

STATEMENT OF ACCOUNTS

2019-2020



CONTENTS

1. NARRATIVE REPORT AND WRITTEN STATEMENTS

Director Finance's Narrative Report
Page 1

Statement of Responsibilities
Page 26

2. CORE FINANCIAL STATEMENTS AND EXPLANATORY NOTES

Explanation of Core Financial Statements & Expenditure and Funding Analysis Note
Page 27

Comprehensive Income and Expenditure Statement
Page 28

Expenditure and Funding Analysis Note
Page 29

Movement in Reserves Statement
Page 31

Balance Sheet
Page 33

Cash Flow Statement
Page 34

Explanatory Notes to the Core Financial Statements
Page 35

3. SUPPLEMENTARY ACCOUNTS AND EXPLANATORY NOTES

Group Accounts
Page 100

Explanatory Notes to the Group Accounts
Page 106

Housing Revenue Account Income & Expenditure Account
Page 108

Statement of Movement in the Housing Revenue Account
Page 109

Explanatory Notes to the Housing Revenue Account
Page 110

Collection Fund Statement
Page 113

Explanatory Notes to the Collection Fund
Page 114

4. OTHER STATEMENTS

Annual Governance Statement
Page 115

Auditor's Report
Page 125

Glossary of Terms
Page 131

NARRATIVE REPORT

1. Background

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

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

This Narrative Report provides information about Exeter, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position at 31 March 2020 and is structured as follows:

- An introduction to Exeter
- Key information about Exeter City Council
- The Corporate Plan
- Financial Performance 2019/20
- Non-Financial Performance 2019/20
- Future Financial Plans
- Statement from Director Finance

2. Introduction to Exeter

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

Below are some key facts about Exeter:

Population: Exeter, the capital city of Devon, has an estimated population of 129,800 and is at the heart of a travel to work area of over 470,000 residents.

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

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

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

Total companies: 5,016 registered for business rates.

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

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

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

NARRATIVE REPORT

Education: Exeter University is amongst the top 150 universities worldwide according to the Times Higher Education World University Rankings and The Times and Sunday Times Good University Guide ranks Exeter in 12th position in the UK.

2020 marks 50 years since Exeter College was named as the UK's first tertiary college, though its origins date back to the 1800s. The college saw its best ever A Level results in 2019 with a pass rate of 99.7% and 53% of students gaining the very highest grades A*, A and B grades.

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

Retail: Exeter has many well-known national stores including John Lewis, Debenhams and Apple. There are also award-winning restaurants and independent stores. Ikea's 29,000 square metre store is located on the outskirts of the city.

Sport: Exeter Chiefs play in Premiership Rugby, England's top division of rugby. Founded in 1871, the club play their home games at Sandy Park, which is located on the outskirts of the city. Exeter Chiefs are the only club to win the top four tiers of English rugby, winning the Premiership in 2017, RFU Championship in 2010, National League 1 in 1997 and National League 2 South in 1996.

Exeter City Football Club is a professional association football club, which was founded in 1904. The team play in League Two, the fourth tier of the English football league system.

Exeter and Cranbrook is one of only 12 places in England to be awarded Pilot status by Sport England to tackle inactivity in communities and to trail-blaze new ways of getting people active for life. Following a wide-ranging consultation during 2019, strategies have been approved for providing the overall direction for increasing physical activity in Exeter and to make it the most active city in England

3. Key Information about Exeter City Council

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

Political Structure

There are 39 councillors on Exeter City Council, representing the 13 wards of the City. The current political make-up of the Council is:

Labour	29
Conservative	6
Liberal Democrat	2
Green Party	1
Independent	1

The Council holds elections by thirds over a four-year cycle; one third of seats being contested in each of the three years and elections to Devon County Council taking place in the fourth.

NARRATIVE REPORT

Exeter 2040 Vision Statement

On 17 December 2019 the Liveable Exeter Place Board agreed to adopt the vision outlined below.

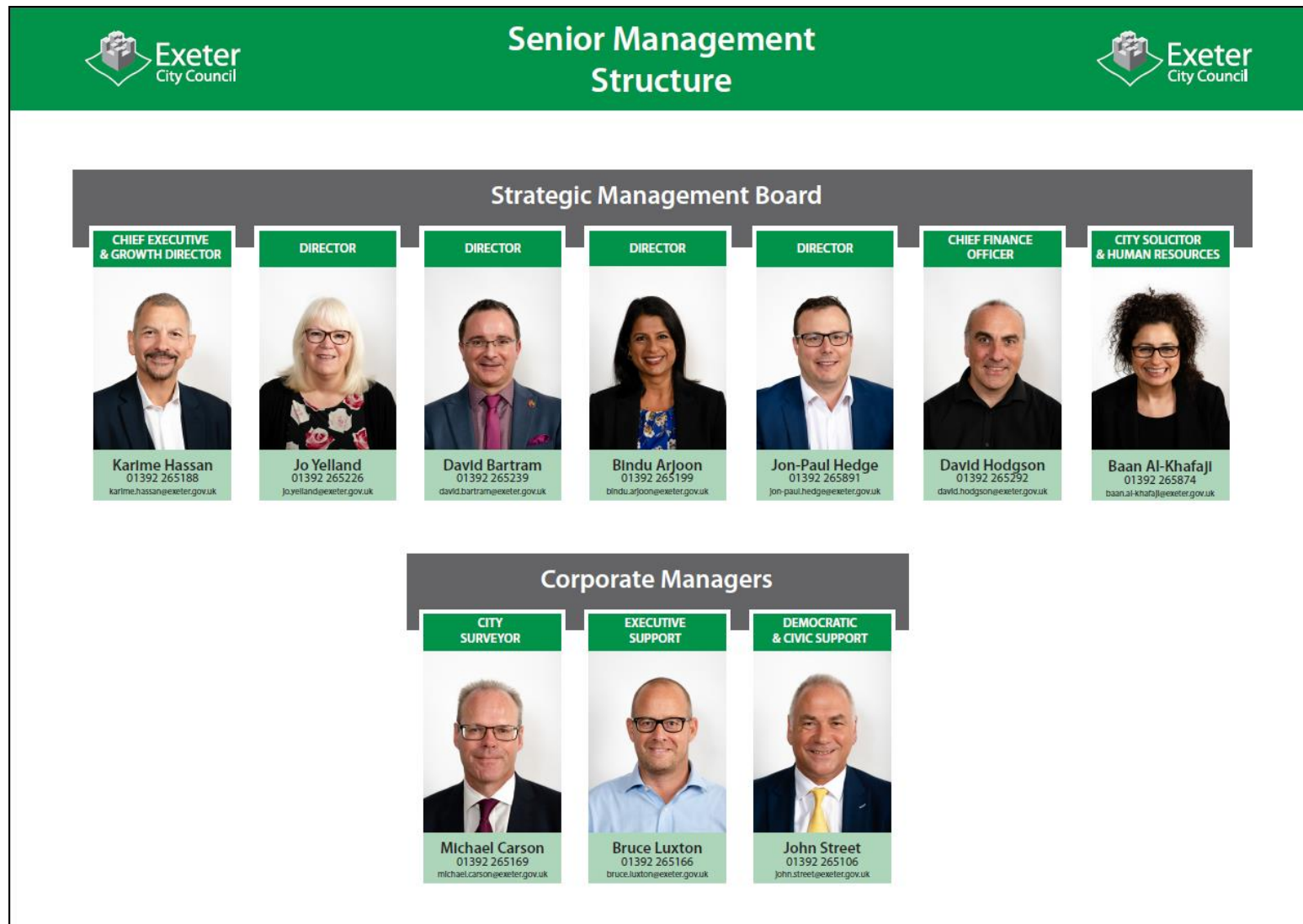
'By the time they are an adult, a child born in Exeter today will live in a city that is inclusive, healthy and sustainable – a city where the opportunities and benefits of prosperity are shared and all citizens are able to participate fully in the city's economic, social, cultural and civic life'

Working together to bring transformational change and sustainable growth, the Liveable Exeter Place Board is made up of representatives from leading public and private sector organisations from within the City of Exeter and Greater Exeter region.



NARRATIVE REPORT

Exeter City Council's Senior Management Structure:



NARRATIVE REPORT

Council Employees

The Council employs 694 people in full time and part time contracts (March 2020). In the context of managing scarce public resources, remuneration at all levels within the Council needs to be adequate to recruit and retain employees with the right skills and capabilities to meet the needs of the Council now and in the future, but at the same time providing value for money to the residents of Exeter. The Council works within a pay and reward framework that takes account of regional and national variations, local market factors, is open and transparent and complies with equal pay legislation.

The pay policy for 2019/2020 reflected the following:

- The increase in the nationally determined living wage (Grades 1 and 2)
- The nationally negotiated pay award for employees on Spinal Column Points 12-59 inclusive
- The nationally negotiated pay award for Chief Officers and Chief Executives

The Council has 12 staff who are union representatives, with one officer spending at least 50% of their working hours on union activities.

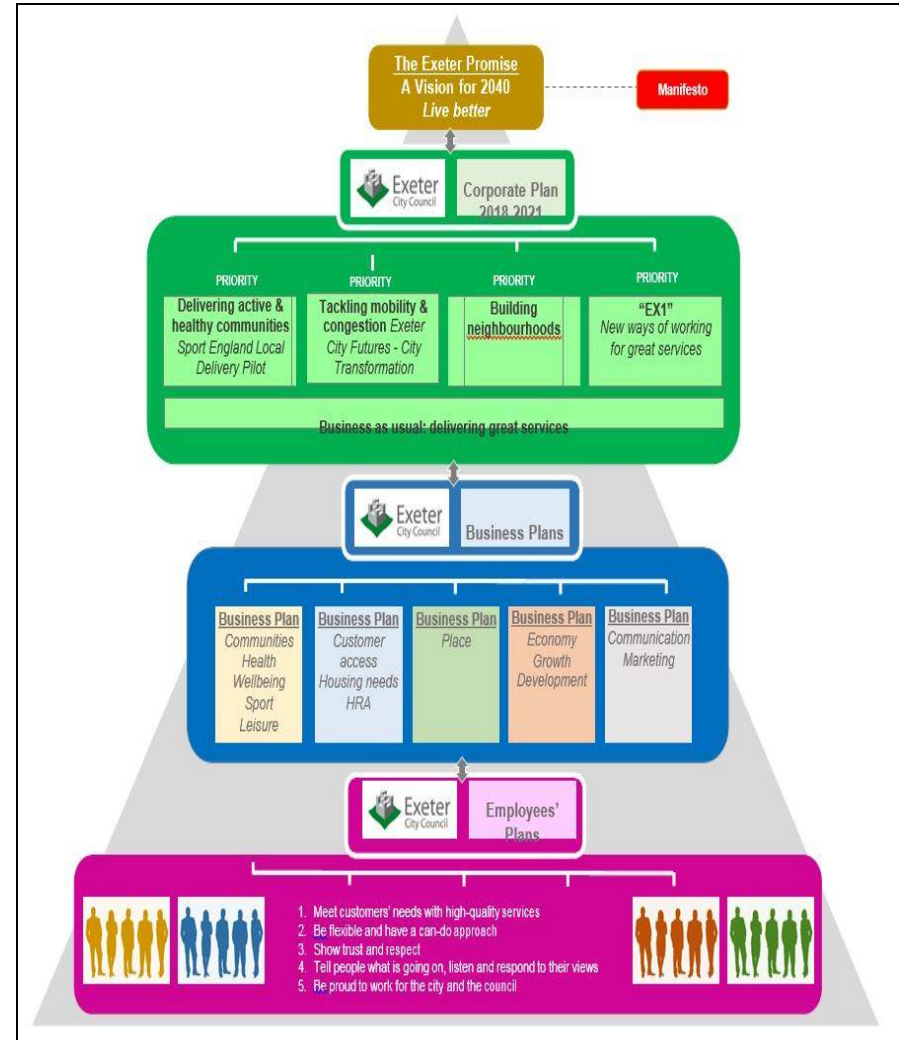
4. The Council's Corporate Plan 2018-2021

One of the key strategic documents that frames the actions of the Council is the Corporate Plan. The Corporate Plan is a list of priorities for the next few years and our plans to work alongside our partners and communities to continue to make Exeter a happy and healthy place to live for everyone. We will:

- Help deliver the emerging Exeter Vision 2040, by providing services and developments that build on Exeter's growth and success and meet local communities' aspirations
- Tackle congestion and accessibility
- Promote active and healthy lifestyles
- Build great neighbourhoods
- Provide value-for-money services

- Lead a well-run council

The hierarchy below sets out the ambitions and priorities of the Council for 2018-2021.





OUR STRATEGY 2018-21

TACKLING CONGESTION & ACCESSIBILITY

We will work with our partners to make Exeter a city where active travel is promoted and where transport is not a barrier to accessing education, jobs, services or social activities and where sustainable means of travel are safer, cheaper, quicker and more convenient than private car ownership.

BUILDING GREAT NEIGHBOURHOODS

We will strive to ensure that every resident has a home that is secure, affordable and healthy in a neighbourhood where local services support wellbeing and promote community cohesion.

EXETER
LIVE BETTER



PROVIDING VALUE-FOR-MONEY SERVICES

We will continue to improve the way we deliver services to meet residents' day-to-day needs recognising that financial constraints are placing a premium on efficient and customer-focused services.

LEADING A WELL-RUN COUNCIL

To run the council well and deliver our strategy we will ensure effective governance, accountable decision making and good management of our business, assets and people. We will continue to seek opportunities to add value by working in partnership with others.



PROMOTING ACTIVE & HEALTHY LIFESTYLES

We will strive to make Exeter the most active city in England with a high-quality and accessible built environment and green spaces that encourage active and healthy lifestyles in communities that support wellbeing and reduce social isolation.

NARRATIVE REPORT

How we performed

<p>Lead a Well Run Council</p> <ul style="list-style-type: none"> - The Council introduced agile and flexible working, in order to provide staff with modern ways of working and our customers with more flexible and resilient services - The Commercial Waste Team offer waste and recycling solutions to the public, private and sporting sectors and became the waste and recycling contractor for Exeter University during the year
<p>Provide Value-for-Money Services</p> <ul style="list-style-type: none"> - The shared ICT service with East Devon and Teignbridge District Council's, Strata Service Solutions Ltd, returned savings of £1.073m in 2019/20 - New Procurement and Contract Procedures were established in order to comply with legislation and delivery of value for money for the Council - More and more of the Council's fleet of vehicles are being replaced with electric vehicles, replacing its diesel fleet and making the city greener and saving the Council money on its fuel
<p>Promoting Active & Healthy Lifestyles</p> <ul style="list-style-type: none"> - Brought in-house the Marine Navigation Maintenance contract and increasing the length and frequency of harbour patrols to help ensure safety of water users - Work on the new leisure complex, St Sidwells Point, continued during the year - Replaced the aged Kings Arms Gates in the canal basin, helping to restore our operational waterways assets - Continued with the Exeter and Cranbrook Local Delivery Pilot on bold new approaches to build healthier, more active communities with funding from Sport England - New inclusive play area was built at Pinhoe with input from the local community
<p>Tacking Congestion & Accessibility</p> <ul style="list-style-type: none"> - In July the Council declared a climate emergency and resolved Exeter should play its part in meeting the global challenge of reducing CO2 emissions. During the year, the Council asked Exeter City Futures CIC to work with the city to curate a shared plan for Exeter to be net-zero carbon by 2030 including transportation challenges.
<p>Build on Exeter's Growth & Success</p> <ul style="list-style-type: none"> - In conjunction with Exeter College, the RAMM took part in national pilot of T level qualifications. T Levels will follow GCSEs and will be equivalent to three A levels. These two year courses have been developed with employers and businesses, so that the content meets the needs of industry. - Corporate Property and Estates completed the purchase of two strategic office buildings within the City to help secure good quality office facilities
<p>Building Great Neighbourhoods</p> <ul style="list-style-type: none"> - A thousand native trees were planted to create a new wood at the Ridgeline Park - A pilot to retrofit six council dwellings to move the properties to net-zero energy started during the year - The Council's housing development company, Exeter City Living Ltd, completed properties at Thornpark Rise and Anthony Road to the passiv-haus environmental standards, which are due to retained by the Council for the provision of social housing

What's next?

<p>Lead a Well Run Council</p> <ul style="list-style-type: none"> - Completion of the ERDF Smartgrid project consisting of a large solar area and cutting edge battery storage technology, with a direct cable to our Exton Road facility enabling our electric fleet to be recharged with solar energy
<p>Provide Value-for-Money Services</p> <ul style="list-style-type: none"> - To move to the next phase of agile and flexible working and increase the range of services delivered online to achieve positive impacts on service delivery costs, more efficient processes, reduced commute/business travel times and environmental benefits - The Council set an emergency budget to deal with the impact of Covid-19 for 2020/21 and strong financial discipline will be required to maintain the Council's financial stability and maintain a minimum working balance of £3 million - Support transformation and other projects that will help deliver savings over the next 2 years, from more efficient working to enable increased income generation
<p>Promoting Active & Healthy Lifestyles</p> <ul style="list-style-type: none"> - Ambition to increase tree cover in the City from just under 25% to 30% and to help replace trees lost to Ash Dieback. Continue to support and work with the Woodland Trust, Devon Wildlife Trust and be an active member of the Saving Devon's Treescapes project - Continue with the Exeter and Cranbrook Local Delivery Pilot. In December 2017 Exeter and Cranbrook was chosen by Sport England to work on a bold new approach to build healthier, active communities - Continue to progress the new state-of-the-art, Passivhaus leisure complex, St Sidwell's Point, and the new Exeter Bus Station
<p>Tacking Congestion & Accessibility</p> <ul style="list-style-type: none"> - Exeter will strive to become a carbon-neutral city by 2030. Exeter City Council has partnered Devon County Council, Exeter College, University of Exeter, Global City Futures and the Royal Devon and Exeter NHS Trust to create Exeter City Futures, a community interest company to target cleaner air, renewable energy and improved transport systems
<p>Build on Exeter's Growth & Success</p> <ul style="list-style-type: none"> - A new £300m vision to redevelop the Exeter Bus Station site includes housing, offices, restaurants and retail, as well as the possibility of a new multi-use entertainment venue. It would sit alongside the planned new state-of-the-art Passivhaus leisure complex St Sidwell's Point and a new Exeter Bus Station, which are both being funded by the Council - Government funding has been secured to explore ways of regenerating land around St David's Station, as part of its One Public Estate programme. In conjunction with Devon County Council, Network Rail, Great Western Railway, University of Exeter and Exeter College, a new gateway to the city including new homes, offices and retail in St David's will be explored
<p>Building Great Neighbourhoods</p> <ul style="list-style-type: none"> - The Council is pioneering Passiv-haus social housing and working with Homes England to deliver 12,000 new homes in the City over the next 20 years through the Liveable Exeter Garden City project

5. Financial Performance 2019/20

The 2019/20 revenue budget process was influenced and framed by the continued need to make significant budget reductions whilst delivering Council priorities, due to reductions in funding from central government. This process of budget reductions is ongoing and will be continuously reviewed as the Council develops a stronger understanding of the financial challenges it faces, which include:

- **Coronavirus**

The Council is facing an unprecedented financial challenge due to the Covid-19 pandemic due to both increased costs resulting from our Covid-19 response and a loss of income, whilst it continues to deliver essential services that residents rely on. Despite a range of support measures from the Government there remains a significant financial shortfall for the Council to meet. A second wave of the infection would further exacerbate the financial crisis. The impact on the Council's financial position and future financial plans are set out in Section 7.

- **Prevailing economic conditions**

The level of inflation, interest rates, employment levels and the country's economic recovery from the Covid-19 pandemic are all uncertain and could affect the financial position of the authority either now or in the future.

- **Fair Funding Review**

Implementation of the outcomes of the Government's Fair Funding Review and 75% business rate retention has been deferred to April 2022. Under the reforms the business rates system was due to be 'reset' and funds retained by councils in areas with high business rates growth redistributed more in line with an updated assessment of their needs.

- **Brexit**

The UK formally left the European Union on 31 January 2020 and is now in an 11 month transition period, due to end on 31 December 2020. During the transition period the UK will continue to follow all of the EU's rules and its trading relationship will remain the same, whilst a new free trade agreement is negotiated and future UK-EU relationship is decided. The impact on the authority's income, expenditure and the balance sheet is highly uncertain and therefore presents a financial risk.

- **New Homes Bonus**

Changes to the new homes bonus scheme were announced as part of the Local Government Finance Settlement in December 2016, with the number of years for which payments are made reduced from six to five years in 2017/18 and from five years to four years in 2018/19. The Government deferred any further changes to the New Homes Bonus in 2019/20, but future changes to the scheme represents a financial risk, as it remains a significant source of funding.

- **Council Tax Referendums**

Each year the Secretary of State may set thresholds for local authorities. If an authority wishes to raise its council tax by more than the threshold set, it must gain approval in a local referendum. In 2019/20, for district councils, the threshold was 3% or more, or more than £5.00 on a Band D property.

NARRATIVE REPORT

2019/20 Service Revenue Outturn

The 2019/20 budgets were set to achieve the requirement to maintain a minimum balance in excess of £3 million. The Council's current policy is such that the minimum level of the General Fund Balance will remain above £3 million. This is considered prudent taking into account the potential level of financial risk facing the Council in the medium term.

The outturn for 2019/20 resulted in a £1.461m transfer to the General Fund Working Balance, taking it to £5.856m as at 31 March 2020.

	Revised Annual Budget £'000	Year End Outturn £'000	Variance to Budget £'000
Chief Executive & Growth Director	2,838	2,636	(202)
Communities Health, Well Being, Sport & Leisure	8,041	7,298	(743)
Strategic Housing, City Development, Housing Needs & Homelessness, Customer Services, Welfare Reform, Revenues, Benefits & Business Rates, Democratic Services	4,650	4,114	(536)
Communications, Tourism & Culture	3,242	2,492	(750)
Environment and City Management	645	464	(181)
Chief Finance Officer	2,169	2,318	149
City Solicitor	2,746	2,851	105
Less Notional Capital Charges	(7,315)	(7,315)	0
Service Committee Net Expenditure	17,016	14,858	(2,158)
Net Interest	216	(97)	(313)
New Homes Bonus	(2,517)	(2,517)	0
Revenue Contribution to Capital	0	32	32
Minimum Revenue Provision	738	693	(45)
Voluntary Revenue Provision	1,000	(583)	(1,583)
General Fund Expenditure	16,453	12,386	(4,067)
Transfer To/(From) Working Balance	(849)	1,461	2,310
Transfer To/(From) Earmarked Reserves	(2,834)	(717)	2,117
General Fund Net Expenditure	12,770	13,130	360
Met By:			
Formula Grant	(4,429)	(4,443)	(14)
Business Rates Growth / Pooling Gain	(1,385)	(2,083)	(698)
Covid19 Grant	0	(73)	(73)
CIL Income	(1,125)	(700)	425
Council Tax	(5,831)	(5,831)	0
	(12,770)	(13,130)	(360)
	March 2019	March 2020	
Working Balance	4,395	5,856	

2019/20 Capital Outturn

The Council spent £56.354m on its Capital Programme in 2019/20 compared to the revised forecast spend of £58.569m. The capital expenditure, by Responsible Officer, and financing of this expenditure is set out below.

The variance between the outturn forecast and actual outturn for the year was £2.215m. This will require the re-profiling of planned expenditure into future years and therefore does not present any financial issues for the Council.

	2019/20 Forecast Outturn £'000	2019/20 Outturn £'000	Variance £'000
Capital Expenditure:			
Chief Executive & Growth Director	347	180	(167)
Communities Health, Well Being, Sport & Leisure	16,668	16,854	187
Strategic Housing, City Development, Housing Needs & Homelessness, Customer Services, Welfare Reform, Revenues, Benefits & Business Rates, Democratic Services	17,056	15,861	(1,195)
Communications, Tourism & Culture	10	5	(5)
Environment and City Management	2,230	1,217	(1,013)
Chief Finance Officer	22,258	22,237	(21)
Total Expenditure	58,568	56,354	(2,214)
Resources:			
Major Repairs Reserve	5,940	5,937	(3)
Capital Receipts	6,803	7,530	728
Grants and Contributions	4,996	4,499	(497)
Community Infrastructure Levy (CIL)	2,957	2,957	0
Revenue Contributions	4,241	2,532	(1,709)
Prudential Borrowing	33,632	32,899	(733)
Total Financing	58,568	56,354	(2,214)

Key achievements in 2019/20 Capital Programme:

- **New Leisure Complex and Bus Station**

Excellent progress was made during the year on the construction of a state-of-the-art new leisure complex and new Exeter Bus Station. Up to March, work continued on the reinforced concrete frame of the leisure complex, which will be known as St Sidwell's Point. It will be the UK's first super energy efficient Passiv-haus swimming pool and leisure complex and will include:

- Main swimming pool and learner's pool with moveable floors
- Confidence pool
- 100 seat spectator seated area
- Café to seat 50
- Fitness gym and two fitness studios
- Health suite and spa facility
- Children's soft play area



- **Extra Care Scheme**

The Council is building the UK's first super energy efficient Extra Care scheme, which will have 53 apartments designed to meet the needs of the elderly residents and those requiring dementia care. The development, which will be known as Edwards Court, is expected to open in 2020/21.

A 'topping out' ceremony was held in March, which traditionally marks the high point of the building being reached during construction.

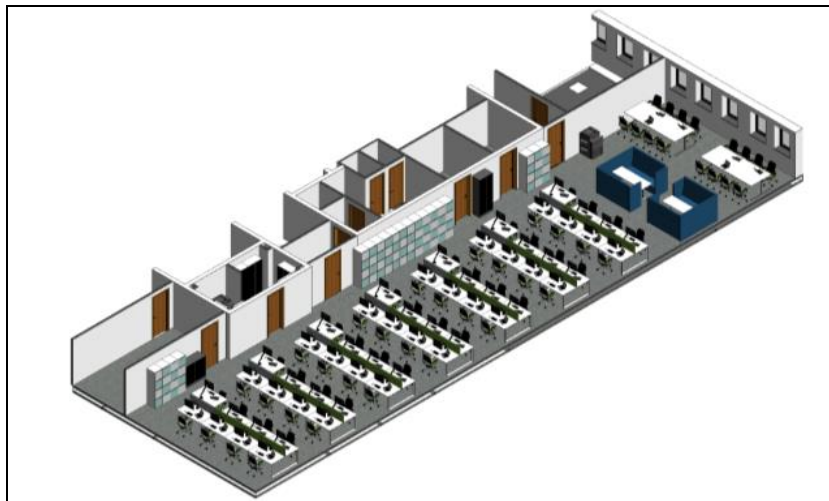


Council Leader Phil Bialyk (third from right) and Cllr Laura Wright (second from right) with Kier staff and local schoolchildren

NARRATIVE REPORT

- **Agile and Flexible Rollout**

During 2019/20 the Council introduced agile and flexible working, in order to provide staff with modern ways of working and our customers with more flexible and resilient services. Changes were made to office accommodation (moving out of Phase 1 of the Civic Centre), the provision of ICT to enable remote working and new office furniture to support agile ways of working. It has proven a great success and has been critical to enabling the Council to maintain service continuity during the Covid-19 pandemic.



New office environment

- **Retrofit to Council Properties**

A retrofit system known as Energiesprong is being piloted at six properties in Chestnut Avenue. The whole house upgrade includes a ground source heat pump heating system, insulated wall and roof panels and photovoltaic roof panels with battery storage facility. The aim of the project is to create net-zero energy properties that are warm and comfortable for tenants to live in and deliver reduced energy bills.



Council Leader Phil Bialyk

NARRATIVE REPORT

Housing Revenue Account

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

During 2019/20 the HRA reported an operating surplus of £0.226m, this was after making a £2.5m revenue contribution to capital expenditure. The surplus was transferred to the HRA working balance.

The Council's current policy is such that the minimum level of the HRA working balance will remain at no less than £4 million, as a contingency against financial risks. As at 31 March 2020, the working balance was £10.526m, considerably higher than the minimum level. This is predominantly due to delays with certain capital schemes, including kitchen and bathroom replacements, the Extra Care scheme and Rennes House refurbishment. Significant revenue contributions will be required over the next 2 years towards financing the capital schemes, which will reduce the working balance.

The lifting of the 'debt cap' in October 2018 means that local authorities are now able to borrow for housebuilding in accordance with the Prudential Code. During 2019/20, Phase 1 of a new HRA House-building programme was approved, totalling £18m, which provides for four development schemes that will deliver 100 new homes into the HRA.

Key achievements

In addition to the achievements in the Capital Programme, highlighted above, the HRA progressed its implementation of a new IT housing management system, OPENHousing, which went 'live' in May 2020.

The Council also celebrated 100 years of council housing in August 2019 with an event held in the city to mark the occasion.

HRA Benchmarking

Each year the HRA participates in a benchmarking exercise to assess performance and satisfaction in comparison with similar organisations within a peer group. The peer group comprises 130 other local authorities. The results of the most recent exercise were:

Headline measures	Value	Quartile	Performance
Cost headlines			
Overheads as a % of turnover	5.44%	Top	Within top 25% of peer group
Total cost per property of Housing Management	£261.74	Top	Within top 25% of peer group
Total cost per property of Responsive Repairs & Void Works	£882.25	3rd	Below average of the peer group
performance headlines			
calendar days taken to complete repairs	6.83	Top	Within top 25% of peer group
Staff turnover in the year %	18.50%	4th	Within lowest 25% of peer group
Overall satisfaction with service	88.00%	Top	Within top 25% of peer group
Total number of units developed as a % of current stock	0.44%	3rd	Below average of the peer group

Development Programme

The Council has a current housing development programme with 173 properties either under construction or in the final stages of procurement.

Over the next 10 years, the Council's housing development programme is planning to deliver 500 new affordable homes.

NARRATIVE REPORT

Pension Fund

The Council has net pension liabilities of £106.231 million in the Balance Sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund. A full actuarial valuation was undertaken as at 31 March 2019 to review the contribution levels of the Council for the period 1 April 2020 to 31 March 2023 which was set at 17.6% of pensionable pay for future service plus a monetary amount in respect of the pension deficit (£4.337m). The Council opted to pay the next 3 years past service deficit amounts up front during 2020/21 at a cost of £4.143m, saving £0.194m.

Borrowing

The Capital Financing Requirement is £129.203 million of which £57.882 million relates to the HRA.

Actual borrowing is £110.415m, which comprises the principal outstanding on long-term loans from the PWLB. The original loans include; £9.35m to on-lend to Exeter City Living Ltd, £56.884m in respect of the HRA, £36m for the new leisure centre and £8.8m for capital acquisitions. The rest of the requirement is managed via internal borrowing.

6. Non-Financial Achievements 2019/20

Although times are challenging for Exeter City Council and the Local Government sector as a whole, below are some of the positive outcomes during the last financial year:

- Sensitive restoration work to one of the city's oldest buildings won a major conservation award. Alterations to Grade 1 listed St Nicholas Priory won the 'Repairs to a Historic Building or Structure' award at the annual Devon Historic Building Trust Conservation Awards 2019.
- Exeter was only one of seven cities that saw a growth in the start of apprenticeships, having the highest starts in the UK and 50% more than Cambridge the city with the second highest number of apprenticeship starts; and was awarded

the prestigious City of Apprenticeships status in February. The Council has 21 apprentices in a wide variety of roles and studying for a wide range of qualifications.

- Exeter was the only place in the UK to be given the UNESCO City of Literature status. The Council was a partner in Exeter's bid, which means the city joins 65 cities across the world who have become part of the UNESCO Creative Cities Network.



UNESCO celebrates World Cities Day

- Exeter's RAMM won the Collaborative Partnership Award 2019 for Minecraft. In partnership with the University of Exeter and The Common People, four Minecraft worlds were created. The award recognises the benefits to the archaeological sector and museum audiences.



Significant Projects and Matters

Sport England

Exeter and Cranbrook are one of 12 Local Delivery Pilots working on bold new approaches to build healthier, more active communities. In June 2019, Exeter City Council, on behalf of partners, signed a Lottery Funding Agreement with Sport England to implement the proposals set out in the January 2019 submission.

Our ambition is for Exeter and Cranbrook to become pioneering places for leading an active lifestyle. Our vision is that Exeter will become the most active city in England and Cranbrook will be a model of best practice in encouraging families to be active together.

The focus is on the 20 geographic areas with the highest concentrations of those most at risk of inactivity and poor health. The long term aims are to:

- Narrow the stubborn health inequalities gap;
- Improve inclusivity and sense of community belonging;
- A reduction in congestion through more walking and cycling;
- An embedded analytical approach

The focus up to January 2020 has been on developing firm foundations upon which to build sustainable delivery platforms for the community-based People and Place programmes whilst simultaneously developing strategy and policy alignment across the whole system. Contracts were awarded to a range of delivery partners including Devon County Council, Devon Community Foundation, Active Devon, SERIO, Grow Consultancy, CAG Consultants, Exeter City Living, and KYMA/ETL. Devon Community Foundation have awarded contracts to new Wellbeing Exeter delivery partners including Exeter YMCA and Exeter Community Trust.

The resources available through the Delivery Pilot, with the support of Sport England, have been critical to the mobilisation of the COVID-19 community response, Exeter Community Wellbeing. Exeter Community Wellbeing which has resulted from this work demonstrates the strength of local partnership working and system wide efforts at all levels. Stories of individuals, groups, organisations and communities are being captured and shared. There are a many examples of people engaging in physical activity, albeit within social distancing measures, such as 'play streets' with the reduction in traffic allowing children to use the roads for space to be physically active and traditional games such as hopscotch re-emerging. In effect, the existing work of the LDP has enabled a rapid community response to the pandemic. This in turn is generating evidence which is now being used to refine the delivery programme as the 'new normal' emerges.

A review of governance has been completed and a new more streamlined system has been agreed with strategic oversight now being provided by the Liveable Exeter Place Board. A further submission has been made to Sport England for core and evaluation funding up until 2025. Detailed delivery plans for around 20 projects are being finalised with delivery notching up a level from A. A communications strategy and new branding is progressing to launch in September with a website and series of campaign actions being planned to support the next stage as we move into delivery.

NARRATIVE REPORT

Liveable Exeter

Exeter has been working with neighbouring authorities of East Devon, Mid Devon, and Teignbridge to produce a joint strategic plan (GESP) for the Greater Exeter area. The proposal is to have a strategic plan that addresses housing and employment needs of the sub-region over the next twenty years. The original strategy for provision of strategic sites assumed that with tight municipal boundaries future employment and housing needs of the city would be accommodated in part in neighbouring districts, as per the example of Cranbrook and SW Exeter. In 2019 members took the opportunity to re-think the strategy. Liveable Exeter was launched as a vision document and took into account the priorities of promoting active and healthy lifestyles; tackling congestion and promoting active travel; and building good neighbourhoods. The provision of 12,000 homes in a transformational programme designed using the principles of active design and in support of a carbon neutral city. This programme was incorporated into a successful bid for garden communities' designation.

The garden communities programme secured £750,000 towards capacity funding in support of the programme and this required a governance structure to address delivery considerations. The Liveable Exeter Place Board met for the first time in December 2019. Adopting the Exeter 2040 Vision and a programme director was appointed.

The Liveable Exeter vision received Future Places funding from the RIBA, RTPI, the LGA, and the RICS to engage local architects Hilton Barnfield to provide design guidance.

The strategic sites identified in Liveable Exeter are now included in the draft consultation document of the GESP.

RAMM Ratings Valuation Appeal

Exeter City Council secured a landmark ruling over the rateable valuation of the city's Grade II listed Royal Albert Memorial Museum and Art Gallery (RAMM). The decision will have a significant impact on the way many English and Welsh museums are valued in the future, especially those in similar listed buildings with high operating costs. The case was brought by the Valuation Office as an appeal against a decision made by the Valuation Tribunal for England in August 2018, which set the rateable value of RAMM at £1 from April 2015.

The judgement was made by the Upper Tribunal (Lands Chamber), at the Royal Courts of Justice, in January this year. The Court of Appeal recently refused permission for the Valuation Office to further appeal the original decision and has no further recourse to challenge. This has resulted in a significant saving to the Council, both now and in the future, with a backdated refund and annual savings of around £300,000 per annum.

NARRATIVE REPORT

Performance Measures 2019/20

We have built a corporate dashboard (Power BI Report Server) to display our performance measures and metrics. The corporate dashboard includes performance measures and data for:

- Our customer transactions. For example volumes of, and channels (e.g. telephone or on-line) used for purchasing car park season tickets, ordering bulky waste collections, reporting graffiti and making noise complaints.
- Key financial and human resource data. For example income levels, staff numbers and staff sickness.
- Contextual information. For example statistics about Exeter, the economy and culture.
- Significant service-level indicators. For example business rates income.

Individual services also maintain their own suites of performance measures and use Power BI to display key metrics.

Progress with priorities in our corporate plan is reported to the Annual Council meeting by the Leader of the Council and by portfolio holders to scrutiny committees. This includes progress on the three strategic programmes in our corporate plan (tackling congestion and accessibility, promoting active and healthy lifestyles and building great neighbourhoods) and the internally-focused priorities: Providing value-for-money services and Leading a well-run council.

The following table provides some of the performance statistics for 2019/20:

Services to Meet Customers Needs

- 42,580 visitors to the Customer Service Centre
- 3,940 visitors to the Customer Service Centre for housing/homelessness enquiries and 1,296 homelessness applications taken
- 18.26 minutes - average time to deal with customer at an advice desk in the Customer Service Centre
- 96,487 calls received by the Main Call Centre (Switchboard, Benefits and Welfare, Council Tax, Council Tax Recovery, Devon Home Choice and Cleansing)
- 774 requests for information under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004 dealt with
- 16,000 response repairs to council dwellings
- 2,220,129 car park tickets sold

Reduce Operating Costs

- 96.9% Council Tax collection rate
- 98.5% NDR collection rate
- 1.79% current tenant arrears in respect of HRA rents
- Average re-let time for council dwellings of 29.57 days (standard voids)

Invest in the City

- 32 major planning applications; 63% determined within statutory period or within period agreed with applicant. Government target is 60%
- 637 minor/other planning applications; 80% determined with statutory period or within period agreed with applicant. Government target is 70%

Support Exeter's Communities

- 38,178 tickets sold for 132 stage events at Exeter Corn Exchange (6 events cancelled because of Covid-19)
- 316 events hosted at Exeter Corn Exchange (17 events cancelled because of Covid-19)
- 247,074 visitors to the Royal Albert Memorial Museum (closed mid March due to Covid-19)
- 96,384 customers using Exeter Visitor Information and Tickets Office (closed mid March due to Covid-19)
- 20,206 visitors to the Underground Passages (closed mid March due to Covid-19)
- 36,972 visitors to Custom House Visitor Centre (closed mid March due to Covid-19)
- 11,272 visitors taking Red Coat Guide Tours (closed mid March due to Covid-19)

NARRATIVE REPORT

7. Financial Impact of Covid-19 and Impact on Future Financial Plans

The impact of Covid-19 on the finances of the Council and all local authorities across the country is extraordinary. The restrictions imposed to protect the public from the pandemic have had a material impact on the Council's financial position. Not only has unbudgeted expenditure been incurred as a result of the Council's response to the restrictions and the additional responsibilities taken on, but the lockdown has resulted in a significant loss of income.

Significant funding has been given by Government to the sector. In Exeter's case emergency funding of £1.379 million has been received to date. But the scale of income loss and additional expenditure incurred because of Covid-19 and the lockdown is significantly higher than the funding received from Government. Latest figures reported to central Government forecast estimated additional expenditure and income losses totalling £11.190 million:

	Forecast Additional Expenditure 2020/21 £'000	Forecast Income Loss 2020/21 £'000	Total
Housing General Fund	206	-	206
Wellbeing Hub	143	-	143
PPE	35	-	35
Car Parks	-	4,571	4,571
Commercial Rent	-	1,183	1,183
Leisure	1,774	81	1,855
Waste	59	886	945
Visitors Attractions	-	906	906
Other	411	935	1,346
Total	2,628	8,562	11,190

Key Sources of Covid-19 Expenditure Pressures

Housing General Fund the major area of additional expenditure relates to the Government's requirement to accommodate all rough sleepers off the streets from the end of March. The Council engaged local commercial hotels; Great Western Hotel and Telestar to help provide accommodation for all rough sleepers. The Council also made available a number of self-contained properties for individuals with particular health and support needs in order to help aid temporary shielding.

Waste additional costs have been incurred to ensure that staff are as safe as possible when working. This has included providing additional vehicles to transport staff around to reduce the number in the cab at any one time and additional PPE.

NARRATIVE REPORT

Wellbeing Hub The Council was responsible for providing services to vulnerable and shielded members of the Community. Additionally, the Council provided Community initiative grants to Community groups in conjunction with financial support also provided by the Exeter Chiefs.

Leisure is one of the hardest hit sectors of industry under the lockdown restrictions. Legacy Leisure, have cut costs significantly, using the Government's furlough scheme, but are still incurring costs without any income. Alongside this, the Council was in the process of tendering for a new Leisure operator as the existing contract ends in September 2020. As soon as the restrictions were implemented, all four shortlisted contractors indicated that they would not be in a position to continue with the tender process at this time, owing to the uncertain future for Leisure provision. This resulted in negotiating an end to the existing contract including cost recovery payments to Legacy Leisure and returning the Leisure provision back in house. The unbudgeted costs to the end of the contract total approximately £235,000. Alongside this, it is estimated that the cost of bringing Leisure back in house will be net £1.542 million in 2020/21. This is owing to the limited opportunities to generate income over the remainder of this financial year and start-up costs required to ensure the smooth transition.

Other costs incurred relate to the net interest position of the Council, which is expected to be affected by lower interest rates and additional short term borrowing required to offset the shortfall in income.

Key Sources of Covid-19 Income Pressures

Car Parks For the period of lockdown the Council was receiving between 2% and 5% of budgeted income (March – May 2020), rising to 13% during June, resulting in an actual loss of close to £2 million for this period alone, with further losses against budget expected throughout the rest of this calendar year as recovery will be slow.

Commercial Rent The March quarter invoices totalled £1.340 million. Of this £0.788 million has been paid, £0.445 million has an agreed deferment plan in place and £0.107 million is owed by tenants who have not engaged with the Council. Of the £0.552 million, it is projected based on experience that at least £0.302 million will be paid and up to £0.250 million will be written off. Overall an amount of £1.183 million is projected for losses

Waste / cleansing is currently predicting a decrease in anticipated income primarily because of the fall in trade waste and recycling income. There has been a drop in recycling values and volumes as the global industry has been hit by the Pandemic.

Visitor Attractions the RAMM, Corn Exchange, Underground Passages and EVIT are all closed and therefore unable to generate income. Even when they are allowed to open, social distancing will continue to have a significant impact on income.

Emergency Budget

In order to ensure the Council maintains a balanced budget, which results in the maintenance of prudent minimum reserve levels, the 2020/21 budgets have been revised to protect the overall financial position of the Council.

NARRATIVE REPORT

On 21 July 2020 the Council approved a revised General Fund revenue budget for 2020/21 to address the additional expenditure and loss of income arising from Covid-19, in order to maintain a balanced budget and deal with the adverse movements in the Council's projected financial position. The revised General Fund budget achieves the requirement to maintain a minimum balance in excess of £3 million. Whilst the revised budget is balanced, there are a number of assumptions, which mean that significant changes could continue to occur during the year as the response to the pandemic progresses and further Government support measures are announced.

	2020-21 Budget £	Revisions £	Revised Budget £
Chief Executive & Growth Director	2,838,330	(121,000)	2,717,330
Communities Health, Well Being, Sport & Leisure	7,169,710	1,998,000	9,167,710
Strategic Housing, City Development, Housing Needs & Homelessness, Customer Services, Welfare Reform, Revenues, Benefits & Business Rates, Democratic Services	5,738,010	641,400	6,379,410
Communications, Tourism & Culture	3,186,780	471,000	3,657,780
Environment and City Management	(1,467,760)	6,247,092	4,779,332
Chief Finance Officer	2,331,450	(78,378)	2,253,072
City Solicitor & Head of HR	828,030	(326,980)	501,050
Less Use of Furlough Scheme	-	(403,000)	(403,000)
less Notional capital charges	(7,315,330)	-	(7,315,330)
Service Committee Net Expenditure	13,309,220	8,428,134	21,737,354
Net Interest	527,000	290,000	817,000
New Homes Bonus	(2,489,740)	-	(2,489,740)
Revenue Contribution to Capital	838,000	(838,000)	-
Minimum Revenue Provision	1,350,000	(800,000)	550,000
General Fund Expenditure	13,534,480	7,080,134	20,614,614
Transfer To/(From) Working Balance	839,330	(2,086,299)	(1,246,969)
Transfer To/(From) Earmarked Reserves	(307,000)	(3,527,835)	(3,834,835)
General Fund Net Expenditure	14,066,810	1,466,000	15,532,810
Met By:			
Formula Grant	(4,501,000)	-	(4,501,000)
Covid-19 Grant	-	(1,306,000)	(1,306,000)
CIL income	(900,620)	(160,000)	(1,060,620)
Business Rates Growth	(2,578,000)	-	(2,578,000)
Council Tax	(6,087,190)	-	(6,087,190)
	(14,066,810)	(1,466,000)	(15,532,810)
Working Balance	March 2020 £5,856,249		March 2021 £4,609,280

NARRATIVE REPORT

Revised General Fund Medium Term Revenue Plan (2020/21 – 2024/25):

	2020/21	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000	£'000
Resources:					
Revenue Support Grant	371	379	386	394	402
Business Rates Income (assumed by Government)	4,130	3,239	4,521	4,655	4,746
Business Rates growth	1,772	-	-	-	-
Business Rates pooling / pilot benefit	-	-	-	-	-
NNDR Deficit to Cover	-	(16,588)	-	-	-
Section 31 Grant	16,445	2,286	-	-	-
Excess S31 to earmarked Reserve	(16,177)	16,177	-	-	-
Covid 19 Support	1,306	-	-	-	-
CIL income	901	901	901	901	901
New Homes Bonus	2,490	1,127	678	-	-
Council Tax	6,087	6,071	6,310	6,561	6,818
Likely resources	17,325	13,592	12,796	12,511	12,867
Expenditure:					
Service expenditure					
Committee expenditure base budget	12,697	13,309	11,852	10,340	10,125
Inflation	470	500	500	500	500
Potential increase in service costs	2,343	(233)	188	135	135
Budgeted reductions	(2,201)	-	-	-	-
	13,309	13,576	12,540	10,975	10,760
Covid Pressures	11,190	-	-	-	-
Net Interest	527	484	468	461	-
RCCO	288	-	-	-	-
Repayment of debt	1,188	1,897	2,002	2,063	2,063
Additional repayment of debt	162	-	-	-	-
	26,664	15,957	15,010	13,499	12,823
Other funding					
Contribution to/ (from) earmarked reserves	(294)	(132)	(132)	(197)	-
Contribution to/ (from) balances - Other	(1,247)	696	118	59	44
	(1,541)	564	(14)	(138)	44
Covid Savings	(7,798)	(1,205)	-	-	-
Further reductions required		(1,300)	(2,200)	(850)	-
Potential reductions identified		(424)	-	-	-
Total Net Budget	17,325	13,592	12,796	12,511	12,867
Opening General Fund Balance	5,856	4,609	5,305	5,423	5,482
Closing General Fund Balance	4,609	5,305	5,423	5,482	5,526

NARRATIVE REPORT

The HRA has also been affected by the Covid-19 restrictions imposed. This is particularly felt in additional costs relating to void properties and increases in arrears on rent payments. The latest figures reported to central Government forecast additional expenditure and loss of income totalling £0.998 million. Whilst this could be contained within the HRA balance, it will have an impact on the HRA MTFP as this projected using the HRA Balance by the end of the MTFP period. Therefore the HRA put forward a range of proposals to address their shortfall, which Council approved on 21 July 2020.

Revised HRA Revenue Plan (2020/21 – 2023/24):

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000
Resources				
Rents	18,700	18,700	19,392	20,109
Covid-19 Income Pressures	(824)	-	-	-
Service Charges	1,048	1,081	1,116	1,153
Other	704	707	707	707
Inflation on income	36	727	754	782
Likely resources	19,664	21,215	21,969	22,751
Expenditure				
HRA expenditure base budget	13,176	13,156	13,257	13,658
Covid-19 Expenditure pressures	174	-	-	-
Revenue saving proposals	(825)	-	-	-
Supplementary budgets	657	-	-	-
Inflation on expenditure	254	116	120	122
Repairs & Maintenance Programme uplift	-	67	305	162
New non-recurring budgets	-	32	-	-
New recurring budgets	10	-	-	-
Remove non-recurring budgets	(284)	(114)	(24)	-
Depreciation	3,514	3,514	3,514	3,514
Revenue Contribution to Capital Outlay	5,247	4,000	2,900	3,050
Net interest	1,893	2,264	2,295	2,295
	23,816	23,035	22,367	22,801
Other Funding				
Contribution to / (from) HRA Working Balance	(4,152)	(1,820)	(398)	(50)
Total Net budget	-	-	-	-
Opening HRA Working Balance (excluding COB)	10,239	6,087	4,267	3,869
Closing HRA Working Balance (excluding COB)	6,087	4,267	3,869	3,819

Capital Programme (2020/21 – 2023/24)

GENERAL FUND - CAPITAL PROGRAMME 2020/21 AND FUTURE YEARS				
SCHEMES LISTED WITHIN COUNCIL PURPOSES	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000
Chief Executive & Growth Director	1,010	54	54	54
Communities Health, Well Being, Sport & Leisure	34,210	832	720	720
Communications, Tourism & Culture	6,422	6,174	-	-
Environment and City Management	79	-	210	-
Chief Finance Officer	20,554	-	-	-
TOTAL GENERAL FUND CAPITAL PROGRAMME	62,275	7,060	984	774
FINANCING:				
Capital Receipts	4,333	-	-	-
Disabled Facility Grant	957	720	720	720
New Homes Bonus	68	-	-	-
Community Infrastructure Levy	-	-	-	-
Revenue Contributions to Capital Outlay	107	698	104	54
Other Grants & Contributions	858	160	160	-
Prudential Borrowing	55,952	5,482	-	-
TOTAL GENERAL FUND CAPITAL FINANCING	62,275	7,060	984	774

HOUSING REVENUE ACCOUNT - CAPITAL PROGRAMME 2020/21 AND FUTURE YEARS				
	2020/21	2021/22	2022/23	2023/24
	£'000	£'000	£'000	£'000
Strategic Housing, City Development, Housing Needs & Homelessness, Customer Services, Welfare Reform, Revenues, Benefits & Business Rates, Democratic Services	35,495	17,890	10,420	8,760
TOTAL HRA CAPITAL PROGRAMME	35,495	17,890	10,420	8,760
FINANCING:				
Major Repairs Reserve	4,059	12,140	4,560	4,960
Capital Receipts	5,862	1,750	2,960	750
Commutated Sums	4,375	-	-	-
Other Grants and Contributions	592	-	-	-
Revenue Contributions to Capital	5,247	4,000	2,900	3,050
Prudential Borrowing	15,360	-	-	-
TOTAL HRA CAPITAL FINANCING	35,495	17,890	10,420	8,760

NARRATIVE REPORT

The Capital Programme, on the previous page, reflects the plans approved in the 2020/21 Budget Book along with budgets slipped from 2019/20 and the associated financing.

The Council is undertaking an ambitious capital programme, most notably the £42 million development of a new state of the art leisure centre, St Sidwell's Point, illustrated below.

The leisure complex will boast a 20-metre teaching pool, a confidence pool and an eight lane 25-metre pool with room for up to 250 spectators. The complex will be the first in the UK built to rigorous environmental passiv-haus standards, meaning a saving of around 70% on energy costs compared to similar sized leisure developments.



Further examples of our major schemes are:

The Council is also set to deliver a new, modern bus station:



Work is also well underway to create Exeter City Council's own pioneering solar farm and battery storage project, as part of its ambition to be a Net Zero Carbon City by 2030.



Located on an inert landfill site at Water Lane, the £3.5m scheme will receive almost £1.6m in grant funding from the European Regional Development Fund, designed to drive forward innovation, energy storage solutions and smart grid systems in the region.

The renewable supply will be able to support the future electrification of the Council's operational fleet. The site itself will include 3,702 solar PV modules, two battery storage containers and an electricity switch room.

NARRATIVE REPORT

Exeter City Council's Response to Covid-19

The end of 2019/20 has been dominated by the outbreak of the Covid-19 pandemic and the announcement of lockdown measures from 23 March. The Council acted swiftly to put into action its business continuity plans for critical services and a range of support measures to keep Exeter's residents, visitors, businesses and our staff safe and well. The Council has continued to liaise regularly with experts at Public Health England, the Department of Health and Social Care, Ministry of Housing, Communities & Local Government, Devon County Council and others to inform its response. These include:

- **Exeter Community Wellbeing Hub** was set up with a call centre, website and telephone hotline to gather information from people and organisations who want to offer their help and support and to co-ordinate the community response. Many staff were re-deployed to assist with the hub and were critical to the success of this light touch 'matching' service linking people who need help with local people and groups. The Council also allocated £1 million of repurposed grants to community and other groups to support the community response to Covid-19, forming an Exeter Wellbeing Support Fund
- **'Everyone In' Campaign** the Council provided accommodation and support to bring all people sleeping rough indoors, including suitable accommodation for those already in night shelters. Since 15 March, emergency Covid-19 accommodation has been provided to 91 households. The Council successfully procured 61 additional emergency bed-spaces and continues to work with those accommodated to move onto more stable housing.
- **Allocating business support grants** the Council has been responsible for distributing various Government grants and reliefs to businesses including £29.15m business support grants to small businesses, retail, and hospitality and leisure businesses and £1.458m under the Local Authority Discretionary Grant Fund, for small businesses that are not eligible for other grant schemes.
- **The Council continued to maintain collections of rubbish, recycling and garden waste** so as to protect local amenity and public health. This entailed the issue of personal protective equipment, additional transport costs for loaders who can't travel in the refuse cab due to maintaining social distancing and additional agency cover for staff on sick leave or self-isolating.
- **Virtual meetings** Regulations were made in April 2020 to provide flexibility in relation to local authority meetings held up to 6 May 2021. The Council was the first to hold a virtual Executive meeting, two days after the regulations came into force to allow for virtual Council meetings to be held and allow remote access to meetings by elected members and by the press and public.
- **Support to suppliers** All invoices are being paid on immediate payment terms, in order to support the cash-flow of the Council's suppliers. Additional supplier relief payments have also been made for suppliers at risk, so that they are better able to cope with the current crisis and to resume normal service delivery when the outbreak is over.
- **Job Retention Scheme** The Council has furloughed employees whilst certain facilities have been closed and other operations have been affected by the lockdown measures.
- **T-cup** was introduced during February 2020, it is a digital tool that enables staff to monitor their personal health and wellbeing and provides the Council with an organisational view. It has been particularly useful during these unprecedented times, whilst employees adapt to the lockdown measures and working from home.
- **Nightingale Hospital** Building Control worked quickly with key partners to ensure the NHS's critical care temporary hospital in Exeter met necessary standards for staff and patient health, safety and welfare.

Message from Dave Hodgson, Director Finance

In spite of the challenges presented by the reduction in government grant, Exeter City Council has again delivered its plans within budget and set aside funds to protect itself in the future. The Council remains ambitious and seeks to ensure that Exeter becomes stronger through economic growth, whilst supporting the local residents with excellent services.

A number of decisions have been taken in finalising the accounts for 2019/20, in order to protect and support the Council through the inevitable financial challenges it faces as a result of the restrictions put in place to protect the public against the Covid-19 pandemic.

These have allowed a significant amount of funding to be set aside to offset the reductions in income that the Council will face over the next financial year.

However, the Council was able to maintain service provision during 2019/20, whilst making significant progress with its ambitious capital programme providing further evidence of the sound financial management approach adopted by the Council.



Dave Hodgson CPFA
Director Finance

The Council does however, have to address a significant gap in its resources over the life of the medium term financial plan, with a requirement to identify a further £5.8 million of savings over the next three financial years, This will require a shift in the way the Council generates resources as well as programmes to streamline the way the Council is run.

A number of digitalisation projects are underway to transform the way the public interact with the Council and these will progress over the coming year.

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

Exeter City Living Ltd, the Council's development company has continued to expand its work and the Council has approved funds to produce business cases into the viability of three new subsidiaries – a market rental company, a consultancy company and a retrofit company. These should be completed during 2020-21.

In delivering the accounts during unique and challenging circumstances, the finance team have once again shown their professionalism and commitment by dealing with ever more complex accounts and accounting frameworks whilst working at home.



Councillor A J Wardle
Chair – Audit and Governance Committee

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director Finance.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

In preparing this Statement of Accounts, the Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code except where stated in the Accounting Policies
- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities
- Assessed the Authority's ability to continue as a going concern disclosing, as applicable, matters relating to going concern
- Used the going concern basis of accounting on the assumption that the functions of the Authority will continue in operational existence for the foreseeable future
- Maintained such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of Exeter City Council at the reporting date and of its income and expenditure for the year ended 31 March 2020.



Dave Hodgson CPFA
Director Finance
30 November 2020

EXPLANATION OF THE CORE FINANCIAL STATEMENTS AND EXPENDITURE AND FUNDING ANALYSIS

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year. These statements contain a number of different elements which are explained below:

Core Financial Statements and Expenditure and Funding Analysis Note

Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation or rents. Authorities raise taxation and rents to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Expenditure and Funding Analysis Note shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the authority in comparison with those resources consumed or earned by the authority in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's committees. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Movement in Reserves Statement shows the movement from the start of the year to the end of the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves. This statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (e.g. the Capital Receipts Reserve that may only be used to finance capital expenditure or repay debt). The second category of reserves is those that are not able to be used to provide services. This category of reserves includes reserves that hold unrealised gains and losses, e.g. the Revaluation Reserve, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future services delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

CORE FINANCIAL STATEMENT

Comprehensive Income and Expenditure Statement

Restated 2018-2019				2019-2020			Notes
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
2,952	(5)	2,947	Chief Executive & Growth Director	3,121	(315)	2,806	
6,999	(1,718)	5,281	Communities Health, Well Being, Sport & Leisure	10,040	(2,368)	7,672	
48,852	(42,765)	6,087	Strategic Housing, City Development, Housing Needs & Homelessness, Customer Services, Welfare Reform, Revenues, Benefits & Business Rates, Democratic Services	41,940	(37,085)	4,855	
5,887	(3,206)	2,681	Communications, Tourism & Culture	6,633	(3,712)	2,921	
22,042	(13,426)	8,616	Environment and City Management	17,978	(13,172)	4,806	
1,435	(47)	1,388	Chief Finance Officer	2,415	(89)	2,326	
1,123	(122)	1,001	City Solicitor & Head of HR	3,579	(760)	2,819	
18,290	(20,229)	(1,939)	Housing Revenue Account	18,702	(20,067)	(1,365)	
883	(314)	569	Strata Service Solutions Ltd	722	(118)	604	36
108,463	(81,832)	26,631	Cost of Services	105,130	(77,686)	27,444	
		(1,027)	Other operating expenditure			(3,617)	11
		1,595	Financing and investment income and expenditure			1,896	12
		(22,244)	Taxation and non-specific grant income			(22,311)	13
		4,955	(Surplus) or Deficit on Provision of Services			3,412	
			Other Comprehensive Income and Expenditure				
		(8,449)	(Surplus) or deficit on revaluation of property, plant and equipment			(2,762)	25
		(6,794)	Actuarial (gains)/losses on pensions assets / liabilities			(12,217)	25
		(15,243)	Total Other Comprehensive Income and Expenditure			(14,979)	
		(10,288)	Total Comprehensive Income and Expenditure			(11,567)	

The Council's internal financial reporting structure changed in 2019/20 and financial performance is now reported in-line with the senior management structure. The segment information for the prior year has therefore been restated.

EXPENDITURE AND FUNDING ANALYSIS NOTE

Expenditure and Funding Analysis

2018-19 Restated	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis (Note 6)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000
Chief Executive & Growth Director	2,780	167	2,947
Communities Health, Well Being, Sport & Leisure	1,700	3,581	5,281
Strategic Housing, City Development, Housing Needs & Homelessness, Customer Services, Welfare Reform, Revenues, Benefits & Business Rates, Democratic Services	4,598	1,489	6,087
Communications, Tourism & Culture	1,262	1,419	2,681
Environment and City Management	(532)	9,148	8,616
Chief Finance Officer	2,475	(1,087)	1,388
City Solicitor & Head of HR	856	145	1,001
Housing Revenue Account	169	(2,108)	(1,939)
Strata Service Solutions Ltd	-	569	569
Net Cost of Services	13,308	13,323	26,631
Other income and expenditure	(14,551)	(7,125)	(21,676)
(Surplus) or Deficit on Provision of Services	(1,243)	6,198	4,955

Opening General Fund and HRA Balance at 1 April 2018	(22,974)
Add surplus on General Fund and HRA Balance in Year	(1,243)
Closing General Fund and HRA Balance at 31 March 2019	(24,217)

Analysed between General Fund and HRA Balances	General Fund	HRA	Total
Opening Balance at 1 April 2018	(12,505)	(10,469)	(22,974)
(Surplus) or Deficit in Year	(1,412)	169	(1,243)
Closing General Fund and HRA Balance at 31 March 2019	(13,917)	(10,300)	(24,217)

The Council's internal financial reporting structure changed in 2019/20 and financial performance is now reported in-line with the senior management structure. The segment information for the prior year has therefore been restated. The overall General Fund Balance also now includes earmarked reserves, which form part of the General Fund.

EXPENDITURE AND FUNDING ANALYSIS NOTE

Expenditure and Funding Analysis

2019-20	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis (Note 6) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Chief Executive & Growth Director	2,636	170	2,806
Communities Health, Well Being, Sport & Leisure	2,446	5,226	7,672
Strategic Housing, City Development, Housing Needs & Homelessness, Customer Services, Welfare Reform, Revenues, Benefits & Business Rates, Democratic Services	4,096	759	4,855
Communications, Tourism & Culture	1,860	1,061	2,921
Environment and City Management	(1,149)	5,955	4,806
Chief Finance Officer	2,318	8	2,326
City Solicitor & Head of HR	2,651	168	2,819
Housing Revenue Account	(226)	(1,139)	(1,365)
Strata Service Solutions Ltd	-	604	604
Net Cost of Services	14,632	12,812	27,444
Other income and expenditure	(15,603)	(8,429)	(24,032)
(Surplus) or Deficit on Provision of Services	(971)	4,383	3,412

Opening General Fund and HRA Balance at 1 April 2019	(24,217)
Add surplus on General Fund and HRA Balance in Year	(971)
Closing General Fund and HRA Balance at 31 March 2020	(25,188)

Analysed between General Fund and HRA Balances	General Fund	HRA	Total
Opening Balance at 1 April 2019	(13,917)	(10,300)	(24,217)
(Surplus) or Deficit in Year	(745)	(226)	(971)
Closing General Fund and HRA Balance at 31 March 2020	(14,662)	(10,526)	(25,188)

CORE FINANCIAL STATEMENT

Movement in Reserves Statement

	General Fund Working Balance (£'000)	Earmarked Reserves (£'000)	Sub total General Fund Total *	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Total Usable Reserves (£'000)	Unusable Reserves (£'000)	Total Authority Reserves (£'000)
Balance at 31 March 2018	(4,691)	(7,814)	(12,505)	(10,469)	(14,011)	(11,227)	(10,352)	(58,564)	(288,079)	(346,643)
Reclassification of financial instruments	187	-	187	-	-	-	-	187	(187)	0
Statutory reversal for pooled investment funds	(187)	-	(187)	-	-	-	-	(187)	187	0
Adjusted Balance at 1 April 2018	(4,691)	(7,814)	(12,505)	(10,469)	(14,011)	(11,227)	(10,352)	(58,564)	(288,079)	(346,643)
Movement in Reserves during 2018-2019:										
Total Comprehensive Income & Expenditure	8,095	-	8,095	(3,140)	-	-	-	4,955	(15,243)	(10,288)
Adjustments between Accounting basis and funding basis under statutory provisions (Note 9)	(9,507)	-	(9,507)	3,309	(1,916)	(3,101)	1,605	(9,610)	9,610	0
Transfers to / (from) Earmarked Reserves	1,708	(1,708)	0	-	-	-	-	0	-	0
(Increase) / Decrease in 2018-2019	296	(1,708)	(1,412)	169	(1,916)	(3,101)	1,605	(4,655)	(5,633)	(10,288)
Balance at 31 March 2019 carried forward	(4,395)	(9,522)	(13,917)	(10,300)	(15,927)	(14,328)	(8,747)	(63,219)	(293,713)	(356,932)

*A new column has been inserted for the Total General Fund Balance to include earmarked reserves, which also forms part of the General Fund

CORE FINANCIAL STATEMENT

Movement in Reserves Statement

	General Fund Working Balance (£'000)	Earmarked Reserves (£'000)	Sub total General Fund Total	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Total Usable Reserves (£'000)	Unusable Reserves (£'000)	Total Authority Reserves (£'000)
Balance at 31 March 2019 carried forward	(4,395)	(9,522)	(13,917)	(10,300)	(15,927)	(14,328)	(8,747)	(63,219)	(293,713)	(356,932)
Movement in Reserves 2019-2020:										
Total Comprehensive Income & Expenditure	6,835	-	6,835	(3,423)	-	-	-	3,412	(14,979)	(11,567)
Adjustments between accounting basis and funding basis under statutory provisions (Note 9)	(7,580)	-	(7,580)	3,197	1,838	2,408	438	301	(301)	0
Transfers to / (from) Earmarked Reserves	(715)	715	0	-	-	-	-	0	0	0
(Increase) / Decrease in 2019-2020	(1,460)	715	(745)	(226)	1,838	2,408	438	3,713	(15,280)	(11,567)
Balance at 31 March 2020 carried forward	(5,855)	(8,807)	(14,662)	(10,526)	(14,089)	(11,920)	(8,309)	(59,506)	(308,993)	(368,499)

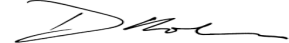
CORE FINANCIAL STATEMENT

Balance Sheet

Restated 2017-18 £'000	Restated 2018-19 £'000		2019-20 £'000	Note
414,118	419,201	Property, Plant and Equipment	437,094	14
39,942	40,144	Investment Property	54,837	15
22,643	22,643	Heritage Assets	22,826	16
601	546	Intangible Assets	514	
5,855	5,931	Long Term Investments	5,695	18
14,231	16,591	Long Term Debtors	24,166	18 & 19
497,390	505,056	Total Long-Term Assets	545,132	
209	206	Inventories	221	
17,030	13,585	Short-Term Debtors	12,095	18, 19 & 20
35,043	36,133	Short-Term Investments	45,192	18
924	818	Assets Held for Sale	3,794	21
5,644	14,712	Cash & Cash Equivalents	17,136	18 & 22
58,849	65,454	Total Current Assets	78,438	
0	(10,099)	Short-Term Borrowing	(925)	18
(17,364)	(20,333)	Short-Term Creditors	(25,010)	18 & 23
(1,893)	(3,183)	Provisions	(3,495)	42
(19,257)	(33,615)	Total Current Liabilities	(29,430)	
(66,935)	(59,035)	Long term borrowing	(109,490)	18
(9,646)	(8,695)	Capital Grants Receipts in Advance	(7,990)	18 & 34
(190)	(200)	Long-Term Creditors	(1,931)	18
(113,568)	(112,033)	Pension Scheme Liability	(106,230)	40
(190,339)	(179,963)	Total Long-Term Liabilities	(225,641)	
346,643	356,932	Net Assets	368,499	
Financed by:				
58,564	63,219	Usable Reserves	59,506	24
288,079	293,713	Unusable Reserves	308,993	25
346,643	356,932	Total Reserves	368,499	

A prior period adjustment was identified which resulted in retrospective restatement of the 2018/19 Balance Sheet, please refer to Note 41 for details.

These financial statements replace the unaudited financial statements certified by the Responsible Financial Officer, Dave Hodgson, on 31 July 2020.



Dave Hodgson, CPFA, Director Finance

CORE FINANCIAL STATEMENT

Cash Flow Statement

2018-19 £'000		2019-20 £'000	Notes
4,955	Net (surplus) or deficit on the provision of services	3,412	
(30,852)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(28,392)	
7,107	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	8,989	
(18,790)	Net cashflows from Operating Activities	(15,991)	26
13,753	Investing Activities	55,498	27
(4,031)	Financing Activities	(41,931)	28
(9,068)	Net (Increase) or decrease in cash and cash equivalents	(2,424)	
5,644	Cash and cash equivalents at the beginning of the reporting period	14,712	
14,712	Cash and cash equivalents at the end of the reporting period	17,136	

1. ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, supported by International Financial Reporting Standards (IFRS) and statutory guidance.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of income and expenditure

Income and expenditure is accounted for in the year activity takes place, not simply when cash payments are made or received. In particular;

Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when or as the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date received and consumption, they are carried forward as inventories on the Balance Sheet.

Capitalisation of borrowing costs The authority has a policy of capitalising borrowing costs. No borrowing costs have been capitalised by the Council up to 2019/20.

Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when the payments are made.

VAT payable is included as an expense only to the extent that it is irrecoverable. VAT receivable is excluded from income.

Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Creditors and Debtors

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Capital receipts

Capital receipts are sums received by the authority from the sale of assets. Receipts arising from Housing Right to Buy sales may be retained providing the local authority has signed an agreement to re-invest the receipts in the provision of replacement homes within 3 years. Exeter City Council entered into such an agreement on 27 June 2012. The balance of receipts remain in the Capital Receipts Reserve and can then only be used for new capital investment or to repay debt.

A de minimis level has been agreed in respect of all capital receipts and any receipts from the sale of an asset which total less than £10,000 are accounted for as income in the income & expenditure account.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the authority's cash management.

Contingent assets and liabilities

Contingent assets and liabilities arise where an event has taken place, but the potential asset or possible obligation will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. They are not recognised in the Balance Sheet, but are disclosed by way of a note to the accounts.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Council tax and non-domestic rates (NDR)

Exeter City Council is a billing authority and acts as an agent, collecting council tax and NDR on behalf of the major preceptors (including government for NDR) and, as principal, collecting council tax and NDR for itself. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR.

Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionally the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. The difference between the income included within the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the financing and investment income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

Pool of Authorities for Non Domestic Rates

The Local Government Finance Act 2012 permits the Secretary of State to designate two or more relevant authorities as a pool of authorities. Exeter City Council is party to such a pool and recognises its share of the income and expenditure (and debtors and creditors) in accordance with the agreed arrangements for distribution of the pool together with accounting requirements.

NOTES TO THE FINANCIAL STATEMENTS

Employee benefits

Benefits Payable During Employment

Short-term employee benefits include wages and salaries, paid annual leave and paid sick leave for current employees. They are recognised as an expense in the year in which the employees render service to the authority. An accrual is made for the cost of annual leave and flexible hours earned but not taken before the year-end that employees can carry forward into the next financial year. The accrual is charged to the relevant service but reversed out through the Movement in Reserves Statement so that the entitlements are charged to revenue in the financial year in which the absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment or for the officer to take voluntary redundancy before the normal retirement date. They are charged to the Comprehensive Income and Expenditure Statement when the authority is committed to the termination of employment.

Where the termination benefits involve the enhancement of pensions, statutory provisions require the General Fund to be charged with the amount payable by the authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, the notional debits and credits are replaced with the debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment Benefits

Employees of the authority are members of the Local Government Pension Scheme, which is administered by Devon County Council. The Local Government Pension Scheme (LGPS) is a defined benefit scheme (retirement lump sums and pensions) earned as employees worked for the authority.

The Pensions Fund's Actuary has provided updated figures for the year based on the last valuation as at 31 March 2019.

The liabilities of the pension fund attributable to the authority have been measured on an actuarial basis using the projected unit method – an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate that equates to the annualised Merrill Lynch AA rated corporate bond yield curve.

The assets of the pension fund attributable to the authority are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unlisted securities - current bid price
- property – market value

The change in the net pensions liability is analysed into the following components:

Service cost

- **Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- **Past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – charged to the Comprehensive Income and Expenditure Statement.

NOTES TO THE FINANCIAL STATEMENTS

- **Net interest on the defined benefit liability (asset)** – the change during the year in the net defined benefit liability (asset) that arises from the passage of time charged to the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability (asset) at the beginning of the year, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Re-measurements

- **The return on plan assets** – excluding amounts included in net interest on the defined benefit liability (asset).
- **Actuarial gains and losses** – changes in the net pension liability that arises because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions.

Contributions paid to the pension fund

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

The treatment of the above has been mirrored in the Housing Revenue Account where full disclosure has been included.

McCloud Judgement

An allowance has been made for the Court of Appeal's judgement in relation to the McCloud and Sargeant cases, which relates to age discrimination. The Government released a statement to confirm that it expects to have to amend all public service schemes, including the LGPS. The estimated impact on total liabilities at 31 March 2020 has been allowed for as a past service cost and has resulted in a slight increase in the defined benefit obligation as at 31 March 2020. The projected service cost has also increased as a result of this additional allowance.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by

the authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means the notional debits and credits for retirement benefits are removed and replaced with the debits for cash paid (or due to be paid at year end). These movements are appropriated to the Pension Reserve.

The negative balance on the Pension Reserve reflects the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as earned by employees.

Discretionary Benefits

The authority has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities are accrued in the year of the decision to make the award and accounted for using the same policies applied to the Local Government Pension Scheme.

Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but disclosure of the nature and an estimate of the financial impact is made in the notes to the accounts, if material.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. For all the Council's borrowings, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. The authority holds financial assets measured at:

- Amortised cost
- Fair value through profit and loss (FVPL)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual cash flows are not solely payment of principal and interest.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable is based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year.

However, the authority has made a number of loans at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact on the General Fund Balance is the interest receivable for the financial year and is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on de-recognition of an asset are credited or debited to the Comprehensive Income and Expenditure Statement.

Financial Assets Measured at Fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised in the Surplus or Deficit on the Provision of Services.

However, for financial assets deemed to be pooled investment funds, e.g. CCLA Property Fund, statutory regulations are in place until 31 March 2023 that permit fair value gains and losses to be reversed out of the General Fund balance to the Financial Instruments Adjustment Account.

NOTES TO THE FINANCIAL STATEMENTS

Fair value measurements of financial assets

Fair value of an asset is the price that would be received in an orderly transaction between market participants at the measurement date, based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow

Accounting standards provide a fair value hierarchy that categorises into three levels the inputs to fair value measurements:

Hierarchy	Inputs
Level 1 inputs	Quoted prices in active markets for identical assets
Level 2 inputs	Inputs that are observable for the asset, either directly or indirectly
Level 3 inputs	Unobservable inputs

Any gains and losses that arise on de-recognition of an asset are credited or debited to the Comprehensive Income and Expenditure Statement.

Expected Credit Loss Model

The authority recognises expected credit losses on most its financial assets held at amortised cost, either on a 12 month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority. Loans with other local authorities and Government investments are excluded, as they are guaranteed to be repaid by statute.

Impairment losses are calculated to reflect expectation that the future cash flows might not take place because the borrower could default on their obligations. Where risk has increased significantly since recognition of an instrument, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on a 12 month expected loss basis.

A collective assessment is carried out for sundry debtor balances in order to determine expected credit losses, as credit risk information is not available on an individual instrument basis. Provision matrices, based on historical experience but updated for future conditions are used.

Changes in loss allowances are debited or credited to the Comprehensive Income and Expenditure Statement. However, any changes relating to capital loans are reversed out to the Capital Adjustment Account.

Government grants and contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments and the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are held as creditors on the Balance Sheet. When the conditions have been satisfied, the grant or contribution is either credited to the relevant service line or to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account when they have been applied to finance capital expenditure.

NOTES TO THE FINANCIAL STATEMENTS

Business Improvement District (BID)

A BID scheme applies for Exeter city centre which is administered by InExeter Ltd. The scheme is funded by a BID levy paid by non-domestic ratepayers. The authority acts as the agent for the scheme and since it is collecting the BID levy income on behalf of InExeter Ltd most BID transactions are not recognised in the Comprehensive Income and Expenditure Statement, except the reimbursement of collection costs and any BID levies payable in respect of Council premises, e.g. the Guildhall.

Community Infrastructure Levy (CIL)

The Council has elected to charge a CIL. The levy is charged on new builds (chargeable developments for the authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy is used to fund infrastructure projects to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions, as set out above.

Heritage assets

The Council has a number of heritage assets. Heritage assets are recognised and measured in accordance with the policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets, as detailed below:

Property / Infrastructure / Statues – the Council owns a range of assets around the City which are of historic value. The Council does not believe that reliable cost or valuation information can be obtained for these items because of the diverse nature of the assets and lack of comparable market values. Consequently, the authority does not recognise these assets on the balance sheet.

Museum Exhibits / Art / Civic Regalia – A non-electronic register of the assets is held by the Museum and Guildhall and from this an insurance valuation has been produced. The Council will use the insurance valuation, as at 31 March 2020, as a measurement of the valuation of the assets. The assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. Impairments and disposals are treated as per the policy on property, plant and equipment.

Interest in companies and other entities

The authority has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures, which require it to prepare group accounts. This most notably includes Exeter City Living Ltd, a residential property development company, which was incorporated under the Companies Act 2006 in June 2018 under a parent holding company, Exeter City Group Ltd.

In the authority's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

Inventories

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

Investment properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way for the delivery of services or is held for sale.

Measurement

Investment properties are initially measured at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS

Valuations

As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Unless market or other factors suggest a different use by market participants would maximise value, it is assumed that current use is the best and highest use.

Gains and losses on revaluation are posted to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains or loss on disposal. However, revaluation and disposal gains and losses are reversed out in the Movement in Reserves Statement and posted to either the Capital Adjustment Account or Capital Receipts Reserve.

Valuation Technique

Three valuation techniques can be applied:

- Market approach – use of prices and other information generated by market transactions
- Cost approach – assessment of the amount required to replace the service capacity of an asset
- Income approach – conversion of future amounts (cash flows) to a single current amount

Accounting standards provide a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value at year-end:

Hierarchy	Inputs
Level 1 inputs	Quoted prices in active markets for identical assets
Level 2 inputs	Other inputs observable for the asset (e.g. comparable properties, adjusted for relative square metres of floor space)
Level 3 inputs	Unobservable inputs (e.g. projected cash flows)

Income from Investment Properties

Rental income is credited to the Financing and Investment Income line and results in a gain to the General Fund balance.

Joint operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to that arrangement.

Joint operations are recognised in the single entity statements by bringing in the authority's share of the assets, liabilities, revenue and expenses of the arrangement.

Exeter City Council, East Devon District Council and Teignbridge District Council each share control of Strata Service Solutions Ltd (Strata), which was incorporated under the Companies Act 2006 for the provision of a shared Information Communications Technology service. The single entity statements for each authority reflect their respective shares of Strata. However, the accompanying notes to the Council's financial statements only include information relating to Strata where this would make a material difference to the usefulness of the notes.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers land and buildings these are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

NOTES TO THE FINANCIAL STATEMENTS

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at the commencement of the lease at its fair value at inception (or the present value of minimum payments, if lower). The asset is matched by a liability for the obligation to pay the lessor.

Initial direct costs are added to the carrying amount and any initial premium paid is applied to write down the lease liability. Contingent rents are charged as expenses in the period incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the asset – applied to write down the lease liability.
- A finance charge debited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement

Property, plant and equipment recognised under finance leases are accounted for using the policies applied generally to such assets. However, depreciation is charged over the term of the lease where this is lower than the useful life.

The authority is not required to raise council tax to fund these charges; however it is required to make a prudent annual contribution from revenue towards the deemed capital investment in accordance with statutory guidance. Depreciation, revaluation and impairment losses are therefore replaced by this contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference.

Operating Leases

Rentals are charged to the relevant service benefitting from the use of the leased asset in the Comprehensive Income and Expenditure Statement on a straight line basis regardless of the pattern of payments (e.g. a rent free period at the commencement of the lease).

The Authority as Lessor

Finance Leases

Where the authority grants a finance lease over a property or an item of plant and equipment, the asset is written out of the Balance Sheet as a disposal. The carrying amount of the asset is written off to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line also as part of the gain or loss on disposal, matched by a long-term debtor in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the asset – applied to write down the lease debtor
- Finance income - credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement

The gain on disposal is not allowed to increase the General Fund balance and is required to be treated as a capital receipt.

Where a premium has been received, this is posted out of the General Fund balance to the Capital Receipts Reserve via the Movement in Reserves Statement. Where the amount due is to be settled by rentals in future financial years, the amount is credited to the Deferred Capital Receipts Reserve and released to the Capital Receipts Reserve when the payments are made, with the actual payment used to write down the long-term debtor.

The written-off value of disposals is not a charge against council tax and is appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the authority grants an operating lease, the asset remains on the Balance Sheet and rental income is credited to Other Operating Expenditure in the Comprehensive Income and

NOTES TO THE FINANCIAL STATEMENTS

Expenditure Statement on a straight line basis regardless of the pattern of payments (e.g. a premium paid at the commencement of the lease). Initial costs are charged to the carrying amount of the asset and charged as an expense on the same basis as rental income.

Overheads and support services

The cost of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance with the following exceptions:

- The Housing Revenue Account is debited with a fair share of support services and overheads in accordance with the Local Government and Housing Act 1989.
- Support services are charged to services that are required to achieve full cost recovery including; building control, land charges, vehicle licensing, licensing of houses in multiple occupation and investment properties.

Prior period adjustments, changes in accounting policies and estimates and errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in estimates are accounted for in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information in respect of the authority's financial position or performance. Where a change is made, it is applied retrospectively by adjusting the opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending the opening balances and comparative amounts for the prior period.

Property, plant and equipment

Assets that have physical substance and are held for the delivery of services, for rental to others or for administration purposes that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis in the accounts. Expenditure that maintains but does not enhance an asset, such as repairs and maintenance is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost. Only those costs that are directly attributable to bringing the asset into working condition for its intended use are included in its measurement. A de minimis level of £10,000 has been agreed for capital expenditure. Any costs below this are charged to revenue. The costs of assets acquired other than by purchase is deemed to be its fair value or in the case of an exchange, the carrying amount of the asset given up by the authority.

Donated Assets

Assets are measured initially at fair value and the difference to the consideration paid is credited to Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement, unless there are conditions. Until the conditions are satisfied, the gain is held in a Donated Assets Account. When gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out in the Movement in Reserves Statement to the Capital Adjustment Account.

NOTES TO THE FINANCIAL STATEMENTS

Balance Sheet Valuation

Assets are carried in the Balance Sheet using the following measurements bases:

Class	Basis of Measurement
Community assets and assets under construction	Historical cost
Council dwellings	Current value based on existing use value – social housing (EUV-SH)
Non-property assets with short useful lives and/or low values and infrastructure	Depreciated historical cost
All other assets	Current value of the asset in its existing use (EUV). Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used

Revaluations

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. A full valuation is performed on a rolling basis to cover 20% of assets per annum over a five-year cycle, but with the top 4 highest value assets revalued each year. Assets not included in the full valuation are also assessed in order to ensure that carrying amounts are not materially different to current values at the year-end.

Increases in valuations are matched by credits to the Revaluation Reserve to recognised unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to services.

A decrease in value is accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Impairment reviews are undertaken each year to assess whether there is evidence of a reduction in an asset's value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as a decrease in value, as set out above.

Where an impairment loss is subsequently reversed, it is credited to the relevant service in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and community assets) and assets that are not yet available for use (i.e. assets under construction).

NOTES TO THE FINANCIAL STATEMENTS

The following policies are used for depreciation:

- Newly acquired assets are depreciated from 1 April following their purchase.
- Full year depreciation is charged in the year an asset is disposed.
- A reducing balance method of depreciation is used for vehicles and assumes the following life expectancies and residual values:

Acquisition value	Life expectancy	Residual value
£10,000 – £14,999	6 years	12%
£15,000 - £19,999	7 years	11%
£20,000 - £49,000	6 years	12%
Over £50,000	7 years	4%

- A straight-line method of depreciation is used for the assets below and assumes the following life expectancies:

Asset	Life expectancy	Residual value
Plant & equipment	5 to 10 years	Nil
Infrastructure	20 years	Nil
Operational properties	Up to 60 years (unless otherwise specified)	As specified by the Valuers

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Components

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has a Componentisation Policy and components are determined in accordance with the policy. For example, key components of council dwellings are depreciated on a straight line basis and assume the following life expectancies:

Kitchens	20 years
Bathrooms	30 years
Windows	30 years
Roofs	60 years

Disposals

When an asset is disposed of or decommissioned, the carrying value of the asset is written off in the Comprehensive Income and Expenditure Statement along with any proceeds from the disposal as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve relating to the disposed assets are transferred to the Capital Adjustment Account.

The gain or loss is the amount by which the proceeds are more (gain) or less (loss) than the carrying amount of the fixed asset. Statutory regulations require that the gain or loss on the disposal of assets is reversed out in the Movement in Reserves Statement.

Non-current Assets Held for Sale

When it becomes probable that the carrying value will be recovered principally through a sale transaction, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Fair value is the price that would be received in an orderly transaction between market participants at the measurement date, which should be measured at highest and best use. Fair value for social housing being disposed of under right-to-buy (RTB) legislation is the discounted RTB value.

NOTES TO THE FINANCIAL STATEMENTS

Losses in fair value are charged to the Comprehensive Income and Expenditure Statement. Gains are recognised only up to the amount of any previous losses. Depreciation is not charged on assets held for sale.

If an asset no longer meets the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of the previous carrying amount adjusted for depreciation or revaluations that would have been recognised during that time and their recoverable amount at the date of the decision not to sell.

Assets to be abandoned or scrapped are not reclassified as assets held for sale.

Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation and a reliable estimate can be made of the amount of the obligation. These are charged to the service in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation and held on the Balance Sheet. When payments are eventually made they are charged to the provision carried in the Balance Sheet.

Reserves

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service and the reserve is transferred back into the General Fund Balance so that there is no net charge against council tax.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the authority – these reserves are explained in the relevant policies.

Revenue charges for non-current assets

Services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible assets attributable to the service

The Council is not required to raise council tax to fund these charges; however it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, amortisation, revaluation and impairment losses are therefore replaced by the contribution in the General Fund Balance (referred to as MRP; Minimum Revenue Provision) by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference.

Since the introduction of self-financing for the Housing Revenue Account (HRA) a new statutory framework has been established to allow depreciation to be a real charge. The HRA is required to set aside an amount equal to depreciation into the Major Repairs Reserve.

Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service account in the Comprehensive Income and Expenditure Statement. Where it is funded by capital resources or borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account is made so that there is no impact on the level of Council Tax.

2. Accounting Standards that have been Issued but not yet Adopted

Local authorities are required to report the impact of accounting changes that will be required by a new standard that has been issued but not yet adopted. For this disclosure, the standards introduced by the 2020/21 Code and effective from 1 April 2020, include:

- Amendments to IAS 28 Investments in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 cycle;
 - IFRS 3 Business Combinations and IFRS 11 Joint Arrangements
 - IAS 12 Income Taxes
 - IAS 23 Borrowing Costs
- Amendments to IAS 19 Employee Benefits; plan amendment, curtailment or settlement

The impact of these accounting changes are not yet known or reasonably estimable. However, the Code does not anticipate that the amendments will have a material impact on the information provided in the local authority financial statements.

The implementation of IFRS 16, Leases, which was intended to apply from 2020/21, has been deferred until 2021/22 and the impact is not known or reasonably estimable at 31 March 2020.

3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Covid-19 Pandemic

The emergence and spread of Coronavirus since the reporting date have required critical judgements to be applied in determining whether post balance sheet events are adjusting or not adjusting. Decisions have been taken on a transaction by transaction basis, including impact assessments of the pandemic on the authorities' financial assets and exposure to risk of default and expected credit losses.

Group Accounts

The Council is the sole shareholder of Exeter City Group Ltd and Exeter Business Centre Ltd, it has an associate interest in Exeter Canal and Quay Trust Ltd, a 19.9% shareholding in the Exeter Science Park Ltd, a 16.66% shareholding in the Monkerton Heat Company Limited and a 20% shareholding in Dextco Limited. It has been determined that group accounts are required, however non-material interests are excluded.

Joint Operation

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

NOTES TO THE FINANCIAL STATEMENTS

- The three authorities have joint control of the entity. Each authority has one nominated Director and each Director has one vote. The Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the company with decisions made collectively and unanimously.
- The Company is required by the Councils to carry out the tasks as set out in the Business Plans and Service Plans and is limited to the business and objectives as set by the Councils
- The Company's revenue derives from the financial allocations set and controlled by each of the Councils
- There are no plans for Strata to do anything other than provide services to the three authorities. The Company has been established as an in-house mutual trading local authority controlled company to assist them in the provision of services.

Joint operations are not consolidated into group accounts; instead each authority has recognised in its financial statement its share of assets, liabilities, revenue and expenses pertaining to Strata Service Solutions Ltd. Please refer to Note 36 for more details.

4. Events After the Reporting Period

The Statement of Accounts was authorised for issue by the Director Finance, D Hodgson CPFA, on 30 November 2020. Events taking place after this date are not reflected in the 2019/20 financial statements or notes. Where events took place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events, which took place after 31 March 2020, as they provide information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date:

- The announcement of Government support after 31 March for losses incurred before that date.
- Evidence of market conditions after 31 March that show recovery or worsening of the value of assets at that date.
- Longer term regulations on social distancing that will significantly reduce the extent to which assets can be used.

NOTES TO THE FINANCIAL STATEMENTS

5. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Council's Balance Sheet, for which there is a significant risk of material adjustment are as follows:

Item	Uncertainties	Effect if actual result differs from Assumptions
Pensions liability	<p>Estimates of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Those assumptions are detailed in Note 40 to the accounts. The carrying value of this long term liability at the end of the reporting period was £106.231m.</p> <p>For 2019/20, the actuarial report was requested using February cash-flows and March asset values (rather than the usual February asset values) due to the impact of the Covid-19 pandemic on pension fund investments and market volatility, in order to reduce the risk of material differences. However, a material uncertainty has been identified on the valuations of pooled property investment funds as a result of Covid-19. These assets are material to the Devon Pension Fund at 31 March 2020. The Council's share of these pooled funds would be material to the Council's net pension liability and presents a material uncertainty on the valuations of the Council's pension fund assets.</p> <p>An allowance has also been made for the Court of Appeal judgement in relation to the McCloud and Sargeant cases which relate to age discrimination. The allowance is an estimate of the potential impact on the Employer's defined benefit obligation based on analysis carried out by the Government Actuary's Department and the Employer's liability profile. It is not yet clear how this judgement may affect LGPS members' past or future service benefits.</p>	<p>The impact of a change in the actuarial assumptions will be to increase or decrease the net pension liability shown in the Balance Sheet. For example, a 0.1% increase in the discount rate would result in a decrease of £4.346m in the pension liability and £0.143m in the Projected Service Cost. However the assumptions interact in a complex way. During the year the actuaries have reduced the liability by £25.048m as a result of assumptions being updated.</p> <p>These changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from council tax.</p>

NOTES TO THE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if actual result differs from Assumptions
<p>Valuation of Property, Plant and Equipment</p>	<p>The Council operates a rolling programme of valuation reviews which ensures all assets are revalued at intervals no greater than five years with; 20% of assets revalued each year, the top 4 highest value assets revalued every year and a desktop valuation undertaken for those assets not subject to the rolling revaluation.</p> <p>The Council's in-house valuer applies professional judgement in respect of the current value of assets including assumptions on property condition where no inspection data is available, that properties meet minimum EPC rating requirements, properties are not contaminated and are free of radon gas. Valuations are undertaken in accordance with Royal Institute of Chartered Surveyors (RICS) guidance.</p> <p>Due to the outbreak of Covid-19 it was not possible to inspect every asset due to restrictions imposed by the Government, however the valuer maintains knowledge of property conditions through their ongoing involvement with Corporate Property management services.</p> <p>RICS issued guidance in relation to Covid-19, which has resulted in this year's valuations reported on the basis of "material valuation uncertainty". This means that less certainty and a higher degree of caution should be attached to valuations than would normally be the case. As the future impact of Covid-19 on real estate markets is unknown, property valuations will be kept under review. To mitigate this uncertainty, the valuer has assessed the valuations after the reporting date and considered whether more evidence relating to conditions at 31 March 2020 is available, which would result in a material change to the valuations and none were identified for revision.</p>	<p>In 2019/20 £390.421 million of PPE was subject to a revaluation and a variation of 1% in the value of these assets would result in a change in the carrying amount of £3.9 million in the Balance Sheet.</p>

NOTES TO THE FINANCIAL STATEMENTS

Item	Uncertainties	Effect if actual result differs from Assumptions
Expected Credit Losses	<p>At 31 March 2020, the authority had a balance of £14.193m for short-term debtors. A review of significant balances suggested that a loss allowance for doubtful debts totalling £3.122m was appropriate.</p> <p>The loss allowance was based upon historically observed rates of recovery adjusted for future expectations of recovery for each type of debtor. The economic outlook for the authority's financial assets as a result of the Covid-19 pandemic was taken into account using available evidence of the impact on collection rates. However, the Council cannot be certain that this impairment allowance is sufficient to offset any losses through non-payment debts. This is due to the uncertainty around which organisations and individuals may become economically unviable due to the impact of the pandemic.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of impairment of doubtful debts would require an additional £3.122m to be set aside as an allowance.</p>
Investment Properties	<p>Investment properties are required to be measured at fair value, reflecting market conditions at the end of the reporting period (i.e. 31 March 2020). The Authority uses significant unobservable inputs to measure the fair value of its investment properties including assumptions regarding rent growth and yield.</p> <p>The valuations for 2019/20 have been issued with a 'material valuation uncertainty' disclosure in accordance with the RICS Valuation Practice Alert, due to an increase in volatility and uncertainty in markets following the outbreak of Covid-19. To mitigate this uncertainty, the valuer has assessed the valuations after the reporting date and considered whether more evidence relating to conditions at 31 March 2020 is available, which would result in a material change to the valuations and none were identified for revision.</p>	<p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.</p>
Business rates	<p>The Council receives income from business rates which forms part of its funding of its revenue budget. Due to the uncertain impact of Covid-19 on businesses and potential rateable value appeals it is possible that current assumptions may not be fully accurate.</p>	<p>Whilst the uncertainty around Covid-19 means any estimate of the impact would be highly uncertain, the impact would feed through in to the collection fund balance which would then be taken account of in future years' budgets.</p>

NOTES TO THE FINANCIAL STATEMENTS

6. Note to the Expenditure and Funding Analysis

Restated Adjustments between Funding and Accounting Basis 2018-1				
	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	(Note 6.1)	(Note 6.2)	(Note 6.3)	
	£'000	£'000	£'000	£'000
Chief Executive & Growth Director	-	167	-	167
Communities Health, Well Being, Sport & Leisure	3,393	223	(35)	3,581
Strategic Housing, City Development, Housing Needs & Homelessness, Customer Services, Welfare Reform, Revenues, Benefits & Business Rates, Democratic Services	534	843	112	1,489
Communications, Tourism & Culture	1,015	404	-	1,419
Environment and City Management	5,228	1,250	2,670	9,148
Chief Finance Officer	-	(1,087)	-	(1,087)
City Solicitor & Head of HR	-	145	-	145
Housing Revenue Account	(793)	218	(1,533)	(2,108)
Strata Service Solutions Ltd	-	-	569	569
Net Cost of Services	9,377	2,163	1,783	13,323
Other income and expenditure from the Expenditure and Funding Analysis	(7,517)	2,933	(2,541)	(7,125)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	1,860	5,096	(758)	6,198
Adjustments between Funding and Accounting Basis 2019-20				
	Adjustments for Capital Purposes	Net change for the Pensions Adjustments	Other Differences	Total Adjustments
	(Note 6.1)	(Note 6.2)	(Note 6.3)	
	£'000	£'000	£'000	£'000
Chief Executive & Growth Director	-	166	4	170
Communities Health, Well Being, Sport & Leisure	4,945	260	21	5,226
Strategic Housing, City Development, Housing Needs & Homelessness, Customer Services, Welfare Reform, Revenues, Benefits & Business Rates, Democratic Services	75	796	(112)	759
Communications, Tourism & Culture	632	418	11	1,061
Environment and City Management	1,713	1,317	2,925	5,955
Chief Finance Officer	-	2	6	8
City Solicitor & Head of HR	(122)	267	23	168
Housing Revenue Account	341	219	(1,699)	(1,139)
Strata Service Solutions Ltd	-	-	604	604
Net Cost of Services	7,584	3,445	1,783	12,812
Other income and expenditure from the Expenditure and Funding Analysis	(9,817)	2,725	(1,337)	(8,429)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(2,233)	6,170	446	4,383

Restated to reflect the inclusion of earmarked reserves in the total General Fund Balance, therefore movement in earmarked reserves no longer reported as an adjustment

NOTES TO THE FINANCIAL STATEMENTS

Note 6.1: Adjustments for Capital Purposes

Adjustments for capital purposes reflect:

- **For services** this column adds in depreciation and impairment and adjusts for revenue expenditure funded from capital under statute and removes the revenue contribution to capital made by the Housing Revenue Account.
- **Other income and expenditure from the Expenditure and Funding Analysis** adjusts for statutory charges for capital financing i.e. Minimum Revenue Provision, Voluntary Revenue Provision and other capital contributions are deducted. It also adjusts for capital disposals with a transfer of the income on the disposal and the amounts written-off. The pooling payment in respect of properties sold under the right-to-buy scheme, capital grants and the gain on donated assets are also recognised.

Note 6.2: Net Change for the Pensions Adjustments

Net changes for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For other income and expenditure from the Expenditure and Funding Analysis** – the net interest on the defined benefit liability is charged to the CIES.

Note 6.3: Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute and other non-statutory adjustments:

- **For services** reflects the Council's proportional shares of Strata Service Solutions cost of services, the removal of investment property net income as this is reported below the net cost of services and the removal of interest costs as they are also reported below the net cost of services.
- **For other income and expenditure from the Expenditure and Funding Analysis** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the financial year and the income recognised under generally accepted accounting practices. This is a timing difference. The adjustments also reflect interest costs and investment property net income, which are reported as financing and investment income and expenditure in the Comprehensive Income and Expenditure Statement.

NOTES TO THE FINANCIAL STATEMENTS

7. Segmental Reporting

The net expenditure figures in the Expenditure and Funding Analysis for the Council's committees include the following particular amounts of income and expenditure:

	Chief Executive £'000	Communities Health, Wellbeing, Sport & Leisure £'000	Strategic Housing, City Development, Housing Needs & Homelessness, Customer Services. £'000	Communications, Tourism & Culture £'000	Environment and City Management £'000	Chief Finance Officer £'000	City Solicitor & Head of HR £'000	Housing Revenue Account £'000
2018-19								
Expenditure								
Benefit payment	-	-	36,541	-	-	-	-	-
Revenue Contribution to Capital	-	-	-	-	-	-	-	4,000
Net interest expense	-	-	-	-	-	-	-	1,534
Depreciation & impairment	-	3,426	228	1,015	5,228	-	-	6,401
Income								
Benefit subsidy	-	-	(34,616)	-	-	-	-	-
Car park income	-	-	-	-	(8,334)	-	-	-
Revenues from other external sources	(5)	(1,106)	(4,666)	(2,555)	(4,700)	(47)	(372)	(19,954)
Revenues from transactions with other operating segments of the authority	(286)	(31)	(370)	(99)	(1,073)	(512)	(380)	(90)
2019-20								
Expenditure								
Benefit payment	-	-	31,950	-	-	-	-	-
Revenue Contribution to Capital	-	-	-	-	-	-	-	2,500
Net interest expense	-	-	-	-	-	-	-	1,701
Depreciation & impairment	-	5,055	55	632	1,641	-	(122)	6,370
Income								
Benefit subsidy	-	-	(30,107)	-	-	-	-	-
Car park income	-	-	-	-	(8,499)	-	-	-
Revenues from other external sources	(240)	(873)	(4,181)	(2,572)	(4,647)	(89)	(328)	(19,716)
Revenues from transactions with other operating segments of the authority	(282)	(35)	(256)	(98)	(896)	(407)	(511)	(90)

8. Expenditure and Income Analysed by Nature

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

	2018-19 £'000	2019-20 £'000
Expenditure:		
Employee benefits expenses	27,240	29,783
Other service expenses	64,533	61,358
Depreciation, amortisation, impairment	16,690	13,989
Interest payments	2,461	3,033
Net interest on the net defined benefit liability	2,854	2,634
Pension Fund administration expenses	79	91
Impairment losses	44	158
Payments to Housing Capital Receipts Pool	1,037	565
Total expenditure	114,938	111,611
Income:		
Fees, charges and other service income	(42,478)	(41,579)
Interest and investment income	(3,689)	(4,104)
Income from council tax, non-domestic rates	(14,328)	(12,755)
Government grants and contributions	(42,481)	(39,776)
Capital grants and contributions	(4,789)	(5,887)
Movements in Financial Instruments held at Fair Value through Profit and Loss	(75)	175
Gain on the disposal of assets	(2,143)	(4,273)
Total income	(109,983)	(108,199)
(Surplus) or Deficit on Provision of Services	4,955	3,412

NOTES TO THE FINANCIAL STATEMENTS

9. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments made to the total Comprehensive Income and Expenditure Statement (CIES) recognised by the authority in accordance with proper accounting practice to arrive at the resources specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against:

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment. The balance is not available to be applied to fund HRA services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The

balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Major Repairs Reserve

The authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

NOTES TO THE FINANCIAL STATEMENTS

	Usable Reserves									
	2018-2019					2019-2020				
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000
Adjustments to the Comprehensive Income and Expenditure Statement										
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:										
~ Pension costs (transferred to or from the Pensions Reserve)	(4,754)	(505)	-	-	-	(5,941)	(473)	-	-	-
~ Financial instruments (transferred to the Financial Instruments Adjustment Account)	105	-	-	-	-	(142)	-	-	-	-
~ Council Tax and NDR (transfers to or from the Collection Fund)	1,380	-	-	-	-	777	-	-	-	-
~ Holiday pay (transferred to the Accumulated Absences Reserve)	-	-	-	-	-	(111)	-	-	-	-
~ Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(7,061)	(7,788)	-	-	29	(3,273)	(7,084)	-	-	(129)
Total Adjustments to the Comprehensive Income and Expenditure Statement	(10,330)	(8,293)	0	0	29	(8,690)	(7,557)	0	0	(129)
Adjustments between Revenue and Capital Resources										
~ Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	128	4,462	(4,590)	-	-	1,532	4,778	(6,310)	-	-
~ Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(55)	55	-	-	-	(53)	53	-	-
~ Payments to the Government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1,037)	-	1,037	-	-	(565)	-	565	-	-
~ Posting of HRA resources from revenue to the Major Repairs Reserve	-	3,195	-	(3,195)	-	-	3,529	-	(3,529)	-
~ Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	608	-	-	-	-	693	-	-	-	-
~ Voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account)	423	-	-	-	-	(582)	-	-	-	-
~ Adjustment to Long Term Debtor Repayments	-	-	(3)	-	-	-	-	-	-	-
~ Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	701	4,000	-	-	-	32	2,500	-	-	-
Total Adjustments between Revenue and Capital Resources	823	11,602	(3,501)	(3,195)	0	1,110	10,754	(5,692)	(3,529)	0
Capital Financing Adjustments										
~ Use of the Capital Receipts Reserve to finance capital expenditure	-	-	1,587	-	-	-	-	7,530	-	-
~ Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	94	-	-	-	-	5,937	-
~ Application of capital grants to finance capital expenditure	-	-	-	-	1,576	-	-	-	-	567
~ Cash payments in relation to deferred capital receipts	-	-	(2)	-	-	-	-	-	-	-
Total Capital Financing Adjustments	0	0	1,585	94	1,576	0	0	7,530	5,937	567
Total Adjustments	(9,507)	3,309	(1,916)	(3,101)	1,605	(7,580)	3,197	1,838	2,408	438

NOTES TO THE FINANCIAL STATEMENTS

10. Movements in Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide funding for future expenditure plans and the amounts posted back from earmarked reserves to meet expenditure in the year. There are no HRA earmarked reserves.

	Balance 31 March 2018 £'000s	Transfers in £'000s	Transfers out £'000s	Balance 31 March 2019 £'000s	Transfers in £'000s	Transfers out £'000s	Balance 31 March 2020 £'000s
New Homes Bonus	979	566	(688)	857	189	(335)	711
Transformation	1,500	-	(229)	1,271	-	(796)	475
Capital Fund	790	-	-	790	-	(290)	500
Other Planning Reserves	146	914	-	1,060	146	(182)	1,024
Leisure Reserves	624	364	(131)	857	-	(448)	409
Economic Development	40	-	-	40	-	(34)	6
Housing GF Reserves	204	11	(105)	110	300	(9)	401
Redundancy Reserve	200	250	(161)	289	-	(80)	209
Museum Reserves	416	1,018	(60)	1,374	316	(262)	1,428
NNDR Deficit	1,651	-	(1,090)	561	-	(561)	0
Building Control Reserve	142	2	(70)	74	-	(26)	48
Land Charges Reserve	0	254	-	254	25	-	279
Other Earmarked Reserves	838	967	(95)	1,710	1,651	(321)	3,040
Strata Usable Reserves	284	-	(9)	275	2	-	277
Total	7,814	4,346	(2,638)	9,522	2,629	(3,344)	8,807

NOTES TO THE FINANCIAL STATEMENTS

11. Other Operating Expenditure

	2018-19 £'000	2019-20 £'000
Pension Fund Administration Expenses	79	91
Payment to the Government's Housing Capital Receipt Pool	1,037	565
(Gain) / losses on the disposal of non-current assets	(2,143)	(4,273)
(Gain) / losses on disposal of assets - Strata Service Solutions Ltd	-	-
	(1,027)	(3,617)

12. Financing and Investment Income and Expenditure

	2018-19 £'000	2019-20 £'000
Interest payable and similar charges	2,461	3,033
Net interest on the net defined benefit liability	2,792	2,574
Net interest on the net defined benefit liability - Strata Service Solutions Ltd	62	60
Interest receivable	(994)	(1,464)
Income and expenditure in relation to investment properties and changes in their fair value	(2,823)	(2,774)
Other investment income and expenditure	131	137
Movements in Financial Instruments held at Fair Value through Profit and Loss	(75)	175
Impairment losses	44	158
Interest receivable - Strata Service Solutions Ltd	(3)	(3)
	1,595	1,896

13. Taxation and Non-specific Grant Income

	2018-19 £'000	2019-20 £'000
Council tax income	(5,604)	(5,826)
Non-domestic rates	(8,724)	(6,929)
Non-ringfenced government grants	(3,127)	(3,669)
Capital grants and contributions	(4,789)	(5,887)
	(22,244)	(22,311)

NOTES TO THE FINANCIAL STATEMENTS

14. Property, Plant and Equipment

	Council Dwellings and Garages £'000s	Other Land and Buildings £'000s	Vehicles, Plant & Equipment £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Surplus Assets £'000s	Assets under Construction £'000s	Total Property, Plant and Equipment £'000s
Cost or valuation								
As at 1 April 2018	261,142	128,728	18,259	4,252	4,934	-	11,689	429,004
Additions	4,850	3,758	967	573	157	-	5,211	15,516
Donations	210	-	-	-	-	-	-	210
Revaluations - Revaluation Reserve	(267)	(3,265)	-	-	-	5,076	-	1,544
Revaluations - CIES	-	20	-	-	-	-	-	20
Impairments - CIES	(3,251)	(3,962)	-	-	-	-	-	(7,213)
Derecognition - disposals	(1,696)	(259)	(43)	-	-	-	-	(1,998)
Reclassifications - held for sale	(818)	-	-	-	-	-	-	(818)
Reclassifications - surplus	(170)	(4,555)	-	-	-	4,754	(29)	0
Reclassifications - AUC	3,619	1,626	-	-	-	-	(5,245)	0
Other movements - Strata Service Solutions Ltd	-	-	(34)	-	-	-	-	(34)
Gross Book Value At 31 March 2019	263,619	122,091	19,149	4,825	5,091	9,830	11,626	436,231
Depreciation and impairments								
At 1 April 2018	-	(952)	(11,231)	(2,703)	-	-	-	(14,886)
Depreciation Charge	(3,075)	(4,530)	(1,362)	(187)	-	-	-	(9,154)
Depreciation written out to Revaluation Reserve	3,010	3,895	-	-	-	-	-	6,905
Impairment - CIES	44	3	-	-	-	-	-	47
Derecognition - disposals	21	-	37	-	-	-	-	58
Accumulative Depreciation At 31 March 2019	0	(1,584)	(12,556)	(2,890)	0	0	0	(17,030)
Balance Sheet amount at 31 March 2019	263,619	120,507	6,593	1,935	5,091	9,830	11,626	419,201
Balance Sheet amount at 1 April 2018	261,142	127,776	7,028	1,549	4,934	0	11,689	414,118

NOTES TO THE FINANCIAL STATEMENTS

	Council Dwellings and Garages £'000s	Other Land and Buildings £'000s	Vehicles, Plant & Equipment £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Surplus Assets £'000s	Assets under Construction £'000s	Total Property, Plant and Equipment £'000s
Cost or valuation								
As at 1 April 2019	263,619	122,091	19,149	4,825	5,091	9,830	11,626	436,231
Additions	8,729	3,005	3,098	529	19	-	19,297	34,677
Donations	-	-	-	-	-	-	-	0
Revaluations - Revaluation Reserve	(4,306)	2,655	-	-	-	(6,631)	-	(8,282)
Revaluations - CIES	-	414	-	-	-	-	-	414
Impairments - CIES	(2,936)	(235)	-	-	-	(132)	-	(3,303)
Derecognition - disposals	(1,868)	-	(1,011)	-	-	-	-	(2,879)
Reclassifications - held for sale	(1,594)	(80)	-	-	-	(2,120)	-	(3,794)
Reclassifications - surplus	-	117	-	-	-	(117)	-	0
Reclassifications - AUC	-	-	-	-	-	-	-	0
Reclassifications - community	-	(20)	-	-	20	-	-	0
Other movements - Strata Service Solutions Ltd	-	-	9	-	-	-	-	9
Gross Book Value At 31 March 2020	261,644	127,947	21,245	5,354	5,130	830	30,923	453,073
Depreciation and impairments								
At 1 April 2018	-	(1,584)	(12,556)	(2,890)	-	-	-	(17,030)
Depreciation Charge	(3,436)	(5,961)	(1,226)	(215)	-	-	-	(10,838)
Depreciation written out to Revaluation Reserve	3,317	7,545	-	-	-	-	-	10,862
Impairment - CIES	95	-	-	-	-	-	-	95
Derecognition - disposals	24	-	908	-	-	-	-	932
Accumulative Depreciation At 31 March 2020	0	0	(12,874)	(3,105)	0	0	0	(15,979)
Balance Sheet amount at 31 March 2020	261,644	127,947	8,371	2,249	5,130	830	30,923	437,094
Balance Sheet amount at 1 April 2019	263,619	120,507	6,593	1,935	5,091	9,830	11,626	419,201

NOTES TO THE FINANCIAL STATEMENTS

Revaluations

The frequency of revaluations and significant assumptions applied in estimating fair value are set out in the statement of accounting policies. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuations are carried out by the Council's in-house valuers; registered with the Royal Institution of Chartered Surveyors.

	Council Dwellings and Garages £'000s	Other Land and Buildings £'000s	Vehicles, Plant & Equipment £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Surplus Assets £'000s	Assets under Construction £'000s	Total Property, Plant and Equipment £'000s
Carried at historical cost	-	-	21,245	5,354	5,130	-	30,923	62,652
Valued at current value as at:								
31 March 2016	-	-	-	-	-	-	-	0
31 March 2017	-	-	-	-	-	-	-	0
31 March 2018	-	-	-	-	-	-	-	0
31 March 2019	-	-	-	-	-	-	-	0
31 March 2020	261,644	127,947	-	-	-	830	-	390,421
Gross Book Value At 31 March 2020	261,644	127,947	21,245	5,354	5,130	830	30,923	453,073

Capital Commitments

At 31 March 2020, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2020/21 and future years budgeted to cost £39m. Similar commitments at 31 March 2019 were £51.71m. The major commitments are:

- £24.33m St Sidwells Point Leisure Complex
- £ 6.25m Extra Care Scheme
- £ 4.10m Bus Station construction
- £ 4.32m Other (new construction, grants, IT and property improvements)

NOTES TO THE FINANCIAL STATEMENTS

15. Investment Properties

The following items of income and expenditure have been accounted for in the Financing and Investment income and expenditure line in the CIES:

	2018-19	2019-20
	£'000	£'000
Rental income from investment property	3,158	3,500
Direct operating expenditure arising from investment property	(549)	(497)
Net gain	2,609	3,003

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

Fair Value Hierarchy

Details of the authority's investment properties and information about fair value hierarchy as at 31 March 2020 and comparatives as at 31 March 2019 are as follows:

Class of Asset	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2019 £'000
Industrial	4,012	4,012
Retail	28,577	28,577
Leisure	3,626	3,626
Other Commercial	3,929	3,929
Total	40,144	40,144

Class of Asset	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2020 £'000
Industrial	4,150	4,150
Retail	28,335	28,335
Leisure	3,967	3,967
Office	14,084	14,084
Other Commercial	4,301	4,301
Total	54,837	54,837

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

	2018-19	2019-20
	£'000	£'000
Balance at 1 April	39,942	40,144
Additions :		
Purchases	-	14,922
Construction	-	-
Subsequent expenditure	-	-
Disposals	(12)	-
Net gains / losses from fair value adjustments	214	(229)
Transfers:		
to/from Property, Plant & Equipment	-	-
Balance at 31 March	40,144	54,837

Valuation Techniques used to Determine Level 3 Fair Values for Investment Properties

Significant Observable Inputs – Level 3

The industrial, retail, leisure and other commercial assets in the portfolio are valued using the income approach, where the

NOTES TO THE FINANCIAL STATEMENTS

expected cash flows from the properties are discounted utilising market derived rates. This is used to establish the present value of the net income.

This approach has been developed using internal data supplemented where possible with evidence from analysis of relevant recent market transactions and external market reports/reviews. This requires a number of assumptions such as the duration and timing of cash flows, current market rental value, rent growth, occupancy levels, void periods, covenant strength, risk and maintenance costs (where appropriate) etc.

The industrial, retail, leisure and other commercial assets are therefore categorised as level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine fair value. There is no reasonably available information which indicates market participants would use alternative assumptions.

Highest and Best Use of Investment Properties

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

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

	Fair value as at 31 March 2020					Fair value as at 31 March 2020
	Industrial	Retail	Leisure	Office	Other Commercial	
Level 3 fair value measurements	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	4,012	28,577	3,626	-	3,929	40,144
Gains/(losses) recognised in the CIES resulting from changes in the fair value	138	(242)	341	(838)	372	(229)
Additions/Transfers	-	-	-	14,922	-	14,922
Disposals	-	-	-	-	-	0
Level 3 balance at 31 March	4,150	28,335	3,967	14,084	4,301	54,837

Quantitative Information about Fair Value Measurement of Investment Properties using Significant Unobservable Inputs

Property type	Lease type	Rent type	Fair value as at 31 March 2020 £'000	Valuation technique used to measure fair value	Unobservable inputs	Range / percentage used	Sensitivity
Industrial	Commercial	Market	1,424	Income approach	Rent & Yield	Rent £3.50 - £8 psf Yield 8 - 10%	Significant changes in rental levels or yield will result in a significantly lower or higher fair value
	Ground	Nominal	1,269	Income approach	Rent & Yield	Rent £3.50 - £8 psf Yield 5 - 6%	Significant changes in rental levels or yield will not result in a significant difference to the fair value
	Ground	Gearred	1,458	Income approach	Yield	Yield 5 - 6%	Significant changes in yield will result in a significantly lower or higher fair value
Retail	Commercial	Market	10,925	Income approach	Rent & Yield	Rent £13.50 (neighbourhood)- £52 (city centre secondary)psf ITZA. Yield 10 - 15%	Significant changes in rental levels or yield will result in a significantly lower or higher fair value
	Ground	Nominal	2,789	Income approach	Rent & Yield	Rent £20 (out of town)- £150 (High St) psf ITZA. Yield 6 - 10.5%	Significant changes in rental levels or yield will not result in a significant difference to the fair value
	Ground	Gearred	14,620	Income approach	Yield	Yield 5 - 7%	Significant changes in yield will result in a significantly lower or higher fair value
Leisure	Commercial	Turnover	3,967	Income approach	Yield	Yield 10 - 17%	Significant changes in yield will result in a significantly lower or higher fair value
Office	Commercial	Market	14,084	Income approach	Rent & Yield	Rent £16 - £17.30 psf Yield 6-7%	Significant changes in rental levels or yield will result in a significantly lower or higher fair value
Other commercial	Commercial	Market	3,716	Income approach	Rent & Yield	Rent £5 - £10 psf Yield 10 - 15%	Significant changes in rental levels or yield will result in a significantly lower or higher fair value
	Ground	Gearred	133	Income approach	Yield	Yield 7.5%	Significant changes in yield will result in a significantly lower or higher fair value
	Ground	Nominal	452	Income approach	Yield	Yield 5.5 - 12%	Significant changes in yield will not result in a significant difference to the fair value

NOTES TO THE FINANCIAL STATEMENTS

16. Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority

	Museum Exhibits £'000	Civic Regalia and Paintings at the Guildhall £'000	Artefacts at St Nicholas Priory £'000	Total £'000
Cost or Valuation				
1 April 2018	19,817	2,663	163	22,643
Additions	-	-	-	0
Disposals	-	-	-	0
Revaluations	-	-	-	0
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	0
Impairment Losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	0
31 March 2019	19,817	2,663	163	22,643
Cost or Valuation				
1 April 2019	19,817	2,663	163	22,643
Additions	-	-	-	0
Disposals	-	-	-	0
Revaluations	183	-	-	183
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	0
Impairment Losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	0
31 March 2020	20,000	2,663	163	22,826

17. Further Information on the Collections

St Nicholas Priory

St Nicholas Priory is the 900 year old guest wing of a former Benedictine Priory in Exeter City Centre. Adorned with quality replica furniture and painted in the bright colours of the period, the Priory is presented as the 1602 home of the wealthy Hurst family. The display of Elizabethan items is from the city's collection.

Guildhall

The Guildhall is home to a number of fine art portraits painted between the 17th and 19th Century. They include a portrait of Princess Henrietta Anne, daughter of King Charles I, who was born in Exeter, and a number of other prominent local people. There are a number of portraits by Thomas Hudson including one of George II as Prince of Wales.

Royal Albert Memorial Museum

RAMM cares for a wonderful and diverse collection consisting of approximately one and a half million individual objects and specimens from all over the globe. They are divided into the following curatorial departments: antiquities, ethnography, natural history, decorative and fine arts. The collections contain items of local, national and international importance, and many are of outstanding historical or cultural significance.

Other Heritage Assets

The Council owns a range of assets around the City which are of historic value including; the Roman Wall, Underground Passages, Catacombs and various statues. These have not been valued and do not form part of the figure held in the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS

18. Financial Instruments

Classification of Financial Instruments

The following judgements were made in respect of classifying financial instruments:

- A long-term investment in the CCLA Property Fund is designated at fair value through profit and loss as the contractual terms of the asset do not give rise on specified dates to cash flows that are solely payments of principal and interest
- Money market funds are designated at fair value through profit and loss as the contractual terms of the asset do not give rise on specified dates to cash flows that are solely payments of principal and interest
- Equity shareholdings in other related parties are carried at amortised cost. The Code permits group interests to be accounted for at cost. This is on the basis that the group accounts provide information about the value and performance of these investments
- All other financial liabilities and assets are carried at amortised cost on the basis that the Council holds the financial assets until it collects contractual cash-flows or has a liability to transfer economic benefits under a contractual obligation

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

Financial Assets

	Long-term				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020
Financial Assets	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit or loss	4,949	4,713	-	-	13,010	11,009	-	-
Amortised cost	982	982	16,591	24,166	37,835	51,319	3,800	4,483
Total Financial Assets	5,931	5,695	16,591	24,166	50,845	62,328	3,800	4,483
Non-financial assets	-	-	-	-	-	-	9,785	7,612
Total	5,931	5,695	16,591	24,166	50,845	62,328	13,585	12,095

NOTES TO THE FINANCIAL STATEMENTS

Financial Liabilities

	Long-term				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020
Financial Liabilities	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit or loss	-	-	-	-	-	-	-	-
Amortised cost	59,035	109,490	-	1,707	10,099	925	12,379	11,593
Total Financial Liabilities	59,035	109,490	-	1,707	10,099	925	12,379	11,593
Non-financial liabilities	-	-	8,895	8,214	-	-	7,954	13,417
Total	59,035	109,490	8,895	9,921	10,099	925	20,333	25,010

Current creditors restated to reflect that creditors guaranteed to be settled under statute should be disclosed as non-financial liabilities

Material Soft Loans Made by the Authority

Soft loans are those advanced at below market rates in support of the Council's service priorities. A soft loan of £1m was advanced by the Council towards funding the building of the Science Park centre, in two loan advances of £500,000 with interest charged at 2.55% and 2.62% respectively. The loans are repayable on maturity along with accrued interest in 2023/24.

	2018-19	2019-20
	£'000s	£'000s
Balance at start of year	893	949
New loans granted in the year	-	-
Fair value adjustment on initial recognition	-	-
Accrued interest	56	58
Nominal value at 31 March	949	1,007

Valuation Assumptions

The interest rate at which the fair value of this soft loan has been made is arrived at by taking the authority's prevailing cost of borrowing and adding an allowance for the risk that the loan might not be repaid by Exeter Science Park Ltd.

NOTES TO THE FINANCIAL STATEMENTS

Reclassification of Financial Instruments

During the year the Council has not reclassified any financial instruments, or transferred any financial instruments that would require a change in the recognition of that instrument.

Income, Expense, Gains and Losses

The gains and losses in the Comprehensive Income and Expenditure Account in relation to Financial Instruments for Investments and Borrowing are made up as follows:

	2018-2019 Surplus or Deficit on the Provision of Services £'000s	2019-2020 Surplus or Deficit on the Provision of Services £'000s
Net gains/losses on:		
Financial assets measured at fair value through profit and loss	(75)	175
Financial assets measured at amortised cost	-	-
Financial liabilities measured at fair value through profit and loss	-	-
Financial liabilities measured at amortised cost	-	-
Total net gains/losses	(75)	175
Interest receivable:		
Financial assets measured at fair value through profit and loss	(349)	(431)
Financial assets measured at amortised cost	(645)	(1,034)
Total interest receivable	(994)	(1,464)
Interest payable	2,461	3,033

Changes in the valuation technique

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

NOTES TO THE FINANCIAL STATEMENTS

Fair Value of Financial Assets

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

	Fair Value Level	Valuation technique used to measure fair value	Balance Sheet 31 March 2019 £'000	Fair Value 31 March 2019 £'000	Balance Sheet 31 March 2020 £'000	Fair Value 31 March 2020 £'000
Financial Assets Held at Fair Value						
Financial instruments classified as fair value through profit and loss:						
Money market funds	1	Unadjusted quoted prices in active markets for identical shares	13,010	13,010	11,009	11,009
Local Authorities' Property Fund	1	Unadjusted quoted prices in active markets for identical shares	4,949	4,949	4,713	4,713
Total			17,959	17,959	15,722	15,722

Fair Values of Financial Assets that Are Not Measured at Fair Value

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the authority are carried at amortised cost, as follows:

- The carrying amount of short term creditors and debtors (trade payables and receivables) are considered a reasonable approximation of fair value
- The fair value of finance leases (receivable) have been calculated by discounting the contractual cash-flows at the appropriate PWLB annuity loan rate
- The fair value of long term creditors and capital grants received in advance is assumed to approximate to the carrying value as it is considered unlikely, owing to historical experience, that they will require repayment
- All investments in subsidiaries, associates and joint ventures are measured as financial instruments, however, on the basis that group accounts are prepared which provides information about the value and performance of these investments it is not necessary to supplement with financial instrument valuations

NOTES TO THE FINANCIAL STATEMENTS

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

	Fair Value Level	Restated Balance Sheet 31 March 2019 £'000	Fair Value 31 March 2019 £'000	Balance Sheet 31 March 2020 £'000	Fair Value 31 March 2020 £'000
Financial Assets Held at Amortised Cost					
Unquoted equity investment	3	982	982	982	982
Loans made for service purposes	2	3,358	3,358	10,295	10,295
Lease receivables	3	13,233	13,233	13,871	13,871
Short term investments	2	36,133	36,133	45,192	45,192
Cash (including bank accounts)	2	1,702	1,702	6,127	6,127
Short term debtors	3	3,800	3,800	4,483	4,483
Total Financial Assets		59,208	59,208	80,950	80,950
Financial Liabilities Held at Amortised Cost					
Long term borrowing	2	59,035	78,581	109,490	118,530
Short term borrowing	2	10,099	10,022	925	925
Finance lease liabilities	3	-	-	1,707	1,707
Long term creditors	3	200	200	224	224
Capital grants receipts in advance	3	8,695	8,695	7,990	7,990
Short term creditors	3	20,333	23,406	25,010	25,010
Total Financial Liabilities		98,362	120,904	145,346	154,386

Fair Value Disclosure of PWLB Loans

The fair value of Public Works Loan Board (PWLB) loans of £110.209m measures the economic effect of terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates, due to a reduction in interest rates since loan inception.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from PWLB. If a value is calculated on this basis, the carrying amount of £110.209m would be valued at £118.530m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the exit price, including a penalty charge, would be £186.861m.

NOTES TO THE FINANCIAL STATEMENTS

19. Debtors

Long-term Debtors		Short-term Debtors	
2018-19	2019-20	2018-19	2019-20
£'000	£'000	£'000	£'000
-	-	2,538	3,095
-	-	(665)	(728)
-	-	1,873	2,367
-	-	2,220	2,063
-	-	(923)	(1,111)
-	-	1,297	952
-	-	585	580
-	-	(350)	(335)
-	-	235	245
-	-	2,571	1,133
-	-	-	1,024
-	-	956	1,043
-	-	1,696	17
-	-	1,665	2,364
-	-	689	387
-	-	395	919
13,233	13,871	132	138
949	1,007	-	-
217	208	-	-
2,122	9,032	-	203
70	48	-	-
16,591	24,166	11,509	10,792

20. Debtors for Local Taxation

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

	2018-19	2019-20
	£'000	£'000
Less than 1 year	1,388	1,206
Less impairment allowance	(412)	(432)
Less than 1 year	976	774
Over 1 to 5 years	1,636	958
Less impairment allowance	(683)	(478)
Over 1 to 5 years	953	480
Over 5 to 10 years	208	50
Less impairment allowance	(96)	(31)
Over 5 to 10 years	112	19
Over 10 to 15 years	25	32
Less impairment allowance	(6)	(6)
Over 10 to 15 years	19	26
Over 15 years	18	5
Less impairment allowance	(2)	(1)
Over 15 years	16	4
Total Debtors for Local Taxation	2,076	1,303

NOTES TO THE FINANCIAL STATEMENTS

21. Assets Held for Sale

	Current	
	2018-19 £'000s	2019-20 £'000s
Balance at 1 April	924	818
Assets newly classified:		
Property, plant and equipment	818	3,794
Revaluation gains	-	-
Assets declassified:		
Property, plant and equipment	-	-
Assets sold	(924)	(818)
Balance at 31 March	818	3,794

22. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

	2018-19 £'000	2019-20 £'000
Cash held by the Council	16	70
Bank current accounts	1,242	(57)
Money Market Funds	13,010	11,009
Short-term investments	-	3,006
Short-term call accounts	6	3,012
Strata - Cash at bank and in hand	438	96
Total cash and cash equivalents	14,712	17,136

23. Short Term Creditors

	Restated	
	2018-19 £'000	2019-20 £'000
Trade Payables	706	34
Collection Fund amounts *	7,954	9,995
Income in Advance	3,499	3,204
Other Payables	7,864	8,077
Section 31 Grant Income in Advance	-	3,422
Creditors of Strata Service Solutions Ltd	310	278
Total Short Term Creditors	20,333	25,010

*Restated to exclude the Council's proportional share of the NDR appeals provision

24. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 9.

Usable Reserve	2018-19 £'000	2019-20 £'000
General Fund Balance	4,394	5,855
Housing Revenue Account	10,300	10,526
Capital Receipts Reserve	15,927	14,089
Major Repairs Reserve	14,328	11,920
Earmarked Reserves	9,522	8,807
Capital Grants Unapplied	8,748	8,309
Balance at 31 March	63,219	59,506

NOTES TO THE FINANCIAL STATEMENTS

25. Unusable Reserves

	2018-19 £'000	2019-20 £'000
Unusable Reserve		
Revaluation Reserve	155,921	152,982
Capital Adjustment Account	237,289	248,494
Financial Instrument Adjustment Account	(313)	(411)
Deferred Capital Receipts Reserve	13,367	14,010
Pensions Reserve	(112,032)	(106,229)
Collection Fund Adjustment Account	(62)	715
Accumulated Absences Account	(457)	(568)
Total Unusable Reserves	293,713	308,993

Revaluation Reserve

The Revaluation Reserve contains the gains made by the authority arising from increases in the value of its property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2018-19 Revaluation Reserve £'000	2019-20 £'000	£'000
152,198	Balance at 1 April	155,921
23,366	Upward revaluation of assets	17,227
	Downward revaluation of assets and impairment losses not charged to	
(14,917)	CIES	(14,465)
8,449	Surplus / (deficit) on revaluation	2,762
	Difference between fair value depreciation and historical cost	
(3,926)	depreciation	(4,946)
(800)	Accumulated gains on assets sold	(755)
(4,726)	Amount written off to CAA	(5,701)
155,921	Balance at 31 March	152,982

Capital Adjustment Account (CAA)

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the authority as finance for the costs of acquisition, construction and enhancement.

NOTES TO THE FINANCIAL STATEMENTS

The Account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the authority. The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Note 9 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2018-19 Capital Adjustment Account £'000	2019-20	
	£'000	£'000
238,572 Balance at 1 April		237,289
Charges for depreciation and impairment of non-current (16,441) assets	(13,766)	
(251) Amortisation of intangible assets	(222)	
(274) Revenue expenditure funded from capital under statute	37	
(110) Capital loan loss allowance	80	
Amounts of non-current assets written-off on disposal or (1,900) sale as part of the gain/loss on disposal	(2,010)	
(18,976)		(15,881)
3,926 Adjusting amounts to Revaluation reserve		4,946
Net amount written out of the cost of non-current assets in 223,522 year		226,354
Capital finance applied in year:		
1,587 Use of Capital Receipts Reserve	7,530	
94 Use of the Major Repairs Reserve	5,937	
4,357 Capital Grants and contributions applied - CIES	5,757	
Capital Grants and contributions applied - Capital Grants		
1,576 Unapplied Account	567	
608 Statutory provision for financing capital	693	
423 Voluntary provision for financing capital	(582)	
Capital Expenditure charged directly to the General Fund and HRA	2,532	
4,701		22,434
13,346		(229)
214 Movements in the market value of Investment Properties		-
209 Movement in the Donated Assets Account		(65)
(2) Repayment of Long Term Debtors		
237,289 Balance at 31 March		248,494

Financial Instruments Adjustment Account

This reserve absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. Up until 31 March 2023, this account also holds the gains and losses that would otherwise hit the General Fund balance in respect of pooled investment funds.

2018-19 Financial Instruments Adjustment Account £'000	2019-20
	£'000
(419) Balance at 1 April	(313)
Statutory reversal of movements in Financial Instruments held at Fair	
75 Value through Profit and Loss	(175)
Transfer to Capital Adjustment	
- Account - soft loan write off	44
Amount by which finance costs charged to CIES differ from finance	
31 costs charged in year under statute	33
(313) Balance at 31 March	(411)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits

NOTES TO THE FINANCIAL STATEMENTS

earned to be financed as the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2018-19 Pensions Reserve £'000	2019-20 £'000
(113,568) Balance at 1 April	(112,032)
Remeasurements of the net defined 6,794 benefit liability/(asset)	12,217
Reversal of items relating to (9,479) retirement benefits in the CIES	(10,839)
Employers pension contributions and 4,221 direct payments to pensioners	4,425
(112,032) Balance at 31 March	(106,229)

Deferred Capital Receipts Reserve

This reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement takes place, amounts are transferred to the Capital Receipts Reserve.

2018-19 Deferred Capital Receipts Reserve £'000	2019-20 £'000
13,194 Balance at 1 April	13,367
Transfer of Finance Lease Premium 175 to CIES	643
Transfer to Capital Receipts Reserve (2) upon receipt of cash	-
13,367 Balance at 31 March	14,010

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and NDR income in the CIES as it falls due from council tax payers and business rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2018-19 Collection Fund Adjustment £'000 Account	2019-20 £'000
(1,441) Balance at 1 April	(62)
Amount by which council tax and NDR income credited to CIES differs from that calculated for the 1,379 year under statute	777
(62) Balance at 31 March	715

Accumulated Absences Account

This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2018-19 Accumulated Absences Account £'000	2019-20 £'000
(457) Balance at 1 April	(457)
Settlement / cancellation of previous 457 year's accrual	457
(457) Amounts accrued at the end of year	(568)
Amount by which remuneration charged to CIES differs from remuneration charged for the year	(111)
(457) Balance at 31 March	(568)

NOTES TO THE FINANCIAL STATEMENTS

26. Cash Flow Statement – Operating Activities

	2018-19	2019-20
	£'000	£'000
Net (surplus) / deficit on provision of Services	4,955	3,412
Adjusted for non-cash movements:		
Depreciation	(9,294)	(10,973)
Impairment	(7,146)	(2,794)
Amortisation	(250)	(222)
Investment (losses) / gains	-	-
Donated assets	210	-
Pension liability	(5,259)	(6,413)
Carrying amount of non-current assets sold	(2,878)	(2,765)
Movement in investment properties	214	(229)
Finance lease income	175	532
Other	1,423	449
Movement in inventories	(2)	14
Movement in debtors	(4,146)	(720)
Movement in creditors	(3,899)	(5,271)
Items classified as investing and financing activities:		
Proceeds from the sale of property, plant & equipment	4,549	6,310
Items classified elsewhere	2,558	2,679
Net cashflows from Operating Activities	(18,790)	(15,991)

27. Cash Flow Statement – Investing Activities

	2018-19	2019-20
	£'000	£'000
Purchase of non-current assets	13,117	54,850
Purchase of short and long-term investments	200,000	264,994
Other payments for investing activities	2,070	2,604
Proceeds from the sale of non-current assets	(4,549)	(6,310)
Proceeds of short and long-term investments	(191,952)	(255,000)
Other receipts for investing activities	(4,933)	(5,640)
Net cash flows from investing activities	13,753	55,498

28. Cash Flow Statement – Financing Activities

	2018-19	2019-20
	£'000	£'000
Cash receipts of short and long-term borrowing	(2,200)	(51,740)
Other receipts for financing activities	(1,831)	(777)
Cash payments for the reduction of liabilities relating to finance leases	-	111
Repayments of short and long-term borrowing	-	10,475
Net cash flows from financing activities	(4,031)	(41,931)

29. Reconciliation of Liabilities arising from Financing Activities

The total of Financing cash flows of £41.931m reconciles to the movement in borrowings in the Balance Sheet, excluding £0.777m in respect of Collection Fund cash-flows and a £0.111m reduction in liabilities relating to finance leases. Apart from this, there have been no non-cash movements in borrowing amounts on the Balance Sheet.

NOTES TO THE FINANCIAL STATEMENTS

30. Members Allowances

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

	2018-19	2019-20
	£'000	£'000
Salaries	9	12
Allowances	333	361
Expenses	-	-
Total	342	373

31. Officers' Remuneration

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

	Salary, fees & allowances	Expenses	Compensation for Loss of Office	Total Remuneration	Employers Pension Contributions (inc. strain payments)	Total
2019-20						
Chief Executive & Growth Director	116,744	359	-	117,103	18,445	135,548
Director	83,232	56	-	83,288	13,151	96,439
Director	83,232	75	-	83,307	13,151	96,458
Director	83,232	366	-	83,598	13,151	96,749
Director	83,232	129	-	83,361	13,151	96,512
Director (Chief Finance Officer)	78,030	0	-	78,030	12,329	90,359
Director (City Solicitor)	72,828	151	-	72,979	11,507	84,486
City Surveyor	60,622	475	-	61,097	9,578	70,675
Corporate Manager - Executive Support	60,672	50	-	60,722	9,578	70,300
Corporate Manager - Democratic/Civic Support (0.80 FTE from 1/1/2020) *	57,755	323	-	58,078	81,789	139,867

*Additional £14,185 allowance and £2,241 employers pension contributions receivable in respect of Returning Officer duties. Employers pension contributions reflects flexible retirement with effect from January 2020

NOTES TO THE FINANCIAL STATEMENTS

	Salary, fees & allowances	Expenses	Compensation for Loss of Office	Total Remuneration	Employers Pension Contributions (inc. strain payments)	Total
2018-19						
Chief Executive & Growth Director	114,455	295	-	114,750	18,025	132,775
Director	81,600	-	-	81,600	12,830	94,430
Director	81,600	194	-	81,794	12,830	94,624
Director	81,600	-	-	81,600	12,830	94,430
Director	81,600	96	-	81,696	12,300	93,996
Director (Chief Finance Officer)	76,500	10	-	76,510	12,087	88,597
Director (City Solicitor)	71,510	16	-	71,526	11,243	82,769
City Surveyor	59,433	-	-	59,433	9,350	68,783
Corporate Manager - Executive Support	59,593	55	-	59,648	9,362	69,010
Corporate Manager - Democratic/Civic Support *	59,543	193	-	59,736	9,362	69,098

*Additional £4,482 allowance, £9 expenses and £708 employers pension contributions receivable in respect of Returning Officer duties

The authority's other employees receiving more than £50,000 remuneration in the year (excluding employer's normal pension contributions) were:

Remuneration band	Number of employees	
	2018-19 *	2019-20
£50,000 - £54,999	4	5
£55,000 - £59,999	5	6
£60,000 - £64,999	-	-
£65,000 - £69,999	-	2
£70,000 - £74,999	2	-
£75,000 - £79,999	-	1
£80,000 - £84,999	1	1
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	1	-

* Remuneration band for two employees restated to exclude normal pension contributions

NOTES TO THE FINANCIAL STATEMENTS

32. Termination Benefits

The number of exit packages with total cost per band and total cost of compulsory redundancies and other departures are set out below. The total cost of £28,689 has been charged to the Comprehensive Income and Expenditure Statement in 2019/20.

Exit Package Cost Band	Number of employees		Total Cost of exit packages in each band	
	2018-19	2019-20	2018-19 £'000	2019-20 £'000
Compulsory Redundancies				
Less than £20,000	3	1	31	5
£20,001 - £39,999	2	-	56	-
£40,000 - £59,999	-	-	-	-
£60,000 - £79,999	1	-	63	-
£80,000 - £99,999	1	-	93	-
Other Departures Agreed				
Less than £20,000	2	4	29	24
£20,001 - £39,999	2	-	67	-
Total	11	5	339	29

33. External Audit Costs

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

	2018-19 £'000	2019-20 £'000
Fees payable to Grant Thornton; external audit services carried out by the appointed auditor	45	52
Fees payable to Grant Thornton; certification of grant claims and returns	-	21
Fees payable to KPMG; certification of grant claims and returns	19	-
Total	64	73

34. Grants, Contributions and Donations

The Authority credited the following grants, contributions and donations to the comprehensive income and expenditure statement in 2019/20:

	2018-19 £'000	2019-20 £'000
Credited to Taxation and non-specific grant income		
Council taxpayers	(5,604)	(5,826)
Revenue Support Grant	(62)	(379)
New Homes Bonus	(2,591)	(2,517)
NDR	(8,724)	(6,929)
Community Infrastructure Levy	(474)	(700)
Other Capital Grants & Contributions	(4,789)	(5,960)
Total	(22,244)	(22,311)
Credited to Services		
Benefit Subsidy	(34,616)	(30,108)
NDR Cost of Collection	(216)	(214)
CT/HB Admin Grant	(539)	(502)
Other Grants and Contributions	(3,983)	(5,283)
Total	(39,354)	(36,107)

The authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that may require the monies or property to be returned to the giver in the event that the conditions are not fulfilled. The balances at the year-end are as follows:

NOTES TO THE FINANCIAL STATEMENTS

	2018-19	2019-20
Capital Grants receipts in advance	£'000	£'000
Land at Beacon Avenue	(6)	(6)
Community Facility - Western Way	(5)	-
Community Facility - Newcourt	(360)	(364)
Community Facility - Hill Barton	-	(202)
Local Energy Networks	(27)	(27)
Affordable Housing - Newcourt	(253)	(256)
Affordable Housing - Holland Park	(183)	(29)
Affordable Housing - Bishops Court	(101)	(102)
Affordable Housing - Millbrook Village	(320)	(323)
Affordable Housing - Pinhoe	(454)	(458)
Extracare - St Loyes	(5,371)	(4,432)
Leisure Contribution - Earls Park	(19)	-
Leisure Contribution - St Loyes	(285)	(288)
Leisure Contribution - Hill Barton	(5)	(218)
Leisure Contribution - Newcourt	(536)	(540)
Leisure Contribution - Holland Park	(54)	(54)
Leisure Contribution - Rydon Lawns	(11)	(11)
Leisure Contribution - Monkerton	(89)	(47)
Leisure Contribution - Rydon Place	(182)	(184)
Leisure Contribution - Bishops Court	(296)	(299)
Leisure Contribution - Tithebarn Green	(58)	(45)
Other Grants	(80)	(105)
Total	(8,695)	(7,990)

35. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Central Government – has significant influence over the general operations of the Council, providing the statutory framework, the majority of the funding, and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits and council tax bills).

Council Members – have direct control over the council's financial and operating policies. The total of member allowances paid in 2019/20 is shown in Note 30. During the financial year, the Council paid grants to organisations totalling £176,847 (£288,356 2018/19) in which six members had an interest. In all instances, the grants were made with proper considerations of declarations of interest. The relevant members did not take part in any discussion relating to the grants. Payments totalling £144,703 (£86,088 2018/19) were also made to organisations in which eleven members had an interest in respect of goods and services.

Officers – during 2019/20, the Director (Communications, Tourism and Culture) declared a pecuniary interest in accordance with Section 117 of the Local Government Act 1972 in respect of the provision of a lease guarantee relating to Exeter Science Park Ltd. The Director did not take part in any discussion or decision relating to the guarantee.

NOTES TO THE FINANCIAL STATEMENTS

Other public bodies – Exeter City Council is part of a designated pool for the retention of business rates, which allows local authorities to be treated as if they were a single entity for the purposes of calculating tariffs, top-ups, levies and safety net payments.

Entities Controlled or Significantly Influenced by the Authority

Exeter City Group Ltd and Exeter City Living Ltd

The financial year 2019/20 is the first full year of trading for Exeter City Group Ltd (holding company) and Exeter City Living Ltd (housing development company), which are subsidiary companies due to the Council's 100% shareholding. The main purposes of the group are to build more and better homes to tackle housing need in Exeter, help reduce the substantial pressures on the Council's housing waiting list and to improve the lives of those residents currently living in poor quality homes. The Council provided two further loan advances in 2019/20; £2.15m on 2 April 2019 and £5m on 25 March 2020 to facilitate the completion of development sites, undertake site viability investigations, meet operational costs and provide adequate working capital.

Exeter Business Centre Ltd

Exeter Business Centre Ltd's (EBC) main purpose is the letting of affordable business units to support small businesses. The Authority controls EBC through its ownership of 100% of the shares in the Company and it is deemed to be a subsidiary. EBC had net assets of £140,754 as at 31 March 2020 (£127,109 as at 31 March 2019).

Exeter Canal and Quay Trust Ltd

Exeter Canal and Quay Trust Ltd (ECQT) has a charitable status and its main objectives are to preserve and develop the Exeter Canal and Quay area. ECQT is deemed to be an associate company, as the company is limited by guarantee and the Council has significant influence through its representation on the Trust

Board. The Council leases a number of assets to ECQT on a long term basis at nil rent, with the exception of Double Locks Hotel whereby rent is 5% of turnover divided equally between ECQT and the Council (£32,265 in 2019/20). ECQT also contributed £74,055 towards Council costs mostly in respect of running the Custom House Visitors Centre.

Exeter Science Park Ltd

The principal activity of the Company is to ensure the successful delivery of the Science Park by enabling the market for the Science Park to be developed through connections with the knowledge base at the University of Exeter, the Met Office and the Peninsula College of Medicine and Dentistry. The largest shareholder is Devon County Council (46%) along with the East Devon District Council (18.8%) and University of Exeter (15.3%).

The Authority has a 19.9% shareholding in the Company. It is deemed to be an associate due to the Council's ownership interest and significant influence. The Council has previously provided a loan of £1m towards funding the building of the Science Park centre, in two loan advances of £500,000 with interest charged at 2.55% and 2.62% respectively. The loans are repayable on maturity in 2023/24. During 2019/20 the Council agreed to provide a guarantee to the University of Exeter for a lease granted to Exeter Science Park Ltd of up to £950,054.

Exeter City Futures Community Interest Company

The Authority is a registered Member of Exeter City Futures Community Interest Company, which is a type of company designed in particular for social enterprises that want to use their profits and assets for the public good. The primary objectives of the Company are to promote and work towards the decarbonisation of the City of Exeter. During 2019/20 the authority incurred expenditure of £110,426 to further the promotion and delivery of the Exeter City Futures programme.

NOTES TO THE FINANCIAL STATEMENTS

Monkerton Heat Company Ltd

The company was set up to help facilitate the formation of a district heating network, as part of planning requirements relating to five major residential developments at Monkerton. Exeter City Council is a shareholder along with the five developers.

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

Dextco Ltd

Dextco Ltd was established to fund and implement a district heating network in Exeter to deliver a reliable, low cost energy infrastructure which will encourage inward investment, thereby driving growth in the local economy and skilled jobs for the workforce. Exeter City Council is one of five equal shareholders comprising; Devon County Council, Royal Devon & Exeter NHS Foundation Trust, University of Exeter and Teignbridge District Council.

Dextco Limited is deemed to be a joint venture, as it is a separate legal entity with shareholders that have equal and collective control with decisions made unanimously. No financial transactions took place with the company during 2019/20.

36. Interests in Joint Operations

Exeter City Council, Teignbridge District Council and East Devon District Council each have interests in a joint operation called Strata Service Solutions Ltd, a registered company (company number 09041662) whose registered office is Civic Centre, Paris Street, Exeter, Devon, EX1 1JN.

The business of the Company is the operation and provision of a shared information communications technology service to each of the Councils including;

- A source of expertise regarding information technology
- A resilient and reliable ICT infrastructure
- A service desk that maintains and supports devices, operating systems and core applications
- Information security and information management services
- Developing and implementing business systems to meet Council business objectives
- A Street Name and Numbering function

The proportions of ownership interests are; Exeter City Council (35.936%), Teignbridge District Council (27.372%) and East Devon District Council (36.692%). Each authority has equal voting rights, with decisions taken collectively and unanimously.

NOTES TO THE FINANCIAL STATEMENTS

The figures that have been consolidated into the Council's single entity financial statements in respect of Strata Service Solutions Ltd are:

	2018-19	2019-20
Adjustments to CIES	£'000's	£'000's
Fees	(2,515)	(2,395)
Cost of sales	1,173	1,276
Admin expenses	1,910	1,723
Transfer of pension scheme liability	-	-
Cost of Services	568	604
Loss/(Gain) on disposal of assets	2	-
Net interest on the net defined benefit liability	61	60
Interest receivable	(3)	(3)
(Surplus) or Deficit on Provision of Services	628	661
Remeasurement of the net defined benefit liability	(143)	(685)
Total CIES	485	(24)

	In Year	In Year
Adjustments to Balance Sheet	2018-19	2019-20
	£'000's	£'000's
Property, plant & equipment	(34)	10
Intangible assets	(55)	(32)
Investment in Strata removed upon consolidation and replaced with proportional share of assets and liabilities	(245)	(522)
Total Long Term Assets	(334)	(544)
Inventories	(1)	(1)
Short Term Debtors	163	524
Cash & cash equivalents	(65)	(342)
Total Current Assets	97	181
Short Term Creditors	(165)	32
Total Current Liabilities	(165)	32
Capital Grants Receipts in Advance	-	(25)
Pension Scheme Liability	(83)	380
Total Long Term Liabilities	(83)	355
Net assets	(485)	24
Financed by:		
Usable Reserves	(9)	-
Unusable Reserves	(476)	24
Total Reserves	(485)	24

NOTES TO THE FINANCIAL STATEMENTS

37. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2018-19	2019-20
	£'000	£'000
Opening Capital Financing Requirement	88,075	94,609
Capital Investment		
Intangible Assets		
Property, Plant and Equipment	15,516	34,677
Investment Properties	-	14,922
Long Term Debtors	2,218	7,150
Long Term Investments	-	522
REFCUS	1,040	1,094
Sources of Finance		
Capital Receipts	(1,587)	(7,530)
Government grants and other contributions	(6,453)	(7,456)
Sums set aside from revenue	(4,795)	(8,469)
Minimum Revenue Provision	(608)	(693)
Voluntary Revenue Provision	(423)	582
Repayment of Long Term Debtors	1,626	(205)
Closing Capital Financing Requirement	94,609	129,203
Explanation of movements in year		
Increase in underlying need to borrow (unsupported by Government financial assistance)	6,534	34,594
Increase/(decrease) in Capital Financing Requirement	6,534	34,594

NOTES TO THE FINANCIAL STATEMENTS

38. Leases

Council as Lessee

Finance Leases

During the year, the Council changed the way it replaces its fleet of vehicles and plant, from direct purchase to acquiring via a finance lease. A total of 27 vehicles were acquired under finance leases during 2019/20.

The Council also holds sixteen investment property assets, which have been leased under finance leases, owing to the length of the lease. However, fifteen leases did not attract a lease premium payment, nor is there an annual lease payment due. The assets therefore have been initially recognised in the accounts at zero, being the lower of the net present value of the lease payments or the fair value of the asset. During the year, the Council acquired Senate Court, which has initially been recognised at an amount equal to the lease premium paid for the 999 year leasehold interest. Where appropriate the assets have been revalued to reflect the value to the Council of the lease, were the Council to sell it at market value.

The assets acquired under these leases are carried in the Balance Sheet at the following net amounts:

	2018-19 £'000	2019-20 £'000
Net amount carried in the Balance Sheet		
Council dwellings	351	351
Other land and buildings	7,762	8,572
Investment property	-	9,524
Vehicles, plant and equipment	-	2,120

The authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the authority and finance costs that will be payable by the authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2018-19 £'000	2019-20 £'000
Finance lease liabilities (net present value of minimum lease payments)		
Current	-	303
Non-current	-	1,707
Finance costs payable in future years	-	421
Total minimum lease payments	0	2,431

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

	Minimum lease payments		Finance lease liabilities	
	2018-19 £'000	2019-20 £'000	2018-19 £'000	2019-20 £'000
Not later than one year	-	367	-	303
2 - 5 years	-	1,466	-	1,212
5+ years	-	598	-	495
	0	2,431	0	2,010

The authority has sub-let some properties held under finance leases. At March 2020 the minimum future payments expected to be received under non-cancellable sub-leases is £29.750m.

NOTES TO THE FINANCIAL STATEMENTS

Operating Leases

The Council holds some capital assets, principally property, plant and equipment under operating lease agreements. The majority of the lease payments represent rent payments to landlords who have provided property on short term leases for use as temporary accommodation.

Rental payments made in the year amounted to £324,826 (2018/19 £488,031).

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

	2018-19 £'000	2019-20 £'000
Not later than one year	47	42
2 - 5 Years	25	16
5+ Years	-	-
	72	58

Council as a Lessor

Finance Leases

The Authority has 53 leases, which would be classified as finance leases under IFRS. The asset valuation in the Balance Sheet is therefore based on the freehold interest in the asset.

Twenty six of the leases were entered into prior to 2010 and therefore the Council has taken advantage of the statutory

regulations allowing the income received to be retained as revenue income.

The gross investment is made up of the following amounts:

	2018-19 £'000	2019-20 £,000
Finance Lease Debtor (net present value if minimum lease payments)		
Current	132	137
Non-current	13,234	13,872
Unearned finance income	13,366	14,009
Unguaranteed Residual Value	24,890	23,916
Gross Investment in Lease	38,256	37,925
Minimum lease payments are:		
Per annum	666	692

Rents due in respect of leases out (lessor) are collected by the Council's ASH Debtors system. As there is a possibility that worsening financial circumstances might result in lease payments not being made, the authority has set aside an allowance for uncollectable amounts using the simplified approach. Please refer to Note 19.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

NOTES TO THE FINANCIAL STATEMENTS

Operating Leases

The Council leases out approximately 350 commercial premises, which are held as investment properties. Note 15 sets out the value of the investment properties in the accounts. Future rents receivable have increased following the acquisition of One Emperor Way and Senate Court during the year, extending the Council's portfolio of investment properties.

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

	2018-19	2019-20
	£'000	£'000
Not later than one year	2,150	3,116
2 - 5 Years	6,662	10,220
5+ Years	73,068	72,699
	81,880	86,035

39. Impairments and Downward Valuations

During 2019/20, the Council recognised impairment losses of £3.3m in relation to its council dwellings and operational land and buildings. Impairment losses of £414k charged to the Surplus and Deficit on the Provision of Services in previous financial years were reversed.

The impairments mainly reflect capital expenditure incurred without a commensurate increase in respective asset values, the HRA impairments also include the application of the Existing Use Value – Social Housing (EUV-SH) valuation basis:

- 2019/20 saw the start of the LAINGS property demolition and rebuild programme, this has resulted in an impairment of £1.3m in the year.
- The Council purchased ten dwellings during the year for use as social housing, the tenanted value of these properties was £1.1m less than the market value.
- Significant works were undertaken on the ZEBCat project to net zero energy retrofit six social housing properties. Works totaled £540k however, the tenanted market value of these properties remains largely unchanged.

The impairment reversals reflect an upward movement in market yield. The impairments are reflected in Note 14 which reconciles the movement over the year in the Property, Plant and Equipment balances.

40. Defined Benefit Pension Scheme

Participation in Pension Scheme

As part of the terms and conditions of employment, the authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until the employees retire, the authority has a commitment to make the payments (for those benefits) and to disclose them at the time that employees earn their future entitlement.

- Exeter City Council participates in the Local Government Pension Scheme, which is administered by Devon County Council in accordance with the Local Government Pension Scheme Regulations 2013. The Pension Fund Committee oversees the management of the Fund.
- The Local Government Pension Scheme is a defined benefit statutory scheme and currently provides benefits based on career average revalued earnings.
- The principle risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the general fund and HRA the amounts required by statute.
- The Pension Reserve shows the City Council's current deficit in the Devon County Council Pension Fund. The figure has been derived from an actuarial valuation as at 31 March 2019 rolled forward to take into account changes in the intervening period.

Basis for Estimating Assets and Liabilities

The most recent valuation was carried out as at 31 March 2019 and has been updated by Barnett Waddingham, independent actuaries to the Devon County Council Pension Fund as at 31 March 2020.

To assess the value of the liabilities at 31 March 2020, the actuaries have rolled forward the value of the Employer's liabilities calculated for the funding valuations as at 31 March 2019, using financial assumptions that comply with IAS 19.

To calculate the asset share the actuaries have rolled forward the assets at 31 March 2019 allowing for investment returns, contributions paid into and estimated benefits paid from the Fund by the Council and its employees.

Scheduled Contributions

Exeter City Council's contribution rate during 2019/20 was 15.8% of pensionable pay. The contribution rates certified for the Council at 31 March 2019 valuation are as follows:

Future Service Pay

2020/21 – 2022/23	17.6% of pensionable pay
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Past Service Deficit

2020/21	£1.394 million
2021/22	£1.445 million
2022/23	£1.498 million

The Council opted to pay the next 3 years past service deficit amounts up front during 2020/21, which will reduce the net pension liability but will continue to be spread over the next 3 years. The estimated value of employer contributions for 2020/21 is £4.651m.

NOTES TO THE FINANCIAL STATEMENTS

Local Government Pension Scheme Assets Comprised:

Asset Share	2018-19		2019-20	
	£'000	%	£'000	%
Equities	21,143	16	15,567	14
Overseas Equities	54,895	43	50,311	43
Infrastructure	4,838	4	5,040	4
Gilts	4,148	3	4,992	4
Other Bonds	2,470	2	6,130	5
Property	11,523	9	11,021	10
Cash	2,189	2	1,362	1
Target Return Portfolio	18,384	14	15,361	13
Alternative Assets	6,887	5	7,204	6
Private Equity	2,150	2	-	-
Total	128,627	100	116,988	100

Significant Assumptions used by the Actuary:

	2018-19	2019-20
Discount rate for scheme liabilities	2.4% pa	2.35% pa
Rate of increase in salaries	3.9% pa	2.9% pa
Rate of increase in pensions	2.4% pa	1.9% pa
Rate of inflation - RPI	3.4% pa	2.7% pa
Rate of inflation - CPI	2.4% pa	1.9% pa
Longevity at 65 - current pensioners		
Men	22.4	22.9
Women	24.4	24.1
Longevity at 65 - future pensioners		
Men	24.1	24.3
Women	26.2	25.5
Conversion of pension into lump sum		
Pre April 2008 permitted amount	50%	50%
Post April 2008 permitted amount	50%	50%

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the cost of services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge that is required to be made against council tax and the HRA is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out via the Movement in Reserves Statement.

The following transactions have been made in the comprehensive income and expenditure statement and the movement in reserves statement during the year:

	2018-19 £'000	2019-20 £'000
Cost of Services		
Current Service Cost	6,194	6,621
Loss / (Gain) on curtailment	236	1,589
(Gain) / Loss from Settlements	115	(98)
Other Operating Expenditure		
Administration expenses	81	93
Financing and Investment Income and Expenditure		
Net Interest on the net defined benefit liability	2,853	2,634
Total post-employment benefits charged to the CIES	9,479	10,839
Movement in Reserves Statement:		
Reversal of net charges	(9,479)	(10,839)
Actual Employers contributions payable to the scheme	4,221	4,425

NOTES TO THE FINANCIAL STATEMENTS

Pension Assets and Liabilities Recognised in the Balance Sheet:

	2018-19 £'000	2019-20 £'000
Present value of defined benefit obligation	240,660	223,218
Fair Value of Scheme Assets	(128,627)	(116,988)
Net liability arising from defined benefit obligation	112,033	106,230

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

	2018-19 £'000	2019-20 £'000
Opening fair value of assets	120,827	125,744
Opening fair value of Strata assets	2,575	2,883
Interest income	3,130	3,070
Re-measurement gains / losses	4,116	(13,220)
Administration expenses	(81)	(93)
Contributions by the employer	4,242	4,539
Contributions by participants	1,055	1,144
Net benefits paid out	(7,396)	(6,883)
Settlement prices received / (paid)	159	(196)
Closing fair value of assets	128,627	116,988

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

	2018-19 £'000	2019-20 £'000
Opening present value of liabilities	231,969	235,268
Opening present value of Strata liabilities	5,001	5,392
Current service cost	6,194	6,621
Interest cost	5,984	5,704
Contributions by participants	1,055	1,144
Re-measurement (gains) and losses:		
Change in demographic assumptions	(13,577)	(2,327)
Change in financial assumptions	10,920	(22,721)
Experience loss (gain)	-	(276)
Benefits paid out	(7,138)	(6,630)
Past service cost, including curtailments	236	1,589
Liabilities assumed / (extinguished) on settlements	274	(294)
Unfunded pension payments	(258)	(252)
Closing present value of liabilities	240,660	223,218

NOTES TO THE FINANCIAL STATEMENTS

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions.

The sensitivity analysis below sets out the impact on the defined benefit obligations for each change while all other assumptions remain constant:

	Increase in assumption £'000	Decrease in assumption £'000
Longevity (increase or decrease by 1 year)	232,215	214,595
Rate of increase in salaries (increase or decrease by 1%)	223,646	222,794
Rate of increase in pensions (increase or decrease by 1%)	227,243	219,272
Rate for discounting scheme liabilities (increase or decrease by 1%)	218,872	227,656

41. Prior Period Restatement

As the Billing authority for NDR, the Council acts as an agent for preceptor authorities and central government in collecting their attributable share of NDR. At the reporting date, a provision for NDR alteration of lists and appeals was held and the Council's apportioned share (40%) should be recognised as provisions in the balance sheet.

The Council's share of the NDR appeals provision has previously been reported within short-term creditors and has therefore been re-classified as provisions in the balance sheet.

The Code requires retrospective restatement for material prior period adjustments, which is achieved by restating the comparative amounts for the prior period and at the beginning of the earliest prior period presented.

The note below sets out the impact on the comparative figures:

Impact on Core Financial Statements	Published 2017/18 £'000	Restatement £'000	Restated 2017/18 £'000	Published 2018/19 £'000	Restatement £'000	Restated 2018/19 £'000
Balance Sheet:						
Short Term Borrowing	-	-	-	(10,099)	-	(10,099)
Short Term Creditors	(19,257)	1,893	(17,364)	(23,406)	3,073	(20,333)
Provisions	-	(1,893)	(1,893)	(110)	(3,073)	(3,183)
Total Current Liabilities	(19,257)	0	(19,257)	(33,615)	0	(33,615)
Net Assets	#####	0	346,643	356,932	0	356,932

NOTES TO THE FINANCIAL STATEMENTS

42. Provisions

	Business Rates Appeal Provision	Loan Loss Allowances	Total Provisions
	£'000	£'000	£'000
Balance as at 1 April 2019	3,073	110	3,183
Additional provisions	647	-	647
Provision utilised in year	(255)	-	(255)
Unused amounts reversed in year	-	(80)	80
Unwinding of discount	-	-	-
Balance as at 31 March 2020	3,465	30	3,495

43. Charitable and Trust Funds

The Council administers six charitable/trust funds related to Leisure and Museum services, principally from legacies left by individual Exeter inhabitants over a period of years.

The funds do not represent assets of the Council and are not included in the Balance Sheet. The funds are:

	Value of fund at 31 March 2019	Expenditure	Income	Value of fund at 31 March 2020
	£'000	£'000	£'000	£'000
Reynolds Chard Bequest	425	-	19	444
Veitch Bequest	22	-	-	22
Dorothy Holman Trust	26	-	1	27
Bowling Green Marshes	1	-	-	1
Topsham Recreation Ground	17	-	1	18
King George Playing Field Trust	17	(34)	34	17
	508	(34)	55	529

44. Nature and Extent of Risks Arising from Financial Instruments

The Council's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the authority
- liquidity risk – the possibility that the authority might not have funds available to meet its commitments to make payments
- market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock movements

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Council's finance team, under policies approved by full Council as set out in the Treasury Management Strategy. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the annual investment strategy. The Council's latest Treasury Management Strategy, incorporating the Annual Investment Strategy was approved on 25 February 2020, which is available on the Council's website (use search function for the 2020/21 Budget Book).

Credit Risk Management Practices

The authority's credit risk management practices are set out in the annual Investment Strategy, with particular regard to determining the credit criteria and monitoring arrangements for specified investments.

Impact of Covid-19 on Credit Risk Exposure

IFRS 9 Financial Instruments, requires that forward-looking information is considered when assessing whether there has been a significant increase in credit risk and when measuring expected credit losses. The impact of the Covid-19 pandemic on collection rates and estimated future cash-flows has been taken into account to the extent that it is available and calculations have therefore been made on information that is reasonable and supportable without undue cost or effort at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

The table below sets out the credit risk management practices and estimation techniques for calculating impairment loss allowances.

Asset Type	Credit Risk Management Practice	Estimation of Impairment Loss Allowance
Loans to businesses and voluntary organisations	Loans are subject to internal credit risk assessment, based on audited accounts, match funding secured or management accounts. Loans are treated as credit impaired where the borrower defaults on the terms of the loan or there is evidence of significant financial difficulties. Balances are not written off until there is no realistic prospect of recovery.	12 month expected credit losses have been calculated in respect of loans where the credit risk has not increased significantly, using a probability of default approach. Lifetime expected credit losses are calculated in respect of loans where the credit risk has increased significantly, i.e. when default has occurred, using probability weighted outcomes.
Short term investments: Loans to other local authorities	Investments guaranteed by statute - no credit risk	No allowance required
Investments with banks and building societies	Deposits are restricted by the Council's treasury strategy to institutions with high credit ratings (Fitch and Moodys ratings). Up to £4m may be placed with UK owned banks and buildings societies with F1+ and P-1 credit ratings for up to 12 months, up to £3m may be placed with foreign owned banks that deal in sterling holding short-term credit ratings no lower than F1+ and P-1 for up to 9 months and up to £3m may be placed with UK owned banks and building societies holding short-term credit ratings no lower than F1 and P-1 for up to 6 months. Consideration is given to recalling any existing investments when an institution has been downgraded	12 month expected credit losses are calculated applying risk factors provided by the Council's treasury management advisers, Link Asset Services.
Sundry debtors	Sundry debtors are not subject to internal credit rating and have been grouped for the purposes of calculating expected credit losses. The groupings used comprise: - Trade receivables - Recovery of overpaid housing benefits - Council Tax and NDR balances are not written off until all debt recovery actions have been taken and there is no realistic prospect of recovery	Trade receivables & recovery of overpaid housing benefits - Expected credit losses are calculated using provision matrices based on historical data in respect of aged debt, adjusted for future expectations of recovery. Council Tax and NDR - Expected credit losses are calculated using provision matrices based on the stages of debt recovery actions and historically observed rates of recovery adjusted for future expectations of recovery.

NOTES TO THE FINANCIAL STATEMENTS

Impairment Loss Allowances

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

	Allowance for assets originated or acquired	Allowance for assets de- recognised	Assets switching measurement basis	Changes in models/risk parameters	Other movements	Allowance at 31 March 2020
Allowance at 1 April 2019	£'000	£'000	£'000	£'000	£'000	£'000
Deposits with bank and building societies						
12-month expected credit losses	-	-	-	-	-	-
Loans to business and voluntary organisations						
12-month expected credit losses	25	-	-	5	-	30
Lifetime expected credit losses *	85	-	-	(85)	-	-
Other debtors						
Sundry debtors	665	-	-	-	63	728
Overpaid Housing Benefits	923	-	-	-	188	1,111
Housing rents	350	-	-	-	(15)	335
Council Tax and NDR	1,199	-	-	-	(251)	948
Total Loss Allowances	3,247	-	-	(80)	(15)	3,152

* During the year, the terms of a £217k loan to a registered charity were amended, which has modified the contractual cash-flows and resulted in the credit risk rating moving from lifetime to 12 month expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS

Credit Risk Exposure

The authority has the following exposure to credit risk at 31 March 2020:

	Credit risk rating £'000	Gross carrying amount £'000
Deposits with bank and building societies:		
12-month expected credit losses	Low	6,020
Loans to business and voluntary organisations:		
12-month expected credit losses	Low	1,340
Lifetime expected credit losses	High	-
Other debtors:		
Sundry debtors	Other *	3,095
Overpaid Housing Benefits	Other *	2,063
Housing rents	Other *	580
Council Tax and NDR	Other *	2,251
Total amount exposed to credit risk		15,349

* Credit risk rating – Other

These debtors are not subject to internal credit rating. The Code allows a simplified approach, which removes the need to consider changes in credit risk. Instead, expected credit losses are considered for debtors with common risk characteristics based upon historical experience but updated for future conditions.

Exposure to Credit Risk on Guarantees

The Council also has exposure to credit risk on a guarantee provided to the University of Exeter in respect of an 18 year lease granted to Exeter Science Park Ltd (in which the Council has a shareholding interest). The risk of the guarantee being called in considered low, as the lease payments are included in the company's Business Plan. The maximum value of the guarantee is £950,055 and the Council's exposure will reduce annually as lease payments are made by the company.

NOTES TO THE FINANCIAL STATEMENTS

Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority may need to replenish its borrowings at a time of unfavourable interest rates. All trade and other payables are due to be paid in less than one year, although some debts have been extended over longer periods to support individuals and businesses due to Covid-19, but these measures are not expected to present a significant risk to liquidity and instead encourage continuing payment behaviour.

The Council has several long-term loans with the PWLB and one interest free loan in respect of energy saving projects. The maturity analysis of financial liabilities is as follows:

	31 March 2019	31 March 2020
	£'000	£'000
Less than 1 year	66	925
1 - 2 years	67	942
2 - 5 years	211	2,925
+ 5 years	58,740	105,557
	59,084	110,349

Market risk

Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowing and investments. Movements in interest rates have a complex impact on the Council. For example a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expenses charged to the Income and Expenditure will rise
- borrowings at fixed rates - the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Income and Expenditure will rise
- investments at fixed rates - the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the CIES. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the CIES and affect the General Fund

NOTES TO THE FINANCIAL STATEMENTS

Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income & Expenditure in the CIES.

The Council has a number of strategies for managing interest rate risk; however it has not borrowed using variable rate loans for many years.

If on the 31 March 2020 the interest rates are 1% higher than the actual interest rates the financial impact would be:

Borrowing:

As at 31 March 2020, the Council had a number of long-term loans with the PWLB amounting to £110million. A 1% increase in interest rates would increase the cost of borrowing by £1.1million a year. However, the Council is protected from interest rate rises in respect of these arrangements due to the fixed rates of borrowing.

Investments:

In respect of the fixed term deposits of £48m a 1% increase in interest rates would increase interest receivable by £480,000. The impact of a 1% fall in interest rates would be the same, but with the movements being reversed.

Price Risk

The authority does not generally invest in equity shares but does have shareholdings to the value of £982k in a number of associates and joint ventures on the Balance Sheet, held at historic cost.

As the shareholdings have arisen in the acquisition of specific interests, the authority is not in a position to limit its exposure to price movements by diversifying its portfolio. However, the authority can monitor factors that might cause a fall in the value of specific shareholdings through having significant influence.

The Council has investments in pooled investment funds, which are classified as fair value through profit and loss, including £11.009m in money market funds and a £5m investment in the CCLA Local Authorities' Property Fund. At the end of each financial year the value of the local authority's investment is adjusted to equal the number of units held multiplied by the published bid price, with the gain or loss charged to the Surplus or Deficit on the Provision of Services. However, the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003, allows local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds. This statutory reversal will remain in place until 31 March 2023.

Foreign Exchange Risk

The authority has no financial assets or liabilities denominated in foreign currencies and thus no exposure to loss arising from movements in exchange rates.

NOTES TO THE FINANCIAL STATEMENTS

45. Statutory Harbour Authority

Exeter City Council is the harbour authority for the Exe Estuary.

During 2019-20, the Council appointed a Harbourmaster and two Harbour Patrollers to achieve and maintain Port Marine Safety Code compliance.

An annual Statement of Account relating to harbour activities is required to be prepared, in accordance with the 1964 Harbours Act.

	2018-19	2019-20
	£'000	£'000
Income		
Fees and Charges	(77)	(69)
Total Income	(77)	(69)
Expenditure		
Employees	54	127
Premises	60	85
Supplies and Services	32	37
Transport	13	12
Capital Charges	2	2
Total Expenditure	161	263
Net cost of Harbour Activities as included in the Comprehensive Income and Expenditure Statement	84	194

GROUP ACCOUNTS

The Code sets out a requirement to prepare Group Accounts where the authority has interests in subsidiaries, associates and/or joint ventures, subject to consideration of materiality. As at 31 March 2020, the authority has the following interests (please also refer to Note 37, Related Parties, for more information):

Composition of the Group:

Entity	Purpose	Significant judgements	Relationship with the Exeter City Council	Accounting	Materiality
Exeter City Group Ltd and Exeter City Living Ltd	Housing development company to sell homes on the open market, to tackle housing needs in Exeter and to improve the provision of quality homes	100% shareholding	Subsidiary	Line-by-line consolidation of assets, liabilities, income and expenditure	Material 2019/20 is the first full year of trading for the company with work in progress valued at £3.2m and an operating loss of £1.1m for the year, which is due to turnover from property sales expected in 2020/21. Intra group loans of £9.2m from the Council are in place at 31/3/2020.
Exeter Canal and Quay Trust Ltd	Charitable status and its main objectives are to preserve and develop Exeter Canal and Quay area	The company is limited by guarantee and the Council has significant influence through its representation on the board	Associate	Equity method	Not material The Council has significant influence but no interest in the net assets of the charity and no rights to the profits
Exeter Business Centre Ltd	Main purpose is the letting of affordable business units to support small businesses	100% shareholding	Subsidiary	Line-by-line consolidation of assets, liabilities, income and expenditure	Not material Largest item for consolidation is turnover of £223k (18/19) and net assets of £127k (18/19) and £233k turnover (19/20) and net assets of £141k (19/20)
Exeter Science Park Ltd	Principal activity is to ensure the successful delivery of the Science Park by enabling the market for the Science Park to be developed through connections with the knowledge base at the University of Exeter, the Met Office and the Peninsula College of Medicine and Dentistry	19.9% ownership interest and significant influence through its representation on the board	Associate	Equity accounting	Not material Accounts to 31 March 2019 show Council's equity share at (£228k) loss and (£417k) net liabilities and draft accounts to 31 March 2020 show Council's equity share of loss at (£139k) and (£557k) net liabilities
Dextco Ltd	Established to fund and implement low carbon energy projects across Devon to deliver a reliable, low cost energy infrastructure which will encourage inward investment	20% shareholding with equal and collective control with five equal shareholders and unanimous decisions	Joint Venture	Equity method	Not material Financial year-end 31 Dec (unable to synchronise with all shareholders), draft accounts to 31 Dec 2019 reports nil profit/loss and net assets of £25k - the same as 2018/19.
Monkerton Heat Company Ltd	Set up to facilitate the formation of a district heating network, as part of planning requirements relating to five major residential developments at Monkerton	16.66% shareholding with significant influence due to representation on the board	Associate	Equity accounting	Not material The company is deemed to be a dormant company with no transactions to recognise

GROUP ACCOUNTS

Non Material Interests

As set out in the previous table, the authority has applied judgement in respect of materiality (both singly and in aggregate) and assessed that its interests in Exeter Canal and Quay Trust Ltd, Exeter Business Centre Ltd, Exeter Science Park Ltd, Dextco Ltd and Monkerton Heat Company Ltd are not material.

Where non-material interests are excluded from the Group Accounts, the Council's interests are carried at cost in the single entity Balance Sheet.

Group Accounts

These Group Accounts consist of the Core Financial Statements. Notes have been omitted if there are no material differences to the disclosures already made.

The Group Accounts have been prepared by combining Exeter City Living Ltd's income and expenditure and assets and liabilities with those of the Council on a line-by-line basis, eliminating intra-group transactions. Copies of Exeter City Living Ltd's accounts to 31 March 2020 can be obtained from Exeter City Living Ltd, Civic Centre, Paris Street, Exeter, EX1 1JN.

Exeter City Group Ltd and Exeter City Living Ltd

Financial year, 2019/20, is the first full trading year for Exeter City Group Ltd (holding company) and Exeter City Living Ltd (housing development company), which are subsidiary companies due to the Council's 100% shareholding in the group. The main purposes of the group are to build more and better homes to tackle housing need in Exeter, help reduce the substantial pressures on the Council's housing waiting list and to improve the lives of those residents currently living in poor quality homes.

At the reporting date, Exeter City Living are in the process of delivering, either through direct build or acting as development agent, a total of 179 new homes, of which 114 are Affordable. This compares favourably to the Business Case for the creation of the company, which identified that by the end of 31 March 2020 it would be working on 131 new homes, 36 of which would be Affordable. Two sites are complete and ready for sale back to the Housing Revenue Account for use as social housing at Thornpark Rise and Anthony Road and are expected to be available for letting later in 2020.

Accounting Policies

The Group Accounts have been prepared using consistent accounting policies as those applied to the authority-only accounts.

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

Restated 2018-2019				2019-2020			Notes
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
2,952	(5)	2,947	Chief Executive & Growth Director	3,121	(315)	2,806	
6,999	(1,718)	5,281	Communities Health, Well Being, Sport & Leisure	10,028	(2,368)	7,660	
48,852	(42,683)	6,169	Strategic Housing, City Development, Housing Needs & Homelessness, Customer Services, Welfare Reform, Revenues, Benefits & Business Rates, Democratic Services	41,935	(36,939)	4,996	
5,887	(3,201)	2,686	Communications, Tourism & Culture	6,633	(3,712)	2,921	
22,042	(13,426)	8,616	Environment and City Management	17,978	(13,172)	4,806	
1,435	(36)	1,399	Chief Finance Officer	2,415	(62)	2,353	
1,123	(105)	1,018	City Solicitor & Head of HR	3,579	(712)	2,867	
18,290	(20,229)	(1,939)	Housing Revenue Account	18,602	(20,067)	(1,465)	
883	(314)	569	Strata Service Solutions Ltd	722	(118)	604	
119	-	119	Exeter City Group Ltd - subsidiary	522	(11)	511	
108,582	(81,717)	26,865	Cost of Services	105,535	(77,476)	28,059	
		(457)	Other operating expenditure			(3,617)	
		1,614	Financing and investment income and expenditure			2,136	
		(22,207)	Taxation and non-specific grant income			(22,311)	
		5,815	(Surplus) or Deficit on Provision of Services			4,267	
			Other Comprehensive Income and Expenditure				
		(8,449)	(Surplus) or deficit on revaluation of property, plant and equipment			(2,762)	
		(6,794)	Actuarial (gains)/losses on pensions assets / liabilities			(12,217)	
		(15,243)	Total Other Comprehensive Income and Expenditure			(14,979)	
		(9,428)	Total Comprehensive Income and Expenditure			(10,712)	

The Council's internal financial reporting structure changed in 2019/20 and financial performance is now reported in-line with the senior management structure. The segment information for the prior year has therefore been restated.

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance (£'000)	Earmarked Reserves (£'000)	Sub Total General Fund (£'000)	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Council's share of Reserves of Subsidiary (£'000)	Total Usable Reserves (£'000)	Unusable Reserves (£'000)	Total Authority Reserves (£'000)
Restated Balance at 31 March 2019 carried forward	(4,395)	(9,522)	(13,917)	(10,300)	(15,927)	(14,328)	(8,747)	860	(62,359)	(293,713)	(356,072)
Movement in Reserves 2019-2020:											
Total Comprehensive Income & Expenditure	6,835	-	6,835	(3,423)	-	-	-	855	4,267	(14,979)	(10,712)
Adjustments between accounting basis and funding basis under statutory provisions (Note 9)	(7,580)	-	(7,580)	3,197	1,838	2,408	438		301	(301)	0
Transfers to / (from) Earmarked Reserves	(715)	715	-	-	-	-	-		0	0	0
(Increase) / Decrease in 2019- 2020	(1,460)	715	(745)	(226)	1,838	2,408	438	855	4,568	(15,280)	(10,712)
Balance at 31 March 2020 carried forward	(5,855)	(8,807)	(14,662)	(10,526)	(14,089)	(11,920)	(8,309)	1,715	(57,791)	(308,993)	(366,784)


Balances as at 31 March 2019 were restated in respect of the General Fund Balance and Council's Share of Subsidiary Reserves in order to reflect the Council's share of Exeter City Living Ltd.'s usable reserves in the subsidiary column only.

GROUP BALANCE SHEET

Published 2018-19 £'000	Restated 2018-19 £'000		2019-20 £'000	Note
419,201	419,201	Property, Plant and Equipment	437,094	
40,144	40,144	Investment Property	54,837	
22,643	22,643	Heritage Assets	22,826	
546	546	Intangible Assets	514	
5,931	5,931	Long Term Investments	5,695	1
14,469	14,469	Long Term Debtors	15,134	1
502,934	502,934	Total Long-Term Assets	536,100	
1,015	1,015	Inventories	2,859	2
13,631	13,631	Short-Term Debtors	12,115	1
36,133	36,133	Short-Term Investments	45,192	1
818	818	Assets Held for Sale	3,794	
15,439	15,439	Cash & Cash Equivalents	22,282	1&3
67,036	67,036	Total Current Assets	86,242	
(10,099)	(10,099)	Short-Term Borrowing	(925)	
(23,726)	(20,653)	Short-Term Creditors	(25,438)	
(110)	(3,183)	Provisions	(3,554)	
(33,935)	(33,935)	Total Current Liabilities	(29,917)	
(59,035)	(59,035)	Long term borrowing	(109,490)	
(8,695)	(8,695)	Capital Grants Receipts in Advance	(7,990)	
(200)	(200)	Long-Term Creditors	(1,931)	
(112,033)	(112,033)	Pension Scheme Liability	(106,230)	
(179,963)	(179,963)	Total Long-Term Liabilities	(225,641)	
356,072	356,072	Net Assets	366,784	
Financed by:				
62,359	62,359	Usable Reserves	57,791	
293,713	293,713	Unusable Reserves	308,993	
356,072	356,072	Total Reserves	366,784	

A prior period adjustment was identified which resulted in retrospective restatement of the 2018/19 Balance Sheet, please refer to Note 41 for details.

These financial statements replace the unaudited financial statements certified by the Responsible Financial Officer, Dave Hodgson, on 31 July 2020.



Dave Hodgson, CPFA, Director Finance

GROUP CASHFLOW STATEMENT

2018-19 £'000		2019-20 £'000	Notes
5,815	Net (surplus) or deficit on the provision of services	4,267	
(30,239)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(26,631)	
6,503	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	8,729	
(17,921)	Net cashflows from Operating Activities	(13,635)	
12,157	Investing Activities	48,723	4
(4,031)	Financing Activities	(41,931)	
(9,795)	Net (Increase) or decrease in cash and cash equivalents	(6,843)	
5,644	Cash and cash equivalents at the beginning of the reporting period	15,439	
15,439	Cash and cash equivalents at the end of the reporting period	22,282	

GROUP NOTES TO THE ACCOUNTS

1. FINANCIAL INSTRUMENTS

	Long-term				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020	31 March 2019	31 March 2020
Financial Assets	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value through profit or loss	4,949	4,713	-	-	13,010	11,009	-	-
Amortised cost	982	982	14,469	15,134	38,562	56,465	3,846	4,503
Total Financial Assets	5,931	5,695	14,469	15,134	51,572	67,474	3,846	4,503
Non-financial assets	-	-	-	-	-	-	9,785	7,612
Total	5,931	5,695	14,469	15,134	51,572	67,474	13,631	12,115

	Fair Value Level	Balance Sheet	Fair Value	Balance Sheet	Fair Value
		31 March 2019	31 March 2019	31 March 2020	31 March 2020
		£'000	£'000	£'000	£'000
Financial Assets Held at Amortised Cost					
Unquoted equity investment	3	982	982	982	982
Loans made for service purposes	2	1,236	1,236	1,263	1,263
Lease receivables	3	13,233	13,233	13,871	13,871
Short term investments	2	36,133	36,133	45,192	45,192
Cash (including bank accounts)	2	2,429	2,429	11,273	11,273
Short term debtors	3	3,846	3,846	4,503	4,503
Total Financial Assets		57,859	57,859	77,084	77,084

GROUP NOTES TO THE ACCOUNTS

2. INVENTORIES

	Exeter City Council consumables 2018/19 £'000s	Exeter City Council consumables 2019/20 £'000s	Strata proportional share of stock 2018/19 £'000s	Strata proportional share of stock 2019/20 £'000s	Subsidiary work in progress 2018/19 £'000s	Subsidiary work in progress 2019/20 £'000s	Total 2018/19 £'000s	Total 2019/20 £'000s
Balance at 1 April	204	203	5	4	-	809	209	1,016
Purchases	345	620	-	-	809	1,829	1,154	2,449
Expense in year	(347)	(605)	(1)	(1)	-	-	(348)	(606)
Written off balances	-	-	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
Balance at 31 March	202	218	4	3	809	2,638	1,015	2,859

3. CASH & CASH EQUIVALENTS

	2018-19 £'000	2019-20 £'000
Cash held by the Council	16	70
Bank current accounts	1,242	(57)
Money Market Funds	13,010	11,009
Short-term investments	-	3,006
Short-term call accounts	6	3,012
Strata - Cash at bank and in hand	438	96
Subsidiary - Cash at bank and in hand	727	5,146
Total cash and cash equivalents	15,439	22,282

4. CASHFLOW STATEMENT - INVESTING ACTIVITIES

	2018-19 £'000	2019-20 £'000
Purchase of non-current assets	10,917	48,075
Purchase of short and long-term investments	200,000	264,994
Other payments for investing activities	2,070	2,604
Proceeds from the sale of non-current assets	(3,979)	(6,310)
Proceeds of short and long-term investments	(191,952)	(255,000)
Other receipts for investing activities	(4,899)	(5,640)
Net cash flows from investing activities	12,157	48,723

HRA INCOME & EXPENDITURE STATEMENT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in the year, on the basis upon which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2018-19		2019-20	
£'000	Income	£'000	£'000
(18,532)	Dwelling rents	(18,331)	
(514)	Non dwelling rents	(515)	
(908)	Charges for services and facilities	(870)	
(19,954)	Total Income		(19,716)
	Expenditure		
6,371	Repairs and maintenance	6,227	
5,016	Supervision and management	5,520	
26	Rents, rates, taxes and other charges	29	
6,401	Depreciation and impairment of non-current assets	6,370	
21	Debt management costs	21	
17,835	Total Expenditure		18,167
(2,119)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(1,549)
180	HRA share of Corporate and Democratic Core		184
(1,939)	Net Cost of HRA Services		(1,365)

HRA INCOME & EXPENDITURE STATEMENT

2018-19		2019-20
£'000		£'000
(1,939)	Net Cost of HRA Services	(1,365)
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(1,807)	(Gain) or loss on sale of HRA non-current assets	(2,064)
1,840	Interest payable and similar charges	2,024
(306)	Interest and investment income	(323)
286	Net interest on the net defined benefit liability (asset) and administration expenses	253
(1,214)	Capital grants and contributions receivable	(1,948)
(3,140)	(Surplus) or deficit for the year on HRA services	(3,423)

Movement on the HRA Statement

2018-19		2019-20
£'000		£'000
(10,469)	Housing Revenue Account surplus brought forward	(10,300)
(3,140)	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	(3,423)
3,309	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	3,197
169	(Increase) or decrease in the HRA Balance	(226)
(10,300)	Housing Revenue Account surplus carried forward	(10,526)

NOTES TO THE HRA STATEMENTS

1. HRA DWELLINGS

	Flats	Houses and Bungalows	Total
At 31 March 2019	2,558	2,333	4,891
At 31 March 2020	2,551	2,304	4,855

2. VACANT POSSESSION VALUE OF DWELLINGS

At 1 April 2020 the vacant possession value of the dwellings was £736.355 million, this compares to the tenanted market value in the Balance Sheet of £257.724 million. The difference of £478.631 million represents the economic cost to the Government of providing council housing at less than open market rents.

3. COUNCIL'S OWN BUILD SCHEME

The Council's Own Build scheme involves the development of 21 homes at Sivell Place and Merlin Crescent. Whilst the developments remain within the overall umbrella of the Housing Revenue Account, the costs and incomes arising from the developments are accounted for separately as part of their build costs were financed from borrowing. The cost of servicing the borrowing will therefore be met from the rent income received from the completed dwellings.

4. IMPAIRMENT CHARGES

Impairment charges of £2.841m (£3.251 million 2018/19) were debited to the HRA Income and Expenditure Account in 2019/20 although they were reversed out in the Statement of Movement on the HRA Balance, to avoid having an impact on rent levels, in accordance with the Code of Practice.

5. HRA CAPITAL RECEIPTS

The following capital receipts were received during the year from disposals of land, houses and other property within the authority's HRA:

	2018-19 £'000	2019-20 £'000
Land	650	30
Dwellings	3,759	4,657
Repayment of discounts	-	38
	4,409	4,725
Less amount pooled	(1,037)	(565)
	3,372	4,160

NOTES TO THE HRA STATEMENTS

6. BALANCE SHEET VALUATIONS OF ASSETS

	Dwellings	Garages	Vehicles, Plant & Equipment	Assets Under Construction	Assets Held for Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2019	259,759	3,860	214	3,155	818	267,806
At 31 March 2020	257,724	3,920	122	10,125	1,594	273,485

Within the valuation of Council dwellings as at 31 March 2020 of £257.724m, £130.473m was attributable to the value of land (2018/19 £131.512m) and £127.251m to buildings (2018/19 £128.247m).

7. HRA CAPITAL EXPENDITURE

HRA capital expenditure amounted to £15.733 million during 2019/20 (£6.197 million 2018/19), the expenditure and sources of finance were as follows:

	Sources of Finance					Total Expenditure
	Major Repairs Reserve	Revenue Contributions	Borrowing	Grants & Other Contributions	Capital Receipts	
	£'000	£'000	£'000	£'000	£'000	
Land	-	-	-	-	-	-
Houses	5,937	2,465	-	2,340	4,956	15,698
Other	-	35	-	-	-	35
Total	5,937	2,500	-	2,340	4,956	15,733

NOTES TO THE HRA STATEMENTS

8. DEPRECIATION

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

	2018-19	2019-20
	£'000	£'000
Operational assets		
Dwellings	3,020	3,385
Garages	55	51
Equipment	120	150
Total depreciation charged	3,195	3,586
Less depreciation written off - disposals	(21)	(24)
Less depreciation written off - revaluations	(3,054)	(3,317)
Less depreciation written off - impairments	-	(95)
Total depreciation	120	150

COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

2018-2019			2019-2020		
Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
Income					
65,788	-	65,788	69,553	-	69,553
-	(1,953)	(1,953)	-	(1,535)	(1,535)
-	81,531	81,531	-	82,422	82,422
65,788	79,578	145,366	69,553	80,887	150,440
Expenditure					
Demands on the Fund by:					
7,051	-	7,051	7,973	-	7,973
3,150	730	3,880	3,254	761	4,015
49,861	44,051	93,912	52,057	7,371	59,428
5,484	29,195	34,679	5,735	30,434	36,169
-	(988)	(988)	-	37,518	37,518
-	216	216	-	214	214
139	-	139	96	-	96
Bad and doubtful debts					
352	(73)	279	269	1,925	2,194
(10)	-	(10)	240	(270)	(30)
-	2,950	2,950	-	979	979
66,027	76,081	142,108	69,624	78,932	148,556
239	(3,497)	(3,258)	71	(1,955)	(1,884)
(2,726)	4,207	1,481	(2,487)	710	(1,777)
(2,487)	710	(1,777)	(2,416)	(1,245)	(3,661)

NOTES TO THE COLLECTION FUND

1. Council Tax base

The council tax base, for tax setting purposes, is calculated by reference to the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings. The figures for 2019/20 were:

Band	Dwellings	Less Discounts	Technical Changes	Conversion Factor	Band D equivalents
A Relief	28	15	-	5/9ths	7
A	9,563	3,594	(6)	6/9ths	3,975
B	14,127	3,010	(6)	7/9ths	8,642
C	12,891	1,807	(4)	8/9ths	9,849
D	7,969	735	(5)	9/9ths	7,229
E	3,879	263	(1)	11/9ths	4,418
F	1,881	115	0	13/9ths	2,551
G	886	44	0	15/9ths	1,403
H	31	3	1	18/9ths	58
Band D equivalent					38,132
Less Hardship Relief (Band D)					0
Total Band D equivalent					38,132
Collection rate					97%
Tax base					36,988

2. Income from Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values (£192.310m at March 2020) multiplied by a uniform rate 50.4p (49.1p for those receiving small business relief) for 2019/20.



Exeter City Council

Annual Governance Statement

2019-20

Scope of Responsibility

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

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

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

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

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

A copy of the Council's code is available on our website at [Code-of-corporate-governance-2019-20.pdf](#)

The Purpose of the Governance Framework

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

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

The governance framework has been in place at Exeter City Council for the year ended 31 March 2020 and up to the date of the approval of the annual statement of accounts.

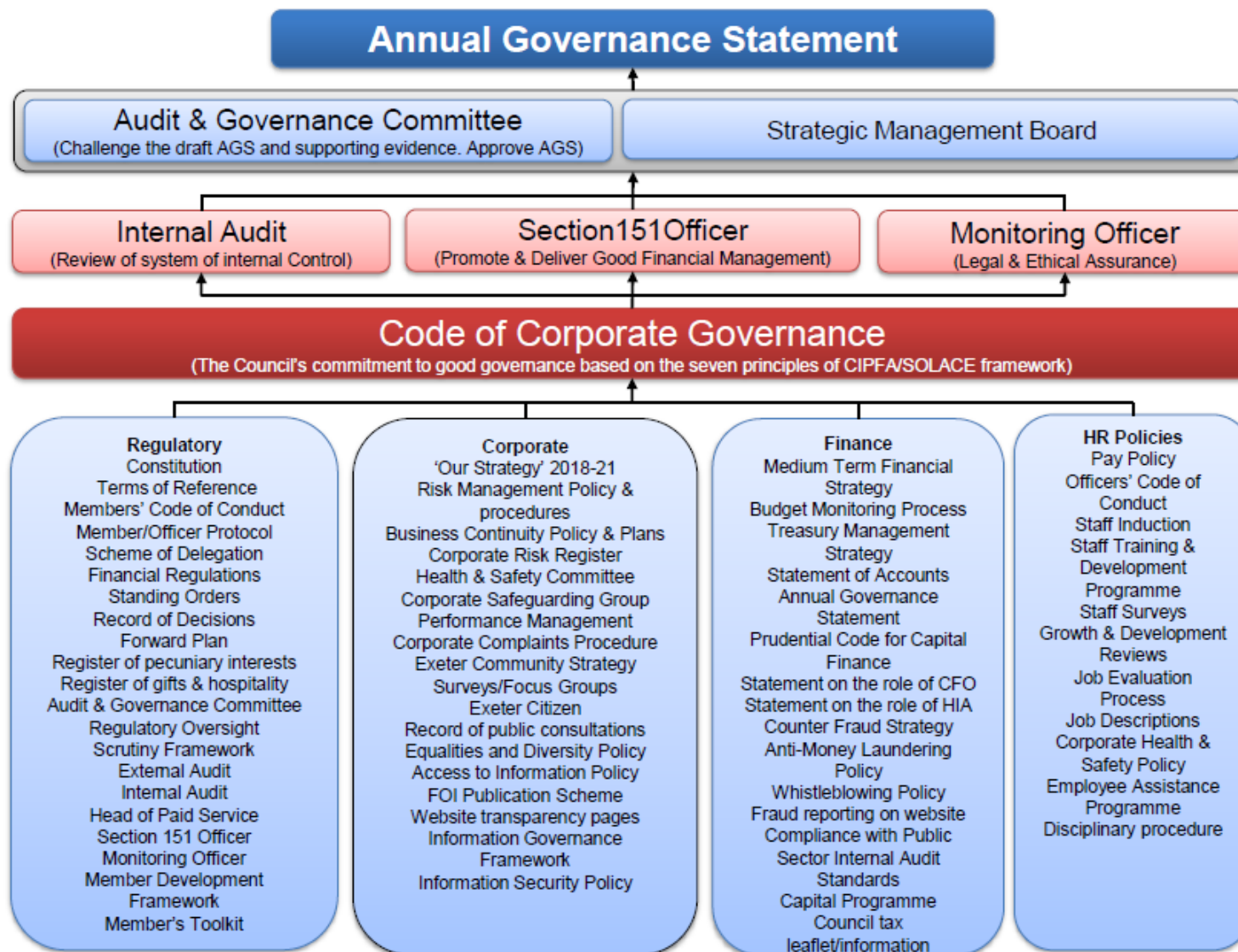
The Governance Framework

The Council's Governance Framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The Framework recognises that the Council's business is focussed upon its corporate priorities and seeks to facilitate delivery to our local communities of the goals set out in the Council' Strategy 2018-21. The structures and processes, risk management and other internal control systems, such as standards of conduct, form part of this Framework, which is about managing the barriers to achieving the Council's objectives.

The local Code of Corporate Governance is reviewed annually through the Audit and Governance Committee and was last reviewed and recommended for approval by Council on 13 March 2020. Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Strategic Management Board (SMB) which comprises the Chief Executive and Growth Director, Directors Chief Finance Officer (Section 151), City Solicitor (Monitoring Officer).

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

ANNUAL GOVERNANCE STATEMENT



Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by:

- ✓ The work of the Strategic Management Board who have responsibility for the development and maintenance of the governance environment
- ✓ The work of Executive who are responsible for considering overall financial and performance management and receive comprehensive reports throughout the year;
- ✓ The work of both Customer Focus and Strategic Scrutiny Committees who monitor the overall financial performance of the Council;
- ✓ The work of the Audit & Governance Committee who monitor the standards of conduct of Members, effectiveness of risk management, the work of Internal Audit and the system of internal control;
- ✓ The Section 151 Officer who is responsible for delivering and overseeing the financial management of the Council
- ✓ The Monitoring Officer who provides assurance that the Council has complied with its statutory and regulatory obligations;
- ✓ Annual reviews of the Council's key financial and non financial systems by Internal Audit against known and evolving risks which are reported on a quarterly basis to the Audit & Governance Committee;
- ✓ Annual reviews of the Council's financial accounts and records by the External Auditors leading to their opinion as published in the year-end statements;
- ✓ Ongoing reviews of strategic and operational risks in each service area and the conduct of risk analysis and management in respect of major projects undertaken by the Council;
- ✓ Reviews and, where appropriate, updates of the Council's Constitution including Financial Regulations and Standing Orders
- ✓ Comments made by other review agencies and inspectorates

Risk Management

During the last twelve months the Council has been working with Zurich, the Council's insurance providers and Internal Audit, to review the Corporate Risk Register and to work with services to review their own operational Risk Registers. This has led to a streamlining of the Corporate Risk Register and a reduction in the number of risks recorded with many of the risks being moved to the Operational Risk Registers. The Risk Management Guidance has been updated accordingly. Zurich, supported by Internal Audit, have provided a number of briefing sessions to Managers to guide them through the risk management and business continuity process and to assist in the establishment or update of the Service's Risk Registers and Business Continuity Plans.

ANNUAL GOVERNANCE STATEMENT

Financial Management Arrangements

The Council's financial management arrangements conform with the governance requirements of the CIPFA "Statement on the Role of the Chief Financial Officer in Local Government" (2010) as set out in the "Application Note to Delivering Good Governance in Local Government: Framework". The Section 151 Officer is a member of the Council's Strategic Management Board.

Internal Audit

The Internal Audit Service has been managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS) which were introduced in April 2013. It is a requirement of the standards that an independent external review of Internal Audit's compliance with PSIAS is undertaken every five years. This external review was completed in January 2020 when the external assessor concluded that

"It is our overall opinion that the Exeter City Council Internal Audit Team generally conforms to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards." Generally Conforms is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards.

Based on the assurance work undertaken by Internal Audit, the Audit Manager has provided an opinion on the adequacy of the control environment as part of the Annual Internal Audit Report which concluded that the key systems are operating soundly and that there are no fundamental breakdowns of controls resulting in material discrepancy.

External Audit

In January 2020, the Council's external auditor (Grant Thornton) issued the following conclusion:

'On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019'.

Corporate Complaints

In 2019/20 the Council responded to 100 (2018/19 – 101) corporate customer complaints. All complaints were responded to by the relevant Director or Corporate Manager so that any issues identified could be actioned.

ANNUAL GOVERNANCE STATEMENT

Performance Management

The Council's Corporate Plan 'Our Strategy 2018-21' was approved by Executive on 9th October 2018. To support this strategy, the Council's Operational Management Board were tasked with devising and implementing a performance management framework to show how the Council is progressing towards achieving strategic objectives and to prioritise resources. This framework has been drafted for approval by the Strategic Management Board. A strategic dashboard has also been built to enable reporting and monitoring against these objectives. In addition, all services have been working on services plans to link service objectives to corporate objectives, to analyse performance, identifying improvements and implement remedial actions.

ANNUAL GOVERNANCE STATEMENT

Key Issues 2019-20

This Statement is intended to provide reasonable assurance. It is stressed that no system of control can provide absolute assurance against material misstatement or loss. In concluding this overview of the Council's governance arrangements, two key issues have been carried over from 19-20 as still ongoing, along with four significant issues identified for 2019-20 shown in the table below. Progress will be subject to regular monitoring by the Audit and Governance Committee.

Issue No.	Issue Identified	Summary of Action to be Taken
1 (18-19)	The Council continues to make changes to its organisational structures and ways of working as it transforms the way in which services are delivered within the financial constraints of the current economic climate. During 2019-20 the Council has also moved to an agile and flexible working environment. This has kept the overall risk to the internal control environment high with changes in staff responsibilities and the reduction of available resources.	This will continue to be monitored as part of the internal audit plan and any issues arising will be reported to Audit and Governance Committee quarterly.
2 (18-19)	The Council now has a fully functioning Procurement Team in place, which is effectively managing Council procurements. The next phase is to ensure that contract management is an integral part of the procurement cycle to ensure that it is undertaken effectively and consistently across the Council's contracts. In light of Covid19 and the need for ongoing social distancing for the foreseeable future, the planned rollout of contract management training across the organisation will be reviewed and options considered around virtual and online training.	<p>A contract management training plan to be implemented along with contract management guidance to assist contract managers to properly manage contracts by addressing transition management, performance monitoring and by helping to ensure that both parties fulfil their commercial and contractual commitments.</p> <p>This contract management training was due to be rolled out during the summer of 2020. However, due to Covid19 restrictions, this training has been postponed and will be rescheduled</p>

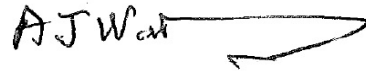
ANNUAL GOVERNANCE STATEMENT

Key Issues 2019-20

Issue No.	Issue Identified	Summary of Action to be Taken
3 (19-20)	Due to the Covid19 pandemic and the lockdown measures that were put in place in March 2020, the Council is facing increased cost and demand pressures at the same time as seeing a significant drop in income. Support from Central Government has mitigated some of the pressures, but the longer term impact could still be damaging to the Council's financial position.	The Government have provided grants to cover expenditure pressures. The Government have committed to covering most of the losses from sales, fees and charges. The Council has taken an emergency budget to be considered on 21 July 2020, identifying ways to ensure a balanced budget.
4 (19-20)	Due to the Covid19 pandemic and the lockdown measures that were put in place in March 2020, the Government has laid new regulations before Parliament to allow for virtual Council meetings to be held.	The Council was the first to use the new regulations, holding a meeting of the Executive virtually, two days after the regulations came into force. Initial meetings were held via Skype for Business, but this has been replaced by Zoom. All meetings are streamed live via Facebook as they were previously to enable the public to view all Council business transparently. Members of the Public can also "attend" the meeting to ask questions using the normal notification procedure.
5 (19-20)	The move to an agile and flexible working environment as part of the Organisational Development Plan will impact on the control environment in some instances, which will require a review and in some cases adaptation of existing controls.	Audit Plan will be updated to prioritise those services where the new working from home environment has resulted in a change to working practices and controls.
6 (19-20)	The Covid19 pandemic has created a significant increase in fraud risk. The Council has already experienced at least one instance of a fraudster attempting to change a suppliers bank details. Grant schemes always attract individuals hoping to exploit the system and with the Government Covid19 grants schemes this risk has also further increased.	Internal audit are currently undertaking a risk assessment on behalf of the Council, as required by the government, to assess the level of risk the Council may be exposed to as a result of administering the Small Business, Hospitality and Leisure and the Discretionary Grants. Internal Audit will also be undertaking post award checking following guidance issued by the government.

Approval of the Annual Governance Statement

Through the action referred to on the previous page, we propose over the coming year to focus on the key areas, with a view to further enhancing our governance arrangements and we will monitor their implementation and operation as part of our next annual review.



Signed:

Councillor Tony Wardle
Chair of Audit & Governance Committee

Date: 25/11/2020


Signed:



Dave Hodgson CPFA
Director Finance & Section 151 Officer

Date: 25/11/2020

Signed:



Councillor Philip Bialyk
Leader of the Council

Date: 25/11/2020

Signed:



Karime Hassan
Chief Executive & Growth Director

Date: 25/11/2020

AUDITORS REPORT

Independent auditor's report to the members of Exeter City Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Exeter City Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the HRA Income & Expenditure Statement, the Movement on the HRA Statement, the Collection Fund, the Group Comprehensive Income & Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cashflow Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the EFA, Notes to the Financial Statements, Notes to the HRA Statements, Notes to the Collection Fund and the Group Notes to the Accounts. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2020 and of the group's expenditure and income and the Authority's 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 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

AUDITORS REPORT

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director Finance and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Director Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the group's and Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the group's and Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority or group will continue in operation.

AUDITORS REPORT

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments

We draw attention to Note 5 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's Property, Plant and Equipment and Investment Properties and the Authority's share of the pension fund's pooled property investments as at 31 March 2020. As disclosed in Note 5 to the financial statements, the outbreak of Covid-19 resulted in a material valuation uncertainty being included in the Authority's property valuer's reports. Our opinion is not modified in respect of this matter.

Other information

The Director Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority and group financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other

AUDITORS REPORT

information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director Finance. The Director Finance is responsible for the preparation of the Statement of Accounts, which includes 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Director Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director Finance is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

AUDITORS REPORT

The Audit and Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

AUDITORS REPORT

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements – Certificate

We certify that we have completed the audit of the financial statements of the Exeter City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Jackson Murray](#)

Jackson Murray, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol
30 November 2020

GLOSSARY OF TERMS

Accounting Period	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local authority accounts.	Balances	Working balances are reserves needed to finance expenditure in advance of income from debtors, precepts and grants. Any excess may be applied at the discretion of the authority, to reduce future demands on the Collection Fund or to meet unexpected costs during the year. Balances on holding accounts and provisions are available to meet expenditure in future years without having adverse effect on revenue expenditure.
Accrual Basis	The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made	Budget	A statement of the income and expenditure policy plan of the Council over a specified period. The most common is the annual Revenue Budget expressed in financial terms and including other physical data, e.g. staff resources.
Actual	Actual, as opposed to budget, expenditure and income directly attributable to an accounting period, generally referred to as actuals.	Capital Expenditure	This is expenditure on the acquisition of a fixed asset, or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.
Appointed Auditors	For audits of Council accounts from 1 April 2018, Public Sector Audit Appointments Limited (PSAA) is responsible for appointing an auditor, as Exeter City Council opted into its national appointment arrangements. Grant Thornton (UK) LLP is the Council's appointed Auditor.	Capital Financing	The raising of money to meet the cost of capital expenditure. Capital expenditure may be financed by borrowing, leasing, and contributions from revenue accounts, the proceeds from the sale of capital assets, capital grants and contributions from developers or others.
Associate Companies	An associate is an entity over which the Council has significant influence.		

GLOSSARY OF TERMS

Capital Grants	Grants specifically towards capital expenditure on a specific service or project.		charges, General Fund Balances, specific grants and any funding from reserves.
Chartered Institute of Public Finance and Accountancy (CIPFA)	CIPFA is the leading professional accountancy body for public services. CIPFA publishes the annual Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code constitutes proper accounting practice.	Creditors	Amounts owed by the authority for work done, goods received or services rendered, but for which payment was not made at the balance sheet date.
Collection Fund	This is a statutory fund kept separate from the main accounts of the Council. The Collection fund shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities (Devon County Council, Police and Crime Commissioner for Devon and Cornwall and Devon & Somerset Fire and Rescue Service) and the government of council tax and non-domestic rates.	Current Service Cost	This is an increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.
Community Assets	These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and may have restrictions on their disposal.	Current Assets	Assets that can be expected to be consumed or realised during the next accounting period.
Contingent Liability or Assets	These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately and for which provision has not been made in the Council's accounts.	Current Liabilities	Amounts that will become due or could be called upon during the next accounting period.
Council Tax Requirement	This is the estimated revenue expenditure on General Fund services that will be financed from the Council Tax after deducting income from fees and	Curtailment	The cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.
		Debtors	Amounts due to the Council that have not been received at the balance sheet date.
		Deferred Liabilities	This represents the liability for principal repayments on finance leases.

GLOSSARY OF TERMS

Depreciation	This is the measure of the wearing out, consumption or other reduction in the useful economic life of property, plant and equipment.	Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.
Earmarked Reserves	The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.	Financial Instruments	A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
Employee Costs	These include salaries, wages and employer's national insurance and superannuation costs payable by the Council, together with training expenses and charges relating to the index-linking of pensions of former employees.	Financial Year	The local authority financial year commences 1 April and finishes 31 March the following year.
External Audit	The independent examination of the activities and accounts of local authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.	Financial Regulations	These are a written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.
Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.	Government Grants	Payments by central government towards local authority expenditure. They must be specific e.g. Housing Benefits, or general e.g. Revenue Support Grant.
Final Accounts	Accounts prepared for an accounting period, showing the net surplus (profit) or deficit (loss) on individual services and a balance sheet is prepared for them. They are produced as a record of stewardship and are available to interested parties. Local authorities are required to publish each year a Statement of Accounts, as specified in the Accounts and Audit Regulations 2015.	Housing Benefit	This is an allowance to persons receiving little or no income to meet, in whole or part, their rent. Benefit is allowed or paid by local authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to local authorities. Benefits paid to the Authority's own tenants are known as rent rebates and that paid to private tenants as rent allowances.

GLOSSARY OF TERMS

Housing Revenue Account	Local authorities are required to maintain a separate account, the Housing Revenue Account, which sets out the expenditure and income arising from the provision of Council housing.	Non Domestic Rates (NDR)	NDR is also referred to as business rates; is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. Authorities can voluntarily form a business rate retention pool, where all authorities in the pool can benefit from keeping a proportion of business rate revenue as well as growth on the revenue that is generated in their area to spend on local services.
Impairment	A reduction in the value of an asset below its value held in the Balance Sheet. Factors which may cause such a reduction include; fall in general prices, a decline in an asset's market value and evidence of obsolescence or physical deterioration.		
Interest	An amount receivable or payable for the use of a sum of money when it is invested or borrowed.	Net Book Value	The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.
Inventories	Items of raw materials and stock an authority has procured to use on a continuing basis which it has not consumed or the value of work in progress.	Non-Current Assets	Assets that can be expected to be of use or benefit to the Authority in providing its service for more than one accounting period.
Investment Properties	Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.	Operating Lease	A lease under which ownership of the asset remains with the lessor; the lease costs are revenue expenditure to the Authority.
Materiality	Information is material if omitting it or misstating it could influence the decisions that users make on the statement of accounts.	Precepts	The amount levied by various Authorities that is collected by the Council on their behalf. The major precepting authorities in Exeter are Devon County Council, Devon and Somerset Fire and Rescue Service and Devon and Cornwall Police Authority.
Minimum Revenue Provision (MRP)	The minimum amount that must be charged to an authority's revenue accounts and set aside for the repayment of debt. It is calculated in accordance with the Council's approved MRP policy.		



Exeter
City Council



**Exeter City Council
Civic Centre
Exeter EX1 1JN
Tel: 01392 277888
www.exeter.gov.uk**