

Auditor's Annual Report on Exeter City Council

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

February 2025



Contents



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

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

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



Section	Page
Introduction	3
Executive summary	4
Opinion on the financial statements and use of auditor's powers	11
Value for Money commentary on arrangements	14
The current local government landscape	15
Financial sustainability	16
Governance	20
Improving economy, efficiency and effectiveness	25
Recommendations raised in 2023/24	28
Appendices	
Appendix A – Responsibilities of the Audited Body	39
Appendix B – Value for Money Auditor responsibilities	40
Appendix C – Follow-up of previous recommendations	41

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

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Introduction



Purpose of the Auditor's Annual Report

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

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

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

Responsibilities of the appointed auditor

Opinion on the financial statements

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

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

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

Value for money

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

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

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

Auditor powers

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

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



Executive summary



Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The NAO has consulted and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditors Annual Report ('the Report') with those charged with governance by a nationally set deadline each year (30 November) and for the audited body to publish the Report thereafter. These new requirements will be introduced from November 2025.

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



Financial sustainability

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

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



Governance

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

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

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

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

Executive summary



Improving economy, efficiency and effectiveness

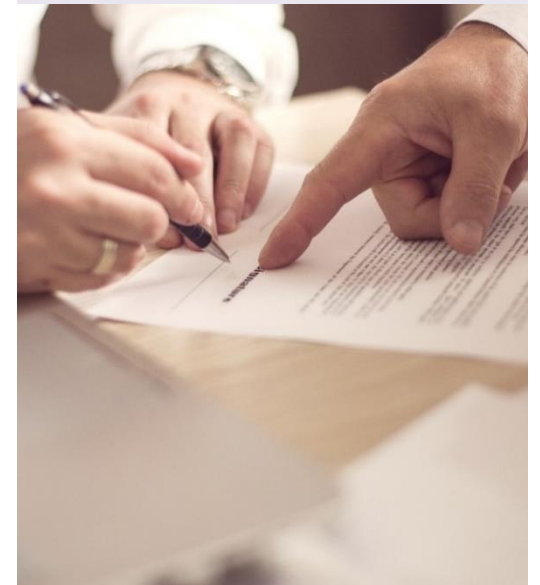
The Council had proper arrangements for partnership working in place during 2023/24 and maintained a partnerships register, although the partnerships are not yet linked to the Council's corporate objectives.

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

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



We have completed our audit of your financial statements and issued an unqualified audit opinion on 18 February 2025, following the Audit Committee meeting on 12 February 2024. Our findings are set out in further detail on page 12.



Executive summary (continued)



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

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

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

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

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

Executive summary (continued)



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

Exeter City Living (ECL)

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

More detail can be found on page 20.

Key recommendation 1

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

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

Corporate Performance Monitoring

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

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

More detail can be found on page 25.

Key recommendation 2

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

Executive summary (continued)



Counter Fraud Services

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

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

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

Key recommendation 3

This significant weakness and key recommendation relates to 2024/25

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

Key recommendation 4

This significant weakness and key recommendation relates to 2023/24

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

More information can be found on pages 20 and 26.

Executive summary (continued)



Contract management and procurement

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

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

Key recommendation 5

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

More information can be found on page 22.

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



Opinion on the financial statements



Audit opinion on the financial statements

We issued an unqualified opinion on the Council's financial statements on 18 February 2025.

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

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

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

We conducted our audit in accordance with:

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

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

Audit Findings Report

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

Use of auditor's powers

We bring the following matters to your attention:

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

Value for Money Commentary on arrangements



The current local government landscape

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

National context



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

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

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

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

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

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

Local context



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

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

The Council has 39 councillors representing 13 wards, and the Council is elected every four years. The most recent elections were in May 2024 where the Labour party secured a majority of 24 elected councillors; 7 Green, 4 Liberal Democrats, 3 Conservatives, and 1 Independent member. The Corporate Plan 2022-2026 sets out the Council's ambition that "By the time they are an adult, a child born in Exeter today will live in a city that is inclusive, healthy and sustainable. A city where the opportunities and benefits of prosperity are shared and all citizens are able to participate fully in the city's economic, social, cultural and civic life". This plan sets out the Council's vision and priorities: "Contributing to the aspirations of the Exeter Vision 2040, Delivering our strategic priorities, Leading a well-run council".

Financial sustainability



We considered how the Council:

Commentary on arrangements

Assessment

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

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability



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

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability (continued)



Areas for improvement

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

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

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

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

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

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

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

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

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

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

Financial sustainability (continued)



Areas for improvement

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

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

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

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

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

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

The Council has informed us that scenario planning and sensitivity analysis was undertaken but the details were not set out in the 2024/25 budget report or MTFP.

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

Governance



We considered how the Council:	Commentary on arrangements	Assessment
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Monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Overall, we consider that there were effective arrangements in place in 2023/24 for recording and reviewing strategic risks. The Council’s Audit and Governance Committee quarterly reviewed the corporate risk register. We have identified three areas where the reporting could be improved and we have made improvement recommendations, which are set out on page 24.

We identified that the Annual Governance Statement (AGS) did not include information on whistleblowing. We have made an improvement recommendation on page 23. We have also raised an improvement recommendation on page 23, relating to Strata Service Solutions Ltd who provide IT services to the Council. The Council’s Internal Audit did not receive written assurance from Strata’s Internal Auditor’s (Devon Audit Partnership), and to date Internal Audit have not been provided with a copy of their annual report and have only received a verbal confirmation of a ‘satisfactory’ assurance opinion. As a joint venture partner in Strata the Council should ensure it receives a written statement of assurance.

We first raised a significant weakness on Exeter City Living (ECL) in 2020/21 and concluded that this significant weakness had not been addressed in 2021/22 and 2022/23. We raised a key recommendation in that year requiring the Council to undertake a review of governance arrangements across all its alternative delivery models. The key recommendation we raised in this respect has still not been actioned and therefore the significant weakness remains in 2023/24.

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

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

The Internal Audit service in 2023/24 was provided by the Council and the decision was made in 2023/24 to outsource the service. From April 2024 the service was provided by the South West Audit Partnership (SWAP). However, the arrangements for Counter Fraud were not adequately considered in the decision to transfer the service, resulting in SWAP not being commissioned to undertake the Counter Fraud Service. We consider this a significant weakness in arrangements for 2023/24 and have raised a key recommendation on page 9. In addition, the Council has not identified within the Council who is responsible for ensuring a Counter Fraud Service is provided. Counter Fraud work was undertaken in 2023/24, although the amount of proactive detection work was limited. Counter Fraud work has not been undertaken in 2024/25 and we have therefore concluded that there is also a significant weakness in arrangements in 2024/25.

The Counter Fraud Strategy also requires updating to reflect the new arrangements.

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

R

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

Governance (continued)



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

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.

Governance (continued)



We considered how the Council:

Commentary on arrangements

Assessment

Monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.

The Council's constitution includes the Member Code of Conduct and the Employee Code of Conduct. These codes are up to date and registers have been maintained for members and employees to declare interests and any gifts or hospitality received.

However, through an internal audit report the Council has identified a number of breaches of its Contract Procedure Rules and potential breaches of procurement legislation. We understand that there may be further breaches that the Council has not yet identified and as such the contracts register is incomplete. The Council has not yet put in place procedures to prevent similar breaches continuing to occur.

We note that a recommendation from our 2020/21 AAR that staff should be trained on procurement and contract management remains outstanding and we consider that had this training taken place, it is possible that some of the identified breaches might not have occurred. A further recommendation made in 2021/22 and 2022/23 regarding reporting of waivers has only been partially implemented and there is still no effective reporting of waivers or contract breaches to the Audit and Governance Committee. The Council does not therefore have appropriate arrangements in place to ensure that it meets legislative and regulatory standards where it procures or commissions services.

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

R

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.

Governance (continued)



Areas for improvement

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

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

Improvement recommendation 10: The Council should review the reporting of risks and consider including:

- whether a particular risk is outside the stated risk appetite;
- direction of travel indicator for each risk score; and
- narrative to explain any changes in risk scores and the reasoning behind the current risk score.

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

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

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

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

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

Improvement recommendation 13: The Council should ensure that for all financial monitoring reports ensure:

- all variances are fully explained
- explanations are provided for any significant variations from one quarter to the next
- any lessons learned/impacts for future years' budgets are identified, explained and acted upon.

Governance (continued)



Areas for improvement

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

Improvement recommendation 14: The Council should increase the Audit and Governance Committee's effectiveness by:

- monitoring the committee's effectiveness through undertaking a self-assessment and taking action based on the outcome of the self-assessment
- appointing two co-opted independent members to provide appropriate technical expertise, which complements existing membership.

Improving economy, efficiency and effectiveness – commentary on arrangements



We considered how the Council:

Commentary on arrangements

Assessment

Uses financial and performance information to assess performance to identify areas for improvement

Our joint Auditor's Annual Report for 2021/22 and 2022/23 concluded that the Council did not have an effective formal performance management framework in place and had not monitored or reported progress against its strategic objectives in a formal and consistent way. A key recommendation was made in February 2024 that **the Council should ensure corporate performance monitoring of its strategic priorities is undertaken and reported to the Executive or Full Council on a quarterly basis. Directorate and service performance monitoring should support and be linked to the Council's strategic priorities. A robust performance management framework should clearly set out the approach required.**

Since the key recommendation made in February 2024 the Council's new Chief Executive has been undertaking a fundamental review of the Council's corporate plan and work has progressed with members to define the outcomes expected. Further work in defining the key metrics associated with those outcomes is being completed in 2024/25 with a view to having comprehensive reporting in place for 2025/26. Given the progress made to date the significant weakness remains in place along with the existing key recommendation.

The Council will need to ensure that the performance data used is complete and accurate as part of its Digital Strategy. We have made an improvement recommendation in this respect, see page 27 for more detail.

R

Evaluates the services it provides to assess performance and identify areas for improvement

The Council has not been subject to any external reviews during 2023/24 but it has undertaken a fundamental review of how it delivers its priorities and ways of delivering services through a Business Intelligence and Customer Insight Review; a new Digital Customer Strategy and a Customer Experience Maturity Assessment. These reviews focus on delivering better outcomes for residents as well as value for money. The Council has also continued to transform through its One Exeter Transformation Programme. In 2023/24 the programme delivered £2.441m in savings (80% of the target set), as discussed on page 16. We have concluded that the Council therefore has appropriate arrangements with regard to reviewing and challenging its strategic priorities and cost-effectiveness of existing activities. We have not identified any improvement recommendations.

G

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.

Improving economy, efficiency and effectiveness – commentary on arrangements



We considered how the Council:

Commentary on arrangements

Assessment

Ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives

We consider that the Council had proper arrangements for partnership working in place during 2023/24. The Council maintained a partnerships register, although the partnerships are not yet linked to the Council's corporate objectives, and this previously raised improvement recommendation remains outstanding.

Internal Audit have undertaken a review of partnership arrangements and provided satisfactory assurance. The Council should ensure the recommendations raised within this report are implemented.

There was no formal performance reporting arrangements for its key partnerships, although the contribution of some partnerships to the Council are reported through differing scrutiny committees, on a strategy by strategy basis. The Council would however benefit from considering how the work from partnerships can be integrated with the new corporate KPIs under development. An improvement recommendation has been made, see page 27.

A

Commissions or procures services, assessing whether it is realising the expected benefits

Contract Management arrangements at the Council have been strengthened in response to recommendations made in prior years' Auditor's Annual report however there are still some areas which require strengthening.

In addition, as discussed on page 22, the Council's lack of effective procurement procedures has resulted in the Council not having an effective Counter Fraud Service in place in 2024/25. We consider this to be a significant weakness in arrangements and have raised a key recommendation. **Recommendation 3: The Council should ensure that effective procurement procedures are in place to ensure all service requirements are addressed when services are outsourced.**

The Council has drafted new contract procedure rules and it is important that these are not only implemented but that the Council continues to monitor progress to ensure these are embedded and working effectively, for example by enhancing the procurement performance report. This should be addressed as part of the key recommendation raised on page 10.

Capital expenditure was reviewed and reported quarterly and a review conducted by Internal Audit provided substantial assurance.

R

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.

Improving economy, efficiency and effectiveness (continued)



Areas for improvement

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

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

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

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

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

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

**Value for Money
Recommendations raised in
2023/24**



Recommendations raised in 2023/24

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

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

Recommendations raised in 2023/24

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

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

Recommendations raised in 2023/24

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

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

Recommendations raised in 2023/24

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

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

Recommendations raised in 2023/24

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

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

Recommendations raised in 2023/24

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

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

Recommendations raised in 2023/24

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

Recommendations raised in 2023/24

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

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

Recommendations raised in 2023/24

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

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

Appendices

Appendix A:

Responsibilities of the Council

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

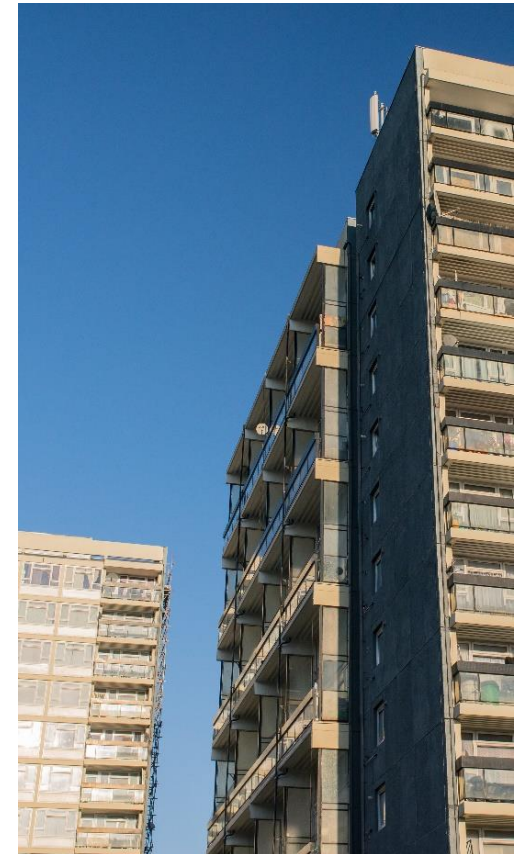
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B:

Value for Money Auditor responsibilities



Value for Money arrangements work

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

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

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

Financial Sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

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

Phase 1 – Planning and initial risk assessment

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

Information which informs our risk assessment

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

Phase 2 – Additional risk-based procedures and evaluation

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

Phase 3 – Reporting our commentary and recommendations

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

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

Appendix C:

Follow-up of previous recommendations

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

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

Appendix C:

Follow-up of previous recommendations

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

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Appendix C:

Follow-up of previous recommendations

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

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Appendix C: Follow-up of previous recommendations

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

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Appendix C: Follow-up of previous recommendations

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

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