Key Conclusions

	We found evidence of delays in actioning maintenance requests, lack of monitoring and housekeeping of 'open' cases and insufficient updating of the database with details of action taken. We found 227 cases, up to 30/3/23, for which there was no completion date, some dating back to April 2017.	<b>Audit Scope</b>  We reviewed the risk that not investing in and adequately maintaining assets may result in or lead to: increased health & safety risks, loss of income or increased additional costs, loss of service provision for the City, increased risk of legal action for non-performance of Council lease obligations.  To do this we assessed the following control areas: <ul style="list-style-type: none"> <li>• Prioritisation of works and methodology used</li> <li>• Allocation of resources to planned and reactive work</li> <li>• Liaison with relevant stakeholders</li> <li>• Facility Managers awareness of responsibilities</li> <li>• Functionality of the Maintenance Database</li> </ul> We conducted audit interview and testing between April – July 2024. In addition, Building Managers were surveyed. This report reflects conditions that we saw at that time and to the information that was available to us from the database.
	Six of the nine Building Managers surveyed did not feel that their work requests were always allocated the correct priority.	
	The Corporate Maintenance Strategy is overdue for review and is not easily accessible. Responses to our survey indicated that not all Building Managers were clear about their responsibilities and six also identified further training which they felt they needed.	
	We found that the current Corporate Property Maintenance database has functionality issues. For instance, automatic real-time notifications are not issued to Building Managers.	

## Other Relevant Information

Corporate Property have agreed to complete 5 actions by 31 January 2025 and 2 actions by 1 April 2025.  
We found that for 2023/24 the greatest proportion (73%) of actual maintenance expenditure was spent on reactive repairs rather than on preventative repairs.



## CIL and S106 Agreements Follow Up – Final Report – October 2024



## Follow Up Audit Objective

To provide assurance that the agreed actions, to mitigate against risk exposure identified within the 2022/2023 s106 and CIL audit review, have been implemented.

## Follow Up Progress Summary

Priority	Complete	In Progress	Not Started	Summary
Priority 1	0	0	0	0
Priority 2	10	0	0	10
Priority 3	3	0	0	3
Total	13	0	0	13

## Follow Up Assessment

The original audit on CIL and S106 Agreements was completed in July 2022 under the previous, in-house internal audit service arrangements, and received a **Satisfactory Assurance** opinion.


A verbal progress update on the actions taken was last sought in September 2023; however, no evidence was requested to support the actions taken.

This follow up audit review has found that all of the 13 actions from the previous audit review have been completed in full. For those findings previously classed as medium risk (now Priority 2), we have been provided with evidence to support the action taken to mitigate against this. For the three findings categorised as low risk (now priority 3) in the previous audit review, the outcome has been based on self-assessment by the responsible manager.

We conclude that no further follow up work is necessary.

## Key Findings

	Better use is being made of Exacom so that obligations can be routinely monitored for implementation and receipt of development contributions.
	All available methods are used to identify S106 Agreements so that the obligations can be entered into Exacom and allow for better monitoring of trigger points. The same applies for CIL where the system is used to generate alerts which prompt the CIL/S106 team to follow up the case and check whether development has commenced.
	The council ensures that third parties are predominantly responsible for raising their own invoices; however, where the council does this on their behalf, a grant agreement is now set up between the council and the third party to ensure the funds are appropriately spent.
	The council is now charging developers a fee to cover the cost of monitoring planning obligations.
	The Planning Solicitor provides sufficient details to highlight the financial and non-financial conditions contained within s106 agreements. Details of all conditions and trigger points are input into the Exacom system.
	Sufficient checks are now undertaken to verify the measurements given by the applicant, where CIL liability is identified. In addition, self-checks are undertaken by the team to ensure the figures automatically produced in Exacom, and which appear on the liability notice, match those in the application.
	All relevant officers have now received training on the Exacom System. There are also training videos available which can be accessed via the system itself.

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =		3 =
					Major		Medium
				1	2	3	
2023/24							
Governance	Corporate Governance	Final	Limited	17	0	10	7
Governance	Health & Safety Training	Final	Limited	4	1	1	2
2024/25							
Complete							
Governance	Corporate Property Assets Maintenance & Capital Programme	Final	Limited	8	1	6	1
Finance	Creditors	Final	Limited	7	0	4	3
Operational	Waterways	Final	Reasonable	6	0	3	3
Financial	Housing Benefit Decisions	Final	Reasonable	2	0	1	1
Grant	Disabled Facilities Grant	Final	Substantial	2	0	1	1
Follow-up	CIL & S106 Agreements Follow-up	Final	N/A	All 13 agreed actions implemented			
Reporting							
Operational	Governance Arrangements for CIL Receipts	Draft					
In progress							
Financial	Debt Management	In progress					
Operational	Housing Revenue Account Repairs & Maintenance	In progress					
Finance	NEW Budget Management	In progress					

Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Financial	Council Tax Arrears	In progress					
Advisory	Income Management	Ongoing	Support for new system				
Advisory	<b>NEW</b> Introduction of Action Plan tracking to enable monitoring the implementation of agreed actions	Ongoing	Request from SMB				
Advisory	NFI	Ongoing	Initial support for this data matching exercise				
Not Started							
Financial	Payroll	Not Started					
Governance	Procurement	Not Started					
Governance	Internal and External Communications	Not Started					
Governance	Health and Safety	Not Started					
Operational	Temporary Accommodation	Not Started					
Operational	<b>NEW</b> S106 Governance	Not Started	Request from SMB				
Operational	<b>NEW</b> Occupational Health Services	Not Started	Request from SMB				
Fraud	Fraud Baseline Assessment	Not Started					
Follow-up	Trade Waste Income	Not Started					
Follow-up	Corporate Credit Card	Not Started					
Follow-up	VAT	Not Started					



Audit Type	Audit Area	Status	Opinion	No of Rec	1 = Major	↔	3 = Medium
					Recommendation		
					1	2	3
Follow-up	Taxi Licensing	Not Started					
Follow-up	Sundry Debtors	Not Started					
Advisory	Main Accounting	Not Started	Support for new system				
Deferred							
Governance	People Management	Deferred	Request from SMB to defer as review currently ongoing. To schedule in 25/26. To replace with <b>occupational health services</b> .				
Governance	Risk Management	Deferred	Request from SMB to defer as much work currently ongoing in this area. To schedule in 25/26. Replaced with <b>budget management</b> .				
Governance	Contract Management	Deferred	Agreed with S151 to defer. Contract Management has received good coverage in recent years. Resources will focus on procurement in 24/25 given new regulations to be implemented in February.				
Governance	Net Zero/Climate Change	Deferred	Request from SMB to defer as audited regularly including recent audit in 23/24 (satisfactory assurance). Replaced with <b>CIL</b> audit.				

## REPORT TO AUDIT AND GOVERNANCE

Date of Meeting: 27<sup>th</sup> November 2024

Report of: Chief Executive

Title: Corporate Governance Audit Report

### Is this a Key Decision?

No

### Is this an Executive or Council Function?

Council

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

1.1 This report presents the recommendations from a recent audit of the council's corporate governance arrangements. It includes the actions that will be taken in response to the recommendations and sets out how progress will be monitored and reported going forward.

#### **2. Recommendations:**

2.1 That the Audit and Governance Committee:

2.2.1 Note the content of the audit report contained at Appendix A and the actions that will be taken in response to the recommendations.

2.2.2 Agree that a 6 monthly progress update against the Corporate Governance Audit Recommendations is reported to Audit and Governance Committee. To include an update against the recommendations made by the External Auditors.

#### **3. Reasons for the recommendation:**

3.1 To ensure that the council's business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for, used economically, efficiently and effectively.

3.2 To provide assurance to the Audit and Governance Committee that the council is reporting against its corporate governance responsibilities.

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

4.1 The Strategic Management Board has taken ownership of the recommendations contained in the Corporate Governance Audit Report and the respective actions. Delivery of the agreed actions will result in resource implications, but this will be managed through Directorate work plans.

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

5.1 Members should note the progress that has been made in respect to this important Audit. Progress will continue to be reported as the Council seeks to strengthen its Corporate Governance processes.

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

6.1 The Council 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. This is known as the Best Value duty. The duty requires the Council to make arrangements that ensure services are delivered in a cost-effective manner while meeting the needs of the community. 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).

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

7.1 This report sets out the actions that will be taken in response to the recommendations of a recent audit of the Council's corporate governance arrangements. The importance of ensuring high standards of corporate governance is paramount.

## **8. Report details:**

8.1 Earlier this year the council's auditors undertook an audit of the council's corporate governance arrangements (see Appendix A).

8.2 The report and recommendations have been reviewed by the Strategic Management Board and Members are asked to note the following progress in relation to the recommendations made:

- The Code of Corporate Governance has been published on the council's website;
- a recruitment process to appoint a Consultation and Engagement Officer is underway;
- work is in progress to review the council's corporate priorities and outcomes as part of the work to develop a new Corporate Plan;
- a corporate performance management dashboard is being developed to measure progress against the corporate priorities;
- an HR Improvement Plan has been developed which includes work to develop a Workforce Plan;
- a new Performance and Development Review process has been implemented;
- The Risk Management Policy has been approved by Executive; and
- an LGA Corporate Peer Challenge has been arranged for March 2025.

8.3 This work is due for completion within the next 12 months.

8.4 Given the significance of the report and recommendations, it has been agreed that all of the recommendations contained in the report are owned and implemented by the Strategic Management Board and that quarterly updates are reviewed at the Strategic Management Board meeting.

8.5 It is also proposed that half-yearly updates are reported to Audit and Governance committee to provide assurance to Members that the audit recommendations are being addressed and to allow Members the opportunity to scrutinise and understand the work that is taking place.

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

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

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

10.1 N/A

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

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

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

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

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

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because the report is for information only.

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

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

12.2 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?**

13.1 N/A

**Chief Executive, Bindu Arjoon**

Author: Lorraine Betts, Executive Office Manager

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

Background papers used in compiling this report:-

None

Contact for enquires:

Democratic Services (Committees)

Room 4.36

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**PROTECTED**



## **INTERNAL AUDIT REPORT**

### **Corporate Governance – Final report**

#### **1. Introduction**

The Framework Delivering Good Governance in Local Government sets out the standard for local authority governance in the UK. It was first published by CIPFA, in association with Solace, in 2007. The revised edition was published in 2016.

The concept underpinning the Framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance. The overall aim is to ensure that;

- Resources are directed in accordance with agreed policy and according to priorities
- That there is sound and inclusive decision making and
- There is clear accountability for the use of those resources to achieve the desired outcomes for service users and communities.

Local government continues to undergo significant change. An effective, embedded governance framework is essential if the Council is to meet these challenges while retaining the support of our stakeholders. Good governance is essential to both council leaders and the public. It supports leaders in making the right decisions, reduces the likelihood of things going wrong and protects them when problems do occur. It inspires confidence in the public that decisions are being taken for the right reasons, that the quality of service is protected, and that public money is being wisely spent.

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 has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including internal control.

## 2. Corporate Governance Audit Report Executive Summary

### Audit Objectives

To ensure that the requirements of good governance are reflected in the council's local Code of Corporate Governance  
Identify the systems, processes and documentations that provide evidence of compliance  
Identify the individuals and committees responsible for monitoring and reviewing the systems, processes and documentation

### Assurance Opinion

#### Limited Assurance

Weaknesses in the system of internal controls are such as to put the objectives at risk or the level of non-compliance puts the objectives at risk.

Some aspects of Corporate Governance are working well, however, there are several aspects that have not been addressed for some time meaning that only limited assurance can be gained that Corporate Governance is operating as expected.

### Number of actions

Priority	Number
High	0
Medium	10
Low/Advisory	7
Total	17

### Audit Approach and Scope

The scope of this audit is detailed in the 'key controls tested' section below. A detailed list of the specific areas of review will be provided upon request.

Evidence was obtained from various sources for example policies and procedures published both on the Internet and intranet, committee minutes available on the council's website, and discussions with council officers.

### Key controls tested

### Actions Raised

Code of Corporate Governance		The Code of Governance (CoG) has not been published since 2019/20
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law		
Ensuring openness and comprehensive stakeholder engagement		Public Consultation process is not working efficiently/effectively
Defining outcomes in terms of sustainable economic, social, and environmental benefits		Achievements/changes to the Corporate Plan are not publicised
Determining the interventions necessary to optimise the achievement of the intended outcomes		
Developing the organisations capacity, including the capability of its leadership and the individuals within it		Investment in the current and future workforce requires attention
Managing risks and performance through robust internal control and strong public financial management		Risk Management Policy has not been approved
Implementing good practices in transparency, reporting and audit to deliver effective accountability		The Assurance database is not accurate

### Summary and next steps

Whilst the audit opinion shows Limited Assurance, it must be noted that all the tests undertaken in the two sections below are satisfactory;

- Behaving with integrity (Codes of Conduct, Whistleblowing, Counter Fraud, Anti-Money laundering, Complaints)
- Interventions necessary to achieve the intended outcomes (processes followed/controls in place when submitting reports to Members for approval)

Furthermore, in all the other sections, a number of those tests were also satisfactory.

SMB have taken ownership of the audit recommendations and plan to review progress against the agreed actions on a regular basis.



### 3. Audit Findings and Action Plan

No	Observations and weaknesses identified	Risk rating	Associated risk	Remedial action agreed with management	Manager responsible & Target date
<b>Code of Corporate Governance</b>					
3.1	<p><b>Code of Corporate Governance</b> It is the Council's responsibility to conduct a review, at least annually, of the effectiveness of its governance framework, which is then reported in the Code of Corporate Governance (CoCG) document.</p> <p>Whilst I understand the 2023/24 version has been produced*, the latest version of the CoCG published on the Internet is for 2019/20.</p> <p>*This report was due to be presented to the A&amp;G Committee in March 2024, but did not happen.</p>	Medium	By not publishing the annual CoCG report, the public are not aware of the effectiveness of the council's governance framework.	<p>This was an oversight. The Code of Corporate Governance 2023/24 has now been presented to and supported by the A&amp;G Committee on 24<sup>th</sup> July 2024.</p> <p>It will be published on the Internet.</p>	<p>Section 151 Officer</p> <p>30<sup>th</sup> November 2024</p>
<b>Core Principle B – Ensuring openness and comprehensive stakeholder engagement</b>					
3.2	<p><b>Public Consultations</b> All consultations should be published on the council's website. I reviewed the Internet and found the following;</p> <p><b>Proposed consultation;</b> <i>'Delivering a Balanced Budget' for 23/24 year (no consultation ever took place)</i> The Digital Support Officer (DB) advised that management proposed this consultation but due to timing issues, it did not take place. He has not received any notification to remove it.</p> <p><b>Open Consultation;</b> <i>Tenant Satisfaction</i> There is an on-going tenant satisfaction survey posted to the webpage and does not fall within the realms of the Consultation Charter.</p> <p><i>Housing Anti-Social Behaviour Strategy &amp; Policy</i> This is a short survey, open for approx. 6 weeks. Whilst it complies with most of the requirements stated within the Consultation Charter, it did not provide a point of contact.</p> <p><i>Liveable Exeter Placemaking</i> consultation period of 15.1.24 to 25.2.24 (consultation period passed)</p>	Medium	<p>Unnecessary information remains published on the council's website.</p> <p>Surveys are difficult to locate if they are published within the consultation section of the council's website.</p> <p>Non-compliance with the Consultation Charter as the Housing consulting documents posted to the website do not include all the required information.</p> <p>The council could be criticised for not publishing the outcomes of the consultations.</p>	<p>SMB have already agreed that there is the need for a fresh approach as to how the council consults with the public. This is a priority for the Strategic Director – People and Communities.</p>	<p>Strategic Director – People and Communities.</p> <p>New approach agreed and in place for 25/26</p>

	<p>The Digital Support Officer advised that he had not received any notification from Planning to move this consultation to the 'closed' section but will now do so.</p> <p><b>Closed consultations</b> There are 24 closed consultations on the website.</p> <p>a) Five of these state that they are currently under review and summary reports will be issued accordingly.</p> <p>Of the five consultations, I selected the Council Tax Support Scheme 2024-25 to check the outcome has been published. I note the responses have been reviewed and presented to Members (Executive Meeting on 6 February), but the consultation page on the website has not been updated to provide the link to the committee report to show the outcome.</p> <p>b) Of the remaining 19, I selected the following three to check that the outcomes have been published. My findings are as follows;</p> <p>Digital Customer Service (ended Sep '23) – presented to Executive 7.11.23. Council House Strategy (ended Oct '23) – presented to Executive 9.1.24.</p> <p>Neither of the above reports have a link from the respective Consultations to the Committee minutes to show the outcome.</p> <p>Green Circle Survey (ended Dec '23) This is yet to be presented to the Executive committee.</p>				
	<b>Core Principle C – defining outcomes in terms of sustainable economic, social, and environmental benefits</b>				
3.3	<p>The Corporate Plan 2022-26 is published on the Internet. It does not detail what was achieved from the previous Corporate Plan (2018-21)</p> <p>The Plan states that an annual progress report will be issued, I have been unable to locate that a progress report of the Corporate Plan 2022-26 has been published on the Internet.</p> <p>Side note: the Plan does not appear to be reviewed and updated on a regular basis as it still makes mention to the property development company owned by the council (Exeter City Living) which in effect is no longer trading.</p>	Medium	<p>Stakeholders will be unable to hold the Council to account if they are not aware of what has not been achieved against previous plans.</p> <p>Out of date information is published on the council's website.</p>	<p>The Corporate Plan is currently being refreshed and will focus on the councils' intended outcomes and performance measures.</p> <p>It is a 4-year plan which will be updated on an annual basis – it is due for publication shortly.</p>	<p>Strategic Director – People and Communities working with SMB.</p> <p>Public consultation on new Corporate Plan being launched October 2024. Final Plan to be published March 2025</p>

Core Principle E – developing the organisations capacity, including the capability of its leadership and the individuals within it					
3.4	The council does not use techniques such as benchmarking to improve resource use.	Medium	<p>Loss of staff to organisations that provide greater benefits.</p> <p>Increased cost to the council in terms of recruitment and training</p>	<p>Work is currently being carried out on a performance framework which is being built around the updated Corporate Plan which is shortly due for publication.</p> <p>Further work is to commence to develop a wider performance framework for the whole council.</p>	<p>Strategic Director – People and Communities working with SMB.</p> <p>Work is in progress to create the new Performance Framework aligning to the new Corporate Plan. Corporate Performance Framework due for completion March 2025</p>
3.5	The council does not have a workforce plan or organisational development plan in place.	Medium	<p>Inefficient resource allocation</p> <p>Increased cost to the council if external resource is used.</p>	<p>This has been recognised. There has been a HR review, and an improvement plan is now in place which includes the development of a workforce strategy.</p>	<p>Strategic Director – People and Communities</p> <p>30<sup>th</sup> June 2025</p>
3.6	There are a number of training sessions that Members are mandated to attend. I note that 'Local Government Finance' is not one of those sessions.	Medium	<p>Without having received a basic oversight of local government finance Cllrs may not be able to make informed decisions</p>	<p>The 'Local Government Finance' training session will be made a mandatory session.</p> <p>The Monitoring Officer will review all Member development sessions to ensure Members are able to fulfil their responsibilities effectively.</p>	<p>Monitoring Officer</p> <p>From April 2025</p>
3.7	<p>The annual performance development review is one of the tools used to identify future training needs. The current financial restraints have restricted the opportunity for officers to update their knowledge on a regular basis and/or to aid the progression of their career within the council.</p> <p>The only career structure in place is for apprentices and this must be funded by the service areas themselves.</p>	Medium	<p>Inability to attract and retain employees.</p> <p>Poor staff morale</p> <p>Reduced productivity</p> <p>Increased costs to the council if agency and/or contractors are being engaged to cover the resource shortfall</p>	<p>The workforce strategy will address the retention of staff and identify new skills needed particularly in relation to digital and data . The PDR process will be aligned with the new Corporate Plan priorities in 2025.</p>	<p>Strategic Director – People and Communities</p> <p>30<sup>th</sup> June 2025</p>

3.8	<p>As mentioned in 3.7 above, annual performance development reviews (PDR) should be undertaken. All completed PDRs should be scanned to the individuals personal file by HR Admin.</p> <p>The new PDR process was introduced in November 2023, and I have been advised by HR Admin that since then, only 24 forms have been saved to personal files.</p> <p>HR Admin, have, however, advised that they are under the impression that the new process was still awaiting confirmation and that some line managers are still awaiting PDR guidance/training.</p> <p>Note: the lack of PDR's (then Growth &amp; Development forms) was reported in the previous Corporate Governance audit report)</p>	Medium	<p>Poor staff morale</p> <p>New goals are not being set.</p> <p>Grievances are not resolved.</p> <p>Team cohesion is poor.</p> <p>Training needs not assessed.</p> <p>Inconsistent treatment of staff between the various service areas</p>	<p>Whilst there may be a confusion which forms should be completed, there is an expectation that annual reviews are undertaken.</p> <p>As part of the HR Improvement Plan action will be taken to digitise the forms so monitoring data can be extrapolated including being able to:</p> <ul style="list-style-type: none"> <li>• verify that they are being undertaken annually</li> <li>• ensure that a consistent approach for regular i.e. monthly meetings are held with staff.</li> </ul>	<p>Strategic Director – People and Communities</p> <p>30<sup>th</sup> September 2025</p>
<b>Core Principle F – managing risks and performance through robust internal control and strong public financial management</b>					
3.9	<p>The Risk Management policy, which was created in July 2022 is still only in its draft format.</p>	Medium	<p>Lack of procedures to help service leads identify, assess, and manage the risks within their service area.</p>	<p>The draft Risk Management policy was submitted to Zurich for their review and comments.</p> <p>These have now been received and the updated draft policy presented to SMB. The Risk Management Policy has now been agreed by Executive Committee.</p>	Completed
<b>Core Principle G – implementing good practices</b>					
3.10	<p>Internal Audit maintain an Assurance Register to aid the audit planning process. Each year Internal Audit issue an email to OMB asking that service leads inform them of any audit, compliance, or other external assessment work that their service is undertaking.</p> <p>I reviewed a sample of three entries on the 2023 ECC Assurance Register for evidence of such assurance.</p> <p>For two of the samples, evidence in the form of an annual review and also approved licences have been provided. (Exeter University Green House Gas Emission review RICS membership and RICS Valuers Registration Scheme)</p> <p>However, for the remaining entry I have been advised that Legal Services no longer has the Law Society Lexcel accreditation, it ceased in December 2016 (last check was in December 2013 and the accreditation lasts for 3 years)</p>	Medium	<p>Out of date information is held.</p> <p>Lack of evidence that the risk and control environments within service areas are being managed – this will affect what can be stated within the annual Governance Statement</p>	<p>The Section 151 Officer will send a reminder to OMB</p>	<p>Section 151 Officer/SMB</p> <p>30<sup>th</sup> November 2024</p>

## 4. Advisory

No	Observations		Manager comments
<b>Core Principle G – implementing good practices</b>			
4.1	<p>The Annual Governance Statement includes a 'Financial Management Arrangements' section stating that they conform with the governance requirements of the CIPFA 'statement on the Role of the Chief Finance Officer in Local Government' (2010)</p> <p>There is no reference however, that the AGS has been compiled in accordance with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations</p>	Low	The Section 151 Officer has advised that reference to this will be included in the next Annual Governance Statement
<b>C2 Core Principle A – behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law</b>			
4.2	<p>The Officer Employment Rules do not require for appointments to be made giving consideration to the Council's agreed core values.</p> <p>Whilst the Values and Behaviours framework cover;</p> <ul style="list-style-type: none"> <li>• Our Values (what is important to us) and</li> <li>• Our Behaviours (putting it into practice),</li> </ul> <p>these considerations are part of the new Performance and Development review process and thus has no impact upon the actual appointment of an employee.</p> <p>Unless the agreed core values are considered for every officer appointment, appointments may be made that cannot demonstrate these core values (Nolan principles of Public Life) selflessness, integrity, objectivity, openness, honesty, leadership.</p>	Advisory	Strategic Director – People and Communities will consider this as part of the HR Improvement Plan
<b>Core Principle B – Ensuring openness and comprehensive stakeholder engagement</b>			
4.3	<p>I note that the Consultation page on the website requires written petitions to be submitted to the Corporate Manager, Democratic &amp; Civic Support. I understand this post no longer exists.</p> <p>Consideration should be given to altering this to another council officer.</p>	Advisory	Following the Senior Leadership Review and the implementation of the new structure, the Internet will be reviewed and updated to reflect these changes, this will include updating responsibilities.
4.4	There is no 'Value for Money Strategy,' instead it is included in the Corporate Plan 2022-26 as one of the six pillars of a well-run council, which states;	Advisory	Both the Medium Term Financial and Productivity Plans address this. The merits of introduction this further document will be considered.

	<ul style="list-style-type: none"> <li>• Our organisational structure and roles optimise delivery of our strategic priorities and services. We deliver and procure value-for-money, customer-facing support services, where value for money means:</li> <li>• Spending less (minimising the cost of services)</li> <li>• Spending wisely (prioritising what we spend money on)</li> <li>• Spending well (making the best use of available resources through continuously improved processes)</li> <li>• Organisational structure - We will review our organisation and set out proposals for a fit-for- purpose organisational structure.</li> <li>• Procurement - We will procure goods and services as efficiently and effectively as possible.</li> </ul> <p>Value-for-money services, as part of our organisational change programme 'One Exeter,' will review services to ensure they are meeting our value-for-money objectives.</p> <p>Whilst the Corporate Plan 2022-26 includes mention to VFM, consideration should be given to creating a strategy - the plan makes commitments to do this, but it does not provide a strategy for how this will be done.</p>		
4.5	<p><b>Core Principle D – determining the interventions necessary to optimise the achievements of the intended outcomes</b></p> <p>The Democratic Service Manager has advised that it is a legal requirement under LGA 1972 that agendas are published five clear working days in advance of the meeting – if not, the meeting will not take place.</p> <p>He also advised that notifications of meetings are issued in a number of ways, examples of this being;</p> <ul style="list-style-type: none"> <li>• published on the council's website at least a year in advance</li> <li>• calendar appointments issued to SMB and OMB in advance</li> <li>• Members are sent the appointments following the elections for the municipal year</li> <li>• Agenda Management timetables are available to all officers on the intranet</li> <li>• At least two weeks before the draft report deadline, reminders are emailed out</li> </ul> <p>One service lead advised that the Forward Plan no longer includes the report date deadlines, only the date of the meeting. The report deadline date was considered to be useful as it is sometimes difficult to meet the deadline if Committee Admin have not notified officers of the report deadline.</p> <p>Consideration should be given by Democratic Services to re-instate the report date deadlines on the forward plan as it is sometimes difficult to meet the deadline if committee admin has not notified officers of the report deadline.</p>	Advisory	It was agreed that as the report date deadlines are of use to service leads, then they should be re-instated.

	<b>Core Principle E – developing the organisations capacity, including the capability of its leadership and the individuals within it</b>		
4.6	<p>A peer review of the effectiveness of the leadership has not been undertaken.</p> <p>It is noted that this was requested as part of the scope of this audit, however, it was felt that this should be conducted by an appropriately skilled provider.</p> <p>Consideration should be given by Senior Management to appoint a suitably qualified provider to undertake this piece of work.</p>	Advisory	<p>The Chief Executive, the Leader of the Council and the LGA have scheduled a Peer Review for March 2025.</p>
	<b>Core Principle F – managing risks and performance through robust internal control and strong public financial management</b>		
4.7	<p>I examined the Scrutiny functions Terms of Reference to check that it is effective, it encourages constructive challenge, it enhances the authority's performance and that, as a result of scrutiny, there is evidence of improvements to the proposals.</p> <p>I note that the Governance Review Board met in August, November, and December 2022 to review the arrangements. A report had been prepared for Executive in April 2023 but in the pre-Executive briefing meeting, it was observed that the scope of their work had expanded beyond the original remit and some of the functions duplicated the role of the A&amp;G Committee, leading to confusion round governance.</p> <p>It was agreed that the work of the Governance Review Board had therefore concluded. The role of the A&amp;G Committee would continue to monitor the Council's constitution having regard to any report of the Monitoring Officer.</p> <p>There were, however, a number of recommendations in the Governance Review Board report of April 2023. It was recommended that these be picked up through the appropriate channels and/or referred to an existing committee. It was agreed in the Executive meeting of 9<sup>th</sup> January 2024 that these would be taken forward.</p>	Advisory	<p>The actions identified are being progressed – some have already been implemented and some are in the process of being actioned. The details are as follows;</p> <ul style="list-style-type: none"> <li>• The formation of a Strategic Scrutiny subcommittee, to review and monitor the work related to the climate emergency and ecological crisis. A proposal for a Climate Change Sub Committee was agreed in Principle at the meeting of the Strategic Scrutiny Committee in September 2023, subject to a meeting with relevant Members and Officer to discuss the way forward. This meeting has now taken place, and an agreed way forward has been reached.</li> <li>• Any amendments to the constitution suggested will be considered by the Monitoring Officer as the responsible Officer.</li> <li>• Tabling of questions as requested by the group is now in operation.</li> <li>• A review of the outside bodies on the work they have undertaken, number of meetings and relevance for retaining Councillor Membership was agreed at Council in July 2023. Letters were sent to all outside bodies requesting details of their work to ensure they remain appropriate for maintaining Councillor Membership and a report will follow.</li> <li>• A Members Briefing by the Director Corporate Services has also been suggested by the Chief Executive on the role and responsibilities of a Councillor who has been appointed to an outside body.</li> <li>• The Lord Mayor's handbook would be reviewed by the Mayoralty team in regard to inviting representatives from other religious faith groups to Council meetings, as well as undertaking the Chaplaincy role to the Lord Mayor, whilst being respectful to the Lord Mayor's faith. A process has also been put in place for terminology used for requesting Members who are able to, to stand when requested to do so. Prayers will be taken prior to the formal commencement of the meeting. Other equalities issues relating to the Guildhall will be addressed by the Mayoralty team accordingly.</li> </ul>



			<ul style="list-style-type: none"> <li>• A review of meeting commencement times with other authorities would be looked at, if relevant as part of any future review of the constitution if considered necessary.</li> <li>• All Members would be sent an Annual Survey relating to their experience of being a Councillor, which would be considered by the Strategic Management Board (SMB).</li> </ul>
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5. Management Action and Follow-up

- 5.1

This engagement has been conducted to conform to the Public Sector Internal Audit Standard.
- 5.2

Responsibility for the maintenance of adequate and effective controls rests with management.
- 5.3

It is management's responsibility to ensure that the action plan presented in this report is achievable and appropriate to the circumstances. Where a decision is taken not to act in response to this report, it is the responsibility of management to assess and accept the risks arising from non-implementation.
- 5.4

Achievement of this action plan is monitored through Internal Audit's follow-up arrangements.

Sandra Please

4<sup>th</sup> November 2024

## REPORT TO AUDIT AND GOVERNANCE

Date of Meeting: 27<sup>th</sup> November 2024

Report of: Strategic Director of Corporate Resources

Title: Review of the 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 Audit and Governance Committee is responsible for:

- i) considering the Corporate Risk Register and recommending its approval to Executive
- ii) monitoring effectiveness of risk management throughout the Council and progress made against the Corporate Risk Register actions.

1.2 This report advises the Audit and 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 and Governance Committee:

- considers the council's Corporate Risk Register (Appendix A) and recommends its approval to Executive

#### 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, Strategic Directors and Heads of Service, as appropriate, are asked to review the Corporate Risk Register on a quarterly basis. The register is reviewed quarterly by the Strategic Management Board.

4.2 Any actions agreed to mitigate the risks identified in the Corporate Risk Register may result in some resource implication. These would be subject to a specific report and the resource implications would be considered in that report.

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

5.1 SMB and the Executive have produced the register based on the Council's Strategic Priorities. A summary page (Appendix B) 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?**

6.1 Risk Management is an essential management tool to manage, assess and prioritise risks. Members will note the content of this report and the updated Corporate Risk Register at Appendix A which identifies risks so that they can be understood and managed proactively.

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

7.1 There is no specific regulatory requirement to keep a risk register. However, it is a standard way to monitor and assess risk. The risk register identifies the overall risks to the Council in order that this can be understood and managed proactively, optimising success by identifying and addressing risks

#### **8. Report details:**

8.1 In response to a review of the Corporate Risk Register by the Council's insurers, Zurich, the Strategic Management Board agreed 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 includes a summary document (Appendix B), which enables Members to see the scope of the corporate risks in one straightforward table. This table is presented below for ease of reference.

Corporate Plan Alignment Area	Risk Description	Risk Scoring		
		Inherent	Residual	Target Date
Net Zero Carbon City	Delivering against the key challenges in the Net Zero Carbon City section of the Corporate Plan	16	16	Apr-30
Healthy and Active City	Making progress towards a Healthy and Active City	12	6	Mar- 2025
Leading a Well-run Council	Adapting the council workforce to ensure appropriate skills and experience (Developing a future proof workforce)	9	6	Sep-25
Leading a Well-run Council	Maintaining the Financial Sustainability of the Council	16	8	Feb-25
Leading a Well-run Council	Maintaining the Council's Property and Infrastructure Assets	16	12	Feb-26
Housing and Building Great Neighbourhoods	Delivering Housing and Building Great Neighbourhoods and Communities	16	16	On going
Thriving Culture and Heritage	Maintaining a thriving Culture and Heritage sector	9	2	Jun 25
Prosperous Local Economy	Delivering against the key challenges in the 'Prosperous Local Economy' section of the Corporate Plan.	12	9	Mar 25
Leading a Well-run Council	Progressing the design and delivery of a corporate Customer and Digital Strategy	16	8	Mar-26

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 includes an assessment of how the risks will affect a range of drivers.

8.6 The two tables 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. These two tables help to inform the final risk scores presented in the register.

#### Further development of the Corporate Risk Register

8.8 The Strategic Management Board has been working with risk experts from the Council's insurers Zurich to review the current corporate risks. This work will continue alongside the work currently underway with Executive Members to review the council's Corporate Plan. Updates to the register will be reported to Audit and Governance Committee and Executive.

8.9 In addition, training and support will be provided to officers and Members to help build resilience and ensure that emerging as well as existing strategic risks are kept under close review.

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

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

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

10.1 N/A

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

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

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

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

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex

and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage, and civil partnership status in coming to a decision.

11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because the report is for information only.

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

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

12.2 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?**

13.1 N/A

### **Strategic Director of Corporate Resources, Dave Hodgson**

Author: Lorraine Betts, Executive Office Manager

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

Background papers used in compiling this report:-

None

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

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# Corporate Risk Register

## APPENDIX A

						Review Month:				November 2024	
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Tracking notes and monitoring	Target 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><b>Challenges:</b></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> <li>Limited resources available for city wide net zero activity.</li> <li>A reliance on government funding to reduce city wide carbon emissions</li> <li>The need for city wide partnership working to deliver the Net Zero Exeter 2030 Plan</li> <li>Cost of living challenges (for both businesses and residents) impacting the speed of change</li> </ul> <p><b>Potential Impacts:</b></p> <ul style="list-style-type: none"> <li>Exeter does not meet its citywide target of becoming Net Zero by 2030.</li> </ul>										

# Corporate Risk Register

## APPENDIX A

						Review Month:				November 2024	
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Tracking notes and monitoring	Target Date
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		

	November 2019	PH - Climate, Ecological Change & Communities Officer Lead: Strategic Director for Place	4	4	16	We are working with the University of Exeter and Devon County Council to support their work in this area and focusing on reducing city wide 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 Project Manager for Net Zero.	4	4	16	With future updates presented every 6 months on activity and progress. Exeter Energy (1Energy) presented an overview of the proposed Exeter District Heat Network (DHN) to members. Exeter Energy has consulted on proposals for an Energy Centre, located at Grace Road Fields, Water Lane. Executive has agreed in principle, to the disposal of land at Grace Road Fields to build the Energy Centre.	Apr-30
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# Corporate Risk Register

## APPENDIX A

						Review Month:			November 2024		
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Tracking notes and monitoring	Target Date
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		

2	<b>Making progress towards a Healthy and Active City</b>
	<p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>Entrenched health inequalities in priority neighbourhoods.</li> <li>Cost of living crisis impacting on the ability of people to participate in paid for sport and physical activity including membership/fees at council leisure centres.</li> <li>Securing long term funding for Wellbeing Exeter with its proven ability to positively enable sustainable increases in physical activity amongst communities facing the biggest barriers and poorest health outcomes.</li> <li>Rising energy, maintenance and staffing costs of leisure centres.</li> <li>Achieving a balance between membership and running costs of leisure centres to achieve the Council ambition of providing a high-quality leisure service accessible and relevant to individuals and families on low incomes and culturally diverse communities.</li> <li>Delivering planned financial and operational outcomes of St Sidwell's Point Swimming Pool and Leisure Centre.</li> <li>Securing capital and revenue funding for the plan to create a Community Health and Wellbeing Hub at Wonford.</li> </ul> <p><b>Potential Impacts</b></p> <ul style="list-style-type: none"> <li>Inability to achieve the strategic ambition of maintaining high-quality, city-wide, cost neutral built leisure facilities.</li> <li>Increasing subsidies for leisure services impacting on other service provision.</li> <li>Closure of some leisure centres reducing access to facilities for current users.</li> <li>Wellbeing Exeter closes and systemic asset-based community development across priority neighbourhoods ends, and vulnerable communities feel let down by the council.</li> </ul>

# Corporate Risk Register

## APPENDIX A

						Review Month:			November 2024		
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Tracking notes and monitoring	Target Date
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		

	May 2023 updated by Interim Director August 2024	Portfolio Holder for Leisure and Physical Activity. Officer Leads: Strategic Director, People & Communities and Strategic Director for Place.	4	3	12	Wellbeing Exeter Case for Change published in 2023 with a more targeted and flexible model.  Funding secured for 24/25 through a combination of Sport England Grant and ECC Neighbourhood CIL funding.  Successful implementation of new operating model for leisure reducing management and staffing costs resulting in reduction of deficit(subsidy) to @ £1.2m  Marketing of ECC leisure membership delivering increases in membership @11,000.	3	2	6	Further review of culture and leisure operating models to be undertaken during 2024 by Head of Service.  Further funding from Sport England confirmed to 2027 through a new Place Partnership. This will support ongoing programmes for Live & Move, Wellbeing Exeter and Active Travel. Capital funding application to Sport England submitted for Wonford Community & Wellbeing Hub. Planning application to be submitted in November.  Match funding agreed for Wellbeing Exeter for 25/26/ and 26/27 at November 5 <sup>th</sup> Executive	March 2025
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# Corporate Risk Register

## APPENDIX A

						Review Month:				November 2024	
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			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		

3	<p><b>Adapting the council workforce to ensure appropriate skills and experience (Developing a future proof workforce)</b></p> <p><u>Challenges</u></p> <p>AI, robotics and digitisation technologies require acquisition of new knowledge, skills and competencies and with an aging workforces whose demographics is not reflective of the diversity of the city's population; some national shortages of some professional roles and a growing trend to more remote and hybrid working the council needs a new approach to workforce development, recruitment and retention.</p> <p><u>Potential Impacts</u></p> <ul style="list-style-type: none"> <li>• Workforce and service delivery models not meeting the needs of customers leading to poor outcomes and inefficient, unaffordable services.</li> <li>• High levels of agency and consultancy spending.</li> <li>• Low staff morale and poor recruitment and retention</li> <li>• Loss of reputation of the Council</li> </ul>
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# Corporate Risk Register

## APPENDIX A

						Review Month:			November 2024		
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Page 264	August 2024 risk updated by Strategic Director People	Deputy Leader, Officer Lead: Strategic Director, People and Communities	3	3	9	<p>Market supplement scheme in place</p> <p>Apprenticeship opportunities for new and existing staff</p> <p>Senior Leadership restructure created new Strategic Director for People</p> <p>A review of pay structure will be completed by December 2024.</p> <p>External review of HR and OD functions and a mini-Peer Reivew into Equality, Diversity and Inclusion both completed by June 2024 providing a clear route map for organisational transformation a route map for total transformation</p> <p>Recommendations are being taken forward into a transformation plan: outcomes will include a new operating</p>	2	3	6	<p>Strategic Director appointed with responsibly for OD, HR and customer and digital transformation.</p> <p>A new Head of Service HR and OD to be permanently recruited; external Interim Head commencing in September 2024 for 6 months to lead the implementation of the transformation plan.</p> <p>Successful negotiations with Strata completed to bring forward replacement of current ITrent (HR and payroll system) with enhances cloud-based functionality agreed to underpin HR and OD transformation programme.</p>	Sept 2025
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Corporate Risk Register

APPENDIX A

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			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		
						mode for HR and OD functions better aligned to supporting the business needs and leading on policy and people development. Improved management information to enable effective performance monitoring on a wide range of people data, mandatory training and team and staff performance. A workforce development strategy underpinned by a skills audit and analysis to enable succession planning and future recruitment, retention and training strategies.					

# Corporate Risk Register

## APPENDIX A

						Review Month:				November 2024	
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Tracking notes and monitoring	Target Date
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		

4	<b>Maintaining the Financial Sustainability of the Council</b>										
	<p><u>Challenges:</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 obtain and 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, high 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>										



# Corporate Risk Register

## APPENDIX A

						Review Month:			November 2024		
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Tracking notes and monitoring	Target Date
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		
	January 2018	Leader of the Council Officer Lead: Strategic Director Corporate Resources	4	4	16	Detailed MTFP assessed and agreed with Members; <ul style="list-style-type: none"> <li>- One Exeter plan agreed and being implemented with suitable governance arrangements in place;</li> <li>- Budget for 2024 - 25 agreed;</li> <li>- Significant investment in city centre regeneration;</li> <li>- Appropriate level of unringfenced general fund reserves to protect against shocks;</li> <li>- Identify and bid for alternative sources of funding;</li> <li>- Lobby government for relaxation of council tax increase restrictions;</li> <li>- The Council has a clear strategy to address the savings required.</li> </ul>	2	4	8	Nov-24 Proposals being considered and finalised. Public consultation to take place Nov – Jan. Sufficient proposals identified. On track.	Feb-25

# Corporate Risk Register

## APPENDIX A

						Review Month:				November 2024	
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Tracking notes and monitoring	Target Date
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		

5	<b>Maintaining the Council's Property and Infrastructure Assets</b>
	<p><u>Challenges:</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>

# Corporate Risk Register

## APPENDIX A

						Review Month:			November 2024		
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Tracking notes and monitoring	Target Date
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		

Page 269	August 2021	Leader of the Council Officer Lead: Strategic Director Corporate Resources	4	4	16	<ul style="list-style-type: none"> <li>Consider Programme of Asset rationalisation, where maintenance costs are uneconomic;</li> <li>Identify alternative sources of funding to reduce reliance on 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>The two property maintenance teams have now been merged under one Head of Service. This will allow a review of resources to take place and the sharing of good practice.</p> <p>Significant review of assets condition being undertaken and a review of both Asset Management Plans will take place (GF &amp; HRA).</p> <p>New approaches to GF Maintenance being explored.</p>	Feb 26
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# Corporate Risk Register

## APPENDIX A

						Review Month:				November 2024	
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Tracking notes and monitoring	Target Date
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		

6	<b>Delivering Housing and Building Great Neighbourhoods and Communities</b>										
	<p><u>Challenges:</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>										

# Corporate Risk Register

## APPENDIX A

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			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		

Page 271	November 2021	Leader of the Council Officer Lead: Strategic Director for Place	4	4	16	Access to government funding programmes (Brownfield Land Release Fund; Garden Communities; One Public Estate; New Development Corporations Competition Fund) is supporting Liveable Exeter and Council Owned Building projects - Project management capacity brought in - Preparation of business cases, feasibility studies, development frameworks for strategic sites (E.g. Marsh Barton, Southgate, Water Lane, red Cow & City Point) - Acquiring land and property using CPO powers and dispose of land to enable infrastructure. - Use of CIL and S106 funding to support infrastructure provision. - Through the Exeter Design Quality Partnership adopt an enabling and collaborative	4	4	16	Water Lane Design Code adopted by Council as SPD (July 2024); Mary Arches car park marketing exercise completed; Council Owned Building programme providing new council houses for tenants is continuing with Hamlin Gardens due to be completed this Autumn and Vaughan Road (Phase 1) next year; Devon Housing Commission final report published; the government has published a series of proposed planning reforms. Exeter Plan publication version (Regulation 19) to be published for consultation in December 2024.	On going
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# Corporate Risk Register

## APPENDIX A

						Review Month:				November 2024	
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Tracking notes and monitoring	Target Date
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		

						culture with developers and landowners, instilling confidence in the planning process. - Enhanced Member Training to improve quality of decision making in planning. - Exeter Place Partnership established to bring together the city's institutions to take ownership of the city vision and aspirations and to work collectively on obstacles to delivery					
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# Corporate Risk Register

## APPENDIX A

						Review Month:				November 2024	
Ref	Date Risk Identified	Risk Owner	Inherent Risk			Mitigations & Controls	Residual Risk			Tracking notes and monitoring	Target Date
			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		

### Potential Causes:

- A need to balance cultural ambition with the national funding picture and local financial challenges
  - A need to support Visit Exeter as a vital mechanism for promotion of events, business and cultural offer.
- Ensuring culture is relevant to all of Exeter's communities

### Potential Impacts:

- Loss of NPO funding
- Loss of wider impact of cultural regeneration of the city.
- Inability to support night time economy
- Inability to support cultural sector
- Inability to deliver services including RAMM, Corn Exchange, Red Coats, Custom House, Underground Passages, Box Office
- Non-renewal of UNESCO status
- Reputational impact locally, nationally and internationally

# Corporate Risk Register

## APPENDIX A

						Review Month:			November 2024		
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			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		
	May 2023	Deputy Leader Officer Lead: Strategic Director for Place	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	New Head of Culture & Leisure appointed and is undertaking a review of Cultural Services. Application to extend NPO funding for RAMM to 2027 to be submitted to ACE in November. The scope for the new Cultural Strategy for the city to be discussed with key partners and stakeholders during next quarter, leading to work commencing to draft a new strategy and undertake consultation.	June 2025



# Corporate Risk Register

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8	<b>Delivering against the key challenges in the 'Prosperous Local Economy' section of the Corporate Plan.</b>										
	<p><u>Key challenges:</u></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> <li>• If there is an unsuccessful InExeter BID vote November 2024, its impact on the city centre business community.</li> <li>• Following previous budget reductions and the discretionary services review implemented in April 2023, there is no longer an economic development service or skills function. There are no officer resource or budget to progress this corporate priority.</li> </ul> <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none"> <li>• Exeter's economic base is weakened.</li> <li>• A rise in Universal Credit claimants Residents of Exeter.</li> <li>• A slowdown of businesses opening up and surviving in Exeter.</li> <li>• Vacancy rates in the city centre increase.</li> <li>• The look and feel of the city centre declines.</li> </ul>										

# Corporate Risk Register

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						Review Month:			November 2024		
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			L'hood	Impact	Risk Score		L'hood	Impact	Risk Score		
	May 2023	Deputy Leader Officer Lead: Strategic Director for Place	3	4	12	Partnership work with the University and Exeter College to take on more of a leading role in this area. New focus on the city centre economy. Close working with InExeter and other key partners, especially in relation to the city centre. Projects delivered through UKSPF to support people gaining news skills, the business community and new business start-ups.	3	3	9	Initial engagement with businesses and members on a new City Centre Strategy, undertaken in July and November 2024. InExeter BID vote taking place during October/November 2024. Further guidance awaited on joint working with DCC on new Growth Plans. SMB exploring the scope for an Economic Growth Prospectus for Exeter. Joint working with the University to boost innovation in the city. Awaiting guidance from DLUCH on future UKPSF funding allocations.	Mar 25

# Corporate Risk Register

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9	<b>Progressing the design and delivery of a corporate Customer and Digital Strategy</b>
	<p><u>Challenges</u></p> <ul style="list-style-type: none"> <li>• Digital technology continues to change the way people live, connect and work and this shift has been expedited by the Covid-19 pandemic. Digital technology continues to evolve at a rapid pace and for many have become an essential part of everyday life.</li> <li>• People expect easy access to joined-up information and efficient, secure services in the palm of our hand; increasingly expecting to interact with organisations wherever they like, whenever they like, on whichever device they have and on whatever channel they choose.</li> <li>• With customer behaviour changing faster than ever, the task of digital transformation demands significant changes to people, processes and technology. 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 within and between Strata and our partner councils.</li> <li>• We are currently lagging 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.</li> </ul> <p><u>Potential Impacts</u></p> <ul style="list-style-type: none"> <li>• Failure to agree and implement the required level of organisational change will impact on the ability of the Council to deliver a balanced MTFP which requires transformational change in how services are delivered.</li> <li>• Workforce and service delivery models not meeting the needs of customers leading to poor outcomes and inefficient, unaffordable services.</li> <li>• High levels of agency and consultancy spending.</li> <li>• Low staff morale and poor recruitment and retention</li> <li>• Loss of reputation of the Council</li> </ul>

# Corporate Risk Register

## APPENDIX A

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**April 2024: New risk: Cyber Security:** There is increased global concern about the use of AI and emerging technologies for malign purposes. Whilst there are no specific new threats nationally or regionally in relation to Local Government and we have no specific concerns about current systems and processes, Strata Directors have requested the company to undertake a risk awareness and management workshop with the Directors of all 3 Councils to provide assurances that there is sufficient capability and capacity to understand and mitigate risks and respond should a "never event" occur. This process is due to complete in October 2024 and until this process has been completed and assurances /action plans adopted this issue will remain on the Corporate Risk Register.

# Corporate Risk Register

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Page 279	May 2023 updated by Strategic Director August 2024	Leader of the Council Officer Lead: Director for People and Communities	4	4	16	<p>Improved control of ICT Business Change Requests resulting in better use of valuable Strata resources.</p> <p>Customer Digital Strategy approved by Council in November 2023 sets clear direction around 10 outcome goals.</p> <p>June 2024 successful implementation and roll out of Microsoft 365 and the uses of Teams for improved communication and collaboration. New member SharePoint site designed and delivered.</p> <p>One Exeter a single integrated transformation programme across the Council, with strong leadership from SMB and the Extended Leadership Team, refocused on fewer but more</p>	2	4	8	<p>Outcomes from 2023/24 One Exeter projects has informed the Senior Leadership restructure currently being implemented which breaks down service silos and introduces a customer-centric culture to underpin functional and structural integration across the Council</p> <p>Deeper collaboration and development of shared approaches and services with Strata, Teignbridge and East Devon District Councils resulted in Strata 2024/25 Business Plan approved setting out investments in key enablers to underpin the council's strategy.</p> <p>One Exeter programme priorities for 2024/25 include approval of new Data Strategy, roll out of SharePoint file management system, introduction of single sign on customer accounts, implementation of new telephony to</p>	Mar-26
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# Corporate Risk Register

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						strategic organisational change programmes.				<p>replace SKYPE, implementation of new Customer Relations</p> <p>Management System and Middleware technology to facilitate the integration of customer data from line of business systems to enable “one view of the customer”; updated ITRENT HR and Payroll systems, new HR and Performance SharePoint sites and end user computing to negate the need for continued use of Global Desktop transferring to more reliable and agile cloud-based systems..</p> <p>New Telephony System now procured, foundations for delivery of CDS in place. Delivery plan launched with ELT November 5th</p>	
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## Corporate Risk Register – Summary

## APPENDIX B

Corporate Plan Alignment Area	Risk Description	Risk Scoring		
		Inherent	Residual	Target Date
Net Zero Carbon City	Delivering against the key challenges in the Net Zero Carbon City section of the Corporate Plan	16	16	Apr-30
Healthy and Active City	Making progress towards a Healthy and Active City	12	6	Mar- 2025
Leading a Well-run Council	Adapting the council workforce to ensure appropriate skills and experience (Developing a future proof workforce)	9	6	Sep-25
Leading a Well-run Council	Maintaining the Financial Sustainability of the Council	16	8	Feb-25
Leading a Well-run Council	Maintaining the Council's Property and Infrastructure Assets	16	12	Feb-26
Housing and Building Great Neighbourhoods	Delivering Housing and Building Great Neighbourhoods and Communities	16	16	On going
Thriving Culture and Heritage	Maintaining a thriving Culture and Heritage sector	9	2	Jun 25
Prosperous Local Economy	Delivering against the key challenges in the 'Prosperous Local Economy' section of the Corporate Plan.	12	9	Mar 25
Leading a Well-run Council	Progressing the design and delivery of a corporate Customer and Digital Strategy	16	8	Mar-26

Internal			
Resources			
T	F	P	A
H	H	H	H
M	M	H	H
M	H	L	VL
H	L	H	VL
VH	VH	H	VH
VH	H	M	L
M	H	H	M
L	L	L	L
H	H	H	H

External					
Risk Drivers for Appetite					
F	Rep	Reg	L	Comp	Comm
L	VH	VL	VL	L	H
L	VH	L	L	L	H
VH	VH	M	M	M	VH
VH	VH	VH	VH	VH	VH
VH	H	H	VH	VH	VH
H	VH	H	H	H	VH
H	M	H	L	L	M
VH	H	M	L	L	VH
H	M	M	L	L	M

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)

## Key

Resources	
T	Time
F	Financial
P	People
A	Assets
Risk Drivers for Appetite	
F	Financial
Rep	Reputational
Reg	Regulatory
L	Legal
Comp	Compliance
Comm	Community
Risk Appetite Rating	
VL	Very Low
L	Low
M	Medium
H	High
VH	Very High