

AUDIT AND GOVERNANCE COMMITTEE

Date: Thursday 4 September 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 265 425.

Entry to the Civic Centre can be gained through the Customer Services Centre, Paris Street.

Membership –

Councillors Wardle (Chair), Moore (Deputy Chair), Atkinson, Banyard, Begley, Holland, Knott, Miller-Boam, Mitchell, M, Payne, Snow and Williams, M

Agenda

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

1 Apologies

To receive apologies for absence from Committee Members.

2 Minutes

To approve and sign the minutes of the special meeting held on 17 July 2025 and the ordinary meeting held on 24 July 2025. (Pages 3 - 12)

3 Declaration of Interests

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

4 Local Government 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.

5 External Audit Progress Report

To consider the report of the Council's External Auditor

(Pages 13
- 36)

6 Internal Audit Progress Report

To consider the report of the Assistant Director, SWAP.

(Pages 37
- 54)

7 Limited Assurance Report

To consider the report of the Head of Service Finance

(Pages 55
- 70)

8 Amendments to the Council Financial Regulations

To receive the report of the Strategic Director for Corporate Resources.

(Pages 71
- 114)

9 Net Zero Risk Register Report

To hear the report of the Strategic Director of Place.

(Pages
115 - 124)

Date of Next Meeting

The next **Audit and Governance Committee** will be held on Thursday 27 November 2025 at 5.30 pm

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

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

AUDIT AND GOVERNANCE COMMITTEE

Thursday 17 July 2025

Present:

Councillor Wardle (Chair)

Councillors Moore, Atkinson, Banyard, Begley, Holland, Knott, Miller-Boam, Mitchell, M, Payne, Snow and Williams, M

Also Present:

Head of Legal and Democratic Services & Monitoring Officer, Planning Solicitor and Democratic Services Officer (LS)

64

MINUTES

The minutes of the special meeting held on 17 April 2025 were taken as read, approved and signed by the Chair as correct.

65

DECLARATION OF INTERESTS

No declarations of disclosable pecuniary interests were made.

66

AMENDMENTS TO TERMS OF REFERENCE FOR THE JOINT CONSULTATION AND NEGOTIATION COMMITTEE

The Monitoring Officer presented the report making the following points:

- the Unison branch officer had input into the amendments to the Terms of Reference;
- the previous meeting of the Audit and Governance Committee had sought clarification on consultation with all unions which had now been undertaken with no response;
- the Strategic Director for People and Communities had clarified that the wording in points 1 and 6 remained as 'Consultation' as this described the joint decision-making and consensual approach taken in the group; and
- the rationale for the removal of reference to 'terms of service' was that those documents still applied but the Terms of Reference recognised the wide range of issues over and above pay which were considered.

The Monitoring Officer responded to a question from a Member stating that as with any other committee should there not be a majority decision the Chair would cast the deciding vote.

Councillor Atkinson proposed, seconded by Councillor Knott, that given there had been full discussion on the matter at the previous meeting the committee move to the vote.

The Chair moved the recommendations as set out in the report which following a unanimous vote were CARRIED.

67

CONSTITUTIONAL CHANGES

The Monitoring Officer introduced the report making the following points:

- the Governance Sounding Board had been set up by this committee and Members had considered the City Development functions which had subsequently been approved by Council;
- the Governance Sounding Board played an important role in scrutinising amendments to the constitution;
- he drew attention to the reduction in the size of committees to 11 councillors and the move to allow substitute members; and
- the Solicitor would present the report in further detail.

The Chair invited Councillor Wright to speak as she had registered under Standing Order No. 44.

Councillor Wright, as Portfolio Holder for Corporate Services, Community Safety and City Centre made the following points:

- thanked everyone on the sounding board as this had been a cross-party endeavour with good input and some political questions raised;
- she drew attention to the closure motion at full council to avoid going beyond 3 hours to ensure more efficient work, especially as many councillors cross-party had raised the length of meetings over the last year as an issue;
- thanked the officers for their hard work in re-formatting, adding digital links and making the constitution more understandable and easier to navigate;
- there was nothing currently in the constitution regarding numbers of councillors on a committee and she believed these had increased over time with some councillors sitting on more than one committee meaning a lot of strenuous work whereas 11 retained political balance and the introduction of substitutes would ensure sufficient members are present which was important having been asked about sharing committees for health or caring reasons; and
- these changes would bring the Council in line with employment conditions where work continued if people are unable to attend and would support equality and allow councillors to take on the role and know they could have a substitute if they had a health condition.

The Solicitor presented the report making the following points:

- the constitution was the legal framework which underpinned everything we do: Members, officers and citizens;
- there had been piecemeal updates over the last 20 years but under the new Monitoring Officer this governance review would be carried out in two stages, this being the first;
- there would be a built-in annual review to reflect it would be a living document and there may be other elements which required amendment;
- the Monitoring Officer would lead the ongoing reviews;
- there would be a key change to the Standing Orders which were difficult to follow currently and not logically set out;
- Existing Standing Orders had been transposed into a modern format making them easier to read and use and more helpful to councillors during council meetings;
- The proposed reduction of committee membership in some cases from 14 to 11 would mean an overall reduction to 55 from 68 which would reduce the burden on Members and allow them to develop a specialism and enhance scrutiny;
- any concern that the reduction in numbers may impact decision-making due to absences would be offset by the introduction of substitutes who must be from same political party and have undertaken the requisite training and there would be a procedure to alert the Chair in advance;

- Council procedure rules would include more formality regarding Member questions at Council and would expand the scope of who these could be directed to whereas currently to the Chair or Leader;
- removal of the requirement to give advance notice of questions, however, should a substantive response be required then give notice would be recommended otherwise an answer would be provided in the minutes;
- the Length of time allocated to questions and answers would be formalised;
- additional notice for motions would give officers more time to process; and
- the scope of motions would be narrowed to ensure they remained relevant to city council functions and not relate to a motion discussed during the last 6 months.

The Chair thanked the Monitoring Officer and Solicitor for their work on this matter. During debate Members of the committee made the following points:

- annual reviews would be a vast improvement;
- reduction in numbers, maintaining political balance would ensure a more engaged group of councillors and more lively debate with the safeguard of appointing substitutes;
- language could be ambiguous therefore the ability to make amendments would be good;
- limiting the length of meetings should bring better focus and quality of debate;
- in other authorities substitutes were named at the beginning of the year and undertook training alongside substantive committee members;
- public speaking at extraordinary meetings had received mixed views at the sounding board; and
- some extraordinary meetings were in Part 2 which would then be difficult if there were to be public questions.

The Chief Executive, Monitoring Officer and Solicitor responded to Members questions in the following terms:

- rule 26 related to substitutes and Members must have undertaken the relevant training, verified by the Monitoring Officer;
- the logistics of training were not too prescriptive but groups and parties may wish to consider this at the beginning of the municipal year with potential substitutes undertaking the training;
- substitutes could be put in place up until the start of the meeting under rule 26.1 and the Monitoring Officer would need to be satisfied that papers had been read if a substitute was requested at 5pm on the day of a meeting;
- should any rules be deemed not fit for purpose they could be reviewed at the annual review;
- the issue of removing notice for questions being problematic could be looked into;
- substitutes would apply to official meetings of the council; and
- there was additional work to be done on other committees these changes related to full Council.

Councillor Moore proposed and Councillor Banyard seconded the motion that “public questions be allowed at extraordinary meetings only on the items on the agenda” which following a vote was NOT CARRIED.

During debate on the recommendations Members made the following points:

- as a closure motion would be 30 minutes there would be time to bring up each item and vote as to whether to adjourn, move to the next meeting or convene an extraordinary meeting;

- much of the wording was standard rules of debate which had lasted the test of time; and
- a glossary would be helpful as some language was technical.

The Monitoring Officer and Solicitor responded to Members comments and questions in the following terms:

- in respect of the closure motion there would be a vote in order to opt out of the closure procedure which would allow time for debate;
- there was an option to adjourn a meeting or debate as a motion without notice or to call an extraordinary meeting via resolution which would allow flexibility over unfinished items;
- a closure motion would not negate the ability to move another motion to move or defer an item;
- councillors to 'indicate' or 'stand if able' rather than that they will rise and the addition of a glossary could be dealt with as a minor amendment;
- the petition scheme was not in the next amendments to be undertaken as those would look at the Executive and committees but would be looked at in due course; and
- amendments to minutes of meetings procedure was clear as it was.

The Chair moved and Councillor Payne seconded, the recommendations as set out in the report which following a vote were CARRIED.

(The meeting commenced at 5.30 pm and closed at 6.55 pm)

Chair

AUDIT AND GOVERNANCE COMMITTEE

Thursday 24 July 2025

Present:-

Councillor Wardle (Chair)

Councillors Moore, Atkinson, Banyard, Begley, Holland, Knott, Miller-Boam, Mitchell, M, Payne, Snow and Williams, M

Also Present

Chief Executive, Strategic Director for Corporate Resources, Head of Legal and Democratic Services & Monitoring Officer, Service Lead – Commercial & Procurement, Head of Service - City Development, SWAP Internal Audit Services and Democratic Services Officer

68

MINUTES

The minutes of the meeting held 19 March 2025 were taken as read, approved and signed by the Chair as correct.

69

DECLARATION OF INTERESTS

No declarations of disclosable pecuniary interests were made.

70

ANNUAL AUDIT PLAN

The Manager, Grant Thornton, the Council's external auditor, introduced the new engagement lead/key audit who presented the report making the following points:

- the approach and timelines were similar to previous years;
- page 21 highlighted the impact of the backstop however, Exeter was not impacted and a clean audit opinion had been issued which was a good position;
- page 26-30 highlighted the key risks;
- other risks could be found on page 30;
- there were no group risks shown as this was no longer a requirement;
- Value for money(VFM) related to findings in the previous year; and
- Audit logistics showed the opinion prior to back stop date.

The Manager and Engagement Lead, Grant Thornton, responded to Members questions in the following terms:

- local government reorganisation would be factored into any comments made;
- the opinion was given in February which did not allow sufficient time for response to recommendations however this would hopefully be addressed in the Audit Findings report at the end of the year;
- pensions defined risk differently to the Council and was based on assumptions which meant that a small change would move the risk past materiality;
- VFM was not more than other public sector organisations but bears further scrutiny to ensure the finance team made appropriate assumptions;
- at present there was a risk of significant weakness rather than actual;
- there had been a change in accounting standards during the year;
- there was a risk that failure to identify all relevant leases and assets could lead to an issue of materiality;
- materiality had gone up as a result of regulator feedback which reflected the

- risk profile of the council;
- heritage assets would be taken into consideration but it would depend upon the value of those assets; and
- this year assurance would be sought as to those value of heritage assets and how those were disclosed.

The Audit and Governance committee noted the report following a unanimous vote.

71

ANNUAL GOVERNANCE STATEMENT

The Strategic Director for Corporate Resources presented the report making the following points:

- this report related to 2024/25, was statutory, and accompanies the statement of accounts, based on the code of corporate governance;
- the difference was that it reflected significant weaknesses as identified by internal auditor; and
- one key issue was debt management after officers had requested an advisory review.

The Chief Executive and Strategic Director for Corporate Resources responded to Members questions in the following terms:

- the role of scrutiny would be updated in the report for the next year;
- Ombudsman complaints were reported to the Audit and Governance Committee;
- the corporate risk register was reviewed regularly by the Strategic Management Board(SMB) who discussed issues with Heads of Service;
- SMB held strategic responsibility for ensuring the correct resources were allocated to risks but Heads of Service held operational responsibility for addressing risks and feeding back to Directors;
- this was a summary not every item which SMB and OMB were responsible for; and
- OMB mitigated strategic and operational risks.

RESOLVED following a unanimous vote that the Audit and Governance Committee supports the Annual Governance Statement to be included within the Council's Annual Statement of Accounts for 2024/25; and

RECOMMENDED that Council notes and approves the Annual Governance Statement to be included within the Council's Annual Statement of Accounts for 2024/25.

72

ANNUAL INTERNAL AUDIT REPORT

The Assistant Director, SWAP presented the report making the following points:

- this was the opinion for 2024/25;
- the summary was contained on the first page of report with further detail on pages 45 and 46;
- the outcomes to support opinion showed actions almost fully delivered.
- assurance work underpinning the opinion could be found on page 42 with 14 assurance audits;
- there was a high organisational risk related to debt management;
- there were lots of positives which demonstrated that the council value the challenge of internal audit and senior management were open and directed

- audit to risk areas;
- there were 6 follow-up audits and all actions were adequately addressed with commitment to improvement shown;
- the limited assurance report being brought to the committee provided assurance;
- there was a breadth of coverage across key services and in relation to strategic risks which was summarised on page 89, with more info on debt management included and previously presented to this committee and this audit had been requested as an advisory by senior management;
- action plan monitoring, action plan work and follow up could be seen;
- SWAP were working with management to introduce a tracking system;
- there were 98 actions related to 2024/25;
- SWAP performance could be seen in the results of satisfaction surveys with all responses all showing that they met or exceeded expectations;
- the Standards shown were required and showed the latest published assessment from December 2024 and generally conformed which was the highest grade.

The Director, SWAP responded to Members questions in the following terms:

- there were many services which could potentially be audited;
- a risk-based approach was taken and those services with the highest risks were the focus;
- Section 106 and one CIL were audited as high risk;
- a planning audit was on this year's plan focussing on biodiversity net gain; and
- the list of areas to be audited was created by joint agreement with the Strategic Management Board following SWAP providing as a starting point for discussion.

Following a unanimous vote the Audit and Governance Committee noted the report.

73

INTERNAL AUDIT PROGRESS REPORT

The Assistant Director, SWAP presented the report making the following points:

- the purpose was to highlight significant outcomes from audit work and show work on the agreed plan or any changes made to the plan;
- the summary on the first page was in a standard format and similar to the previous item'
- 6 audits were finalised and 5 awarded limited assurance;
- Limited assurances could be found at appendix B and would be covered in the next agenda item;
- there was a follow up audit on taxi licensing and key improvements were summarised – a procedure manual had been created and training provided – evidence of what was needed for a taxi license application, including safeguarding, right to work and driving license evidence. This had been implemented in full;
- action plan monitoring showed 98 active actions with the majority not yet due;
- 18 actions had been assessed as being complete by the service and audit would gain evidence before closing; and
- 6 actions were overdue but it was acknowledged that some can take longer to implement than planned and sometimes timescales needed to be extended.

The Director, SWAP and Chief Executive responded to Members questions in the following terms:

- appendix 1 would be shared as this was missing from the report;
- the report had been agreed in full and behind it sat a detailed actions plan which had been agreed by management and would be seen in the next agenda item and would sit on SWAP monitoring system and be updated and reported back to this committee;
- there had not previously been a process for monitoring which had required to be strengthened;
- she would endeavour to provide detail of the 6 overdue actions and their reasons;
- there were 98 actions with only 6 overdue and SWAP would provide information and SMB would identify reasons for this; and
- 6 was a small proportion to be overdue.

Following a unanimous vote the Audit and Governance Committee noted the report.

74

LIMITED ASSURANCE REPORT

The Strategic Director for Corporate Resources presented the report making the following points:

- the report showed detail of the action plans behind the summary provided by SWAP;
- appendices held each action plan in respect of the 5 limited assurance audits with most of the audits having been requested by management;
- procurement was subject to annual audit; and
- SWAP intended to look at the Procurement Act 2023 and management had asked them to do a more in-depth audit of procurement practices to potentially identify any further breaches. Management had worked with SWAP to implement changes and this had been an important piece of work which did identify further work to be done. As a result, a significant training programme would be rolled out beginning with Heads of Service with many sessions already full in September.

The Chief Executive, Strategic Director for Corporate Resources, Head of Service – City Development and Procurement Lead responded to Members questions in the following terms:

- CIL was part of the City Development remit and was under review. It was hoped that proposals would be made to SMB in August to address the issue of governance and there was a willingness to involve stakeholders. A method of review would form part of the CIL terms of reference going forward;
- a number of schemes had been identified which were at risk of losing money and legal advice was being sought;
- a review panel would be proposed as part of the governance review;
- there was a complication around the length of the neighbourhood plan with regard to St James Trust and legal advice would be taken;
- there were no Member committees for other financial decisions which must be taken into account when looking at CIL and section 106 but this proposal had not yet been seen by SMB;
- a full answer would be sought with regard to whether the contractor would be provided with training regarding new procedures, whether there would be any impact on value for money and why the echelon report had not been implemented as yet;
- a progress report could be brought to committee on how the housing actions

- were being implemented;
- work was being done to replace the extralet properties which was intended to deliver benefits which would bring the budget back into balance;
- procurement was being linked to strategy;
- there was no direct link but contract and procedure rules had been adopted and updated in line with the Act; and
- waivers under £100,000 were not required to come to procurement rather they would be signed off by Heads of Service, however, this was under review and there may need to be corporate variations but this would remain under review until the training was complete.

Following a unanimous vote the Audit and Governance Committee note the report.

75

REVIEW OF CORPORATE GOVERNANCE RISK REGISTER

The Strategic Director for Corporate Resources presented the report making the following points:

- this was a final review in the current guise as Council had adopted the new corporate plan two days ago;
- as this review was based on the previous plan SMB and the Executive would undertake a full review to align with the new corporate plan;
- implementation of the table showing where each of the risks lies now included the direction of travel for each risk as requested by Members; and
- following training with Zurich Municipal the finance risk increased as there was a significant reduction to find and this was the beginning of this process but the risk would be expected to move down throughout the year.

The Strategic Director for Corporate Resources responded to Members questions in the following terms:

- this was the latest assessment based on a full year Medium Term Financial Plan (MTFP) taking into account the business rate reset at the time of drafting the report;
- there were three categories of property being housing, commercial and operational and the council had a legal responsibility to have best consideration for assets therefore they were marketed and advertised and publicised that they were on the market and the council could work with any community group who came forward and put them in touch with the managing agent;
- he would work with the head of commercial assets on whether a sale could be delayed in the event of a community group requiring longer than a commercial operator;
- regarding an asset management plan and strategy, a piece of work had been commissioned and an initial draft was with officers which once finalised would be reviewed by SMB before Council; and
- the council remained committed to net zero 2030.

Following a vote the recommendations as set out in the report were CARRIED.

Resolved that the Audit and Governance Committee had considered the council's Corporate Risk Register (Appendix A) and recommended its approval to Executive.

76

QUARTERLY WAIVERS REPORT

The Service Lead – Commercial and Procurement presented the report making the following points:

- the external auditor had recommended that this report be brought to committee and this was the first;
- the report showed waivers and breaches which had previously been reported in the bulletin;
- a waiver request set out the rationale for a direct award to a supplier and why it may not be in the Council's best interests to run a competitive procurement process as required within the Council's Procurement and Contract Procedures;
- any waiver granted over the UK procurement threshold approves only the anticipated non-compliance with the Council's Procedures. It did not mitigate the risks associated with non-compliance with the UK Procurement Law and Regulation;
- a breach occurred where either the Council's Procurement and Contract Procedures or UK procurement legislation has not been adhered to; and
- the last two quarters were reported.

The Strategic Director for Corporate Resources and Service Lead – Commercial and Procurement responded to Members questions in the following terms:

- the report did not relate to people overspending but rather to procedures and rules and had been moved from the bulletin to committee;
- Breaches did not mean that there had been overspend but rather that rules or procedure had not been followed;
- there was no direct correlation between breaches and budgetary control or overspend;
- each accountant met regularly with Heads of Service and their Director at which time any issues would be highlighted;
- under or overspend of a budget could happen for a number of reasons, some of which were understandable and others not but SMB reviewed this before it was brought to Council and highlighted areas of more concern than others;
- it was important to highlight areas of concern as there would be variation throughout the year; and
- it was a fair assessment to say that some waivers existed to facilitate effective service provision and this was not a bad thing as there was a need for expediency which was normal for local authorities.

The Audit and Governance Committee noted the Quarterly Waivers Report.

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

Chair

Exeter City Council

Page 13

Audit progress report and sector updates

September 2025

Agenda Item 5



Audit Progress Report

Introduction



Grace Hawkins

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

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

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

[Local government](#) | [Grant Thornton](#)

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

Page 15



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Progress at September 2025

Financial Statements Audit

We undertook our initial planning for the 2024/25 audit in March 2025 and discussed with management a suitable timetable for the interim audit. We plan to begin our work on your draft financial statements in September.

Our interim fieldwork included:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

Since we last reported we have:

- continued to have regular discussions with management discussing issues identified in previous audits, and emerging themes which are expected to impact on the current audit;
- reviewed board papers and the latest financial and operational performance reports ensuring we understand your current challenges;
- met with the Strategic Director of Corporate Resources to provide informal feedback on progress of the audit cycle and get a deeper understanding of potential issues and challenges facing the Authority. This has included meetings with management to discuss proposed actions to address audit recommendations;
- Considered any further sector wide reporting requirements or issues that would directly impact the Authority

We issued a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2024/25 financial statements at the July Audit & Governance Committee. As reported at the Committee meeting the draft financial statements have yet to be published, missing the statutory publication date of 30 June 2025, due to ongoing issues with the valuation of property, plant and equipment. There is a risk that this will delay the issuing of the audit opinion and we continue to discuss the issue with management. We will report any impact on our delivery timelines to members through the Audit & Governance Committee meetings.

Value for Money

Under the 2020 Audit Code of Practice, we are required to undertake sufficient work to satisfy ourselves that the Authority "has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources."

Our initial risk assessment will build on our understanding of your arrangements, taking into account any findings from previous work on value for money. We reported our risk assessment to you at your July 2025 Audit & Governance Committee against the following reporting criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

As reported in our plan we have identified the risk of significant weakness in both governance and improving economy, efficiency and effectiveness.

We will keep our risk assessment under continuous review. Where appropriate, we will update our risk assessment to reflect emerging risks or findings and report this to you. Our final commentary in the Auditors' Annual Report will include:

- a summary of our findings on any risks identified during our work;
- our judgements on the adequacy of the Authority's arrangements for each of the three reporting criteria, as set out above;
- any recommendations made to management as a result of our work; and
- a follow up of progress against any recommendations raised in previous audits.

Progress at September 2025 (cont.)

Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Works and Pensions (DWP). The certification work for 2024-25 is in progress and we will report any significant findings to the Audit and Governance Committee.

We also certify the Authority's Pooling of housing capital receipts submission. The certification work for 2024-25 is in progress and we will report any significant findings to the Committee

Events

We provide a range of workshops and network events. On 4 June 2025 we held a webinar providing updates on local government re-organisation and devolution; and lessons from our 2023/24 value for money audits. A recording of the event is available here:

[Webinar: Local Government devolution and reorganisation](#)

Audit Fees

PSAA have published their scale fees for 2024/25 - [2024/25 audit fee scale – PSAA](#)

For Exeter City Council these fees are £190,985. These fees are derived from the procurement exercise carried out by PSAA in 2022. They reflect both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work.

Local Audit Reform

On 9 April 2025, the government published [Local audit reform: Government response to the consultation to overhaul local audit in England - GOV.UK](#)

Recognising that a backlog in local audit sign off of nearly 1,000 audits had impacted on local accountability and transparency, the purpose of the consultation was to rebuild a system of local audit, ensuring that audited accounts are published on time and that trust and confidence in how councils are spending their money is restored. Grant Thornton welcomes the reforms which we believe are much needed.

The key outcome of the consultation is the decision to proceed with the establishment of a new Local Audit Office (LAO) with effect from 1 April 2026. Further details are set out below.

Page 18

Local Audit Office – Core Principles

Value for Money: providing confidence for stakeholders that proper arrangements are in place

Transparency of the sector’s financial health and VfM arrangements

Capacity and capability: A sustainable and resilient audit market with access to the right expertise

External scrutiny which challenges and drives improvement

Professionalism: building a sector attractive to auditors

Proportionality: local audit that is proportionate and relevant, from regulations to governance

Stronger accountability: high standards of financial reporting to promote public accountability

Timely: High quality accounts which are produced on a timely basis.

Impacts for local authorities

- A mandatory requirement for at least one independent Audit Committee member at each authority
- Mandatory reporting of the Auditor’s Annual Report to full Council
- The introduction of a Local Public Accounts Committee, following the central government model
- The strengthening of Internal Audit capacity.

Audit Deliverables

Below are some of the audit deliverables planned for 2024/25

2024/25 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit and Governance Committee setting out our proposed approach in order to give an opinion on the Council’s 2024/25 financial statements.	July 2025	Completed
Audit Findings Report The Audit Findings Report will be reported to the Audit and Governance Committee.	TBC*	Not yet due
Auditors Report This includes the opinion on your financial statements.	TBC*	Not yet due
Auditor’s Annual Report This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.	November 2025	Not yet due

* The backstop date for closure of the audit is 27 February 2026 and we are required to issue an opinion on the approved financial statements. Our current timeline is to complete the work in December 2025 and there is currently no Audit & Governance Committee meeting between this date and the back stop date for approval to be provided. We continue to discuss the issue with management and will update members with any further decisions or issues

Audit Deliverables

Below are some of the audit deliverables planned for 2024/25

2024/25 Audit related deliverables	Planned Date	Status
<div><div>Housing Benefit Subsidy – certification</div><div>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.</div></div>	March 2026	Not yet due
<div><div>Pooling of housing capital receipts - certification</div><div>This is the report we submit to the Ministry of Housing, Communities and Local Government (MHCLG) based upon the mandated agreed upon procedures we are required to perform.</div></div>	March 2026	Not yet due

Sector Updates

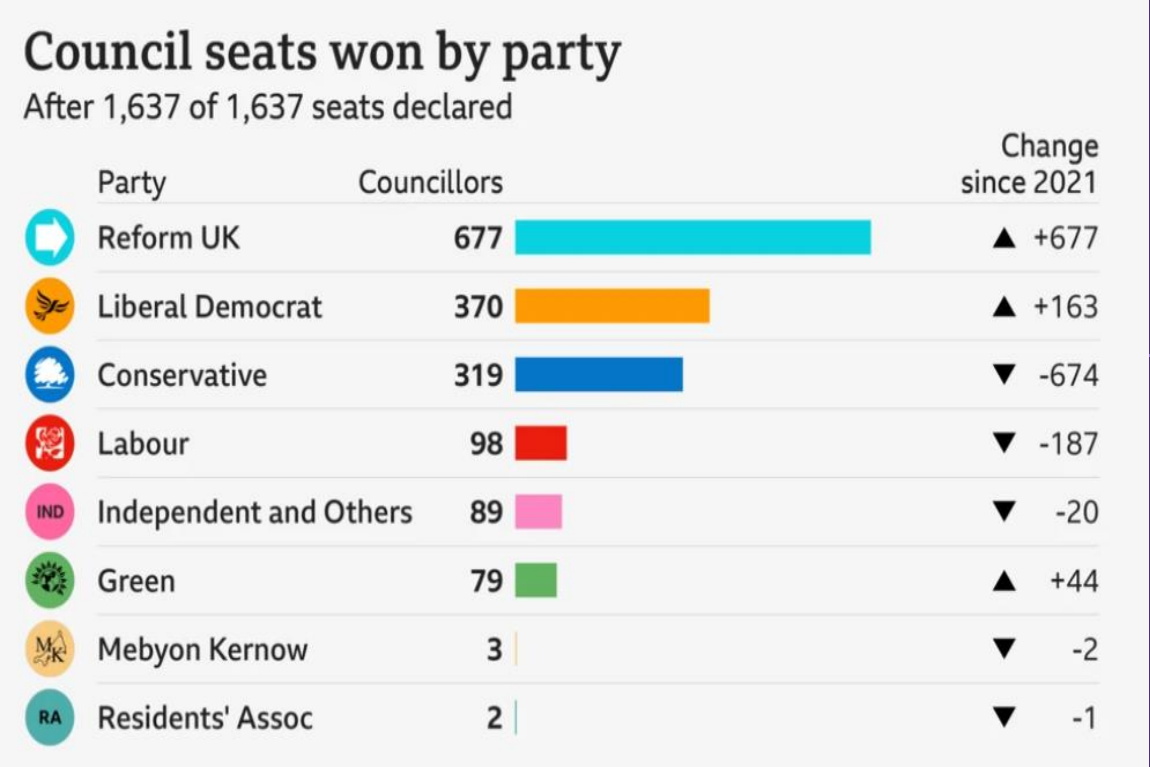
Page 21

New members and the 30th anniversary of Nolan

The May 2025 local elections saw significant turnover in membership at some Councils. The elections saw 677 new Reform councillors become members of local government for the first time, and 674 former Conservative councillors leave local government, often after many years of service. The extent of the changes meant that when the LGA’s political proportionality was recalculated on 8th May 2025, Reform was awarded its own LGA Group for the first time.

Reform, the Liberal Democrats and the Green party all gained new councillors, many new to local government roles.

Coincidentally, May 2025 marks the 30th anniversary of the Nolan Principles. As the large number of new councillors get to grips with the challenges the local government sector faces, and the unique opportunities presently before it, there is probably no better star they can be guided by. By practicing selflessness, integrity, objectivity, accountability, openness, honesty and leadership, councillors of all political persuasions (and none) should be able to work together in the best interest of the areas they have been elected to represent.



Source: BBC News [Local elections 2025: results in maps and charts](#)

Challenges faced by local authorities in implementing IFRS 16 (1)

IFRS 16 is an international accounting standard that changes how leases are reported in financial statements. It requires organisations to bring most leases onto the balance sheet, recognising both a right-of-use asset (the value of the leased item) and a lease liability (the obligation to make future lease payments). This change improves transparency by more comprehensively reporting the extent of an organisation’s leasing commitments on the balance sheet. It replaces the previous distinction between operating and finance leases for lessees under IAS 17.

In the UK public sector, IFRS 16 is adopted through the CIPFA Code of Practice on Local Authority Accounting. After several deferrals, it is now mandatory for local authorities from 1 April 2024, impacting the 2024/25 financial year.

As local authorities prepare their 2024/25 financial statements and apply IFRS16 for the first time, several areas are proving particularly challenging. These challenges are not just technical — they have implications for governance, transparency, and the accuracy of financial reporting. The Audit Committee plays a key role in providing oversight and assurance. The table below sets out some areas which can present difficulties, along with suggested questions for finance teams and Audit Committees to consider.

Area of difficulty	Description	Challenge questions to ask the Finance team
Completeness of lease records	<p>One of the most fundamental requirements of IFRS 16 is that all lease arrangements must be identified and recorded. This includes not only formal lease contracts but also informal or embedded leases that may be part of broader service agreements.</p> <p>Many authorities conducted a one-off review of leases as they prepared for the transition but without ongoing processes, there is a risk that new leases entered into during the year may not be captured.</p> <p>This could result in incomplete or inaccurate entries in the financial statements.</p>	<p>(a) How does the finance team ensure that all lease agreements, including those entered after the initial review, are identified and properly recorded?</p> <p>(b) What approach does the finance team take to work with other departments in identifying and reporting lease arrangements, especially those that might be informal or embedded in other contracts?</p> <p>(c) What processes or controls are in place to keep the lease register accurate and up to date throughout the year?</p>

Challenges faced by local authorities in implementing IFRS 16 (2)

Page 24

Area of difficulty	Description	Challenge question to ask the Finance team
Holdover leases (expired leases still in use)	<p>In some cases, a property lease agreement may have ended but the authority continues to occupy and use the premises. These are known as holdover leases.</p> <p>The challenge here is determining whether the continued use of the asset creates a new lease under IFRS 16. This depends on whether there are still enforceable rights and obligations between the authority and the landlord. Making this assessment often requires legal judgment and careful documentation.</p> <p>The most challenging aspect of holdover leases is determining the lease term. Management must consider whether there is an implied contract, the term of the arrangement, and whether there are any continuing enforceable rights or obligations, as well as any significant costs or penalties from terminating the arrangement.</p>	<p>(a) Have any holdover leases been identified, and how has the finance team assessed whether these should be treated as leases under IFRS 16?</p> <p>(b) Where there was uncertainty, has legal advice been sought, and are the assumptions and judgments clearly documented?</p> <p>(c) What approach has been taken to determine the lease term for agreements that are open-ended or automatically renew?</p>
Peppercorn or nominal rent leases	<p>Some leases involve little or no payment — for example, a community building leased for £1 per year. These are known as peppercorn leases.</p> <p>Even though the payments are minimal, IFRS 16 requires the authority to recognise a right-of-use asset on its balance sheet at fair value. This can be difficult, especially if there is no recent valuation or if the asset is unique.</p>	<p>(a) Have any lease arrangements been identified where the payments are nominal or zero? If so, how have these been assessed under IFRS 16?</p> <p>(b) What process has been followed to determine the fair value of the right-of-use assets in these cases?</p> <p>(c) Is there sufficient documentation and evidence to support the valuation approach taken?</p>

Challenges faced by local authorities in implementing IFRS 16 (3)

Area of difficulty	Description	Challenge question to ask the Finance team
Lease modelling and use of external advisors	<p>Some authorities have relied on external advisors to calculate the lease liabilities and right-of-use assets required under IFRS 16.</p> <p>While this can be helpful, it has created challenges where the advisors have not provided the underlying data or assumptions used in the calculations. Without this information, it becomes difficult for the finance team to explain or support the figures in the accounts.</p>	<p>(a) Have external advisors been involved in the lease accounting process, and if so, do they have access to the detailed inputs and assumptions used in the calculations?</p> <p>(b) Can the finance team fully explain and support the lease figures presented in the financial statements?</p> <p>(c) What documentation and internal checks are in place to ensure the accuracy and completeness of lease calculations and disclosures?</p>
Variable lease payments linked to indices or rates	<p>Some lease payments vary based on inflation or other financial indices. For example, a lease might include annual increases linked to the Consumer Prices Index (CPI).</p> <p>Under IFRS 16, the authority must estimate future payments based on known changes to these indices. This requires careful judgment and can affect the accuracy of the lease liability recorded.</p>	<p>(a) How has the finance team addressed lease arrangements that include variable payments?</p> <p>(b) Have known changes to inflation rates or other relevant indices been factored into the lease calculations, and how has this been documented?</p>
Group leases and consolidation	<p>In some cases, leases exist between a council and its wholly owned subsidiary, or arrangements between a police and crime commissioner and the chief constable may in some circumstances meet the definition of a lease.</p> <p>These leases must be included in the individual accounts and then adjusted on consolidation. This can be complicated, especially if different entities within the group use different accounting standards.</p>	<p>(a) How has the finance team identified and accounted for lease arrangements between group entities?</p> <p>(b) What steps have been taken to align accounting policies in preparing group accounts?</p> <p>(c) How are intra-group leases treated in the consolidated financial statements, and what documentation supports this treatment?</p>

Climate change – new report on generating hope

Great British Energy recently announced £10 million of funding for a local government partnership to build clean energy power.

We know that each mayoral strategic authority in England will be invited to apply for a share of the funding, but there is little other detail available yet.

Localis have shared thoughts on how Great British Energy and the metro mayors can build clean power in every part of the country, starting with four simple steps:

- Provide robust data and measurement mechanisms for monitoring and evaluation.
- Target quantifiable benefits to local communities.
- Develop financial instruments such as Community Municipal Investments and Green Bonds to help support local communities.
- Embed Green Public Procurement in their procurement of energy services and utilities.

For a full copy of the Localis Report, see:

“Generating Hope: Local Power in Partnership”

Reorganisation update

March 2025:

Twenty-one two tier areas were invited by the Minister of State for Local Government and English Devolution to submit interim plans for reorganisation by 21 March 2025. Councils were asked to **“make every effort to work together to develop and jointly submit one proposal”** for each area. Finding the consensus necessary to achieve this has been a challenge though.

The Local Government Chronicle reports that the Minister received in reply at least 40 separate local government reorganisation (LGR) interim plan submissions; outlining across the replies at least 53 separate LGR options. From the replies, none of the 21 areas had agreed a final geography for new unitary councils.

May 2025:

Surrey was asked to submit its final proposal for reorganisation by 9 May 2025. Again though, consensus has not been achieved. The County Council put forward a final proposal for two unitaries on 30 April 2025; and one of the prominent Borough Councils put forward a final proposal for three unitaries a week or so later.

With so little consensus at this stage, moving to next steps may be difficult.



Expected next steps:

26 September 2025 - Deadline for areas in the Devolution Priority Programme to submit final proposals for reorganisation.

28 November 2025 - Deadline for all other areas to submit final proposals for reorganisation.



Recommended reading:

For these challenging times, three sets of material from Grant Thornton may be useful:

September 2024 - [Learning from the new unitary councils](#)

March 2025 - [Navigating the future: The dual challenge of local Government reorganisation and devolution | Grant Thornton](#)

March 2025 - [Dual delivery - How can areas successfully reorganise local government and implement devolution at the same time?](#)

Webinar for Audit Committee members

Page 28



We held a webinar for members of Audit Committees on 4th June 2025.

Delivered by Grant Thornton specialists and drawing on experience from across the sector, the webinar covered: How to prepare for devolution and reorganisation; and shared experiences from other reorganisations - with a focus on:

- Learning from the recent formation of eight new unitary councils between 2019 and 2023
- Progress by the eight new unitary councils in 2023/24
- How to successfully reorganise local government at the same time as implementing devolution
- Project management lessons learned for reorganisation
- Performance measurement lessons learned for reorganisation
- Governance lessons learned for reorganisation
- Other relevant findings from Auditors Annual Reports for 2023/24.

The recording of our webinar can be accessed here: [Audit committee webinar](#).

Making decisions

With so much changing in local government, and across the UK economy, making good decisions has perhaps never been more important. Two recent major publications on decision-making for mayoral combined authorities and public sector mega-projects both include content that may be useful for strategic and complex decision-making at other levels of government.

Strategic decision-making:

The Institute for Government published advice in March 2025 on [“How the government can support better decision making in mayoral combined authorities”](#).

To enhance capacity and accountability for strategic decisions, councils need to:

- Provide good technical and administrative resource to ensure that the plans members are voting on are well designed.
- Consider utilising digital tools for community engagement.
- Embed participatory processes, including peer research projects, to inform and support policy making.



Complex decision-making:

The National Audit Office published a report in March 2025 on: [Lessons learned: Governance and decision-making on mega-projects](#)

To improve decision-making for the most complex projects, Councils need to:

- Adopt governance arrangements that reflect the main risks to delivery and to achieving value for money.
- Map out the decision pathway, setting out which decisions will need to be made when, and by whom.
- Ensure those charged with governance over complex projects have the skills, qualification and experience needed to make decisions on the projects.



Homelessness

In May 2025, a new report by the Institute for Government highlighted how local authority spending on homelessness has nearly trebled in real terms over the last 14 years, and yet the number of homeless people has continued to rise, now reaching record proportions:

Local authority spending on homelessness in real terms (2024/25 prices):

- 2010/11: £1.3 billion.
- 2024/25: £3.1 billion.

Local authority median spend on homelessness as a % of all median spend:

- 2010/11: 18%.
- 2023/24: 54%.

Changes in the level of homelessness:

- 2010/11 to 2024/25: More than doubled.
- September 2024: 126,040 households living in temporary accommodation.

The Institute for Government (IFG) highlights that we need to focus not just on how much is spent, but also on what we spend it on. Local authorities often end up spending most of their budget, plus homelessness prevention grants and rough sleeper grants, on acute responses to homelessness. These are often exorbitantly expensive and come at the cost of underlying prevention work. IFG suggests also that individual local authorities work at too small a scale to tackle the extent of the homelessness problem – and that stronger place-based approaches are needed.

A recent report by the [Local Government Chronicle](#) looks at a similar issue through a different lens, suggesting that stronger investment in counter fraud would help slash some of the escalating spend on temporary accommodation.

Although they come at the issue of spend on homelessness from different angles, both reports indicate that challenging **how** the budget is spent, **and on what**, is more important than simply asking what the budget is.



Housing targets and housing enquiry

Figures from the [Office for Budget Responsibility](#) on 26th March 2025 indicate that changes to the planning system mean that housebuilding is at a 40-year high and that 1.3 million new homes will be built across the UK by the end of this decade.

Provisional figures from [Homes England](#) on 20th May 2025 suggest that the agency exceeded its overall targets for new housing starts and completions in 2024/25, for the second year running.

Nevertheless, the government continues to look at even more new ways of opening-up housebuilding and development activity. The UK parliament is now calling for evidence from anyone who can contribute to an enquiry around the effectiveness of the current system for developer contributions.

In 2022/23, some 44% of affordable housing was provided through Section 106 agreements. Parliament wants to consider whether:

- The current system is understandable and accessible to stakeholders;
- Local Planning Authorities are receiving the correct support from MHCLG to ensure they can efficiently and effectively collect and spend developer contributions;
- The Ministry of Housing, Communities and Local Government's (MHCLG's) oversight of the system is effective; and
- MHCLG can learn and apply lessons to the process.

A [National Audit Office](#) report on the Section 106 system is due out in the summer. In the meantime, the deadline for providing evidence to the enquiry is 16th June 2025.

If you want to contribute to the enquiry, please give your evidence here:

[Call for Evidence - Committees - UK Parliament](#)



The remediation of dangerous cladding

[The Committee of Public Accounts](#) (PAC) reported in March 2025 that progress in establishing the number of buildings affected by dangerous cladding, and in remediating those with dangerous cladding, has been far too slow.

PAC described hearing how local authorities' enforcement work is facing issues of funding; skills; lack of clarity over the money available; and lack of clarity over the regulatory environment. PAC noted that local authorities are trying to train Environmental Health Officers to undertake enforcement activity as quickly as possible, but are at risk of losing them as soon as they qualify to other parts of the construction sector. PAC also stated that the government accepts that where local authorities are spending on cladding enforcement activity, they can't spend the same money on new social housing.

[MHCLG](#) did commit to providing more funding for remediation action, and an update on their plan to do so is due in the summer of 2025. Money alone is unlikely to be enough to speed things up though. As MHCLG itself recognised, there are not enough trained enforcement officers available to speed up identification; and, even if there were, there is insufficient skilled construction capacity to speed up remediation.

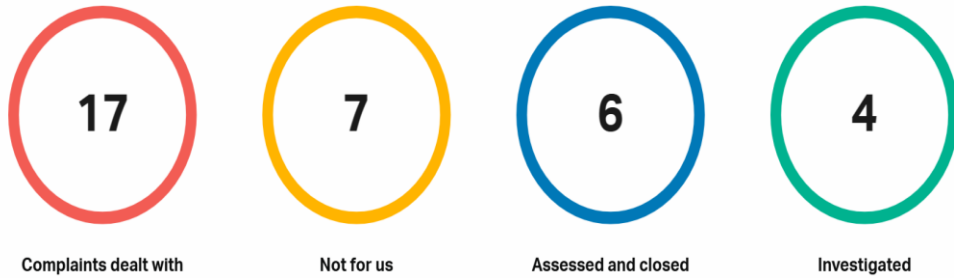
Eight years on from the Grenfell fire, the national issue of what to do about cladding still seems to be shrouded in uncertainty.

"We are appalled that those living in affected buildings continue to suffer an unacceptable financial and emotional toll. Far too many people continue to feel trapped in unsafe homes, many facing financial uncertainty and many unable to sell their homes and move on with their lives".

Source: [PAC, 21 March 2025](#)



Complaints data from the Local Government and Social Care Ombudsman



Annual 2024/25 complaints statistics have just been published for each Council by LGSCO: [Your council's performance](#).

This is an earlier publication date for the statistics than in other years – because the Ombudsman is responding to requests that the timetable be made to fit better with Council complaint reporting cycles. LGSCO has also responded to Council requests by including absolute numbers in the data, so that the emphasis is shifted away from percentages (in upheld, satisfactory remedies and compliance) and better context is given.

A very clear traffic light rating system has been adopted – and both Councils and residents will be able to see immediately how well their area fares.

Complaints data is an important tool for judging where energy needs to be directed for risk and performance management. Context and proportion are important as well though for judging overall performance; and earlier data is generally more useful than later data. The improvements made this year to timing and presentation will help Councils and their members make the most of the valuable resource that LGSCO provides.

Climate change - new role for the Energy Ombudsman

The Energy Ombudsman took on a new role on 1 April 2025, as the official dispute resolution body for Great Britain's heat network customers.

The [Association for Decentralised Energy \(ADE\)](#) estimates that heat networks, are projected to unlock £100 billion in UK infrastructure investment by 2050, while at the same time cutting carbon emissions. The sector is poised to play a central role in the UK's net-zero transition.

ADE estimates that most consumers are happy with the experience they have of using heat networks. Nevertheless, having an official ombudsman role boosts the credibility of the industry.

As major providers in the field, Councils do need to be aware of the new dispute resolution arrangements. The Ombudsman invited providers to register with them in the run up to 1 April. Anyone who has not done so yet, should register now so that they can keep abreast with the changes ongoing.

Register here: [Join our Heat Network Supplier scheme | Energy Supplier Portal](#)



Audit Committee resources

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

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

LGA Regional Audit Forums for Audit Committee Chairs

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

Global Internal Audit Standards

[Global Internal Audit Standards](#)

Code of Audit Practice for local auditors (NAO):

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

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

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

The Three Lines of Defence Model (IAA)

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

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

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

CIPFA Guidance and Codes

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

Audit Committees: Practical Guidance For Local Authorities And Police

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

Delivering Good Governance in Local Government

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

Financial Management Code

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

Implementing Global Internal Audit Standards

[Global Internal Audit Standards in the UK Public Sector](#)

Prudential Code

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

Treasury Management Code

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



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REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: **4th September 2025**

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

Title: **INTERNAL AUDIT PROGRESS REPORT FOR THE YEAR ENDED 31 MARCH 2026 – QUARTER 1**

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 To report on 2025/26 internal audit work during quarter 1. To advise on overall progress against the Audit Plan and to highlight areas where improvements in governance, risk or internal controls have been agreed.

2. Recommendations:

2.1 That the Internal Audit Progress Report for quarter 1 be noted.

3. Reasons for the recommendation:

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

4. What are the resource implications including non financial resources

4.1 None

5. Section 151 Officer comments:

5.1 The quarterly report sets out progress against the plan. 26% of the plan has been completed, which demonstrates that SWAP are on track to deliver the plan over the course of the year.

6. What are the legal aspects?

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

7. Monitoring Officer's comments:

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

The Mission Statement goes provides a definition of the role of internal audit and states that the fundamental purpose, nature and scope of internal audit is to provide '...an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes'.

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

8. Report details:

8.1 This Committee receives quarterly internal audit progress reports. This allows progress against the agreed plan and the main issues arising to be monitored, seeking assurance from management that action has been taken, where necessary. The 2025/26 Audit Plan was approved at this Committee on 19th March 2025. The purpose of internal audit is to provide an independent, objective assurance and consulting service designed to add value and improve the Council's operations. The mission of internal audit is to enhance and protect organisational value by providing risk based and objective assurance, advice, and insight. The internal audit Service helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

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

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

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

N/A

11. Equality Act 2010 (The Act)

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

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

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

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

11.4 The report is for information only.

12. Carbon Footprint (Environmental) Implications:

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

13. Are there any other options?

N/A

Author: Lisa Fryer, Assistant Director SWAP

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

Background papers used in compiling this report:-

None

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

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Exeter City Council

Report of Internal Audit Activity

Progress Report – Quarter 1 2025/26

Internal Audit –Quarter 1 2025/26: ‘At a Glance’

The Headlines



Reviews completed in the period

- 24/25 plan completed – one report finalised
- 25/26 – two reports finalised



Progress to date

- Reasonable start to the year
- 26% of plan completed or in progress



High Organisational Risk

- None reported in the period



Action plan monitoring

- The council has 106 active agreed actions, 4 of which are overdue.



Plan changes in the year

Two audits deferred from 24/25 have been added to the 25/26 plan. One follow-up audit has been pushed back to 26/27 as a result.



Enhancements made to our internal audit process throughout the year

A monitoring system for actions agreed within audit reports is now operational. Automatic reminders will be issued monthly from 1st August 2025 to alert managers of actions overdue and close to being overdue.

Internal Audit Assurance Work 2025/26

	Q1	YTD
Substantial	0	0
Reasonable	1	1
Limited	2	2
No Assurance	0	0
Follow-up	0	0
Grants	0	0
Advisory & Other	0	0
Total	3	3

Internal Audit Agreed Actions 2025/26

	Q1	YTD
Priority 1	4	4
Priority 2	7	7
Priority 3	17	17
Total	28	28

Summary

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

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

The contacts at SWAP in connection with this report are:

Lisa Fryer
Assistant Director
lisa.fryer@swapaudit.co.uk

Rich Clarke
Chief Executive
rich.clarke@swapaudit.co.uk



Introduction

The Audit and Governance Committee approved the 2025/26 Internal Audit Plan in March 2025. This report sets out our progress against that plan. **Appendix E** summarises our progress and includes new audits that we have added to the plan.

Each completed assignment includes its respective assurance opinion rating together with the number and relative ranking of actions we have agreed with management.

We have applied the assurance opinion ratings in accordance with the SWAP Audit Framework Definitions detailed in **Appendix A**.

To assist the Committee in its important monitoring and scrutiny role, **Appendix B** summarises our key findings from No and Limited assurance opinion audits.

A follow-up review is performed in respect of all limited assurance opinion audits where there is assessed to be a medium or high organisational risk. This provides further assurance, in addition to our action tracking, that recommendations have been implemented to reduce areas of risk identified. No follow-up reviews were completed in the period.

It is important that the council implements agreed actions to address the control weaknesses set out in our reports. To give the Audit and Governance Committee a level of assurance that this is happening, we conduct regular action tracking of all agreed actions. The council's current position is summarised in **Appendix D**.

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

Internal Audit Progress Update

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

The internal audit plan agreed is based on our risk-based approach to help ensure that resources are focused where internal audit can offer the most value and insight. A key source of information is the Council's strategic risk register.



Internal Audit Plan coverage of strategic risks

This table maps our completed and planned audits against the council's strategic risks. As the year builds and more work is completed, coverage across key risk areas will increase. "Planned Coverage" includes audits that have not yet concluded or have not been started. Where a strategic risk is not linked to a specific audit, it may still be covered through the action tracking process (see **Appendix D**).

No	Strategic Risk	Risk Score	Completed Coverage	Planned Coverage
1	Delivering the key challenges in the Net Zero Carbon City section of the Corporate Plan	High		Planning - biodiversity net gain
2	Making progress towards a Healthy and Active City	Medium		Leisure Services
3	Adapting the council workforce to ensure appropriate skills and experience (future proof workforce)	Medium		Health and Safety at work
4	Maintaining the Financial Stability of the Council	Medium		Medium term financial plan, fraud risk assessment, debt management, creditors follow-up
5	Maintaining the Council's Property and Infrastructure Assets	High		Health & Safety of property portfolio, maintenance & capital programme of works follow-up
6	Delivering Housing and Building Great Neighbourhoods and Communities	High		Private sector housing, social housing decarbonisation grant, housing rents and arrears, CIL governance follow-up
7	Maintaining a thriving Culture & Heritage Sector	Low		
8	Delivering against the key challenges in the 'Prosperous Local Economy' section of the Corporate Plan	Medium		Waste management
9	Progressing the design and delivery of a corporate Customer & Digital Strategy	Medium		Covered by Strata and audited by DAP

Internal Audit Progress Update

We regularly monitor the council's implementation of agreed management actions.



SWAP Monitoring

Action Tracking

It is important that the council implements agreed actions to address the issues set out in our reports. To give the Audit and Governance Committee a level of assurance that this is happening, we conduct regular action tracking. We recognise that it can take longer to implement actions than planned, and sometimes target timescales need changing. The council's current position is summarised in **Appendix D**.

The council has 106 active agreed actions, four of which are overdue. The overdue actions are provided at **Appendix D**.

To give further assurance on whether the council has completed the actions agreed, we conduct follow-up audits for all higher risk work. Follow-up audits currently planned can be found within **Appendix E**. Further follow-ups will be scheduled once our monitoring work indicates that all actions relating to an audit have been completed.

Internal Audit Progress Update

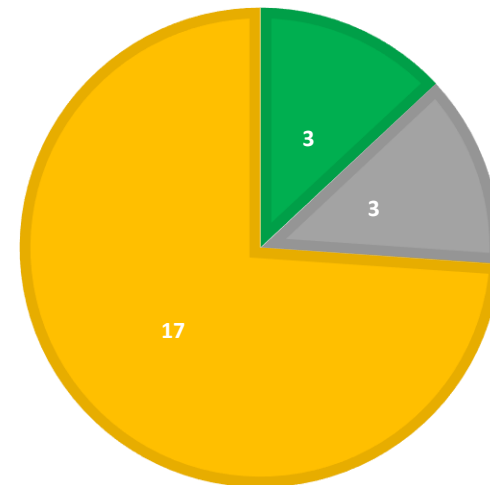
We need adequate audit coverage to provide our annual opinion.



Year to Date Progress

2025/26 PLAN PROGRESS

■ Complete ■ In progress ■ Not started



A reasonable start has been made to the year. 26% of the plan has now been completed or is in progress.

Appendix A: SWAP Audit Framework and Definitions

Audit Assurance Definitions

No	The review identified fundamental gaps, weaknesses, or non-compliance, which require immediate action. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	The review identified significant gaps, weaknesses, or instances of non-compliance. The system of governance, risk management and control requires improvement to effectively manage risks to the achievement of objectives in the area audited.
Reasonable	The review highlighted a generally sound system of governance, risk management and control in place. We identified some issues, non-compliance or scope for improvement which may put at risk the achievement of objectives in the area audited.
Substantial	The review confirmed a sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Organisational Risk Assessment Definitions

Assessment	Organisational Risk & Reporting Implications
High	Our audit work includes areas that we consider have a high organisational risk and potential significant impact. Both senior management and the Audit Committee should consider key audit conclusions and resulting outcomes.
Medium	Our audit work includes areas that we consider have a medium organisational risk and potential impact. The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.
Low	Our audit work includes areas that we consider have a medium organisational risk and potential impact. We believe the key audit conclusions and any resulting outcomes still merit attention but could be addressed by service management in their area of responsibility.

Categorisation of Actions

In addition to the organisational risk assessment it is important to know how important the individual management actions are. Each action has been given a priority rating with the following definitions:

Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.


Appendix B: Limited Assurance Audits

Payroll – Employee Self-Service – Final Report – June 2025



Audit Objective To provide assurance that there are effective governance arrangements in place for claims submitted via the employee self-service portal.

Executive Summary

	Assurance Opinion		Management Actions		Organisational Risk Assessment	Low
	The review identified significant gaps, weaknesses, or instances of non-compliance. The system of governance, risk management, and control requires improvement to effectively manage risks to the achievement of the objectives.		Priority 1	0	Our audit work includes areas that we consider have a low organisational risk and potential impact.	
			Priority 2	3		
			Priority 3	9	We believe the key audit conclusions and any resulting outcomes still merit attention, but could be addressed by service management in their area of responsibility.	
			Total	12		

Key Conclusions

	For five of the 16 expense claims we tested, the employee had submitted the expense claim without providing a valid receipt, and the manager had approved the claim. This indicates that not all managers are properly checking expense claims.
	The guidance for Payments and Allowances was temporarily unavailable on the Intranet but has since been reinstated. However, we have identified the complexity of the processes and the lack of recent reviews for certain allowances, such as those dating back to 2010, as areas of concern.
	The iTrent system provides a complete audit log for activities within the current financial year; however, visibility into historical records was unavailable during our testing of a sample of mileage, expense and overtime claims. This meant we could not confirm the claims we tested were correctly authorised.
	Some improvements need to be made to the guidance provided to employees and managers. The guidance for standby payments was last reviewed in 2019, the guidance for expenses and mileage claims does not include a time limit, and there is no guidance for managers on what checks they are expected to undertake prior to approving a claim.
	We have identified some issues with the uniformity of the claim forms within the ESS portal. There is no requirement for managers to confirm that the employee has complied with the Sustainable Travel Policy and employees are not required to declare the validity of their overtime claims. In addition, the ESS portal does not enforce the attachment of a fuel receipt for mileage claims, the reasons given by employees for submitted claims are often lacking in detail, and the element name chosen does not always match the type of claim submitted.

Audit Scope

We reviewed the risk that *'without proper governance arrangements being in place for the employee self-service system, there is a risk of fraud and non-compliance, leading to financial losses and reputational damage.'*

The scope of the audit focused on the following areas to determine whether this risk was sufficiently mitigated:

- Policies and procedures, including training and communicating the importance of following them
- Defined responsibilities for managers, including the approval of claims
- Automated approval workflows and how these are set up within the ESS
- Reviewing a sample of claims or changes made via the ESS portal for compliance with the policies and procedures

For this audit review, we tested 10 mileage claims, 16 expense claims and 10 overtime claims.

Next Steps

The council is working with MHR Global (formerly MidlandHR), the software providers for iTrent, to make improvements to the system including the ESS portal. Many of the issues raised from this audit review will be taken forward as part of this improvement project. Officers expect to complete the agreed action plan by 28th February 2026.

Appendix B: Limited Assurance Audits

Information Governance – Final Report – July 2025



Audit Objective

To provide assurance that the council has a comprehensive, up-to-date suite of information governance policies, and compliant arrangements for the classification, storage security, retention, transmission and disposal of digital and paper records

Executive Summary



Assurance Opinion

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

Management Actions

Priority 1	4
Priority 2	3
Priority 3	2
Total	9

Organisational Risk Assessment

Medium

Our audit work includes areas that we consider have a medium organisational risk and potential impact.

The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.

Key Conclusions



A full suite of information policies is not in place; four policies need to be created (Data Protection, Information Risk, Data Protection Impact Assessment) and four (Information Governance Framework, Records Management, Access to Information & Information Security) are overdue for a review.



The retention policy and schedule are overdue for a review and update.



The Information Asset Register is overdue for a review and update.



The Council does not currently have an up-to-date, documented and accurate Record of Processing Activities.

Audit Scope

We reviewed the risk that failure to meet the requirements of data protection legislation and good information governance may result in penalties and reputational governance.

To do this we assessed the following controls (at the time of the audit – May 2025):

- Information governance policies are in place which cover all legislative requirements
- Arrangements are in place to ensure that information assets are stored, transmitted and disposed of correctly
- There are records of information assets held and processing activities undertaken which is regularly reviewed
- Officers comply with the council's retention policy

Other Relevant Information

A survey of Heads of Service was undertaken to assess their knowledge of key information management guidance and policies and to determine how well records are stored, managed and disposed of within their service (note: results do not include City Development). We received a total of 13 responses (note: results do not include City Development).

It should be noted that the current Head of Service – Digital & Data has only recently taken on the role and some of the data protection responsibilities still sit with the Executive Office Manager.

Appendix C: Follow-up Reviews

There were no follow-up reviews completed in the period.

Appendix D: Monitoring of Agreed Actions



Open Management Actions

Includes all open/self assessed as complete actions and actions closed since 1st April 2025

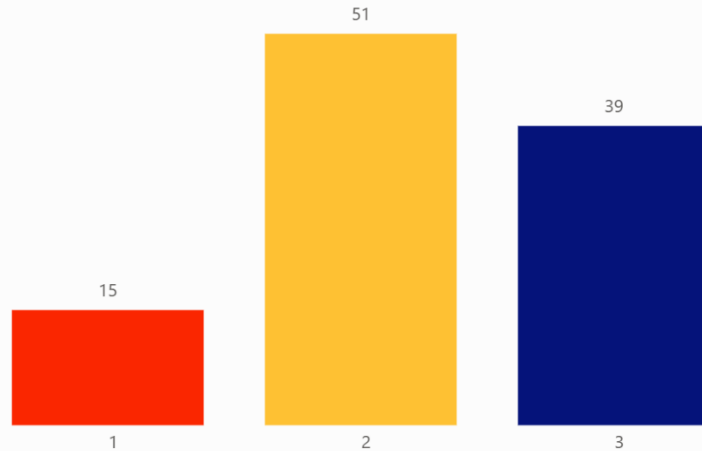


Not yet due	Due within 30 days	1-30 days overdue	31-60 days overdue	61-90 days overdue	91+ days overdue	Total Actions
81	21	2	2	(Blank)	(Blank)	106

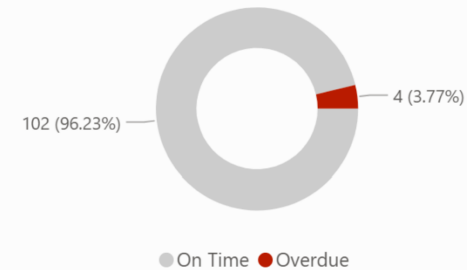
Actions by Status



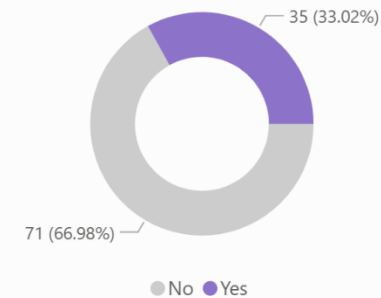
Open Actions by Priority



Overdue Open Actions



Open Actions with Extended Dates



Appendix D: Monitoring of Agreed Actions

Agreed Actions Overdue

Audit Title	Action ID	Issue	Action Agreed	Status	Priority	Target Date	Original Target Date
1 – 30 Days Overdue							
Communications Strategy	5935	The social media policy has not been reviewed since its creation in November 2023.	Initiate a comprehensive review of the social media policy to identify and address any gaps or missing elements. Incorporate provisions for monitoring social media account usage and define clear guidelines for administrators responsible for service-run social media feeds. The updated policy should be approved by senior management, and disseminated to all relevant personnel for awareness and compliance.	In Progress	2	31/07/2025	28/02/2025
Communications Strategy	5991	There are 29 social media accounts that have been inactive for over six months.	Carry out an exercise to review the inactive social media accounts with each responsible owner and assess their relevance to the council's strategic or service objectives. Consolidate or remove the dormant accounts to streamline and maintain an effective online presence.	In Progress	2	31/07/2025	30/04/2025
31 – 60 Days Overdue							
Corporate Governance	5435	The 'Local Government Finance' training session is not a mandatory session.	The 'Local Government Finance' training session will be made a mandatory session. The Monitoring Officer will review all Member development sessions to ensure Members are able to fulfil their responsibilities effectively.	In Progress	2	30/06/2025	30/04/2025
Corporate Governance	5436	The only career structure in place is for apprentices and this must be funded by the service areas themselves.	The workforce strategy will address the retention of staff and identify new skills needed particularly in relation to digital and data. The PDR process will be aligned with the new Corporate Plan priorities in 2025.	Action Superseded by LGR transition plan	2	30/06/2025	30/06/2025

Appendix E: Summary of Internal Audit Work

Audit Type	Audit	Status	Assurance Opinion	Total Actions	1 = Major	↔	3 = Medium	Organisational Risk
					Recommendation			
					1	2	3	
Complete								
Assurance	Payroll – Self Service (24/25 audit completed in 25/26)	Final	Limited	12	0	3	9	Low
Assurance	Information Governance	Final	Limited	9	4	3	2	Medium
Assurance	Ethical Governance	Final	Reasonable	7	0	1	6	Low
In Progress								
Assurance	Emergency Planning	In progress						
Assurance	Community Safety/Anti Social Behaviour	In progress						
Assurance	Planning – Biodiversity net gain	In progress						
Not Started								
Assurance	Medium Term Financial Plan	Not Started						
Assurance	Fraud Risk Assessment	Not Started						
Assurance	Contract Register	Not Started						
Assurance	Health & Safety of Property Portfolio (including housing)	Not Started						
Assurance	Private Sector Housing	Not Started						
Assurance	Social Housing Decarbonisation Grant	Not Started						
Assurance	Risk Management	Not Started						

Appendix E: Summary of Internal Audit Work

Audit Type	Audit	Status	Assurance Opinion	Total Actions	1 = Major	↔	3 = Medium	Organisational Risk
					Recommendation			
					1	2	3	
Assurance	Housing Rents & Arrears	Not Started						
Assurance	Leisure Services	Not Started						
Assurance	Debt Management	Not Started						
Assurance	Waste Management	Not Started						
Assurance	NEW Fraud Baseline Assessment (deferred from 24/25)	Not Started						
Assurance	NEW Health and Safety at Work (deferred from 24/25)	Not Started						
Follow-up	Corporate Governance	Not Started						
Follow-up	Maintenance & Capital Programme of Works	Not Started						
Follow-up	CIL Governance	Not Started						
Follow-up	Creditors	Not Started						
Deferred								
Follow-up	Fraud Baseline Assessment	Deferred	Deferred to 26/27 as full audit deferred to 25/26					

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 4 September 2025

Report of: Strategic Director Corporate Resources

Title: Limited Assurance Audit Reports

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 and actions plans in relation to recent limited assurance audits and progress being made.

2. Recommendations:

- 2.1 That the Audit and Governance Committee note the content of the audit reports contained at Appendix 1 and 2 and the actions that will be taken in response to the recommendations.

3. Reasons for the recommendation:

- 3.1 To provide assurance to the Audit and Governance Committee that the council has plans to address audits with limited assurance and that progress is being made.

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

- 4.1 The Strategic Management Board has taken ownership of the recommendations contained in audits with limited assurances. Delivery of the agreed actions will result in resources implications, but this will be managed through Directorate work plans.

5. Section 151 Officer Comments:

- 5.1 Members should note the progress that has been made or actions agreed in relation to limited assurance audits. Progress will continue to be reported as the Council seeks to strengthen its Corporate Governance processes.

6. What are the legal aspects?

- 6.1 The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This is known as the Best Value duty. The duty requires the Council to make arrangements that ensure services are delivered in a cost-effective manner while

meeting the needs of the community. In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk. The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of Delivering Good Governance in Local Government (CIPFA/Solace 2016).

7. Monitoring Officer's Comments:

This report sets out the actions that will be taken in response to the recommendations of recent limited assurance audits. It is important that implementation of agreed action plans are closely monitored and reported back to Members to provide reassurance that improvements are being made.

8. Report Details:

8.1 Limited Assurance Definition

SWAP's definition of limited audit assurance is where the review identified significant gaps, weaknesses or instances of non-compliance. The system of governance, risk management and control require improvement to effectively manage risks to the achievement of objectives in the area audited.

8.2 Since the last progress report was presented to this Committee in July 2025, SWAP have finalised a further two audits with limited assurance, as follows:

- Information Governance
- Payroll Self Service

8.3 Management have agreed action plans for each of the findings of the audits, please refer to Appendix 1 and 2 respectively.

8.4 With regards to progress in relation to limited assurance audits reported to this committee previously, the agreed action plans will be monitored by SWAP and progress reported to management and to this committee as part of their regular update reports.

8.5 Information Governance Update

As part of the senior leadership restructure, it was agreed that leadership for information governance would transfer in October 2025 to the Head of Service Digital and Data service within the People and Communities directorate. The change of responsibilities within the council provides a timely opportunity to review the roles and responsibilities in relation to information governance and once these have been agreed by the Strategic Management Board these will be communicated to officers and members.

The SWAP audit on the management of information governance was undertaken to identify any weaknesses in information governance practice to enable action to be taken to ensure that the council has a comprehensive, up-to-date suite of information governance policies, and compliant arrangements for the classification, storage security, retention, transmission and disposal of digital and paper records.

Under the new arrangements an action plan is in place to address the findings of the audit. Key areas for attention include updates of key policies such as: Record of Processing Activities (ROPA), Retention Policy and Schedule, and Information Asset Register. Privacy notices will be checked, updated, deleted when no longer appropriate, and made more accessible. Four new information governance policies will be created (Data Protection, Information Risk, Data Protection Impact Assessment) and four (Information Governance Framework, Records Management, Access to Information & Information Security) will be reviewed.

The rollout of SharePoint, Document Management System has commenced and this has provided an opportunity to remind staff to tidy up and delete files and data that is no longer needed and an active programme to do this is currently underway. The communication issued to staff officers gives clear instruction about over where files should be saved moving forward. Refresher training for staff and members on data retention will be rolled out through MetaCompliance to track staff awareness of all policy.

8.6 Payroll Self Service Update

The Council utilises the iTrent Employee Self-Service (ESS) portal, enabling staff to access personal and payroll information, including the submission of claims and expenses. As an integral part of the Corporate HR Review, the Director, People and Communities, commissioned SWAP to undertake an audit to provide assurance on the governance arrangements surrounding claims submitted via the ESS portal.

The audit identified several areas of good practice; however, it also highlighted opportunities for improvement to strengthen controls and mitigate risks related to fraud and non-compliance. In response, the following actions are being progressed:

- **Policy and Guidance Enhancements:** A comprehensive review of payments and allowances is underway, alongside updates to guidance for employees and managers. This includes clearer definitions of managerial responsibilities in the claims process.
- **System Improvements:** Collaboration with MHR Global (iTrent) is ongoing to enhance the ESS portal's functionality, with a focus on improving governance, risk management, control mechanisms, and reporting capabilities.

These actions aim to ensure robust governance and continued confidence in the integrity of the Council's payroll processes.

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

- 9.1 Remediation of audits with limited assurance contributes to the Council's purposes of a 'Well Run Council'.

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

- 10.1 Audits with limited assurance indicate areas considered to present an organisation risk and potential significant impact. Management agrees action plans with the auditors to mitigate and reduce risks.

11. Equality Act 2010 (The Act)

- 11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:
- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
 - advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
 - foster good relations between people by tackling prejudice and promoting understanding.
- 11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.
- 11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.
- 11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because: because

11.4.1 The report is for information only.

12. Carbon Footprint (Environmental) Implications:

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

13. Are there any other options?

Not applicable

Strategic Director Corporate Resources

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

Background papers used in compiling this report:

None

Contact for enquiries:

Democratic Services (Committees)

Room 2.3

(01392) 265275

Audit Findings & Management Action Plan – June 2025

Finding 1

A full suite of information governance policies is not in place

Using the list of expected policies set out by the Information Commissioner Office, we established that:

- 4 of the 8 expected policies are not in place
- the remaining 4 policies are overdue for a review and do not contain document control information
- It was not clear who approved 3 of the policies.

Name of policy	Adopted and in place	Up-to-date and reviewed within agreed timescale	Approved by appropriate Senior Officer / Members
Data Protection Policy	No		
Information Risk Policy	No		
Data Protection Impact Assessment Policy	No		
Data Sharing Policy	No		
Information Governance Framework	Yes	No	No
Records Management Policy	Yes	No	No
Access to Information Policy	Yes	No	No
Information Security Policy	Yes	No	Yes

Action

1. A full suite of Information Governance policies will be created and approved in accordance with council requirements
2. The policies will contain document control information and details of the next review date.
3. Officers will be required to attest their understanding of these policies on a regular basis. This could be done using the Metacompliance system, which would ensure that evidence is maintained that staff have read and understood the policies.

Priority	1	SWAP Reference	AP#6662
Responsible Officer	Head of Service – Digital & Data		
Timescale	December 2025		

Finding 2.

Retention policy and schedule are overdue for a review

Whilst the council has a Data Retention Policy it has not been regularly reviewed. The last full update was in July 2016, and the last amendment was in June 2021.

There is a Data Protection Guidance Manual which refers to data retention, however, this has also not been recently reviewed (last reviewed 2018).

The current retention policy does not:

- outline corporate, service and individual responsibilities
- arrangements for record classification, storage, security transmission and disposal
- state how changes, deletions and additions to the retention schedule are reviewed and authorised

Whilst the Retention Policy and Schedule are easily accessible on the intranet, there is no evidence that staff have recently been reminded of their obligations.

The current Retention Schedule is based on the guide provided by the Records Management Society of Great Britain. It is not an overarching schedule which incorporates all information assets across the council including those on the retention schedules held by individual services.

We were informed by the Executive Office Manager that no reviews are currently undertaken to ensure that information is held in accordance with the Data Retention Policy and Schedule. The Manager's role is more of an advisory one rather than monitoring compliance with the policy. There is an expectation that services regularly review their own retention schedules.

Action

As part of the Sharepoint roll out the following actions will be completed:

1. The current Retention Policy will be reviewed and updated and approved in accordance with council requirements.
2. The Retention Schedule will incorporate all information assets held within the council including those on retention schedules held by individual services.
3. Until the control framework is put in place and fully embedded, officers will be assigned to monitor individual services and their compliance with the Data Retention Policy and schedule.
4. The Metacompliance system will be used to periodically remind staff of their obligations with regards data retention etc.

Priority	1	SWAP Reference	AP#6664
Responsible Officer	Head of Service – Digital & Data		
Timescale	December 2025		

Finding 3.

Information Asset Register is overdue for a review and update

We found that the Information Asset Register has not been reviewed for some time and is out-of-date. The document control section on the current register has not been completed.

The current register, which records 19 information assets includes:

- 7 assets listed under the Housing Development Service which is no longer in existence
- 12 assets for which the named owner no longer works for the Council.
- 3 assets for which the details of the appropriate safeguarding/security controls are not recorded.

Action

A review of the information asset register will be undertaken to ensure:

- that it covers all the information assets that the organisation currently holds
- the details recorded for each information asset (including asset owners and safeguarding/security controls) are up to date

The final Information Asset Register should be approved in line with Council arrangements.

Priority	1	SWAP Reference	AP#6743
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We could find no evidence that the current Information Asset Register has been approved by Senior Management or Members.

Responsible Officer

Executive Office Manager

Timescale

December 2025

Finding 4.

Record of Processing Activity (ROPA)

The General Data Protection Regulations (GDPR) requires the Council to maintain a Record of Processing Activities (ROPA) which contains information on all data processing activities under its responsibility. Maintaining an up-to-date ROPA is a means of ensuring GDPR compliance and give assurance that data controllers only process the personal data they need to.

We were unable to find evidence that the Council has an up-to-date formal, documented, comprehensive and accurate ROPA which includes (as a minimum):

- the organisation's name and contact details, whether it is a controller or a processor (and where applicable, the joint controller, their representative and the DPO)
- the purposes of the processing
- a description of the categories of individuals and of personal data
- the categories of recipients of personal data
- details of transfers to third countries, including a record of the transfer mechanism safeguards in place
- retention schedules
- where possible, the envisaged time limits for erasure of the different categories of data; and
- a description of the technical and organisational security measures in place.

Action

The Council will produce an up-to-date Record of Processing Activity (ROPA) which includes the required information.

Priority

1

SWAP Reference

AP#6999

Responsible Officer

Executive Office Manager

Timescale

September 2025

Finding 5.	Action												
<p><u>Roles and responsibilities in relation to information governance are not clearly communicated</u></p> <p>We found that roles and responsibilities in relation to information governance are not clearly defined and there are interim arrangements in place.</p> <p>In terms of policy and guidance (including the data retention processes), roles and responsibilities are not clearly set out in either the Information Governance Framework or within individual policies.</p>	<p>Once the Head of Service – Digital and Data has undertaken Data Protection training, the Information Governance Framework and relevant policies and guidance will be updated to clearly set out roles and responsibilities. These will be communicated to managers and officers.</p> <table><tr><td>Priority</td><td>2</td><td>SWAP Reference</td><td>AP#6667</td></tr><tr><td colspan="2">Responsible Officer</td><td colspan="2">Executive Office Manager & Head of Service – Digital & Data.</td></tr><tr><td colspan="2">Timescale</td><td colspan="2">September 2025</td></tr></table>	Priority	2	SWAP Reference	AP#6667	Responsible Officer		Executive Office Manager & Head of Service – Digital & Data.		Timescale		September 2025	
Priority	2	SWAP Reference	AP#6667										
Responsible Officer		Executive Office Manager & Head of Service – Digital & Data.											
Timescale		September 2025											

Finding 6.	Action			
<p><u>Privacy notices are out-of-date, and some do not state retention periods</u></p> <p>We found that for 10 of the 56 privacy notices on the council's data protection website page, the actual retention period is not stated. Instead, they refer to the Corporate Retention Schedule which has not been reviewed for some time.</p> <p>Two privacy notices relate to services/functions which have not been in place for some time: Exeter Community Wellbeing and Test & Trace support payments. The privacy notices do not appear to be regularly reviewed.</p> <p>Whilst the council has a template and guidance for its privacy notices, the contact details refer to the Executive Support Unit which is no longer in existence.</p>	<p>1. Privacy notices will be reviewed and updated to ensure that they:</p> <ul style="list-style-type: none">- cover all relevant service areas and their records- contain details of the actual retention period- contain the correct contact details <p>2. Templates and guidance will be updated to ensure that they refer to the correct contact details.</p>			
	Priority	2	SWAP Reference	AP#6726
	Responsible Officer		Executive Office Manager & Head of Service – Digital & Data.	
	Timescale		September 2025	

Finding 7.

Storage & accessibility of digital records

The results of the Information Governance survey (full details of which have been provided separately) highlighted that services use a variety of systems/locations to store electronic documents, which may make it more difficult for the council to:

- manage the disposal of its digital records after the expiration of the relevant retention period
- respond to subject access and freedom of information requests

We also found a relatively high rate of officers using their individual drives (7 services) and mailboxes (10 services). This can create issues with accessing information when the individual officer is unavailable.

Some Heads of Service stated that they have low confidence that their services store digital records within certain structures in line with the council's document retention requirements, e.g.:

- Individual officer drives – 3 services
- Individual officer Outlook mailbox – 3 services
- Corporate drives/folders – 2 services
- Microsoft TEAMS – 2 services

Action

The Compliance & Security Manager - Strata, advised that there is a separate project to migrate most of the files to Share Point and whilst doing this, classification and retention will be set on all information in the drives and an improved structure will be set for Teams/Chat/One drive.

This project will be monitored through to completion to ensure that records are appropriately classified, and the correct retention periods are set. Thereafter, periodic reviews will be undertaken to ensure that the classification and retention for records is still valid.

Priority	2	SWAP Reference	AP#7001
Responsible Officer	Head of Service – Digital & Data		
Timescale	December 2025		

Finding 8.

Storage & accessibility of paper records

We identified from the survey responses that:

Of the 11 services which confirmed that they hold physical records, three stated that up to 39% of their physical records are duplicated in a digital format while there is no legal requirement to do so.

Seven services only had low or partial confidence that their service's physical records are stored in line with the council's document retention requirements.

Action

1. Services should be reminded that they should avoid duplicating records and paper copies should be disposed where there is no legal requirement to retain them.

2. A review should be undertaken of all physical records held by services to check that they are stored in line with document retention requirements.

Priority	3	SWAP Reference	AP#7008
Responsible Officer	Executive Office Manager & Head of Service – Digital & Data.		
Timescale	September 2025		

Finding 9.	Action			
<p><u>Refresher training in data retention</u></p> <p>Whilst staff receive comprehensive data security training during their induction, they do not receive periodic refresher training.</p> <p>Additional training in more specialised areas (e.g. data retention) is only provided on request.</p>	Refresher training in data security will be included as part of the GDPR e-Learning training.			
	Priority	3	SWAP Reference	AP#6672
	Responsible Officer		Executive Office Manager	
	Timescale		December 2025	

Audit Findings & Management Action Plan

Finding 1

The processes within the council's guidance on Payments and Allowances are overly complicated and there are allowances that have not been reviewed since 2010.

The guidance for Payments and Allowances was temporarily unavailable on the Intranet but has since been reinstated. However, we have identified the complexity of the processes and the lack of recent reviews for certain allowances, such as those dating back to 2010, as areas of concern.

Action

1. Review and streamline the payments and allowances processes to reduce complexity and improve clarity.
2. Update the documentation and provide clear guidance to employees and management regarding the revised processes.
3. Conduct a thorough review of all allowances, particularly those that have not been reviewed since 2010.

Priority

2

SWAP Reference

AP#6861

Responsible Officer

Head of Service – HR, Workforce Planning and OD

Timescale

31st December 2025

Finding 2

Employees are submitting and managers are approving expense claims without valid receipts to support the claim.

For five of the 16 expense claims tested, the employee had submitted the expense claim without providing a valid receipt, and the manager had approved these claims. Not providing a valid receipt could lead to inaccurate reimbursement and potential misuse of funds. Without proper supporting documentation, there is a risk of fraudulent or inaccurate claims.

The possibility of making the receipts field mandatory within the system is being investigated by the team.

Action

The payments and allowances guidance states that all claims must be supported by a valid receipt to be approved.

This requirement will be reinforced to both employees and managers with the revision of the guidance.

The ability to make the receipts field mandatory will be investigated as part of the iTrent improvement project.

Priority

2

SWAP Reference

AP#6869

Responsible Officer

Head of Service – HR, Workforce Planning and OD

Timescale

31st December 2025

Finding 3	Action			
<p><u>The iTrent system only shows the full audit log for the current financial year.</u></p> <p>The iTrent system provides a complete audit log for activities within the current financial year; however, we identified that visibility into historical records was unavailable during our testing of a sample of mileage, expense and overtime claims. This lack of access to past audit logs has meant that we were unable to verify that the claims had been appropriately authorised. Therefore, we cannot provide assurance on this process. A lack of access to past audit logs may also hinder the ability to track and investigate historical activities for compliance, security, or operational purposes.</p>	<div><div><div>1.</div><div>Evaluate the feasibility and system requirements for extending the audit log visibility beyond the current financial year.</div></div><div><div>2.</div><div>Develop and implement a system enhancement to enable access to historical audit logs for mileage, expense, and overtime claims.</div></div><div><div>3.</div><div>Communicate the availability of historical audit logs to relevant stakeholders and provide necessary training on accessing and utilising the extended audit log functionality.</div></div></div>			
	Priority	2	SWAP Reference	AP#6859
	Responsible Officer		Head of Service – HR, Workforce Planning and OD	
	Timescale		31 st December 2025	

Finding 4	Action												
<u>The guidance relating to Standby Payments has not been reviewed since August 2019.</u>	<div><div><div>1. Schedule a comprehensive review of the guidance for Standby Payments.</div><div>2. Identify and update any outdated or inaccurate information within the guidance to reflect current practices and requirements.</div><div>3. Notify relevant stakeholders of the updated guidance and provide training, if necessary, to ensure awareness and understanding of the revised procedures.</div><div>4. Establish a regular review schedule to prevent future instances of outdated guidance and maintain compliance with regulations.</div></div></div>												
	<table><tr><td>Priority</td><td>3</td><td>SWAP Reference</td><td>AP#6862</td></tr><tr><td>Responsible Officer</td><td colspan="3">Head of Service – HR, Workforce Planning and OD</td></tr><tr><td>Timescale</td><td colspan="3">28th February 2026</td></tr></table>	Priority	3	SWAP Reference	AP#6862	Responsible Officer	Head of Service – HR, Workforce Planning and OD			Timescale	28 th February 2026		
Priority	3	SWAP Reference	AP#6862										
Responsible Officer	Head of Service – HR, Workforce Planning and OD												
Timescale	28 th February 2026												

Finding 5

None of the guidance states a time limit within which expenses and mileage claims should be made.

The existing guidance does not include a specific time limit for the submission of expenses and mileage claims. The absence of a defined timeframe may lead to delayed submissions, impacting reimbursement processes. Clarifying and implementing a clear time limit for expense and mileage claim submissions is essential to ensure timely and accurate financial records.

From the sample of claims reviewed, we have identified several travel and expense claims where multiple months have been submitted on the one claim.

Action

1. Review and update expense reimbursement and mileage claim policies to include a specific time limit for submissions, such as within 30 days of incurring expenses.
2. Communicate the revised policies to all employees and provide training on the new submission requirements.
3. Regularly monitor and enforce compliance with the time limit through audits and follow-up processes.
4. Implement automated reminders for employees to submit their expenses and mileage claims within the defined timeframe to prevent delayed submissions.

Priority	3	SWAP Reference	AP#6863
Responsible Officer	Head of Service – HR, Workforce Planning and OD		
Timescale	31 st December 2025		

Finding 6

Within the ESS portal, managers are not required to declare that they have checked employees' claims for compliance with the Sustainable Travel policy, i.e., where the employee uses their own vehicle for council business.

Within the ESS portal, managers are not currently mandated to formally declare that they have reviewed employees' claims for adherence to the Sustainable Travel policy. This lack of formal declaration introduces the risk of inconsistent or incomplete oversight of employee claims, potentially resulting in non-compliance with the guidance on the use of personal vehicles for council business.

Action

1. Update the ESS portal to include a mandatory declaration for managers to confirm their review of employees' claims for compliance with the Sustainable Travel policy.
2. Implement a validation step within the portal to ensure that managers provide the required declaration before claims can be processed.
3. Provide training to managers to emphasise the importance of adhering to the Sustainable Travel policy and the implications of non-compliance.

This requirement will be included within the iTrent improvement project.

Priority	3	SWAP Reference	AP#6867
Responsible Officer	Head of Service – HR, Workforce Planning and OD		
Timescale	30 th November 2025		

Finding 7

Employees are required under the Sustainable Travel policy to attach a valid fuel receipt for each mileage claim submitted; however, the ESS portal does not enforce this. In addition, this requirement is not stated on the claim form within the ESS portal.

The Sustainable Travel policy mandates employees to submit a valid fuel receipt for each mileage claim, but there is no enforcement of this requirement within the ESS portal. Additionally, the claim form within the portal does not explicitly state this requirement, leading to potential non-compliance.

From the sample of 10 mileage claims reviewed, we have identified four claims where a fuel receipt has not been provided, and four claims where it did not cover all the period within the claim.

Action

This requirement will be included as part of the iTrent improvement project.

This will look at whether the ESS portal can be modified to enforce the attachment of a valid fuel receipt for each mileage claim submitted and to include a clear statement of this requirement on the claim form within the ESS portal.

Employees will be notified of the updated policy and the revised process for submitting mileage claims. Guidance will be provided on the specific requirements for attaching valid fuel receipts for mileage claims.

Training sessions will be conducted to ensure employees understand the importance of compliance with the Sustainable Travel policy. All employees will be reminded of the proper documentation and submission process for mileage claims to align with the policy.

Priority	3	SWAP Reference	AP#6865
Responsible Officer	Head of Service – HR, Workforce Planning and OD		
Timescale	31 st January 2026		

Finding 8

When submitting an overtime claim within the ESS portal, employees are not required to declare the validity of the claim in the same way as they are for mileage and expense claims.

When submitting an overtime claim through the ESS portal, employees are not prompted to provide a declaration of the claim's validity, unlike the process for mileage and expense claims. This inconsistency in validation requirements may impact the accuracy and accountability of overtime claims within the system.

Action

Modify the ESS portal to include a mandatory declaration prompt for the validity of overtime claims.

Communicate the updated process and requirements to all employees through a system-wide notification or training session.

The requirement of this declaration will be included within the iTrent improvement project.

Priority	3	SWAP Reference	AP#6866
Responsible Officer	Head of Service – HR, Workforce Planning and OD		
Timescale	31 st January 2026		

<p>Finding 9</p> <p><u>Managers are not instructed in any guidance of the requirement to carry out specific checks before approving a mileage, expense or overtime claim.</u></p> <p>The current process lacks clear guidance for managers on the necessary checks to be performed before approving mileage, expense, or overtime claims.</p> <p>This gap in instruction may lead to inconsistent approval practices and increase the risk of fraudulent, duplicate or inaccurate claims going unnoticed.</p>	<p>Action</p> <ol style="list-style-type: none">1. Develop clear and detailed guidelines outlining the specific checks required before approving mileage, expense, or overtime claims.2. Implement mandatory training for all managers on the new approval process and the importance of checks to prevent fraudulent or inaccurate claims.3. Integrate a declaration feature in the ESS portal, where managers attest to having performed the necessary checks before approving claims. <p>This will be explored within the iTrent improvement project.</p> <table><tr><td>Priority</td><td>3</td><td>SWAP Reference</td><td>AP#6868</td></tr><tr><td>Responsible Officer</td><td colspan="3">Head of Service – HR, Workforce Planning and OD</td></tr><tr><td>Timescale</td><td colspan="3">31st December 2025</td></tr></table>	Priority	3	SWAP Reference	AP#6868	Responsible Officer	Head of Service – HR, Workforce Planning and OD			Timescale	31 st December 2025		
Priority	3	SWAP Reference	AP#6868										
Responsible Officer	Head of Service – HR, Workforce Planning and OD												
Timescale	31 st December 2025												
<p>Finding 10</p> <p><u>Some of the reasons given by employees for their mileage claims or overtime claims are lacking in detail.</u></p> <p>Employees have submitted mileage claims and overtime claims via the ESS portal with reasons lacking in sufficient detail. This lack of detail hinders the ability of managers to validate the accuracy and necessity of the claims.</p>	<p>Action</p> <ol style="list-style-type: none">1. Provide clear guidance to employees on the level of detail required for mileage and overtime claim justifications.2. Implement a validation process where incomplete claims are returned to the employees for additional details before approval. <table><tr><td>Priority</td><td>3</td><td>SWAP Reference</td><td>AP#6870</td></tr><tr><td>Responsible Officer</td><td colspan="3">Head of Service – HR, Workforce Planning and OD</td></tr><tr><td>Timescale</td><td colspan="3">31st December 2025</td></tr></table>	Priority	3	SWAP Reference	AP#6870	Responsible Officer	Head of Service – HR, Workforce Planning and OD			Timescale	31 st December 2025		
Priority	3	SWAP Reference	AP#6870										
Responsible Officer	Head of Service – HR, Workforce Planning and OD												
Timescale	31 st December 2025												
<p>Finding 11</p> <p><u>The element name chosen within the ESS portal by the employee does not always match the claim made.</u></p> <p>An issue has been identified where the element name chosen by employees in the ESS portal does not consistently align with the claim submitted. This discrepancy can lead to confusion and potential errors in claim processing.</p>	<p>Action</p> <ol style="list-style-type: none">1. Implement clear guidelines for employees on selecting the element name in the ESS portal that aligns with the claim submitted.2. Provide training to employees on the importance of accurately matching the element name with the claim to minimize processing errors. <table><tr><td>Priority</td><td>3</td><td>SWAP Reference</td><td>AP#6871</td></tr><tr><td>Responsible Officer</td><td colspan="3">Head of Service – HR, Workforce Planning and OD</td></tr><tr><td>Timescale</td><td colspan="3">31st December 2025</td></tr></table>	Priority	3	SWAP Reference	AP#6871	Responsible Officer	Head of Service – HR, Workforce Planning and OD			Timescale	31 st December 2025		
Priority	3	SWAP Reference	AP#6871										
Responsible Officer	Head of Service – HR, Workforce Planning and OD												
Timescale	31 st December 2025												

Finding 12	Action
<u>We have not been able to verify that the iTrent system automatically escalates unauthorised overtime, expense, and mileage claims, where they are not approved within a certain timeframe.</u>	<div>1. Review the current configuration and settings within the iTrent system to ensure that automatic escalation of unapproved claims is properly enabled.</div> <div>2. Establish a clear escalation process and timeframe for unapproved overtime, expense, and mileage claims.</div>
We were unable to verify the automatic escalation of unapproved overtime, expense, and mileage claims in the iTrent system. This may lead to unapproved claims going unnoticed and result in delayed or missed payments.	This will be included as part of the iTrent improvement project.
Priority	<div>3</div> <div>SWAP Reference</div> <div>AP#6904</div>
Responsible Officer	Head of Service – HR, Workforce Planning and OD
Timescale	31 st January 2026

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 4 September 2025

REPORT TO COUNCIL

Date of Meeting: 14 October 2025

Report of: David Hodgson, Strategic Director of Corporate Resources

Title: Amendments to the Council's Financial Regulations

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 proposed changes to the Council's Financial Regulations to support prudent handling of funds and managing finances effectively.

2. Recommendations:

- 2.1 It is recommend to Council:

- (i) that the revised Financial Regulations at Appendix 1 and 2 are approved;
- (ii) that the thresholds for approving budget virements within each Strategic Directors service areas are increased
- (iii) that the thresholds for approving supplementary budgets are increased
- (iv) that the thresholds for approving debtor write-offs are increased
- (v) that the thresholds for approving disposal of assets are increased
- (vi) that other minor changes to the regulations are approved

3. Reasons for the recommendation:

- 3.1 Local authority financial regulations ensure that the Council protects and makes the best use of its money. They provide a framework for financial decision-making, clarify roles and responsibilities and ensure the use of resources is legal and provides value for money.

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

- 4.1 As with any form of governance framework, there is a balance around the administration to implement and ensuring that the approaches put forward are

proportional to the needs and the associated risks. The revisions to Financial Regulations look to proportionately strike this balance.

- 4.2 There are no direct financial implications as a result of the recommendations in this report, although a framework of effective financial regulations is required to minimise financial risks to the Council such as fraud or poor governance.

5. Section 151 Officer comments:

- 5.1 Financial Regulations underpins a sound system of internal control for all financial transactions undertaken by the Council. The update reflects the fact that Financial Regulations has not been updated for a while (except for job titles) and allows some flexibility whilst ensuring Members are involved in all significant financial decisions.

6. What are the legal aspects?

- 6.1 Section 151 of the Local Government Act 1972 requires that the Council make arrangements for the proper administration of its financial affairs. A review of the Council's Financial Regulations is part of the mechanism of ensuring sound governance arrangements in accordance with good practice.

7. Monitoring Officer's comments:

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

8. Report details:

- 8.1 A review of the Council's financial regulations is considered timely following the senior leadership restructure and to address a number of internal audit findings.

8.2 Senior Leadership Restructure

Financial regulations have recently been updated, under delegated powers, to reflect minor administrative changes as part of a wider review of the constitution. This resulted in the updating of officer titles following the senior leadership restructure.

The Budget Management internal audit report identified that Financial Regulations had not been updated since the Council's restructure, so this has been actioned.

8.3 Updated Financial Regulations

The proposed updated Financial Regulations with tracked changes are provided in Appendix 1. Text shaded grey denotes additions to Financial Regulations.

Appendix 2 is a clean version with the proposed changes made.

- 8.3.1 The main changes to the regulations are:

- To amend the thresholds for approving budget virements (financial regulation 6a)
- To introduce rules in relation to approving supplementary budgets (financial regulation 6b)
- To introduce a lower limit for the raising of sundry debtor invoices (financial regulation 19c)
- To amend the thresholds for approval of debtor write-offs (financial regulation 19d)

- To amend the thresholds for the disposal of assets (financial regulation 21c)

8.3.2 Other minor changes to the regulations include:

- New front page and contents page
- Inclusion of an introduction
- Clarifying that the financial regulations apply equally to the control of both General Fund and HRA finances and to revenue and capital finances
- Clarifying the controls required in relation to financial and accounting systems
- Clarifying the role of the Monitoring Officer
- Clarifying that internal audit is now provided through South West Audit Partnership
- Inclusion of a section on maintenance of reserves
- Inclusion of a section on maintenance of a fixed asset register
- Clarifying the role of the Money Laundering Reporting Officer
- Inclusion of a section on credit notes
- Inclusion of a section in respect of external audit
- Updated to reflect that the Council ceased issuing cheques
- Regulations relating to income and debtors (invoices raised) split into two distinct sections
- Clarified the treatment of credit balances when sundry debtor invoices overpaid
- Inclusion of a section on new leases in
- Inclusion of a section on internal transactions
- Clarified responsibilities in relation to holding a corporate credit card

8.4 **Internal Audit Action Plan**

A recent internal audit review of the sundry debtor's function reported that the Council's write-off authorisation protocols are restrictive, which may deter write-off even when this is the most appropriate action. The agreed action plan sets out that the Council will seek to amend its write-off rules to increase authorisation limits.

8.5 To inform the proposed changes to authorisation limits contained within the Financial Regulations, a benchmarking exercise was completed to compare our current limits with those of our neighbouring authorities. As examples;

- East Devon District Council allows Directors and Assistant Director to write-off debts up to £10k without consultation
- Teignbridge District Council allows their Chief Finance Officer to write-off up to £10k before requiring member approval
- SWAP unitary partners (Somerset, Dorset, Herefordshire, Wiltshire) follow a range of approaches, but generally allow specified senior officers at different levels of the organisation to write-off up to £10k independently

By comparison, the Council's current Financial Regulations only allow the Deputy Section 151 Officer to authorise write-offs of up to £50. The Section 151 Officer, in conjunction with the Monitoring Officer and relevant Director can approve any write-off up to a limit of £500. Any write-off exceeding £500 must also be approved by the relevant Portfolio Holder.

- 8.6 The proposed changes to Financial Regulations provide clear thresholds for decisions to be made more efficiently and effectively whilst maintaining proper administration of the Council's financial affairs.

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

- 9.1 Contributes to a well-run council.

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

- 10.1 The changes in thresholds in relation to budget virements, supplementary budgets and debtor write-offs will mean that authority to make financial decisions is distributed to allow faster and more efficient decision-making. The maintenance of segregation of duties and clear limits to prevent overreach will reduce risks.

11. Equality Act 2010 (The Act)

- 11.1 No impact.

12. Carbon Footprint (Environmental) Implications:

- 12.1 None.

13. Are there any other options?

- 13.1 The Council could continue with its current thresholds and not take advantage of the opportunity to streamline and support more efficient decision making.

Director

Report Author:

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

Background papers used in compiling this report: -

None

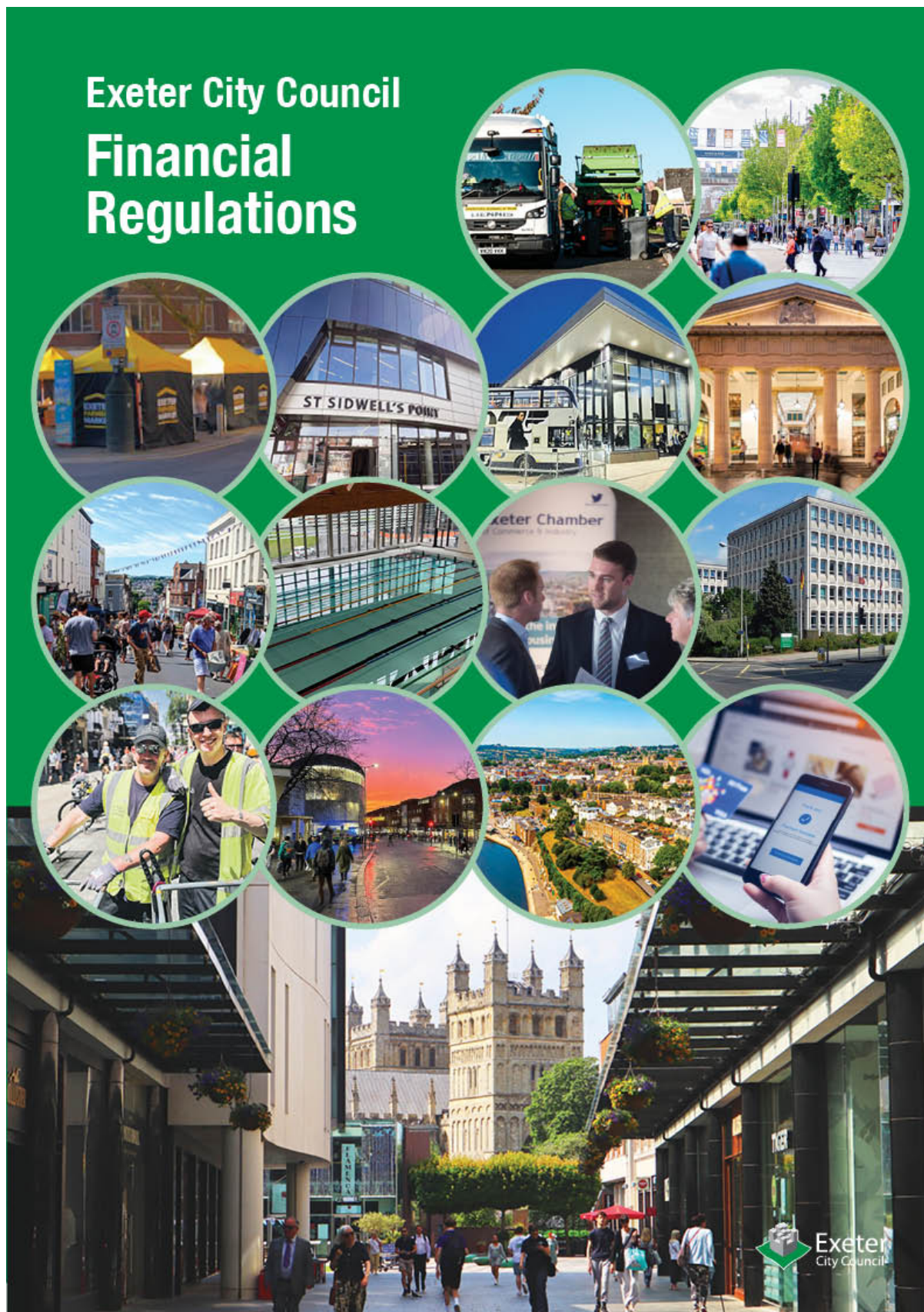
Contact for enquires:

Democratic Services (Committees)

Room 4.36

01392 265275

Exeter City Council Financial Regulations



Contents

Fin reg.	
	Introduction
1	Status of Financial Regulations
2	Financial Management Responsibilities
3	Financial Planning
4	Maintenance of Reserves
5	Control of Expenditure and Income
6	Budget Changes
7	Fixed Asset Register
8	Risk Management and Control of Resources
9	Money Laundering Reporting Officer
10	Internal Audit
11	External Audit
12	Orders for Goods, Work or Services
13	Payment of Accounts
14	Credit Notes
15	Banking Arrangements
16	Income
17	Security of Cash
18	Imprest Accounts
19	Debtors
20	Fees & Charges
21	Internal Transactions
22	Disposal of Assets
23	Leases
24	Investments and Loans
25	Insurance
26	Stock
27	Employee Records and Payments
28	Partnerships and Third Parties
29	Corporate Credit Cards
30	Urgency

Financial Regulations

Introduction

Financial Regulations are the regulatory framework within which the financial affairs of the City Council are operated.

The City Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards. It must ensure that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

These financial regulations form a key element of the maintenance of a robust, clear and accountable governance framework for the Council. Financial Regulations:

- Provide a framework for the proper and efficient administration of the Council's financial affairs
- Encourage all Members and Officers to abide by the highest standards of probity and integrity with clear standards which need to be continually maintained and there are controls to ensure that these standards are met
- Ensure that there are clear roles, responsibilities and accountabilities to protect the Council's money and assets
- Ensure that the use of resources is legal, properly authorised and gives value for money

Section 151 of the Local Government Act 1972 states:

‘.....every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their Officers has the responsibility for the administration of those affairs’.

1. Status of Financial Regulations

- (a) These regulations shall be read and construed as part of the Standing Orders of the Council.
- (b) These regulations may be amended by the Council at any meeting on recommendation by the Executive.
- (c) Strategic Directors are responsible for ensuring that all employees in their units are aware of the existence and content of the Council's financial regulations and that they comply with them.
- (d) These regulations apply to the control of both the General Fund and the Housing Revenue Account finances and to revenue and capital finances.

2. Financial Management Responsibilities

- (a) Strategic Director for Corporate Resources

The Strategic Director for Corporate Resources, being designated Proper Officer under Section 151 of the Local Government Act, 1972, shall be financial advisor to the Council, its Committees and the Executive and shall be required to give advice either orally or in writing on all matters having financial consequences.

Section 114 of the Local Government Finance Act 1988 requires the Strategic Director for Corporate Resources to report to the full council, Executive and external auditor if the authority or one of its employees:

- (i) has made, or is about to make, a decision which involves incurring unlawful expenditure
- (ii) has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority
- (iii) is about to make an unlawful entry in the authority's accounts.

Section 114 of the 1988 Act also requires:

- (i) the Strategic Director for Corporate Resources to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally
- (ii) the authority to provide the Strategic Director for Corporate Resources with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

(b) Deputy Section 151 Officer

The Deputy Section 151 Officer shall be the Head of Service, Finance.

For the avoidance of doubt, any of the authorisations or approvals required by the Strategic Director for Corporate Resources (Section 151 Officer) under these Financial Regulations or any other policy, procedure or Standing Orders of the Council may be performed by the Deputy Section 151 Officer in the absence of the Strategic Director for Corporate Resources (Section 151 Officer).

(c) Financial Reports

The relevant Strategic Directors are responsible for ensuring that draft copies of all reports having any financial implications shall be submitted to the Strategic Director for Corporate Resources in sufficient time prior to the meeting of the Executive, Scrutiny Committee or other such Committees which receive financial reports so as to enable the Strategic Director for Corporate Resources to make such observations and submissions as they consider appropriate.

(d) Accounting Records

- (i) All financial records and systems of the Council shall be maintained in a form agreed by the Strategic Director for Corporate Resources. Financial and accounting systems shall incorporate controls to ensure that:
 - All data input is genuine, accurate, timely and not duplicated
 - All processing of data is carried out in an accurate, complete and timely manner
 - Output from the system is complete, accurate and timely
 - Segregation of duties is built into business processes to reduce the risk of fraud
 - All transactions and activities have a clear trail of accountability by authorised, responsible officers
 - Appropriate authorisation levels are set for all staff
 - Records and data are securely retained and in accordance with data protection guidance

- (ii) The Strategic Director for Corporate Resources shall be responsible for the preparation of the annual accounts of the Council and shall as soon as is practicable after the end of each financial year report in writing to the Audit and Governance Committee.
- (iii) The Strategic Director for Corporate Resources shall be responsible for the prompt submission of all grant claims, financial statistics and other returns having financial implications.

(e) Monitoring Officer

The Monitoring Officer shall be the Head of Service, Legal & Democratic Services.

The Monitoring Officer is responsible for:

- (i) Ensuring that reports encompass the statutory obligations with regard to their legal and financial advice and content

The Monitoring Officer together with the Section 151 Officer is responsible for advising Members about whether a decision is likely to be considered contrary or not wholly in accordance with financial regulations.

3. Financial Planning

- (a) General Fund and Housing Revenue Account, capital and revenue estimates of expenditure and income, shall be prepared by the Strategic Directors in consultation with the Strategic Director for Corporate Resources. These shall be submitted to Council through the Executive.
- (b) The Strategic Director for Corporate-Resources is also responsible for producing other medium term financial plans for the General Fund and Housing Revenue Account, as required for effective financial planning by the Authority.

4. Maintenance of Reserves

- (a) Reserves are maintained as a matter of prudence. They enable the Council to provide for unexpected events and thereby protect it from overspending should such events occur. The Strategic Director for Corporate Resources shall advise the Council on prudent levels of General Fund and HRA reserves and will comply with accepted standard codes of practice in respect of the maintenance of reserves.
- (b) Reserves for specific purposes may also be maintained and shall only be used for the purposes for which they are intended.

5. Control of Expenditure and Income

- (a) Strategic Directors may authorise the incurring of expenditure, approved in the annual estimates. This is subject to compliance with Standing Orders (of which these financial regulations are a part).

- (b) On a management unit basis no revenue expenditure shall be incurred or income reduced if this has the effect of overspending the overall net budget, for the financial year, unless a supplementary budget has been agreed by the Council.
- (c) The **Asset Improvement & Maintenance Fund (AIM) Property Maintenance Fund** is managed by the Head of Service, Asset Maintenance, but for reporting purposes covers cost centres across the Council. The Head of Service, Asset Maintenance, may vire budgets within the AIM Fund as appropriate to ensure proper property management across the Council.
- (d) Strategic Directors shall not commit the Council to expenditure beyond the year of account unless:-
 - (i) budgetary provision has been approved in the following financial year's revenue and capital estimates; or
 - (ii) budgetary provision exists within a capital budget.
- (e) Expenditure which meets the definition of capital expenditure but falls below the de minimis level of £10,000 will be accounted for as revenue expenditure.

6. Budget Changes (revenue and capital budgets)

(a) Virements

The table below sets out the thresholds in relation to budget virements between service areas that each Strategic Director is responsible for: **previously £40k and then full Council**

Virement Value	Virement Type	Authorised
Unlimited	Technical (incorrect coding, redistributing funding, pooling budgets)	Head of Service, Finance
Up to £50,000	Non-technical (budget or policy change)	Strategic Director, in consultation with SMB
£50,000 - £100,000	Non-technical	Strategic Director & Section 151 Officer, in consultation with SMB
£100,001 - £250,000	Non-technical	Section 151 Officer, Strategic Director, in consultation with SMB, followed by Portfolio Holder agreement
Over £250,000	Non-technical	Full Council

(b) Supplementary Budgets

The table below sets out the thresholds in relation to approval of supplementary budgets. These should only be for discrete purposes that emerge during the year that could not be factored into the annual budget setting process or to carry forward unspent approved budgets at the end of the financial year for specific purposes.

In all cases any new supplementary budgets during the financial year will be reported as part of the quarterly revenue and capital budget monitoring reports and approval sought from Full Council, where necessary.

Supplementary Budget Value	Type	Authorised
With identified source of finance:		
Unlimited	Technical (budget corrections e.g. recognition of expenditure with prior approval)	Head of Service, Finance
Up to £50,000 Previously £40k and then full Council	Met from additional income	Strategic Director & Section 151 Officer, in consultation with SMB
Up to £100,000	Met from earmarked reserve	Strategic Director & Section 151 Officer, in consultation with SMB
Up to £250,000	Met from external grant funding	Strategic Director & Section 151 Officer, in consultation with SMB
Over the above thresholds	All	Full Council
Without identified source of finance		
Up to £100,000	Supplementary revenue budget	Full Council via quarterly budget monitoring report
Over £100,000	Supplementary revenue budget	Full Council via separate committee report
Up to £249,999	Supplementary capital budget	Full Council via quarterly budget monitoring report
Over £250,000	Supplementary capital budget	Full Council via separate committee report

7. Fixed Asset Register

- (a) The Strategic Director for Corporate Resources shall maintain an asset register to include all land, buildings, plant and equipment or subject to a finance lease. The register shall accurately record acquisitions, disposals and revaluations.
- (b) Single assets below £10,000 are excluded from the Asset Register, unless smaller items have been purchased with an aggregate value that exceeds £10,000
- (c) Leased in assets with a value greater than £10,000 will be recognised as Right of Use assets, unless the lease term is for 12 months or less

8. Risk Management and Control of Resources

- (a) Risk Management

The Executive is responsible for considering and approving the Risk Management Policy.

The Audit and Governance Committee is responsible for:

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

Risk management should ensure:

- (i) there are procedures in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the authority
- (ii) there is a monitoring process in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis
- (iii) managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives
- (iv) provision is made for losses that might result from the risks that remain
- (v) procedures are in place to investigate claims within required timescales
- (vi) acceptable levels of risk are determined and insured against where appropriate
- (vii) the authority has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

(b) Internal Controls

- (i) key controls are to be reviewed on a regular basis and the authority should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively
- (ii) managerial control systems should include: defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities
- (iii) financial and operational control systems and procedures should include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems
- (iv) an effective internal audit function will be maintained, which is expected to operate in accordance with the principles contained in the CIPFA's Public Sector Internal Audit Standards which are overseen by the Audit & Assurance Council which oversees and with any other statutory obligations and regulations.

(c) Preventing fraud and Corruption

The City Council:

- (i) has an effective Counter Fraud Strategy and maintains a culture that will not tolerate fraud or corruption
- (ii) expects all members and employees to act with integrity and lead by example
- (iii) requires senior managers to deal swiftly and firmly with those who defraud or attempt to defraud the authority or who are corrupt
- (iv) expects high standards of conduct to be promoted amongst members by the Audit and Governance Committee

- (v) maintains a register of interests in which any hospitality or gifts accepted must be recorded
- (vi) has adopted a formal Whistle Blowing procedure
- (vii) requires all legislation, including the Public Interest Disclosure Act 1998, to be adhered to.

9. Money Laundering Reporting Officer (MLRO)

- (a) The Head of Service, Finance is appointed as the Money Laundering Reporting Officer and the Accountancy Services Manager is appointed as the Deputy Money Laundering Reporting Officer. They are responsible for notifying the National Crime Agency (NCA) of any suspected cases of money laundering
- (b) All Council officers have a duty to report any suspicions or concerns that money has occurred, or could occur, is report to the MLRO immediately; as soon as the suspicion arises.
- (c) Cash receipt limit £5,000

10. Internal Audit

The Strategic Director for Corporate Resources shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the Accounts and Audit Regulations.

Internal audit evaluates and reports on the adequacy of the Council's control systems in securing the proper, economic, efficient and effective use of resources. Internal Audit is provided through South West Audit Partnership (SWAP).

- (a) Internal Audit may investigate such financial records, systems and management procedures of the Council and its employees as considered necessary for the purposes of audit. For this purpose Internal Audit shall have authority at all reasonable times to visit all Council establishments and have access to all records and property of the Council and may require such explanations/assistance as they consider necessary.
- (b) All employees of the Council through their Strategic Director, shall immediately notify Internal Audit of any circumstances which suggest the possibility of irregularity in cash, stock or any other matter which may have financial consequences.
- (c) On confirmation of any irregularity or reasonable suspicion thereof, Internal Audit shall advise the Chief Executive, Strategic Director for Corporate Resources and the Monitoring Officer as appropriate.
- (d) The audit arrangements of any shared service shall form part of the agreement for that shared service.

11. External Audit

Each financial year the Council is subject to an external audit of its statutory financial statements and arrangements for value for money. The external auditors must be satisfied that the statement of accounts present a true and fair view of the financial position of the Council and its income and expenditure for the year and complies with

the statutory requirements as set out in the Code of Practice on Local Authority Accounting in the United Kingdom.

- (a) The Strategic Director for Corporate Resources shall ensure there is effective liaison between external and internal audit
- (b) The Strategic Directors and Heads of Service shall ensure external audit are given access at reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.

12. Orders for Goods, Work or Services

- (a) Official orders shall be raised in the Council's eProcurement system by an Order Requisitioner, as nominated for each service area, and confirmed by an Approved Authoriser. Orders must include; the nature and/or quantity of goods, materials, work or services to be supplied to the Council, and the estimated cost. Orders must:
 - (i) Be allocated to the correct financial and VAT code(s).
 - (ii) Only commit the Council to expenditure which is within the approved budgets
- (b) Official Orders must be issued for all goods, materials, work or services to be supplied to the Council, unless the Strategic Director for Corporate Resources approves exceptions to ordering where circumstances or trading practice make this desirable. Oral orders shall only be given in the case of expediency and must be confirmed by an official order not later than the next working day.
- (c) Strategic Directors and Heads of Service shall notify the Strategic Director for Corporate Resources of employees authorised to raise (Order Requisitioner) and approve orders (Order Authorisers) on their behalf.
- (d) The Officer authorising an order shall be senior to the Officer ordering the goods. This authorisation may be made either by e-mail or in writing if the relevant Officer is not able to authorise directly on the system.
- (e) Every officer requesting an official order shall ensure, as far as is reasonably practicable, in respect of each transaction, that goods, materials or service ordered are obtained on the best possible terms in respect of cost and quality and represent value for money

A limited number of order books are in use to expedite purchases. The arrangements for the ordering, receipt and issue of all order books shall be controlled by the Strategic Director for Corporate Resources.

13. Payment of Accounts

- (a) The Order Requisitioner shall be responsible for goods receipting (GRN) to validate the receipt of ordered goods or services, which will allow payment of the relevant invoice.

GRN may be completed, subject to the following tolerances:

	+	-
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GRN	£50	£5,000
-----	-----	--------

Changes in excess of £50 will require an amendment to the order and re-approval by an Authorising Officer.

- (b) The matters to be certified by the spending unit, subject to such selective examination of invoices as may be determined by the Strategic Director for Corporate Resources and Strategic Directors concerned shall include:-
- (i) That the goods have been received, examined and approved as to quality and quantity or services rendered or work done satisfactorily.
 - (ii) That the price charged is correct and the appropriate discounts, allowances and other credits have been deducted.
 - (iii) That the account has not previously been passed for payment.
 - (iv) That the account is arithmetically correct.
 - (v) That income tax is correctly accounted for in respect of sub-contractors / contractors
- (c) Once an order has been goods receipted, the relevant invoice will automatically be paid, subject to the following tolerance levels:

	+	-
Auto match	£0.05	£0.05

- (d) Authorised officers may approve orders to be manually matched for payment by Accounts Payable in the event the auto match between the GRN and invoices fails within the following tolerances:

	+	-
Manual match	£50	£50

Changes in excess of these tolerances will require an amendment to the order and re-approval by an Authorising Officer.

- (e) Orders, GRN and invoices shall be administered by Units promptly so that they can be included in the payment runs and support the payment of invoices in accordance with their payment due dates and secure entitlement to any early payment discounts.
- (f) The Strategic Director for Corporate Resources shall examine, so far as considered necessary, accounts passed for payment, including the final accounts of contracts, and shall be entitled to receive such information and explanations as may be required to ensure that the accounts are in order, before payment is made.

14. Credit Notes

- (a) Credit notes amend or correct previously issued invoices from suppliers. A credit note will be registered to offset against other unpaid invoices from the same supplier.

If credit notes cannot be offset against other unpaid invoices, within 6 months, then each Strategic Director shall be responsible for obtaining refunds pertaining to their service areas.

15. Banking Arrangements and Cheques

- (a) All banking arrangements shall be made by the Strategic Director for Corporate Resources.
- (b) Only cheques for presentation purposes are issued and shall be ordered by the Strategic Director for Corporate Resources.
- ~~(b) Cheques shall be ordered only by the Strategic Director for Corporate Resources who shall ensure that arrangements are made for their safe custody.~~
- ~~(c) All cheques drawn shall be signed by the Strategic Director for Corporate Resources or as otherwise approved by the Council or shall bear the facsimile signature of the Strategic Director for Corporate Resources.~~
- (d) The Strategic Director for Corporate Resources shall be authorised to open such bank accounts as considered necessary in consultation with the Executive member with relevant portfolio.

16. Income

- (a) Arrangements for the collection and banking of all monies due to the Council shall be under the control of the Strategic Director for Corporate Resources.
- (b) All official receipts shall be in a form approved by the Strategic Director for Corporate Resources
 - (i) No employee shall give a receipt for money received on behalf of the Council on any form other than the official receipt.
- (c) Every Strategic Director shall maintain a correct and chronological record of all monies received and of the date and amount of deposit.
- (d) All monies received on behalf of the Council shall be paid over intact, either to the Strategic Director for Corporate Resources or, by arrangement with them, direct to the Council's bankers.

17. Security of Cash

Each Strategic Director shall be responsible for ensuring the safe custody of cash, including petty cash floats and documents having a cash value entrusted to their care. ~~These arrangements shall be approved by Internal Audit.~~

18. Imprest Accounts

The Strategic Director for Corporate Resources in consultation with a Strategic Director may advance cash floats to employees for the purpose of defraying certain minor expenses and other items. Each Strategic Director shall be responsible for maintaining

arrangements and records for the control of imprests. in a manner prescribed by Internal Audit.

19. Debtors

- (a) Strategic Directors shall supply to the Strategic Director for Corporate Resources such information in connection with work done, goods supplied, or services rendered on behalf of the Council and of all other amounts accruing to ensure prompt recording and collection of all amounts due to the Council.
- (i) The Strategic Director is responsible for ensuring that the invoice has been allocated the correct financial and VAT code(s)
- (b) The Strategic Directors issuing an invoice for monies due to the Council shall be responsible for the collection of the debt. Invoices must be raised promptly after delivery of goods or completion of the service. Where possible payment should be taken in advance or at the time of providing the goods or services

If monies are outstanding after normal recovery processes reminder letters have been issued, the Strategic Directors shall advise the Strategic Director for Corporate Resources of the details relating to the invoice and both shall agree what course of action should be taken, which may include:

- Continued direct contact with the debtor;
 - Arrangement of an instalment plan to recover the debt;
 - Use of an enforcement agency;
 - Use of legal support;
 - Any other options identified.
- (c) Only invoices in excess of £10 will be raised, on the basis that invoices below this value are uneconomical, unless there is a valid reason.
- (d) **Debtor Write-offs**
The table below sets out the thresholds in relation to writing off outstanding income, including, but not limited to; sundry debtors, housing rents, council tax (and Council Tax Support), business rates and overpaid housing benefits.

Write-off Value	Type	Authorised
Unlimited	Irrecoverable debts due to bankruptcy, liquidation, insolvency, death, no trace, time bar, error	Head of Service, Finance
Up to £10,000	General	Relevant Head of Service & Section 151 Officer *
£10,001 - £50,000	General	Strategic Director & Section 151 Officer
£50,001 - £100,000		Section 151 Officer, Strategic Director & Portfolio Holder
Over £100,000	General	Full Council

*Where the relevant Head of Service is the Head of Service Finance, then the Section 151 Officer will need to approve

- (e) Write-offs up to a value of £5 shall be treated as cancellations.
- (f) Credit balances (overpayments) will be transferred to outstanding sundry debtor invoices pertaining to the same debtor, if no balance exists then the credit balance will be refunded to the customer.
- (g) Credit balances that cannot be transferred, due to no active account, or are unable to be refunded (unable to trace debtor, cease to exist) shall be credited to the respective service area.
- ~~(e) The Strategic Director for Corporate Resources shall be authorised to write-off individual overpayments of housing benefits up to a limit of £1,000.~~
- ~~— The writing-off of individual housing benefits overpayments in excess of £1,000 shall be subject to consultation with the Executive member with relevant portfolio.~~
- (h) The Strategic Director for Corporate Resources shall present an annual report to the Relevant Committee outlining the number and detail of the decisions taken in respect of bad debts

20. Fees and Charges

- (a) Except where existing Council policy or statute requires otherwise, all proposals to introduce and vary charges for services shall be subject to the approval of the appropriate Strategic Director in consultation with the relevant Portfolio Holder and can be varied throughout the year. The Strategic Director for Corporate Resources shall be informed of all variations and new charges introduced. Schedules of existing fees and charges shall be submitted to the Council through the Executive annually. Commercially sensitive fees and charges need not be published.
- (b) Property rental income shall be reviewed in accordance with rent review dates except where statutory provisions apply.

21. Internal Transactions

- (a) Internal transactions are transactions within the Council, which do not involve a third party and include internal recharges, cost apportionments or allocation (e.g. central support costs).
- (b) Invoices are not raised for internal transactions, unless there is a valid reason.
- (c) The Strategic Director for Corporate Resources is responsible for ensuring that there is a transparent method of calculation for all internal recharges and that they are regularly reviewed.
- (d) Central support costs are only charged to service recipients that are required to be maintained on a total cost basis, including the Housing Revenue Account.

22. Disposal of Assets

- (a) The sale of any land or buildings which fall outside the powers given to employees in the scheme of delegations shall require the prior approval of the Executive.
- (b) In all cases, the Strategic Director for Corporate Resources shall be notified of any asset disposals.
- (c) The table below sets out the thresholds in relation to the disposal of vehicles, plant and equipment only:

Disposal Value	Method	Authorised
Up to £1,000 previously £150	Best price	Strategic Director
£1,001 - £5,000 previously £150 - £1,000	Best price	Strategic Director and Section 151 Officer
Over £5,000 previously £1,000	Competitive tender	Strategic Director, Section 151 Officer and relevant Portfolio Holder

- (b) (i) ~~The disposal of assets individually valued at less than £150 may be undertaken at the discretion of the Strategic Director. The Strategic Director shall maintain appropriate records and shall immediately inform Internal Audit and the Strategic Director for Corporate Resources of such disposals.~~
- (ii) ~~The disposal of assets individually valued in excess of £150 but less than £1,000 may be undertaken by the Strategic Director with the written approval of the Strategic Director for Corporate Resources. The Strategic Director shall maintain appropriate records of such disposals and inform Internal Audit.~~
- (iii) ~~Proposals for the disposal of other assets individually valued in excess of £1,000 shall at first be referred to the Strategic Director for Corporate Resources and be subject to a tender process before seeking the consent of the Executive Member with Relevant Portfolio. The Strategic Director shall maintain appropriate records of such disposals and inform Internal Audit.~~
- (iv) ~~The disposal of vehicles, plant and equipment valued in excess of £1000 be delegated to the relevant Strategic Director via auction or other such appropriate mechanism subject to the prior written approval of the Strategic Director for Corporate Resources. Internal Audit must be informed of each disposal.~~
- (d) The disposal of any museum exhibit or artefact shall be in accordance with the Council's policy and will require prior consultation with the Leader and Executive Member with Relevant Portfolio.
- (e) Any IT equipment (including laptops, printers, cameras, mobile devices and any other peripheral items) ~~is owned by Strata Service Solutions and must therefore be returned to Strata when no longer required.~~

23. Leases

- (a) Each Strategic Director shall promptly notify the Strategic Director for Corporate Resources of any new leases entered into, as the Council (as lessee) is required to recognise assets and liabilities for all leases, unless the lease term is less than 12 months or the underlying asset is valued at less than £10,000.
- (b) Unless an arrangement is exempt because it is short term or involves assets of low value, the Strategic Director for Corporate Resources will account for a lease by carrying in the balance sheet a right-of-use asset representing the economic benefits and service potential over which the authority has obtained control for the lease term, together with a liability for the payments it will make for the acquisition of those rights.

24. Investments and Loans

- (a) The Council will create and maintain, as the cornerstones for effective treasury management:
 - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the treasury management policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the CIPFA Treasury Management in Public Services Code, subject only to amendment where necessary to reflect the particular circumstances of Exeter City Council. Such amendments will not result in a material deviation from the Code's key principles.

- (b) The Council's Executive will receive reports on its treasury management policies, practices and activities, including, as a minimum:
 - An annual treasury management strategy including as a minimum an annual strategy and plan in advance of the year
 - A mid-year review
 - An annual report after the end of the financial year in the form prescribed in the TMPs.
- (c) The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Executive, and for the execution and administration of treasury management decisions to the Strategic Director for Corporate Resources, who will act in accordance with the Council's policy statement and TMPs and, if a CIPFA member, with CIPFAs standards of Professional Practice on Treasury Management.
- (d) The Council designates the Customer Focus Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

25. Insurance

- (a) The Strategic Director for Corporate Resources shall effect all insurance cover.
- (b) Arrangements for the processing and negotiating claims shall be made by the Strategic Director for Corporate Resources.
- (c) Each Strategic Director shall promptly notify the Strategic Director for Corporate Resources of the extent and nature of all new risks to be insured and of any alteration affecting insurable risks in their unit.
- (d) All insurance cover shall be reviewed annually by the Strategic Director for Corporate Resources.
- (e) Each Strategic Director shall immediately notify the Strategic Director for Corporate Resources of any claim made in writing outlining the circumstances under which any loss, liability or damage or any event likely to lead to a claim being made. For the avoidance of doubt, claims can be submitted via electronic means where possible.
- (f) All property insurable incidents should be reported to the Systems and Insurance Manager, to enable the Council to initiate an insurance claim, if sufficient losses are recorded in a year.

26. Stock

- (a) The Strategic Director shall be responsible for the custody and control of stock and equipment in their unit and records, ~~records of which shall be maintained in a form to be approved by Internal Audit.~~
- (b) The Strategic Director shall carry out an annual stock-take of such items as ~~agreed by Internal Audit.~~ Except where agreed, the stock-taking shall be carried out by some person independent of the stockholder concerned.
- (c) Subject to Financial Regulation 12, each Strategic Director shall be responsible for making arrangements to dispose of all obsolete and perishable stock within the year of obsolescence in their unit. Stock disposals should be notified to the Strategic Director for Corporate Resources. ~~Internal Audit.~~

27. Employees Records and Payments

- (a) The arrangements for the calculation of all salaries, wages, compensation and other ~~emoluments~~ **benefits** to employees or former employees of the Council shall be approved by the Head of Service, HR, Workforce Planning & OD.
- (b) These arrangements shall include the maintenance of all necessary records concerning pay, superannuation, national insurance and taxation. Strategic Director shall ensure that sufficient information is provided to the Head of Service, HR, Workforce Planning & OD for this purpose.
- (c) The making of all payments to employees and former employees of the Council in respect of salaries, wages, compensation and other ~~emoluments~~ **benefits** shall be

under the direct control of the Chief Executive. It shall be the duty of the Head of Service, HR, Workforce Planning & OD to notify the Strategic Director for Corporate Resources promptly of all appointments, dismissals, resignations, transfers and any changes in rate of remuneration (other than normal annual increments) of all salaried employees of the Council. In addition, Strategic Directors shall notify the Head of Service, HR, Workforce Planning & OD promptly regarding sickness and absence from duty, other than paid leave in respect of all employees in their units.

- (d) The Head of Service, HR, Workforce Planning & OD shall ensure that employees leaving the employment of the Council have repaid, in full, any loans or sums owed to the Council.

In the event that, in the opinion of the Head of Service, HR, Workforce Planning & OD, the amount outstanding is so substantial, that it would be unreasonable to deduct all monies owed from the employee's salary, then the Head of Service, HR, Workforce Planning & OD, shall in consultation with Strategic Director for Corporate Resources agree a repayment plan with the debtor to clear the outstanding balance in full within a reasonable period of time.

- (e) The Chief Executive shall be authorised to arrange for the implementation of any nationally agreed salary or wage award.
- (f) In all cases where sickness or injury allowances are paid to an employee who may have a legal right to damages, including loss of earnings, against a third party, it shall be the duty of the Strategic Director concerned to notify the Strategic Director for Corporate Resources of the fact that a third-party claim may be made. The Head of Service, HR, Workforce Planning & OD shall follow up all such payments and ensure that, as appropriate, sickness pay is recovered from the employee.
- (g) On the recommendation of the Strategic Director, the Strategic Director for Corporate Resources may approve a reimbursement up to a maximum of £200 for any losses or expenses incurred by employees resulting from loss of, or damage to, their clothing or personal effects, arising out of, or during the course of, their employment, and which are not covered by insurance. For the purposes of this regulation any person carrying out work for or on behalf of the Council or any of its employees in an official capacity (including a member) shall be deemed to be an employee. Any claim where there is a potential risk of personal injury shall be referred to the Council's insurers.

28. Partnerships and Third Parties

- (a) Partnerships
 - (i) The Executive is responsible for approving delegations, including frameworks for partnerships. The Executive is the focus for forming partnerships with other local, private, voluntary and community sector organisations.
 - (ii) The Executive can delegate functions - including those relating to partnerships - to officers. Where functions are delegated, the Executive remains accountable for them to full Council.

- (iii) The Strategic Director for Corporate Resources shall ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. They must ensure that risks have been fully appraised before arrangements are entered into with external bodies.
- (iv) The Strategic Director for Corporate Resources shall advise on effective controls that will ensure resources are not wasted.
- (v) The Strategic Director for Corporate Resources shall advise on the key elements of funding a project. In particular this includes:-
 - A scheme appraisal for financial viability in both the current and future years
 - Risk appraisal and management
 - Resourcing including taxation issue
 - Audit, security and control requirements
 - Carry forward arrangements

(b) External Funding

The Strategic Directors shall be responsible for promptly notifying the Strategic Director for Corporate Resources of all external funding awarded.

The Strategic Director for Corporate Resources shall be responsible for ensuring that all funding notified by external bodies is received and properly recorded in the authority's accounts.

(c) Work For Third Parties

The Executive is responsible for approving the contractual arrangements for any work for third parties or external bodies.

29. Corporate Credit Cards

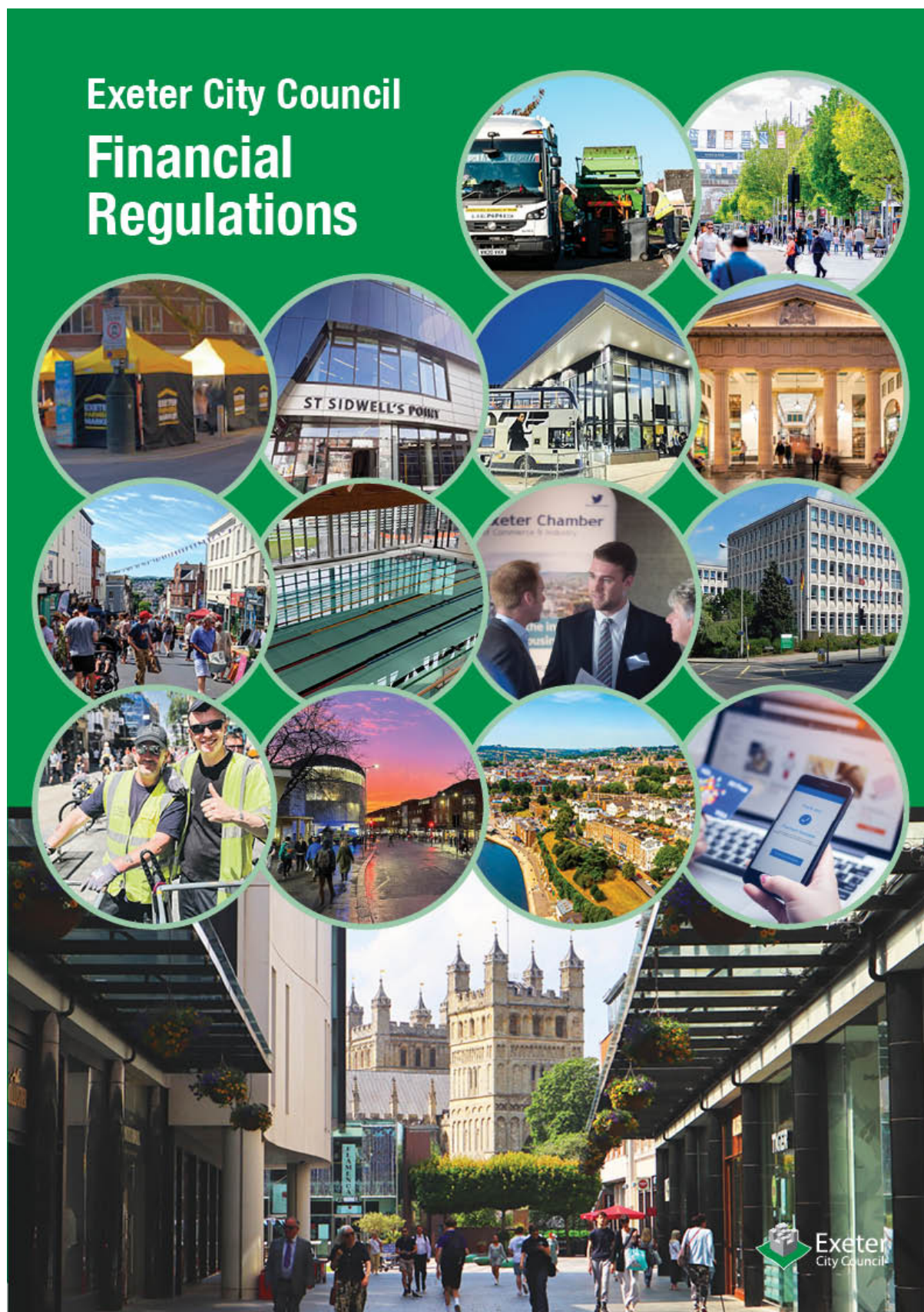
- (a) ~~The Director Finance in consultation with the Chief Executive and the relevant Strategic Director~~ may authorise the issue a corporate credit card to enable goods, works or services to be procured on behalf of the Council. Once notified, Strategic Director for Corporate Resources will arrange the credit card. the Officers issued with a credit card are responsible for the physical security and use of the card.
- (b) Each Credit Card holder shall be required to sign a form agreeing to their responsibilities as a card holder. This includes ensuring the card and card details are held securely at all times.
- (c) **The card must not be used for personal use or to avoid processing order through eProcurement.**
- (d) Each credit card holder/authorised user is responsible for:
 - (i) Ensuring that proper authorisation is held prior to an order and payment being made
 - (ii) Checking that sufficient budget is in place to fund the purchase

- (iii) As far as is reasonably practicable, that the goods, works, materials or service procured are obtained at the best possible terms in respect of cost, quality, compatibility and durability
 - (iv) The card is only used for bona fide and secure transactions
 - (iv) Obtaining the required proofs of purchase including VAT receipts where appropriate to enable the Council to reclaim such expenditure. Where a VAT receipt has not been received, it is the responsibility of the holder/user to ensure that a VAT receipt is obtained as soon as possible
 - (v) Ensuring that the goods have been received, and are of satisfactory quality and quantity
 - (vi) That appropriate entries have been made in inventories or stock records to record the items procured
- (e) Each credit card holder is responsible for:
 - (i) ensuring that the price charged is correct and as agreed
 - (ii) submitting a monthly reconciled account, together with all proofs of purchase and VAT receipts, to the Strategic Director for Corporate Resources promptly.
- (e) The duties of certifying payment and receiving the goods, works, materials or services procured shall not be performed by the same employee, except where this has been agreed with the Strategic Director for Corporate Resources.
- (f) Where a credit card holder or user gives notice to terminate their employment with the Council (or is to change duties within the Council), the Strategic Director for Corporate Resources must be immediately notified so that arrangements may be made to restrict their ability to use the card after the termination/transfer date.

30. Urgency

Notwithstanding the foregoing regulations, in cases of urgency the appropriate Chief Executive in consultation with the Executive member with Relevant Portfolio, and Strategic Director for Corporate Resources shall have the power to authorise on behalf of the Council the incurring of any expenditure or any action which would otherwise be contrary to these regulations. The exercise of this authority shall in every case be reported to the next meeting of Executive.

Exeter City Council Financial Regulations



Contents

Fin reg.	
	Introduction
1	Status of Financial Regulations
2	Financial Management Responsibilities
3	Financial Planning
4	Maintenance of Reserves
5	Control of Expenditure and Income
6	Budget Changes
7	Fixed Asset Register
8	Risk Management and Control of Resources
9	Money Laundering Reporting Officer
10	Internal Audit
11	External Audit
12	Orders for Goods, Work or Services
13	Payment of Accounts
14	Credit Notes
15	Banking Arrangements
16	Income
17	Security of Cash
18	Imprest Accounts
19	Debtors
20	Fees & Charges
21	Internal Transactions
22	Disposal of Assets
23	Leases
24	Investments and Loans
25	Insurance
26	Stock
27	Employee Records and Payments
28	Partnerships and Third Parties
29	Corporate Credit Cards
30	Urgency

Financial Regulations

Introduction

Financial Regulations are the regulatory framework within which the financial affairs of the City Council are operated.

The City Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards. It must ensure that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

These financial regulations form a key element of the maintenance of a robust, clear and accountable governance framework for the Council. Financial Regulations:

- Provide a framework for the proper and efficient administration of the Council's financial affairs
- Encourage all Members and Officers to abide by the highest standards of probity and integrity with clear standards which need to be continually maintained and there are controls to ensure that these standards are met
- Ensure that there are clear roles, responsibilities and accountabilities to protect the Council's money and assets
- Ensure that the use of resources is legal, properly authorised and gives value for money

Section 151 of the Local Government Act 1972 states:

‘.....every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their Officers has the responsibility for the administration of those affairs’.

1. Status of Financial Regulations

- (a) These regulations shall be read and construed as part of the Standing Orders of the Council.
- (b) These regulations may be amended by the Council at any meeting on recommendation by the Executive.
- (c) Strategic Directors are responsible for ensuring that all employees in their units are aware of the existence and content of the Council's financial regulations and that they comply with them.
- (d) These regulations apply to the control of both the General Fund and the Housing Revenue Account finances and to revenue and capital finances.

2. Financial Management Responsibilities

- (a) Strategic Director for Corporate Resources

The Strategic Director for Corporate Resources, being designated Proper Officer under Section 151 of the Local Government Act, 1972, shall be financial advisor to the Council, its Committees and the Executive and shall be required to give advice either orally or in writing on all matters having financial consequences.

Section 114 of the Local Government Finance Act 1988 requires the Strategic Director for Corporate Resources to report to the full council, Executive and external auditor if the authority or one of its employees:

- (i) has made, or is about to make, a decision which involves incurring unlawful expenditure
- (ii) has taken, or is about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority
- (iii) is about to make an unlawful entry in the authority's accounts.

Section 114 of the 1988 Act also requires:

- (i) the Strategic Director for Corporate Resources to nominate a properly qualified member of staff to deputise should he or she be unable to perform the duties under section 114 personally
- (ii) the authority to provide the Strategic Director for Corporate Resources with sufficient staff, accommodation and other resources – including legal advice where this is necessary – to carry out the duties under section 114.

(b) Deputy Section 151 Officer

The Deputy Section 151 Officer shall be the Head of Service, Finance.

For the avoidance of doubt, any of the authorisations or approvals required by the Strategic Director for Corporate Resources (Section 151 Officer) under these Financial Regulations or any other policy, procedure or Standing Orders of the Council may be performed by the Deputy Section 151 Officer in the absence of the Strategic Director for Corporate Resources (Section 151 Officer).

(c) Financial Reports

The relevant Strategic Directors are responsible for ensuring that draft copies of all reports having any financial implications shall be submitted to the Strategic Director for Corporate Resources in sufficient time prior to the meeting of the Executive, Scrutiny Committee or other such Committees which receive financial reports so as to enable the Strategic Director for Corporate Resources to make such observations and submissions as they consider appropriate.

(d) Accounting Records

- (i) All financial records and systems of the Council shall be maintained in a form agreed by the Strategic Director for Corporate Resources. Financial and accounting systems shall incorporate controls to ensure that:
 - All data input is genuine, accurate, timely and not duplicated
 - All processing of data is carried out in an accurate, complete and timely manner
 - Output from the system is complete, accurate and timely
 - Segregation of duties is built into business processes to reduce the risk of fraud
 - All transactions and activities have a clear trail of accountability by authorised, responsible officers
 - Appropriate authorisation levels are set for all staff

- Records and data are securely retained and in accordance with data protection guidance
 - (ii) The Strategic Director for Corporate Resources shall be responsible for the preparation of the annual accounts of the Council and shall as soon as is practicable after the end of each financial year report in writing to the Audit and Governance Committee.
 - (iii) The Strategic Director for Corporate Resources shall be responsible for the prompt submission of all grant claims, financial statistics and other returns having financial implications.
- (e) Monitoring Officer

The Monitoring Officer shall be the Head of Service, Legal & Democratic Services.

The Monitoring Officer is responsible for:

- (i) Ensuring that reports encompass the statutory obligations with regard to their legal and financial advice and content

The Monitoring Officer together with the Section 151 Officer is responsible for advising Members about whether a decision is likely to be considered contrary or not wholly in accordance with financial regulations.

3. Financial Planning

- (a) General Fund and Housing Revenue Account, capital and revenue estimates of expenditure and income, shall be prepared by the Strategic Directors in consultation with the Strategic Director for Corporate Resources. These shall be submitted to Council through the Executive.
- (b) The Strategic Director for Corporate-Resources is also responsible for producing other medium term financial plans for the General Fund and Housing Revenue Account, as required for effective financial planning by the Authority.

4. Maintenance of Reserves

- (a) Reserves are maintained as a matter of prudence. They enable the Council to provide for unexpected events and thereby protect it from overspending should such events occur. The Strategic Director for Corporate Resources shall advise the Council on prudent levels of General Fund and HRA reserves and will comply with accepted standard codes of practice in respect of the maintenance of reserves.
- (b) Reserves for specific purposes may also be maintained and shall only be used for the purposes for which they are intended.

5. Control of Expenditure and Income

- (a) Strategic Directors may authorise the incurring of expenditure, approved in the annual estimates. This is subject to compliance with Standing Orders (of which these financial regulations are a part).

- (b) On a management unit basis no revenue expenditure shall be incurred or income reduced if this has the effect of overspending the overall net budget, for the financial year, unless a supplementary budget has been agreed by the Council.
- (c) The Asset Improvement & Maintenance Fund (AIM) is managed by the Head of Service, Asset Maintenance, but for reporting purposes covers cost centres across the Council. The Head of Service, Asset Maintenance, may vire budgets within the AIM Fund as appropriate to ensure proper property management across the Council.
- (d) Strategic Directors shall not commit the Council to expenditure beyond the year of account unless:-
 - (i) budgetary provision has been approved in the following financial year's revenue and capital estimates; or
 - (ii) budgetary provision exists within a capital budget.
- (e) Expenditure which meets the definition of capital expenditure but falls below the de minimis level of £10,000 will be accounted for as revenue expenditure.

6. Budget Changes (revenue and capital budgets)

(a) Virements

The table below sets out the thresholds in relation to budget virements between service areas that each Strategic Director is responsible for:

Virement Value	Virement Type	Authorised
Unlimited	Technical (incorrect coding, redistributing funding, pooling budgets)	Head of Service, Finance
Up to £50,000	Non-technical (budget or policy change)	Strategic Director, in consultation with SMB
£50,000 - £100,000	Non-technical	Strategic Director & Section 151 Officer, in consultation with SMB
£100,001 - £250,000	Non-technical	Section 151 Officer, Strategic Director, in consultation with SMB, followed by Portfolio Holder agreement
Over £250,000	Non-technical	Full Council

(b) Supplementary Budgets

The table below sets out the thresholds in relation to approval of supplementary budgets. These should only be for discrete purposes that emerge during the year that could not be factored into the annual budget setting process or to carry forward unspent approved budgets at the end of the financial year for specific purposes.

In all cases any new supplementary budgets during the financial year will be reported as part of the quarterly revenue and capital budget monitoring reports and approval sought from Full Council approval, where necessary.

Supplementary Budget Value	Type	Authorised
With identified source of finance:		
Unlimited	Technical (budget corrections e.g. recognition of expenditure with prior approval)	Head of Service, Finance
Up to £50,000	Met from additional income	Strategic Director & Section 151 Officer, in consultation with SMB
Up to £100,000	Met from earmarked reserve	Strategic Director & Section 151 Officer, in consultation with SMB
Up to £250,000	Met from external grant funding	Strategic Director & Section 151 Officer, in consultation with SMB
Over the above thresholds	All	Full Council
Without identified source of finance		
Up to £100,000	Supplementary revenue budget	Full Council via quarterly budget monitoring report
Over £100,000	Supplementary revenue budget	Full Council via separate committee report
Up to £250,000	Supplementary capital budget	Full Council via quarterly budget monitoring report
Over £250,000	Supplementary capital budget	Full Council via separate committee report

7. Fixed Asset Register

- (a) The Strategic Director for Corporate Resources shall maintain an asset register to include all land, buildings, plant and equipment or subject to a finance lease. The register shall accurately record acquisitions, disposals and revaluations.
- (b) Single assets below £10,000 are excluded from the Asset Register, unless smaller items have been purchased with an aggregate value that exceeds £10,000
- (c) Leased in assets with a value greater than £10,000 will be recognised as Right of Use assets, unless the lease term is for 12 months or less

8. Risk Management and Control of Resources

- (a) Risk Management

The Executive is responsible for considering and approving the Risk Management Policy.

The Audit and Governance Committee is responsible for:

- (i) considering the Corporate Risk Register (CRR) and recommending its approval to the Executive.

- (ii) monitoring the effectiveness of risk management throughout the Council and the progress made against the CRR target for actions.

Risk management should ensure:

- (i) there are procedures in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the authority
- (ii) there is a monitoring process in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls. The risk management process should be conducted on a continuing basis
- (iii) managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives
- (iv) provision is made for losses that might result from the risks that remain
- (v) procedures are in place to investigate claims within required timescales
- (vi) acceptable levels of risk are determined and insured against where appropriate
- (vii) the authority has identified business continuity plans for implementation in the event of disaster that results in significant loss or damage to its resources.

(b) Internal Controls

- (i) key controls are to be reviewed on a regular basis and the authority should make a formal statement annually to the effect that it is satisfied that the systems of internal control are operating effectively
- (ii) managerial control systems should include: defining policies, setting objectives and plans, monitoring financial and other performance and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities
- (iii) financial and operational control systems and procedures should include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems
- (iv) an effective internal audit function will be maintained, which is expected to operate in accordance with the principles contained in the CIPFA's Public Sector Internal Audit Standards which are overseen by the Audit & Assurance Council which oversees and with any other statutory obligations and regulations.

(c) Preventing fraud and Corruption

The City Council:

- (i) has an effective Counter Fraud Strategy and maintains a culture that will not tolerate fraud or corruption
- (ii) expects all members and employees to act with integrity and lead by example
- (iii) requires senior managers to deal swiftly and firmly with those who defraud or attempt to defraud the authority or who are corrupt
- (iv) expects high standards of conduct to be promoted amongst members by the Audit and Governance Committee
- (v) maintains a register of interests in which any hospitality or gifts accepted must be recorded

- (vi) has adopted a formal Whistle Blowing procedure
- (vii) requires all legislation, including the Public Interest Disclosure Act 1998, to be adhered to.

9. Money Laundering Reporting Officer (MLRO)

- (a) The Head of Service, Finance is appointed as the Money Laundering Reporting Officer and the Accountancy Services Manager is appointed as the Deputy Money Laundering Reporting Officer. They are responsible for notifying the National Crime Agency (NCA) of any suspected cases of money laundering
- (b) All Council officers have a duty to report any suspicions or concerns that money has occurred, or could occur, is report to the MLRO immediately; as soon as the suspicion arises.
- (c) Cash receipt limit £5,000

10. Internal Audit

The Strategic Director for Corporate Resources shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the Accounts and Audit Regulations.

Internal audit evaluates and reports on the adequacy of the Council's control systems in securing the proper, economic, efficient and effective use of resources. Internal Audit is provided through South West Audit Partnership (SWAP).

- (a) Internal Audit may investigate such financial records, systems and management procedures of the Council and its employees as considered necessary for the purposes of audit. For this purpose Internal Audit shall have authority at all reasonable times to visit all Council establishments and have access to all records and property of the Council and may require such explanations/assistance as they consider necessary.
- (b) All employees of the Council through their Strategic Director, shall immediately notify Internal Audit of any circumstances which suggest the possibility of irregularity in cash, stock or any other matter which may have financial consequences.
- (c) On confirmation of any irregularity or reasonable suspicion thereof, Internal Audit shall advise the Chief Executive, Strategic Director for Corporate Resources and the Monitoring Officer as appropriate.
- (d) The audit arrangements of any shared service shall form part of the agreement for that shared service.

11. External Audit

Each financial year the Council is subject to an external audit of its statutory financial statements and arrangements for value for money. The external auditors must be satisfied that the statement of accounts present a true and fair view of the financial position of the Council and its income and expenditure for the year and complies with the statutory requirements as set out in the Code of Practice on Local Authority Accounting in the United Kingdom.

- (a) The Strategic Director for Corporate Resources shall ensure there is effective liaison between external and internal audit
- (b) The Strategic Directors and Heads of Service shall ensure external audit are given access at reasonable times to premises, personnel, documents and assets which the external auditors consider necessary for the purposes of their work.

12. Orders for Goods, Work or Services

- (a) Official orders shall be raised in the Council's eProcurement system by an Order Requisitioner, as nominated for each service area, and confirmed by an Approved Authoriser. Orders must include; the nature and/or quantity of goods, materials, work or services to be supplied to the Council, and the estimated cost. Orders must:
 - (i) Be allocated to the correct financial and VAT code(s).
 - (ii) Only commit the Council to expenditure which is within the approved budgets
- (b) Official Orders must be issued for all goods, materials, work or services to be supplied to the Council, unless the Strategic Director for Corporate Resources approves exceptions to ordering where circumstances or trading practice make this desirable. Oral orders shall only be given in the case of expediency and must be confirmed by an official order not later than the next working day.
- (c) Strategic Directors and Heads of Service shall notify the Strategic Director for Corporate Resources of employees authorised to raise (Order Requisitioner) and approve orders (Order Authorisers) on their behalf.
- (d) The Officer authorising an order shall be senior to the Officer ordering the goods. This authorisation may be made either by e-mail or in writing if the relevant Officer is not able to authorise directly on the system.
- (e) Every officer requesting an official order shall ensure, as far as is reasonably practicable, in respect of each transaction, that goods, materials or service ordered are obtained on the best possible terms in respect of cost and quality and represent value for money

A limited number of order books are in use to expedite purchases. The arrangements for the ordering, receipt and issue of all order books shall be controlled by the Strategic Director for Corporate Resources.

13. Payment of Accounts

- (a) The Order Requisitioner shall be responsible for goods receipting (GRN) to validate the receipt of ordered goods or services, which will allow payment of the relevant invoice.

GRN may be completed, subject to the following tolerances:

	+	-
GRN	£50	£5,000

Changes in excess of £50 will require an amendment to the order and re-approval by an Authorising Officer.

- (b) The matters to be certified by the spending unit, subject to such selective examination of invoices as may be determined by the Strategic Director for Corporate Resources and Strategic Directors concerned shall include:-
- (i) That the goods have been received, examined and approved as to quality and quantity or services rendered or work done satisfactorily.
 - (ii) That the price charged is correct and the appropriate discounts, allowances and other credits have been deducted.
 - (iii) That the account has not previously been passed for payment.
 - (iv) That the account is arithmetically correct.
 - (v) That income tax is correctly accounted for in respect of sub-contractors / contractors
- (c) Once an order has been goods receipted, the relevant invoice will automatically be paid, subject to the following tolerance levels:

	+	-
Auto match	£0.05	£0.05

- (d) Authorised officers may approve orders to be manually matched for payment by Accounts Payable in the event the auto match between the GRN and invoices fails within the following tolerances:

	+	-
Manual match	£50	£50

Changes in excess of these tolerances will require an amendment to the order and re-approval by an Authorising Officer.

- (e) Orders, GRN and invoices shall be administered by Units promptly so that they can be included in the payment runs and support the payment of invoices in accordance with their payment due dates and secure entitlement to any early payment discounts.
- (f) The Strategic Director for Corporate Resources shall examine, so far as considered necessary, accounts passed for payment, including the final accounts of contracts, and shall be entitled to receive such information and explanations as may be required to ensure that the accounts are in order, before payment is made.

14. Credit Notes

- (a) Credit notes amend or correct previously issued invoices from suppliers. A credit note will be registered to offset against other unpaid invoices from the same supplier.

If credit notes cannot be offset against other unpaid invoices, within 6 months, then each Strategic Director shall be responsible for obtaining refunds pertaining to their service areas.

15. Banking Arrangements

- (a) All banking arrangements shall be made by the Strategic Director for Corporate Resources.
- (b) Only cheques for presentation purposes are issued and shall be ordered by the Strategic Director for Corporate Resources.
- (c) The Strategic Director for Corporate Resources shall be authorised to open such bank accounts as considered necessary in consultation with the Executive member with relevant portfolio.

16. Income

- (a) Arrangements for the collection and banking of all monies due to the Council shall be under the control of the Strategic Director for Corporate Resources.
- (b) All official receipts shall be in a form approved by the Strategic Director for Corporate Resources
 - (iii) No employee shall give a receipt for money received on behalf of the Council on any form other than the official receipt.
- (c) Every Strategic Director shall maintain a correct and chronological record of all monies received and of the date and amount of deposit.
- (d) All monies received on behalf of the Council shall be paid over intact, either to the Strategic Director for Corporate Resources or, by arrangement with them, direct to the Council's bankers.

17. Security of Cash

Each Strategic Director shall be responsible for ensuring the safe custody of cash, including petty cash floats and documents having a cash value entrusted to their care.

18. Imprest Accounts

The Strategic Director for Corporate Resources in consultation with a Strategic Director may advance cash floats to employees for the purpose of defraying certain minor expenses and other items. Each Strategic Director shall be responsible for maintaining arrangements and records for the control of imprests.

19. Debtors

- (a) Strategic Directors shall supply to the Strategic Director for Corporate Resources such information in connection with work done, goods supplied, or services rendered on behalf of the Council and of all other amounts accruing to ensure prompt recording and collection of all amounts due to the Council.

- (i) The Strategic Director is responsible for ensuring that the invoice has been allocated the correct financial and VAT code(s)
- (b) The Strategic Directors issuing an invoice for monies due to the Council shall be responsible for the collection of the debt. Invoices must be raised promptly after delivery of goods or completion of the service. Where possible payment should be taken in advance or at the time of providing the goods or services

If monies are outstanding after normal reminder letters have been issued, the Strategic Directors shall advise the Strategic Director for Corporate Resources of the details relating to the invoice and both shall agree what course of action should be taken, which may include:

- Continued direct contact with the debtor;
 - Arrangement of an instalment plan to recover the debt;
 - Use of an enforcement agency;
 - Use of legal support;
 - Any other options identified.
- (c) Only invoices in excess of £10 will be raised, on the basis that invoices below this value are uneconomical, unless there is a valid reason.

(d) **Debtor Write-offs**

The table below sets out the thresholds in relation to writing off outstanding income, including, but not limited to; sundry debtors, housing rents, council tax (and Council Tax Support), business rates and overpaid housing benefits.

Write-off Value	Type	Authorised
Unlimited	Irrecoverable debts due to bankruptcy, liquidation, insolvency, death, no trace, time bar, error	Head of Service, Finance
Up to £10,000	General	Relevant Head of Service & Section 151 Officer *
£10,001 - £50,000	General	Strategic Director & Section 151 Officer
£50,001 - £100,000	General	Section 151 Officer, Strategic Director & Portfolio Holder
Over £100,000	General	Full Council

*Where the relevant Head of Service is the Head of Service, Finance, then the Section 151 Officer will approve

- (e) Write-offs up to a value of £5 shall be treated as cancellations.
- (f) Credit balances (overpayments) will be transferred to outstanding sundry debtor invoices pertaining to the same debtor, if no balance exists then the credit balance will be refunded to the customer.
- (g) Credit balances that cannot be transferred, due to no active account, or are unable to be refunded (unable to trace debtor, cease to exist) shall be credited to the respective service area.

- (h) The Strategic Director for Corporate Resources shall present an annual report to the Relevant Committee outlining the number and detail of the decisions taken in respect of bad debts

20. Fees and Charges

- (a) Except where existing Council policy or statute requires otherwise, all proposals to introduce and vary charges for services shall be subject to the approval of the appropriate Strategic Director in consultation with the relevant Portfolio Holder and can be varied throughout the year. The Strategic Director for Corporate Resources shall be informed of all variations and new charges introduced. Schedules of existing fees and charges shall be submitted to the Council through the Executive annually. Commercially sensitive fees and charges need not be published.
- (b) Property rental income shall be reviewed in accordance with rent review dates except where statutory provisions apply.

21. Internal Transactions

- (a) Internal transactions are transactions within the Council, which do not involve a third party and include internal recharges, cost apportionments or allocation (e.g. central support costs).
- (b) Invoices are not raised for internal transactions, unless there is a valid reason.
- (c) The Strategic Director for Corporate Resources is responsible for the ensuring that there is a transparent method of calculation for all internal recharges and that they are regularly reviewed.
- (d) Central support costs are only charged to service recipients that are required to be maintained on a total cost basis, including the Housing Revenue Account.

22. Disposal of Assets

- (a) In all cases, the Strategic Director for Corporate Resources shall be notified of any asset disposals.
- (b) The disposal of land or buildings are covered in the scheme of officer delegations. Any disposals which fall outside the powers given to officers in the scheme of delegations shall require approval of the Executive.
- (c) The table below sets out the thresholds in relation to the disposal of vehicles, plant and equipment only:

Disposal Value	Method	Authorised
Up to £1,000	Best price	Strategic Director
£1,001 - £5,000	Best price	Strategic Director and Section 151 Officer
Over £5,000	Competitive tender	Strategic Director, Section 151 Officer and relevant Portfolio Holder

- (d) The disposal of any museum exhibit or artefact shall be in accordance with the Council's policy and will require prior consultation with the Leader and Executive Member with Relevant Portfolio.
- (e) Any IT equipment (including laptops, printers, cameras, mobile devices and any other peripheral items) must be returned to Strata when no longer required.

23. Leases

- (a) Each Strategic Director shall promptly notify the Strategic Director for Corporate Resources of any new leases entered into, as the Council (as lessee) is required to recognise assets and liabilities for all leases, unless the lease term is less than 12 months or the underlying asset is valued at less than £10,000.
- (b) Unless an arrangement is exempt because it is short term or involves assets of low value, the Strategic Director for Corporate Resources will account for a lease by carrying in the balance sheet a right-of-use asset representing the economic benefits and service potential over which the authority has obtained control for the lease term, together with a liability for the payments it will make for the acquisition of those rights.

24. Investments and Loans

- (a) The Council will create and maintain, as the cornerstones for effective treasury management:
 - a treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
 - suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The content of the treasury management policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the CIPFA Treasury Management in Public Services Code, subject only to amendment where necessary to reflect the particular circumstances of Exeter City Council. Such amendments will not result in a material deviation from the Code's key principles.

- (b) The Council's Executive will receive reports on its treasury management policies, practices and activities, including, as a minimum:
 - An annual treasury management strategy including as a minimum an annual strategy and plan in advance of the year
 - A mid-year review
 - An annual report after the end of the financial year in the form prescribed in the TMPs.
- (c) The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Executive, and for the execution and administration of treasury management decisions to the Strategic Director for Corporate Resources, who will act in accordance with the Council's policy statement and TMPs and, if a CIPFA member, with CIPFA's standards of Professional Practice on Treasury Management.

- (d) The Council designates the Customer Focus Scrutiny Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

25. Insurance

- (a) The Strategic Director for Corporate Resources shall effect all insurance cover.
- (b) Arrangements for the processing and negotiating claims shall be made by the Strategic Director for Corporate Resources.
- (c) Each Strategic Director shall promptly notify the Strategic Director for Corporate Resources of the extent and nature of all new risks to be insured and of any alteration affecting insurable risks in their unit.
- (d) All insurance cover shall be reviewed annually by the Strategic Director for Corporate Resources.
- (e) Each Strategic Director shall immediately notify the Strategic Director for Corporate Resources of any claim made in writing outlining the circumstances under which any loss, liability or damage or any event likely to lead to a claim being made. For the avoidance of doubt, claims can be submitted via electronic means where possible.
- (f) All property insurable incidents should be reported to the Systems and Insurance Manager, to enable the Council to initiate an insurance claim, if sufficient losses are recorded in a year.

26. Stock

- (a) The Strategic Director shall be responsible for the custody and control of stock and equipment in their unit and records.
- (b) The Strategic Director shall carry out an annual stock-take of such items. Except where agreed with the Strategic Director for Corporate Resources, the stock-taking shall be carried out by some person independent of the stockholder concerned.
- (c) Subject to Financial Regulation 12, each Strategic Director shall be responsible for making arrangements to dispose of all obsolete and perishable stock within the year of obsolescence in their unit. Stock disposals should be notified to the Strategic Director for Corporate Resources.

27. Employees Records and Payments

- (a) The arrangements for the calculation of all salaries, wages, compensation and other benefits to employees or former employees of the Council shall be approved by the Head of Service, HR, Workforce Planning & OD.
- (b) These arrangements shall include the maintenance of all necessary records concerning pay, superannuation, national insurance and taxation. Strategic Director shall ensure that sufficient information is provided to the Head of Service, HR, Workforce Planning & OD for this purpose.

- (c) The making of all payments to employees and former employees of the Council in respect of salaries, wages, compensation and other benefits shall be under the direct control of the Chief Executive. It shall be the duty of the Head of Service, HR, Workforce Planning & OD to notify the Strategic Director for Corporate Resources promptly of all appointments, dismissals, resignations, transfers and any changes in rate of remuneration (other than normal annual increments) of all salaried employees of the Council. In addition, Strategic Directors shall notify the Head of Service, HR, Workforce Planning & OD promptly regarding sickness and absence from duty, other than paid leave in respect of all employees in their units.
- (d) The Head of Service, HR, Workforce Planning & OD shall ensure that employees leaving the employment of the Council have repaid, in full, any loans or sums owed to the Council.

In the event that, in the opinion of the Head of Service, HR, Workforce Planning & OD, the amount outstanding is so substantial, that it would be unreasonable to deduct all monies owed from the employee's salary, then the Head of Service, HR, Workforce Planning & OD, shall in consultation with Strategic Director for Corporate Resources agree a repayment plan with the debtor to clear the outstanding balance in full within a reasonable period of time.

- (e) The Chief Executive shall be authorised to arrange for the implementation forthwith of any nationally agreed salary or wage award.
- (f) In all cases where sickness or injury allowances are paid to an employee who may have a legal right to damages, including loss of earnings, against a third party, it shall be the duty of the Strategic Director concerned to notify the Strategic Director for Corporate Resources of the fact that a third-party claim may be made. The Head of Service, HR, Workforce Planning & OD shall follow up all such payments and ensure that, as appropriate, sickness pay is recovered from the employee.
- (g) On the recommendation of the Strategic Director, the Strategic Director for Corporate Resources may approve a reimbursement up to a maximum of £200 for any losses or expenses incurred by employees resulting from loss of, or damage to, their clothing or personal effects, arising out of, or during the course of, their employment, and which are not covered by insurance. For the purposes of this regulation any person carrying out work for or on behalf of the Council or any of its employees in an official capacity (including a member) shall be deemed to be an employee. Any claim where there is a potential risk of personal injury shall be referred to the Council's insurers.

28. Partnerships and Third Parties

- (a) Partnerships
 - (i) The Executive is responsible for approving delegations, including frameworks for partnerships. The Executive is the focus for forming partnerships with other local, private, voluntary and community sector organisations.
 - (ii) The Executive can delegate functions - including those relating to partnerships - to officers. Where functions are delegated, the Executive remains accountable for them to full Council.

- (iii) The Strategic Director for Corporate Resources shall ensure that the accounting arrangements to be adopted relating to partnerships and joint ventures are satisfactory. They must ensure that risks have been fully appraised before arrangements are entered into with external bodies.
- (iv) The Strategic Director for Corporate Resources shall advise on effective controls that will ensure resources are not wasted.
- (v) The Strategic Director for Corporate Resources shall advise on the key elements of funding a project. In particular this includes:-
 - A scheme appraisal for financial viability in both the current and future years
 - Risk appraisal and management
 - Resourcing including taxation issue
 - Audit, security and control requirements
 - Carry forward arrangements

(b) External Funding

The Strategic Directors shall be responsible for promptly notifying the Strategic Director for Corporate Resources of all external funding awarded.

The Strategic Director for Corporate Resources shall be responsible for ensuring that all funding notified by external bodies is received and properly recorded in the authority's accounts.

(c) Work For Third Parties

The Executive is responsible for approving the contractual arrangements for any work for third parties or external bodies.

29. Corporate Credit Cards

- (a) The Chief Executive and the relevant Strategic Director may authorise the issue a corporate credit card to enable goods, works or services to be procured on behalf of the Council. Once notified, Strategic Director for Corporate Resources will arrange the credit card. the Officers issued with a credit card are responsible for the physical security and use of the card.
- (b) Each Credit Card holder shall be required to sign a form agreeing to their responsibilities as a card holder. This includes ensuring the card and card details are held securely at all times.
- (c) **The card must not be used for personal use or to avoid processing order through eProcurement.**
- (d) Each credit card holder/authorised user is responsible for:
 - (i) Ensuring that proper authorisation is held prior to an order and payment being made
 - (ii) Checking that sufficient budget is in place to fund the purchase

- (iii) As far as is reasonably practicable, that the goods, works, materials or service procured are obtained at the best possible terms in respect of cost, quality, compatibility and durability
 - (iv) The card is only used for bona fide and secure transactions
 - (iv) Obtaining the required proofs of purchase including VAT receipts where appropriate to enable the Council to reclaim such expenditure. Where a VAT receipt has not been received, it is the responsibility of the holder/user to ensure that a VAT receipt is obtained as soon as possible
 - (v) Ensuring that the goods have been received, and are of satisfactory quality and quantity
 - (vi) That appropriate entries have been made in inventories or stock records to record the items procured
- (e) Each credit card holder is responsible for:
- (i) ensuring that the price charged is correct and as agreed
 - (ii) submitting a monthly reconciled account, together with all proofs of purchase and VAT receipts, to the Strategic Director for Corporate Resources promptly.
- (f) The duties of certifying payment and receiving the goods, works, materials or services procured shall not be performed by the same employee, except where this has been agreed with the Strategic Director for Corporate Resources.
- (g) Where a credit card holder or user gives notice to terminate their employment with the Council (or is to change duties within the Council), the Strategic Director for Corporate Resources must be immediately notified so that arrangements may be made to restrict their ability to use the card after the termination/transfer date.

30. Urgency

Notwithstanding the foregoing regulations, in cases of urgency the appropriate Chief Executive in consultation with the Executive member with Relevant Portfolio, and Strategic Director for Corporate Resources shall have the power to authorise on behalf of the Council the incurring of any expenditure or any action which would otherwise be contrary to these regulations. The exercise of this authority shall in every case be reported to the next meeting of Executive.

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REPORT AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 4 September 2025

Report of: City Centre & Net Zero

Title: City Council Net Zero Risk Register

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

A six monthly review of the City Council's Net Zero Risk Register, which provides an assessment of the risks associated with delivery of Net Zero within the City Council, adaptation measures to protect Council services, and mitigation measures to reduce the effects of climate change.

2. Recommendations:

- 2.1 That the Audit and Governance Committee recommend to Council that the updated Net Zero Risk Register is approved; and
- 2.2 It is acknowledged that the Council's Costed Organisational Carbon Footprint Projections to 2030 study will be reported to Scrutiny on 11 September, after which a further report will be considered by Executive. The report will address further work beyond the measures which have already been fully costed and committed and a revised Carbon Reduction Plan.

3. Reasons for the recommendation:

- 3.1 To highlight the risks associated with measures required to reduce City Council carbon emissions. Climate change directives, carbon reduction targets, technologies and funding opportunities are frequently changing, and as such, both the Risk Register and Carbon Reduction Plan are reviewed every six months.
- 3.2 To enable the Council to strategically plan resources, to deliver activity and reduce emissions, to support one of the main City Council's strategic priorities and to protect services.
- 3.3 To enable risks associated with climate change and reducing City Council Green House Gas (GHG) emissions are monitored, reported on, and incorporated into City Council processes.

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

- 4.1 Financial resources are in place to ensure the Net Zero team deliver the Council's Carbon Reduction Plan, they support services to reduce GHG emissions, and work to deliver Net Zero. Three of the Net Zero Team previously had temporary contracts. Going forward, their posts will be funded through income generated through the temporary car park on the former Bus Station Site, as agreed at Council on 10 June 2025. This will free up some of the Net Zero budget that would have previously been earmarked for salaries, and can now be directed towards projects, research and delivery from April 2026.
- 4.2 Further work has been carried out to identify the scale of financial and non-financial resources needed for the City Council to achieve Net Zero by 2030. This work is presented in the Costed Organisational Carbon Footprint Projections to 2030 study, which was reported to Executive June 2025.
- 4.3 Achieving net zero, whether nationally, locally or organisationally, requires broad action across all emission scopes and services. Enabling the Council to deliver Net Zero by 2030 will require a significant increase in financial investment from government at a local, regional and national level and where appropriate from private investment.

5. Section 151 Officer Comments:

- 5.1 The register highlights that funding constraints and scope of grants along with a lack of financial resources to make changes within each Council service area are amongst the risks of achieving net zero by 2030.

6. What are the legal aspects?

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

7. Monitoring Officer's comments:

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

8. City Council Net Zero Risk Register

- 8.1 The updated Risk Register was first developed July 2022, (Appendix 1) and is reviewed every six months, including aspects of net zero activity within the City Council.

- 8.2 The Net Zero Risk Register risks remain high reflecting additional financial, and capacity needed to achieve Net Zero. The Net Zero team are constantly looking at ways to reduce corporate GHG emissions through behaviour change or innovative solutions in reducing operational GHG emissions; securing external funding to speed up the delivery of the action plan is critical.
- 8.3 Three of the Net Zero Team previously had temporary contracts. Going forward, their posts will be funded through income generated through the temporary car park on the former Bus Station Site, as agreed at Council on 10 June 2025. This will free up some of the Net Zero budget that would of previously been earmarked for salaries, and can now be directed towards projects, research and delivery from April 2026.
- 8.4 The Net Zero team commissioned SWEEG to develop a Costed Organisational Carbon Footprint Projections to 2030 study, this was reported to Executive July 2025 and will be presented at Strategic Scrutiny September 2025.
- 8.5 The City Council's latest GHG Inventory is included in the Costed Organisational Carbon Footprint Projections to 2030 report and provides the most up to date GHG emissions data for 2023/24.
- 8.6 Further work is required to explore how measures set out in Costed Organisational Carbon Footprint Projections can be incorporated into Service Plans, beyond those measures which have already been fully costed and committed. This will be in the form of a revised Carbon Reduction Plan which members will be asked to consider at a future Executive.
- 8.7 As a result of work undertaken, two mitigation measures identified on the risk register have been addressed. Permanent contracts have been secured for three of the Net Zero team employed on temporary contracts, and the Costed Organisational Footprint Projection report, to be discussed at Strategic Scrutiny on 11 September 2025, will inform Service Plans and a revised Carbon Reduction Plan.

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

- 9.1 This report and the work of the Net Zero team links directly to the Exeter Vision and a Corporate Plan. Work will be delivered in partnership with all City Council service areas to continue to reduce the Council's carbon emissions.

Exeter Vision	Innovative & Analytical City	A range of data sets to monitor City Council carbon emissions
	Healthy & Inclusive	Ensure City Council owned homes and buildings are energy efficient; EV and renewable energy sources reduce pollution.

	The Most active city in the UK	Projects to be developed to support active travel for employees.
	Accessible world- class education	Studies and projects undertaken in collaboration with experts.
	Liveable & connected	Commercial and residential properties are energy efficient and built to the best possible standard to reduce effects of climate change.
	A leading sustainable city	The City Council is a role model and demonstrator for new initiatives and technologies.
	City of Culture	Decarbonisation of City Council owned cultural and heritage facilities to support sustainable service provision.

Corporate Plan	Local Economy	Working with Building Greater Exeter and Exeter College to support green skills and training and local employment opportunities.
	Sustainable Environment	Net Zero team focuses on reducing City Council GHG emissions to deliver Net Zero. Decarbonisation reduces energy consumption and energy bills, reducing service delivery costs and supporting sustainable council services.
	Homes	The housing retrofit programme delivers warmer homes reduced energy consumption, carbon emissions, and energy bills, supporting better physical and mental wellbeing for tenants.
	People	Working in partnership with Live & Move in developing sustainable travel options and healthy lifestyle options. Supporting leisure services through better energy management and procurement, to maintain sustainable and affordable facilities. Tree planting promotes reduced surface water runoff, improved air quality, improved biodiversity and habitat, and cooling to address warmer summers.

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

- 10.1 The City Council's annual GHG Inventory report, Costed Organisational Carbon Footprint Projections and Risk Register will inform the work programme of the Net Zero team for the foreseeable future. Relevant reports are presented to Strategic Scrutiny and Audit & Governance on a six-monthly basis for ongoing monitoring and scrutiny.
- 10.2 The Net Zero team have been successful in providing improved data, and more accurate carbon accounting, and together to ensure the annual GHG Inventory report is accurate allowing the City Council to better monitor progress and impact.
- 10.3 The financial cost to deliver net zero GHG emissions for City Council will be significant. The Costed Organisational Carbon Footprint Projections report will enable the City Council to be better prepared for funding bids when released, essential to securing project funding needed to decarbonise the City Council's operations and protect services.
- 10.4 A range of KPI's have been developed by the Net Zero team, which will be reported to Strategic Scrutiny on an annual basis. They will be used to monitor progress and achievements to date.

11. Equality Act 2010 (The Act)

- 11.1 In developing the action plan, the Net Zero team considered the potential impact of actions in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision. An EQIA will be undertaken for each action being developed.
- 11.2 An EQIA was undertaken in developing the new Net Zero & Business team in allocating resources.

12. Carbon Footprint (Environmental) Implications:

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

13. Are there any other options?

- 13.1 There is the option of not committing financial and non-financial resources towards the Net Zero Team within the City Council. This would reverse progress made and inhibit the ability to reduce GHG to net zero. The Net Zero team are responsible for sourcing and applying for external funding to enable delivery of the City Council's Carbon Reduction Plan, working towards a net zero City Council.

Strategic Director Place, Ian Collinson

Author: Net Zero Project Manager

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

Background papers used in compiling this report:-

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Room 4.36
01392 265275

City Council Net Zero Risk Register

Ref	Service	Risk Title and Description	Date Risk Identified	Risk Owner	Inherent Risk			Existing Mitigations & Controls (What has been done to control the risk?)	Residual Risk			Further Mitigations & Controls to be put into place	Target Implementation Date	Notes
					Likelihood	Impact	Risk Score		Likelihood	Impact	Risk Score			
1	All City Council Departments	<p>Target to reduce City Council carbon emissions to 'net zero' by 2030 not achieved</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none">• Funding constraints and scope of grants• Ineffective data monitoring & methodology• Change in Strategic Priorities• Lack of understanding of climate emergency and net zero ambition• Services unwilling or lacking capacity to support• Availability of suitable specialist technology/equipment/EV's• Growth in activity levels increasing emissions• Buying or building new buildings/property increasing emissions• Distribution Network Operator (National Grid) constraints can restrict decarbonisation measures <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none">• Not achieving Strategic Priority of Net Zero Carbon City• Reputational risk and damage• Carbon emissions not decreasing• Services being under the spot light as high carbon emitters• Greater reliance on offsetting to meet targets• High spend to achieve aggressive carbon reduction methods	13/06/2022	Executive	4.00	4.00	####	<ul style="list-style-type: none">• Establishment of Net Zero Team• Regular engagement with service leads on measures needed to reduce carbon emissions• Engagement with South West Centre for Energy and Environment to establish improved data and changes required to reduce carbon emissions including Corporate Carbon Footprint.• Networking regionally with Devon Climate Emergency partners and nationally to learn best practice with industry and other public organisations• Carbon Literacy training roll out programme in place delivering training to a total of 307 staff and councillors so far. Carbon Literate Organisation Bronze standard achieved• Monitoring legislative changes to support a reduction in carbon emissions• Regular consultation with Portfolio Holder for Climate, Ecological Change and Communities.• Cultural change assisted by open and transparent communications, including with Net Zero Ambassadors, Officers, Service areas and Cllrs• News items regularly posted in City Newsletter and website to promote staff awareness• Dissemination of the Water Lane Smart Grid and Storage Project locally and continuous monitoring of grant opportunities to support decarbonisation projects• Changes to staff induction checklist include Green Travel options for staff and mandatory requirement to attend Carbon Literacy training• Three of the Net Zero Team previously had temporary contracts. Going forward, their posts have been made permanent.• Costed Organisational Footprint Projections to 2030 report, completed by the Centre for Energy and Environment, presented to Executive July 2025 and reported to Scrutiny Committee 11 September 2025.	3	3	9	<ul style="list-style-type: none">• Review targets and continue to update and revise carbon reduction plan• Continue to deliver regular updates and presentations to Audit & Governance on the Risk Register, Carbon Footprint and implementing of the City Council Carbon Reduction Plan• Net Zero Ambassador meetings to resume after completion of new Council management restructure, to share best practice and support service changes.• Update of the Carbon Reduction Plan to follow the Costed Organisational Projects report, and to include service specific targets as set out in new Service Business Plans.• Research underway to improve integration of net zero ambition into all Council decisions, looking at models such as Doughnut Economics• Services to include Business As Usual from the new Costed Organisational Carbon Study into service plans.	2030	Costed Organisational Carbon Footprint Projections study presented to Executive on 8 July and to be reported to Scrutiny Committee on 11 September 2025.
2	All City Council Departments	<p>Challenges to reduce City Council Scope 1 direct emissions from owned sources (fuel consumption and company vehicles)</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none">• Inability to plan for net zero due to uncertainty of assets disposal• Lack of financial resources to make changes within each service area• Lack of full funding and/or match funding where business case is not viable• Lack of asset condition data and investment audits and associated funding• Funding packages do not fit with City Council's Strategic Priorities or eligibility match• Lack of capacity in managing external funding bids and delivery of multiple projects• Increasing temperatures result in reduced heating and therefore show decline in emissions but mask lack of efficiency• Lack of investment and maintenance of corporate estate drives up costs of decarbonisation projects• Lack of specialist vehicle availability for electrification of fleet• Local Distribution Network Operator (National Grid) grid constraints restrict ability to support supply needed to facilitate decarbonisation <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none">• Backlog of project and capacity (financial and skills) to deliver decarbonisation measures• Innovative projects not able to progress with low feasibility or asset uncertainty• Net Zero measures rely on external / internal funding• City Council unable to achieve net zero by 2030 due to cost and capacity	15/06/2022	Executive	3.00	4.00	####	<ul style="list-style-type: none">• Potential sources of funding from sources such as MHCLG, Sport England, Museum Estate And Development Fund (MEND) and internal invest to save opportunity is routinely investigated and prepared for• Investment grade decarbonisation audits carried out on a priority basis, to establish measures needed and cost, to target available grants• Regular discussions with other local public organisations to evaluate joint funding bids• Development of a comprehensive business case when viable• Engagement with Procurement to better plan for project delivery• BMS in place to provide better data monitoring and controls• A wide range of housing measures to reduce emissions from domestic housing stock is supported by better data and a range of effective measures around energy efficiency and fabric first approach to enable grant security• Water Lane Solar Farm battery storage in place, directly connected to EV charging infrastructure to support full electrification of fleet where viable• Electric Refuse Collection Vehicles, vans and pool cars in operation• City Heat Network in development with potential to connect some ECC buildings• Evaluation of alternative fuel for fleet vehicles as potential interim fuel option to address lack of specialist vehicles and high EV leasing costs	2	4	8	<ul style="list-style-type: none">• Continue to monitor and seek funding opportunities and establish business case for viable projects• Regular discussions with Devon County Council and others to secure funding for Exeter region• Continue to seek grants to fund decarbonisation measures needed to tackle high consumption buildings• Greater asset management capacity to deliver energy efficiency to be sought• Continue to investigate leasing options and availability of alternative fuels and viable Electric Vehicle solutions, to decarbonise fleet and equipment across all services	2030	Funding required is limited by availability of grants, including a recent government announcement to end further rounds of PSDS funding.
3	All City Council Departments	<p>Challenge to reduce City Council Scope 2 indirect emissions from the purchase of energy</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none">• Energy efficiency measures not sufficient to drive down consumption as per Scope 1 (above)• National policy/government incentive for renewables needed to ensure affordability• National energy grid decarbonisation fall is less than projected• Local Distribution Network Operator (National Grid) constraints restrict ability to deliver renewable projects due to essential works outstanding and relocation of the bulk supply point locally <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none">• Potential reduction in national carbon saving from grid decarbonisation will require more direct measures including Solar PV renewable generation to ensure carbon reduction targets are met• City Council unable to achieve net zero by 2030 due to cost and capacity	15/06/2022	Executive	3.00	4.00	####	<ul style="list-style-type: none">• Significant Solar estate (3.4 MW) installed across the corporate estate, including Water Lane Solar farm and private wire providing a self-supply to the Exton Road depot• Battery storage installed at Water Lane Solar Farm, Mafford Centre and John Lewis Car Park to increase self supply• LED lighting schemes installed across corporate estate to reduce electricity consumption• Development of a comprehensive business case to support energy saving schemes• SW Net Zero Hub grant (£100k) funded feasibility for further solar PV on 11 corporate assets• Collaborating with finance / legal / procurement for delivery of energy saving projects funded by grants or business case• BMS in place to provide better data monitoring and controls• Decarbonisation surveys at key high use sites to support funding bids	3	3	9	<ul style="list-style-type: none">• Continue to investigate further energy saving solutions across corporate estate and services• Update of the Carbon Reduction Plan to follow the projected scenarios set out in the Costed Organisational Footprint report and to include service specific targets• Collaborate with local public sector bodies to ensure joint schemes are explored• Continue to monitor and seek funding opportunities and establish business case for viable projects	2030	Local Distribution Network Operator (National Grid) constraints restrict release of capacity and ability to deliver decarbonisation projects. Capacity is dependent on completion of Mafford Bulk Supply Point. National Grid report estimates 3-4 years until complete
4	All City Council Departments	<p>Challenge to reduce City Council Scope 3 other indirect emissions (supply chain, assets, investment, waste disposal, employees commuting)</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none">• Insufficient data capture in place to provide meaningful incentive for reduction and identify where greatest reductions can be made• Methodology for calculating majority of Scope 3 emissions is based on financial spend used against emission factors and therefore not an accurate reflection of type of purchase and services• Procurement Policy unable to support carbon reduction measures in our supply chain e.g. contractors do not or unable to reduce emissions• Impact of increased spend as a result of Council new build and purchase of new assets• Budgets restrict sustainable options if more costly, and can result in increased greenhouse gas emissions using less sustainably resourced products / products with shorter life spans <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none">• Scope 3 emissions increase on an annual basis• City Council unable to achieve net zero by 2030	13/06/2022	Executive	4.00	4.00	####	<ul style="list-style-type: none">• Procurement Policy amendment to support a reduction in Scope 3 emissions• Officers responsible for procurement decisions within their own service area to follow sustainability principles• Regular internal and external communications to introduce better methodology to capture accurate meaningful data to incentivise reduction, "you can't manage what you don't measure"• Local Electric Vehicle Infrastructure (LEVI) bid to support further Electric Vehicle charging infrastructure to include staff Electric Vehicle charging• New technology and agile working facilities for reduction in staff travel emissions• Procurement Working Group provides for regular discussions with Procurement and Heads of Service on how to best tackle Scope 3 emissions• New procurement rules have been implemented in May 2024. All contracts exceeding £25,000 must now disclose carbon footprint data. For contracts valued over £100,000, stricter environmental standards apply, including mandatory carbon footprint disclosure and the requirement to hold an environmental accreditation.• Green Accord accreditation scheme in place to engage with Council's supply chain and support contractors to reduce emissions	3	4	12	<ul style="list-style-type: none">• Embodied emission evaluation needed for Council developments and acquisitions, to assess whole life impact of carbon emissions. This includes assessment of building new versus use of existing assets and building efficiently• Sustainable building maintenance policy to review lifecycle emissions and overall cost benefit of low carbon alternatives• Green Travel Plan under review to support and incentivise staff in making more sustainable travel choices for commuting and business travel• Research underway to improve integration of net zero ambition into all Council decisions, researching models such as Doughnut Economics	2030	New procurement rules implemented May 2024 require disclosure of carbon footprint data for all contracts exceeding £25,000. Contracts valued over £100,000, stricter environmental standards apply, including mandatory carbon footprint disclosure and the requirement for a contractor to have an environmental accreditation.

City Council Net Zero Risk Register

Ref	Service	Risk Title and Description	Date Risk Identified	Risk Owner	Inherent Risk			Existing Mitigations & Controls (What has been done to control the risk?)	Residual Risk			Further Mitigations & Controls to be put into place	Target Implementation Date	Notes
					L'hood	Impact	Risk Score		L'hood	Impact	Risk Score			
5	All City Council Departments	<p>Inability to rely on offsetting (e.g. tree planting) to achieve net zero</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none">Offsetting should only be used where emissions are unavoidableThe effectiveness of carbon offsetting relies on the availability of high quality schemes to reduce carbon emissions. Carbon offset projects should use the 'Good Quality' criteria provided in Government guidance on environmental reportingDecarbonisation of the electricity grid reduces the grid electricity emission factor, diminishing potential offsets from exporting renewable energy <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none">High expenditure to fulfil potential offsetting needed to meet net zeroAdditional planting of trees cause land use change, removing play areas and other valued land useTree planting can reduce surface water run off, improve air quality, biodiversity and coolingCity Council unable to achieve net zero by 2030	15/06/2022	Executive	3.00	3.00	9.00	<ul style="list-style-type: none">2020/21 Corporate Carbon Footprint Report set out definitions of quality criteria needed for offset projects and to use where emissions are unavoidableTree eco report completed which explores Exeter's trees' potential to influence net zero balancesCosted organisational carbon descent report by Centre for Energy and Environment reviews Net Zero 2030 target and provides 3 scenarios for decarbonisation, including options for offsettingTrees planted annually as part of ongoing tree planting programme and woodland creation projectsOffsets generated from exported renewable energy on solar PV installed across the corporate estate	2	2	4	<ul style="list-style-type: none">P&GS and Planning working on Local Infrastructure Plan which will allocate land for offsetting, Suitable Alternative Natural Greenspaces (SANGs) and Biodiversity Net Gain (BNG)Ensure Scope 1, 2 & 3 emissions reductions remain a priority before considering offsetting	2030	Costed Organisational Carbon Footprint Study provides 3 scenarios for decarbonisation, including options for levels of offsetting measures available.
6	All City Council Departments	<p>Council employees unable to work due to increased temperatures and extreme weather events (e.g. heatwaves, droughts, heavy and prolonged rainfall, flooding, storms) as a result of climate change</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none">Outdoor workers suffering from extreme weather and temperature related illnesses, including heat stroke / heat exhaustion / hypothermia / hyperthermia / vector-borne diseases (e.g. Lyme disease, Malaria)Working spaces overheating or too cold for employees to work safelyEffects on property owned & leased by the City Council, e.g. roofs leaking due to inability to cope with heavy rainfall / snowfall loadDisruptions to travel from extreme weather preventing employees commuting or working safely <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none">Essential services not being carried outDecrease in work productivityDetrimental to employee physical and mental health and wellbeing and safetyReputational damage & legal employer duty to safeguard employeesIncrease in cost to the run the service affected	06/02/2023	Executive	3.00	2.00	6.00	<ul style="list-style-type: none">Procuring appropriate work wear for outdoor workersAdjusting operational work programmes during extreme weather, e.g. during heatwaves, starting earlier in the day before temperatures risePostponing waste collection programmes during red alerts for extreme high winds to ensure safety for residents and workersProviding outdoor workers with sun cream for use in extreme heatProgramme to ensure buildings provide adequate protection from increased extreme weatherAgile and Flexible working for office based employees allows for remote working in adverse weather conditions	2	2	4	<ul style="list-style-type: none">Identify and monitor risks through service-specific climate vulnerability and adaptation assessmentsBuild resilience to avoid service disruptionContinue to educate employees on risks to physical and mental health of climate impactsCreate emergency preparedness plans for all sites and add to operational risk registers	2030	Changes to staff induction including mandatory requirement to attend Carbon Literacy training
7	All City Council Departments	<p>Council services, assets and budgets at risk from climate related failure and global effects on the energy system</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none">Power outages as result of wind, heat, ice and snowImpact of global conflict affecting national energy supply, security and economic tollHigh cost of increased compliance to ensure sustainable services and assets <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none">Essential services not being carried outHigh expenditure / budget overspend / affordabilityIncrease in cost to run services / buildings putting assets at risk of being stranded	06/02/2023	Executive	3.00	2.00	6.00	<ul style="list-style-type: none">Installation of solar PV across corporate estate and Council housing stock to provide energy securityInstallation of battery storage at Water Lane, The Matford Centre, John Lewis Car Park and Riverside Leisure Centre allowing for smart grid use and increased self supply consumptionAsset improvements including better insulation and energy efficiency	2	2	4	<ul style="list-style-type: none">Continue to investigate opportunities to identify and fund solar PV, other low carbon energy supplies, and fabric improvement opportunities for the corporate estate and housing stock	2030	Funding required is limited by scope of grants, and current financial instability including cost of borrowing.
8	All City Council Departments	<p>Detriment to members of the public's health and wellbeing from the effects of extreme weather on homes, corporate buildings and land</p> <p><u>Potential Causes:</u></p> <ul style="list-style-type: none">Increase in frequency and severity of extreme weather events as a result of climate changeBuilding regulations, strategies and planning reforms to meet Future Homes Standards regressing, resulting in standards that Council homes are currently built at to fall backwardsLack of funding resulting in inability to retrofit existing Council homes and corporate buildings <p><u>Potential Impacts:</u></p> <ul style="list-style-type: none">Detrimental to tenants' physical and mental health and wellbeing and operational use of leased buildingsTenants moving out of leased buildingsEconomic impact of damage to properties as a result of flooding, including insurance costsLong term economic impact on tourism and/or businesses following flooding events, due to lost revenue and recovery timeIncreased water demand on Public and Green spaces during drought periodsIncreased energy demands for cooling and heating buildings	06/02/2023	Executive	3.00	2.00	6.00	<ul style="list-style-type: none">Council housing built to Passivhaus standards, a highly energy efficient future-proofed standard that assesses future overheatingExtensive retrofit programme following 'fabric first' strategy to decarbonise and build resilience in existing homes	2	2	4	<ul style="list-style-type: none">Continue to monitor and seek funding opportunities for retrofit to remaining housing stock and corporate property estateContinue to use City Council news and social media communication platforms to notify and advise of upcoming adverse weather forecastsContinue to collaborate with DCC and Devon district groups to improve regional resilience and ensure extreme weather plans are in placeIn accordance with the Government's expressed intention to introduce the Future Homes Standard and Future Buildings standard in 2025, Policy CC5 of the emerging Exeter Plan seeks to ensure that the level of ambition is achieved and the timetable does not slip. This provides a local back-up to the national ambition.	2030	In accordance with the Government's expressed intention to introduce the Future Homes Standard and Future Buildings standard in 2025, Policy CC5 of the Exeter Plan seeks to ensure that the level of ambition is achieved and the timetable does not slip. This provides a local back-up to the national ambition.
9		<p>(Risk Title)</p> <p><u>Potential Causes:</u></p> <p>-</p> <p><u>Potential Impacts:</u></p> <p>-</p>												

Page 123

What is a risk?

What is risk management?

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

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

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

[illegible]