AUDIT AND GOVERNANCE COMMITTEE

Date: Wednesday 12 February 2025
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 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 **Apologies**

To receive apologies for absence from Committee Members.

2 **Minutes**

To approve and sign the minutes of the meeting held on 27 November 2024. (Pages 5 - 10)

3 **Declaration of Interests**

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

4 **Local Government Act 1972 - Exclusion of Press and Public**

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

RECOMMENDED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the consideration of the particular item(s) on the grounds that it (they) involve(s) the likely disclosure

of exempt information as defined in the relevant paragraphs of Part 1, Schedule 12A of the Act

Or

RESOLVED that, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of items XX and XX on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 1, 2, 3 and 4 of Part I, Schedule 12A of the Act.

5 **Audit Findings Report for Exeter City Council 2023/24**

To consider the report of the External Auditor (Grant Thornton). (Pages 11 - 52)

6 **Auditor's Annual Report on Exeter City Council 2023/24**

To consider the report of the External Auditor (Grant Thornton). (Pages 53 - 98)

7 **Auditor's Annual Report - Value for Money**

To receive the report of the Strategic Director for Corporate Resources. (Pages 99 - 102)

8 **Management Letter of Representation**

To consider the report of the Strategic Director for Corporate Resources. (Pages 103 - 106)

9 **Final Statement of Accounts**

To consider the report of the Strategic Director for Corporate Resources. (Pages 107 - 260)

10 **Ministry of Housing, Communities and Local Government - Open Consultation:Strengthening the standards and conduct framework for local authorities in England (SC)**

To consider the report of the Monitoring Officer. (Pages 261 - 298)

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

Date of Next Meeting

The next **Audit and Governance Committee** will be held on Wednesday 19 March 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 speak at committee. 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 27 November 2024

Present:-

Councillor Wardle (Chair)
Councillors Jobson, Atkinson, Ketchin, Knott, Miller-Boam, Mitchell, M, Moore, Palmer and Williams, M

Apologies

Councillors Begley and Patrick

Also Present

Chief Executive, Strategic Director for Corporate Resources, Head of Legal and Democratic Services & Monitoring Officer, Head of Service - Finance, SWAP Internal Audit Services, Senior Manager, Democratic Services Manager and Democratic Services Officer

30 **MINUTES**

The minutes of the meeting held 25 September 2024 were taken as read, approved and signed by the Chair as correct subject to the agreed update to the attendance to include Councillor Miller-Boam who had been present.

31 **DECLARATION OF INTERESTS**

No declarations of disclosable pecuniary interests were made.

32 **INTERNAL AUDIT PROGRESS REPORT**

The Assistant Director, SWAP Internal Audit Services presented the Internal Audit Progress Report making the following points:

- the summary of the plan showed 50% of planned audits in progress;
- the plan was reflective of risks and the changes made to SMB
- there were actions agreed against the risks;
- 2 of 3 high risk areas were being worked on this year but not net zero as late in 2023 reasonable assurance had been given;
- that net zero would likely be a key consideration next year;
- two different styles reflect the move from internal to SWAP;
- that actions had been agreed in relation to all findings;
- there had been 13 recommendations made by SWAP and all had been implemented in full; and
- a full listing of Audit work could be found at Appendix D.

In response to Members' questions, the Assistant Director and Chief Executive made the following points:

- an action plan for Corporate Governance was the next item on this agenda;
- workforce planning was on the priority list for HR following the restructure;
- that staff training was the responsibility of services, with no standard procedure therefore differences in quality of record keeping;
- Health & Safety for staff now separated from external;

- that risk management had been considered and would appear next year;
- that actions plans were agreed as standard;
- that a system of monitoring would be introduced giving SMB access to internal audit system with training in December;
- actions were not closed until evidenced;
- that SMB had asked for a focus on corporate maintenance as it had been a difficult area;
- that capital and maintenance were now split and the new Strategic Director would look at outstanding work and identify the scope of work to be done, engaging external partners for resource support where appropriate; and
- that a bespoke system for compliance would be the preference.

The Audit and Governance Committee noted the Internal Audit Report.

33 **CORPORATE GOVERNANCE AUDIT REPORT**

The Chief Executive presented the report of the Corporate Governance Audit, making the following points:

- an action plan for any limited assurance would be presented to this committee;
- that this audit had been conducted in March 2024 when the restructure had only just begun;
- significant progress had already been made;
- that actions were included with timescales; and
- SMB met bi-monthly to review the actions.

In response to Members' questions the Chief Executive and Monitoring Officer made the following points:

- That consultation for a consultation manager was ongoing;
- Best practice would be to show consultation outcomes;
- Existing committees would hear about implementation;
- SMB would work on Advisory areas;
- That officers could not make significant changes to the Constitution;
- Updates would be made to delegations due to restructure; and
- that the Monitoring Officer would be looking at Member Consultation in due course.

The Audit and Governance Committee noted the report and agreed that a six-monthly progress update against the Corporate Governance Audit Recommendations be reported to the committee, to include an update against the recommendations made by the External Auditors.

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

The Senior Manager, Audit of Grant Thornton presented the progress report making the following points:

- 2021/22 opinion would be given imminently
- 2022/23 would be finalised and opinion given after this committee; and
- 2023/24 was in progress with a completion plan in place, aiming to meet the backstop date of February 2025.

In response to Members' questions the Senior Manager, Audit made the following points:

- sufficient work had been carried out on the objections with no impact

identified on the financial statement;
- the certificate would remain open until objections were finalised; and
- that process had been agreed at previous committee meetings, signatures were awaited and will be published on the website.

The Audit and Governance Committee received and considered the External Audit Progress Report.

35 **EXTERNAL AUDITORS - FINAL AUDIT FINDINGS REPORT 2022/23**

The Senior Manager, Audit of Grant Thornton presented the Final Audit Findings Report 2022/23 making the following points:
- work was complete and had stated in March that this would be brought back to committee;
- where had been no material change but work on the classification of the Guildhall Shopping Centre had been carried out;
- Grant Thornton had concluded that management judgement was acceptable but a critical judgement note was now included; and
- an unqualified opinion would be issued.

The Senior Manager, Audit and Strategic Director for Corporate Resources answered Members' questions making the following points:
- there had been no change to the report which had been agreed in March other than the addition of the critical judgement note;
- the cost of appeals was small as final year of business rate valuation and no ongoing appeal;
- 2023/24 new valuation was in place therefore higher increase offset by appeals settled (for example, RAMM appeal, rates were paid therefore once appeal heard and rates reduced the difference was repaid);
- the table in page 42 was a snapshot from a report which came to committee with all the detail (Annual Auditor's Report);
- revision of Performance Monitoring Report was being looked at; and
- a significant report was being drafted pertaining to associated bodies which would go to Executive and Council but could come to Audit and Governance Committee.

The Audit & Governance Committee received and noted the External Auditors Final Audit Findings Report 2022/23

36 **STATEMENT OF ACCOUNTS 2022/23**

The Strategic Director for Corporate Resources presented the Statement of Accounts 2022/23 making the following points:
- that the only change was to add the critical judgement note;
- reassurance was offered that the issue of classification of the Guildhall Shopping Centre did not affect the us of surplus funds in line with government guidance; and
- whether investment or operational the impact on the tax payer was zero.

The Strategic Director for Corporate Resources and Head of Service – Finance answered Members' questions making the following points:
- the amount shown under salaries under Member Allowances was NI contributions;
- Grant Thornton had full access to Exeter City Living accounts and the associated audit;
- Clifton Hill had been purchased back;

- there had been no impact on single entity accounts but ECL was reflected in group accounts;
- capital was separate therefore did not show in revenue account;
- property assets did not have usual market value but value of reinstatement therefore appeared lower than expectation;
- that Red book valuations had been used which is standard RICS methodology; and
- HRA valued stock every year which explained variation but no impact on rent.

The Audit and Governance Committee approved the Statement of Accounts 2022/23.

37 **MANAGEMENT LETTER OF REPRESENTATION 2022/23**

The Strategic Director for Corporate Resources presented the Management Letter of Representation 2022/23 making the following points:

- the purpose was to ensure management understand and perform their duty; and
- the 2022/23 letter required approval in order to be signed.

In response to Members' questions the Strategic Director for Corporate Resources made the following points:

- Guildhall Shopping Centre maybe reclassified to operational but not yet;
- it would be premature to say that reclassification would be likely; and
- market value is known so would remain the same materially;

The Audit and Governance Committee agreed to approve and sign the Management Letter of Representation 2022/23.

38 **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 the Audit and Governance Committee was responsible for the monitoring and reviewing of the Council's risks.

In presenting the report the Strategic Director for Corporate Resources made the following points:

- that SMB and Portfolio Holders had reviewed the Register;
- there were no significant changes; and
- that the Corporate plan was being reviewed.

In response to questions from Members, the Chief Executive and Strategic Director for Corporate Resources made the following points:

- that dates could be added to tracking comments;
- the Council's aspiration was to reach net zero by 2030;
- workforce plans were in place which mitigated the risk thus reduced the score;
- in addressing city infrastructure work needed was acknowledged but a new team was in place who would look to address this; and
- cyber security was flagged for SMB to look at, after which more detail would likely be added.

Councillor Moore proposed and Councillor Palmer seconded that Executive be

requested to review mitigation and control of risk to heritage assets within the Council's control.

During debate on the motion Members made the following points:

- heritage assets were protected but a developer had damaged and not repaired part of the city wall;
- supported a way to acknowledge the need to protect the city wall but not sure that all damage could be prevented;
- being public about consequences for damage may dissuade some;
- it would be good to have reassurance that steps are being taken; and
- the heritage assets record was out of date.

The Chief Executive commented that services would monitor and report on all assets and not only those which were heritage assets.

Following a vote the motion was **NOT CARRIED.**

Members' commented on the risk surrounding brownfield sites, the need for government funding and that some risks were not able to be mitigated due to being out with the Council's control.

The Audit and Governance Committee considered the Corporate Risk Register and following a vote recommended it to Executive.

(The meeting commenced at 5.33 pm and closed at 7.22 pm)

Chair

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The Audit Findings (ISA260) Report for Exeter City Council

Year ended 31 March 2024

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12 February 2025

Dear Chair

Audit Findings for Exeter City Council for the year ended 31 March 2024

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (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 for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

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

Jackson Murray

Director
For Grant Thornton UK LLP

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

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Exeter City Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2024 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 consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed remotely between October 2024 and February 2025 as planned. Our findings are summarised on pages 7 to 26. We have not identified any adjustments to the financial statements or adjustment to the Council's Comprehensive Income and Expenditure Statement.

Audit adjustments are detailed at Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the satisfactory completion of the following outstanding matters;

- sample testing of transactions for short term creditors, investment property income and fees and charges;
- agreement of final inputs into a sample of investment property valuations;
- going concern assessment;
- minimum revenue provision assessment;
- review of member and officer declarations;
- satisfactory completion of audit file quality reviews;
- receipt of management representation letter; and
- receipt and review of the final set of signed financial statements

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

Our anticipated financial statements audit report opinion will be unmodified. We anticipate providing our audit opinion after the approval of your accounts by the Audit & Governance Committee.

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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	Our work on the Council's value for money (VFM) arrangements is reported through our commentary on the Council's arrangements in our Auditor's Annual Report (AAR), which is included as a separate agenda item for the Audit and Governance Committee meeting 12 February 2025. We have not been able to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. A further explanation of the significant weaknesses we have identified in the Council's arrangements is detailed on page 27 of this report.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code. As the NAO have indicated that no certificates are to be issued until their whole of government accounts work has been completed we are unable to issue the certificate. This will be issued as soon as is possible upon completion of their work.
Significant matters	Our work in 2023/24 has been impacted by the closing of prior year audits. This has impacted the audit team and management's capacity to deal with queries raised and provide working papers, during this period, and we have continued to work together to ensure progress within the audit. We would like to take this opportunity to record our appreciation for the assistance and collaboration provided by the finance team and other staff during the audit

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1. Headlines

National context – audit backlog

Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament Written statements - Written questions, answers and statements - UK Parliament. This confirmed the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. We are pleased to confirm that no such requirements were needed for Exeter and that we also anticipate concluding the 2023/24 audit prior to the next backstop date of 28 February 2025. The issue of delays in audit delivery are still prevalent and we will continue working with management to ensure that this does not impact future audits as the backstop date moves to earlier in the year from 2025/26 onwards.

New National Audit Office Code

As part of ongoing reforms to local audit, the National Audit Office has also laid a new Code before Parliament. One of the objectives is the new Code is to ensure more timely reporting of audit work, including Value for Money. The Code requires that from 2025, auditors will issue their Annual Auditor's Report by November each year. We have already put resource plans in place to ensure we achieve this deadline across all audited bodies.

National context – level of borrowing

All councils continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on 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 in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans.

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. Exeter City Council is not immune to the challenges the current financial environment present and continues to manage ongoing finances through a number of mechanisms including investment properties and borrowing to deliver services. The Council has managed to keep borrowing for both short-term and long-term stable, with a small reduction in long-term borrowing in the year, with no impact on the continued delivery of services, and has avoided making inappropriate investments outside the geographical area of Exeter and the South West. The challenge will remain for the coming years, and we will continue to monitor the Council's performance, both in the financial statements and through the assessment of VfM arrangements.

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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 have been discussed with management.

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

Audit approach

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

- an evaluation of the group's internal controls environment, including its IT systems and controls;
- an evaluation of the components of the group based on a measure of materiality, considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that the only material difference between the Group and Council accounts is the asset transfer transaction which includes the write down of loan to Exeter City Living by the Council. We have, therefore, performed targeted procedures at the Council level and ensured all consolidations are appropriate; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit & Governance Committee meeting on 12 February 2025. These outstanding items are those noted on page 4 of this report.

Acknowledgements

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

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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 on 25 September 2024.

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	2,250,000	2,200,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure-based budget for the financial year and monitors spend against this and, therefore, gross expenditure was deemed as the most appropriate benchmark. This benchmark was used in prior year. We deemed that 2% was an appropriate rate to apply to the expenditure benchmark.
Performance materiality	1,687,500	1,612,500	Our performance materiality has been set at 75% of our overall materiality
Trivial matters	112,500	110,000	Calculated as a percentage of headline materiality and in accordance with auditing standards

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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	Relevant to Council and/or Group	Commentary
Management override of controls 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.	Council and Group	We have: • evaluated the design effectiveness of management controls over journals; • used Inflo, our data analysis software, which undertakes a number of checks on the data, such as unbalanced transactions, unbalanced user IDs and transactions with blank account descriptions. Where any differences were noted by Inflo, we followed these up with management; • tested unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration; • reviewed manual journals, within Inflo, to identify those deemed to be high risk to be selected for testing. We selected and shared our sample with management for them to provide us with evidence to support the entries. We completed our testing upon receipt of this supporting documentation; • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions Our testing identified that there are a number of super users who have the ability to add and remove staff from the general ledger which gives a wider scope for manipulation of data. We undertook specific focussed testing in this area as part of our journals testing and did not identify any inappropriate journal entries. We have raised a recommendation in respect of this.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to Council and/or Group	Commentary
Improper revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council and Group we have determined that the risk of fraud arising from revenue recognition can be rebutted because: - there is little incentive to manipulate revenue recognition; - opportunities to manipulate revenue recognition are very limited; - the culture and ethical frameworks of local authorities, including Exeter City Council, mean that all forms of fraud are seen as unacceptable; and - there is an immaterial difference between Council and Group revenue and hence the risk of material misstatement at the Group is remote.	Council	Having completed our work, we consider that the rebuttal of the risk remains appropriate. We also reconfirmed that no material balances were identified at Group level when compared to the Council values and, therefore, this is not considered a significant risk at the group level.
Risk of fraud related to expenditure recognition PAF Practice Note 10 In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).	Council	We have rebutted this presumed risk for the Group and Council because: • expenditure is well controlled, and the Council has a strong control environment • the Council has clear and transparent reporting of its financial plans and financial position; and • there is an immaterial difference between the Council and Group expenditure and hence the risk of material misstatement at the Group is remote.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to Council and/or Group	Commentary
Valuation of land and buildings (Including Council Dwellings) (Rolling revaluation) The Council revalues its land and buildings on a rolling five yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. The Council's portfolio of Council Dwellings is revalued five-yearly, with an indexation exercise applied in intervening years in accordance with the "Beacon" methodology. Management will need to ensure the carrying value in the Council 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. We therefore identified valuation of land and buildings (including Council Dwellings) as a significant risk.	Council	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation experts; • written to the valuers to confirm the basis on which the valuations were carried out; • reviewed the fixed asset register and valuation reports to identify a sample of land and buildings which have been revalued in year for further testing. In doing this we considered those assets whose values at 31 March 2024 are above performance materiality, those assets where there has been a valuation movement or other change outside of our expectation and a sample of assets where the movement is in line with expectation; • for each item within our sample we have requested detailed calculation sheets for the 2024 revaluation exercise to support and evidence the assumptions used to calculate the updated valuations. • identified and shared our sample of other land and building assets and have been provided with evidence as to how these values have been calculated; and • reviewed those assets not revalued in year to ensure there is not a material variance between the market value and the carrying value. Our work identified that Council policies state assets are valued on five year rolling basis but that this relates to those assets subject to a full valuation. All assets not subject to full revaluation are subject to a desktop review and are included within the signed valuer's report. Any significant movement in these assets is reflected in the financial statements therefore it is our opinion that all assets are revalued on an annual basis. We also identified the following issues from our testing: • We experienced challenges in obtaining comparable evidence such as market reports and research to support judgement on assumptions such as obsolescence, land £/acre and fees. We discussed this with management and they have been unable to provide support for assumptions and therefore alternative audit methods have been used to gain sufficient assurance. • As part of testing, we identified that for some car park valuations, land value has been included while others do not. There's a difference between the internal and external valuer approach which was explained appropriately and is due to the approach the internal valuer has opted (investment approach). However, within the assets subject to internal valuation, there was one asset which the valuer calculated a land value. While this makes no impact on the overall valuation, it would be more appropriate if the approach was consistent across the assets and where there are differences, this should be explained.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to Council and/or Group	Commentary
Valuation of land and buildings (Including Council Dwellings) (Rolling revaluation) Continued	Council	Council dwellings represent a significant proportion (£301m) of the Council's asset base and in accordance with the CIPFA code, these assets are valued in line with the 'Stock valuation resource accounting 2016:guidance for valuers' which has been provided by Central Government. We have reviewed the Council's approach to valuing these assets and, alongside those actions identified above, we have: • reviewed the classification of beacon properties to ensure that these have been assigned in line with the stock valuation resource accounting guidance and that properties have been assigned to the appropriate beacon categories; • reviewed the fixed asset register and valuation reports to identify a sample of Council Dwellings which have been revalued in year for further testing. In doing this we considered those assets whose values at 31 March 2024 are above performance materiality, those assets where there has been a valuation movement or other change outside of our expectation and a sample of assets where the movement is in line with expectation; and • for sample testing we have compared beacon valuations with similar properties to ensure that valuations are in line with market conditions, and where variances outside of our parameters are identified we have requested further information and support from management and the valuer. Our work has not identified any issues in relation to this risk.

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to Council and/or Group	Commentary
Valuation of Investment Properties (annual revaluation) 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 (£71,516k) and the sensitivity of this estimate to changes in key assumptions. Management have engaged the services of an external valuer to estimate the fair value as at 31 March 2024. We therefore identified valuation of investment property, particularly revaluations and impairments, as a significant risk of material misstatement.	Council	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation experts; • written to the valuers to confirm the basis on which the valuations were carried out; • reviewed the fixed asset register and valuation reports to identify a sample of investment properties which have been revalued in year for further testing. In doing this we considered those assets whose values at 31 March 2024 are above performance materiality, those assets where there has been a valuation movement or other change outside of our expectation and a sample of assets where the movement is in line with expectation; and • for each item within our sample we have requested detailed calculation sheets for the 2024 revaluation exercise to support and evidence the assumptions used to calculate the updated valuations. Testing identified the following issue: • two assets where we have identified variances between the valuer's calculation and our recalculation. The errors are due to variances in the rental income used for the calculation as well as rounding variances. The total of these variances is an overstatement of £471k which we have extrapolated to £673k across the investment property portfolio. The variance is below materiality and, therefore, we are satisfied that the balance is not materially misstated. We have raised a recommendation in relation to this error. Our work in this area is ongoing and we will report any findings to management and members

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2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to Council and/or Group	Commentary
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£17 million liability in the Council's balance sheet at 31/03/24) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk of material misstatement.	Council	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls. No issues were identified from completion of this; • 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; and • 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. Within the year it was identified that nationally, IFRIC 14 calculations in relation to asset ceilings had not been appropriately considered by actuaries through a combination of error and not being requested to by councils and pension funds. In 2023/24 we noted that management has disclosed the impact of the asset ceiling which we have considered as part of our IFRIC 14 review. We discussed the issue with management who requested an updated calculation through their actuary for prior years, as the prior year audits were still open. This was received and we have reviewed it and consider that there is no further impact on the Council's liability position in prior years. We also consider the 2023/24 adjustment to be appropriate. We rely on assurances provided by the pension fund auditor over asset and liability balances included in the actuarial report and have reviewed their response for 2023/24. This identified two issues in level 2 and level 3 investments at the pension fund level. Level 2 investments have been overstated by £5.1m and level 3 investments have been understated by £21m in the pension fund's accounts. The Council's share of these assets is 2.84% and therefore the impact on the Council's financial statements are an overstatement of level 2 investments of £143,761 and an understatement of level 3 investments of £596,854. The net position is £453,093 which is not material and is considered to be an unadjusted misstatement The pension fund auditor has also identified one level 3 investment property for which the redemption of the units has been suspended since March 2022. No impairment has been made for possible reductions and therefore the accounts could be overstated by £13.5m of which Exeter's share is £394k which would be the worst case scenario. This is not material and therefore no further work has been undertaken and there is no material adjustment to the Council's statements

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

Component	Component auditor	Findings	Group audit impact
Exeter City Council	Grant Thornton	See pages 9 to 13 for significant risks work undertaken and any issues identified in relation to significant risks.	There is no impact on the group audit opinion.
Exeter City Living	PKF Francis	Analytical procedures have been undertaken As reported in our Audit Plan in September 2024, we held discussions with management and reviewed early assessments as to the impact in the change in scope of the services provided by ECL. On receipt of the draft accounts, it was confirmed that there were no component balances that were material to the group accounts and, therefore, analytical procedures at group level were completed. We examined the gain/losses on the acquisition of non-current assets and the write off of the loan to ECL at a Council level to gain assurance over the accounting treatment and the balance and are satisfied that this has been appropriately disclosed in both the Council and Group accounts.	There is no impact on the group audit opinion.

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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 – £169.4m	Other land and buildings is comprised of specialised assets such as leisure centres, which are required to be valued at depreciated cost (DRC) at year end, reflecting the modern equivalent asset necessary to deliver the same service provision. The remainder of land and buildings that are not specialised in nature are required to be valued at existing use in value (EUV) at year end. The Council undertakes a full revaluation of its land and buildings on a rolling programme with a maximum period of five years between revaluations. This is a mixture of full revaluations and a desktop exercise using indices which covers 100% of assets. The Council has engaged its internal valuer to complete the valuation of properties as at 31 March 2024 and 48% of land and building assets were subject to a full revaluation during 2023/24. The total year end valuation of land and buildings was £169.4m, a net increase of £15.3m from 2022/23 (£154.1m)	We have assessed: • the competence and experience of the Council's in-house and external valuers; • the completeness and accuracy of the underlying information used to determine the estimate; • the adequacy of the disclosure of the estimate in the financial statements; and • the consistency of the estimate against market data. Testing of the valuer's assumptions requires that sufficient evidence be provided to support any underlying assumptions or indices used to calculate a revaluation. Management have been able to provide appropriate audit evidence to support these underlying assumptions. Where assets are not revalued in the financial year, assurance is required that these are not materially different to the current value at year end. From discussion with management the Terms of Engagement with the valuer require that those assets not included in the full valuation process are assessed for any material valuation fluctuations and a desktop exercise is undertaken. The valuer's report states which assets have been fully revalued and which have been subject to a desktop review. As such, all assets revalued in the year have been given a certified valuation at 31 March 2024. 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.	● Green

Assessment

- ● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Amber] 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
- ● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £71.5m	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 The Council's commercial investment portfolio consists of a mixture of assets comprising both industrial and commercial usage. The Council has engaged JLL, as an external expert, to complete the 2023/24 valuation of these investment properties. The total year end valuation of investment properties was £71.5m, a net decrease of £27.1m from 2022/23 (£98.6m).	We have reviewed the detail of your assessment of the estimate considering: • our assessment of the Council's internal valuers and management's expert JLL; • the completeness and accuracy of the underlying information used to determine the estimate; • the reasonableness of the overall decrease in the estimate of £27.1m. Work undertaken has identified that this is due to market conditions and no specific factor impacting either a specific class or individual asset. We also consider the change in valuer has impacted the valuations but no issues have been identified within their methodology; and • the adequacy of the disclosure of the estimate in the financial statements. 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 with the exception of one asset which we continue to discuss with management. Our work requires that we review and gain assurance over the assumptions and any indices used and our work has not identified any issues outside of those identified on page 12.	● Green

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber] 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
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Dwellings - £300.5m	The Council owns 4,782 dwellings (including 13 shared ownership) and is required to revalue these properties using an EUV-SH measurement to meet the requirements of the Code. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged JLL to complete the valuation of these properties. The year end valuation of Council Dwellings was £300.5m, a net decrease of £15.8m from 2023/24 (£316.3m).	We have: • assessed the Council's valuer to be competent, capable and objective; • carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report; • confirmed that the valuation method remains consistent with the prior year; • selected a sample testing of beacon properties to test the reasonableness of the beacon applied and no issues have been identified; • undertaken a review of the values of a sample of beacon properties against market evidence to confirm that the valuation appears to be appropriate; and • agreed the HRA valuation report to the Statement of Accounts. No issues have been noted.	● Green

Assessment

- ● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● {Amber] 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
- ● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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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 – £17m	The Council's net pension liability as 31 March 2024 is £17m (PY £28.9m) comprising the Local Government and unfunded defined benefit pension scheme obligations. 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 and the latest full actuarial valuation was completed in 2022. A roll forward approach is used in the intervening periods, which utilises key assumptions such as a life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pensions fund liability small changes in assumptions can result in significant valuation movements. There has been an increase of £11.9m in the net actuarial deficit during 2023/24.	We identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. No issues were identified from our review of the controls in place. We also evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuations and gained an understanding of the basis on which the valuations were carried out. This included undertaking procedures to confirm the reasonableness of the actuarial assumptions made:	● Green

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.90%	4.80%– 4.95%	●
Pension increase rate	3.25%	3.10% - 3.45%	●
Salary growth	3.90%	CPI (2.90%) + 1	●
Life expectancy – Males currently aged 45/65	22.8 / 21.5	20.6 – 23.1 / 19.2 – 21.8	●
Life expectancy – Females currently aged 45/65	24.1 / 22.7	24.1 – 25.7 / 22.6 – 24.3	●

We have confirmed the consistency of the pension fund assets, liabilities and disclosures in the notes to the financial statements with the actuarial reports.

We have gained assurance over the reasonableness of the Council's share of the LGPS pension assets.

We have received and reviewed the IAS19 assurance from the pension fund auditor over member numbers and did not identify any further issues.

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] 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
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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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 - £2,465k	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance The year end MRP charge was £2,465k, a net increase of £556k from 2022/23. The Council's minimum revenue policy sets out the Council's approach to reclaim prior year voluntary revenue provision. The Council made voluntary payments totalling £5.6m from 2013/14 to 2018/19 and are offsetting these over a number of years to smooth the required MRP. In 2023/24 the amount reclaimed was £97k and review of management's calculations was able to conclude that the approach taken is appropriately evidenced.	We consider that the approach taken by the Council to reclaim prior year voluntary payments is reasonable and in line with guidance. In prior year's we noted that the Council did not provide MRP for capital loans to third parties. The Council has now updated the policy following the write-off of the loan to Exeter which has reduced the relevant MRP from £441k to £40k. We now consider that the Council's policy is appropriate. Our work in the area is not yet complete and we will update management and members with any findings.	TBC

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber] 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
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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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.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
eFinancials	ITGC assessment (design and implementation effectiveness only)	🟡	🟡	🟢	🟢	Management override of controls	We identified a control weakness whereby 6 Super Users have been identified that 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 undertook specific review of journals posted by those users to recognised the heightened risk.
ASH – Debtors system	ITGC assessment (design and implementation effectiveness only)	🟢	🟢	⚫	🟢	N/A	N/A
CivicaPay – Income Management system	ITGC assessment (design and implementation effectiveness only)	🟢	🟢	⚫	🟢	N/A	N/A

Assessment

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

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2. Financial Statements: Digital Audit

We have invested significantly in our digital tools and our audit approach is underpinned by a suite of tools, enabling us to capture and analyse the detailed data contained within the general ledger. This supports more efficient and effective testing, with a focus on higher risk areas and unusual transactions. The ability to obtain full ledger data quickly and effectively is key to the progress of audit work, as is documentation of the Council's methodology for mapping code structures to the financial statements and use of off-ledger adjustments. Difficulties and delays in obtaining data adversely impact on the scheduling and delivery of the audit and it is important that management engage with the audit teams to understand the requirements for data transfer, providing a clearly documented understanding of how financial statement entries are produced from underlying ledger and a timetable for doing so.

We requested several reports/documents from the Council to aid with this and these are summarised in the table below along with comments on delivery.

Document requested	Date requested	Date received	Comments
Closing trial balance for 2022-23	31 August 2024	23 September 2024	We experienced minor delays in receiving the information due to the ongoing work being completed in prior years at the time of the request. There were no issues identified with the data provided.
Opening trial balance for 2023-24	4 October 2024	7 October 2024	There is a requirement for the audit team to observe the download of the TB in order to provide assurance that all parameters are appropriate and that complete data has been provided. Due to system issues the Council are unable to provide a single download to cover the financial statement period and have had to provide monthly downloads. We observed one month on the basis that the process was consistent for all months and gained assurance over completeness through other audit procedures.
Closing trial balance for 2023-24	4 October 2024	7 October 2024	
All general ledger transactions during 2023-24	4 October 2024	14 October 2024	We experienced some minor delays in receiving the information and there was no issues identified with the data provided.
Draft accounts for 2023-24	N/A	31 May 2024	There is a statutory reporting date by which councils were due to publish draft accounts on the their website. The draft accounts were published on 31 May 2024, in line with the statutory reporting date.

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2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee, and we have not been made aware of any incidents in the period. No other issues have been identified during the course of our audit.
Matters in relation to related parties	With the exception of the items listed below , we are not aware of any related parties or related party transactions which have not been disclosed. • There is a disclosure of £60,686 in relation to grants paid to organisations in with 14 members have an interest. Agreement to underlying records identified the £25k related to 2024/25 • Testing of the register of interests identified that ten interests of declarations were last updated before the financial year.
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 Committee papers.

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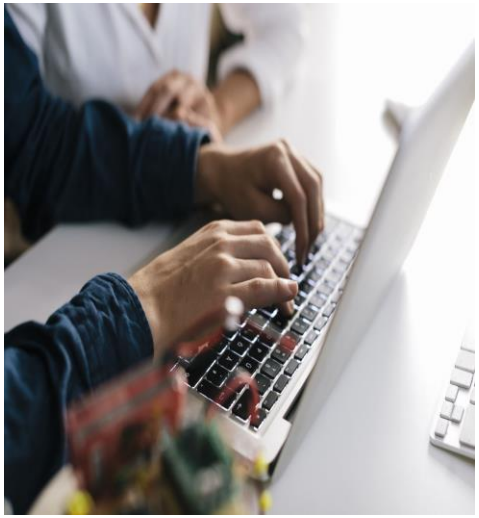
2. Financial Statements: other communication requirements



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 also been provided.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements and identified the following policy issue: • The revaluation policy states that 20% of assets are revalued on a rolling basis alongside the four highest value assets which are revalued annually. Review identified that all assets in the year are subject to review and a desktop analysis is undertaken for those assets not fully revalued in the year. The valuers report covers all assets and, therefore, it is our view that all assets are valued in the year and the policy should be amended to reflect this.
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.

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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	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • 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; and • 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. 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: • the nature of the Council and the environment in which it operates; • the Council's financial reporting framework; • the Council's system of internal control for identifying events or conditions relevant to going concern; and • management's going concern assessment. This work is outstanding, and we will obtain sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified; and • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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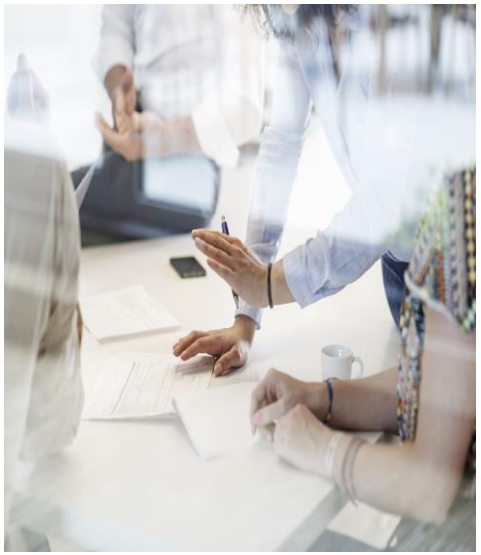
2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	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. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • 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; • if we have applied any of our statutory powers or duties; and/or • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. With the exception of the VFM significant weaknesses reported on page 26, we have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	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. Note that detailed work is not required as the Council does not exceed the threshold, however the NAO have requested that nationally all audit certificates for 2023/24 are held until their work has been completed.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2023/24 audit of Exeter City Council in the audit report, due to the NAO requirement to delay issue until WGA work has been completed as noted above.



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3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code require 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.

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

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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 (AAR). The AAR is presented alongside this report.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The significant weaknesses we identified are detailed in the table below, along with the procedures we performed and our conclusions. Our auditor's report will make reference to these significant weaknesses in arrangements, as required by the Code.

Significant weakness identified	Procedures undertaken	Conclusion	Outcome
Governance The significant weakness relating to Exeter City Living (ECL) and the Council's other companies and alternative delivery models identified in 2021/22 and 2022/23 remains.	We have considered management's response to our previous key recommendation.	We first raised a significant weakness on Exeter City Living (ECL) in 2020/21 and concluded that this significant weakness had not been addressed in 2021/22 and 2022/23. We raised a key recommendation in that year requiring the Council to undertake a review of governance arrangements across all its alternative delivery models. The key recommendation we raised in this respect has still not been actioned and therefore the significant weakness remains in 2023/24.	Significant weakness identified. Key recommendation previously raised remains outstanding: The Council should review the alternative delivery models with which it is involved and assess if continuing with these arrangements is appropriate and provides the best value for money. Where it is appropriate to continue, the Council should strengthen the governance arrangements as follows: • determine who will act as the shareholder representative or Council lead; • agree the objectives or benefits expected through partnership working so that performance can be effectively monitored; and • introduce periodic financial and performance monitoring reports which are reviewed by members within public meetings.
Improving economy, efficiency and effectiveness Our joint Auditor's Annual Report for 2021/22 and 2022/23 concluded that the Council did not have an effective formal performance management framework in place and had not monitored or reported progress against its strategic objectives in a formal and consistent way, and this continued in 2023/24.	We have considered management's response to our previous key recommendation and whether an effective formal performance management framework is in place.	Since the key recommendation made in February 2024 the Council's new Chief Executive has been undertaking a fundamental review of the Council's corporate plan and work has progressed with members to define the outcomes expected. Further work in defining the key metrics associated with those outcomes is being completed in 2024/25 with a view to having comprehensive reporting in place for 2025/26. Given the progress made to date the significant weakness remains in place along with the existing key recommendation.	Significant weakness identified. Key recommendation previously raised remains outstanding: 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.

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3. VFM: our procedures and conclusions

Significant weakness identified	Procedures undertaken	Conclusion	Outcome
Improving economy, efficiency and effectiveness The Council does not have appropriate arrangements in place to ensure that it meets legislative and regulatory standards where it procures or commissions services.	We have reviewed management's arrangements for considering contract management arrangements and making sure that this is fit for purpose.	The Council's lack of effective procurement procedures has resulted in the Council not having an effective Counter Fraud Service in place in 2024/25	Significant weakness identified. Key recommendation raised: **The Council should ensure that effective procurement procedures are in place to ensure all service requirements are addressed when services are outsourced.**
Governance Through an internal audit report the Council has identified a number of breaches of its Contract Procedure Rules and potential breaches of procurement legislation. We understand that there may be further breaches that the Council has not yet identified and as such the contracts register is incomplete. The Council has not yet put in place procedures to prevent similar breaches continuing to occur.	We have reviewed the arrangements in place to consider whether these are effective and sufficiently robust to identify breaches.	The Council does not therefore have appropriate arrangements in place to ensure that it meets legislative and regulatory standards where it procures or commissions services.	Significant weakness identified. Key recommendation raised: **The Council should urgently review all spend to suppliers (including spend through corporate credit cards and staff expense reimbursement) to identify all instances where procurement has not been in accordance with contract procedure rules or procurement legislation. The Council should ensure that appropriate action is taken to ensure breaches are identified and appropriate action taken. The Council should also ensure that timely and accurate reporting of all breaches and contract exceptions (waivers) is reported to the Audit and Governance Committee on a quarterly basis. Due to the severity of this issue the Council should action this recommendation within six months.**
Governance (2024/25 year) Counter Fraud audit work has not been undertaken in 2024/25 as the Council did not include provision of this service in its updated contract with internal audit.	We have considered management's arrangements for ensuring that an effective Counter Fraud Service is in place for 2024/25	A significant weakness exists in respect of governance in the 2024/25 audit year.	Significant weakness identified. Key recommendation raised: **The Council should ensure that appropriate fraud management arrangements are in place as soon as possible for 2024/25, including assigning responsibility for the counter fraud strategy, proactive detection work, fraud awareness training and investigation of allegations of fraud**

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4. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers and managers).
In this context, we disclose the following to you:

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 E.

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.

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4. Independence considerations

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 Group 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 Council or 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 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

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4. Independence considerations

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 2025, 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 23/24	10,000	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 £10,000 in comparison to the total proposed fee for the audit of £175,572 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) Management threat	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 decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Subsidy return 23/24	44,550	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 £44,550 in comparison to the total proposed fee for the audit of £175,572 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) Management threat	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 decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

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

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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

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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	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
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.

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B. Action Plan – Audit of Financial Statements

We have identified 8 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 2024/25 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	The Council has finance staff with superuser access to the system. There is a risk of misuse of this access and this not being identified due to the rights provided to a superuser. We recognise that review of user access will be reviewed as part of migration to a new finance system but consider compensating controls should be implemented.	Management should review the user accounts identified and consider whether this is required and where necessary ensure compensating controls are in place. **Management response** Agreed. We have accelerated the review of user permissions, rather than wait for the new finance management system. I can therefore confirm that the number of finance staff with superuser access will be restricted to three officers.
● Medium	Recalculation of investment property valuations identified a variance due to the use of specific software by the external valuers. This has led to an overstatement of the Investment Property balance	Management should ensure that they review valuation reports and assumptions used to ensure that this is in line with documentation held and expectations to ensure that these are consistent. **Management response** Agreed. The Head of Service, Finance will liaise with the internal valuer to confirm the processes for reviewing external valuation reports, prior to their issue to management.
● Medium	Management have not retained sufficiently robust documentation to support the assumptions used in some valuations. Including comparable data. We have undertaken alternative audit procedures in order to gain assurance over the valuations	Management should ensure that sufficient documentation is retained in order to support assumptions used within calculations. **Management response** Agreed. This will form part of the terms of engagement for the annual asset valuations
● Medium	Review of the approach used in calculating asset valuations identified that there is an inconsistency in approach for items in the same class of assets. There is a risk that the inconsistency could lead to a significant variance and a material misstatement.	Management should ensure a robust review process is in place to ensure that there is a consistency in approach for the valuation of assets. **Management response** Agreed. This will form part of the terms of engagement for the annual asset valuations
● Medium	As per previous years we have continued to identify issues with the Council's declaration of interest as a number of declarations have not been updated since prior to the start of the financial year. The declaration of interest is an important control to ensure impartiality, openness and transparency in decision making	Declarations of interest should be completed on an annual basis including nil returns **Management response** Interests must be reported to the Monitoring Officer, including a nil return, on annual basis no later than 31 March. The year-end workplan will include a specific action to check that the Register of Interests is complete

Controls

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

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B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	Accounting policies state that 20% of assets plus the top 4 highest value assets are valued on a rolling basis over a five year period. Testing identified that this related to full revaluations, and that annually any assets not subject to full valuation are subject to a desktop review, with an updated valuation for them included in a signed valuation report. Therefore, it is considered that 100% of assets are valued on an annual basis.	Management should update or clarify the accounting policy for asset valuation in order to ensure it is reflective of the processes undertaken. **Management response** The accounting policies will be updated for future years to clarify that a desktop review is undertaken for those assets not included in the full valuation, which ensures 100% of assets are valued on an annual basis.
Low	Testing identified seven assets for which depreciation has not been applied. It was identified that these related to Pyramid Leisure Centre which was disposed of in 2022/23 and the remaining assets will be disposed in 2024/25. These have neither been depreciated or moved to an appropriate asset categorisation.	Management should ensure that all assets are appropriately classified and that where necessary depreciation should be applied. **Management response** Agreed. A check will be introduced as part of finalising the profit and loss on disposal of assets calculation to ensure that any assets recorded in respect of a disposed asset are derecognised.
Low	Review identified two fully depreciated assets that have not been removed from the fixed asset register.	Management should conduct a comprehensive review of fully depreciated assets to ensure all disposed assets are removed from the fixed asset register. **Management response** Agreed. The year-end workplan will include a specific exercise to review fully depreciated assets and remove those no longer in use

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 2022/23 financial statements, which resulted in 5 recommendations being reported in our 2022/23 Audit Findings report. We have followed up on the implementation of our recommendations and note 2 are still to be completed. We note that the 2022-23 report was presented to members in November 2024 and therefore there has been insufficient time to address all recommendations raised. We have reported the current position for each recommendation below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	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 declarations of interest are an important control to ensure impartiality, openness and transparency in decision making. Where there is nothing to declare, nil returns should be required from senior officers	Our work in this area has identified further issues and a recommendation has been raised.
X	The Council has finance staff with superuser access to the system. There is a risk of misuse of this access and this not being identified due to the rights provided to a superuser	The superuser access remains for 6 members of the finance team. Management noted in 2022/23 that a review of user permissions will be undertaken as part of the move to the new financial system and has, therefore, not been addressed in 2023/24. We have re-raised a recommendation.
✓	The Council does not provide minimum revenue provision (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. The Council should review it's working papers to support its MRP on historical debt to ensure there is a clear audit trail and MRP is only charged on the assets funded through borrowing.	Management have updated the MRP calculation to provide for loans to external parties. It is noted that this has been done subsequent to the write-off of the £10m loan to Exeter City Living.
✓	The Council did not keep a record of the transaction reports to support card payments for a number of car parks. The Council should ensure that 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.	Our testing has not identified any issues in relation to retention of transactions to support card payments and we consider this recommendation closed.
✓	The Guildhall shopping centre is a material asset for the Council which involved critical judgement in determining its classification. Given its role in the Council's future regeneration and housing plans, there may be triggers which would impact on the judgement.	We have considered the valuation of the guildhall as part of our PPE testing in 2023/24. This has not identified any issues and therefore we consider that the judgement applied to the guildhall is appropriate for the year under audit.

Assessment

✓ Action completed

X Not yet addressed

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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

We have not identified any adjusted misstatements in 2023-24.

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/issue/Omission	Auditor recommendations	Adjusted?
Funding guarantee grant and Services grants are both Revenue Support Grants (RSGs) totalling £843k and £167k respectively. It has been identified that these RSGs have been included in "NDR" within "Income from CT and NDR" in Note 9 - I&E Analysed by Nature rather than "Government Grants and Contributions". Note 36 will also be amended moving balance from "NDR" to "RSG". There is no impact on the CIES.	Management should ensure that revenue is appropriately classified within the disclosures in the financial statements	✓
Review of capital commitments identified a variance between the amounts reported in the financial statements and the balance per the budget book. The variance is £1.5m	Management should ensure that disclosures in the statement of accounts are consistent with underlying data.	✓
A small number of amendments were made to the accounts to enhance clarity for the reader.	Our review and audit of the draft accounts identified a small number of presentational changes to enhance the clarity of the accounts for the reader. We have shared the areas for presentational amendments and these will be reflected in the revised accounts.	✓

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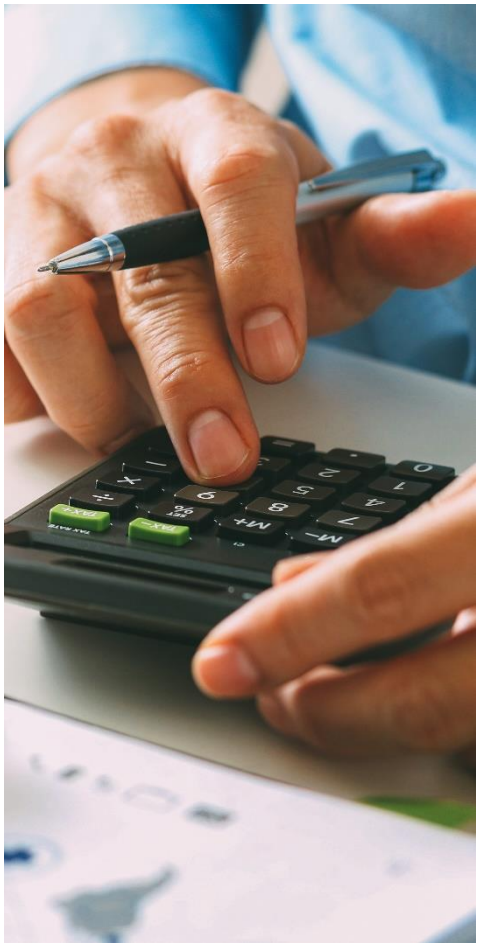
D. Audit Adjustments (continued)



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Audit & Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Misstatement of pension fund assets at a fund level extrapolated for Exeter	453	453	453	453	Not material
Variance identified within rental value used for calculating investment property valuations and the value per the lease	(673)	(673)	(673)	(673)	Not Material
Overall impact	£(220)	£(220)	£(220)	£(220)	

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £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		1,100		1,100	Not material. This has subsequently been corrected in the 2023-24 financial statements
Overall impact	£0	£1,100	£0	£1,100	

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E. Fees and non-audit services

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

Audit fees	Proposed fee	Final fee
Scale fee	168,042	168,042
Other additional work – ISA315	7,530	9,415
Total audit fees (excluding VAT)	**£175,572**	**£177,457**

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services	£54,550	£54,550
Total non-audit fees (excluding VAT)	**£54,550**	**£54,550**

Total audit and non-audit fee	
(Audit Fee) £177,457	(Non Audit Fee) £54,550

The fees reconcile to the financial statements as below

- fees per financial statements £219,000
- Additional grant income - £9,000
- Additional audit fee - £4,000
- total fees per above - £232,000

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

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Grant Thornton

Auditor's Annual Report on Exeter City Council

Auditor's Annual Report for the year ended 31 March 2024

February 2025

Contents

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

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

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

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Exeter City Council (the "Council") during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

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

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

Responsibilities of the appointed auditor

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

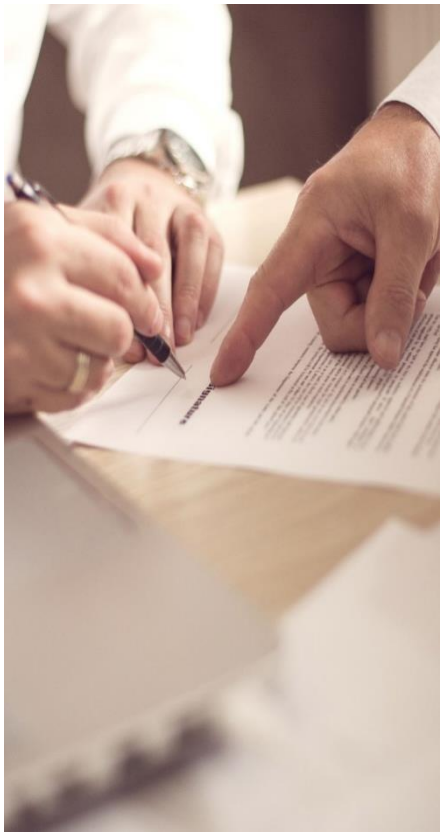
- financial sustainability;
- governance; and
- improving economy, efficiency and effectiveness.

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 12 with a commentary on whether any of these powers have been used during this audit period.



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Executive summary

Executive summary

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. The NAO has consulted and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year (30 November) and for the audited body to publish the Report thereafter. These new requirements will be introduced from November 2025.

Our summary findings for 2023/24 are set out below. Our recommendations and management responses are summarised in the section starting on page 29.

Financial sustainability

The Council delivered an underspend on its revenue budget of £5.938m in 2023/24 and was able to increase its general fund reserves. The Council has financial plans in place to meet its funding gap, and savings have been delivered and continue to be a requirement going forward. Maintaining financial sustainability is a challenge and the Council needs to continue to maintain sufficient reserves and ensure that the financial risks do not result in its general fund reserves dropping below its agreed minimum level of £3m.

In conclusion, we have not identified any significant weaknesses in arrangements to ensure the Council manages risk to its financial sustainability. We have identified nine improvement recommendations.

Governance

Overall, we consider that there were effective arrangements in place in 2023/24 for recording and reviewing strategic risks. The 2023/24 budget was monitored and effectively managed throughout the year and a balanced budget for 2024/25 was set in February 2024.

The Council ensured effective decision-making by providing the Executive with sufficiently detailed papers. However, whilst an appropriate Internal Audit service was provided throughout the year following the decision to outsource the Internal Audit service, the arrangements for Counter Fraud were not adequately considered in this particular decision. As a result, the Council does not have an effective Counter Fraud service in place for 2024/25. This is a significant weakness in arrangements for the year 2024/25 and a key recommendation has been raised on page 9.

The significant weakness relating to Exeter City Living (ECL) and the Council's other companies and alternative delivery models identified in 2021/22 and 2022/23 remains. We raised a key recommendation in our previous reports requiring the Council to undertake a review of governance arrangements across all its alternative delivery models. This key recommendation has not been completed and is set out on page 8.

We have also raised a significant weakness relating to contract management as a result of an Internal Audit review in 2023/24 which identified a number of breaches of the Council's Contract Procedure Rules and potential breaches of procurement legislation. We understand that there may be further breaches that the Council has not yet identified and as such the contracts register is incomplete. The Council has not yet put in place procedures to prevent similar breaches continuing to occur. In addition, there is still no effective reporting of waivers or contract breaches to the Audit and Governance Committee. The Council does not therefore have appropriate arrangements in place to ensure that it meets legislative and regulatory standards where it procures or commissions services. We have raised a key recommendation on page 10.

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Executive summary

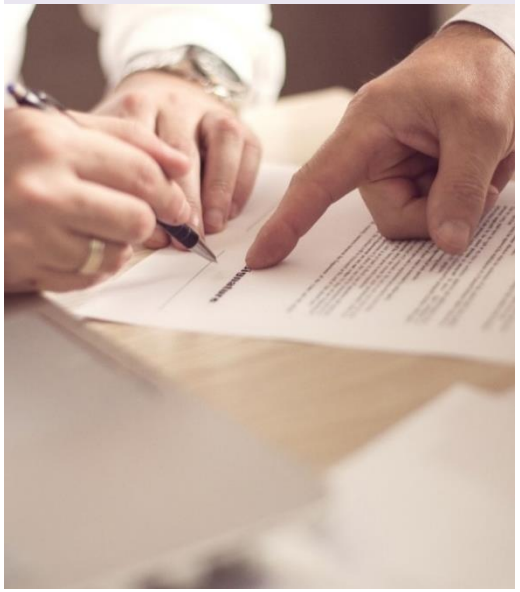
Improving economy, efficiency and effectiveness

The Council had proper arrangements for partnership working in place during 2023/24 and maintained a partnerships register, although the partnerships are not yet linked to the Council's corporate objectives.

We had previously reported that the Council did not have an effective formal performance management framework in place, and had not monitored or reported progress against its strategic objectives to members in a formal and consistent way. The Council has begun to progress this significant weakness in arrangements and the Chief Executive has been undertaking a fundamental review of the Council's corporate plan. Work has progressed with members to now define the outcomes expected. However, as the Council did not monitor or report its corporate performance to members or the strategic leadership team in 2023/24, we have concluded that the significant weakness remains, as does the key recommendation as set out on page 8 that was previously reported.

As noted on the previous page the Council in 2023/24 decided to outsource its Internal Audit service and engaged the South West Audit Partnership (SWAP). However, as part of the procurement process the Council omitted to commission Counter Fraud services as part of the tender process. We consider this to be a significant weakness in arrangements for 2023/24 and have raised a key recommendation on page 9.

We have completed our audit of your financial statements and issued an unqualified audit opinion on XX February 2025, following the Audit Committee meeting on 12 February 2024. Our findings are set out in further detail on page x.



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Executive summary (continued)

Overall summary of our Value for Money assessment of the Council's arrangements

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2023/24 is the fourth year that these arrangement have been in place.

Our recommendations and management responses are summarised in the section starting on page 28.

Criteria	2022/23 Auditor judgement on arrangements		2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	
Financial sustainability	A	No significant weaknesses in arrangements identified, one improvement recommendation raised which remains outstanding from 2022/23.	No risks of significant weakness identified.	A	No significant weaknesses in arrangements identified, with nine improvement recommendations made.
Governance	R	One significant weaknesses in arrangements identified with one key recommendation made and five improvement recommendations raised.	Existing significant risk identified from 2022/23, relating to the governance arrangements of the Council's alternative delivery models	R	Three significant weakness in arrangements in the Council's governance arrangements were identified and three key recommendation made. One of these is outstanding from 2022/23 and two which have been identified during this review. We also raise five improvement recommendations.
Improving economy, efficiency and effectiveness	R	One significant weaknesses in arrangements identified, one key recommendation made and three improvement recommendations.	Existing significant risk identified from 2022/23 relating to corporate performance monitoring of its strategic priorities	R	Two significant weakness in arrangements were identified and two key recommendation made, one of which is outstanding from 2022/23. We also raise three improvement recommendations.

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

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Executive summary (continued)

The key recommendations in this report relate to arrangements in place at the Council in 2023/24, except for key recommendation 3 which relates to 2024/25. Key recommendations 1 and 2 were raised in previous Auditor Annual Reports.

Exeter City Living (ECL)

We first raised a significant weakness related to ECL in 2020/21 and concluded that this significant weakness had not been addressed in 2021/22 and 2022/23. The following key recommendation was raised. This remains outstanding and therefore we concluded that the significant weakness remains for 2023/24.

More detail can be found on page 20.

Key recommendation 1

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

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

Corporate Performance Monitoring

We first raised a significant weakness relating to corporate performance arrangements in our report covering 2021/22 and 2022/23. The following key recommendation was raised which remains outstanding and therefore the significant weakness remains for 2023/24.

Given their importance, if these arrangements are not in place by 2025/26 then we would consider use of any additional formal powers that we have.

More detail can be found on page 25.

Key recommendation 2

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

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Executive summary (continued)

Counter Fraud Services

We have also identified two significant weakness in arrangements relating to the Council's Counter Fraud Service.

In 2023/24 the decision was made to outsource the Internal Audit service and from April 2024 the service has been provided by the South West Audit Partnership (SWAP). The arrangements for Counter Fraud were not adequately considered in the decision when the service transferred to SWAP and as a result SWAP were not commissioned to undertake the Counter Fraud Service from 2024/25 onwards. The Council did not identify who within the Council has responsibility for ensuring a Counter Fraud Service is provided and the Counter Fraud Strategy requires updating to reflect the new arrangements.

Based on the work undertaken and evidence reviewed, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24 and 2024/25. We have therefore identified significant weaknesses in arrangements and raise the following key recommendations.

Key recommendation 3

This significant weakness and key recommendation relates to 2024/25

The Council should ensure that appropriate fraud management arrangements are in place as soon as possible for 2024/25, including assigning responsibility for the counter fraud strategy, proactive detection work, fraud awareness training and investigation of allegations of fraud.

Key recommendation 4

This significant weakness and key recommendation relates to 2023/24

The Council should ensure that effective procurement procedures are in place to ensure all service requirements are addressed when services are outsourced.

More information can be found on pages 20 and 26.

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Executive summary (continued)

Contract management and procurement

An internal audit report into contract management arrangements in 2023/24 sampled payments made to 9 new suppliers where total payments in excess of £100k had been made. Internal Audit concluded that for 6 out of those 9 suppliers that there were no contracts in place or tendering processes undertaken, a breach of the Council's contracting procedures. Officers involved in this area are also concerned that further breaches of contract procedure rules and potentially procurement legislation are likely to have occurred. At present, the Council has not determined the full extent of these breaches and there is no effective reporting of such breaches to members and officers, and hence no effective action is taken when breaches are identified.

Based on the work undertaken and evidence reviewed, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements and raise the following key recommendation.

Key recommendation 5
The Council should urgently review all spend to suppliers (including spend through corporate credit cards and staff expense reimbursement) to identify all instances where procurement has not been in accordance with contract procedure rules or procurement legislation. The Council should ensure that appropriate action is taken to ensure breaches are identified and appropriate action taken. The Council should also ensure that timely and accurate reporting of all breaches and contract exceptions (waivers) is reported to the Audit and Governance Committee on a quarterly basis. Due to the severity of this issue the Council should action this recommendation within six months.

More information can be found on page 22.

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Opinion on the financial statements and use of auditor's powers

Opinion on the financial statements

Audit opinion on the financial statements

We issued an unqualified opinion on the Council's financial statements on xx February 2025.

The full opinion is included in the Council's Statement of Accounts for 2023/24, which can be obtained from the Council's website.

Grant Thornton provides an independent opinion on whether the Councils financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

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

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

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Council's Audit and Governance Committee on 12 February 2025. Requests for this Audit Findings Report should be directed to the Council.

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Use of auditor's powers

We bring the following matters to your attention:

	2023/24
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make recommendations to the audited body which need to be considered by the body and responded to publicly.	We did not make any recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not make an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We did not issue any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not make an application for judicial review.

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Value for Money
Commentary on arrangements

The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.

National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

For Housing Revenue Accounts, inflation in recent years led to cost increases often outstripping rent rises. In the coming years, new legal duties on landlords are expected to increase costs further, without there necessarily being any additional funding to cover the new costs. At the same time, high construction prices are making it harder for councils to invest in the new accommodation which might have helped make savings in the revenue account, for example on temporary accommodation and homelessness. Housing Revenue Accounts are under further pressure due to regulatory challenges in housing quality in the light of national issues in respect of cladding and damp/mould issues.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice.; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.

The general election that took place on 4 July 2024 led to a change in government, and changes to government policy and legislation relating to the sector are emerging at the time of producing this report.

Local context

Exeter City Council is one of eight lower tier local authorities in a two-tier system across Devon. The Council has been a non-metropolitan district council since 1974 but kept its city status. The Council has a population of 128,900 residents (ONS) and covers an area of 27.3 km sq. It has a growing working population with a median age of residents at 35.1 years. The older population (65 and older) make up 16.3% of residents (compared to 19% in England and Wales).

The Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council's formal decision making and governance structure constitutes the Full Council and an Executive. Full Council and the Executive are supported by three scrutiny committees.

The Council has 39 councillors representing 13 wards, and the Council is elected every four years. The most recent elections were in May 2024 where the Labour party secured a majority of 24 elected councillors; 7 Green, 4 Liberal Democrats, 3 Conservatives, and 1 Independent member. The Corporate Plan 2022-2026 sets out the Council's ambition that "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". This plan sets out the Council's vision and priorities: "Contributing to the aspirations of the Exeter Vision 2040, Delivering our strategic priorities, Leading a well-run council".

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Financial sustainability

We considered how the Council:	Commentary on arrangements	Assessment
Ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	In 2023/24 the Council delivered an underspend on its revenue budget of £5.938m, which included increased income from business rates of £1.37m. This enabled the Council to transfer £2.957m to its general reserves and £4.137m to earmarked reserves. £6.24m of these transfers were allocated as supplementary budgets for 2024/25, to cover revenue budgets which were underspent but for which the commitment remained in 2024/25. The Council also significantly underspent on its general fund capital budget in 2023/24 spending £5.6m against a budget of £9m. The HRA delivered a planned deficit in 2023/24 and has forecast to overspend in 2024/25 due to increased repairs and maintenance costs. Whilst the Council's positive revenue balance is a healthy contrast to many others, the overall position for the Council is a declining balance and the Council will need to be mindful of this going forward. We note that the budget for 2024/25 did not include a general inflation uplift and it is also not clear from the budget what the impacts or implications are from the Council's subsidiary undertakings. We have made two improvement recommendation on page 18.	A
Plans to bridge its funding gaps and identifies achievable savings	The Council has developed plans for bridging its funding gaps and in 2023/24 had good processes in place to monitor delivery of its savings through the 'One Exeter Transformation' programme. The Council achieved 80% of targeted savings in 2023/24 and is projected to achieve 82% in 2024/25. Going forward, if the Council achieves similar levels of delivery of its planned savings this could leave a shortfall of up to £1m over the life of the MTFP. The Council does not have a contingency plan to address this eventuality, and as such any shortfall would have to be met from general reserves. We have raised an improvement recommendation on page 18. The Council has a reasonable level of general fund reserves, £5.9m as at 31 March 2024, however this is anticipated to drop to approximately £3m (16% of the Council's net revenue budget) for the life of the Medium Term Financial Plan (MTFP). This was agreed in February 2024. Whilst a significant percentage reduction, the forecast balance remains in line with the Council's minimum reserve policy.	A
Plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The 2024/25 budget report states that the budget and MTFP is aligned to its Corporate objectives, however it is not clearly evidenced in the report as the budget is aligned to Cabinet portfolios not the corporate plan. We have made an improvement recommendation on page 18. In addition, the Council has not addressed the improvement recommendation raised in our previous report relating to benchmarking to identify cost-drivers. We note that benchmarking is planned as part of the introduction of revised corporate Key Performance Indicators in 2025/26, and this should include the identification of cost drivers and comparisons on unit cost of services. We have made a further improvement recommendation on page 18.	A

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

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Financial sustainability

We considered how the Council:	Commentary on arrangements	Assessment
Ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The 2024/25 budget included a separate budget heading for delivery of its Net Zero strategy, ensuring that appropriate resources were available. In 2023/24 a new Digital Strategy was approved for delivery through its joint venture company, Strata Service Solutions Ltd, and this was also included in the Strata business plan which was approved at the same time as the budget and MTFP. The broader One Exeter Transformation Programme was reviewed in year to ensure continued alignment to the approved budget and MTFP. The Council has progressed work to develop a HR strategy, however an agreed strategy is still not in place and therefore our previous improvement recommendation remains in place. The Council does have a Council Housing Strategy which was approved in November 2023 but is yet to develop an overall Asset Management Plan for its General Fund assets. A new Strategic Director of Operations has recently been appointed and an Asset Management Strategy is planned to be introduced following this appointment. An improvement recommendation has been raised on page 19. The Council only spent £5.6m on its Capital Programme against a planned £9.1m, an underspend of £3.5m (40%) which is significant. £2.4m of this has been carried forward to 2024/25 due to delays in the programmes or changes to payment profiles within projects. The most significant project to be delayed was the Royal Albert Memorial Museum (RAMM) roof repairs (£0.5m) and the Leisure Complex Build (£0.2m) however there was also slippages across a number of smaller projects. The Council should review all such slippage to identify if there are any lessons to be learned. We have raised an improvement recommendation on page 19. There was also a £0.9m underspend on Riverside and RAMM Decarbonisation Projects because of a contractor's failure to reach a critical milestone. This resulted in the loss of the associated grant funding for the project and lessons from this should also be captured.	A
Identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	The Council set out its financial risks in the 2024/25 budget report. These risks were considered for the purposes of determining the adequacy of the general fund reserve. The Council has calculated the cumulate cost should these risks materialise at just over £3m which could extinguish the General Fund reserves in a single year. These costs are based on a single year and not for the life of the MTFP and the likely costs over the MTFP have not been identified. Specific mitigating actions have not been identified to address/reduce each risk which means it is not possible to determine that all risks have been appropriately mitigated. The Council have informed us that scenario planning and sensitivity analysis was undertaken but was not included within the 2024/25 budget report or MTFP. We have raised two improvement recommendations on page 19.	A

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

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Financial sustainability (continued)

Areas for improvement

The 2024/25 budget continued the Council's approach to not uplift for general inflation, whilst uplifting for contract and pay inflation. Although the 2024/25 budget identifies this as a risk a clear explanation is not given for its omission.

Improvement recommendation 1: The Council should assess if its continued approach of not uplifting its budgets for general inflation is realistic and places increased financial pressure on services.

The budget and MTFP do not specifically set out the financial impacts of its subsidiary undertakings. These impacts, even if minimal, should be transparently reported together with any associated risks.

Improvement recommendation 2: The Council should ensure that the impacts from the subsidiary undertakings are clearly set out in the Council's budget report.

The Council achieved 80% of its planned savings in 2023/24 and is projected to achieve 82% in 2024/25. The Council would not have a sustainable level of reserves if any continued future shortfall in savings at a similar level had to be met from the Council general fund reserves.

Improvement recommendation 3: The Council should build sufficient contingency into its savings plans to allow for delivery in line with previous years (80%).

The budget report states that the budget and MTFP is aligned to its Corporate objectives, however it is not clearly evidenced in the report as the budget is aligned to portfolios not the corporate plan.

Improvement recommendation 4: The budget and MTFP reports should evidence how they align to the Council's corporate objectives.

The Council does not utilise benchmarking data to identify areas for potential savings or support the development of its MTFP. We previously raised this recommendation but have modified it based on our findings in 2023/24.

Improvement recommendation 5: The Council should ensure that benchmarking is used to identify service area cost drivers and comparative costs of service delivery when developing its budget and MTFP.

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Financial sustainability (continued)

Areas for improvement

The Council does not have an asset management strategy for its general fund assets.

Improvement recommendation 6: The Council should develop an Asset Management Strategy covering all Council owned assets.

In 2023/24 the Council delivered a significant capital budget underspend and saw a number of slippages of expenditure into future years.

Improvement recommendation 7: The Council should review all slippages within its Capital Programme to identify if there are any lessons to be learned.

The Council has set out financial risks in the budget report however these are assessed if the risk was to materialise were based on the costs for a single year, not for the life of the MTFP. The likely costs over the MTFP and the specific mitigating actions have not been identified.

Improvement recommendation 8: The Council should ensure that the risks in the budget report also reflect the likely costs over the life of the MTFP to ensure the Council is satisfied regarding the adequacy of general fund reserves for the life of the MTFP. The Council should also identify specific mitigating actions to reduce the risks.

The Council has informed us that scenario planning and sensitivity analysis was undertaken but the details were not set out in the2024/25 budget report or MTFP.

Improvement recommendation 9: The scenario planning and sensitivity analysis undertaken as part of the budget setting process should be included within the budget report or MTFP presented to the Executive and Full Council.

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Governance

We considered how the Council:	Commentary on arrangements	Assessment
Monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	Overall, we consider that there were effective arrangements in place in 2023/24 for recording and reviewing strategic risks. The Council's Audit and Governance Committee quarterly reviewed the corporate risk register. We have identified three areas where the reporting could be improved and we have made improvement recommendations, which are set out on page 24. We identified that the Annual Governance Statement (AGS) did not include information on whistleblowing. We have made an improvement recommendation on page 23. We have also raised an improvement recommendation on page 23, relating to Strata Service Solutions Ltd who provide IT services to the Council. The Council's Internal Audit did not receive written assurance from Strata's Internal Auditor's (Devon Audit Partnership), and to date Internal Audit have not been provided with a copy of their annual report and have only received a verbal confirmation of a 'satisfactory' assurance opinion. As a joint venture partner in Strata the Council should ensure it receives a written statement of assurance. We first raised a significant weakness on Exeter City Living (ECL) in 2020/21 and concluded that this significant weakness had not been addressed in 2021/22 and 2022/23. We raised a key recommendation in that year requiring the Council to undertake a review of governance arrangements across all its alternative delivery models. The key recommendation we raised in this respect has still not been actioned and therefore the significant weakness remains in 2023/24. **The Council should review the alternative delivery models with which it is involved and assess if continuing with these arrangements is appropriate and provides the best value for money. Where it is appropriate to continue, the Council should strengthen the governance arrangements as follows:** • **determine who will act as the shareholder representative or Council lead** • **agree the objectives or benefits expected through partnership working so that performance can be effectively monitored** • **introduce periodic financial and performance monitoring reports which are reviewed by members within public meetings.** The Internal Audit service in 2023/24 was provided by the Council and the decision was made in 2023/24 to outsource the service. From April 2024 the service was provided by the South West Audit Partnership (SWAP). However, the arrangements for Counter Fraud were not adequately considered in the decision to transfer the service, resulting in SWAP not being commissioned to undertake the Counter Fraud Service. We consider this a significant weakness in arrangements for 2023/24 and have raised a key recommendation on page 9. In addition, the Council has not identified within the Council who is responsible for ensuring a Counter Fraud Service is provided. Counter Fraud work was undertaken in 2023/24, although the amount of proactive detection work was limited. Counter Fraud work has not been undertaken in 2024/25 and we have therefore concluded that there is also a significant weakness in arrangements in 2024/25. The Counter Fraud Strategy also requires updating to reflect the new arrangements. We have raised a key recommendation for 2024/25: **The Council should ensure that appropriate fraud management arrangements are in place as soon as possible, including assigning responsibility for the counter fraud strategy, proactive detection work, fraud awareness training and investigation of allegations of fraud.**	R

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

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Governance (continued)

We considered how the Council:	Commentary on arrangements	Assessment
Approaches and carries out its annual budget setting process	The Council's procedures for the setting of its annual budget and Medium-Term Financial Plan remain appropriate, however there is still a lack of evidence of public consultation with regard to the setting of the 2024/25 budgets despite our recommendation in this regard in 2020/21. This recommendation is set out on page 45. We note that the Council has improved consultation plans for the 2025/26 budget setting process and conducted a resident's survey in September 2024 as part of this process.	A
Ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	Detailed budget monitoring reports were presented to the Executive on a quarterly basis. These were generally clearly laid out, however we found that some of the explanations for variances could be improved. In addition, there was considerable movement in some of the predicted variances from Quarter 3 to Quarter 4. The reports did not clearly set out the reasons why the predicted outturn had shifted so significantly from the Quarter 3 position. There is a risk that the Council will not have full information available when making decisions about the future impact of the variances and that budget monitoring in-year may not be identifying key variances as early as it could. We have made an improvement recommendation in this respect, see page 23.	A
Ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The Council ensured effective decision-making by providing the Executive with sufficiently detailed papers. These papers included a supporting report with sections completed by the Section 151 Officer, legal department, risk, environmental implications and equality impact. Two scrutiny committees operated during the year and the Audit and Governance Committee met four times in 2023/24. However, we have noted two areas where arrangements could be strengthened. The Audit and Governance Committee does not include any independent members and the committee has not undertaken a self-assessment review using the CIPFA good practice toolkit. We have raised an improvement recommendation on page 24.	A

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

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Governance (continued)

We considered how the Council:	Commentary on arrangements	Assessment
Monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.	The Council's constitution includes the Member Code of Conduct and the Employee Code of Conduct. These codes are up to date and registers have been maintained for members and employees to declare interests and any gifts or hospitality received. However, through an internal audit report the Council has identified a number of breaches of its Contract Procedure Rules and potential breaches of procurement legislation. We understand that there may be further breaches that the Council has not yet identified and as such the contracts register is incomplete. The Council has not yet put in place procedures to prevent similar breaches continuing to occur. We note that a recommendation from our 2020/21 AAR that staff should be trained on procurement and contract management remains outstanding and we consider that had this training taken place, it is possible that some of the identified breaches might not have occurred. A further recommendation made in 2021/22 and 2022/23 regarding reporting of waivers has only been partially implemented and there is still no effective reporting of waivers or contract breaches to the Audit and Governance Committee. The Council does not therefore have appropriate arrangements in place to ensure that it meets legislative and regulatory standards where it procures or commissions services. We regard this as a significant weakness in arrangements have raised a key recommendation: **The Council should urgently review all spend to suppliers (including spend through corporate credit cards and staff expense reimbursement) to identify all instances where procurement has not been in accordance with contract procedure rules or procurement legislation. The Council should ensure that appropriate action is taken to ensure breaches are identified and appropriate action taken. The Council should also ensure that timely and accurate reporting of all breaches and contract exceptions (waivers) is reported to the Audit and Governance Committee on a quarterly basis. Due to the severity of this issue the Council should action this recommendation within six months.**	R

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

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Governance (continued)

Areas for improvement

In 2023/24 the Council produced a strategic risk register and a risk summary. The risk summary contains the risk appetite for each risk however it is not clear from the reports whether a particular risk is outside the stated risk appetite. In addition, there is no direction of travel evident in the report meaning it is difficult to determine if risks are improving or getting worse.

We also noted that the narrative in the accompanying report does not explain movement in risk scores or the reasoning behind the current risk score.

Improvement recommendation 10: The Council should review the reporting of risks and consider including:
- **whether a particular risk is outside the stated risk appetite;**
- **direction of travel indicator for each risk score; and**
- **narrative to explain any changes in risk scores and the reasoning behind the current risk score.**

The Annual Governance Statement (AGS) should include information such as the number of issues raised, feed-back and learning points for improvement from trends in whistleblowing.

Improvement recommendation 11: The Council should ensure that the AGS has information about whistleblowing arrangements.

Exeter's Internal Audit currently obtains general assurance from Strata's Internal Auditor's (Devon Audit Partnership) by reviewing their annual report, however Internal Audit were not provided with the annual report for 2023/24 and relied instead on a verbal 'satisfactory' assurance opinion. The Council should ensure it receives a written statement of assurance.

Improvement recommendation 12: The Council should ensure it and its Internal Auditors receive a written statement of assurance regarding Strata Service Solutions Ltd from Strata's internal auditors on an annual basis.

We identified that some of the explanations for revenue budget variances could be clearer. There was considerable movement in some of the forecast outturn from Quarter 3 to Quarter 4. As an example, there was a £0.7m overspend in Estates due to underperformance on the Guildhall income. This variance was not fully predicted with the reason stated as 'forecasting proved problematic'. There is no further explanation of why this was or what was proposed to improve the forecasting for 2024/25. We found similar examples for the HRA. There were some large movements in predicted outturn noted, with the outturn report providing the reason for the overall underspend as being due to delayed borrowing costs as well as higher interest rates on interest received, however the report was not clear on why these variances are significantly different from the Quarter 3 predictions. There is a risk that the Council will not have full information available when making decisions about the future impact of variances, and that budget monitoring in-year may not be identifying key variances as early as it could and limiting challenge by decision makers.

Improvement recommendation 13: The Council should ensure that for all financial monitoring reports ensure:
- **all variances are fully explained**
- **explanations are provided for any significant variations from one quarter to the next**
- **any lessons learned/impacts for future years' budgets are identified, explained and acted upon.**

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Governance (continued)

Areas for improvement

The Audit and Governance Committee has not reviewed its effectiveness and its membership does not include any independent members. CIPFA's position statement 2022 on Audit Committees recommends at least two co-opted independent members.

Improvement recommendation 14: The Council should increase the Audit and Governance Committee's effectiveness by:
- monitoring the committee's effectiveness through undertaking a self-assessment and taking action based on the outcome of the self-assessment
- appointing two co-opted independent members to provide appropriate technical expertise, which complements existing membership.

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Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Assessment
Uses financial and performance information to assess performance to identify areas for improvement	Our joint Auditor's Annual Report for 2021/22 and 2022/23 concluded that the Council did not have an effective formal performance management framework in place and had not monitored or reported progress against its strategic objectives in a formal and consistent way. A key recommendation was made in February 2024 that **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.** Since the key recommendation made in February 2024 the Council's new Chief Executive has been undertaking a fundamental review of the Council's corporate plan and work has progressed with members to define the outcomes expected. Further work in defining the key metrics associated with those outcomes is being completed in 2024/25 with a view to having comprehensive reporting in place for 2025/26. Given the progress made to date the significant weakness remains in place along with the existing key recommendation. The Council will need to ensure that the performance data used is complete and accurate as part of its Digital Strategy. We have made an improvement recommendation in this respect, see page 27 for more detail.	R
Evaluates the services it provides to assess performance and identify areas for improvement	The Council has not been subject to any external reviews during 2023/24 but it has undertaken a fundamental review of how it delivers its priorities and ways of delivering services through a Business Intelligence and Customer Insight Review; a new Digital Customer Strategy and a Customer Experience Maturity Assessment. These reviews focus on delivering better outcomes for residents as well as value for money. The Council has also continued to transform through its One Exeter Transformation Programme. In 2023/24 the programme delivered £2.441m in savings (80% of the target set), as discussed on page 16. We have concluded that the Council therefore has appropriate arrangements with regard to reviewing and challenging its strategic priorities and cost-effectiveness of existing activities. We have not identified any improvement recommendations.	G

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

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Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Assessment
Ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	We consider that the Council had proper arrangements for partnership working in place during 2023/24. The Council maintained a partnerships register, although the partnerships are not yet linked to the Council's corporate objectives, and this previously raised improvement recommendation remains outstanding. Internal Audit have undertaken a review of partnership arrangements and provided satisfactory assurance. The Council should ensure the recommendations raised within this report are implemented. There was no formal performance reporting arrangements for its key partnerships, although the contribution of some partnerships to the Council are reported through differing scrutiny committees, on a strategy by strategy basis. The Council would however benefit from considering how the work from partnerships can be integrated with the new corporate KPIs under development. An improvement recommendation has been made, see page 27.	A
Commissions or procures services, assessing whether it is realising the expected benefits	Contract Management arrangements at the Council have been strengthened in response to recommendations made in prior years' Auditor's Annual report however there are still some areas which require strengthening. In addition, as discussed on page 22, the Council's lack of effective procurement procedures has resulted in the Council not having an effective Counter Fraud Service in place in 2024/25. We consider this to be a significant weakness in arrangements and have raised a key recommendation. **Recommendation 3: The Council should ensure that effective procurement procedures are in place to ensure all service requirements are addressed when services are outsourced.** The Council has drafted new contract procedure rules and it is important that these are not only implemented but that the Council continues to monitor progress to ensure these are embedded and working effectively, for example by enhancing the procurement performance report. This should be addressed as part of the key recommendation raised on page 10. Capital expenditure was reviewed and reported quarterly and a review conducted by Internal Audit provided substantial assurance.	R

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

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Improving economy, efficiency and effectiveness (continued)

Areas for improvement

The Council has adopted a Data Strategy. This Strategy includes: data governance; access to quality data; staff capability and training; technology, and data sharing and collaboration. It does not include the data quality relating to new data required for the new key performance indicators and we have raised this improvement recommendation to address this oversight.

Improvement recommendation 15: The Council should ensure that data relating to any new corporate KPIs meets the requirements of the Council's new data strategy, and in particular regarding data governance and data quality.

In 2023/24 an Internal Audit review of partnership arrangements provided satisfactory assurance with five actions raised, these related to: outdated partnership guidance; guidance not available on the internet; lack of awareness of the guidance; no requirement to assess net zero impacts and partnerships on the partnerships register that did not meet the definition of partnership set by the Council. The Council is not currently tracking of with these recommendations through its action tracker.

Improvement recommendation 16: The Council should track progress with the Partnerships Internal Audit report recommendations through its action tracker.

In 2021/22 and 2022/23 we raised an improvement recommendation that the Council should consider linking each partnership to the corporate objective to which it contributes. Our review of the register shows that this recommendation remains outstanding. In addition to this action the Council would benefit from considering how the work from partnerships can be integrated with the new corporate KPIs under development.

Improvement recommendation 17: The Council should link each partnership in its partnership register to make clear to which corporate objective(s) and new corporate KPI(s) it contributes.

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Value for Money Recommendations raised in 2023/24

Recommendations raised in 2023/24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
KR1	The Council should review the alternative delivery models with which it is involved and assess if continuing with these arrangements is appropriate and provides the best value for money. Where it is appropriate to continue, the Council should strengthen the governance arrangements as follows: • determine who will act as the shareholder representative or Council lead • agree the objectives or benefits expected through partnership working so that performance can be effectively monitored • introduce periodic financial and performance monitoring reports which are reviewed by members within public meetings.	Key Previously raised in February 2024	Governance	The Council has reviewed the arrangements for ECL and Exeter Science Park Ltd, however the review for the remaining subsidiaries remains outstanding. A report is due to go to the appropriate committee in early 2025.	The Council might not deliver value for money through its subsidiaries.	Actions: A report has been provided to the Executive in January 2025 and will be considered by Council in February 2025. This requests funding for a review of Exeter Business Centre, strengthening of Governance arrangements and the tidying up of Exeter City Living Responsible Officer: Strategic Director for Corporate Resources Executive Lead: Leader of the Council Due Date: Initial report complete, further reporting every 6 months.
KR2	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.	Key Previously raised in February 2024	Improving economy, efficiency and effectiveness	The Council aim to have comprehensive reporting in place for 2025/26.	The Council is not able to demonstrate to members how it is delivering its strategic objectives.	Actions: to ensure this is a meaningful framework, the Council is adopting a logical approach to its implementation. The new Corporate Plan is being drafted with a series of metrics, which will flow through Directorate Plans into individual appraisals. This will then underpin the new Corporate Performance Framework. Responsible Officer: Strategic Director for People Executive Lead: Leader of the Council Leader of the Council Due Date: April 2025.

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Recommendations raised in 2023/24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
KR3	The Council should ensure that appropriate fraud management arrangements are in place as soon as possible for 2024/25, including assigning responsibility for the counter fraud strategy, proactive detection work, fraud awareness training and investigation of allegations of fraud.	Key New for 2024/25	Governance This relates to a significant weakness in arrangements in 2024/25	When the Council outsourced its Internal Audit service it failed to include the Counter Fraud service from 2024/25 onwards.	The Council has not had a Counter Fraud Service in place to date in 2024/25.	Actions: One of the key reasons for joining SWAP was to gain access to specialist fraud support. After the Council's restructure responsibility for Counter Fraud sits with the Head of Service Finance who will develop this with support from SWAP. It was always intended to be in the Service, indeed it formed a key part of the quote from SWAP. As we did not join until after the Audit Plan for the year was agreed, it was perhaps missed, but we will ensure that it is included in the plan for 2025/26 onwards. Responsible Officer: Head of Service Finance Executive Lead: Leader of the Council Due Date: April 2025.
KR4	The Council should ensure that effective procurement procedures are in place to ensure all service requirements are addressed when services are outsourced.	Key New for 2023/24	Governance This relates to a significant weakness in arrangements in 2023/24	When the Council outsourced its Internal Audit service it failed to include the Counter Fraud service from 2024/25 onwards.	The Council may not procure services that provide it with all requirements.	Actions: Pricing was initially agreed for 30 days counter fraud support from SWAP. There appears to have been a subsequent miscommunication which we will resolve with them. Responsible Officer: Head of Service Finance Executive Lead: Leader of the Council Due Date: April 2025.

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Recommendations raised in 2023/24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
KR5	The Council should urgently review all spend to suppliers (including spend through corporate credit cards and staff expense reimbursement) to identify all instances where procurement has not been in accordance with contract procedure rules or procurement legislation. The Council should ensure that appropriate action is taken to ensure breaches are identified and appropriate action taken. The Council should also ensure that timely and accurate reporting of all breaches and contract exceptions (waivers) is reported to the Audit and Governance Committee on a quarterly basis. Due to the severity of this issue the Council should action this recommendation within six months.	Key New for 2023/24	Governance	An internal audit report into contract management arrangements in 2023/24 sampled payments made to 9 new suppliers where total payments in excess of £100k had been made. This review found that for 6 out of those 9 suppliers that there were no contracts in place or tendering processes undertaken, a breach of the Council's contracting procedures. Officers involved in this area are also concerned that further breaches of contract procedure rules and potentially procurement legislation are likely to have occurred.	The Council is in breach of its contract procedure rules and procurement legislation.	Actions: Agreed. We plan to set up an Officer Procurement and Contract Management Board to oversee this. Responsible Officer: Head of Service Legal and Democratic Executive Lead: Deputy Leader of the Council Due Date: April 2025

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Recommendations raised in 2023/24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR1	The Council should assess if its continued approach of not uplifting its budgets for general inflation is realistic and places increased financial pressure on services.	Improvement	Financial sustainability	The 2024/25 budget did not include an uplift for general inflation.	The budget may not include all potential cost pressures and may not be achievable.	Actions: Noted. Budget setting is much more nuanced than this however and Budget Managers will identify any areas where this may cause a pressure. These are then considered and added as a financial pressure. This is considered more effective than an arbitrary across the Board amount for all Services. However we will review the budget lines that do not currently get a standard increase. Responsible Officer: Head of Service Finance Executive Lead: Leader of the Council Due Date: August 2025.
IR2	The Council should ensure that the impacts from the subsidiary undertakings are clearly set out in the Council's budget report.	Improvement	Financial sustainability	The 2024/25 budget did not include the financial implications of the Council's subsidiaries.	The budget does not include all risks and may not be achievable.	Actions: Any financial impacts that are known will be included in the Budget report. As there are none expected, they are not included, but the financial performance of subsidiaries is now included in a separate report.
IR3	The Council should build sufficient contingency into its savings plans to allow for delivery in line with previous years (80%).	Improvement	Financial sustainability	The Council has not historically delivered over 85% on its planned savings.	The Council may overspend on services.	Not agreed This risks the Council cutting key services further than required. The point of reserves is to protect against this and allow the Council time to take measured decisions, which deliver the required savings whilst replenishing the reserve position.

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Recommendations raised in 2023/24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR4	The budget and MTFP reports should evidence how they align to the Council's corporate objectives.	Improvement	Financial sustainability	The budget and MTFP does not clearly evidence how the budget is aligned the corporate plan.	Decision makers are not able to see what budget has been aligned to the corporate objectives.	Actions: Agreed. Once the New Corporate Plan is approved the budget will also be shown, linked to the new Objectives Strategic Director for Corporate Resources Responsible Officer: Strategic Director for Corporate Resources Executive Lead: Leader of the Council Due Date: April 2025
IR5	The Council should ensure that benchmarking is used to identify service area cost drivers and comparative costs of service delivery when developing its budget and MTFP.	Improvement	Financial sustainability	Benchmarking data has not ben used to identify areas for potential savings or support the development of its MTFP.	Potential savings and areas for improvement may be missed.	Actions: Agreed. The Council has recently purchased the Unit Cost Benchmarking report from LG Futures and this will be considered by SMB in readiness for delivering next year's budget. Responsible Officer: Strategic Director for Corporate Resources Executive Lead: Leader of the Council Due Date: February 2025
IR6	The Council should develop an Asset Management Strategy covering all Council owned assets.	Improvement	Financial sustainability	The Council does not have an asset management strategy for its general fund assets.	The Council may not effectively manage its assets.	Actions: Agreed. This is a key priority for the new Head of Service Assets Responsible Officer: Head of Service Assets Executive Lead: Leader of the Council Due Date: December 2025

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Recommendations raised in 2023/24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR7	The Council should review all slippages within its Capital Programme to identify if there are any lessons to be learned.	Improvement	Financial sustainability	The Council delivered a significant capital budget underspend and saw a number of slippages of expenditure into future years.	The Council is not effectively managing its capital budget.	Actions: Agreed. Responsible Officer: Strategic Director for Corporate Resources Executive Lead: Leader of the Council Due Date: June 2025
IR8	The Council should ensure that the risks in the budget report also reflect the likely costs over the life of the MTFP to ensure the Council is satisfied regarding the adequacy of general fund reserves for the life of the MTFP. The Council should also identify specific mitigating actions to reduce the risks.	Improvement	Financial sustainability	The 2024/25 budget report included financial risks, however these are assessed if the risk was to materialise and were based on the costs for a single year, not for the life of the MTFP. The likely costs over the MTFP and the specific mitigating actions have not been identified.	The Council may not understand the financial implications across the life of the MTFP.	Actions: Agreed. This will be included in the MTFP going forward Responsible Officer: Head of Service Finance Executive Lead: Leader of the Council Due Date: February 2026
IR9	The scenario planning and sensitivity analysis undertaken as part of the budget setting process should be included within the budget report or MTFP presented to the Executive and Full Council.	Improvement	Financial sustainability	We understand that scenario planning and sensitivity analysis was undertaken but the details were not included in the 2024/25 budget report or MTFP.	Decision makers are not sighted on the possible scenarios which might impact on the decisions made.	Actions: Agreed. This will be included in the MTFP going forward Responsible Officer: Head of Service Finance Executive Lead: Leader of the Council Due Date: February 2026

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Recommendations raised in 2023/24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR10	The Council should review the reporting of risks and consider including: • whether a particular risk is outside the stated risk appetite; • direction of travel indicator for each risk score; and • narrative to explain any changes in risk scores and the reasoning behind the current risk score.	Improvement	Governance	The Council's risk management approach is not clear whether a particular risk is outside the stated risk appetite, does not include direction of travel for each strategic risk. We also noted that the narrative in the accompanying report does not explain movement in risk scores or the reasoning behind the current risk score.	Risk may not be effectively managed and mitigated.	Actions: Agreed. The approach to Risk management is under review and we will seek to include this. Responsible Officer: Strategic Management Board Executive Lead: Leader of the Council Due Date: April 2025
IR11	The Council should ensure that the AGS has information about whistleblowing arrangements.	Improvement	Governance	The Annual Governance Statement (AGS) did not include any information on whistleblowing.	The whistleblowing policy may not be operating effectively.	Actions: Agreed. This will be included in the AGS going forward Responsible Officer: Head of Service Finance Executive Lead: Leader of the Council Due Date: June 2025
IR12	The Council should ensure it and its Internal Auditor's receive a written statement of assurance regarding Strata Service Solutions Ltd from Strata's internal auditors on an annual basis.	Improvement	Governance	The Council's Internal Audit were not provided with the annual report for 2023/24 and relied instead on a verbal 'satisfactory' assurance opinion.	The level of assurance provided may change.	Actions: Agreed. This will be requested via Strata's finance team Responsible Officer: Head of Service Finance Executive Lead: Leader of the Council Due Date: February 2025

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Recommendations raised in 2023/24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR13	The Council should ensure that for all financial monitoring reports ensure: • all variances are fully explained; • explanations are provided for any significant variations from one quarter to the next; and • any lessons learned/impacts for future years' budgets are identified, explained and acted upon.	Improvement	Governance	We identified that some of the explanations within revenue budget variances could be clearer. There were some large movements in predicted outturn noted, however the report was not clear on why these variances are significantly different from the Quarter 3 predictions.	The Council may not have full information to make decisions about the future impact of variances.	Actions: Agreed. We will review budget monitoring reports in time for Q1 next year Responsible Officer: Head of Service Finance Executive Lead: Leader of the Council Due Date: June 2025
IR14	The Council should increase the Audit and Governance Committee's effectiveness by: • monitoring the committee's effectiveness through undertaking a self-assessment and taking action based on the outcome of the self-assessment; and • appointing two co-opted independent members to provide appropriate technical expertise, which complements existing membership.	Improvement	Governance	The Audit and Governance Committee has not reviewed its effectiveness and its membership does not include any independent members as is good practice.	The effectiveness of the Audit and Governance Committee could be improved.	Actions: This recommendation will be considered further by SMB and Members to determine the benefit. Responsible Officer: SMB Executive Lead: Leader of the Council Due Date: April 2025 for decision.
IR15	The Council should ensure that data relating to any new corporate KPIs meets the requirements of the Council's new data strategy and in particular regarding data governance and data quality.	Improvement	Improving economy, efficiency and effectiveness	The Council's Data Strategy does not include data quality relating to new data required for the new key performance indicators.	The Council may not be compliant with its Data Strategy.	Actions: Agreed. Responsible Officer: Strategic Director for People Executive Lead: Deputy Leader of the Council Due Date: June 2025

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Recommendations raised in 2023/24

	Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR16	The Council should track progress with the Partnerships Internal Audit report recommendations through its action tracker.	Improvement	Improving economy, efficiency and effectiveness	The Council is not currently tracking recommendations raised within the Internal Audit review of partnerships.	Management may not be actioning recommendations in a timely manner.	Actions: Agreed. It will be added to the tracker Responsible Officer: Executive Office Manager Executive Lead: Leader of the Council Due Date: February 2025
IR17	The Council should link each partnership in its partnership register to make clear to which corporate objective(s) and new corporate KPI(s) it contributes.	Improvement	Improving economy, efficiency and effectiveness	Our review of the partnership register shows that this recommendation remains outstanding. In addition to this action the Council would benefit from considering how the work from partnerships can be integrated with the new corporate KPIs under development.	The Council may not be effectively managing its partnerships.	Actions: Agreed. Once the new Corporate Plan is approved this will be undertaken Responsible Officer: Head of Service Legal & Democratic Executive Lead: Leader of the Council Due Date: April 2025

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Appendices

Appendix A: Responsibilities of the Council

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

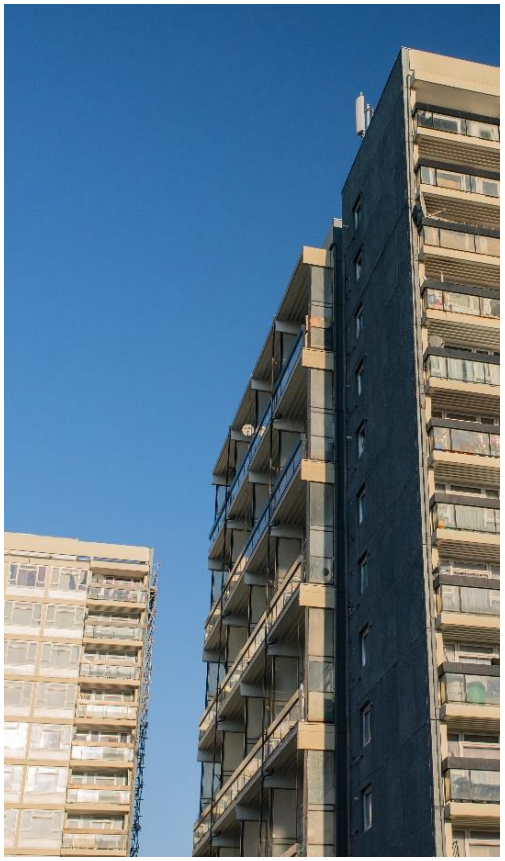
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



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Appendix B:
Value for Money Auditor responsibilities

Value for Money arrangements work

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

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

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

Financial Sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.**
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

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Appendix C:
Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
1	The Council should review the alternative delivery models with which it is involved and assess if continuing with these arrangements is appropriate and provides the best value for money. Where it is appropriate to continue, the Council should strengthen the governance arrangements as follows: • determine who will act as the shareholder representative or Council lead • agree the objectives or benefits expected through partnership working so that performance can be effectively monitored • introduce periodic financial and performance monitoring reports which are reviewed by members within public meetings.	Key	February 2024	The Council has reviewed the arrangements for ECL and Exeter Science Park Ltd (ESPL), however the review for the remaining subsidiaries remains outstanding. A report is due to go to the appropriate committee in early 2025.	No	This recommendation remains outstanding. The key recommendation has been raised on page 8.
2	The Council should ensure corporate performance monitoring of its strategic priorities is undertaken and reported to the Executive or Full Council on a quarterly basis. Directorate and service performance monitoring should support and be linked to the Council's strategic priorities. A robust performance management framework should clearly set out the approach required.	Key	February 2024	Since this key recommendation was made in February 2024 the Chief Executive has been undertaking a fundamental review of the Council's corporate plan and work has progressed with members to define the outcomes expected. Further work in defining the key metrics associated with those outcomes is being completed in 2024/25 with a view to having comprehensive reporting in place for 2025/26.	No	This recommendation remains outstanding, included on page 8.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Appendix C:
Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
1	The Council should develop a workforce strategy and ensure it is linked to the Council's medium term financial plan (MTFP).	Improvement	February 2024	Workforce strategy remains outstanding.	No	This recommendation remains outstanding.
2	The Council should consider if staff are aware of the whistleblowing policy and if it would be beneficial to raise awareness of the policy.	Improvement	February 2024	The Council uses MyCompliance to monitor if staff read policies. The whistleblowing policy was added in March 2024, so no progress was made in 2023/24.	No	This recommendation remains outstanding – to ensure monitoring has taken place in 2024/25.
3	The Council should strength the monitoring arrangements to ensure recommendations raised by external audit are followed up and completed in a timely manner.	Improvement	February 2024	Now reviewed by SMB quarterly	Yes	No
4	When the Council seconds employees to other organisations the Council should ensure that clear objectives are set and that arrangements are introduced to monitor and ensure efficient and effective use of resources. Arrangements should also include a process to make changes or exit the secondment if the objectives are not being met.	Improvement	February 2024	No secondments expected in the short term and a secondment policy has yet to be developed.	No	This recommendation remains outstanding.
5	Exeter Development Fund - the Council should agree which member committee should have oversight and be responsible for decision making to ensure openness and transparency.	Improvement	February 2024	This has yet to be agreed.	No	This recommendation remains outstanding.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Appendix C:
Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
6	The Council should ensure that all chief officer posts are open to external candidates and advertised accordingly.	Improvement	February 2024	The Council has restructured its Senior Leadership team and the vacant posts have been advertised through a national campaign.	Yes	No
7	The Council should consider reporting all contract waivers to members.	Improvement	February 2024	The Council has reported contract exceptions (waivers) to a non-decision-making scrutiny bulletin committee. However, the exceptions reported at that time do not reconcile with the exceptions register maintained by the Finance Department. The Council is unable to confirm which are the correct figures as the Council is not confident that the exceptions register is complete and accurate.	No	This recommendation has been included within the key recommendation raised on page 10.
8	The Council should consider how it can improve and strengthen contract management and develop a corporate contracts pipeline that would identify contracts as they come up for renewal.	Improvement	February 2024	The Council has a published Contracts register and this is monitored by the procurement team. However, we are concerned that the current contracts register is likely to be incomplete. The ProContract system is now used to automatically send out email reminders when contracts are coming to an end, and these are copied to procurement leads. Contract Procedure rules are being amended as part of the Council's preparation for the Procurement Act 2023.	No	This recommendation has been included within the key recommendation raised on page 10.
9	The Council has a partnerships register and should consider linking each partnership to the corporate objective to which contributes.	Improvement	February 2024	The partnership register has been maintained, but the partnerships have not been linked to the Council's corporate objectives and KPIs.	No	This recommendation remains outstanding. New improvement recommendation raised on page 27.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Appendix C: Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
10	The Council should consider using a risk-based calculation for the minimum prudent level of GF balances. This should have regard to the specific budget risks the Council is exposed to, their magnitude and likelihood of occurring.	Improvement	July 2022	This was adopted as part of the 2024/25 budget setting process.	Yes	No.
11	The Audit and Governance Committee should formally review and approve the Council's Risk Management Policy at regular intervals.	Improvement	July 2022	The Council's updated Risk Management Policy was approved by Executive Committee and reported to Audit and Governance Committee in September 2024.	Yes	No.
12	The officer Code of Conduct should include the requirement for interests to be recorded on the official register and that nil returns are required from senior officers.	Improvement	July 2022	The Officer Code of Conduct as included within the Constitution includes the requirement for the Monitoring Officer to be notified, who will include the interest on the Council's register of interests. An annual declaration is required, including a 'nil' return, for senior officers.	Yes	No.
13	The responsibility for sending reminders to staff of the requirement to declare interests, gifts and hospitality should be established and annual reminders sent.	Improvement	July 2022	No action taken.	No	This recommendation remains outstanding.
14	Completed Scrutiny Programme Board proformas, which include the reasons why a scrutiny request is accepted or rejected, should routinely be available to all Members.	Improvement	July 2022	No action taken.	No	This recommendation remains outstanding.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Appendix C: Follow-up of previous recommendations

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
15	The Council should consider the need for a data quality policy as part of the review and implementation of the performance management framework.	Improvement	July 2022	Residents survey undertaken in September 2024, this will be considered as part of our VfM work in 2024/25.	Yes	This recommendation was addressed in in 2024/25
16	The Council should be routinely benchmarking service costs in order to identify areas where efficiencies could be achieved, or services improved.	Improvement	July 2022	Benchmarking is planned as part of the introduction of revised corporate KPIs in 2025/26.	No	Further recommendation raised on page 18.
17	The Devon District Procurement Group should regularly review the progress made by each council in implementing the Procurement Strategy, as was the intention when the Strategy was approved. The results of the review should be reported to Members.	Improvement	July 2022	No action taken.	No	This recommendation remains outstanding.
18	The Council should ensure that procurement and contract management training is rolled out to appropriate officers.	Improvement	July 2022	Training remains outstanding.	No	This recommendation has been included within the key recommendation raised on page 10.
19	'The Council should ensure that it consults with residents and businesses as part of the budget process.	Improvement Recommendation	July 2022	The Council has improved consultation plans for the 2025/26 budget setting process and has conducted a residents survey in September 2024 as part of this process.	partial	Complete the consultation planned for the 2025/26 budget.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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REPORT TO AUDIT AND GOVERNANCE

Date of Meeting: 12th February 2025

Report of: Strategic Director of Corporate Resources

Title: Auditor's Annual Report: Value for Money

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 an external audit of the council's governance arrangements with a focus on Value for Money (VfM). It includes the actions that will be taken in response to the auditor's recommendations and sets out how progress will be monitored and reported going forward.

2. Recommendations:

That the Audit and Governance Committee:

2.1 Note the content of the audit report contained in the Annual Auditors report.

2.2 Agree that a 6 monthly progress update against the Value for Money recommendations is reported to Audit and Governance Committee.

3. Reasons for the recommendation:

3.1 To ensure that the council's business in 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.

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 auditor's 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 Given the backstop and the significant amount of work that the teams are having to undertake in a short period of time, there has been very little time to consider all of the recommendations in detail. It is also worth Members noting that the report relates to the year ending 31 March 2024. SMB are confident that significant progress has been made, particularly in respect of the Key recommendations over the 2025-26 year to ensure that the recommendations have been addressed. However work will continue and be reported to both SMB and Councillors in respect of all the recommendations.

6. What are the legal aspects?

The Local Audit and Accountability Act 2014 requires external auditors to review the extent to which the authority is providing value for money (VFM). There are specific responsibilities imposed on external auditors to carry out a VFM audit in addition to the financial statements audit. Under section 20 of the Act, auditors are required to be satisfied that the local authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

7. Monitoring Officer's comments:

Members will note the requirements to provide a value for money audit in accordance with the legislation set out in the legal aspects above. Members will note that the purpose of this report is to give assurances to members as to how the external auditors recommendations will be addressed.

8. Report details:

8.1 The council's auditors undertook an audit of the council's value for money arrangements. All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of their resources. In total, the Value for Money report identifies 5 Key Recommendations and 17 Improvement Recommendations.

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 council has outsourced its internal audit service to the South West Audit Partnership (SWAP) providing access to specialist fraud support. A meeting has now taken place to ensure that this support, which was an integral part of SWAP's quote, is embedded into their work programme.
- A report has been presented to Executive in January 2025 requesting funding to review the Exeter Business Centre, set out governance arrangements and to conclude any final matters relating to Exeter City Living.
- A new Officer Procurement and Contract Management Board is being created.

- 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.
- The Code of Corporate Governance has been published on the council's website.

8.3 This work is due for completion within the next 12 months. The council's response to the Audit recommendations can be found in the Annual Auditors report.

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

Author: Judith Wellings

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

Background papers used in compiling this report:-

None

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Exeter City Council

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Please ask for:

Direct Dial: 01392 265292

Email: David.hodgson@exeter.gov.uk

Our ref:

Date: 12 February 2025

Dear Grant Thornton UK LLP,

Exeter City Council
Financial Statements for the year ended 31 March 2024

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 2024 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 2023/24 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 2023/24 ("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.

- The asset transfer agreement and write down of loans in relation to Exeter City Living Ltd was a significant event in the financial year. We have provided all the relevant information and that the adjustment is based on member decisions to reduce the scope of the component.

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 12 February 2025.

Yours faithfully

Name Councillor A J Wardle

Position Chair - Audit and Governance Committee

Date 12 February 2025

Signature ……..

Name Dave Hodgson

Position Director Finance (Section 151 Officer)

Date 12 February 2025

Signature ……..

Signed on behalf of the Council

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 12 February 2025

Report of: Strategic Director Corporate Resources

Title: Statement of Accounts 2023/24

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 To seek Members' approval of the Council's Statement of Accounts for 2023/24, subject to conclusion of the audit.

2. Recommendations:

2.1 It is recommended that delegated powers are given to the Strategic Director Corporate Resources and Chair of Audit and Governance Committee to approve the Statement of Accounts for 2023/24 upon the conclusion of the audit and to report back to this committee any significant findings, if any are identified in the remainder of the audit.

3. Reasons for the recommendation:

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

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

4.1 The Statement of Accounts is intended to give a 'true and fair' view of the financial position and transactions of the Council, including group financial statements, as at 31 March 2024.

5. Section 151 Officer Comments:

5.1 Members may be aware that the Government introduced backstop dates in relation to outstanding local audits. For financial year 2023/24, the backstop date is 28 February 2025. 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 On 9 September 2024, amendments to the Accounts and Audit Regulations 2015 (the Accounts and Audit (Amendment) Regulations 2024) were made that implemented backstop dates in relation to outstanding local authority audits. The backstop date for publishing audited accounts for the financial year 2023/24 is 28 February 2025.

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 2023/24 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.

In December 2022, 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 2023 to 31 March 2028. This appointment is made under regulation 13 of the Local Audit (Appointing Person) Regulations 2015.

8.2 Statement of Accounts 2023/24

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

The draft Statement of Accounts were received by the auditors on 30 May 2024; achieving the statutory deadline of publishing the unaudited statements of accounts by 31 May 2024.

Information contained in the Statement of Accounts has been consolidated into the Whole of Government Accounts for 2023/24.

8.4 Presentation of the Statement of Accounts

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

8.5 Main Changes to the Accounts

The Code did not adopt any new accounting standards for the 2023/24 financial year, which enabled the accounts to be prepared on a consistent basis with the prior year.

8.6 Audit Findings

At the time of writing, our external auditors anticipate issuing an unqualified audit opinion on the Authority's financial statements and have not identified any adjustments to the financial statements or adjustment to the Council's Comprehensive Income and Expenditure Statement.

Minor amendments have been made to the following disclosure notes:

- Note 14 Taxation and Non-specific Grant Income, but no overall impact on the total disclosed
- Note 15 Property, Plant and Equipment, but no overall impact on the total balance sheet amount disclosed
- Note 37 Related Parties, correction in the total of grants paid to organisations in which members had an interest to exclude a grant awarded in the 2024/25 financial year

Overall, the amendments to date have had no impact on either the General Fund balance or the Housing Revenue Account balance, which remain as reported to Council. The overall financial performance of the Council for 2023/24 was reported to Executive on 25 June 2024 and to Council on 16 July 2024.

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 2023/24 and the transactions of the Council during 2023/24, 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

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Exeter City Council

STATEMENT OF ACCOUNTS

2023-2024

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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 2024 and is structured as follows:

- An introduction to Exeter
- Key information about Exeter City Council
- The Corporate Plan
- Financial Performance 2023/24
- Non-Financial Performance 2023/24
- 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 130,800 and is at the heart of a travel to work area of over 499,800 residents.

Employment: The city's wider area includes much of the district council areas of East Devon, Teignbridge and Mid Devon. 297,000 of these residents are of working age and 249,400 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: 5,147 registered for business rates.

Average City Centre footfall: 1,500,000 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.

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 177th in the latest (2024) 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 19th 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. Exeter City consolidated their status in League One during the 2023/24 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	4
Liberal Democrat	3
Green Party	6
Independent	1

* During the year one Labour Councillor became an independent and one resigned prior to the elections

The local elections for Exeter City Councillors from May 2024 were held on 2 May 2024. 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

Exeter City Council's Senior Management Structure for the 2023/24 Financial Year:

Exeter City Council

STRATEGIC MANAGEMENT BOARD ORGANISATIONAL CHART

EXETER LIVE BETTER

Bindu Arjoon
Chief Executive

Baan Al-Khafaji
Director
Corporate Services

David Hodgson
Director
Finance

David Bartram
Director
Net Zero Exeter & City Management

Jon-Paul Hedge
Director
Culture, Leisure, Tourism, Communications and Communities

Ian Collinson
Director
City Development

Jo Yelland
Director
City Transformation

Council Employees

The Council employed 799 people in full time and part time contracts in March 2024, compared to 824 people in March 2023.

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 2023/24 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 £10.90 per hour from 1 April 2023 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. Following the appointment of Bindu Arjoon as the Council's new Chief Executive, the next stage of the Senior Management is underway but will not be completed until 2024-25.

4. The Council's Corporate Plan 2022-2026

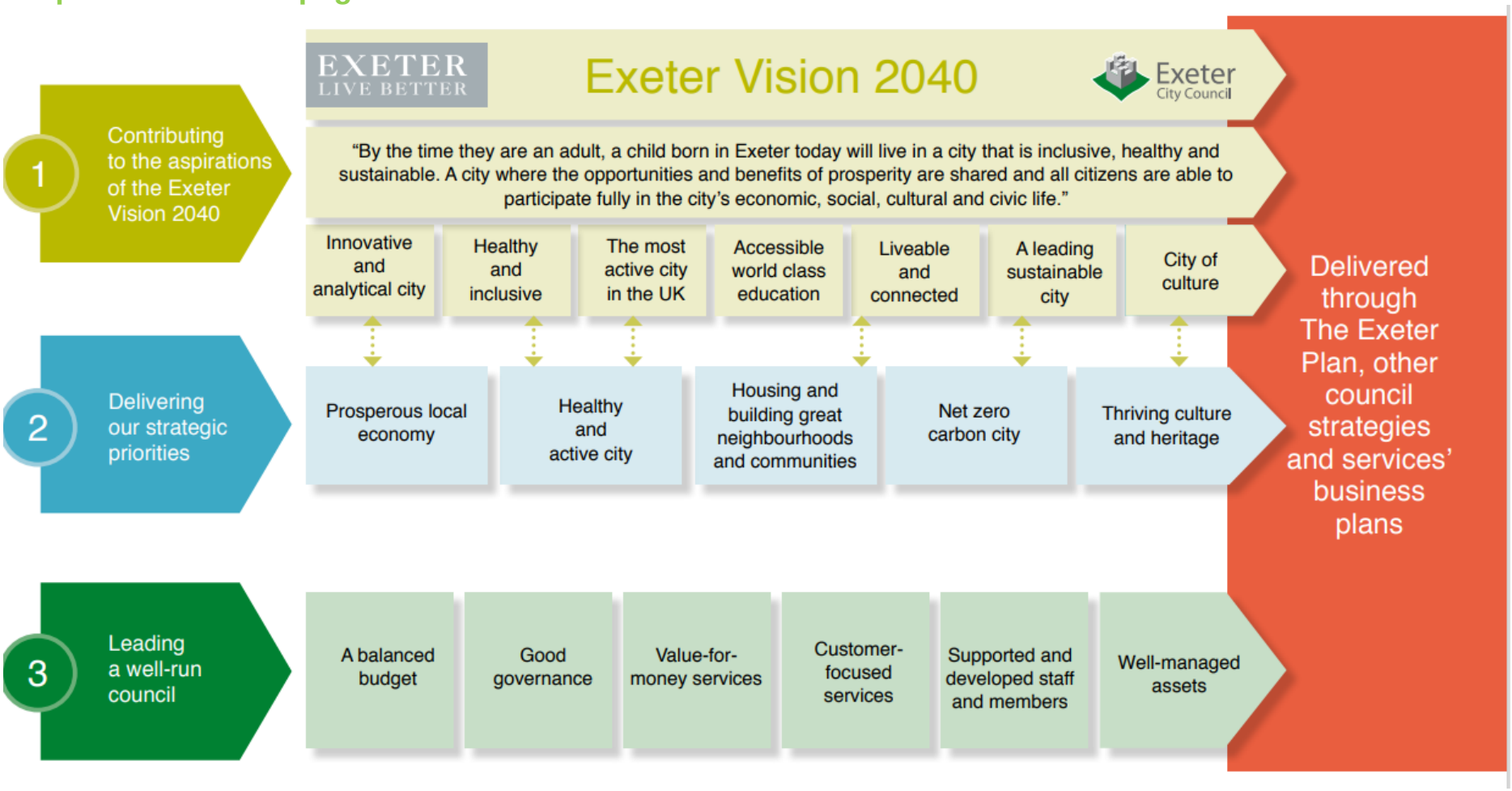
On 18 October 2022, Council approved the council's 2022-2026 Corporate Plan; one of the key strategic documents that frames the actions of the Council.

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. Continued financial challenges mean we must reduce our budget by £5.1m by 2028. 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

Corporate Plan on a page



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.

- We practice health, safety and wellbeing of self and others
- We strive to deliver continuous improvement
- We are creative and innovative to build a better future for all
- We make a positive contribution towards a sustainable environment
- We act as a role model
- We are always accountable for our own actions
- We consistently show trust and respect
- We always lead by example
- We consistently show flexibility and are open to change
- We are ambitious for the city and the council
- We have a can-do attitude
- We take account of other people's views
- We respond positively to feedback
- We are open and honest
- We are always inclusive and considerate of others

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.

5. Financial Performance 2023/24

2023/24 presented its own financial challenges for the Council along with many others around the Country. Whilst there was a reduction in energy price pressures, ongoing and stubbornly high inflation fuelled a higher than anticipated national pay settlement and income streams struggled to reach the budget. Whilst the headline figures set out a small contribution of £269,000 from the General Fund reserve, a further £1,512,000 of supplementary budget requests are proposed to be funded from the Reserve. This means that the General Fund Balance will be close to the minimum recommended level of reserves at the end of 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	1,144	1,466	322
IT & Transformation	2,710	2,319	(391)
City Development	4,728	3,472	(1,256)
Communiciations, Culture & Leisure Facilities	7,785	3,531	(4,254)
Net Zero Exeter and City Management	4,887	5,142	255
Finance	2,797	1,993	(804)
Corporate Services	2,869	3,060	191
Less Notional Capital Charges	(5,207)	(5,207)	-
Service Committee Net Expenditure	**21,713**	**15,776**	**(5,937)**
Net Interest	1,320	537	(783)
Revenue Contribution to Capital	-	137	137
Minimum Revenue Provision	1,694	2,553	859
General Fund Expenditure	**24,727**	**19,003**	**(5,724)**
Transfer To/(From) Working Balance	**(3,225)**	**(269)**	2,956
Transfer To/(From) Earmarked Reserves	**(3,964)**	**173**	4,137
General Fund Net Expenditure	**17,538**	**18,907**	**1,369**
Met By:			
Formula Grant	**(5,856)**	**(5,856)**	-
Business Rates Growth / Pooling Gain	**(3,272)**	**(4,725)**	(1,453)
New Homes Bonus	**(672)**	**(672)**	-
CIL Income	**(953)**	**(869)**	84
Council Tax	**(6,785)**	**(6,785)**	-
	(17,538)	**(18,907)**	**(1,369)**
	March 2024	**March 2024**	
Working Balance	**6,151**	**5,882**	

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2023/24 Capital Outturn

The Council spent £29.380m on its Capital Programme in 2023/24 compared to the revised forecast spend of £39.600m. This comprised £5.575m on General Fund and £23.805m on HRA capital expenditure.

The variance between the outturn forecast and actual outturn for the year was £10.220m 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:

	2023/24 Forecast Outturn £'000	2023/24 Outturn £'000	Variance £'000
Capital Expenditure:			
Chief Executive	0	0	0
IT & Transformation	494	289	(205)
City Development	31,061	24,323	(6,738)
Communications, Culture and Leisure Facilities	827	407	(420)
Net Zero Exeter and City Management	5,585	3,155	(2,430)
Finance	1,633	1,206	(427)
Corporate Services	0	0	0
Total Expenditure	**39,600**	**29,380**	**(10,220)**
Resources:			
Major Repairs Reserve	15,045	9,353	(5,692)
Capital Receipts	7,881	5,587	(2,294)
Grants and Contributions	9,396	8,064	(1,332)
Community Infrastructure Levy (CIL)	297	246	(51)
Revenue Contributions	4,172	4,137	(35)
Prudential Borrowing	2,809	1,993	(816)
Total Financing	**39,600**	**29,380**	**(10,220)**

Narrative Report

Key achievements in 2023/24 Capital Programme:

- **Rough Sleepers Accommodation**
  The Council has bought a further four properties (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

- **Local Authority Housing Fund**

  The Council has purchased 13 homes under the above scheme, costing a total of £4.1 million, mainly funded by grant. The homes have been purchased under the agreement to provide accommodation to Afghan and Ukranian families along with temporary accommodation. All thirteen have now been purchased and the first seven families have been accommodated. A matching programme is underway to allocate the reaining six homes.

- **RAMM Roof replacement**

  A large grant of close to half a million pounds from the Arts Council has been matched by the Council to replace part of the roof at the Grade II listed Royal Albert Memorial Museum. The scheme when complete will increase the space available for exhibitions or meetings in this unique setting.

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 2023/24 the HRA reported an operating deficit of £1.574m. 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 2024, the working balance was £5.992m. Further revenue contributions are planned over the remainder of the MTFP towards financing the capital schemes to bring the working balance closer to £4m.

The lifting of the 'debt cap' in October 2018 meant that local authorities are now able to borrow for housebuilding in accordance with the Prudential Code. During 2023/24, work continued on the HRA House-building programme, to progress towards the Council Objective of 500 new council homes being built by 2030.

Key achievements

The Council successfully secured Government Grant of £1.495m to tackle fuel poverty in some of our least energy efficient homes – this was in addition to the £2.6m grant secured in previous years. This funding is supported by direct contributions from the HRA and forms part of the objective for the Council to achieve carbon neutrality for its housing stock – currently targeted by 2030. The retrofits programme sees the whole house refurbished to deliver the very highest energy standards and the greatest energy benefits for tenants and over 750 properties fully retrofitted to date.

The Council continues to operate its first extra care housing scheme 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%.

Progress is being made at Vaughan Road with phase 1 - 35 of 91 properties are currently under construction and due for completion in May 2025. Additionally, 21 flats are being construction at Hamlin Gardens and will be completed in July 2024.

This year the Housing Service has completed a review of its Tenancy Strategy and Policy making changes to the type of tenancies being offered to new tenants via Devon Home Choice. A new Council Housing Strategy was also agreed setting out the 5 key priorities relating to housing and how it will achieve its aspirational targets.

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
Cost headlines			
Overheads cost per property	£266.05	1st	Within top 25% of peer group
Total cost per property of Housing Management	£394.06	1st	Within top 25% of peer group
Total cost per property of Responsive Repairs & Void Works	£1,016.17	1st	Within top 25% of peer group
Operation performance headlines			
Average number of calendar days taken to complete repairs	9.59	1st	Within top 25% of peer group
Staff turnover in the year %	9.3%	2nd	Within top 50% of peer group
Overall satisfaction with service	70%	2nd	Within top 50% of peer group

Pension Fund

The Council has net pension liabilities of £16.970m 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, an asset ceiling adjustment and the value of assets invested in the pension fund. A full actuarial valuation was undertaken as at 31 March 2022 to review the contribution levels of the Council for the period 1 April 2023 to 31 March 2026 which was set at 19.6% of pensionable pay for future service plus a monetary amount in respect of the pension deficit of £3.480m.

Borrowing

The Capital Financing Requirement is £221.807m of which £73.242m relates to the HRA.

Actual borrowing is £164.768m, which comprises the principal outstanding on long-term loans from the PWLB. The loans include; £72.244m in respect of the HRA, £42.886m for the Guildhall Shopping Centre, £33.915m for the new leisure centre and £15.723m for capital acquisitions. The rest of the requirement is managed via internal borrowing.

6. Non-Financial Achievements 2023/24

Although 2023/24 has continued to be challenging for Exeter City Council and the Local Government sector as a whole, below are some of the positive outcomes during the last financial year:

- at the National Unlock Net Zero Awards as part of the Chartered Institute of Housing Conference in Manchester, the Council won the Green Homes Upgrade of the Year.

- The Council has been awarded the Bronze award by the Carbon Literacy Organisation.

- The Council's Extra Care scheme, Edwards Court, won the award for Project of the Year (over £5m), awarded at the Michelmores Property Awards 2023. The 53-flat scheme built by Exeter City Council, Edwards Court, was described by the judges as "one of the most interesting and well-designed buildings of its type".

- Exeter's new solar farm and battery storage facility at Marsh Barton was shortlisted in the 2023 RTPI South West Awards for Planning Excellence and was a runner up in the EDIE Renewable Energy Project of the year. The Scheme was also a runner up in the APSE Best Climate Action or Decarbonisation initiative.

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. The programme is now structured around five work streams as set out below. These work streams are cross-referenced to the Council's Corporate Plan:

- Our People;
- Our Assets and Income;
- Our Customers;
- Our Services;
- Our Governance.

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

- A Draft Green Travel Plan has been prepared. The aim of the plan is for all staff to travel sustainably to commute in and for all associated work journeys by 2030. A staff survey was conducted to understand how staff currently travel to and for work and the barriers that stop staff from using sustainable transport. An action plan has been developed to implement the plan.
- Work has continued to ensure that all employees have access to wellbeing support. A new Employee Assistance Programme (Health Assured) has been launched which provides all employees and their immediate family members to emotional and practical support. This service is also available for Members. Between July 2023 and September 2023, 52 phone calls were made by staff to the provider.
- The new Values and Behaviours framework has been launched and communicated to all staff. A staff group was created to develop the Values and Behaviours and reflect what's important to both the Council and staff. The Values and Behaviours have been incorporated into the new Performance and Development Review process so that all staff will have the opportunity to demonstrate how they have modelled the behaviours.
- Alongside the Values and Behaviours, a new Performance and Development review process has been introduced to replace the former Growth and Development Reviews. All employees will be required to have a Performance and Development review on an annual basis and in addition to their regular 1:1 meetings with their Manager. As well as evaluating performance and setting objectives, the reviews will help to embed the new Values and Behaviours. The full roll out of the new process will begin in April 2024.

Narrative Report

- In December 2022, all services were asked to undertake Service Reviews to identify opportunities to improve the customer experience and to find a 15% cost reduction over the life of the Medium Term Financial Plan. Those services that put forward cost reduction proposals for the next financial year have successfully delivered many of the proposals put forward without having an adverse impact on service delivery.
- 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 have informed the new organisational structure.
- A number of HR policies have been reviewed and updated over the last year including the Drug and Alcohol at Work policy, Sickness Absence Management Process and Procedure, Probation Policy and Disciplinary Policy. This work will continue in 2024.
- The Digital Customer Strategy was approved by Council in November 2023. The strategy is an important milestone for the Council and all services will be affected. The strategy has been developed in recognition that digital technology has, and is, continuing to change the way people live, connect and work. A Delivery Plan is being developed and work has already started on implementing the strategy. House keeping work is nearing completion on the migration to Microsoft 365 and most telephone numbers and email addresses have been removed from the website. Customers are now directed to the main switchboard or asked to complete a 'contact us' form.
- As part of the Service Review process, it was agreed to investigate the hypothesis set by Service Leads that there were several functions delivered in a fragmented way across the Council. The hypothesis suggested that if these functions could be joined up, it would be possible to improve the quality of services and reduce the cost of delivering them. In terms of deliverables, the work is focussed on three pieces of work:

  • A proposal for a centralised Debt Management Function.
  • A draft policy for the expansion of digital payments
  • An outline business case for the creation of single corporate functions for Health and Safety and Soft Facilities Management, Anti-Social Behaviour and Sales and Marketing.

  This work will continue in 2024.

Over the next twelve months, the work programme will focus on:

- Further development of the OD/HR Workplan;
- Implementation of the Digital Customer Strategy;
- Development of a Data Strategy;
- Development of Performance Management Framework;
- Equalities, Diversity and Inclusion Review;
- Accommodation Review;
- Customer Insight and Consultation;
- Senior Management Restructure.

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.

Live & Move
#ShareYourMoves

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 2023/24 we have further delivered and embedded the Live and Move and Wellbeing Exeter programme. Through the Local Active Lives annual survey we are demonstrating a year on year decrease for those residents who are the most inactive in the city. This includes:

Through **Wellbeing Exeter** over 5,500 referrals have been delivered since the inception of the programme, more than 1,000 of which were referred with physical activity requirements. A funding campaign has been delivered to extend Wellbeing Exeter to 2024/25 and beyond. CoLab have been appointed as the new local management lead for the programme. The 2023/24 Wellbeing Exeter Impact Report highlights the significant improvements to individual and community wellbeing across the city.

A business case and detailed RIBA Stage 3 designs and technical surveys have been delivered, alongside embedding community programmes with the new trustees. Pre-planning has taken place and a formal submission to planning will be made in Summer 2024.

Working with Inclusive Exeter, **the Inclusive Communities** programme has supported over 1,000 residents from culturally diverse communities. Inclusive Exeter have secured a significant 3-year National Lottery grant to sustain physical activity development through the new programme 'Better Connections'.

Active Design is embedded in the **Exeter Local Plan** through public consultation. The first schemes, Water Lane and Southgate, are being developed with a design code that is heavily influenced by Sport England active design and Live and Move principles.

Further detailed design work with Exeter City Council planning and Devon County Council transport planning has finalised designs for walking and cycling infrastructure, to be consulted on and delivery commence in 2024.

Evaluation, insight, learning and further case studies and stories can be found at Live & Move – **www.liveandmove.co.uk** where you can find out further information of all of the above, case studies and plans for the future.

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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 21st 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.

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 £3.020 million. However, the MTFP indicates that further reductions are required from 2025/26 to 2028/29 to fully address the additional spending pressures. The proposed budget for 2024/25 makes use of one off reserves totalling £2.556 million, which will need to be addressed in future years. The reductions required total £5.4 million, of which proposals covering £1.5 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 £3.020m. 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 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. The UK economy is relatively weak and this could impact on future funding agreements. Conversely, there is a chance that prices will continue to settle and reduce. This would have a positive impact of the reductions required;
- The Governments 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 - 4 million;
- The Council collects, for itself, one of the lowest amounts of Council Tax in the Country. Indeed it collects, per head of population far less than other district Cities and prominent towns. Council Tax is considered a more secure form of income as it is backed by statute and has high collection rates. In order to deliver the services the Council operates, it is overly reliant on less secure forms of income such as car park income to balance its budget. Indeed the cost of providing our statutory functions with associated support services and legal liabilities is well over £20 million, far in excess of the Government's Core Spending Power assessment of £14.6 million that they believe Exeter requires to deliver services (see below for explanation);
- The Council has a range of statutory obligations, which do not form part of a standard district council and for which it therefore receives no funding from Government. These include responsibility for the River Exe and Canal, the Roman Wall a host of historic listed buildings and a number of bridges. These add significant pressure to the budget and require significant maintenance, which will add further pressure;
- The Council has experienced significant volatility in a number of its income budgets in the last 12 months. Whilst these have been addressed in the production of this budget, it does demonstrate the risk of reliance on less secure income streams.

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Although the Council faces risks from the assumptions and uncertainties outlined above these have been mitigated by the following:

- Adopting a prudent approach to financial forecasting which involves obtaining 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.

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Medium Term Revenue Plan (2024/25 – 2028/29)

	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	
Resources						
Revenue Support Grant	1,939	1,969	1,827	1,864	1,901	
Business Rates Income	8,775	7,909	7,985	8,072	8,160	
CIL income	907	793	793	793	793	
New Homes Bonus	486	87	87	87	87	
Council Tax	7,170	7,326	7,620	7,926	8,245	
Likely resources	**19,277**	**18,084**	**18,312**	**18,741**	**19,186**	
Expenditure						
Service expenditure						
Committee expenditure	23,046	17,656	14,639	14,486	14,923	
Net Interest	1,406	1,503	1,583	1,613	1,613	
Repayment of debt	1,652	2,451	2,553	2,381	2,447	
RCCO	50	0	0	0	0	
	26,154	21,610	18,775	18,480	18,983	
Other funding						
Contribution to/ (from) earmarked reserves	(4,321)	369	384	565	565	
Contribution to/ (from) balances - Other	(2,556)	(50)	40	26	8	
	(6,877)	319	424	591	573	
Further reductions required		**(2,700)**	**(500)**	**(330)**	**(370)**	**(3,900)**
Potential reductions identified		**(1,145)**	**(387)**	**0**	**0**	**(1,532)**
Total Net Budget	**19,277**	**18,084**	**18,312**	**18,741**	**19,186**	
						(5,432)
Opening General Fund Balance	5,882	3,326	3,276	3,316	3,342	
Closing General Fund Balance	3,326	3,276	3,316	3,342	3,350	
Balance as a percentage of budget	17.3%	18.1%	18.1%	17.8%	17.5%	

Narrative Report

HRA Medium Term Revenue Plan (2023/24 – 2027/28)

	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Resources					
Rents	20,563	20,563	21,229	21,866	22,522
Service Charges	1,482	1,482	1,573	1,594	1,615
Other	1,324	1,324	1,055	1,131	1,148
Inflation on income	-	487	734	694	714
Likely resources	**23,370**	**23,857**	**24,591**	**25,285**	**25,999**
Expenditure					
HRA expenditure base budget	15,801	16,132	16,424	16,573	16,944
Inflation on expenditure	-	179	142	141	144
Repairs & Maintenance Programme	-	37	130	205	171
Service Review savings	-	-	(150)	-	-
Depreciation	4,073	3,746	3,746	3,746	3,746
Revenue Contribution to Capital Outlay	4,000	2,500	3,325	2,925	3,200
Net interest	1,898	1,471	1,598	1,693	1,741
	25,772	24,065	25,215	25,283	25,946
Other Funding					
Contribution to / (from) HRA Working Balance	(2,402)	(208)	(624)	2	53
Total Net budget	**-**	**-**	**-**	**-**	**-**

Opening HRA Working Balance	7,243	4,841	4,633	4,008	4,010
Closing HRA Working Balance	4,841	4,633	4,008	4,010	4,063

Please note, the HRA MTFP has been extracted from the 2024/25 published Budget Book and therefore projected HRA Balances differ to balances reported, as at 31/3/2024.

Capital Programme (2024/25 – 2027/28)

GENERAL FUND - CAPITAL PROGRAMME 2024/25 AND FUTURE YEARS				
SCHEMES LISTED WITHIN COUNCIL PURPOSES	**2024/25 £'000**	**2025/26 £'000**	**2026/27 £'000**	**2027/28 £'000**
Chief Executive	-	-	-	-
IT & Transformation	1,140	304	214	214
City Development	160	-	-	-
Communications, Culture and Leisure Facilities	2,511	3,026	100	100
Net Zero Exeter and City Management	18,138	6,665	4,793	950
Finance	6,017	14,976	-	-
Corporate Services	0	-	-	-
TOTAL GENERAL FUND CAPITAL PROGRAMME	**27,966**	**24,971**	**5,107**	**1,264**
FINANCING:				
Capital Receipts	2,936	1,200	314	-
Disabled Facility Grant	998	800	800	800
Community Infrastructure Levy	6,987	1,716	167	-
Revenue Contributions to Capital Outlay	134	54	-	-
Other Grants & Contributions	6,249	3,688	767	-
Prudential Borrowing	10,662	17,513	3,059	464
TOTAL GENERAL FUND CAPITAL FINANCING	**27,966**	**24,971**	**5,107**	**1,264**

HOUSING REVENUE ACCOUNT - CAPITAL PROGRAMME 2024/25 AND FUTURE YEARS				
	2024/25 £'000	**2025/26 £'000**	**2026/27 £'000**	**2027/28 £'000**
City Development	24,704	10,758	10,767	10,088
TOTAL HRA CAPITAL PROGRAMME	**24,704**	**10,758**	**10,767**	**10,088**
FINANCING:				
Major Repairs Reserve	15,524	2,433	4,219	5,020
Capital Receipts	4,752	2,000	875	1,868
Commuted Sums	95	-	-	-
Other Grants and Contributions	933	-	-	-
Revenue Contributions to Capital	2,500	3,325	2,925	3,200
Prudential Borrowing	900	3,000	2,748	-
TOTAL HRA CAPITAL FINANCING	**24,704**	**10,758**	**10,767**	**10,088**

Narrative Report

The Capital Programme, on the previous page, reflects the plans approved in the 2024/25 Budget Book along with budgets slipped from 2023/24 and the associated financing. The Council continues to have an ambitious capital programme, which includes:

Two new housing developments progressed during 2023/24 as part of the Council's housing development programme – at Hamlin Gardens 21 flats will be constructed and are expected to complete in the Summer 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

2023/24 posed different challenges to the Council's position from 2022/23. Whilst the reduction in energy prices and a ruling that the majority of Leisure income would no longer be subject to VAT saw improvements against the budget, these were offset by another higher pay award than expected and significant reductions in income against budgets.

Considerable supplementary budget requests mean that, as planned the Council is projected to move to a position where its General Fund Balance is close to the minimum recommended level.

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 £5.4m of savings over the next four financial years. Of this, proposals totalling £1.5m have been identified with a further £3.9m required from the range of cross cutting themes and other projects 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.

The Council's IT Company, Strata Service Solutions Ltd, set up in partnership with East Devon and Teignbridge District Councils has completed its ninth full year in operation and has delivered a refund in line with that agreed at the start of the financial year.

Exeter City Living Ltd, the Council's development company has been scaled back to manage a number of properties that are rented on the open market. The scaling back was completed during the year.

In delivering the accounts on time, the finance team have once again shown their professionalism and commitment by dealing with ever more complex accounts and accounting frameworks.

Dave Hodgson CPFA
Director Finance

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 2024.

Dave Hodgson CPFA
Director Finance
12 February 2025

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 2022-2023 Gross Expenditure £'000	Restated 2022-2023 Gross Income £'000	Restated 2022-2023 Net Expenditure £'000		2023-2024 Gross Expenditure £'000	2023-2024 Gross Income £'000	2023-2024 Net Expenditure £'000	Notes
2,041	(417)	1,624	Chief Executive	1,681	(253)	1,428	
2,173	(10)	2,163	IT & Transformation	2,317	0	2,317	
9,846	(6,645)	3,201	City Development	10,263	(6,769)	3,494	
26,312	(9,687)	16,625	Communiciations, Culture & Leisure Facilities	14,623	(13,537)	1,086	
21,021	(13,777)	7,243	Net Zero Exeter & City Management	20,273	(15,258)	5,015	
35,911	(31,130)	4,781	Finance	34,688	(30,507)	4,181	
3,849	(544)	3,305	Corporate Services	3,646	(623)	3,023	
32,353	(21,594)	10,758	Housing Revenue Account	24,928	(23,411)	1,517	
1,140	(627)	513	Strata Service Solutions Ltd	785	(540)	245	38
134,646	**(84,431)**	**50,215**	**Cost of Services**	**113,204**	**(90,898)**	**22,306**	
		(1,607)	Other operating expenditure			2,222	12
		6,816	Financing and investment income and expenditure			26,991	13
		(23,343)	Taxation and non-specific grant income			(26,821)	14
		32,081	**(Surplus) or Deficit on Provision of Services**			**24,698**	
			Other Comprehensive Income and Expenditure				
		(16,238)	(Surplus) or deficit on revaluation of property, plant and equipment			7,024	27
		(78,688)	Remeasurement of the net defined benefit liability/(asset)			(10,628)	27
		(94,926)	**Total Other Comprehensive Income and Expenditure**			**(3,604)**	
		(62,845)	**Total Comprehensive Income and Expenditure**			**21,094**	

The Council's internal financial reporting structure changed in 2023/24 following changes to director responsibilities. The segment information for the prior year has therefore been restated.

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)**
Balance at 31 March 2022 carried forward	**(5,521)**	**(26,002)**	**(31,523)**	**(11,468)**	**(12,938)**	**(18,189)**	**(19,503)**	**(93,621)**	**(303,188)**	**(396,809)**
Movement in Reserves during 2022-2023										
Total Comprehensive Income & Expenditure	22,000	-	22,000	10,082	-	-	-	32,082	(94,927)	**(62,845)**
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	**-**
Transfers to / (from) Earmarked Reserves	(12,357)	12,357	-	-	-	-	-	-	-	**-**
(Increase) / Decrease in 2022-2023	**(630)**	**12,357**	**11,727**	**3,912**	**207**	**(15)**	**707**	**16,538**	**(79,383)**	**(62,845)**
Balance at 31 March 2023 carried forward	**(6,151)**	**(13,645)**	**(19,796)**	**(7,556)**	**(12,731)**	**(18,204)**	**(18,796)**	**(77,083)**	**(382,571)**	**(459,654)**

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)**
Balance at 31 March 2023 carried forward	**(6,151)**	**(13,645)**	**(19,796)**	**(7,556)**	**(12,731)**	**(18,204)**	**(18,796)**	**(77,083)**	**(382,571)**	**(459,654)**
Movement in Reserves during 2023-2024										
Total Comprehensive Income & Expenditure	26,188	-	26,188	(1,490)	-	-	-	24,698	(3,604)	**21,094**
Adjustments between accounting basis and funding basis under statutory provisions (Note 10)	(26,102)	-	(26,102)	3,054	4,984	5,590	(2,412)	(14,886)	14,886	**-**
Transfers to / (from) Earmarked Reserves	182	(182)	-	-	-	-	-	-	-	**-**
(Increase) / Decrease in 2023-2024	**268**	**(182)**	**86**	**1,564**	**4,984**	**5,590**	**(2,412)**	**9,812**	**11,282**	**21,094**
Balance at 31 March 2024 carried forward	**(5,883)**	**(13,827)**	**(19,710)**	**(5,992)**	**(7,747)**	**(12,614)**	**(21,208)**	**(67,271)**	**(371,289)**	**(438,560)**

Core Financial Statements

Balance Sheet

2022-23 £'000		2023-24 £'000	Note
494,460	Property, Plant and Equipment	504,882	15
98,561	Investment Property	71,516	16
22,743	Heritage Assets	22,743	17
474	Intangible Assets	470	
5,633	Long Term Investments	5,462	19
20,386	Long Term Debtors	9,198	19
642,257	**Total Long-Term Assets**	**614,271**	
203	Inventories	209	
13,319	Short-Term Debtors	17,392	19, 20 & 21
15,202	Short-Term Investments	5,067	19
2,063	Assets Held for Sale	1,039	22
27,754	Cash & Cash Equivalents	22,690	19 & 23
58,541	**Total Current Assets**	**46,397**	
(1,537)	Short-Term Borrowing	(1,564)	19
(33,541)	Short-Term Creditors	(27,818)	19 & 24
(5,668)	Provisions	(5,637)	25
(40,746)	**Total Current Liabilities**	**(35,019)**	
(165,160)	Long term borrowing	(163,591)	19
(2,835)	Capital Grants Receipts in Advance	(3,854)	19 & 36
(3,468)	Long-Term Creditors	(2,674)	19
(28,935)	Pension Scheme Liability	(16,970)	42
(200,398)	**Total Long-Term Liabilities**	**(187,089)**	
459,654	**Net Assets**	**438,560**	
	Financed by:		
77,083	Usable Reserves	67,271	26
382,571	Unusable Reserves	371,289	27
459,654	**Total Reserves**	**438,560**	

These financial statements replace the unaudited financial statements certified by the Responsible Financial Officer, Dave Hodgson, on 30 May 2024.

Dave Hodgson, CPFA, Director Finance, 12 February 2025

Core Financial Statements

Cash Flow Statement

2022-23 £'000		2023-24 £'000	Notes
32,081	Net (surplus) or deficit on the provision of services	24,698	
(58,448)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(38,712)	
10,117	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	11,635	
(16,250)	**Net cashflows from Operating Activities**	**(2,379)**	28
55,823	Investing Activities	7,222	29
952	Financing Activities	221	30
40,525	**Net (Increase) or decrease in cash and cash equivalents**	**5,064**	
68,279	**Cash and cash equivalents at the beginning of the reporting period**	**27,754**	
27,754	**Cash and cash equivalents at the end of the reporting period**	**22,690**	

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1. Accounting Policies

General Principles

The Statement of Accounts summarises the authority's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. 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 2023/24, 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 2023/24.

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.

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
    - unitised 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.

- **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.

  In all cases, the net defined benefit asset will be measured at the lower of the surplus in the defined benefit plan and the asset ceiling.

  Effect of the Asset Ceiling – this results in an increase in the pensions liabilities recognised by the Council to reflect the current commitment to pay employer's contributions to recover a deficit in the Pension Fund that has been assessed as greater than the net pensions liability established under Accounting Code requirements.

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.
- **Contributons paid to the pension fund** - cash paid as employer's contributions to the pension fund in settlement of liabilities.

McCloud Judgement

Regulations in respect of the McCloud and Sargeant judgements came into force on 1 October 2023. An allowance for the McCloud remedy will have been made in the liabilities which is consistent with the method adopted at the last actuarial valuation.

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.

A 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.

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.

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.

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 recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement as a contribution without outstanding conditions. 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 2024, 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 interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures, which means the authority is the parent of a group for the purposes of the Code.

On 17 October 2023 the Council resolved to significantly reduce the capacity of Exeter City Living Ltd. The company has been retained for the limited purpose of holding and managing six residential flats in the Guildhall Shopping Centre.

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, with cost used as a proxy for fair value.

Inventories
Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Investment properties
Investment properties are those 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.

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.

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

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.

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).

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.

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.

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 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	1,275	349	**1,624**
IT & Transformation	2,081	82	**2,163**
City Development	2,360	841	**3,201**
Communiciations, Culture & Leisure Facilities	5,667	10,958	**16,625**
Net Zero Exeter & City Management	3,331	3,913	**7,244**
Finance	(1,015)	5,796	**4,781**
Corporate Services	2,506	799	**3,305**
Housing Revenue Account	3,913	6,846	**10,759**
Strata Service Solutions Ltd	-	513	**513**
Net Cost of Services	**20,118**	**30,097**	**50,215**
Other income and expenditure	(4,479)	(13,655)	**(18,134)**
(Surplus) or Deficit on Provision of Services	**15,639**	**16,442**	**32,081**

Opening General Fund and HRA Balance at 1 April 2022	**(42,991)**
Add surplus on General Fund and HRA Balance in Year	**15,639**
Closing General Fund and HRA Balance at 31 March 2023	**(27,352)**

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**
Closing General Fund and HRA Balance at 31 March 2023	**(19,796)**	**(7,556)**	**(27,352)**

The Council's internal financial reporting structure changed in 2023/24 following changes to director responsibilities. The segment information for the prior year has therefore been restated.

Expenditure and Funding Analysis

2023-2024	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	1,466	(38)	**1,428**
IT & Transformation	2,274	43	**2,317**
City Development	3,390	104	**3,494**
Communiciations, Culture & Leisure Facilities	1,723	(637)	**1,086**
Net Zero Exeter & City Management	2,568	2,447	**5,015**
Finance	1,815	2,366	**4,181**
Corporate Services	2,540	483	**3,023**
Housing Revenue Account	1,564	(47)	**1,517**
Strata Service Solutions Ltd	-	245	**245**
Net Cost of Services	**17,340**	**4,966**	**22,306**
Other income and expenditure	(15,690)	18,082	**2,392**
(Surplus) or Deficit on Provision of Services	**1,650**	**23,048**	**24,698**

Opening General Fund and HRA Balance at 1 April 2023	**(27,352)**
Add surplus on General Fund and HRA Balance in Year	**1,650**
Closing General Fund and HRA Balance at 31 March 2024	**(25,702)**

Analysed between General Fund and HRA Balances	General Fund	HRA	Total
Opening Balance at 1 April 2023	(19,796)	(7,556)	**(27,352)**
(Surplus) or Deficit in Year	86	1,564	**1,650**
Closing General Fund and HRA Balance at 31 March 2024	**(19,710)**	**(5,992)**	**(25,702)**

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. The standards introduced by the 2024/25 Code and effective from 1 April 2024 most notably includes the implementation of IFRS 16 Leases.

IFRS 16 Leases

The main impact of IFRS 16 relates to property that the Council holds under operating leases, for which assets and liabilities are not recognised and rents are generally charged as revenue expenditure when they are payable. Under IFRS 16, the accounting treatment for all leases (except those with a term of less than 12 months and those involving low value items) will be to recognise a right-of-use asset in the Balance Sheet, measuring the value of the Council's right to use the property over the remaining term of the lease. The Balance Sheet will also include a liability for the rents payable before the lease expires.

When rents are paid, they will be applied partly to write down the liability and partly charged as interest on the outstanding liability. The cost of the right-of-use asset will be reflected in depreciation charges in the Comprehensive Income and Expenditure Statement. However, statutory arrangements are in place that allow the impact on the General Fund Balance to be unchanged – i.e., that the overall charge for each year will be rents payable in that year.

It is anticipated that the application of IFRS16 will result in the following additions to the balance sheet:

- £328,895 Property, plant and equipment – land and buildings (right-of-use assets)
- £254,357 Long-term creditors (lease liabilities)
- £74,538 Short-term creditors (lease liabilities)

It is also anticipated that a donated right-of-use asset will be recognised but there will be no corresponding lease liability, due to it being leased in with a peppercorn rent. A right-of-use asset of £183,284 will be recognised and matched as a gain in the surplus/deficit on the provision of services. As a capital transaction, the impact of the gain is then neutralised by statutory reversals.

Other Minor Amendments

The following minor amendments will also be introduced, but are not expected to have a significant impact on the amounts reported in the financial statements and there will be limited application:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1) issued in January 2020
  - Specify that an entity's right to defer settlement must exist at the end of the reporting period
  - Clarify that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement
  - Clarify how lending conditions affect classification and,
  - Clarify requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) issued in September 2022. The amendments to IFRS16 add subsequent measurement requirements for sale and leaseback transactions.
- Non-current Liabilities with Covenants (Amendments to IAS 1) issued in October 2022. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least 12 months is subject to compliance with covenants.
- International Tax Reform: Pillar Two Model Rules (Amendments to IAS12) issued in May 2023. Pillar Two applies to multinational groups with a minimum level of turnover and introduced:
  - A temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes and,
  - Targeted disclosure requirements for affected entities
- Supplier Finance Arrangements (Amendments to IAS7 and IFRS7) issued in May 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.

Application of Asset Ceiling

In calculating the net pensions liability, the Council has made a judgement that the statutory framework for setting employer's contributions under the Local Government Pension Scheme constitutes a minimum funding requirement. The Council's commitment to pay employer's contributions to recover a deficit in the Pension Fund has been assessed as greater than the net pensions liability established under Accounting Code requirements by £5.258m. An asset ceiling therefore applies.

The asset ceiling has increased what would otherwise be the net pensions liability of £11.712m to £16.970m. The practical effect of this is to move the basis of measurement for the net pensions liability closer to the assumptions made in the triennial valuation of the Scheme under which the employer's contributions were set by the Scheme's actuaries. It does not indicate that the Council is committed to making future payments into the scheme that it will be unable to recover.

Joint Operation

Strata Service Solutions Ltd is a registered company which has been established to assist the three authorities; Exeter City Council, East Devon District Council and Teignbridge District Council, in the provision and operation of shared ICT services. It is deemed to be a joint operation due to the inherent rights to the assets and obligations for liabilities each authority has relating to the joint arrangement, based upon the following facts and circumstances:

- The three authorities have joint control of the entity. Each authority has one nominated Director and each Director has one vote. The Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the company with decisions made collectively and unanimously.

- The Company is required by the Councils to carry out the tasks as set out in the Business Plans and Service Plans and is limited to the business and objectives as set by the Councils
- The Company's revenue derives from the financial allocations set and controlled by each of the Councils
- There are no plans for Strata to do anything other than provide services to the three authorities. The Company has been established as an in-house mutual trading local authority controlled company to assist them in the provision of services.

Joint operations are not consolidated into group accounts; instead each authority has recognised in its financial statement its share of assets, liabilities, revenue and expenses pertaining to Strata Service Solutions Ltd. Please refer to Note 38 for more details.

5. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director Finance, D Hodgson CPFA, 12 February 2025. Events taking place after this date are not reflected in the 2023/24 financial statements or notes. Where events took place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no non-adjusting events after the Balance Sheet date.

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
Pensions liability	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. For 2023/24 the actuaries also allowed for an asset ceiling, where the requirement to make contributions towards a funding deficit is considered as an additional minimum liability or where the employer has an accounting surplus, it should only be recovered to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds. The carrying value of this long-term liability at the end of the reporting period was £16.970m, which includes £5.258m effect of the asset ceiling. For 2023/24, 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 2024. Regulations in respect of the McCloud and Sargeant judgements came into force on 1 October 2023, which relate to age discrimination. An allowance for the McCloud remedy has been made in the liabilities which is consistent with the method adopted at the last actuarial valuation.	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 £2.770m in the pension liability and £0.158m in the Projected Service Cost. However the assumptions interact in a complex way. During the year the actuaries have reduced the liability by £6.445m as a result of assumptions being updated. 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.

Item	Uncertainties	Effect if actual result differs from Assumptions
Valuation of Property, Plant and Equipment	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. The Council's in-house Royal Institution of Chartered Surveyors (RICS) Registered 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 and RAAC. Valuations are undertaken in accordance with RICS guidance. The in-house valuer maintains knowledge of property conditions through their ongoing involvement with Corporate Property management services. External RICS registered valuers were instructed to carry out the full valuation of 20% of the portfolio (Tranche 1 for 2023/ 24) and the top 4 highest value assets. External property inspections were undertaken of those assets by the valuers.	In 2023/24 £469.833m 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.
Expected Credit Losses	At 31 March 2024, the authority had a balance of £14.901m for short-term debtors (excluding NDR deficit amounts). A review of significant balances suggested that a loss allowance for doubtful debts totalling £3.759m was appropriate. 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 interest rate rises and inflation. Rising costs of living may impact on debtor's ability to pay, with energy and fuel prices remaining at elevated levels.	If collection rates were to deteriorate, a doubling of the amount of impairment of doubtful debts would require an additional £3.759m to be set aside as an allowance.

Item	Uncertainties	Effect if actual result differs from Assumptions
Investment Properties	Investment properties are required to be measured at fair value, reflecting market conditions at the end of the reporting period (i.e. 31 March 2024). Where the Authority uses significant observable inputs to measure the fair value of its investment properties (Level 2 of the fair value hierarchy), there is a level of subjectivity involved, including assumptions regarding rent growth and yield. The portfolio has been valued using the income approach. Expected cash flows from the properties have been discounted utilising market derived rates. Those rates have been used to establish the present value of the net income. The valuers will have used evidence from analysis of relevant recent market transactions and external market reports/reviews. This will have required 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. Valuations have been carried out by JLL, a firm of external registered valuers with experience in asset valuations for local authorities. Valuations are undertaken in accordance with Royal Institute of Chartered Surveyors (RICS) guidance.	Significant changes in any of the observable inputs would result in a significantly lower or higher fair value measurement for the investment properties. As at 31 March 2024, investment properties were valued at £71.516m based on Level 2 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 £0.715m in the Balance Sheet.
Business rates	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. The NDR arrears balance of £1.728m 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 58% (£1m) was appropriate. However, in the current economic climate it is not certain that such an allowance will be sufficient.	Whilst economic uncertainty means any estimate of the impact would be highly uncertain, the impact would feed through into the collection fund balance which would then be taken account of in future years' budgets. If collection rates were to deteriorate further, a doubling of the amount of the impairment of doubtful debts would require an additional £1m to be set aside as an allowance.

7. Note to the Expenditure and Funding Analysis

Restated Adjustments between Funding and Accounting Basis 2022-23	Adjustments for Capital Purposes (Note 7.1) £'000	Net change for the Pensions Adjustments (Note 7.2) £'000	Other Differences (Note 7.3) £'000	Total Adjustments £'000
Chief Executive	-	349	-	349
IT & Transformation	46	36	-	82
City Development	289	591	(39)	841
Communiciations, Culture & Leisure Facilities	9,702	1,258	(2)	10,958
Net Zero Exeter & City Management	2,211	1,868	(166)	3,913
Finance	445	(878)	6,229	5,796
Corporate Services	456	338	5	799
Housing Revenue Account	7,821	462	(1,437)	6,846
Strata Service Solutions Ltd	-	-	513	513
Net Cost of Services	**20,970**	**4,024**	**5,103**	**30,097**
Other income and expenditure from the Expenditure and Funding Analysis	**(8,580)**	**2,622**	**(7,697)**	**(13,655)**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**12,390**	**6,646**	**(2,594)**	**16,442**

Adjustments between Funding and Accounting Basis 2023-24	Adjustments for Capital Purposes (Note 7.1) £'000	Net change for the Pensions Adjustments (Note 7.2) £'000	Other Differences (Note 7.3) £'000	Total Adjustments £'000
Chief Executive	2	(40)	-	(38)
IT & Transformation	46	(3)	-	43
City Development	193	(83)	(6)	104
Communications, Culture & Leisure Facilities	(487)	(147)	(3)	(637)
Net Zero Exeter & City Management	2,562	(231)	116	2,447
Finance	(2,405)	(1,389)	6,160	2,366
Corporate Services	520	(41)	4	483
Housing Revenue Account	4,828	(195)	(4,680)	(47)
Strata Service Solutions Ltd	-	-	245	245
Net Cost of Services	**5,259**	**(2,129)**	**1,836**	**4,966**
Other income and expenditure from the Expenditure and Funding Analysis	**(9,800)**	**799**	**27,083**	**18,082**
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(4,541)**	**(1,330)**	**28,919**	**23,048**

The Council's internal financial reporting structure changed in 2023/24 following changes to director responsibilities. The segment information for the prior year has therefore been restated.

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.

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 £'000	City Development £'000	IT & Transformation £'000	Communiciations, Culture & Leisure Facilities £'000	Net Zero Exeter & City Management £'000	Finance £'000	Corporate Services £'000	Housing Revenue Account £'000
2022-2023 Restated								
Expenditure								
Benefit payment	-	-	-	-	-	28,411	-	-
Revenue Contribution to Capital	-	-	-	-	-	-	-	5,000
Net interest expense	-	-	-	-	-	-	-	1,442
Depreciation & impairment	-	289	46	9,702	2,248	445	456	16,913
Income								
Benefit subsidy	-	-	-	-	-	(26,916)	-	-
Car park income	-	-	-	-	(8,504)	-	-	-
Leisure membership	-	-	-	(2,308)	-	-	-	-
Revenues from other external sources	(394)	(3,086)	(10)	(4,312)	(4,788)	(1,061)	(476)	(21,574)
Revenues from transactions with other operating segments of the authority	(166)	-	(392)	(77)	(731)	(1,240)	(495)	(95)
2023-2024								
Expenditure								
Benefit payment	-	-	-	-	-	29,704	-	-
Revenue Contribution to Capital	-	-	-	-	-	-	-	4,000
Net interest expense	-	-	-	-	-	-	-	684
Depreciation & impairment	2	194	46	(486)	2,601	(2,404)	520	8,591
Income								
Benefit subsidy	-	-		-	-	(27,959)	-	-
Car park income	-	-	-	-	(9,424)	-	-	-
Leisure membership	-	-	-	(3,684)	-	-	-	-
Revenues from other external sources	(225)	(3,265)	-	(5,188)	(5,001)	(780)	(446)	(23,374)
Revenues from transactions with other operating segments of the authority	(154)	-	(442)	(88)	(739)	(1,334)	(544)	(98)

The Council's internal financial reporting structure changed in 2023/24 following changes to director responsibilities. The segment information for the prior year has therefore been restated.

9. Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

	2022-23 £'000	2023-24 £'000
Expenditure:		
Employee benefits expenses	39,041	34,669
Other service expenses	65,273	69,246
Depreciation, amortisation, impairment	30,331	9,289
Interest payments	4,889	5,602
Levies payable	3	6
Net interest on the net defined benefit liability	2,526	700
Pension Fund administration expenses	96	99
Impairment losses	531	(534)
Payments to Housing Capital Receipts Pool	-	-
Total expenditure	**142,690**	**119,077**
Income:		
Fees, charges and other service income	(27,266)	(30,428)
Revenue from contracts with service recipients	(19,873)	(21,499)
Interest and investment income	(2,037)	21,044
Income from council tax, non-domestic rates	(13,221)	(14,405)
Government grants and contributions	(39,311)	(40,059)
Covid grants	(16)	-
Cost of Living Support grants	(923)	(856)
Homes for Ukraine Scheme	(390)	(1,204)
Capital grants and contributions	(6,773)	(9,268)
Movements in Financial Instruments held at Fair Value through Profit and Loss	907	179
(Gain)/losses on the acquisition and disposal of assets	(1,706)	2,117
Total income	**(110,609)**	**(94,379)**
(Surplus) or Deficit on Provision of Services	**32,081**	**24,698**

9A. Revenue from Contracts with Service Recipients

	2022-23 £'000	2023-24 £'000
Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:		
Revenue from contracts with service recipients	19,908	21,462
Impairment of receivables or contract assets	(35)	37
Total included in Comprehensive Income and Expenditure Statement	**19,873**	**21,499**
Amounts included in the Balance Sheet for contracts with service recipients:		
Receivables, which are included within debtors (Note 20)	255	371
Total included in net assets	**255**	**371**

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.

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.

	Usable Reserves									
	2022-23					2023-24				
	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
Adjustments to the Comprehensive Income and Expenditure Statement										
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)**	(6,179)	(727)	-	-	-	1,223	111	-	-	-
~ Financial instruments **(transferred to the Financial Instruments Adjustment Account)**	(868)	-	-	-	-	(181)	-	-	-	-
~ Council Tax and NDR **(transfers to or from the Collection Fund)**	10,923	-	-	-	-	(1,355)	-	-	-	-
~ Holiday pay **(transferred to the Accumulated Absences Reserve)**	(40)	(5)	-	-	-	(35)	(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)**	(17,517)	(18,726)	-	-	(235)	(28,464)	(8,366)	-	-	(5,204)
Total Adjustments to the Comprehensive Income and Expenditure Statement	(13,681)	(19,458)	-	-	(235)	(28,812)	(8,260)	-	-	(5,204)
Adjustments between Revenue and Capital Resources										
~ Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,908	4,247	(7,155)	-	-	20	3,570	(3,590)	-	-
~ Administrative costs of non-current asset disposals **(funded by a contribution from the Capital Receipts Reserve)**	-	(51)	51	-	-	-	(19)	19	-	-
~ Payments to the Government housing receipts pool **(funded by a transfer from the Capital Receipts Reserve)**	-	-	-	-	-	-	-	-	-	-
~ Posting of HRA resources from revenue to the Major Repairs Reserve	-	4,092	-	(4,092)	-	-	3,763	-	(3,763)	-
~ Statutory provision for the repayment of debt **(transfer from the Capital Adjustment Account)**	1,909	-	-	-	-	2,456	-	-	-	-
~ Voluntary provision for the repayment of debt **(transfer from the Capital Adjustment Account)**	(1,480)	-	-	-	-	97	-	-	-	-
~ Adjustment to Long Term Debtor Repayments	-	-	-	-	-		-	-	-	-
~ Capital expenditure financed from revenue balances **(transfer to the Capital Adjustment Account)**	71	5,000	-	-	-	137	4,000	-	-	-
Total Adjustments between Revenue and Capital Resources	3,408	13,288	(7,104)	(4,092)	-	2,710	11,314	(3,571)	(3,763)	-
Capital Financing Adjustments										
~ Use of the Capital Receipts Reserve to finance capital expenditure	-	-	7,311	-	-	-	-	8,555	-	-
~ Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	4,077	-	-	-	-	9,353	-
~ Application of capital grants to finance capital expenditure	-	-	-	-	942	-	-	-	-	2,792
~ Cash payments in relation to deferred capital receipts	-	-	-	-	-	-	-	-	-	-
Total Capital Financing Adjustments	-	-	7,311	4,077	942	-	-	8,555	9,353	2,792
Total Adjustments	**(10,273)**	**(6,170)**	**207**	**(15)**	**707**	**(26,102)**	**3,054**	**4,984**	**5,590**	**(2,412)**

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 2022	Transfers in	Transfers out	Balance 31 March 2023	Transfers in	Transfers out	Balance 31 March 2024
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Building Control Reserve	**58**	-	(46)	**12**	-	(31)	**(19)**
Capital Fund	**500**	-	-	**500**	-	(500)	**-**
Covid Response Funds	**4,218**	454	(2,133)	**2,539**	-	(2,425)	**114**
Economic Development	**113**	1,301	(13)	**1,401**	1,674	(8)	**3,067**
Environment	**968**	-	(102)	**866**	-	(236)	**630**
Housing GF Reserves	**249**	340	(15)	**574**	839	(215)	**1,198**
Land Charges Reserve	**325**	17		**342**	-	(23)	**319**
Leisure Reserves	**561**	-	(292)	**269**	1,137	(25)	**1,381**
Museum Reserves	**733**	-	(351)	**382**	-	(94)	**288**
New Homes Bonus	**134**	-		**134**	-	-	**134**
NDR Deficit	**11,098**	-	(10,804)	**294**	1,366	-	**1,660**
Planning Reserves	**2,019**	80	(419)	**1,680**	-	(599)	**1,081**
Redundancy Reserve	**938**	706	(596)	**1,048**	-	(420)	**628**
Transformation	**683**	-	(93)	**590**	1,000	(243)	**1,347**
Other Earmarked Reserves	**3,146**	695	(1,076)	**2,765**	733	(1,757)	**1,741**
Strata Usable Reserves	**259**	-	(10)	**249**	9	-	**258**
Total	**26,002**	**3,593**	**(15,950)**	**13,645**	**6,758**	**(6,576)**	**13,827**

12. Other Operating Expenditure

	2022-23 £'000	2023-24 £'000
Pension Fund Administration Expenses	96	99
Levies - Strata Service Solutions	3	6
Payment to the Government's Housing Capital Receipt Pool	-	-
(Gain) / losses on the acquisition of non-current assets	-	3,284
(Gain) / losses on the disposal of non-current assets	(1,710)	(1,167)
(Gain) / losses on disposal of assets - Strata Service Solutions Ltd	4	-
	(1,607)	**2,222**

13. Financing and Investment Income and Expenditure

	2022-23 £'000	2023-24 £'000
Interest payable and similar charges	4,889	5,602
Net interest on the net defined benefit liability	2,438	694
Net interest on the net defined benefit liability - Strata Service Solutions Ltd	88	6
Interest receivable	(2,753)	(4,418)
Income and expenditure in relation to investment properties and changes in their fair value	651	25,411
Other investment income and expenditure	80	80
Movements in Financial Instruments held at Fair Value through Profit and Loss	907	179
Impairment losses	531	(534)
Interest receivable - Strata Service Solutions Ltd	(15)	(29)
	6,816	**26,991**

14. Taxation and Non-specific Grant Income

	2022-23 £'000	2023-24 £'000
Council tax income	(6,534)	(6,796)
Non-domestic rates	(6,687)	(7,609)
Non-ringfenced government grants	(3,333)	(3,148)
Capital grants and contributions	(6,773)	(9,268)
Covid Grants:		
Sales, Fees & Charges Compensation Scheme	(16)	-
	(23,343)	**(26,821)**

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
Cost or valuation								
As at 1 April 2022	290,453	119,520	25,179	5,794	5,392	117	58,178	**504,633**
Additions	11,709	4,141	4,525	329	64	-	5,111	**25,879**
Donations	-	-	-	-	-	-	-	**-**
Revaluations - Revaluation Reserve	15,452	(4,864)	-	-	-	-	-	**10,588**
Revaluations - CIES	-	221	-	-	-	-	-	**221**
Impairments - CIES	(12,832)	(9,532)	-	-	-	-	-	**(22,364)**
Derecognition - disposals	(1,369)	-	(627)	(28)	-	-	-	**(2,024)**
Reclassifications - held for sale	(1,592)	-	-	-	-	-	-	**(1,592)**
Reclassifications - surplus	-	-	-	-	-	(117)	-	**(117)**
Reclassifications - AUC	14,451	44,647	-	-	-	-	(59,098)	**-**
Reclassifications - Investment property	-	-	-	-	-	-	-	**-**
Other movements - Strata Service Solutions Ltd	-	-	68	-	-	-	-	**68**
Gross Book Value At 31 March 2023	**316,272**	**154,133**	**29,145**	**6,095**	**5,456**	**-**	**4,191**	**515,292**
Depreciation and impairments								
At 1 April 2022	-	-	(15,425)	(3,586)	-	-	-	**(19,011)**
Depreciation Charge	(4,062)	(1,912)	(2,140)	(245)	-	-	-	**(8,359)**
Depreciation written out to Revaluation Reserve	4,032	1,600	-	-	-	-	-	**5,632**
Depreciation written out to CIES								**-**
Revaluations - CIES								**-**
Impairment - CIES	11	312	-	-	-	-	-	**323**
Derecognition - disposals	19	-	564	-	-	-	-	**583**
Accumulative Depreciation At 31 March 2023	**-**	**-**	**(17,001)**	**(3,831)**	**-**	**-**	**-**	**(20,832)**
Balance Sheet amount at 31 March 2023	**316,272**	**154,133**	**12,144**	**2,264**	**5,456**	**-**	**4,191**	**494,460**

	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
Cost or valuation								
As at 1 April 2023	316,272	154,133	29,145	6,095	5,456	-	4,191	**515,292**
Additions	15,117	2,257	863	545	79	3,407	9,606	**31,874**
Donations	-	-	-	-	-	-	-	**-**
Revaluations - Revaluation Reserve	(24,653)	11,638	-	-	-	-	-	**(13,015)**
Revaluations - CIES	-	5,982	-	-	-	-	-	**5,982**
Impairments - CIES	(5,035)	(727)	-	-	(71)	(450)	-	**(6,283)**
Derecognition - disposals	(694)	-	(25)	(48)	(70)	-	(81)	**(918)**
Reclassifications - held for sale	(537)	-	-	-	-	-	-	**(537)**
Reclassifications - surplus	-	-	-	-	-	-	-	**-**
Reclassifications - AUC	-	-	-	-	-	-	-	**-**
Reclassifications - Investment property	-	(3,921)	-	-	-	-	-	**(3,921)**
Other movements - Strata Service Solutions Ltd	-	-	17	-	-	-	-	**17**
Gross Book Value At 31 March 2024	**300,470**	**169,362**	**30,000**	**6,592**	**5,394**	**2,957**	**13,716**	**528,491**
Depreciation and impairments								
At 1 April 2023	-	-	(17,001)	(3,831)	-	-	-	**(20,832)**
Depreciation Charge	(3,755)	(2,455)	(2,627)	(172)	-	-	-	**(9,009)**
Depreciation written out to Revaluation Reserve	3,539	2,438	-	-	-	-	-	**5,977**
Depreciation written out to CIES	-	-	-	-	-	-	-	**-**
Revaluations - CIES	-	-	-	-	-	-	-	**-**
Impairment - CIES	208	17	-	-	-	-	-	**225**
Derecognition - disposals	8	-	22	-	-	-	-	**30**
Accumulative Depreciation At 31 March 2024	**-**	**-**	**(19,606)**	**(4,003)**	**-**	**-**	**-**	**(23,609)**
Balance Sheet amount at 31 March 2024	**300,470**	**169,362**	**10,394**	**2,589**	**5,394**	**2,957**	**13,716**	**504,882**

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 2024 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
Carried at historical cost	-	-	30,000	6,592	5,394	2,957	13,716	**58,659**
Valued at current value as at:								
31 March 2020	-	-	-	-	-	-	-	**-**
31 March 2021	-	-	-	-	-	-	-	**-**
31 March 2022	-	-	-	-	-	-	-	**-**
31 March 2023	-	-	-	-	-	-	-	**-**
31 March 2024	300,470	169,362	-	-	-	-	-	**469,832**
Gross Book Value At 31 March 2024	**300,470**	**169,362**	**30,000**	**6,592**	**5,394**	**2,957**	**13,716**	**528,491**

Capital Commitments

At 31 March 2024, 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 £14.270m. Similar commitments at 31 March 2023 were £17.318m. The major commitments are:

- £ 0.555m St Sidwell's Point Leisure Complex
- £ 7.514m Vaughan Road, phase I
- £ 0.470m Hamlin Gardens council housing development
- £ 0.097m Bus station construction
- £ 0.250m Exeter Quay Cellars cliff face
- £ 0.278m Bromhams Farm Playing Fields
- £ 4.668m Planned enhancements to housing stock (boiler replacements, electrical re-wiring)
- £ 0.438m Other (IT and property improvements)

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:

	2022-23 £'000	2023-24 £'000
Rental income from investment property	9,431	10,005
Direct operating expenditure arising from investment property	(3,238)	(4,382)
Net gain	**6,193**	**5,623**

With the exception of the Guildhall Shopping Centre, there are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

With regards to the Guildhall Shopping Centre, the Department for Levelling Up, Housing and Communities permitted the Council to borrow in respect of acquiring this investment property on the basis that any net gain is set aside specifically for the purposes of economic regeneration. During 2023/24, the shopping centre generated a net gain of £0.874m, which has been set aside in an earmarked reserve for economic regeneration future spend. The reserve stands at £2.175m as at 31 March 2024.

Fair Value Hierarchy

Details of the authority's investment properties and information about fair value hierarchy as at 31 March 2024 and comparatives as at 31 March 2023 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 2024 £'000
Industrial	5,276	-	**5,276**
Retail	50,015	-	**50,015**
Leisure	6,160	-	**6,160**
Office	6,250	-	**6,250**
Other Commercial	3,815	-	**3,815**
Total	**71,516**	**-**	**71,516**

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**
Total	**94,043**	**4,518**	**98,561**

The movements in the fair value of investment properties over the year are summarised below:

	2022-23 £'000	2023-24 £'000
Balance at 1 April	56,034	98,561
Additions :		
Purchases	49,061	-
Construction	-	-
Subsequent expenditure	310	67
Disposals		
Net gains / losses from fair value adjustments	(6,844)	(31,033)
Transfers:	-	-
To/from Property, Plant & Equipment	-	3,921
Balance at 31 March	**98,561**	**71,516**

Reconciliation of Fair Value Measurements Categorised within Level 3 of the Fair Value Hierarchy

Level 3 fair value measurements	Industrial £'000	Retail £'000	Other Commercial £'000	Total Level 3 Fair Value £'000
Balance at 1 April 2023	4,235	31	252	**4,518**
Gains/(losses) recognised in the CIES resulting from changes in the fair value	-	-	-	**-**
Additions	-	-	-	**-**
Transfers in and out of level 3	(4,235)	(31)	(252)	**(4,518)**
Disposals	-	-	-	**-**
Level 3 balance at 31 March 2024	**-**	**-**	**-**	**-**

The transfers from Level 3 reflect the appointment of external valuers for the investment property valuations and that they categorise their valuations as Level 2; being prices for similar assets and liabilities in active markets.

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 2024 £'000	Valuation technique used to measure fair value	Unobservable inputs	Range / percentage used	Sensitivity
Industrial	Commercial	Market	1,805	Income approach	Rent & Yield	Rent £1.50 - £9 psf Yield 6 - 9%	Significant changes in rental levels or yield will result in a significantly lower or higher fair value
	Ground	Nominal	905	Income approach	Yield	Yield 5 - 6%	Significant changes in yield will result in a significant difference to the fair value
	Ground	Geared	2,566	Income approach	Yield	Yield 5 - 6%	Significant changes in yield will result in a significantly lower or higher fair value
Retail	Commercial	Market	38,945	Income approach	Rent & Yield	Rent £14 - £29 psf ITZA. Yield 7 - 11%	Significant changes in rental levels or yield will result in a significantly lower or higher fair value
	Ground	Nominal	1,180	Income approach	Yield	Yield 7 - 10%	Significant changes in yield will result in a significant difference to the fair value
	Ground	Geared	9,890	Income approach	Yield	Yield 9.5%	Significant changes in yield will result in a significantly lower or higher fair value
Leisure	Commercial	Turnover	6,160	Income approach	Yield	Yield 13%	Significant changes in yield will result in a significantly lower or higher fair value
Office	Commercial	Market	6,250	Income approach	Yield	Yield 11 - 12%	Significant changes in yield will result in a significantly lower or higher fair value
Other commercial	Commercial	Market	3,470	Income approach	Yield	Yield 9 - 10%	Significant changes in yield will result in a significantly lower or higher fair value
	Ground	Geared	200	Income approach	Yield	Yield 5 - 6%	Significant changes in yield will result in a significantly lower or higher fair value
	Ground	Nominal	145	Income approach	Yield	Yield 5 - 6%	Significant changes in yield will not result in a significant difference to the fair value

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	Total £'000
Cost or Valuation			
1 April 2022	20,000	2,743	**22,743**
Additions	-	-	**0**
Disposals	-	-	**0**
Revaluations	-	-	**0**
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	**0**
Impairment Losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	**0**
31 March 2023	**20,000**	**2,743**	**22,743**
Cost or Valuation			
1 April 2023	20,000	2,743	**22,743**
Additions	-	-	**0**
Disposals	-	-	**0**
Revaluations	-	-	**0**
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	**0**
Impairment Losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	**0**
31 March 2024	**20,000**	**2,743**	**22,743**

18. Further Information on the Collections

Guildhall

The Guildhall is home to a number of fine art portraits painted between the 17th and 19th 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.

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 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024
Financial Assets	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit or loss	4,651	4,480	-	-	25,080	17,099	-	-
Amortised cost	982	982	20,386	9,198	17,876	10,658	4,617	7,643
Total Financial Assets	**5,633**	**5,462**	**20,386**	**9,198**	**42,956**	**27,757**	**4,617**	**7,643**
Non-financial assets	-	-	-	-	-	-	8,702	9,749
Total	**5,633**	**5,462**	**20,386**	**9,198**	**42,956**	**27,757**	**13,319**	**17,392**

Financial Liabilities

	Long-term				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024	31 March 2023	31 March 2024
Financial Liabilities	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit or loss	-	-	-	-	-	-	-	-
Amortised cost	165,160	163,591	3,211	2,357	1,537	1,564	14,340	14,588
Total Financial Liabilities	**165,160**	**163,591**	3,211	2,357	**1,537**	**1,564**	**14,340**	**14,588**
Non-financial liabilities	-	-	3,092	4,171	-	-	19,201	13,230
Total	**165,160**	**163,591**	**6,303**	**6,528**	**1,537**	**1,564**	**33,541**	**27,818**

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 January 2025.

	2022-23 £'000	2023-24 £'000
Balance at start of year	**1,129**	**1,193**
New loans granted in the year	-	-
Fair value adjustment on initial recognition	-	-
Accrued interest	64	26
Nominal value at 31 March	**1,193**	**1,219**

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.

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:

	2022-23 Surplus or Deficit on the Provision of Services £'000	2023-24 Surplus or Deficit on the Provision of Services £'000
Net gains/losses on:		
Financial assets measured at fair value through profit and loss	907	179
Financial assets measured at amortised cost	-	-
Financial liabilities measured at fair value through profit and loss	-	-
Financial liabilities measured at amortised cost	-	-
Total net gains/losses	**907**	**179**
Interest receivable:		
Financial assets measured at fair value through profit and loss	(928)	(1,858)
Financial assets measured at amortised cost	(1,825)	(2,589)
Total interest receivable	**(2,753)**	**(4,447)**
Interest payable	**4,889**	**5,602**

Changes in the valuation technique

There have been no change in the valuation technique used during the year for financial instruments.

Fair Value of Financial Assets

Some of the authority's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

	Fair Value Level	Valuation technique used to measure fair value	Balance Sheet 31 March 2023 £'000	Fair Value 31 March 2023 £'000	Balance Sheet 31 March 2024 £'000	Fair Value 31 March 2024 £'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	25,080	25,080	17,099	17,099
Local Authorities' Property Fund	1	Unadjusted quoted prices in active markets for identical shares	4,651	4,651	4,480	4,480
Total			**29,731**	**29,731**	**21,579**	**21,579**

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, owning 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

Fair values are shown in the table below, split by their level in the fair value hierarchy:

	Fair Value Level	Balance Sheet 31 March 2023 £'000	Fair Value 31 March 2023 £'000	Balance Sheet 31 March 2024 £'000	Fair Value 31 March 2024 £'000
Financial Assets Held at Amortised Cost					
Unquoted equity investment	3	982	982	982	982
Loans made for service purposes	2	11,292	11,292	183	183
Lease receivables	3	9,094	9,094	9,015	9,015
Short term investments	2	15,202	15,202	5,067	5,067
Cash (including bank accounts)	2	2,674	2,674	5,591	5,591
Short term debtors	3	13,319	13,319	17,392	17,392
Total Financial Assets		**52,563**	**52,563**	**38,230**	**38,230**
Financial Liabilities Held at Amortised Cost					
Long term borrowing	2	165,160	110,234	163,591	99,949
Short term borrowing	2	1,537	1,537	1,564	1,564
Finance lease liabilities	3	3,211	3,211	2,357	2,357
Long term creditors	3	257	257	317	317
Capital grants receipts in advance	3	2,835	2,835	3,854	3,854
Short term creditors	3	33,541	33,541	27,818	27,818
Total Financial Liabilities		**206,541**	**151,615**	**199,501**	**135,859**

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 (£163.591m long term and £1.536m short term borrowing) would be valued at £99.949m. 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 £116.639m.

20. Debtors

Long-term Debtors 2022-23 £'000	Long-term Debtors 2023-24 £'000		Short-term Debtors 2022-23 £'000	Short-term Debtors 2023-24 £'000
-	-	Trade Debtors	4,315	5,297
-	-	Less impairment allowance	(1,693)	(1,288)
-	-	**Trade Debtors**	**2,622**	**4,009**
-	-	Overpaid Housing Benefits	1,858	1,681
-	-	Less impairment allowance	(1,334)	(1,230)
-	-	**Overpaid Housing Benefits**	**524**	**451**
-	-	Rents - General and HRA	765	922
-	-	Less impairment allowance	(481)	(524)
-	-	**Rents - General and HRA**	**284**	**398**
-	-	Collection Fund amounts	1,874	3,857
-	-	Covid-19 funding	32	32
-	-	VAT	148	1,712
-	-	Housing Benefit Subsidy	1,858	237
-	-	Other receivable amounts	3,571	2,940
-	-	Prepayments	342	232
-	-	Debtors of Strata Service Solutions Ltd	928	1,552
9,094	9,015	Finance lease debtors	80	80
1,194	-	Exeter Science Park	-	1,219
166	138	Exeter Council for Voluntary Service	-	-
9,838	-	Exeter City Living Ltd	259	-
94	45	Other loans	-	14
20,386	**9,198**	**Total Debtors**	**12,522**	**16,733**

21. Debtors for Local Taxation

The past due amounts for local taxation (council tax and NDR) can be analysed by age as follows:

	2022-23 £'000	2023-24 £'000
Less than 1 year	780	655
Less impairment allowance	(268)	(246)
Less than 1 year	**512**	**409**
Over 1 to 5 years	548	619
Less impairment allowance	(311)	(411)
Over 1 to 5 years	**237**	**208**
Over 5 to 10 years	84	87
Less impairment allowance	(43)	(53)
Over 5 to 10 years	**41**	**34**
Over 10 to 15 years	8	11
Less impairment allowance	(4)	(5)
Over 10 to 15 years	**4**	**6**
Over 15 years	4	4
Less impairment allowance	(1)	(2)
Over 15 years	**3**	**2**
Total Debtors for Local Taxation	**797**	**659**

22. Assets Held for Sale

	2022-23 £'000	2023-24 £'000
Balance at 1 April	**4,290**	**2,063**
Assets newly classified:		
Property, plant and equipment	1,851	744
Revaluation losses	-	(16)
Revaluation gains	17	15
Assets declassified:		
Property, plant and equipment	(142)	(208)
Assets sold	(3,953)	(1,559)
Balance at 31 March	**2,063**	**1,039**

23. Cash and Cash Equivalents

	2022-23 £'000	2023-24 £'000
Cash held by the Council	113	483
Bank current accounts	(753)	1,540
Money Market Funds	25,080	17,099
Short-term investments	-	-
Short-term call accounts	3,057	3,207
Strata - Cash at bank and in hand	257	361
Total cash and cash equivalents	**27,754**	**22,690**

24. Short Term Creditors

	2022-23 £'000	2023-24 £'000
Trade Payables	280	1,108
Collection Fund amounts	17,216	13,172
Income in Advance	4,301	3,799
Other Payables	9,590	8,921
Covid funding to be transferred to other parties	539	53
Energy Bill Support Scheme	1,446	5
Creditors of Strata Service Solutions Ltd	169	760
Total Short Term Creditors	**33,541**	**27,818**

25. Provisions

	Business Rates Appeal Provision £'000	Loan Loss Allowances £'000	Total Provisions £'000
Balance as at 1 April 2023	**4,540**	**1,128**	**5,668**
Additional provisions	1,806	42	1,848
Provision utilised in year	(750)	-	(750)
Unused amounts reversed in year	(20)	(1,109)	(1,129)
Unwinding of discount	-	-	-
Balance as at 31 March 2024	**5,576**	**61**	**5,637**

26. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 10.

Usable Reserve	2022-23 £'000	2023-24 £'000
General Fund Balance	6,151	5,883
Housing Revenue Account	7,556	5,992
Capital Receipts Reserve	12,731	7,747
Major Repairs Reserve	18,204	12,614
Earmarked Reserves	13,645	13,827
Capital Grants Unapplied	18,796	21,208
Balance at 31 March	**77,083**	**67,271**

27. Unusable Reserves

Unusable Reserve	2022-23 £'000	2023-24 £'000
Revaluation Reserve	170,695	160,795
Capital Adjustment Account	232,743	221,050
Financial Instrument Adjustment Account	(421)	(601)
Deferred Capital Receipts Reserve	9,222	9,143
Pensions Reserve	(28,934)	(16,969)
Collection Fund Adjustment Account	(48)	(1,403)
Accumulated Absences Account	(686)	(726)
Total Unusable Reserves	**382,571**	**371,289**

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.

2022-23 £'000	Revaluation Reserve	£'000	2023-24 £'000
157,876	Balance at 1 April		170,695
26,620	Upward revaluation of assets	24,785	
(10,382)	Downward revaluation of assets and impairment losses not charged to CIES	(31,809)	
16,238	Surplus / (deficit) on revaluation		(7,024)
(2,124)	Difference between fair value depreciation and historical cost depreciation	(2,286)	
(1,295)	Accumulated gains on assets sold	(590)	
(3,419)	Amount written off to CAA		(2,876)
170,695	**Balance at 31 March**		**160,795**

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.

2022-23	Capital Adjustment Account		2023-24
£'000		£'000	£'000
242,999	Balance at 1 April		232,743
(30,179)	Charges for depreciation and impairment of non-current assets	(9,156)	
(153)	Amortisation of intangible assets	(144)	
38	Revenue expenditure funded from capital under statute	39	
(399)	Capital loan loss allowance	1,067	
(4,103)	Amounts of non-current assets written-off on disposal or sale as part of the gain/loss on disposal	2,491	
(34,796)			(5,703)
2,124	Adjusting amounts to Revaluation reserve		2,286
210,327	Net amount written out of the cost of non-current assets in year		**229,326**
	Capital finance applied in year:		
7,311	Use of Capital receipts reserve	8,555	
4,077	Use of the Major Repairs Reserve	9,353	
7,479	Capital Grants and contributions applied - CIES	6,855	
-	Capital Grants and contributions applied - CGU Account	-	
1,909	Statutory provision for financing capital	2,456	
(1,480)	Voluntary provision for financing capital	97	
5,071	Capital Expenditure charged directly to the General Fund and HRA	4,137	
24,367			31,453
(6,844)	Movements in the market value of Investment Properties		(31,033)
-	Movement in the Donated Assets Account		-
4,893	Repayment of Long Term Debtors		(8,696)
232,743	**Balance at 31 March**		**221,050**

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.

2022-23 £'000	Financial Instruments Adjustment Account	2023-24 £'000
448	Balance at 1 April	(421)
(907)	Statutory reversal of movements in Financial Instruments held at Fair Value through Profit and Loss	(179)
-	Transfer to Capital Adjustment Account - soft loan write off	-
38	Amount by which finance costs charged to CIES differ from finance costs charged in year under statute	(1)
(421)	**Balance at 31 March**	**(601)**

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.

The asset ceiling is the amount that the net pensions asset needs to be reduced to, to recognise the limitation on the extent to which realisation of the net pensions' asset is realisable. The Accounting Code classifies the effect of the asset ceiling as a remeasurement, it is posted to Other Comprehensive Income and Expenditure.

2022-23 £'000	Pensions Reserve	2023-24 £'000
(100,717)	Balance at 1 April	(28,934)
78,688	Remeasurements of the net defined benefit liability/(asset)	15,886
-	Effect of asset ceiling - treated as Other Comprehensive Income and Expenditure	(5,258)
(12,880)	Reversal of items relating to retirement benefits in the CIES	(4,945)
5,975	Employers pension contributions and direct payments to pensioners	6,282
(28,934)	**Balance at 31 March**	**(16,969)**

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.

2022-23 £'000	Deferred Capital Receipts Reserve	2023-24 £'000
14,194	Balance at 1 April	9,222
(4,893)	Deferred sale proceeds forming part of the gain/loss on disposal to CIES	-
(79)	Transfer of Finance Lease Premium to CIES	(79)
-	Transfer to Capital Receipts Reserve upon receipt of cash	-
9,222	**Balance at 31 March**	**9,143**

In 2022/23 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.

2022-23 £'000	Collection Fund Adjustment Account	2023-24 £'000
(10,971)	Balance at 1 April	(48)
10,923	Amount by which council tax and NNDR income credited to CIES differs from that calculated for the year under statute	(1,355)
(48)	**Balance at 31 March**	**(1,403)**

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.

2022-23 £'000	Accumulated Absences Account	2023-24 £'000
(641)	Balance at 1 April	(686)
641	Settlement / cancellation of previous year's accrual	686
(686)	Amounts accrued at the end of year	(726)
(45)	Amount by which remuneration charged to CIES differs from remuneration charged for the year under statute	(40)
(686)	**Balance at 31 March**	**(726)**

28. Cash Flow Statement – Operating Activities

	2022-23 £'000	2023-24 £'000
Net (surplus) / deficit on provision of Services	32,081	24,698
Adjusted for non-cash movements:		
Depreciation	(8,359)	(9,054)
Impairment	(21,820)	(91)
Amortisation	(153)	(144)
Investment (losses) / gains	-	-
Donated assets	-	-
Pension liability	(6,905)	1,337
Carrying amount of non-current assets sold	(5,398)	(2,404)
Movement in investment properties	(6,844)	(31,033)
Finance lease income	(80)	(80)
Other	(2,931)	(2,944)
Movement in inventories	11	6
Movement in debtors	(16,776)	1,291
Movement in creditors	10,807	4,404
Items classified as investing and financing activities:		
Proceeds from the sale of property, plant & equipment	7,155	3,590
Items classified elsewhere	2,962	8,045
Net cashflows from Operating Activities	**(16,250)**	**(2,379)**

29. Cash Flow Statement – Investing Activities

	2022-23 £'000	2023-24 £'000
Purchase of non-current assets	73,292	29,020
Purchase of short and long-term investments	111,000	33,000
Other payments for investing activities	4,058	4,034
Proceeds from the sale of non-current assets	(7,155)	(3,590)
Proceeds of short and long-term investments	(118,000)	(43,000)
Other receipts for investing activities	(7,372)	(12,242)
Net cash flows from investing activities	**55,823**	**7,222**

30. Cash Flow Statement – Financing Activities

	2022-23 £'000	2023-24 £'000
Cash receipts of short and long-term borrowing	-	-
Other receipts for financing activities	(1,382)	(2,183)
Cash payments for the reduction of liabilities relating to finance leases	852	867
Repayments of short and long-term borrowing	1,482	1,537
Net cash flows from financing activities	**952**	**221**

31. Reconciliation of Liabilities arising from Financing Activities

The total of Financing cash flows of £0.221m reconciles to the movement in borrowings in the Balance Sheet, excluding £2.183m in respect of Collection Fund cash-flows and a £0.867m reduction in liabilities relating to finance leases. Apart from this, there have been no non-cash movements in borrowing amounts on the Balance Sheet.

32. Officers' Remuneration

The table below sets out the remuneration paid to or receivable by the authority's senior management:

2023-24	Salary, fees & allowances £	Expenses £	Compensation for Loss of Office £	Total Remuneration £	Employers Pension Contributions £	Total £
Chief Executive	128,007	290	-	**128,297**	25,089	**153,386**
Director (0.81 FTE)	74,461	-	-	**74,461**	14,594	**89,055**
Director (0.86 FTE)	79,425	403	-	**79,828**	15,567	**95,395**
Director	91,835	-	-	**91,835**	18,000	**109,835**
Director (Finance)	91,835	380	-	**92,215**	18,000	**110,215**
Director (Corporate Services)	91,835	39	-	**91,874**	18,000	**109,874**
Director (City Development)	91,835	-	-	**91,835**	18,000	**109,835**

Restated 2022-23	Salary, fees & allowances £	Expenses £	Compensation for Loss of Office £	Total Remuneration £	Employers Pension Contributions (inc. strain payments) £	Total £
Chief Executive & Growth Director (left 31 March 2023)	123,678	-	60,877	**184,555**	197,983	**382,538**
Deputy Chief Executive	103,755	38	-	**103,793**	18,261	**122,054**
Director (0.81 FTE)	71,942	-	-	**71,942**	12,620	**84,562**
Director (0.86 FTE)	76,739	388	-	**77,127**	13,506	**90,633**
Director	88,729	-	-	**88,729**	15,616	**104,345**
Director (Finance)	88,729	362	-	**89,091**	15,616	**104,707**
Director (Corporate Services)	88,729	-	-	**88,729**	15,616	**104,345**
Director (City Development wef 4 April 2022)	87,989	-	-	**87,989**	15,486	**103,475**

Restated to reflect the final pension strain payment in respect of the Chief Executive and Growth Director and to reflect the composition of the Council's Strategic Management Board

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 Restated 2022-23	2023-24
£50,000 - £54,999	3	13
£55,000 - £59,999	4	4
£60,000 - £64,999	9	2
£65,000 - £69,999	4	11
£70,000 - £74,999	1	3
£75,000 - £79,999	-	-
£80,000 - £84,999	1	-
£85,000 - £89,999		1
£90,000 - £94,999	-	-
£95,000 - £99,999	1	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	1	-
£115,000 - £119,999	-	1
£120,000 - £124,999	-	1
£125,000 - £129,999	-	-
£130,000 - £134,999	-	1

Restated to reflect the transfer of three officers from the senior employee's disclosure note.

33. 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 £408,011 has been charged to the Comprehensive Income and Expenditure Statement in 2023/24.

	Number of employees		Total Cost of exit packages in each band	
			£'000	£'000
Exit Package Cost Band	2022-23	2023-24	2022-23	2023-24
Compulsory Redundancies				
Less than £20,000	3	3	10	18
£20,001 - £39,999	-	1	-	32
£40,000 - £59,999	-	-	-	-
£60,000 - £79,999	-	1	-	65
£80,000 - £99,999	-	-	-	-
£100,000 - £149,999	-	-	-	-
£150,000 - £199,999	-	1	-	170
Other Departures Agreed				
Less than £20,000	6	2	61	20
£20,001 - £39,999	4	-	107	-
£40,000 - £59,999	1	-	46	-
£60,000 - £79,999	1	-	67	-
£80,000 - £99,999	1	-	81	-
£100,000 - £149,999	-	1	-	103
£150,000 - £199,999	-	-	-	-
£200,000 - £249,999	1	-	224	-
Total	**17**	**9**	**596**	**408**

34. Audit Costs

The authority has incurred the following audit costs in relation to the statement of accounts and certification of grant claims:

	2022-23 £'000	2023-24 £'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor for the year	94	168
Fees payable to Grant Thornton; external audit services carried out by the appointed auditor in respect of prior year	-	5
Fees payable to Grant Thornton; certification of grant claims and returns	38	46
Total	**132**	**219**

35. Members Allowances

The authority paid the following amounts to members of the council during the year:

	2022-23 £'000	2023-24 £'000
Salaries	15	15
Allowances	406	420
Expenses	-	1
Total	**421**	**436**

36. Grants, Contributions and Donations

The Authority credited the following grants, contributions and donations to the comprehensive income and expenditure statement in 2023/24:

	Restated 2022-23 £'000	2023-24 £'000
Credited to Taxation and non-specific grant income		
Council taxpayers	(6,534)	(6,796)
Revenue Support Grant	(894)	(597)
New Homes Bonus	(1,362)	(672)
NDR	(6,687)	(8,619)
Community Infrastructure Levy	(1,077)	(869)
Other Capital Grants & Contributions	(6,773)	(9,268)
Covid Grants	(16)	-
Total	**(23,343)**	**(26,821)**
Credited to Services		
Benefit Subsidy	(26,916)	(27,959)
Arts Council	(618)	(614)
Cost of Living Support Grants	(923)	(856)
Homes for Ukraine Scheme	(390)	(1,204)
NDR Cost of Collection	(212)	(215)
Sport England	(1,104)	(2,314)
Homelessness and Rough Sleepers Support Grant	(2,434)	(2,749)
CT/HB Admin Grant	(456)	(316)
Other Grants and Contributions	(4,238)	(2,744)
Total	**(37,291)**	**(38,971)**

Restated to disclose the Arts Council funding separately.

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:

Capital Grants receipts in advance	2022-23 £'000	2023-24 £'000
Affordable Housing - Yeoman Gardens	(34)	-
Car Club - Harrington Lane	(89)	(89)
Community Facility - Hill Barton	(208)	(208)
Community Facility - Newcourt	(376)	(376)
Habitats Mitigation	(33)	(304)
Land at Beacon Avenue	(6)	(6)
Leisure Contribution - Bishops Court	(309)	(309)
Leisure Contribution - Gladstone Rd	-	(62)
Leisure Contribution - Hill Barton	(70)	(70)
Leisure Contribution - Holland Park	(56)	(56)
Leisure Contribution - Homefield Rd	-	(13)
Leisure Contribution - Monkerton	(102)	(102)
Leisure Contribution - Newcourt	(558)	(558)
Leisure Contribution - Rydon Lawns	(12)	(12)
Leisure Contribution - Rydon Place	(190)	(190)
Leisure Contribution - St Loyes	(298)	(296)
Leisure Contribution - Tithebarn Green	(106)	(774)
Leisure Contribution - Yeoman Gardens	(8)	(8)
Leisure Contribution - Brookhayes	(43)	(43)
Local Energy Networks	(29)	(29)
Other Grants	(308)	(349)
Total	**(2,835)**	**(3,854)**

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 2023/24 is shown in Note 35. During the financial year, the Council paid grants to organisations totalling £60,686 (£49,163 2022/23) in which 14 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 £318,139 (£237,653 2022/23) were also made to organisations in which 19 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. On 17 October 2023 the Council resolved to significantly reduce the capacity of Exeter City Living Ltd. The company has been 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 entered into an asset sale agreement on 26 March 2024, whereby the Council acquired ECL's assets (with the exception of the six leasehold flats) in return for releasing ECL from its loan obligations, which stood at £8.696m.

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 £6,294 as at 31 March 2024 (£88,338 as at 31 March 2023).

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 (£42,776 in 2023/24). ECQT also contributed £151,074 towards Council costs mostly in respect of running the Custom House Visit Centre during 2023/24 (£135,326 in 2022/23).

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 2024/25. 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.

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.

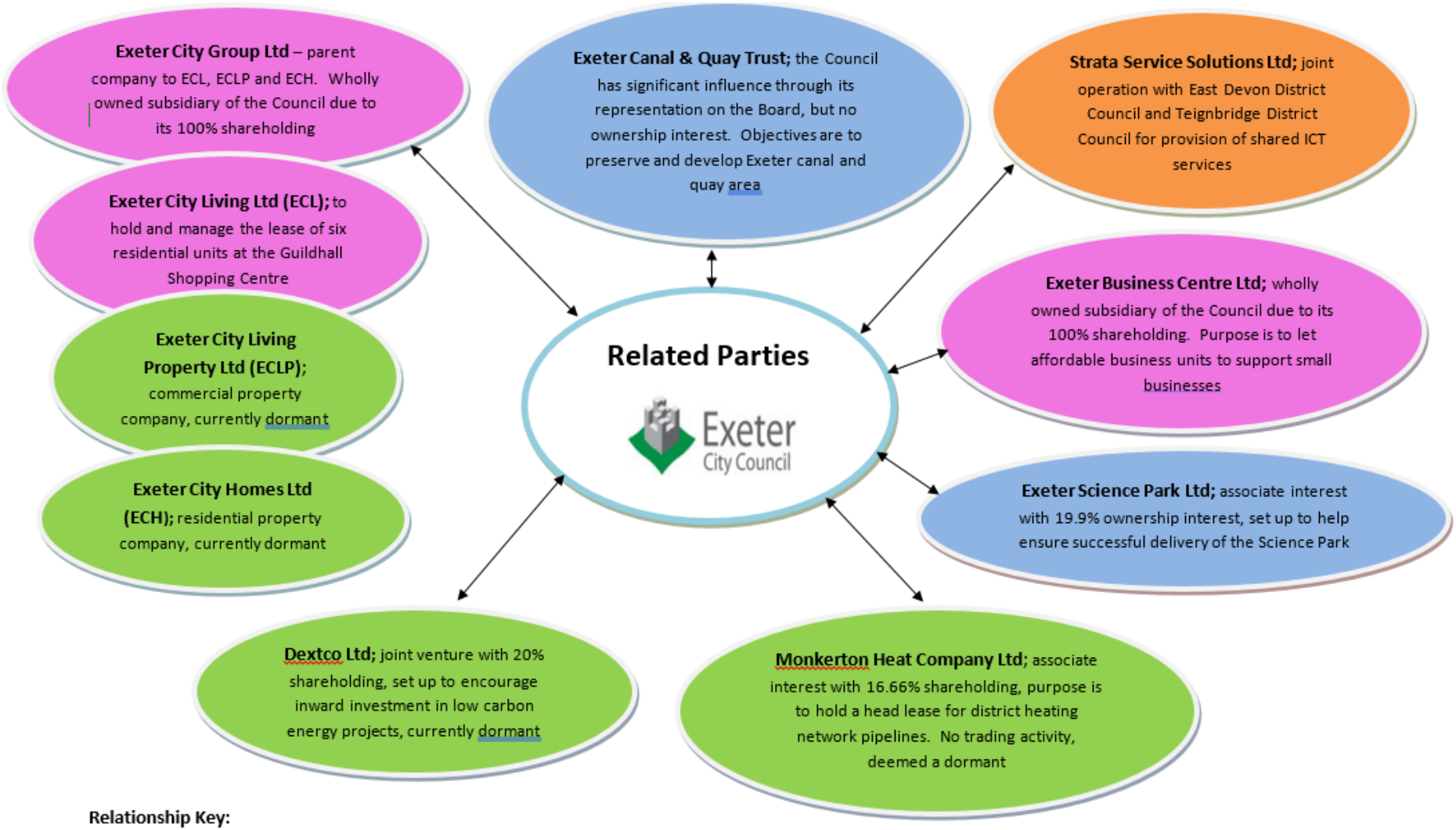
The purpose of the company is to hold a 999 year head lease for the pipelines and to grant an 80 year sub-lease to the energy supplier – both leases at nil consideration. As a result, the company is considered a dormant company as it is not carrying on any kind of business activity or receiving any form 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.


Exeter City Group Ltd – parent company to ECL, ECLP and ECH. Wholly owned subsidiary of the Council due to its 100% shareholding
Exeter Canal & Quay Trust; the Council has significant influence through its representation on the Board, but no ownership interest. Objectives are to preserve and develop Exeter canal and quay area
Strata Service Solutions Ltd; joint operation with East Devon District Council and Teignbridge District Council for provision of shared ICT services
Exeter City Living Ltd (ECL); to hold and manage the lease of six residential units at the Guildhall Shopping Centre
Exeter City Living Property Ltd (ECLP); commercial property company, currently dormant
Related Parties
Exeter City Council
Exeter Business Centre Ltd; wholly owned subsidiary of the Council due to its 100% shareholding. Purpose is to let affordable business units to support small businesses
Exeter City Homes Ltd (ECH); residential property company, currently dormant
Exeter Science Park Ltd; associate interest with 19.9% ownership interest, set up to help ensure successful delivery of the Science Park
Dextco Ltd; joint venture with 20% shareholding, set up to encourage inward investment in low carbon energy projects, currently dormant
Monkerton Heat Company Ltd; associate interest with 16.66% shareholding, purpose is to hold a head lease for district heating network pipelines. No trading activity, deemed a dormant
Relationship Key:
Subsidiary
Associate
Joint operation
Dormant

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:

Adjustments to CIES	2022-23 £'000	2023-24 £'000
Fees	(2,949)	(3,169)
Cost of sales	1,558	1,378
Admin expenses	1,904	2,036
Transfer of pension scheme liability	-	-
Cost of Services	**513**	**245**
Loss/(Gain) on disposal of assets	4	-
Pension Fund Administration	3	3
Net interest on the net defined benefit liability	88	6
Levies	3	6
Interest receivable	(15)	(29)
(Surplus) or Deficit on Provision of Services	**596**	**231**
Remeasurement of the net defined benefit liability	(3,589)	(162)
Total CIES	**(2,993)**	**69**

Adjustments to Balance Sheet	2022-23 £'000	2023-24 £'000
Property, plant & equipment	(14)	(66)
Intangible assets	26	(4)
Investment in Strata removed upon consolidation and replaced with proportional share of assets and liabilities	(434)	(289)
Total Long Term Assets	**(422)**	**(359)**
Inventories	2	3
Short Term Debtors	90	624
Cash & cash equivalents	(123)	104
Total Current Assets	**(31)**	**731**
Short Term Creditors	314	(591)
Total Current Liabilities	**314**	**(591)**
Capital Grants Receipts in Advance	(107)	(10)
Pension Scheme Liability	3,239	160
Total Long Term Liabilities	**3,132**	**150**
Net assets	**2,993**	**(69)**
Financed by:		
Usable Reserves	(8)	9
Unusable Reserves	3,001	(78)
Total Reserves	**2,993**	**(69)**

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.

	2022-23 £'000	2023-24 £'000
Opening Capital Financing Requirement	**178,753**	**226,430**
Capital Investment		
Intangible Assets		
Property, Plant and Equipment	25,880	27,570
Investment Properties	44,477	67
Long Term Debtors	1,500	-
Long Term Investments	434	289
REFCUS	718	1,415
Sources of Finance		
Capital Receipts	(7,311)	(8,555)
Government grants and other contributions	(8,235)	(8,310)
Sums set aside from revenue	(5,071)	(4,137)
Major Repairs Reserve	(4,077)	(9,353)
Minimum Revenue Provision	(1,909)	(2,465)
Voluntary Revenue Provision	1,480	(97)
Repayment of Long Term Debtors	(209)	(1,047)
Closing Capital Financing Requirement	**226,430**	**221,807**

Explanation of movements in year		
Increase in underlying need to borrow (unsupported by Government financial assistance)	47,677	(4,623)
Increase/(decrease) in Capital Financing Requirement	**47,677**	**(4,623)**

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. Another item of plant was acquired under a finance lease during 2023/24, bringing the total number of vehicles and plant leased to 98 as at 31/3/2024.

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:

	2022-23 £'000	2023-24 £'000
Net amount carried in the Balance Sheet		
Council dwellings	431	350
Other land and buildings	4,995	5,199
Investment property	7,444	3,845
Vehicles, plant and equipment	3,702	2,621

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:

	2022-23 £'000	2023-24 £'000
Finance lease liabilities (net present value of minimum lease payments)		
Current	867	870
Non-current	3,211	2,357
Finance costs payable in future years	815	643
Total minimum lease payments	**4,893**	**3,870**

The minimum lease payments will be payable over the following periods:

	Minimum lease payments		Finance lease liabilities	
	2022-23 £'000	2023-24 £'000	2022-23 £'000	2023-24 £'000
Not later than one year	1,042	1,046	867	870
2 - 5 years	3,384	2,636	2,817	2,199
5+ years	467	188	394	158
	4,893	**3,870**	**4,078**	**3,227**

The authority has sub-let some properties held under finance leases. At March 2024 the minimum future payments expected to be received under non-cancellable sub-leases is £0.888m.

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 £289,268 (2022/23 £318,334).

The future minimum lease payments due under non-cancellable leases in future years can be broken down as follows:

	2022-23 £'000	2023-24 £'000
Not later than one year	69	85
2 - 5 Years	54	85
5+ Years	35	113
	158	**283**

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:

	2022-23 £'000	2023-24 £'000
Finance Lease Debtor (net present value of minimum lease payments)		
Current	80	80
Non-current	9,094	9,014
Unearned finance income	9,174	9,094
Unguaranteed Residual Value	20,815	14,871
Gross Investment in Lease	**29,989**	**23,965**
Minimum lease payments are:		
Per annum	378	378

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.

Operating Leases
The Council leases out approximately 350 areas of land and premises, which are predominantly 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:

	Restated 2022-23 £'000	2023-24 £'000
Not later than one year	3,781	3,625
2 - 5 Years	10,881	9,893
5+ Years	90,665	90,148
	105,327	**103,666**

Restated to reflect future rents receivable in respect of land and premises that are leased out alongside the Council's commercial property portfolio.

41. Impairments and Downward Valuations
During 2023/24, the Council recognised impairment losses of £6.227m in relation to its council dwellings and operational land and buildings. Impairment losses of £5.928m 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. HRA beacon properties are independently valued every 5 years to inform valuations of the whole housing stock and this was undertaken in 2023/24.

The Council sought valuations from external valuers for a range of properties in the portfolio, who reported reversals of previous impairments of:

- £2.980m for the new bus station at Cheeke Street, £1.537m in respect of St Sidwells Point, £0.578m in respect of the Royal Albert Memorial Museum and £0.507m in respect of Exeter Arena

Assets impaired include £0.450m in respect of Clifton Hill, £0.610m Edwards Court extra care flats and £3.409m relating to seventeen HRA properties acquired during the year. 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.

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 overseas 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 principal 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 2024.

To assess the value of the liabilities at 31 March 2024, 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.

Asset Ceiling

The actuaries have applied an asset ceiling at 31 March 2024, to recognise an additional liability of £5.258m in respect of the Council's obligation to pay future deficit contributions. When an authority still has a net pension liability but has an employer's secondary rate for the recovery of a deficit calculated as higher than that assumed in the IAS 19 calculations, the asset ceiling is applied to recognise these commitments.

Scheduled Contributions

The Council's contribution rates certified in the 31 March 2022 valuation are:

Future Service Pay

2023/24 – 2025/26	19.6% of pensionable pay

Past Service Deficit

2023/24	£1.120 million
2024/25	£1.160 million
2025/26	£1.200 million

Local Government Pension Scheme Assets Comprised:

Asset Share	2022-23		2023-24	
	£'000	%	£'000	%
Equities	12,197	8	2,424	1
Overseas Equities	69,264	45	92,256	54
Infrastructure	13,902	9	17,479	10
Other Bonds	33,062	21	39,209	23
Property	13,553	9	13,253	8
Cash	1,836	1	3,884	2
Target Return Portfolio	10,747	7	4,075	2
Alternative Assets	60	-	(35)	-
Total	**154,621**	**100**	**172,545**	**100**

Significant Assumptions used by the Actuary:

	2022-23	2023-24
Discount rate for scheme liabilities	4.8% pa	4.9% pa
Rate of increase in salaries	3.95% pa	3.9% pa
Rate of increase in pensions	2.95% pa	2.9% pa
Rate of inflation - RPI	3.95% pa	3.25% pa
Rate of inflation - CPI	2.95% pa	2.9% pa
Longevity at 65 - current pensioners		
Men	21.8	21.5
Women	22.9	22.7
Longevity at 65 - future pensioners		
Men	23.1	22.8
Women	24.4	24.1
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:

	2022-23	2023-24
	£'000	£'000
Cost of Services		
Current Service Cost	10,204	3,959
Loss / (Gain) on curtailment	54	186
(Gain) / Loss from Settlements	-	-
Other Operating Expenditure		
Administration expenses	96	99
Financing and Investment Income and Expenditure		
Net Interest on the net defined benefit liability	2,526	701
Total post-employment benefits charged to the CIES	**12,880**	**4,945**
Movement in Reserves Statement:		
Reversal of net charges	(12,880)	(4,945)
Actual Employers contributions payable to the scheme	5,975	6,282

Pension Assets and Liabilities Recognised in the Balance Sheet:

	2022-23 £'000	2023-24 £'000
Present value of defined benefit obligation	183,557	184,257
Fair Value of Scheme Assets	(154,622)	(172,545)
Effect of Asset Ceiling	-	5,258
Net liability arising from defined benefit obligation	**28,935**	**16,970**

Reconciliation of the Movements in the Fair Value of Scheme Assets:

	2022-23 £'000	2023-24 £'000
Opening fair value of assets	154,209	150,157
Opening fair value of Strata assets	4,196	4,465
Interest income	4,097	8,110
Re-measurement gains / losses	(6,107)	9,858
Administration expenses	(96)	(99)
Contributions by the employer	4,273	6,340
Contributions by participants	1,522	1,571
Net benefits paid out	(7,472)	(7,857)
Settlement prices received / (paid)	-	-
Closing fair value of assets	**154,622**	**172,545**

Reconciliation of the Present Value of Scheme Liabilities (Defined Benefit Obligation):

	2022-23 £'000	2023-24 £'000
Opening present value of liabilities	250,029	178,863
Opening present value of Strata liabilities	7,664	4,694
Current service cost	10,204	3,959
Interest cost	6,623	8,811
Contributions by participants	1,522	1,571
Re-measurement (gains) and losses:		
Change in demographic assumptions	(443)	(2,604)
Change in financial assumptions	(104,880)	(3,841)
Experience loss (gain)	20,256	475
Benefits paid out	(7,236)	(7,607)
Past service cost, including curtailments	54	186
Liabilities assumed / (extinguished) on settlements	-	-
Unfunded pension payments	(236)	(250)
Closing present value of liabilities	**183,557**	**184,257**

Reconciliation of Asset Ceiling:

	2022-23 £'000	2023-24 £'000
Opening impact of credit ceiling	-	-
Actuarial losses / (gains)	-	5,258
Closing impact of asset ceiling	**0**	**5,258**

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)	191,501	177,326
Rate of increase in salaries (increase or decrease by 1%)	184,524	183,993
Rate of increase in pensions (increase or decrease by 1%)	186,885	181,695
Rate for discounting scheme liabilities (increase or decrease by 1%)	181,486	187,099

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 2023 £'000	Expenditure £'000	Income £'000	Value of fund at 31 March 2024 £'000
Reynolds Chard Bequest	**467**	(1)	27	**493**
Veitch Bequest	**23**	-	1	**24**
Dorothy Holman Trust	**27**	-	2	**29**
Bowling Green Marshes	**3**	-	-	**3**
Topsham Recreation Ground	**18**	-	1	**19**
King George Playing Field Trust	**28**	(19)	29	**38**
	566	**(20)**	**60**	**606**

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 20 February 2024, which is available on the Council's website (use search function for the 2024/25 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.

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
Loans to businesses and voluntary organisations	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.
Short term investments: 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.
Sundry debtors	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.

Impairment Loss Allowances

The changes in the loss allowance for each class of financial asset during the year are as follows:

	Allowance at 1 April 2023 £'000	Allowance for assets originated or acquired £'000	Allowance for assets de-recognised £'000	Assets switching measurement basis £'000	Changes in models/risk parameters £'000	Other movements £'000	**Allowance at 31 March 2024 £'000**
Deposits with bank and building societies							
12-month expected credit losses	**-**	-	-	-	-	-	**-**
Loans to business and voluntary organisations							
12-month expected credit losses	**1,128**	-	(1,109)	-	-	42	**61**
Lifetime expected credit losses	**-**	-	-	-	-	-	**-**
Other debtors							
Sundry debtors	**1,693**	-	-	-	-	(405)	**1,288**
Overpaid Housing Benefits	**1,334**	-	-	-	-	(104)	**1,230**
Housing rents	**481**	-	-	-	-	43	**524**
Council Tax and NDR	**627**	-	-	-	-	90	**717**
Total Loss Allowances	**5,263**	**-**	**(1,109)**	**-**	**-**	**(334)**	**3,820**

Credit Risk Exposure

The authority has the following exposure to credit risk at 31 March 2024:

	Credit risk rating £'000	**Gross carrying amount £'000**
Deposits with bank and building societies:		
12-month expected credit losses	Low	**-**
Loans to business and voluntary organisations:		
12-month expected credit losses	Low	**153**
Lifetime expected credit losses	High	**1,235**
Other debtors:		
Sundry debtors	Other *	**5,297**
Overpaid Housing Benefits	Other *	**1,681**
Housing rents	Other *	**922**
Council Tax and NDR	Other *	**1,376**
Total amount exposed to credit risk		**10,664**

*** 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.

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:

	31 March 2023 £'000	31 March 2024 £'000
Less than 1 year	1,537	1,564
1 - 2 years	1,565	1,563
2 - 5 years	4,778	4,863
5 - 10 years	8,556	8,711
+ 10 years	149,898	148,091
	166,334	**164,792**

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

Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and 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 2024 the interest rates are 1% higher than the actual interest rates the financial impact would be:

Borrowing:
As at 31 March 2024, the Council had a number of long-term loans with the PWLB amounting to £165m. A 1% increase in interest rates would increase the cost of borrowing by £1.65m 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 £5m a 1% increase in interest rates would increase interest receivable by £50k 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 £17.099m 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.

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.

	Restated 2022-23 £'000	2023-24 £'000
Income		
Fees and Charges	(27)	(142)
Total Income	**(27)**	**(142)**
Expenditure		
Employees	232	182
Premises	62	106
Supplies and Services	43	79
Transport	37	53
Capital Charges	47	44
Total Expenditure	**421**	**464**
Net cost of Harbour Activities as included in the Comprehensive Income and Expenditure Statement	**394**	**322**

Restated to reflect current service cost adjustment to employee costs, in order reflect net cost of Harbour Authorities included in the Comprehensive Income and Expenditure Statement

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 2024, 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	Purpose reduced to managing and holding the lease of six residential units at the Guildhall Shopping Centre	100% shareholding	Subsidiary	Line-by-line consolidation of assets, liabilities, income and expenditure	**Material** It is expected that 2023/24 will be the final year that the Council's interests will be considered material, following completion of the asset transfer agreement on 26 March 2024. The Council acquired ECL's assets (£4.304m excluding the 6 leasehold flats) in return for proper consideration in the form of a release from its loan obligations (£8.696m)
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	**Not material** 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	**Not material** Largest item for consolidation is turnover of £255k (22/23) and net assets of £88k (22/23) and £253k turnover (23/24) and net assets of £6k (23/24)
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	**Not material** Accounts to 31 March 2023 show Council's equity share of profit at (<£1k) and (£1.180m) net assets and forecast Balance Sheet to 31 March 2024 show Council's equity share of £1.605m 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	**Not material** No financial activities. 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	**Not material** 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 2024 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.

On 17 October 2023 the Council resolved to significantly reduce the capacity of Exeter City Living Ltd. The company has been 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 entered into an asset transfer agreement with ECL on 26 March 2024, whereby the Council acquired all ECL's assets (£4.304m excluding the six leasehold flats) in return for releasing ECL from its loan agreement obligations of £8.696m.

The challenging economic environment caused by external factors meant that a reduction in the capacity of the Company was financially prudent. Despite a challenging backdrop, ECL has been successful in completing three sites providing 22 homes and progressed two developments which will provide 56 homes by the end of 2024. A further site to provide 41 homes is cleared and ready to start construction when economic conditions improve.

Group Comprehensive Income & Expenditure Statement

Restated 2022-2023 Gross Expenditure £'000	Restated 2022-2023 Gross Income £'000	Restated 2022-2023 Net Expenditure £'000		2023-2024 Gross Expenditure £'000	2023-2024 Gross Income £'000	2023-2024 Net Expenditure £'000	Notes
2,022	48	2,070	Chief Executive	1,681	(28)	1,653	
2,173	(10)	2,163	IT & Transformation	2,317	0	2,317	
9,846	(6,553)	3,293	City Development	10,263	(6,725)	3,538	
26,116	(9,687)	16,429	Communiciations, Culture & Leisure Facilities	14,491	(13,537)	954	
21,021	(13,777)	7,243	Net Zero Exeter & City Management	20,273	(15,258)	5,015	
35,911	(31,047)	4,864	Finance	34,688	(30,461)	4,227	
3,849	(436)	3,413	Corporate Services	3,646	(600)	3,046	
32,343	(21,594)	10,748	Housing Revenue Account	24,928	(23,411)	1,517	
1,140	(627)	513	Strata Service Solutions Ltd	785	(540)	245	
1,198	(869)	329	Exeter City Group Ltd - subsidiary	(333)	(43)	(376)	
135,619	**(84,552)**	**51,067**	**Cost of Services**	**112,739**	**(90,603)**	**22,136**	
		(1,607)	Other operating expenditure			(2,170)	1
		7,230	Financing and investment income and expenditure			26,909	
		(23,393)	Taxation and non-specific grant income			(26,821)	
		33,297	**(Surplus) or Deficit on Provision of Services**			**20,054**	
			Other Comprehensive Income and Expenditure				
		(16,238)	(Surplus) or deficit on revaluation of property, plant and equipment			7,024	
		(78,688)	Remeasurement of the net defined benefit liability/(asset)			(10,628)	
		(94,926)	**Total Other Comprehensive Income and Expenditure**			**(3,604)**	
		(61,629)	**Total Comprehensive Income and Expenditure**			**16,450**	

The Council's internal financial reporting structure changed in 2023/24 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)**
Balance at 31 March 2023 carried forward	**(6,151)**	**(13,645)**	**(19,796)**	**(7,556)**	**(12,731)**	**(18,204)**	**(18,796)**	**4,527**	**(72,556)**	**(382,571)**	**(455,127)**
Movement in Reserves during 2023-2024											
Total Comprehensive Income & Expenditure	26,188	-	26,188	(1,490)	-	-	-	(4,644)	20,054	(3,604)	**16,450**
Adjustments between accounting basis and funding basis under statutory provisions (Note 10)	(26,102)	-	(26,102)	3,054	4,984	5,590	(2,412)	-	(14,886)	14,886	**-**
Transfers to / (from) Earmarked Reserves	182	(182)	-	-	-	-	-	-	-	-	**-**
(Increase) / Decrease in 2023-2024	**268**	**(182)**	**86**	**1,564**	**4,984**	**5,590**	**(2,412)**	**(4,644)**	**5,168**	**11,282**	**16,450**
Balance at 31 March 2024 carried forward	**(5,883)**	**(13,827)**	**(19,710)**	**(5,992)**	**(7,747)**	**(12,614)**	**(21,208)**	**(117)**	**(67,388)**	**(371,289)**	**(438,677)**

Group Balance Sheet

2022-23 £'000		2023-24 £'000	Note
494,460	Property, Plant and Equipment	504,882	
98,561	Investment Property	71,516	
22,743	Heritage Assets	22,743	
474	Intangible Assets	470	
5,633	Long Term Investments	5,462	
10,548	Long Term Debtors	9,198	
632,419	**Total Long-Term Assets**	**614,271**	
4,294	Inventories	209	2
13,078	Short-Term Debtors	17,396	
15,202	Short-Term Investments	5,067	
2,063	Assets Held for Sale	1,039	
29,269	Cash & Cash Equivalents	24,407	3
63,906	**Total Current Assets**	**48,118**	
(1,537)	Short-Term Borrowing	(1,564)	
(33,595)	Short-Term Creditors	(29,422)	4
(5,668)	Provisions	(5,637)	
(40,800)	**Total Current Liabilities**	**(36,623)**	
(165,160)	Long term borrowing	(163,591)	
(2,835)	Capital Grants Receipts in Advance	(3,854)	
(3,468)	Long-Term Creditors	(2,674)	
(28,935)	Pension Scheme Liability	(16,970)	
(200,398)	**Total Long-Term Liabilities**	**(187,089)**	
455,127	**Net Assets**	**438,677**	
	Financed by:		
72,556	Usable Reserves	67,388	5
382,571	Unusable Reserves	371,289	
455,127	**Total Reserves**	**438,677**	

These financial statements replace the unaudited financial statement certified by the Responsible Financial Officer, Dave Hodgson, on 30 May 2024.

Dave Hodgson, CPFA, Director Finance, 12 February 2025

Group Cash-Flow Statement

2022-23 £'000		2023-24 £'000	Notes
33,297	Net (surplus) or deficit on the provision of services	20,054	
(55,929)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(35,670)	6
10,149	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	11,716	
(12,483)	**Net cashflows from Operating Activities**	**(3,900)**	
54,564	Investing Activities	7,141	
952	Financing Activities	1,621	
43,033	**Net (Increase) or decrease in cash and cash equivalents**	**4,862**	
72,302	**Cash and cash equivalents at the beginning of the reporting period**	**29,269**	
29,269	**Cash and cash equivalents at the end of the reporting period**	**24,407**	

Group Notes to the Accounts

1. Other Operating Expenditure

	2022-23 £'000	2023-24 £'000
Pension Fund Administration Expenses	96	99
Levies - Strata Service Solutions	3	6
Payment to the Government's Housing Capital Receipt Pool	-	-
(Gain) / losses on the acquisition of non-current assets	-	(1,108)
(Gain) / losses on the disposal of non-current assets	(1,710)	(1,167)
(Gain) / losses on disposal of assets - Strata Service Solutions Ltd	4	-
	(1,607)	**(2,170)**

2. Inventories

	Exeter City Council consumables 2022/23 £'000s	Exeter City Council consumables 2023/24 £'000s	Strata proportional share of stock 2022/23 £'000s	Strata proportional share of stock 2023/24 £'000s	Subsidiary work in progress 2022/23 £'000s	Subsidiary work in progress 2023/24 £'000s	Total 2022/23 £'000s	Total 2023/24 £'000s
Balance at 1 April	188	197	4	6	1,545	4,091	1,737	4,294
Purchases	463	600	2	3	2,549	6,159	3,014	6,762
Expense in year	(454)	(597)	-	-	(3)	(10,250)	(457)	(10,847)
Written off balances	-	-	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
Balance at 31 March	**197**	**200**	**6**	**9**	**4,091**	**0**	**4,294**	**209**

Group Notes to the Accounts

3. Cash and Cash Equivalents

	2022-23 £'000	2023-24 £'000
Cash held by the Council	113	483
Bank current accounts	(753)	1,540
Money Market Funds	25,080	17,099
Short-term investments	-	-
Short-term call accounts	3,057	3,207
Strata - Cash at bank and in hand	257	361
Subsidiary - Cash at bank and in hand	1,515	1,717
Total cash and cash equivalents	**29,269**	**24,407**

4. Short Term Creditors

	2022-23 £'000	2023-24 £'000
Trade Payables	280	1,108
Collection Fund amounts	17,216	13,172
Income in Advance	4,301	3,799
Other Payables	9,590	8,921
Covid funding to be transferred to other parties	539	53
Energy Bill Support Scheme	1,446	5
Creditors of Strata Service Solutions Ltd	169	760
Subsidiary - Short Term Creditors	54	1,604
Total Short Term Creditors	**33,595**	**29,422**

5. Usable Reserves

Usable Reserve	2022-23 £'000	2023-24 £'000
General Fund Balance	6,151	5,883
Housing Revenue Account	7,556	5,992
Capital Receipts Reserve	12,731	7,747
Major Repairs Reserve	18,204	12,614
Earmarked Reserves	13,645	13,827
Capital Grants Unapplied	18,796	21,208
Subsidiary I&E Account	(4,527)	117
Balance at 31 March	**72,556**	**67,388**

6. Cash Flow Statement – Operating Activities

	2022-23 £'000	2023-24 £'000
Net (surplus) / deficit on provision of Services	33,297	20,054
Adjusted for non-cash movements:		
Depreciation	(8,359)	(9,054)
Impairment	(21,820)	(91)
Amortisation	(153)	(144)
Investment (losses) / gains	-	-
Donated assets	-	-
Pension liability	(6,905)	1,337
Carrying amount of non-current assets sold	(5,398)	(2,404)
Movement in investment properties	(6,844)	(31,033)
Finance lease income	(80)	(80)
Other	(2,929)	1,448
Movement in inventories	2,457	269
Movement in debtors	(16,217)	514
Movement in creditors	10,319	3,568
Items classified as investing and financing activities:		
Proceeds from the sale of property, plant & equipment	7,155	3,590
Items classified elsewhere	2,994	8,126
Net cashflows from Operating Activities	**(12,483)**	**(3,900)**

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.

2022-23			2023-24
£'000	**Income**	£'000	£'000
(19,926)	Dwelling rents	(21,431)	
(336)	Non dwelling rents	(451)	
(908)	Charges for services and facilities	(1,076)	
(21,170)	**Total Income**		**(22,958)**
	Expenditure		
7,664	Repairs and maintenance	8,247	
6,750	Supervision and management	7,207	
387	Rents, rates, taxes and other charges	192	
16,913	Depreciation and impairment of non-current assets	8,591	
23	Debt management costs	24	
31,737	**Total Expenditure**		**24,261**
10,567	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		**1,303**
191	HRA share of Corporate and Democratic Core		214
10,758	**Net Cost of HRA Services**		**1,517**

HRA Income & Expenditure Statement

2022-23 £'000		2023-24 £'000
10,758	**Net Cost of HRA Services**	**1,517**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
(1,545)	(Gain) or loss on sale of HRA non-current assets	(1,305)
2,155	Interest payable and similar charges	2,227
(713)	Interest and investment income	(1,543)
265	Net interest on the net defined benefit liability (asset) and administration expenses	83
(838)	Capital grants and contributions receivable	(2,469)
10,082	**(Surplus) or deficit for the year on HRA services**	**(1,490)**

Movement on the HRA Statement

2022-23 £'000		2023-24 £'000
(11,468)	Housing Revenue Account surplus brought forward	(7,556)
10,082	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	(1,490)
(6,170)	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	3,054
3,912	**(Increase) or decrease in the HRA Balance**	**1,564**
(7,556)	**Housing Revenue Account surplus carried forward**	**(5,992)**

Notes to the HRA Statements

1. HRA Dwellings

	Flats	Houses and Bungalows	Total
At 31 March 2023	2,532	2,260	**4,792**
At 31 March 2024	2,524	2,266	**4,790**

5. Vacant Possession Value of Dwellings

At 1 April 2024 the vacant possession value of the dwellings was £846.830m, this compares to the tenanted market value in the Balance Sheet of £296.391m. The difference of £550.439m represents the economic cost to the Government of providing council housing at less than open market rents.

6. 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.

7. Impairment Charges

Impairment charges of £4.828m (£12.821m 2022/23) were debited to the HRA Income and Expenditure Account in 2023/24 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.

8. 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:

	2022-23 £'000	2023-24 £'000
Land	-	-
Dwellings	4,196	3,551
Repayment of discounts	-	-
	4,196	**3,551**
Less amount pooled	-	-
	4,196	**3,551**

Notes to the HRA Statements

9. 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 2023	312,722	3,550	45	3,937	-	1,991	**322,245**
At 31 March 2024	296,391	4,080	24	12,581	-	933	**314,009**

Within the valuation of Council dwellings as at 31 March 2024 of £296.391m, £179.655m was attributable to the value of land (2022/23 £158.275m) and £116.736m to buildings (2022/23 £154.447m).

10. HRA Capital Expenditure

HRA capital expenditure amounted to £23.804m during 2023/24 (£13.598m 2022/23), 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	9,353	4,000		4,864	5,587	**23,804**
Other		-	-	-	-	**-**
Total	**9,353**	**4,000**	**-**	**4,864**	**5,587**	**23,804**

Notes to the HRA Statements

11. Depreciation

The depreciation charges for the year in respect of HRA assets were:

	2022-23 £'000	2023-24 £'000
Operational assets		
Dwellings	4,011	3,708
Garages	51	47
Equipment	29	8
Total depreciation charged	**4,091**	**3,763**
Less depreciation written off - disposals	(19)	(8)
Less depreciation written off - revaluations	(4,032)	(3,540)
Less depreciation written off - impairments	(11)	(207)
Total depreciation	**29**	**8**

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.

2022-2023				2023-2024		
Council Tax £'000	NDR £'000	Total £'000		Council Tax £'000	NDR £'000	Total £'000
			Income			
79,918	-	79,918	Council tax	85,275	-	85,275
-	(1,672)	(1,672)	Transitional Protection - sums due to / (from) the Council	-	3,605	3,605
-	73,731	73,731	NDR	-	68,757	68,757
'9,918	**72,059**	**151,977**		**85,275**	**72,362**	**157,637**
			Expenditure			
			Demands on the Fund by:			
9,302	-	9,302	Police and Crime Commissioner for Devon and Cornwall	10,145	-	10,145
3,463	442	3,905	Devon & Somerset Fire and Rescue Service	3,755	729	4,484
58,721	3,978	62,699	Devon County Council	63,394	6,558	69,952
6,405	17,679	24,084	Exeter City Council	6,698	29,147	35,845
-	22,098	22,098	Central Government	-	36,434	36,434
-	211	211	Costs of Collection Allowance	-	210	210
10	-	10	Exeter City Council Fund Transfer	87	-	87
			Bad and doubtful debts			
161	487	648	Write offs	236	38	274
410	(90)	320	Impairment for Uncollectable Debt	840	70	910
-	243	243	Provisions for Appeals	-	2,591	2,591
'8,472	**45,048**	**123,520**		**85,155**	**75,777**	**160,932**
(1,446)	**(27,011)**	**(28,457)**	**(Surplus) / Deficit**	**(120)**	**3,415**	**3,295**
(1,311)	27,746	26,435	Fund balance b/f	(2,757)	735	(2,022)
(2,757)	**735**	**(2,022)**	**Fund Balance c/f**	**(2,877)**	**4,150**	**1,273**

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 2023/24 were:

Band	Dwellings	Less Discounts	Technical Changes	Conversion Factor	Band D equivalents
A Relief	28	16	-	5/9ths	7
A	9,593	3,546	(1)	6/9ths	4,031
B	14,330	3,028	(1)	7/9ths	8,790
C	13,158	1,781	-	8/9ths	10,113
D	8,352	786	(2)	9/9ths	7,564
E	4,080	288	1	11/9ths	4,636
F	2,012	121	1	13/9ths	2,733
G	951	50	(1)	15/9ths	1,500
H	31	3	-	18/9ths	56
Band D equivalent					**39,430**
Less Hardship Relief (Band D)					0
Total Band D equivalent					**39,430**
Collection rate					97%
Tax base					**38,247**

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 (£195.216m at March 2024) multiplied by a uniform rate 51.2p (49.9p for those receiving small business relief) for 2023/24.

Exeter City Council

Annual Governance Statement

2023-24

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 2024 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 focused 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).

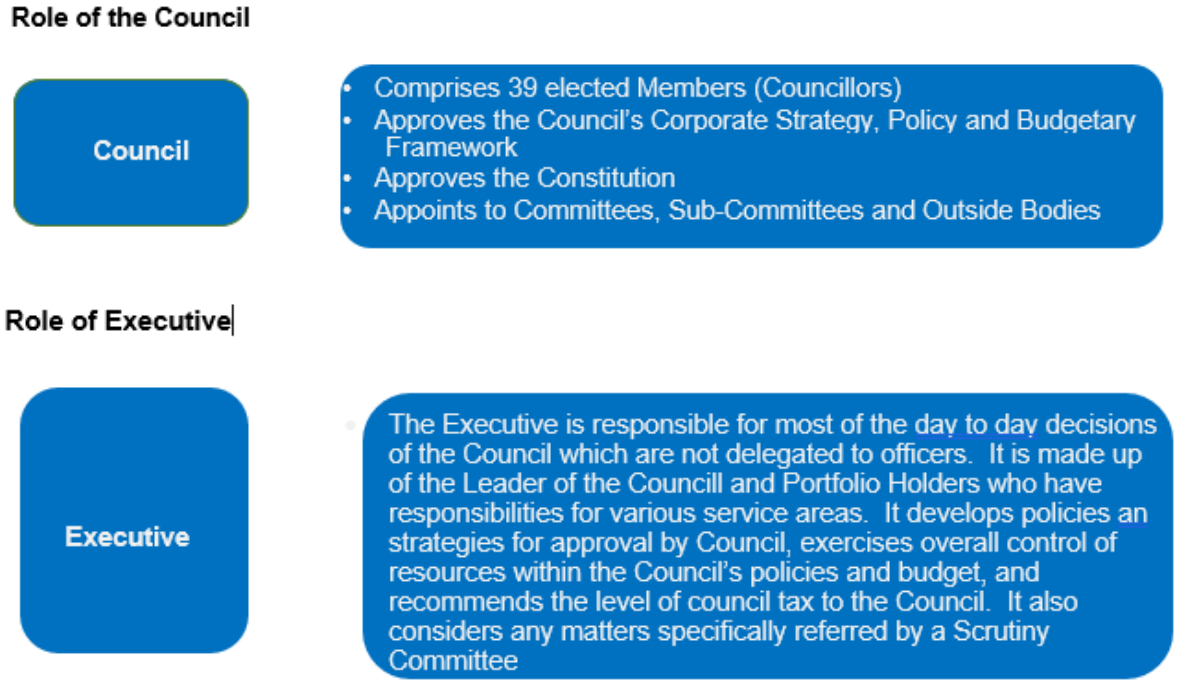
The Council has designed systems and processes to regulate, monitor and control its activities in order to achieve its vision and objectives. The Code of Corporate Governance sets out the controls in full.

The key elements of the Governance Framework

Role of Governance Arrangements

The Council operates Executive governance arrangements, which consist of Executive and Scrutiny function. All Executive members have been allocated a specific portfolio and are responsible for driving forward the Council's key strategic aims.

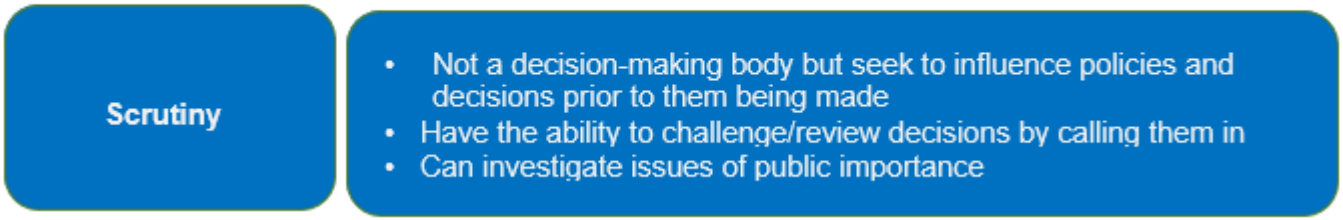
The Council has a constitution which sets out how the Authority operates, how decisions are made and the procedures which are followed to ensure that decisions are efficient, transparent, and accountable to local people. This was approved in (insert date) and will be kept under review throughout the year.



The Executive now regularly considers strategic risk registers, performance, complaints and other items which make up the governance framework. Scrutiny Committee are sighted on the Executive's work plan and may consider as appropriate. The Executive provides strategic leadership to the authority and is held to account by the Council's Scrutiny Committees.

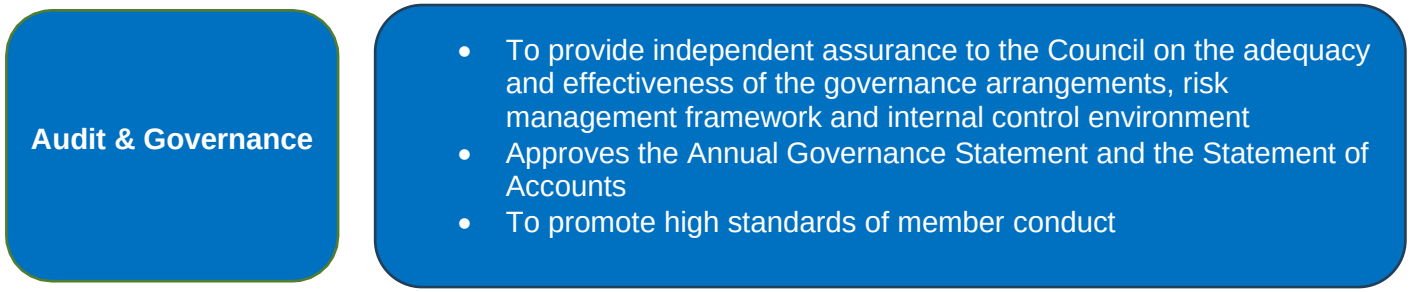
Annual Governance Statement

Role of Scrutiny



The role that Scrutiny can play in holding an authority's decision-makers to account makes it fundamentally important to the successful functioning of local democracy. Effective scrutiny helps secure the efficient delivery of public services and drives improvements within the authority itself.

Role of Audit and Governance Committee



The Committee meets with the external and internal auditor to discuss findings in the Annual Audit Management Letter and Reports and the Committee is responsible for ensuring that the Council's system for internal control is sound by reviewing control mechanisms, and guidelines (both internal and external) as well as adherence to these, ensuring continued probity and good governance of the Council's operations.

Annual Governance Statement

Role of Management

The Authority has two layers of management and its management teams each play an important role in maintaining the governance framework.

Strategic Management Board (SMB)	• Implements policy and budgetary framework set by Council and provides advice to Committees of the Council on the development of future policy, procedure and budgetary issues • Oversees the delivery of the Council's Corporate Strategy and implementation of Council Policy • Oversees the implementation of audit recommendations to improve weaknesses in controls in a timely manner
Operational Management Board (OMB)	• Responsible for developing, maintaining and implementing the Council's governance risk and control framework • Contribute to the effective corporate management and governance of the Council • Responsible for ensuring audit recommendations to improve weaknesses in controls are actioned in a timely manner

The Strategic management Board ("SMB") comprising the Chief Executive, Directors and the Monitoring Officer meet weekly and focus on strategic issues, projects and programs and the health of the organisation.

The Operational Management Board ("OMB") comprises all service managers and they meet monthly to consider operational service issues and ensure compliance with corporate matters, such as performance, risk registers, compliance.

The Extended Leadership Team ("ELT) comprising SMB and OMB meet regularly and focus on both the Council's strategic direction, leadership and organisational development.

All Directors meet with the Service Leads in their respective Directorates to consider specific service matters regularly.

Annual Governance Statement

Role of Statutory Officers

Head of Paid Service	• Overall Corporate management and operational responsibility for the Council, including overall management responsibility for all employees • The Head of Paid Service will determine how the Council's functions are discharged, the Councils structure, the number and grade of officers required to discharge those functions • The provision of professional advice to all parties in the decision making process and responsibility for a system of record keeping for all the council's decisions • Proper Officer for Access to Information
Chief Finance Officer (s.151)	• Accountable for developing and maintaining the Council's governance, risks and control framework • Ensuring lawfulness and financing prudence of decision making and the administration of financial affairs • Providing advice to all Councillors on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues • Support and advise Councillors in their respective roles • Contributes to the effective corporate management and governance of the Council
Monitoring Officer (MO)	• Monitoring, reviewing and maintaining the Constitution • Ensuring lawfulness and fairness of decision making • Supporting the Audit & Governance Committee by conducting investigations and/or undertaking other action in respect of matters referred by the Committee • Advising whether decisions are in accordance with the Constitution • Providing advice to all Councillors on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues • Support and advise Councillors in their respective roles • Contribute to the effective corporate management and governance of the Council

Annual Governance Statement

The three statutory officers; the Head of Paid Service (the Chief Executive), the Monitoring Officer (Service lead- legal) and Section 151 Officer (Director of finance) fulfil the statutory duties associated with their roles as detailed above.

The Council's financial management arrangements conform to the governance requirements as set out in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Council formally reviews its Financial Procedure Rules on a regular basis. On-going updates are implemented as part of the regular reviews of the Constitution.

Role of Southwest Audit Partnership

Internal Audit (South West Audit Partnership)

- Provides independent assurance and opinion on the adequacy and effectiveness of the Council's risk management and control framework
- Delivers an annual program of risk-based audit activity, including counter fraud and investigation activity and makes recommendations for the improvement in the management of risk and control

The Southwest Audit partnership is responsible for monitoring the quality and effectiveness of systems of internal control. The Council has delegated its Internal Audit function to Southwest Audit partnership. Internal Audit undertakes its work in accordance with the CIPFA Code of Practice for Internal Audit in the United Kingdom and the Public Sector Internal Audit Standards.

A risk model is used to formulate an annual audit work plan, progress against which is reviewed each quarter by Senior Leadership Team and the Audit & Governance Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Director and Service Lead as well as the Section 151 Officer.

The reports include an independent opinion on the adequacy of the applicable internal controls, audit findings and recommendations for improvements with an agreed timescale for implementation.

Progress against recommendations is followed up by Internal Audit and reported to Audit and Governance Committee at each meeting throughout the year.

The Internal Audit Annual Report 2022/23 was considered by the Audit and Standards Committee in July 2023. Internal Audit's opinion overall, based on all Internal Audit work during the year is that Satisfactory Assurance can be given over the adequacy and effectiveness of the Council's control environment for 2022/23.

Annual Governance Statement

Role of External Audit

The current external auditors are Grant Thornton. External Auditors audit the financial statements and provide an audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2023 and of the income and expenditure for the year then ended.

External auditors also consider whether the Council has put in place proper arrangements to secure economy, efficiency, effectiveness on its use of resources.

This Annual Governance Statement for 2023/24 is the latest accountability statement for governance.

Role of Risk Management

A robust risk management framework is an integral part of operational service delivery and the decision-making process. The Council has a Performance and Risk Management Framework in place which provides visibility and assurance that there is a robust approach to managing performance and risk. An up to date and regularly reviewed Risk Management Policy and Strategy is maintained. This requires that both Directorate and Strategic Risk Registers are maintained with appropriate action plans to mitigate and manage identified risks. The strategic risk registers are reviewed and updated at the SMB Team as appropriate.

Responsibility for assessing the adequacy of the risk management process sits with the Audit and Governance Committee. Review of the risks and the implementation of mitigating controls 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

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 Lorraine Betts, the Chief Executives support Officer.

To ensure that risk is considered when decisions are made, all reports presented to Members must include a risk assessment of the actions or implications within the report. This assessment also covers legal and financial considerations. Risk assessments are also put in place as part of the Council's Project Management process.

The Strategic Risk Register is reported to the Executive to ensure those agreeing and implementing policy decisions, do so in knowledge of the context of the risks being faced by the Council.

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.

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.

Annual Governance Statement

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, again Grant Thornton has not yet issued a certificate of completion, but all work has been completed. For 2022/23 the audit of the Council's financial statements remains ongoing but is virtually complete. Unfortunately, the audit commenced later than planned.

Corporate Complaints

During 2023-24, 23 corporate complaints were received compared to 14 in 2022-23. Of the 23 complaints received, 17 were dealt with at Stage 1, 6 were dealt with at stage 2 and there are no complaints waiting to be resolved. There were multiple complaints in the year relating to the same issues, which contributed to the increase.

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 2023-24

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 2023-24 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	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 and the unprecedented cost pressures also meant that significant reductions and additional income were required to deliver a balanced budget for 2023/24. The Council's medium term financial plan anticipates reserves being reduced to the minimum required by 2024/25 and further budget reductions required total £5.4 million, of which proposals covering £1.5 million have been identified.	One Exeter plan is operational and being progressed. Specific reduction targets have been set for each year of the plan. This is being monitored monthly by SMB. Clear programmes of work are in place and are being actioned. It is imperative that strong financial discipline is maintained across the Council to ensure that the reductions are delivered. The budget for 2024/25 has been passed. Members are aware there is significant work required now to deliver a balanced budget in 2025/26.
2	Debt Collection – The Council has actively been seeking to identify new income streams as part of the 'One Exeter' project. Whilst this is good news, our work has identified that there are significant weaknesses within service areas around raising invoices and the subsequent collection of debt for all income streams. For example, services are being provided but invoices are not always raised, or not raised promptly, to collect fees for services provided. It should be noted that this weakness relates only to service areas and does not apply to the Council's Income Collection Team.	Council has approved additional funding to support a better approach to debt recovery. This is well underway but it should be noted will not address the issue of services not raising invoices promptly. Once the new team is established it is hoped there will be capacity to support improvements in services.

Annual Governance Statement

Issue no.	Issue Identified	Summary of Action to be Taken
3	Change Management – the current scale and pace of change due to a number of factors presents a risk to achieving objectives and may impact the extent to which the organisation is capable of maintaining acceptable levels of compliance amid the shake-up of operations and control systems. These factors include the following: • external factors e.g. regulatory change and compliance, climate change • internal factors e.g. The One Exeter project to deliver the digitalisation/transformation of service delivery	The Audit Managers have been involved in a number of the One Exeter work streams, including the cross cutting theme reviews. Involvement at this early stage should help identify risks to the internal control environment that could arise due to any changes being brought about by the program and this work will continue as the project develops. Internal Audit have also been asked to input into the development of service plans advising on governance and risk assessment processes.

Approval of the Annual Governance Statement

To the best of our knowledge, the governance arrangements, as outlined in this AGS have been operating effectively during the year. During the review of effectiveness, we have identified three key areas of concern and we propose over the coming year to take steps to address these concerns in order to enhance our governance arrangements and are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness. Progress against the action plan will be monitored quarterly by the Audit & Governance Committee.

Signed: …….

Date: ……..

Councillor Wardle
Chair of Audit & Governance Committee

Signed: ……...

Date: ……..

Dave Hodgson CPFA
Director Finance & Section 151 Officer

Signed: ……...

Date: ……
Councillor Bialyk
Leader of the Council

Signed: ……...

Date: ……

Bindu Arjoon
Chief Executive

Auditors Report

Auditors Report

Auditors Report

Auditors Report

Auditors Report

Auditors Report

Auditors Report

Glossary of Terms

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

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

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

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

Asset Ceiling
An asset ceiling is the present value of any economic benefits available in the form of refunds from the defined benefit pension scheme or reductions in future contributions to the plan.

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.

Glossary of Terms

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.

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.

Glossary of Terms

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.

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.

Glossary of Terms

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.

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.

Glossary of Terms

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.

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.

Glossary of Terms

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

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.

Right-of-use asset
Represents a lessee's right to use an asset over the course of a lease and these rights are recognised on its balance sheet as a 'right of use' asset.

Glossary of Terms

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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REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 12 February 2025

Report of: Head of Legal and Democratic Services and Monitoring Officer

Title: Ministry of Housing, Communities and Local Government – Open consultation: Strengthening the standards and conduct framework for local authorities in England

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

To consider the Ministry of Housing, Communities and Local Government's consultation: 'Strengthening the standards and conduct framework for local authorities in England' so that Members are aware that they have an opportunity to take part in the consultation process.

2. Recommendations:

That Members note the content of the attached consultation document and consider responding within the consultation period ending at 11.59pm on 26 February 2025.

3. Reasons for the recommendation:

To bring Members' attention to the consultation on standards and conduct so that they are aware of the opportunity to take part in the consultation process given that the issue of standards and conduct directly affects Members.

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

There are no resource implications.

5. Section 151 Officer comments:

There are no financial implications for Council to consider.

6. What are the legal aspects?

The Local Government Act 2000 introduced a stringent standards regime. It required members to comply with an ethical standards framework. The framework was based on recommendations from the Third Report of Lord Nolan's Committee on Standards in Public Life and was implemented through Part III of the LGA 2000. It established a national framework for councillor conduct which featured:

- Standards for England: The purpose of this national body was to oversee a uniform Code of Conduct, investigate complaints, and was able to impose sanctions, including suspension of Members; and

- Local Standards Committees: Councils were required to establish committees in order to handle complaints and to enforce conduct locally.

Chapter 7 of the Localism Act 2011 introduced significant changes to this regime. It abolished the statutory requirement for a Standards Committee and the Model Code of Conduct and required local authorities to adopt their own code of conduct consistent with the 'Nolan' Principles of Standards in public life (i.e. selflessness, integrity, objectivity, accountability, openness, honesty and leadership) The Seven Principles of Public Life - GOV.UK (www.gov.uk). This required local authorities to establish 'arrangements' for handling complaints concerning member conduct, including the appointment of at least one Independent Person to be consulted at various stages of the complaints process. Exeter City Council has adopted the Local Government Association's model code of conduct which was last updated in 2021.

Although local authorities can investigate and make decisions on allegations of failure to comply with an authority's code of conduct (including the obligation to consult with its independent person), they have limited powers of sanction. For example, local authorities do not have the power to suspend Councillors. The consultation instigated by MHCLG is seeking views on the extent to which the Localism Act 2011 standards regime should be changed.

As Members will note from paragraph 8 of this report, the consultation instigated by MHCLG is seeking views on the extent to which a more stringent standards regime should be introduced. Members will note that there is no legal obligation to respond to government consultations.

7. Monitoring Officer's comments:

Members will note the central role of the standards regime in ensuring good governance and standards of elected members in office. The MHCLG are providing an opportunity for input and comments on its proposals to make changes to the standards regime.

8. Report details:

The consultation document is attached to this report. The document sets out in detail the government's proposals and its initial views on the requirements of a new standards and conduct framework for England. The consultation opened on 18 December 2024 and close at 11:59pm on 26 February 2025.

MHCLG have asked for wide ranging engagement with the consultation process and have invited responses from elected members, council officers, councils, members of the public and local authority sector representative organisations.

As Members will note, the Ministry of Housing, Communities and Local Government (MHCLG) is seeking views on introducing a mandatory minimum code of conduct for local authorities in England and to introduce measures to strengthen the standards and conduct regime in England with the aim of ensuring consistency in approach amongst councils investigating serious breaches of their member codes of conduct. In particular,

MHCLG is exploring the introduction of a power to suspend Members in cases of serious breaches of the code of conduct.

As the consultation document makes clear, sanctions are currently limited and include, for example, barring members from Cabinet, Committee or representative roles, a requirement to issue an apology or undergo code of conduct training. The MHCLG state that '[l]ocal authorities are also unable to withhold allowances from members who commit serious breaches of their code of conduct, and there is no explicit provision in legislation for councils to impose premises bans or facilities withdrawals where they consider it might be beneficial to do so' and identifies what it regards as '…a current lack of meaningful sanctions'. The consultation document goes on to state that '[t]he government considers that the current local authority standards and conduct regime is in certain key aspects ineffectual, inconsistently applied, and lacking in adequate powers to effectively sanction members found in serious breach of their codes of conduct'.

MHCLG are consulting on the following broad issues:

8.1 The introduction of a statutory minimum prescribed code of conduct;
8.2 An obligation on local authorities to constitute a formal standards committee;
8.3 An obligation to publish a summary of code of conduct allegations, investigations and decisions;
8.4 A requirement to complete live code of conduct investigations where a member stands down during the investigation;
8.5 Empowering individuals affected by councillor misconduct to come forward and raise their concerns;
8.6 The introduction of the power of suspension of members for a maximum of six months (including interim suspensions), together with the option to withhold allowances and impose premises and facilities bans where appropriate;
8.7 The sanction of disqualification for a period of five years for multiple breaches of the code of conduct and gross misconduct.
8.8 The introduction of a right of appeal for any members subject to suspension;
8.9 A proposal for a national appeals body against local authority decisions.

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

This report concerns the objective of 'Leading a well-run council' by addressing the objective of good governance.

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

There are no immediate risks. There is an existing standards regime imposed by the Localism Act 2011. The MHCLG's consultation seeks to make significant changes to the standards regime.

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 any changes to the standards regime would be a matter for parliament. It is unlikely that changes to the standards regime would disadvantage individuals with protected characteristics compared to individuals without protected characteristics.

12. Carbon Footprint (Environmental) Implications:

12.1 There are no direct carbon/environmental impacts arising from the recommendations.

13. Are there any other options?

13.1 Members could choose not to respond to the consultation.

Director: Dave Hodgson, Strategic Director for Corporate Resources

Author: Simon Copper, Head of Legal and Democratic Services and Monitoring Officer

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

Background papers used in compiling this report:-

None

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Ministry of Housing,
Communities &
Local Government

Open consultation

Strengthening the standards and conduct framework for local authorities in England

Published 18 December 2024

Applies to England

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1. Scope of this consultation

Topic of this consultation

This consultation seeks views on introducing a mandatory minimum code of conduct for local authorities in England, and measures to strengthen the standards and conduct regime in England to ensure consistency of approach amongst councils investigating serious breaches of their member codes of conduct, including the introduction of the power of suspension.

Scope of this consultation

The Ministry of Housing, Communities and Local Government (MHCLG) is consulting on introducing strengthened sanctions for local authority code of conduct breaches in England.

This includes all ‘relevant authorities’ as defined by Section 27(6) of the Localism Act 2011, which includes:

- a county council
- a unitary authority
- London borough councils
- a district council
- the Greater London Authority
- the London Fire and Emergency Planning Authority
- the Common Council of the City of London in its capacity as a local authority or police authority
- the Council of the Isles of Scilly
- parish councils

- a fire and rescue authority in England constituted by a scheme under section 2 of the Fire and Rescue Services Act 2004 or a scheme to which section 4 of that Act applies,
- a joint authority established by Part 4 of the Local Government Act 1985,an economic prosperity board established under section 88 of the Local Democracy, Economic Development and Construction Act 2009
- a combined authority established under section 103 of that Act,
- a combined county authority established under section 9(1) of the Levelling Up and Regeneration Act 2023
- the Broads Authority
- a National Park authority in England established under section 63 of the Environment Act 1995

It does not cover:

- police and crime commissioners
- internal drainage boards
- any other local authority not otherwise defined as a ‘relevant authority’ above

All references to ‘members’ refer to elected members, mayors, co-opted and appointed members of each of the ‘relevant authorities’ defined above.

Geographical scope

The questions in this consultation paper apply to all relevant local authorities in England as defined above.

They generally do not apply to authorities in Wales, Scotland or Northern Ireland, except in relation to Police and Crime Panels in Wales.

Impact assessment

We will produce a full Public Sector Equality Duty (PSED) assessment, and all necessary impact assessments, as the policy proposals develop further following this consultation.

Basic information

This is an open consultation. We particularly seek the views of individual members of the public; prospective and current elected members/representatives; all relevant local authorities defined above; and those bodies that represent the interests of local authority members/representatives at all levels.

Body responsible for the consultation

The Local Government Capacity and Improvement Division of the Ministry of Housing, Communities and Local Government is responsible for conducting this consultation.

Duration

This consultation will last for 10 weeks from 18 December 2024. This consultation closes at 11:59pm on 26 February 2025.

Enquiries

For any enquiries about the consultation please contact: LGstandardsreform@communities.gov.uk

How to respond

You can only respond to this call for evidence through our online consultation platform, Citizen Space (https://consult.communities.gov.uk/local-government-standards-and-conduct/strengthening-the-standards-and-conduct-framework).

2. Ministerial foreword

The government is determined to fix the foundations of local government so councils can sustainably provide decent public services and shape local places, and so elected representatives can be fully accountable to the public they serve. Doing so is critical to national renewal, our missions, and our plans to push power out of Westminster and into the hands of local people with skin in the game.

At the core of this agenda is a plan to make local government across England fit, legal, and decent – so that councils have the backing from central government to deliver the high standards and strong financial management that they strive for, without needless micromanagement of day-to-day local decision-making. This plan includes:

- fixing our broken audit system
- improving oversight and accountability
- giving councils genuine freedoms to work for, and deliver in the best interests of, their communities
- improving the standards and conduct regime

This consultation is focused on the proposed reforms to the standards and conduct regime that will contribute to making sure England is covered by effective local and strategic authorities that are well-governed, with high standards met and maintained.

It is an honour and a privilege to be elected as a member and with it comes an individual and collective responsibility to consistently demonstrate and promote the highest standards of conduct and public service.

Members take decisions affecting critical local services such as social care, education, housing, planning, licensing, and waste collection. With greater devolution, local authorities will increasingly be taking decisions to shape local transport, skills, employment support, and growth. Decisions that are the responsibility of members impact virtually every citizen’s life at some level, and the electorate has a right to expect that it can trust its local elected members to uphold the highest ethical standards and act in the best interests of the communities they serve.

I strongly believe that the vast majority of local elected members maintain high standards of conduct and that they are driven by duty and service. I believe that people stand for elected office in their local communities with the best intentions to act in the interests of those communities, bringing an energy and commitment to working collaboratively, creatively, and respectfully.

Members, officers, reporters and members of public are entitled to support and participate in the local democratic process in the confidence that high standards are maintained. This government wants to celebrate the positive power of public service and, in doing so, we want to give individual authorities appropriate and proportionate means to deal with misconduct effectively and decisively when it does occur. We also want to ensure that anyone can rightly feel confident about raising an issue under the code of conduct whether it impacts them personally and/or is a code conduct breach that brings the reputation of the council into disrepute.

With approximately 120,000 councillors in England across all types and tiers of local government, we know there are rare instances of misconduct. Robust political debate is part of our democratic system, but we know from local councils that there are examples of bullying, harassment or other misconduct, when from even a very small minority of members can have a seriously destabilising effect, potentially bringing a council into disrepute and distracting from the critical business of delivering for residents.

This government is committed to working with local and regional government to establish partnerships built on mutual respect, genuine collaboration and meaningful engagement. Our ambition is to create a rigorous standards and conduct framework that will actively contribute to ensuring that local government throughout the country is fit, legal, and decent. With this in mind, this consultation seeks your views on a range of proposals to give local leaders the tools they need to establish and maintain a strong and ethical public service and democratic culture, and the people they serve the confidence that local democracy works for them.

Jim McMahon OBE MP
Minister of State for Local Government and English Devolution

3. Background: Standards and Conduct framework and sanctions arrangements

The Localism Act 2011 (http://www.legislation.gov.uk/ukpga/2011/20/part/1/chapter/7/enacted)[footnote 1] established the current standards and conduct framework for local authorities.

The current regime requires every local authority to adopt a code of conduct, the contents of which must as a minimum be consistent with the 7 'Nolan' principles of standards in public life (https://www.gov.uk/government/publications/the-7-principles-of-public-life) (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and set out rules on requiring members to register and disclose pecuniary and non-pecuniary interests. Beyond these requirements, it is for individual councils to set their own local code. The Local Government Association (LGA) published an updated model code of conduct and guidance (https://www.local.gov.uk/publications/local-government-association-model-councillor-code-conduct-2020) in 2021, which councils can choose whether to adopt or not.

Every authority must also have in place arrangements under which it can investigate allegations of breaches of its code of conduct and must consult at least one independent person before coming to decisions. These decisions are normally taken in one of two ways depending on an authority's specific arrangements. The decision can be made by full council following advice from their standards committee (or equivalent). Alternatively, the decision can be made by the standards committee if they have been given the power to do so. Although a standards committee may contain unelected independent members and co-opted members, only principal councils' elected members may vote in a decision-making standards committee.

There is no provision in current legislation for a sanction to suspend a councillor found to have breached the code of conduct. Sanctions for member code of conduct breaches are currently limited to less robust measures than suspension, such as barring members from Cabinet, Committee, or representative roles, a requirement to issue an apology or undergo code of conduct training, or public criticism. Local authorities are also unable to withhold allowances from members who commit serious breaches of their code of conduct, and there is no explicit provision in legislation for councils to impose premises bans or facilities withdrawals where they consider that it might be beneficial to do so.

The government considers that the current local authority standards and conduct regime is in certain key aspects ineffectual, inconsistently applied, and lacking in adequate powers to effectively sanction members found in serious breach of their codes of conduct.

4. Who we would like to hear from

Responses are invited from local authority elected members and officers from all types and tiers of authorities, and local authority sector representative organisations. We are also particularly keen to hear from those members of the public who have point of view based on their interest in accessing local democracy in their area or standing as a candidate for local government at any tier to represent their local community at some future point.

Please be assured that all responses to this consultation are anonymous, and no information will be disclosed in any future published response to the consultation, or reporting of the consultation results, that will compromise that anonymity.

Question 1

Please tick all that apply - are you responding to this consultation as:

a) an elected member – if so please indicate which local authority type(s) you serve on

- Town or Parish Council
- District or Borough Council
- Unitary Authority
- County Council
- Combined Authority / Combined County Authority
- Fire and Rescue Authority
- Police and Crime Panel

- Other local authority type - please state

b) a council officer – if so please indicate which local authority type

- Town or Parish Council
- District or Borough Council
- Unitary Authority
- County Council
- Combined Authority / Combined County Authority
- Fire and Rescue Authority
- Police and Crime Panel
- Other local authority type - please state

c) a council body – if so please indicate which local authority type

- Town or Parish Council
- District or Borough Council
- Unitary Authority
- County Council
- Combined Authority / Combined County Authority
- Fire and Rescue Authority
- Police and Crime Panel
- Other local authority type - please state

d) a member of the public

e) a local government sector body – please state

5. Strengthening the Standards and Conduct framework

a) Mandatory minimum prescribed code of conduct

The government proposes to legislate for the introduction of a mandatory minimum code of conduct which would seek to ensure a higher minimum standard of consistency in setting out the behaviours expected of elected members. The government will likely set out the mandatory code in regulations to allow flexibility to review and amend in future, this will also provide the opportunity for further consultation on the detail.

Codes of conduct play an important role in prescribing and maintaining high standards of public service, integrity, transparency, and accountability. At their best, they establish clear guidelines for behaviour and expectations that members always act ethically in the public's best interest. Currently, there is significant variation between adopted codes, ranging from those who choose to adopt the LGA's full model code to those who simply conform with the minimum requirement of restating the Nolan principles.

A prescribed model code which covers important issues such as discrimination, bullying, and harassment, social media use, public conduct when claiming to represent the council, and use of authority resources could help to uphold consistently high standards of public service in councils across the country and convey the privileged position of public office. It could also provide clarity for the public on the consistent baseline of ethical behaviour they have a right to expect.

We would be interested in understanding whether councils consider there should be flexibility to add to the prescribed code to reflect individual authorities' circumstances. They would not be able to amend the mandatory provisions.

Question 2

Do you think the government should prescribe a mandatory minimum code of conduct for local authorities in England?

- Yes

- No
- If no, why not? [Free text box]

Question 3

If yes, do you agree there should be scope for local authorities to add to a mandatory minimum code of conduct to reflect specific local challenges?

- Yes – it is important that local authorities have flexibility to add to a prescribed code
- No – a prescribed code should be uniform across the country
- Unsure

Question 4

Do you think the government should set out a code of conduct requirement for members to cooperate with investigations into code breaches?

- Yes
- No
- Unsure

b) Standards Committees

Currently, there is no requirement for local authorities to constitute a formal standards committee. The only legal requirement is for local authorities to have in place ‘arrangements’ to investigate and make decisions on allegations of misconduct.

The government believes that all principal authorities should be required to convene a standards committee. Formal standards committees would support consistency in the handling of misconduct allegations, applying

the same standards and procedures to all cases and providing a formal route to swiftly identify and address vexatious complainants. Furthermore, having a formal standards committee in place could support the development of expertise in handling allegations of misconduct, leading to more informed decision-making. Removing the scope for less formal and more ad hoc arrangements would also enhance transparency and demonstrate to the public that standards and conduct issues will always be dealt with in a structured and consistent way.

This section of the consultation seeks views on two specific proposals to enhance the fairness and objectivity of the standards committee process. Firstly, it considers whether standards committee membership would be required to include at least one Independent Person, as well as (where applicable[footnote 2]) at least one co-opted member from a parish or town council. Secondly, it seeks views on whether standards committees should be chaired by the Independent Person.

Question 5

Does your local authority currently maintain a standards committee?

- Yes
- No
- Any further comments [free text box]

Question 6

Should all principal authorities be required to form a standards committee?

- Yes
- No
- Any further comments [free text box]

Question 7

In most principal authorities, code of conduct complaints are typically submitted in the first instance to the local authority Monitoring Officer to triage, before referring a case for full investigation. Should all

alleged code of conduct breaches which are referred for investigation be heard by the relevant principal authority's standards committee?

- Yes, decisions should only be heard by standards committees
- No, local authorities should have discretion to allow decisions to be taken by full council
- Unsure

Question 8

Do you agree that the Independent Person and co-opted members should be given voting rights?

- Yes – this is important for ensuring objectivity
- No – only elected members of the council in question should have voting rights
- Unsure

Question 9

Should standards committees be chaired by the Independent Person?

- Yes
- No
- Unsure

Question 10

If you have further views on ensuring fairness and objectivity and reducing incidences of vexatious complaints, please use the free text box below.

[Free text box]

c) Publishing investigation outcomes

To enhance transparency, local authorities should, subject to data protection obligations, be required to publish a summary of code of conduct allegations, and any investigations and decisions. This will be accompanied with strong mechanisms to protect victims' identity to ensure complainants are not dissuaded from coming forward for fear of being identified,

There may be a range of views on this, as publishing the outcome of an investigation that proves there is no case to answer could still be considered damaging to the reputation of the individuals concerned, or it could be considered as helpful in exposing instances of petty and vexatious complaints.

Question 11

Should local authorities be required to publish annually a list of allegations of code of conduct breaches, and any investigation outcomes?

- Yes - the public should have full access to all allegations and investigation outcomes
- No - only cases in which a member is found guilty of wrongdoing should be published
- Other views – text box

d) Requiring the completion of investigations if a member stands down

In circumstances where a member stands down during a live code of conduct investigation, councils should be required to conclude that investigation and publish the findings. The government is proposing this measure to ensure that, whilst the member in question will no longer be in office and therefore subject to any council sanction, for the purposes of accountability and transparency there will still be full record of any code of conduct breaches during their term of office.

Question 12

Should investigations into the conduct of members who stand down before a decision continue to their conclusion, and the findings be published?

- Yes
- No
- Unsure

e) Empowering individuals affected by councillor misconduct to come forward

The government appreciates that it can often be difficult for those who experience misconduct on the part of elected members, such as bullying and harassment, to feel that it is safe and worthwhile to come forward and raise their concerns. If individuals believe there is a likelihood that their complaint will not be addressed or handled appropriately, the risk is that victims will not feel empowered to come forward, meaning misconduct continues without action. We recognise that standing up to instances of misconduct takes an emotional toll, particularly in unacceptable situations where the complaints processes are protracted and do not result in meaningful action. We are committed to ensuring that those affected by misconduct are supported in the right way and feel empowered to come forward. This section seeks feedback from local authorities with experience of overseeing council complaints procedures, or sector bodies and individuals with views on how this might be carried out most effectively. We are also keen to hear from those who work, or have worked, in local government, and who have either witnessed, or been the victim of, member misconduct.

Question 13

If responding as a local authority, what is the average number of complaints against elected members that you receive over a 12-month period?

[Number box]

Question 13a

For the above, where possible, please provide a breakdown for complaints made by officers, other elected members, the public, or any other source:

- Complaints made by officers [Number box]
- Complaints made by other elected members [Number box]
- Complaints made by the public [Number box]
- Complaints made by any other source [Number box]

Question 14

If you currently work, or have worked, within a local authority, have you ever been the victim of (or witnessed) an instance of misconduct by an elected member and felt that you could not come forward? Please give reasons if you feel comfortable doing so.

- Yes
- No
- [Free text box]

Question 15

If you are an elected member, have you ever been subject to a code of conduct complaint? If so, did you feel you received appropriate support to engage with the investigation?

- Yes
- No
- [Free text box]

Question 16

If you did come forward as a victim or witness, what support did you receive, and from whom? Is there additional support you would have liked to receive?

[Free text box]

Question 17

In your view, what measures would help to ensure that people who are victims of, or witness, serious councillor misconduct feel comfortable coming forward and raising a complaint?

[Free text box]

6. Introducing the power of suspension with related safeguards

The government believes that local authorities should have the power to suspend councillors for serious code of conduct breaches for a maximum of 6 months, with the option to withhold allowances and institute premises and facilities bans where deemed appropriate. This section of the consultation explores these proposed provisions in greater detail.

While the law disqualifies certain people from being, or standing for election as, a councillor (e.g. on the grounds of bankruptcy, or receipt of a custodial sentence of 3 months or more, or it subject to the notification requirements of the Sexual Offences Act 2003 - meaning on the sex offenders register) councillors cannot currently be suspended or disqualified for breaching their code of conduct.

Feedback from the local government sector in the years since the removal of the power to suspend councillors has indicated that the current lack of meaningful sanctions means local authorities have no effective way of dealing with more serious examples of member misconduct.

The most severe sanctions currently used, such as formally censuring members, removing them from committees or representative roles, and requiring them to undergo training, may prove ineffective in the cases of more serious and disruptive misconduct. This may particularly be the case when it comes to tackling repeat offenders.

The government recognises that it is only a small minority of members who behave badly, but the misconduct of this small minority can have a disproportionately negative impact on the smooth running of councils. We also appreciate the frustration members of the public and councillors can feel both in the inability to deal decisively with cases of misconduct, and the fact that offending members can continue to draw allowances.

Question 18

Do you think local authorities should be given the power to suspend elected members for serious code of conduct breaches?

- Yes – authorities should be given the power to suspend members
- No – authorities should not be given the power to suspend members
- Unsure

Question 19

Do you think that it is appropriate for a standards committee to have the power to suspend members, or should this be the role of an independent body?

- Yes - the decision to suspend for serious code of conduct breaches should be for the standards committee
- No - a decision to suspend should be referred to an independent body
- Unsure
- [Free text box]

Question 20

Where it is deemed that suspension is an appropriate response to a code of conduct breach, should local authorities be required to nominate an alternative point of contact for constituents during their absence?

- Yes – councils should be required to ensure that constituents have an alternative point of contact during a councillor's suspension
- No – it should be for individual councils to determine their own arrangements for managing constituents' representation during a period of councillor suspension
- Unsure

a) The length of suspension

The Committee on Standards in Public Life recommended in their 2019 Local Government Ethical Standards[footnote 3] (CSPL) report that the maximum length of suspension, without allowances, should be 6 months and the government agrees with this approach. The intent of this proposal would be that non-attendance at council meetings during a period of suspension would be disregarded for the purposes of section 85 of the Local Government Act 1972, which states that a councillor ceases to be a member of the local authority if they fail to attend council meetings for 6 consecutive months.

The government believes that suspension for the full 6 months should be reserved for only the most serious breaches of the code of conduct, and considers that there should be no minimum length of suspension to facilitate the proportionate application of this strengthened sanction.

Question 21

If the government reintroduced the power of suspension do you think there should be a maximum length of suspension?

- Yes – the government should set a maximum length of suspension of 6 months
- Yes – however the government should set a different maximum length (in months) [Number box]
- No – I do not think the government should set a maximum length of suspension
- Unsure

Question 22

If yes, how frequently do you consider councils would be likely to make use of the maximum length of suspension?

- Infrequently – likely to be applied only to the most egregious code of conduct breaches
- Frequently – likely to be applied in most cases, with some exceptions for less serious breaches
- Almost always – likely to be the default length of suspension for code of conduct breaches
- Unsure

b) Withholding allowances and premises and facilities bans

Giving councils the discretion to withhold allowances from members who have been suspended for serious code of conduct breaches in cases where they feel it is appropriate to do so could act as a further deterrent against unethical behaviour. Holding councillors financially accountable during suspensions also reflects a commitment to ethical governance, the highest standards of public service, and value for money for local residents.

Granting local authorities the power in legislation to ban suspended councillors from local authority premises and from using council equipment and facilities could be beneficial in cases of behavioural or financial misconduct, ensuring that suspended councillors do not misuse resources or continue egregious behaviour. Additionally, it would demonstrate that allegations of serious misconduct are handled appropriately, preserving trust in public service and responsible stewardship of public assets.

These measures may not always be appropriate and should not be tied to the sanction of suspension by default. The government also recognises that there may be instances in which one or both of these sanctions is appropriate but suspension is not. It is therefore proposed that both the power to withhold allowances and premises and facilities bans represent standalone sanctions in their own right.

Question 23

Should local authorities have the power to withhold allowances from suspended councillors in cases where they deem it appropriate?

- Yes – councils should have the option to withhold allowances from suspended councillors
- No – suspended councillors should continue to receive allowances
- Unsure

Question 24

Do you think it should be put beyond doubt that local authorities have the power to ban suspended councillors from council premises and to withdraw the use of council facilities in cases where they deem it appropriate?

- Yes – premises and facilities bans are an important tool in tackling serious conduct issues
- No – suspended councillors should still be able to use council premises and facilities
- Unsure

Question 25

Do you agree that the power to withhold members' allowances and to implement premises and facilities bans should also be standalone sanctions in their own right?

- Yes
- No
- Unsure

c) Interim suspension

Some investigations into serious code of conduct breaches may be complex and take time to conclude, and there may be circumstances when the misconduct that has led to the allegation is subsequently referred to the police to investigate. In such cases, the government proposes that there should be an additional power to impose interim suspensions whilst and until a serious or complex case under investigation is resolved.

A member subject to an interim suspension would not be permitted to participate in any council business or meetings, with an option to include a premises and facilities ban.

We consider that members should continue to receive allowances whilst on interim suspension and until an investigation proves beyond doubt that a serious code of conduct breach has occurred or a criminal investigation concludes. The decision to impose an interim suspension would not represent a pre-judgement of the validity of an allegation.

We suggest that:

- Interim suspensions should initially be for up to a maximum of 3 months. After the expiry of an initial interim suspension period, the relevant council's standards committee should review the case to decide whether it is in the public interest to extend.
- As appropriate, the period of time spent on interim suspension may be deducted from the period of suspension a standards committee imposes.

Question 26

Do you think the power to suspend councillors on an interim basis pending the outcome of an investigation would be an appropriate measure?

- Yes, powers to suspend on an interim basis would be necessary
- No, interim suspension would not be necessary
- Any further comments [free text box]

Question 27

Do you agree that local authorities should have the power to impose premises and facilities bans on councillors who are suspended on an interim basis?

- Yes - the option to institute premises and facilities bans whilst serious misconduct cases are investigated is important
- No - members whose investigations are ongoing should retain access to council premises and facilities
- Unsure

Question 28

Do you think councils should be able to impose an interim suspension for any period of time they deem fit?

- Yes
- No
- Any further comments [free text box]

Question 29

Do you agree that an interim suspension should initially be for up to a maximum of 3 months, and then subject to review?

- Yes
- No
- Any further comments [free text box]

Question 30

If following a 3-month review of an interim suspension, a standards committee decided to extend, do you think there should be safeguards to ensure a period of interim extension is not allowed to run on unchecked?

- Yes – there should be safeguards
- No – councils will know the details of individual cases and should be trusted to act responsibly

Question 30a

If you answered yes to above question, what safeguards do you think might be needed to ensure that unlimited suspension is not misused?

[Free text box]

d) Disqualification for multiple breaches and gross misconduct

When councillors repeatedly breach codes of conduct, it undermines the integrity of the council and erodes public confidence. To curb the risk of repeat offending and continued misconduct once councillors return from a suspension, the government considers that it may be beneficial to introduce disqualification for a period of 5 years for those members for whom the sanction of suspension is invoked on more than one occasion within a 5-year period.

This measure underlines the government's view that the sanction of suspension should only be used in the most serious code of conduct breaches, because in effect a decision to suspend more than once in a 5-year period would be a decision to disqualify an elected member. However, we consider this measure would enable councils to signal in the strongest terms that repeated instances of misconduct will not be tolerated and would act as a strong deterrent against the worst kind of behaviours becoming embedded.

Currently a person is disqualified if they have been convicted of any offence and have received a sentence of imprisonment (suspended or not) for a period of 3 months or more (without the option of a fine) in the 5-year period before the relevant election. Disqualification also covers sexual offences, even if they do not result in a custodial or suspended sentence.

Question 31

Do you think councillors should be disqualified if subject to suspension more than once?

- Yes – twice within a 5-year period should result in disqualification for 5 years

- Yes – but for a different length of time and/or within a different timeframe (in years) [Number boxes]
- No - the power to suspend members whenever they breach codes of conduct is sufficient
- Any other comments [free text box]

Question 32

Is there a case for immediate disqualification for gross misconduct, for example in instances of theft or physical violence impacting the safety of other members and/or officers, provided there has been an investigation of the incident and the member has had a chance to respond before a decision is made?

- Yes
- No
- Unsure
- [Free text box]

e) Appeals

The government proposes that:

- A right of appeal be introduced for any member subject to a decision to suspend them.
- Members should only be able to appeal any given decision to suspend them once.
- An appeal should be invoked within 5 working days of the notification of suspension; and
- Following receipt of a request for appeal, arrangements should be made to conduct the appeal hearing within 28 working days.

The government believes that were the sanction of suspension to be introduced (and potentially disqualification if a decision to suspend occurs a second time within a 5-year period) it would be essential for such a punitive measure to be underpinned by a fair appeals process.

A right of appeal would allow members to challenge decisions that they believe are unjust or disproportionate and provides a safeguard to ensure that the sanction of suspension is applied fairly and consistently.

We consider that it would be appropriate to either create a national body, or to vest the appeals function in an existing appropriate national body, and views on the merits of that are sought at questions 38 and 39 below. Firstly, the following questions test opinion on the principle of providing a mechanism for appeal.

Question 33

Should members have the right to appeal a decision to suspend them?

- Yes - it is right that any member issued with a sanction of suspension can appeal the decision
- No – a council's decision following consideration of an investigation should be final
- Unsure

Question 34

Should suspended members have to make their appeal within a set timeframe?

- Yes – within 5 days of the decision is appropriate to ensure an efficient process
- Yes – but within a different length of time (in days) [Number box]
- No – there should be no time limit for appealing a decision

The government is also keen to explore if a right of appeal should be provided, either in relation to whether a complaint proceeds to full investigation and consideration by the standards committee, or where a claimant is dissatisfied with the determination of the standards committee.

Question 35

Do you consider that a complainant should have a right of appeal when a decision is taken not to investigate their complaint?

- Yes
- No
- Unsure

Question 36

Do you consider that a complainant should have a right of appeal when an allegation of misconduct is not upheld?

- Yes
- No
- Unsure

Question 37

If you answered yes to either of the previous two questions, please use the free text box below to share views on what you think is the most suitable route of appeal for either or both situations.

[Free text box]

f) Potential for a national appeals body

There is a need to consider whether appeals panels should be in-house within local authorities, or whether it is right that this responsibility sits with an independent national body. Whereas an in-house appeals process would potentially enable quicker resolutions by virtue of a smaller caseload, empowering a national body to oversee appeals from suspended members and complainants could reinforce transparency and impartiality and help to ensure consistency of decision-making throughout England, setting precedents for the types of cases that are heard.

Question 38
Do you think there is a need for an external national body to hear appeals?

- Yes – an external appeals body would help to uphold impartiality
- No – appeals cases should be heard by an internal panel
- Any further comments [free text box]

Question 39
If you think there is a need for an external national appeals body, do you think it should:

- Be limited to hearing elected member appeals
- Be limited to hearing claimant appeals
- Both of the above should be in scope
- Please explain your answer [free text box]

7. Public Sector Equality Duty

Question 40
In your view, would the proposed reforms to the local government standards and conduct framework particularly benefit or disadvantage individuals with protected characteristics, for example those with disabilities or caring responsibilities?

Please tick an option below:

- it would benefit individuals with protected characteristics
- it would disadvantage individuals with protected characteristics

- neither

Please use the text box below to make any further comment on this question.

[Free text box]

Annex A: Personal data

The following is to explain your rights and give you the information you are be entitled to under the Data Protection Act 2018. Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the consultation.

1. The identity of the data controller and contact details of our Data Protection Officer

The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at dataprotection@communities.gov.uk.

2. Why we are collecting your personal data

Your personal data is being collected as an essential part of the consultation process, so that we can contact you regarding your response and for statistical purposes. We may also use it to contact you about related matters.

3. Our legal basis for processing your personal data

The Data Protection Act 2018 states that, as a government department, MHCLG may process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a consultation.

4. With whom we will be sharing your personal data

We use a third-party platform, Citizen Space, to collect consultation responses. In the first instance, your personal data will be stored on their secure UK-based servers.

5. For how long we will keep your personal data, or criteria used to determine the retention period.

Your personal data will be held for 2 years from the closure of the consultation.

6. Your rights, e.g. access, rectification, erasure

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

a) to see what data we have about you

b) to ask us to stop using your data, but keep it on record

c) to ask to have all or some of your data deleted or corrected

d) to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at https://ico.org.uk/ (https://ico.org.uk/), or telephone 0303 123 1113.

7. Your personal data will not be sent overseas

8. Your personal data will not be used for any automated decision making

9. Your personal data will be stored on a secure government IT system

Your data will be transferred to our secure government IT system as soon as possible after the consultation has closed, and it will be stored there for the standard 2 years of retention before it is deleted.

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1. Localism Act 2011 (legislation.gov.uk) (https://www.legislation.gov.uk/ukpga/2011/20/part/1/chapter/7)
2. Only around 36% of the population of England is covered by a parish or town council.
3. Local government ethical standards: report - GOV.UK (www.gov.uk) (https://www.gov.uk/government/publications/local-government-ethical-standards-report)

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