

# STATEMENT OF ACCOUNTS

2020-2021



# Contents

## 1. NARRATIVE REPORT AND WRITTEN STATEMENTS

**Director Finance's Narrative Report**  
Page 1

**Statement of Responsibilities**  
Page 27

## 2. CORE FINANCIAL STATEMENTS AND EXPLANATORY NOTES

**Explanation of Core Financial Statements**  
Page 28

**Comprehensive Income and Expenditure Statement**  
Page 29

**Movement in Reserves Statement**  
Page 30

**Balance Sheet**  
Page 32

**Cash Flow Statement**  
Page 33

**Index of Notes to the Accounts**  
Page 34

## 3. SUPPLEMENTARY ACCOUNTS AND EXPLANATORY NOTES

**Group Accounts**  
Page 104

**Explanatory Notes to the Group Accounts**  
Page 110

**Housing Revenue Account Income & Expenditure Account**  
Page 112

**Statement of Movement in the Housing Revenue Account**  
Page 113

**Explanatory Notes to the Housing Revenue Account**  
Page 114

**Collection Fund Statement**  
Page 117

**Explanatory Notes to the Collection Fund**  
Page 118

## 4. OTHER STATEMENTS

**Annual Governance Statement**  
Page 119

**Auditor's Report**  
Page 131

**Glossary of Terms**  
Page 139

# 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 2021 and is structured as follows:

- An introduction to Exeter
- Key information about Exeter City Council
- The Corporate Plan
- Financial Performance 2020/21
- Non-Financial Performance 2020/21
- 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 131,400 and is at the heart of a travel to work area of over 470,000 residents.

**Employment:** 75,200 of Exeter’s residents are employed or self-employed. 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 37,000 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. Exeter is ranked as one of the greenest locations in the UK (9<sup>th</sup>), thanks to the city’s high density of parks and green spaces.

**Business:** 5,059 registered for business rates. A recent survey by on-line magazine, startupgeeks, found Exeter to have the second best five-year survival rate for start-up businesses in the UK.

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

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

# Narrative Report

**Education:** The University of Exeter is a public research university, with 98% of its research rated as international quality in the most recent Research Excellence Framework. The University is amongst the top 175 universities worldwide according to the Times Higher Education World University Rankings, the most influential global league table.

2020 marks 50 years since Exeter College was named as the UK's first tertiary college, though its origins date back to the 1800s and is ranked as one of the top colleges in the country in FE Week's annual NICDEX rankings. The college was recently shortlisted as 'FE College of the Year' in the 2021 Tes FE Awards (formerly known as the Times Educational Supplement).

**Culture:** The Art Council England's Designation Scheme 2020 identified the George Montagu's 19<sup>th</sup> century collection of molluscs and World Cultures collection as pre-eminent collections of national and international importance at the Council's Royal Albert Memorial Museum (RAMM). The city also has a beautiful Cathedral, four theatres and a popular quayside.

**Retail:** Exeter has many well-known national stores including John Lewis, Next, Zara and Apple. There are also award-winning restaurants and independent stores. The Ivy is the latest new restaurant in the heart of Exeter, famous for attracting celebrities to its London eateries. Ikea's 29,000 square metre store is located on the outskirts of the city.

**Sport:** Exeter Chiefs play in Premiership Rugby, England's top division of rugby. Founded in 1871, the club play their home games at Sandy Park, which is located on the outskirts of the city. The Chiefs have become one of the leading clubs in the Premiership, winning the championship title twice in 2016-17 and 2019-20 and reaching a further three finals. In October 2020, the Chiefs won the Champions Cup, the top prize in European club rugby union.

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 and have reached the play-off finals in 2017, 2018 and 2020.

Exeter and Cranbrook is one of only 12 places in England to be awarded Pilot status by Sport England to tackle inactivity in communities and to trail-blaze new ways of getting people active for life. Following wide-ranging consultation, strategies have been approved which reflect the ambition to make Exeter the most active city in England and for everyone to benefit from an active life.

### 3. Key Information about Exeter City Council

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

#### Political Structure

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

Party	Councillors
Labour seats	28
Conservative	6
Liberal Democrat	2
Green Party	2
Independent	1

Normally, each elected Councillor is appointed for a four year term, with a third of the 39 seats contested each year (one seat per ward). However, because the May 2020 elections were postponed, each Councillor has been elected for a three year term in the May 2021 elections.

# Narrative Report

## Exeter's Vision 2040

In December 2019, organisations from within the City of Exeter and those with a keen interest in the continued growth and success of the city as an economic engine of the Greater Exeter regions, came together to form the Liveable Exeter Place Board. The Board agreed a commitment to Exeter's Vision 2040; to be recognised as a leading sustainable city and global leader in addressing the social, economic and environmental challenges of climate change and urbanisation. The Council will play a lead and critical role in realising this vision.

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



## Narrative Report

### Climate Emergency

The Council has declared a climate emergency. In July 2020, the Council adopted Net Zero Exeter 2030 as council policy to inform all policy documents, plans and corporate decision making in response to the climate emergency and in pursuance of the goal to make Exeter a carbon neutral city by 2030.

The Net Zero Exeter 2030 plan sets out the scale of the challenge, the likely actions and investment required to ensure that Exeter is, and is in a position to remain, carbon neutral by 2030. The Council will be exploring opportunities to secure investment and to create mechanisms for funding programmes set out in the plan, in order to achieve this exciting 10 year journey for the city.

Exeter City Council has pioneered the development of energy efficient Passiv-haus homes through its own development company, Exeter City Living. The Council's own commitment also includes transforming council operations. Much of the City Council's fleet of vehicles have been replaced by electric vehicles. There is still much to do, but Exeter is stepping up as a leading city, embracing its net zero ambitions and working collaboratively to trail-blaze innovative solutions.



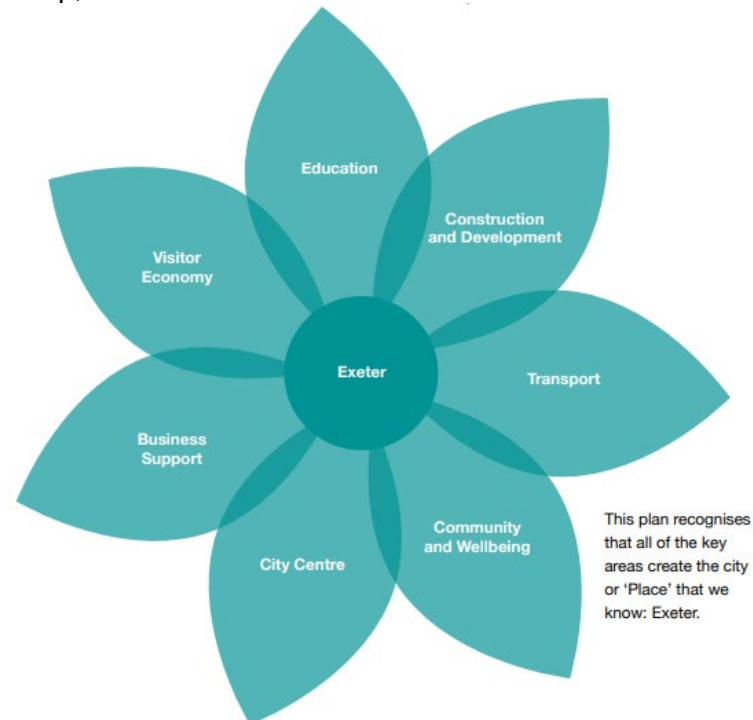
# Narrative Report

## Building Exeter Back Better

Working in conjunction with key public sector agencies, business and community stakeholders and supported by the Liveable Exeter Place Board, a 'Building Exeter Back Better' Covid-19 recovery plan has been formulated, which focuses on a place-based 'Exeter' response to oversee the transition from crisis management to turnaround and recovery planning. It aligns with and compliments the work being put in place at county and regional level. The plan is underpinned by the following principles:

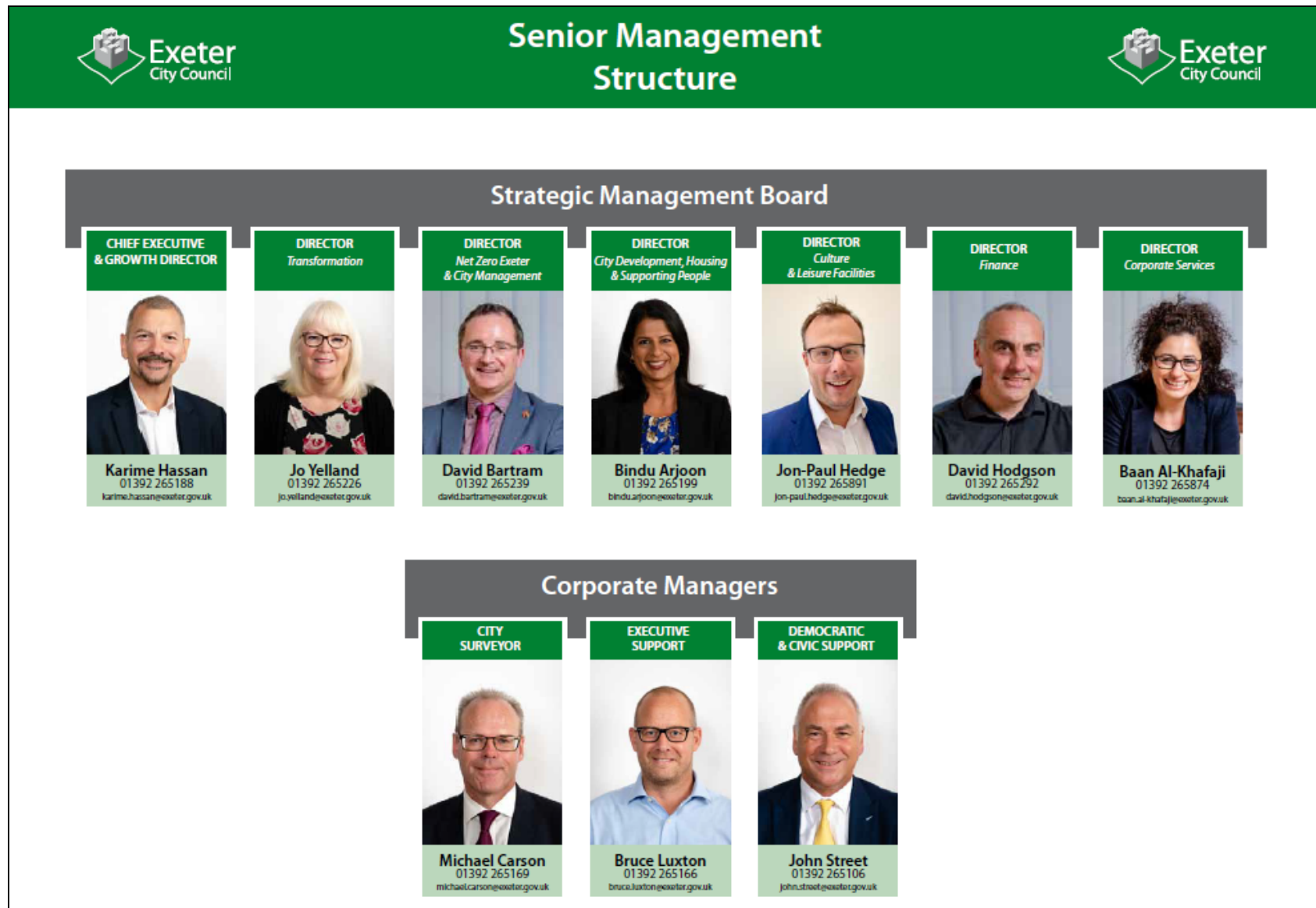
- Work on the basis of a 'Build Back Better' strategy, avoiding sub-optimal quick fixes or recovery that recreates the pre-Covid-19 status quo
- Aim for innovation and transformation, seeking progress on key priorities for the city, e.g. climate emergency
- Plan with robust evidence of damage and needs assessment
- Increase resilience for future pandemics (and other societal crises)
- Collaborate with regional and sub-regional arrangements and our neighbours
- Work with our communities to understand local issues and ensure co-delivery of the plan

The plan sets out seven key areas that have been most keenly affected by the pandemic, resulting in the formation of seven recovery groups, chaired by members of the Liveable Exeter Place Board. The recovery groups will work collaboratively in recognition that a city does not work in silos and that all of the areas of focus overlap, as illustrated below:



# Narrative Report

## Exeter City Council's Senior Management Structure:





## Narrative Report

### Council Employees

The Council employed 783 people in full time and part time contracts in March 2021, compared to 694 people in March 2020.

The increase in the number of council employees predominantly reflects the Council's decision to in-source its leisure services from 1 September 2020, with staff transferred under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). Upon transfer, the pay and conditions of leisure service employees were synchronised with council employees.

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 2020/21 reflected the following:

- The Council adapted the National Local Government Pay Scale to include locally agreed spinal column points. With effect from 1 January 2014, the Council adopted the Real Living Wage as its minimum spinal column point, and the Living Wage of £9.30 per hour from 1 April 2020 equates to Grade A of the Council's pay scale. The Living Wage is determined nationally in or around November each year. The Council applies any uplift to the Living Wage from 1 April in the year following the increase.
- The nationally negotiated pay award for employees on Spinal Column Points 3 - 52 inclusive (Grades B – P)
- The nationally negotiated pay award for Chief Officers and Chief Executives

The Council has 13 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

In addition to the Building Exeter Back Better recovery plan, 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.

As an ambitious council in a successful city, we fulfil a number of roles to ensure that the city continues to flourish:

- We deliver the day-to-day services that our residents and communities depend on.
- We work with our partners and other stakeholders to help set the strategic direction for the city and deliver plans that bring positive change for all those living, working, studying in and visiting the city.

The Corporate Plan has been updated to reflect the changes that have occurred since we produced Our Strategy 2018-2021. Since then the Council has declared a Climate Emergency in Exeter and has experienced the Covid-19 crisis.

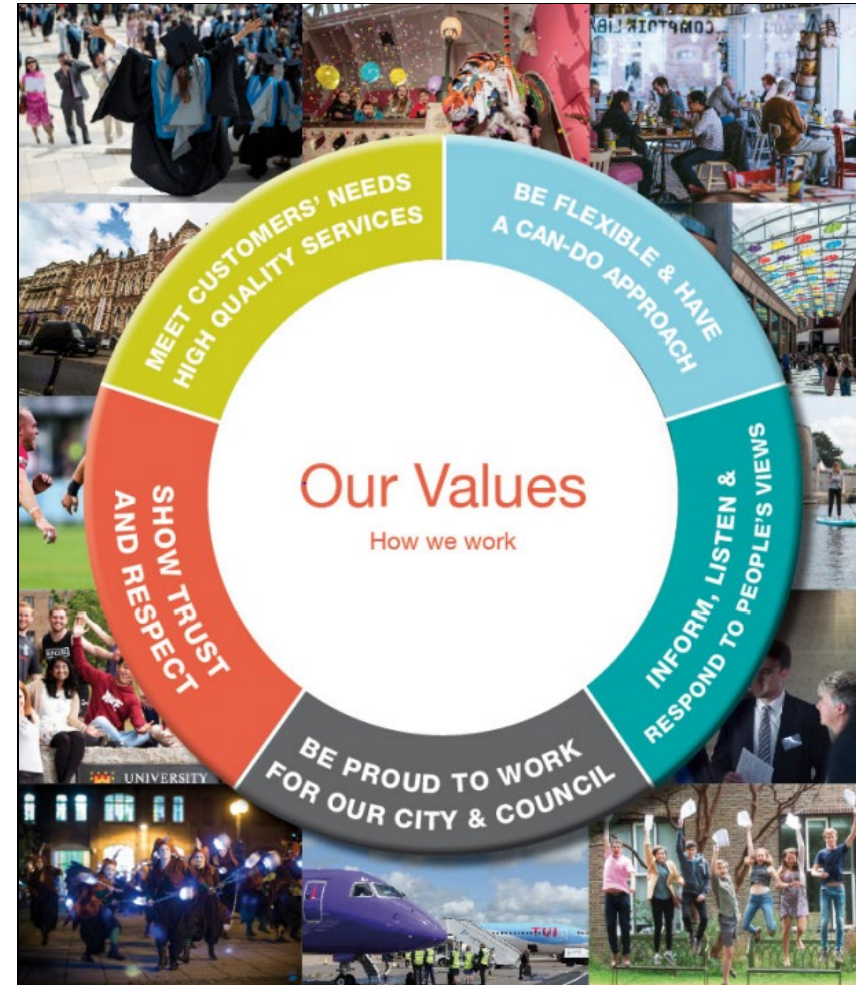
The Council's corporate priorities, which guide everything we do are:

- Delivering Net Zero Exeter 2030
- Promote active and healthy lifestyles
- Build great neighbourhoods
- Provide value-for-money services
- Lead a well-run council

## Narrative Report

Delivery of the Council's strategy relies on it being a well-run council. As a well-run council we will:

- Inform and engage openly with stakeholders.
- Ensure that health and safety at work is a priority for the council and that all staff are aware of its significance for their roles and responsibilities.
- Develop the capability of our staff to ensure they are highly motivated, well trained and meet our values.
- Promote equality and diversity and tackle social exclusion in all of our work.
- Manage risks and performance.
- Ensure we are resilient to deal with emergencies and disruptive incidents.
- Use data to inform our decisions and priorities.
- Manage and secure our information, which will be transparent and accessible.
- Reduce our carbon and waste production and reduce our energy consumption to help make Exeter a greener place.



## Narrative Report

### How we performed

Despite the unprecedented challenges of responding to and dealing with the outbreak of the Covid-19 pandemic, below are a few examples of key areas of work performed during the year:

<b>Lead a Well Run Council</b>
- The Council set an emergency budget to deal with the impact of Covid-19 for 2020/21 taking a proactive approach to stabilising the financial position of the authority, whilst maintaining a minimum working balance of £3 million
- More than £34.3m was paid out by the Council to businesses affected by the Covid-19 pandemic (as at Feb 2021)
- Following the controlled detonation of a World War Two bomb in Glenthorne Road on 27 February 2021, Devon County Council, Exeter City Council and Devon and Cornwall Police worked together to support all residents affected and to assess structural damage to properties
<b>Provide Value-for-Money Services</b>
- In order to secure a long term future for the Council's leisure services, the Council in-sourced its leisure services on 1 September 2020
- The shared ICT service with East Devon and Teignbridge District Council's, Strata Service Solutions Ltd, returned savings of £0.551m in 2020/21, in addition to a £0.500m reduction in in-year bills
<b>Promoting Active &amp; Healthy Lifestyles</b>
- Work on the new leisure complex, St Sidwells Point, continued during the year
- Major repairs and enhancement to Salmonpool Bridge, to keep it operating safely for users of the canal and Riverside Valley Park
- Continued with the Exeter and Cranbrook Local Delivery Pilot on bold new approaches to build healthier, more active communities with funding from Sport England
<b>Delivering Net Zero Exeter 2030</b>
- More and more of the Council's fleet of vehicles were replaced with electric vehicles, replacing its diesel fleet and making the city greener and saving the Council money on its fuel
- Officers from the Council, Devon County Council and Teignbridge District Council have been working with advisers from the University of Exeter and the Department for Business, Energy and Industrial Strategy (BEIS) to bring forward a new heating network which will reduce carbon emissions from new homes planned by up to 70% and will see up to 2,500 new homes in the area plus a new school campus, shops and community facilities
<b>Building Great Neighbourhoods</b>
- Works continued on constructing 53 one and two bedroom Extra Care flats at Millbrook Lane
- 18 poor energy efficient, non-traditionally built properties at Newman Road are being demolished and re-built, with the first six completed in 2020/21
- 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 will be retained by the Council for the provision of social housing

### What's next?

<b>Lead a Well Run Council</b>
- The City of Exeter's recovery plan, Building Exeter Back Better, sets out seven key areas that have been most keenly affected by the pandemic. The Council will work in conjunction with key stakeholders to support the city's recovery as well as supporting regional recovery
- Completion of the Exeter Bus Station is set to open in Summer 2021, which will provide first class facilities to support those travelling to and from the city and is set to be a vital transport link/hub for the South West
<b>Provide Value-for-Money Services</b>
- The outturn position for 2020/21 has allowed the Council to set aside monies to protect against income losses in 2021/22, which are inevitable as a result of Covid-19 restrictions. However, savings of £6m are required to be identified over the medium term
- Building on the successful roll-out of the Agile and Flexible programme, work on how the Council might enhance our offer of digital services to our customers has started and ensuring that the Council has a fit for purpose organisation
<b>Promoting Active &amp; Healthy Lifestyles</b>
- The Riverside Leisure Centre is set to re-open on July 24 after a massive rebuilding programme. Key workers will be the first to be offered a swim at the new look centre when it reopens
- St Sidwell's Point is planned to open, with three swimming pools and modern high-quality spa and gym facilities. The centre will complement a number of other leisure facilities provided by the Council
- 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
- Wild City - now over 10 years old - sees Exeter City Council working closely with Devon Wildlife Trust to encourage nature into the city. Roadside verges, roundabouts and various patches of land are having wild flower seeds sown throughout Exeter as part of the Wild City project
<b>Delivering Net Zero Exeter 2030</b>
- Exeter will strive to become a carbon-neutral city by 2030. Exeter City Council has partnered with 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
- Our new homes will be climate resilient and built to Passiv-haus and Building Biology standards
<b>Building Great Neighbourhoods</b>
- The Council has been successful in securing Government funding of £1.1m to target the retrofit of 220 properties to improve their energy performance rating
- Continue to progress the Liveable Exeter programme, with a view to delivering up to 12,000 new homes for the city in sustainable, inclusive and highly accessible new communities
- The council's housing development programme now has nine priority sites which are actively being investigated and progressed. The current target is to deliver 500 properties over the next 10 years

## Narrative Report

### 5. Financial Performance 2020/21

The impact of Covid-19 on the finances of the Council and all local authorities across the country was extraordinary during 2020/21. The restrictions imposed to protect the public from the pandemic had a material impact on the Council's financial position. The Council incurred both significant additional expenditure as a result of the Council's response to the restrictions and the additional responsibilities taken on and a significant loss of income. The Council acted swiftly to deal with the adverse financial consequences of Covid-19 and on 21 July 2020 the Council approved an emergency budget, in order to maintain a balanced budget, reflecting Government support measures and lockdown plans known at the time.

The revenue outturn position against the approved emergency budget, was as follows:

	Revised Annual Budget £'000	Year End Outturn to Budget £'000	Variance £'000
Chief Executive & Growth Director	2,831	2,792	(39)
Transformation	1,456	1,109	(347)
City Development, Housing & Supporting People	5,289	3,347	(1,942)
Communications, Culture and Leisure Facilities	14,803	14,098	(705)
Net Zero Exeter and City Management	8,189	7,399	(790)
Finance	1,023	197	(826)
Corporate Services	2,376	2,369	(7)
Less Use of Furlough Scheme	(403)	(1,161)	(758)
Less Notional Capital Charges	(12,227)	(12,227)	-
<b>Service Committee Net Expenditure</b>	<b>23,337</b>	<b>17,923</b>	<b>(5,414)</b>
Net Interest	817	474	(343)
New Homes Bonus	(2,490)	(2,490)	-
Revenue Contribution to Capital	-	18	18
Minimum Revenue Provision	550	979	429
Voluntary Revenue Provision	-	(604)	(604)
<b>General Fund Expenditure</b>	<b>22,214</b>	<b>16,300</b>	<b>(5,914)</b>
Transfer To/(From) Working Balance	(1,273)	(1,159)	114
Transfer To/(From) Earmarked Reserves	(5,106)	23,900	29,006
<b>General Fund Net Expenditure</b>	<b>15,835</b>	<b>39,041</b>	<b>23,206</b>
<b>Met By:</b>			
Formula Grant	(4,501)	(4,501)	(0)
Business Rates Growth / Pooling Gain	(2,578)	(21,153)	(18,575)
Covid19 Grant	(1,306)	(1,822)	(516)
Sales Fees & Charges Compensation	0	(4,343)	(4,343)
CIL Income	(1,363)	(1,073)	290
Council Tax	(6,087)	(6,149)	(62)
	<b>(15,835)</b>	<b>(39,041)</b>	<b>(23,206)</b>
	<b>March 2020</b>	<b>March 2021</b>	
<b>Working Balance</b>	<b>5,856</b>	<b>4,697</b>	

## Narrative Report

### Key changes since approving the Emergency Budget

The outturn results have been skewed by the pandemic and the Government's support to business and Councils, which resulted in significant variances to the revised annual budget. The UK also went into two further national lockdowns starting in November 2020 and January 2021.

### Covid-19 Grant

In light of the extended restrictions and ongoing financial impact on local authorities, the Government announced two further rounds of Covid-19 emergency funding. Exeter received a further £205,714 in Round 3 and £309,747 in Round 4, bringing the total for the year to £1.822m.

### Sales, Fees and Charges

The Government introduced an income loss scheme to compensate local authorities for irrecoverable and unavoidable losses from sales, fees and charges as a result of lockdown, government restrictions and social distancing measures related to the pandemic. Exeter received compensation of £4.343m during 2020/21.

### Support to Businesses Reported in the Council's Outturn Report

The Government provided a range of support measures throughout the Covid-19 pandemic to support local businesses and individuals. Where the authority has some discretion over the amounts awarded, the criteria for entitlement and therefore has some control over the distribution of the funding, they have been reported as income and expenditure in the authority's financial statements. In these circumstances, the authority is deemed to be acting as a 'principal'. The table below sets out the grants schemes that have been included in the Council's accounts. The balances remaining at 31 March 2021 have been transferred to earmarked reserves for distribution in future years.

Grant	Funding	Expenditure as at 31 March 2021	Balance as at 31 March 2021	Description
Exeter Well-being Support Fund	174,850.00	110,477.88	(64,372.12)	Fund used to issue urgent financial support to persons experiencing financial difficulties.
Covid19 Business Support Grants (LADGF)	1,256,500.00	1,256,500.00	0.00	Support for small businesses that are not eligible for Small Business Grants (SBGF) or the Retail, Hospitality and Leisure Grant Fund (RHLGF)
Covid CEV Response Fund	27,294.70	25,638.54	(1,656.16)	Lower tier authorities to carry out any responsibilities they are asked to undertake to support Clinically Extremely Vulnerable individuals
Next Steps Accommodation Programme	440,799.00	440,799.00	0.00	Shorter-term/interim accommodation and immediate support for those in Covid-19 emergency accommodation
Additional Restrictions Grant	3,795,377.00	1,934,386.00	(1,860,991.00)	Local authorities can use this funding for direct business support grants or for wider business support activities
Local Restrictions Support Grant (LRSG)- Open from 2 Dec Tier 2	595,108.00	595,108.00	0.00	Support for businesses that are not legally required to close but are severely impacted by restrictions
Compliance and Enforcement Grant	58,516.00	28,920.96	(29,595.04)	For the purposes of compliance and enforcement measures to control the spread of Covid-19
<b>Total</b>	<b>6,348,444.70</b>	<b>4,391,830.38</b>	<b>(1,956,614.32)</b>	

## Narrative Report

### Business Rates

Each January, local authorities are required to estimate the amount of business rates income for the forthcoming financial year and that is the amount the authority is required to account for in the year. However, the January 2020 estimate of business rates income factored into the 2020/21 revenue budgets was before the Covid-19 outbreak. Actual business rates was much lower due to a number of changes enacted by the Government to support businesses. The Government compensated the authority for the reduction in business rates, which meant that, during 2020/21, the authority received both the compensation and accounted for the original estimated business rate income. An earmarked reserve of £17.4m has been set-up to provide for the repayment during 2021/22.

### General Fund Working Balance

The 2020/21 emergency budget was 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 2020/21 resulted in a £1.160m transfer from the General Fund Working Balance, taking it to £4.697m as at 31 March 2021.

### Support to Businesses Not Reported in the Council's Outturn Report

During the year, the authority was responsible for distributing a range of Government grants to businesses and individuals impacted by the pandemic with both the eligibility and amounts paid defined by the Government. In these circumstances, the authority is deemed to be acting as an 'agent'. These grants are not reflected in the Council's accounts, except for any sums due to or from the authority for differences between the grant funding and actual eligible costs. As at 31 March 2021, the Council held £8.5m as a net creditor provision, for amounts due to be distributed or returned to Government in 2021/22 and it had distributed funding totalling £37.4m.

Grant	Funding	Expenditure as at 31 March 2021	Balance as at 31 March 2021	Feature
Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund (SBGF & RHLGF)	26,876,000.00	26,876,000.00	0.00	Local authority responsible for delivering the funding to eligible businesses
Test and Trace Support Grants	129,500.09	93,000.00	(36,500.09)	Payable to those meeting specified criteria
Local Restrictions Support Grant - Closed Addendum 5 Nov to 1 Dec	2,652,516.00	1,603,348.00	(1,049,168.00)	Local authority responsible for delivering the funding to eligible businesses
Local Restrictions Support Grant (LRSG)- Closed from 2 Dec Tier 2 & Closed 5 days (Tier 3)	165,877.00	100,093.00	(65,784.00)	Local authority responsible for delivering the funding to eligible businesses
National Lockdown 3 Top-up (Closed Business)	7,956,000.00	4,709,000.00	(3,247,000.00)	Local authority responsible for delivering the funding to eligible businesses
National Lockdown 3 Addendum	8,147,013.00	3,989,181.00	(4,157,832.00)	Local authority responsible for delivering the funding to eligible businesses
Christmas Support Payment Wet Led Pubs	51,200.00	63,000.00	11,800.00	Local authority responsible for delivering the funding to eligible businesses
<b>Total</b>	<b>45,978,106.09</b>	<b>37,433,622.00</b>	<b>(8,544,484.09)</b>	

## Narrative Report

### 2020/21 Capital Outturn

Despite the challenges presented by Covid-19, the Council spent £43.781m on its Capital Programme in 2020/21 compared to the revised forecast spend of £52.741m. This comprised £27.613m on General Fund and £16.168m on HRA capital expenditure.

The variance between the outturn forecast and actual outturn for the year was £8.960m. This will require the re-profiling of planned expenditure into future years and therefore does not present any financial issues for the Council.

The capital expenditure, by Responsible Officer, and financing of this expenditure is set out below:

	2020/21 Forecast Outturn £'000	2020/21 Outturn £'000	Variance £'000
<b>Capital Expenditure:</b>			
Chief Executive & Growth Director	338	281	(57)
Transformation	21,246	19,651	(1,595)
Net Zero Exeter and City Management	2,222	1,638	(584)
City Development, Housing & Supporting People	23,921	18,378	(5,543)
Communications, Culture and Leisure Facilities	2,938	3,013	75
Finance	2,076	820	(1,256)
<b>Total Expenditure</b>	<b>52,741</b>	<b>43,781</b>	<b>(8,960)</b>
<b>Resources:</b>			
Major Repairs Reserve	0	472	472
Capital Receipts	5,497	4,238	(1,259)
Grants and Contributions	7,069	6,561	(508)
Community Infrastructure Levy (CIL)	837	838	1
Revenue Contributions	18	18	(0)
Prudential Borrowing	39,320	31,654	(7,666)
<b>Total Financing</b>	<b>52,741</b>	<b>43,781</b>	<b>(8,960)</b>

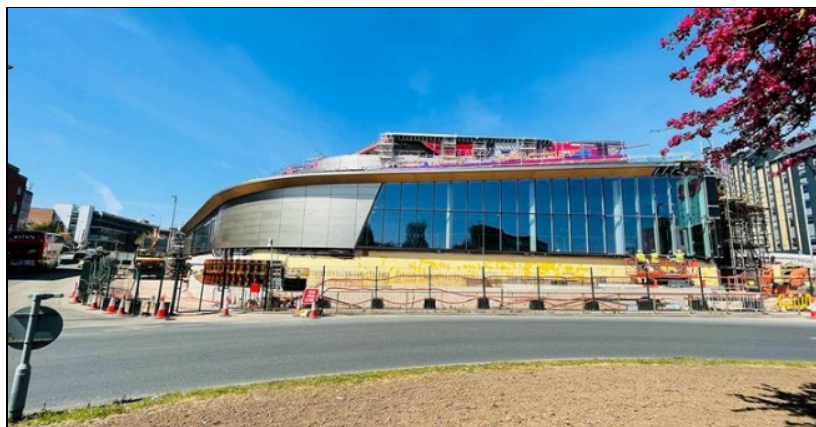
## Narrative Report

### Key achievements in 2020/21 Capital Programme:

- **New Leisure Complex & Bus Station**

Excellent progress was made during the year on the construction of a state-of-the-art new leisure complex. St Sidwell's Point is getting ready to open its doors later in 2021 and the complex will feature a main swimming pool with 8 lane competition pool, a learner pool and a confidence pool. St Sidwell's Point has been designed to have a significantly low impact on the environment; the water consumption will be 50% lower and energy will be 70% lower than standard swimming pools.

The spa at St Sidwell's Point will have a manicure room, pedicure room plus 4 treatment rooms along with a private bar and relaxation room. The private terrace will provide a spectacular view of Exeter. The gym will feature over 100 stations and virtual and live group exercises classes will be available from the two fitness studios.



St Sidwell's Point

The brand new bus station is set to open this summer in the city. The striking new Exeter Bus Station features glass-fronted covered waiting and boarding areas and high quality facilities.

The new bus station is set to be a vital transport link/hub for the South West.



New Exeter Bus Station

The Council's major investment in creating a new leisure centre and bus station in the city centre is a key part of the city's economic recovery from Covid-19, which will bring large numbers of people into the city centre when it opens and is an important catalyst for wider regeneration plans for the area.



How the redeveloped bus station site will look



## Narrative Report

- **Salmonpool Bridge**

Salmonpool Bridge is over 50 years old and during 2020/21 urgent works were carried out, which included sand-blasting, repairs, re-painting and with new decking and railings installed. These works are designed to avoid the need for similar works for another 50 years and to enable the bridge to keep operating safely for users of the canal and Riverside Valley Park.



Salmonpool Bridge

- **Next Steps Accommodation Programme**

The Council acquired three one bedroom flats and a 6 bedroom House of Multiple Occupation during the year to provide more accommodation for those currently rough sleeping or with a recent history of rough sleeping.

- **Riverside Leisure Centre**

The pool and health suite at the Riverside Leisure Centre have been completely transformed ahead of reopening on 24 July 2021. Significant investment was necessary after fire damage uncovered major structural weaknesses with the fabric of the building.

The huge transformation programme has created; new changing areas, coinless lockers which open electronically,

new Health Suite with a steam room, sauna and spa pool, modern spectator seating installed and new plant serving the main and learner pools.



Riverside pool

- **Extra Care Scheme**

The Council is building the UK's first super energy efficient Extra Care scheme. Edward's Court will have 53 apartments designed to meet the needs of the elderly residents and those requiring dementia care. The building is set to be completed in July 2021 with external works and highway works completed by October. Procurement for an operator is already underway.



## 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 2020/21 the HRA reported an operating surplus of £2.711m. 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 2021, the working balance was £13.267m, considerably higher than the minimum level. This is predominantly due to delays with certain capital schemes, including kitchen and bathroom replacements, the Hamlin Gardens development and the Vaughan Road development. 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 meant that local authorities are now able to borrow for housebuilding in accordance with the Prudential Code. During 2020/21, works started on Phase 1 of a new HRA House-building programme, which provides for four development schemes that will deliver 100 new homes into the HRA.

### Key achievements

The Council successfully secured Government Grant of £1.1m to tackle fuel poverty in some of our least energy efficient homes. This funding is supported by direct contribution of £1.3m from the HRA and forms part of the objective for the Council to achieve carbon neutrality for its housing stock by 2030. The retrofits programme sees the whole house refurbished to deliver the very highest energy standards.

Ten new 3 bedroom houses were completed for occupation during the year – built to Passiv-haus standard and forming part of the Council's Development Programme of 500 homes over the next 10 years.

The Council completed an extensive procurement exercise culminating in the award of a 10 year (plus an optional 5 years) Integrated Assets Contract to Mears. This new form of contract allows commercial innovation and is based on a price per property and a price per void, allowing greater control over budget spend and improved focus on customer benefits.

The Council also introduced the Council Housing and Development Advisory Board. This Board is made up of councillors and local professionals who provide oversight and advice for the service.

### HRA Benchmarking

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

Headline measures	Value	Quartile	Performance
<b>Cost headlines</b>			
Overheads as a % of turnover	4.90%	1st	Within top 25% of peer group
Total cost per property of Housing Management	£239.89	2nd	Within top 50% of peer group
Total cost per property of Responsive Repairs & Void Works	£863.95	3rd	Below average of the peer group
<b>Operation performance headlines</b>			
Average number of calendar days taken to complete repairs	22.12	4th	Within lowest 25% of peer group
Staff turnover in the year %	1.40%	1st	Within top 25% of peer group
Overall satisfaction with service	88.00%	1st	Within top 25% of peer group

## Narrative Report

### Pension Fund

The Council has net pension liabilities of £134.706 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 £160.236 million of which £73.242 million relates to the HRA.

Actual borrowing is £124.672m, which comprises the principal outstanding on long-term loans from the PWLB. The original loans include; £9.35m on-lent to Exeter City Living Ltd, £72.244m 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 2020/21

Although 2020/21 has proven to be a particularly difficult year for Exeter City Council and the Local Government sector as a whole, below are some of the positive outcomes during the last financial year:

- Following an incredibly difficult year for the tourism industry, the Visit Devon 2020 awards ceremony took place, to recognise the hard work and resilience of attractions across the county. The Council's Royal Albert Memorial Museum won Bronze in the Attraction of the Year category. RAMM has seen a year of adaptation, innovation and perseverance due to the ever-changing nature of the pandemic, with much of its programme of

events and exhibitions and community projects, moving on-line and new digital activities taking place on the museum website.

- A ground breaking project to collect and recycle plastics found on beaches in the South West came runner-up in the National Recycling Awards 2020. The Ocean Recovery Project – a joint initiative between Exeter City Council, Keep Britain Tidy and South West Water sees volunteers collect litter and washed up plastics, which are then sent to the Council's Materials Reclamation Facility where they are sorted and sent for processing.
- Exeter Ship Canal and its basin were awarded prestigious national status by leading maritime authorities and named a Heritage Harbour; one of only four historic harbours in the UK. The title was awarded by Maritime Heritage Trust and National Historic Ships UK and the new status recognises the importance of the canal to Exeter and the long-term benefits its heritage will have for the city and the regional for generations to come.



Exeter Ship Canal

## Narrative Report

### 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. Following an award of £4,721,000 million in June 2019 by Sport England, Exeter City Council embarked on a delivery programme to achieve the Local Delivery Pilot outcomes, named 'Live & Move'. A further £1,883,476m has been awarded to continue delivery of the programme in line with the Sport England strategy 'Uniting the Movement' to March 2025.



**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 impact of COVID-19 on residents and communities' health, wellbeing and activity levels has been significant. The Live & Move team alongside Wellbeing Exeter and local partners established Exeter Community Wellbeing, providing community level support to residents who suffered challenges during the pandemic – [www.exeter.gov.uk/wellbeing](http://www.exeter.gov.uk/wellbeing). Over 3,000 people have been supported since March 2020, with a range of practical and wellbeing support packages for those most vulnerable and shielding residents. In October 2020 the Live & Move evaluation team implemented a local active lives survey in the 20 priority areas, which highlighted disproportionate impact of COVID on those communities with the poorest health outcomes. Inactivity levels increased during the period of the pandemic, and in particular:

- A big rise in inactivity in our 20 priority areas
- Younger and healthier residents driving up inactivity, and narrowing the gap between old and young
- An ethnicity gap has opened up, BAME residents are now significantly more likely to be inactive,
- The financial impact is being felt, a quarter of residents are now worse off due to COVID, and there is less disposable income for leisure

These insights developed through the programme in real time during COVID-19 are informing the future behaviour change programme of Live & Move to support residents to be more active.

# Narrative Report

The Wellbeing Exeter flagship programme, funded £1,759,000 to March 2024, is being redesigned to focus resources and wellbeing support at those residents and communities most impacted & disadvantaged by the pandemic. Community Connectors will be embedded in those communities to support individuals to improve their Wellbeing. A team of four Community Physical Activity Organisers are now developing opportunities for residents to get out and be more active to connect with other people as restrictions are lifted.

The Active Travel programme, aspiring to get 50% of people walking & cycling in the city every day, is focussing on a transformational programme of sustainable travel in Newtown, working to deliver traffic free 'school streets' and encouraging local neighbourhoods to close their roads through Play Streets.

A social movement has started to develop and a digital platform created through Live & Move – [www.liveandmove.co.uk](http://www.liveandmove.co.uk) where you can find out further information of all of the above, case studies and plans for the future. A campaign #ShareYourMoves has launched across Exeter and Cranbrook.



## Narrative Report

### Liveable Exeter

#### Vision

**Exeter has a vision for growth as a connected city region consisting of thriving linked communities set within an exceptional environmental setting. This clear vision represents a commitment to strengthen neighbourhoods, create new communities, invest in sustainable transport and deliver infrastructure needed to attract investment and improve quality of life**

The Liveable Exeter Programme is Exeter City Council's transformational housing delivery programme. It is seeking to deliver up to 12,000 new homes on a series of urban brownfield sites within the city boundary – allowing the city to continue to grow whilst focusing development within the existing urban area and mitigating the need to develop greenfield sites, including those sites which form part of the landscape setting on the hills surrounding the city. The programme seeks to support other city initiatives, including a drive towards low-carbon development and active and sustainable travel.

Work in recent months has focused on strategic city-level issues, linking to the development of the Council's new Local Plan, and also focused on site specific technical work aimed at unlocking and accelerating the delivery of development sites which would logically form early phases of delivery within the Liveable Exeter programme. This work has supported the ongoing discussions with various stakeholders and partner organisations – including Homes England – and the programme continues to develop an enhanced understanding of the opportunities and barriers around delivery.



## Narrative Report

### Future Financial Plans

#### Revenue

The Council's General Fund Medium Term Financial Plan (MTFP), on the next page, sets out that significant reductions are required from 2022/23 to 2024/25 to address the loss of business rates growth, New Homes Bonus and additional spending pressures. The reductions required total £6m. Additionally there are further uncertainties and factors that could affect the future financial position, including the ongoing impact of Covid-19 and particularly the impact on the Council's income.

The Council's current policy is such that the minimum level of General Fund Balance will remain above £3m. As the Council faces great uncertainty in the medium term, it is prudent to hold reserves at this level to offset sudden losses of income or unexpected expenditure. That being said, the decisive action taken through the Emergency Budget and the ensuing Government support in 2020/21 provided the Council with a one-off windfall that provided the opportunity to set aside £4m to protect against income losses in 2021/22, which are inevitable as a result of the continuing restrictions. It was also been possible to set aside one-off amounts to help address the Council's key priorities such as working towards a Net Zero City.

#### Risk assessment

The financial forecasts are based on a number of assumptions including the level of inflation, interest rates, income levels, support from government and general prevailing economic conditions. The main risks to the Council's financial position are as follows:

- The continued response to the Covid-19 pandemic means that there is great uncertainty around income levels for the Council
- The Government's review of the future funding formula for Local Government, including a business rates re-set, coupled with the potential loss of New Homes Bonus

Although the Council faces risks from the assumptions and uncertainties outlined above, they are mitigated by the following:

- Adopting a prudent approach to financial forecasting which involves obtained information from external professional sources
- Continuous monitoring and review of the key factors together with regular reports to Members on any key issues
- Regular budget monitoring meetings with budget managers to ensure that budget pressures are identified at the earliest opportunity
- The adoption of robust financial management arrangements including option appraisal, risk assessment and financial monitoring
- Retaining a prudent level of reserves and balances

# Narrative Report

## Medium Term Revenue Plan (2020/21 – 2024/25)

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
<b>Resources</b>					
Formula Grant	4,501	4,732	4,495	4,637	5,051
Business Rates growth	2,127	593	-	-	-
NDR Deficit to Cover	-	(17,446)	(324)	(324)	-
Section 31 Grant	18,627	1,741	-	-	-
Excess S31 to earmarked Reserve	(18,094)	17,446	324	324	-
Covid 19 Support	1,822	760	-	-	-
SFC Compensation	3,500	-	-	-	-
CIL income	1,363	1,090	1,090	1,090	1,090
New Homes Bonus	2,490	1,941	678	-	-
Council Tax	6,087	6,252	6,393	6,647	6,916
<b>Likely resources</b>	<b>22,423</b>	<b>17,109</b>	<b>12,656</b>	<b>12,374</b>	<b>13,057</b>
<b>Expenditure</b>					
<b>Service expenditure</b>					
Committee expenditure base budget	12,697	13,309	16,046	12,825	11,650
Inflation	470	817	500	500	500
Potential increase/(decrease) in service costs	2,343	2,092	(843)	75	50
Budgeted reductions	(2,201)	-	-	-	-
	13,309	16,218	15,703	13,400	12,200
Supplementary Budgets	1,362	-	-	-	-
Net Interest	673	150	122	98	99
Forecast Committee movements	10,688	-	-	-	-
RCCO	15	-	-	-	-
Repayment of debt	1,154	1,961	2,226	2,128	2,389
Additional repayment of debt	(604)	(1,269)	(1,451)	(1,080)	-
	26,597	17,060	16,600	14,546	14,688
Contribution to/ (from) earmarked reserves	(3,291)	570	(76)	-	-
Contribution to/ (from) balances - Other	(883)	(349)	(990)	(422)	119
	(4,174)	221	(1,066)	(422)	119
<b>Further reductions required</b>	-	-	<b>(2,500)</b>	<b>(1,750)</b>	<b>(1,750)</b>
<b>Potential reductions identified</b>	-	<b>(172)</b>	<b>(378)</b>	-	-
<b>Total Net Budget</b>	<b>22,423</b>	<b>17,109</b>	<b>12,656</b>	<b>12,374</b>	<b>13,057</b>
<b>Balanced Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Opening General Fund Balance	5,856	4,973	4,624	3,634	3,212
Closing General Fund Balance	4,973	4,624	3,634	3,212	3,331

Please note, the MTFP has been extracted from the 2021/22 published Budget Book and therefore projected General Fund Balances differ to balances reported, as at 31/3/2021.



## Narrative Report

### HRA Medium Term Revenue Plan (2020/21 – 2024/25)

	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000
<b>Resources</b>					
Rents	17,875	18,700	18,760	19,360	19,980
Service Charges	1,081	1,081	1,098	1,111	1,124
Other	702	683	684	703	723
Inflation on income	-	77	633	653	673
<b>Likely resources</b>	<b>19,658</b>	<b>20,542</b>	<b>21,174</b>	<b>21,827</b>	<b>22,500</b>
<b>Expenditure</b>					
HRA expenditure base budget	12,278	13,159	13,255	13,532	13,877
Inflation on expenditure	-	288	110	111	111
Repairs & Maintenance Programme uplift	-	-	210	201	165
New non-recurring budgets	-	60	-	-	-
New recurring budgets	-	53	-	15	-
Remove non-recurring budgets	-	(322)	(60)	-	(265)
Depreciation	3,514	3,742	3,742	3,742	3,742
Revenue Contribution to Capital Outlay	447	7,950	1,900	2,450	2,300
Net interest	2,055	2,259	2,306	2,305	2,305
	18,294	27,189	21,463	22,356	22,235
<b>Other Funding</b>					
Contribution to / (from) HRA Working Balance	1,364	(6,647)	(289)	(530)	265
<b>Balanced Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Opening HRA Working Balance	10,239	11,603	4,956	4,666	4,137
Closing HRA Working Balance	11,603	4,956	4,666	4,137	4,402

Please note, the HRA MTFP has been extracted from the 2021/22 published Budget Book and therefore projected HRA Balances differ to balances reported, as at 31/3/2021.

## Narrative Report

### Capital Programme (2021/22 – 2024/25)

<b>GENERAL FUND - CAPITAL PROGRAMME 2021/22 AND FUTURE YEARS</b>				
<b>SCHEMES LISTED WITHIN COUNCIL PURPOSES</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive & Growth Director Transformation	1,152	54	54	54
Net Zero Exeter and City Management	9,439	-	-	-
City Development, Housing & Supporting People	10,432	4,794	3,803	2,264
Communications, Culture and Leisure Facilities	2,379	-	-	-
Finance	5,210	-	-	-
<b>TOTAL GENERAL FUND CAPITAL PROGRAMME</b>	<b>64,944</b>	<b>11,903</b>	<b>6,617</b>	<b>7,300</b>
<b>FINANCING:</b>				
Capital Receipts	4,545	104	104	50
Disabled Facility Grant	811	800	800	800
New Homes Bonus	15	-	-	-
Community Infrastructure Levy	-	-	-	-
Revenue Contributions to Capital Outlay	143	-	-	-
Other Grants & Contributions	5,237	160	160	160
Prudential Borrowing	54,193	10,839	5,553	6,290
<b>TOTAL GENERAL FUND CAPITAL FINANCING</b>	<b>64,944</b>	<b>11,903</b>	<b>6,617</b>	<b>7,300</b>
<b>HOUSING REVENUE ACCOUNT - CAPITAL PROGRAMME 2021/22 AND FUTURE YEARS</b>				
	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
City Development, Housing & Supporting People	31,107	18,885	10,778	9,436
<b>TOTAL HRA CAPITAL PROGRAMME</b>	<b>31,107</b>	<b>18,885</b>	<b>10,778</b>	<b>9,436</b>
<b>FINANCING:</b>				
Major Repairs Reserve	5,360	12,625	6,492	5,586
Capital Receipts	4,110	3,510	1,086	800
Commuted Sums	759	-	-	-
Other Grants and Contributions	592	-	-	-
Revenue Contributions to Capital	8,397	2,000	2,450	2,300
Prudential Borrowing	11,889	750	750	750
<b>TOTAL HRA CAPITAL FINANCING</b>	<b>31,107</b>	<b>18,885</b>	<b>10,778</b>	<b>9,436</b>

## Narrative Report

The Capital Programme, on the previous page, reflects the plans approved in the 2021/22 Budget Book along with budgets slipped from 2020/21 and the associated financing.

The Council is undertaking an ambitious capital programme, most notably the development of its new state of the art leisure centre, St Sidwell's Point. 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:

A £15m loan to Exeter City Living to support the redevelopment of Clifton Hill, in order to provide 42 new passiv-haus, low carbon, climate resilient homes as part of the Council's 2040 Vision. The development, which has been designed in accordance with Building Biology Principles, has been awarded a Building with Nature Design Award, and is targeted to start on site early next year. The scheme has recently secured £425,000 of Government funding for demolition and enabling works.



Council Leader Phil Bialyk with illustration of new homes at Clifton Hill

Work is well underway to create Exeter City Council's own pioneering solar farm and battery storage. The innovative scheme is one way in which the authority is continuing to deliver its ambitions to be a Net Zero Carbon City by 2030. Despite the Covid-19 pandemic, the project has continued to progress during 2020/21 and the contract is soon to be awarded, with work expected to be complete in the summer of 2022.



Solar farm and storage project

## Narrative Report

### 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.

The Council has managed to set aside some funds to address the inevitable consequences that the continued Covid-19 restrictions will have on key income streams of the Council. Alongside this, the Council, through its decisive action taken to deliver an emergency budget in July 2020, has been able to further use the compensation funds provided by the Government to set aside one-off amounts to support some of the Council's key strategic priorities.

However, it is pleasing to note that the Council was able to maintain service provision during 2020/21, whilst making significant progress with its ambitious capital programme providing further evidence of the sound financial management approach adopted by the Council.

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 £6 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.

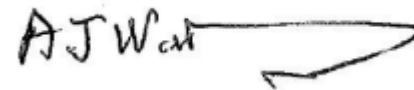


**Dave Hodgson CPFA**  
Director Finance

The Council's IT Company, Strata Service Solutions Ltd, set up in partnership with East Devon and Teignbridge District Councils has completed its sixth full year in operation and has delivered a refund in line with that agreed at the start of the financial year, along with an additional amount offered to support the Councils financial positions during the pandemic.

Exeter City Living Ltd, the Council's development company has continued to expand its work and the Council has approved funds to produce a business case into the viability of one new subsidiary – a market rental company, which should be completed during 2021/22. The Council has decided not to pursue the business cases in respect of a consultancy company and a retrofit company at this time.

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



**Councillor A J Wardle**  
Chair – Audit and Governance Committee

## Statement of Responsibilities for the Statement of Accounts

### The Authority's Responsibilities

The authority is required to:

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

### The Chief Finance Officer's Responsibilities

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

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

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

### Certification of Accounts

I certify that the Statement of Accounts gives a true and fair view of the financial position of Exeter City Council at the reporting date and of its income and expenditure for the year ended 31 March 2021.



**Dave Hodgson CPFA**  
**Director Finance**  
**21 March 2022**

## Explanation of the Core Financial Statements

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

### Core Financial Statements

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

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

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

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

## Core Financial Statements

### Comprehensive Income and Expenditure Statement

Restated 2019-2020				2020-2021			Notes
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
3,084	(316)	2,768	Chief Executive & Growth Director	3,062	(123)	2,939	
2,722	(1,418)	1,304	Transformation	3,439	(2,279)	1,160	
41,940	(37,085)	4,855	City Development, Housing & Supporting People	47,671	(43,825)	3,846	
12,335	(3,838)	8,497	Communications, Culture & Leisure Facilities	16,237	(2,661)	13,576	
17,981	(13,334)	4,647	Net Zero Exeter & City Management	17,470	(9,107)	8,364	
4,065	(750)	3,315	Finance	3,296	(1,257)	2,038	
3,579	(760)	2,819	Corporate Services	3,228	(711)	2,517	
18,702	(20,067)	(1,365)	Housing Revenue Account	20,017	(20,299)	(282)	
722	(118)	604	Strata Service Solutions Ltd	755	(370)	385	38
<b>105,130</b>	<b>(77,686)</b>	<b>27,444</b>	<b>Cost of Services</b>	<b>115,175</b>	<b>(80,632)</b>	<b>34,543</b>	
		(3,617)	Other operating expenditure			(2,389)	12
		1,896	Financing and investment income and expenditure			3,825	13
		(22,311)	Taxation and non-specific grant income			(35,362)	14
		<b>3,412</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>617</b>	
			<b>Other Comprehensive Income and Expenditure</b>				
		(2,762)	(Surplus) or deficit on revaluation of property, plant and equipment			(6,520)	27
		(12,217)	Remeasurement of the net defined benefit liability/(asset)			27,176	27
		<b>(14,979)</b>	<b>Total Other Comprehensive Income and Expenditure</b>			<b>20,656</b>	
		<b>(11,567)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>21,273</b>	

The Council's internal financial reporting structure changed in 2020/21 following key changes to the Council's corporate priorities and director responsibilities. The segment information for the prior year has therefore been restated

## Core Financial Statements

### Movement in Reserves Statement

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



## Core Financial Statements

### Movement in Reserves Statement

	General Fund Working Balance (£'000)	Earmarked Reserves (£'000)	Sub total General Fund Total	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Total Usable Reserves (£'000)	Unusable Reserves (£'000)	Total Authority Reserves (£'000)
<b>Balance at 31 March 2020 carried forward</b>	<b>(5,855)</b>	<b>(8,807)</b>	<b>(14,662)</b>	<b>(10,526)</b>	<b>(14,089)</b>	<b>(11,920)</b>	<b>(8,309)</b>	<b>(59,506)</b>	<b>(308,993)</b>	<b>(368,499)</b>
<b>Movement in Reserves 2020-2021:</b>										
Total Comprehensive Income & Expenditure	3,748	-	3,748	(3,131)	-	-	-	617	20,656	<b>21,273</b>
Adjustments between accounting basis and funding basis under statutory provisions (Note 10)	(26,474)	-	(26,474)	390	1,160	(3,317)	(6,354)	(34,595)	34,595	<b>0</b>
Transfers to / (from) Earmarked Reserves	23,884	(23,884)	-	-	-	-	-	0	-	<b>0</b>
<b>(Increase) / Decrease in 2020-2021</b>	<b>1,158</b>	<b>(23,884)</b>	<b>(22,726)</b>	<b>(2,741)</b>	<b>1,160</b>	<b>(3,317)</b>	<b>(6,354)</b>	<b>(33,978)</b>	<b>55,251</b>	<b>21,273</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>(4,697)</b>	<b>(32,691)</b>	<b>(37,388)</b>	<b>(13,267)</b>	<b>(12,929)</b>	<b>(15,237)</b>	<b>(14,663)</b>	<b>(93,484)</b>	<b>(253,742)</b>	<b>(347,226)</b>

## Core Financial Statements

### Balance Sheet

2019-20 £'000	2020-21 £'000	Note
437,094 Property, Plant and Equipment	462,867	15
54,837 Investment Property	53,388	16
22,826 Heritage Assets	22,826	17
514 Intangible Assets	530	
5,695 Long Term Investments	5,717	19
24,166 Long Term Debtors	24,158	19
<b>545,132 Total Long-Term Assets</b>	<b>569,486</b>	
221 Inventories	165	
12,095 Short-Term Debtors	45,272	19, 20 & 21
45,192 Short-Term Investments	20,006	19
3,794 Assets Held for Sale	4,683	22
17,136 Cash & Cash Equivalents	31,853	19 & 23
<b>78,438 Total Current Assets</b>	<b>101,979</b>	
(925) Short-Term Borrowing	(941)	19
(25,010) Short-Term Creditors	(54,267)	19 & 24
(3,495) Provisions	(3,521)	25
<b>(29,430) Total Current Liabilities</b>	<b>(58,729)</b>	
(109,490) Long term borrowing	(124,000)	19
(7,990) Capital Grants Receipts in Advance	(3,710)	19 & 36
(1,931) Long-Term Creditors	(3,094)	19
(106,230) Pension Scheme Liability	(134,706)	42
<b>(225,641) Total Long-Term Liabilities</b>	<b>(265,510)</b>	
<b>368,499 Net Assets</b>	<b>347,226</b>	
<b>Financed by:</b>		
59,506 Usable Reserves	93,484	26
308,993 Unusable Reserves	253,742	27
<b>368,499 Total Reserves</b>	<b>347,226</b>	

These financial statements replace the unaudited financial statements certified by the Responsible Financial Officer, Dave Hodgson, on 16 July 2021.



**Dave Hodgson, CPFA, Director Finance**

## Core Financial Statements

### Cash Flow Statement

2019-20 £'000	2020-21 £'000	Notes
3,412 Net (surplus) or deficit on the provision of services	617	
(28,392) Adjustments to net surplus or deficit on the provision of services for non-cash movements	4,404	
8,989 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	10,315	
<b>(15,991) Net cashflows from Operating Activities</b>	<b>15,336</b>	28
55,498 Investing Activities	11,335	29
(41,931) Financing Activities	(41,388)	30
<b>(2,424) Net (Increase) or decrease in cash and cash equivalents</b>	<b>(14,717)</b>	
<b>14,712 Cash and cash equivalents at the beginning of the reporting period</b>	<b>17,136</b>	
<b>17,136 Cash and cash equivalents at the end of the reporting period</b>	<b>31,853</b>	

## Index of Notes to the Accounts

Page	Note	Page	Note
35	Note 1 Accounting policies	75	Note 23 Cash and cash equivalents
48	Note 2 Expenditure and Funding Analysis	75	Note 24 Short term creditors
50	Note 3 Accounting standards issued, not adopted	75	Note 25 Provisions
50	Note 4 Critical judgements in applying accounting policies	76	Note 26 Usable Reserves
51	Note 5 Events after the reporting period	76	Note 27 Unusable Reserves
52	Note 6 Assumptions made about the future and other major sources of estimation uncertainty	80	Note 28 Cash flow statement: operating activities
55	Note 7 Note to the expenditure and funding analysis	80	Note 29 Cash flow statement: investing activities
57	Note 8 Segmental reporting	80	Note 30 Cash flow statement: financing activities
58	Note 9 Expenditure and income analysed by nature	80	Note 31 Reconciliation of liabilities arising from financing activities
59	Note 9A Revenue from contracts with service recipients	81	Note 32 Members allowances
59	Note 10 Adjustments between accounting basis and funding basis under regulations	81	Note 33 Officers' remuneration
61	Note 11 Movements in earmarked reserves	83	Note 34 Termination benefits
62	Note 12 Other operating expenditure	83	Note 35 External audit costs
62	Note 13 Financing and investment income and expenditure	83	Note 36 Grants, contributions and donations
62	Note 14 Taxation and non-specific grant income	84	Note 37 Related parties
63	Note 15 Property, plant and equipment	86	Note 38 Interests in joint operations
64	Note 16 Investment properties	88	Note 39 Capital expenditure and capital financing
68	Note 17 Heritage assets	89	Note 40 Leases
68	Note 18 Heritage assets: further information on the collections	91	Note 41 Impairments and downward valuations
69	Note 19 Financial Instruments	92	Note 42 Defined benefit pension scheme
74	Note 20 Debtors	96	Note 43 Charitable and trust funds
74	Note 21 Debtors for local taxation	97	Note 44 Nature and extent of risks arising from financial instruments
75	Note 22 Assets held for sale	103	Note 45 Statutory harbour authority

# Notes to the Financial Statements

## 1. Accounting Policies

### General Principles

The Statement of Accounts summarises the authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. 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 2020/21, 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 2020/21.

**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. A proportion of capital receipts relating to certain housing disposals are payable to the government. However, the receipts may be retained providing the local authority has signed an agreement to re-invest the receipts in the provision of replacement homes within 3 years. Exeter City Council entered into such an agreement on 27 June 2012.

Capital receipts are held in the Capital Receipts Reserve and can then only be used for new capital investment or to repay debt.

Amounts received from the disposal of an asset in excess of £10,000 are categorised as capital receipts. Below this level, the receipts are accounted for as income in the income & expenditure account.

## Notes to the Financial Statements

### Cash and cash equivalents

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

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

### Contingent assets and liabilities

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

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

### Council tax and non-domestic rates (NDR)

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

Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share

proportionally the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

### Accounting for Council Tax and NDR

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

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

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

### Pool of Authorities for Non Domestic Rates

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

## Notes to the Financial Statements

### Employee benefits

#### Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end, including wages and salaries, paid annual leave and paid sick leave for current employees. They are recognised as an expense in the year in which the employees render service to the authority. An accrual is made for the cost of annual leave and flexible hours earned but not taken before the year-end that employees can carry forward into the next financial year. The accrual is charged to the relevant service but reversed out through the Movement in Reserves Statement so that the entitlements are charged to revenue in the financial year in which the absence occurs.

#### Termination benefits

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

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

#### Post-employment benefits

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

The Local Government Pension Scheme is accounted for as a defined benefit scheme:

- The liabilities of the pension fund attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate that 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 pension liability is analysed into the following components:

#### Service cost

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

## Notes to the Financial Statements

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

### Re-measurements

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

### Contributions paid to the pension fund

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

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

### McCloud Judgement

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 undertook consultation between 16 July 2020 and 8 October 2020 on the proposed remedy to be applied to LGPS benefits. The final remedy will be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. The estimated impact on total liabilities (allowed for as a past service cost) and projected service costs were incorporated into last year's pension scheme accounting results. These results, including the allowance, have been rolled forward and re-measured to obtain the accounting results as at 31 March 2021.

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

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

### Discretionary Benefits

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

### Events after the Balance Sheet date

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

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

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



## Notes to the Financial Statements

### Financial instruments

#### Financial Liabilities

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

#### Financial Assets

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

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

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

#### Financial Assets Measured at Amortised Cost

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

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

However, the authority has made a number of loans at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited at a higher effective rate of interest than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact on the General Fund Balance is the interest receivable for the financial year and is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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

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

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

However, for financial assets deemed to be pooled investment funds, e.g. CCLA Property Fund, statutory regulations are in place until 31 March 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 the Council's own premises, e.g. the Guildhall.

### Community Infrastructure Levy (CIL)

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

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions, as set out above. CIL charges are largely used to fund capital, but may also be used for revenue expenditure.

### Heritage assets

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

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

**Museum Exhibits / Art / Civic Regalia** – A non-electronic register of the assets is held by the Museum and Guildhall and from this an insurance valuation has been produced. The Council will use the insurance valuation, as at 31 March 2021, 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 Expenditure

## Notes to the Financial Statements

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

### Overheads and support services

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

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

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

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

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

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

### Property, plant and equipment

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

#### Recognition

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

#### Measurement

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

#### Donated Assets

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

## Notes to the Financial Statements

### Balance Sheet Valuation

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

Class	Basis of Measurement
Community assets and assets under construction	Historical cost
Council dwellings	Current value based on existing use value – social housing (EUV-SH)
Non-property assets with short useful lives and/or low values and infrastructure	Depreciated historical cost
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:

Component	Life expectancy
Kitchens	20 years
Bathrooms	30 years
Windows	30 years
Roofs	60 years

### Disposals

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

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

### Non-current Assets Held for Sale

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



## Notes to the Financial Statements

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

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

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

### Provisions

Provisions are made where an event has taken place 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 are measured at the best estimate of the amount required to settle the obligation. When payments are eventually made they are charged to the provision carried in the Balance Sheet.

### Reserves

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

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

### Revenue charges for non-current assets

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

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

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

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

### Revenue expenditure funded from capital under statute

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

## Notes to the Finance Statements

### 2. Expenditure and Funding Analysis

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

Restated 2019-20	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between Funding and Accounting Basis (Note 7)	Net Expenditure in the Comprehensive Income and Expenditure Statement
	£'000	£'000	£'000
Chief Executive & Growth Director	2,598	170	2,768
Transformation	1,216	88	1,304
City Development, Housing & Supporting People	4,096	759	4,855
Communications, Culture & Leisure Facilities	2,397	6,100	8,497
Net Zero Exeter & City Management	1,854	2,793	4,647
Finance	46	3,269	3,315
Corporate Services	2,651	168	2,819
Housing Revenue Account	(226)	(1,139)	(1,365)
Strata Service Solutions Ltd	-	604	604
<b>Net Cost of Services</b>	<b>14,632</b>	<b>12,812</b>	<b>27,444</b>
Other income and expenditure	(15,603)	(8,429)	(24,032)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(971)</b>	<b>4,383</b>	<b>3,412</b>

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

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)
<b>Closing General Fund and HRA Balance at 31 March 2020</b>	<b>(14,662)</b>	<b>(10,526)</b>	<b>(25,188)</b>

The Council's internal financial reporting structure changed in 2020/21 following key changes to the Council's corporate priorities and director responsibilities. The segment information for the prior year has therefore been restated.

## Notes to the Financial Statements

### Expenditure and Funding Analysis

2020-2021	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis (Note 7) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Chief Executive & Growth Director	2,791	148	2,939
Transformation	1,100	60	1,160
City Development, Housing & Supporting People	3,324	522	3,846
Communications, Culture & Leisure Facilities	3,298	10,278	13,576
Net Zero Exeter & City Management	5,308	3,056	8,364
Finance	27	2,011	2,038
Corporate Services	2,075	442	2,517
Housing Revenue Account	(2,741)	2,459	(282)
Strata Service Solutions Ltd	-	385	385
<b>Net Cost of Services</b>	<b>15,182</b>	<b>19,361</b>	<b>34,543</b>
Other income and expenditure	(40,649)	6,723	(33,926)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(25,467)</b>	<b>26,084</b>	<b>617</b>

<b>Opening General Fund and HRA Balance at 1 April 2020</b>	<b>(25,188)</b>
Add surplus on General Fund and HRA Balance in Year	<b>(25,467)</b>
<b>Closing General Fund and HRA Balance at 31 March 2021</b>	<b>(50,655)</b>

Analysed between General Fund and HRA Balances	General Fund	HRA	Total
Opening Balance at 1 April 2020	(14,662)	(10,526)	<b>(25,188)</b>
(Surplus) or Deficit in Year	(22,726)	(2,741)	<b>(25,467)</b>
<b>Closing General Fund and HRA Balance at 31 March 2021</b>	<b>(37,388)</b>	<b>(13,267)</b>	<b>(50,655)</b>

## Notes to the Financial Statements

### 3. Accounting Standards that have been issued but not yet adopted

Local authorities are required to report the impact of accounting changes that will be required by a new standard that has been issued but not yet adopted. For this disclosure, the standards introduced by the 2021/22 Code and effective from 1 April 2021, include:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform – Phase 1: Amendments to:
  - IFRS 9 Financial Instruments
  - IAS 39 Financial Instruments: Recognition and Measurement
  - IFRS 7 Financial Instrument: Disclosures
- Interest Rate Benchmark Reform – Phase 2:
  - IFRS 9 Financial Instruments
  - IAS 39 Financial Instruments: Recognition and Measurement
  - IFRS 7 Financial Instrument: Disclosures
  - IFRS 4 Insurance Contracts
  - IFRS 16 Leases

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

Implementation of IFRS 16 Leases has been deferred until the 2022/23 financial year. The impact is not known or reasonably estimable at 31 March 2021.

### 4. Critical Judgements in Applying Accounting Policies

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

#### Covid-19 Pandemic

Since the declaration of the Covid-19 pandemic in March 2020, local authorities have been in receipt of substantial amounts of additional grant funding, some to cover an authority's own expenditure and some for passing on to local businesses and individuals. Judgement in respect of whether the authority are acting as a principal or agent and which grants are either service specific or general has been required. Each grant has been considered on a case by case basis, in order to determine how the funding streams should be presented and disclosed in the 2020/21 Statement of Accounts. Where an authority acts as an agent, transactions are not reflected in the authority's financial statements, except for as inflows and outflows in the Cash Flow Statement.

#### 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

## Notes to the Financial Statements

assets and obligations for liabilities each authority has relating to the joint arrangement, based upon the following facts and circumstances:

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

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

### 5. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director Finance, D Hodgson CPFA, 21 March 2022. Events taking place after this date are not reflected in the 2020/21 financial statements or notes. Where events took place before this date provided information about conditions existing at 31 March 2021, 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 2021, 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 and additional spending pressures arising from Covid-19.
- 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

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

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

Item	Uncertainties	Effect if actual result differs from Assumptions
<p><b>Pensions liability</b></p>	<p>Estimates of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Those assumptions are detailed in Note 42 to the accounts. The carrying value of this long term liability at the end of the reporting period was £134.706m.</p> <p>For 2020/21, 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.</p> <p>As with last year, 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, which has been re-measured as at 31 March 2021. The impact on LGPS members' past and present service benefits will only be known once the Government publish the final set of remedial regulations.</p>	<p>The impact of a change in the actuarial assumptions will be to increase or decrease the net pension liability shown in the Balance Sheet. For example, a 0.1% increase in the discount rate would result in a decrease of £5.549m in the pension liability and £0.357m in the Projected Service Cost. However the assumptions interact in a complex way. During the year the actuaries have increased the liability by £57.715m 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><b>Valuation of Property, Plant and Equipment</b></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>In 2020/21 £391.328 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>
<p><b>Expected Credit Losses</b></p>	<p>At 31 March 2021, the authority had a balance of £19.136m for short-term debtors (excluding NDR deficit amounts). A review of significant balances suggested that a loss allowance for doubtful debts totalling £3.346m 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 £3.346m to be set aside as an allowance.</p>

## Notes to the Financial Statements

Item	Uncertainties	Effect if actual result differs from Assumptions
<p><b>Investment Properties</b></p>	<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 2021). 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 Council's in-house valuer applies professional judgement in respect of the fair 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>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.</p> <p>As at 31 March 2021, investment properties were valued at £53.388m and a variation of 1% in the value of these assets would result in a change in the carrying amount of £0.533 million in the Balance Sheet.</p>
<p><b>Business rates</b></p>	<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>The NDR arrears balance of £3.001m at the Balance Sheet date is deemed to be at risk of material adjustment within the next year due to current economic circumstance which may result in some businesses struggling to pay. A review of arrears suggested that an impairment of doubtful debts of 36.3% (£1.090m) was appropriate. However, in the current economic climate it is not certain that such an allowance will be sufficient.</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> <p>If collection rates were to deteriorate further, a doubling of the amount of the impairment of doubtful debts would require an additional £1.090m to be set aside as an allowance.</p>



## Notes to the Financial Statements

### 7. Note to the Expenditure and Funding Analysis

<b>Restated Adjustments between Funding and Accounting Basis 2019-20</b>				
	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	(Note 7.1)	(Note 7.2)	(Note 7.3)	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive & Growth Director	-	166	4	170
Transformation	-	67	21	88
City Development, Housing & Supporting People	75	796	(112)	759
Communications, Culture & Leisure Facilities	5,671	418	11	6,100
Net Zero Exeter & City Management	1,426	1,388	(21)	2,793
Finance	193	124	2,952	3,269
Corporate Services	(122)	267	23	168
Housing Revenue Account	341	219	(1,699)	(1,139)
Strata Service Solutions Ltd	-	-	604	604
<b>Net Cost of Services</b>	<b>7,584</b>	<b>3,445</b>	<b>1,783</b>	<b>12,812</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(9,817)</b>	<b>2,725</b>	<b>(1,337)</b>	<b>(8,429)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(2,233)</b>	<b>6,170</b>	<b>446</b>	<b>4,383</b>
<b>Adjustments between Funding and Accounting Basis 2020-21</b>				
	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	(Note 7.1)	(Note 7.2)	(Note 7.3)	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive & Growth Director	-	148	-	148
Transformation	-	60	-	60
City Development, Housing & Supporting People	67	673	(218)	522
Communications, Culture & Leisure Facilities	9,803	429	46	10,278
Net Zero Exeter & City Management	2,000	1,090	(34)	3,056
Finance	336	(1,257)	2,932	2,011
Corporate Services	240	202	-	442
Housing Revenue Account	4,371	166	(2,078)	2,459
Strata Service Solutions Ltd	-	-	385	385
<b>Net Cost of Services</b>	<b>16,817</b>	<b>1,511</b>	<b>1,033</b>	<b>19,361</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(14,709)</b>	<b>2,455</b>	<b>18,977</b>	<b>6,723</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>2,108</b>	<b>3,966</b>	<b>20,010</b>	<b>26,084</b>

The Council's internal financial reporting structure changed in 2020/21 following key changes to the Council's corporate priorities and director responsibilities. The segment information for the prior year has therefore been restated.

## Notes to the Financial Statements

### Note 7.1: Adjustments for Capital Purposes

Adjustments for capital purposes reflect:

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

### Note 7.2: Net Change for the Pensions Adjustments

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

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

### Note 7.3: Other Differences

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

- **For services** reflects the Council's proportional shares of Strata Service Solutions cost of services, the removal of investment property net income as this is reported below the net cost of services and the removal of interest costs as they are also reported below the net cost of services.
- **For other income and expenditure from the Expenditure and Funding Analysis** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the financial year and the income 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

### 8. Segmental Reporting

The net expenditure figures in the Expenditure and Funding Analysis for the Council's services include the following particular amounts of income and expenditure. The exceptional costs and funding during 2020/21 due to Covid-19 are also highlighted.

	Chief Executive & Growth Director £'000	Transformation £'000	City Development, Housing & Supporting People £'000	Communications, Culture & Leisure Facilities £'000	Net Zero Exeter & City Management £'000	Finance £'000	Corporate Services £'000	Housing Revenue Account £'000
<b>Restated 2019-2020</b>								
<b>Expenditure</b>								
Benefit payment	-	-	31,950	-	-	-	-	-
Revenue Contribution to Capital	-	-	-	-	-	-	-	2,500
Net interest expense	-	-	-	-	-	-	-	1,701
Depreciation & impairment	-	-	55	5,671	1,536	121	(122)	6,370
<b>Income</b>								
Benefit subsidy	-	-	(30,107)	-	-	-	-	-
Car park income	-	-	-	-	(8,499)	-	-	-
Revenues from other external sources	(240)	(6)	(4,355)	(2,697)	(4,554)	(750)	(328)	(19,716)
Revenues from transactions with other operating segments of the authority	(282)	-	(256)	(98)	(718)	(620)	(511)	(90)
<b>2020-2021</b>								
<b>Expenditure</b>								
Benefit payment	-	-	31,583	-	-	-	-	-
Revenue Contribution to Capital	-	-	-	-	-	-	-	-
Net interest expense	-	-	-	-	-	-	-	2,078
Covid support payments	-	-	5,228	-	70	-	-	-
Depreciation & impairment	-	-	67	9,803	1,997	336	240	8,160
<b>Income</b>								
Benefit subsidy	-	-	(30,003)	-	-	-	-	-
Car park income	-	-	-	-	(3,458)	-	-	-
Covid grant funding	-	-	(6,109)	-	(1,147)	-	-	-
Furlough funding	(1)	(9)	(3)	(1,000)	(66)	(28)	(54)	(15)
Revenues from other external sources	(119)	-	(3,715)	(914)	(4,072)	(1,229)	(554)	(19,933)
Revenues from transactions with other operating segments of the authority	(283)	-	(253)	(35)	(693)	(733)	(465)	(90)

The Council's internal financial reporting structure changed in 2020/21 following key changes to the Council's corporate priorities and director responsibilities. The segment information for the prior year has therefore been restated.

## Notes to the Financial Statements

### 9. Expenditure and Income Analysed by Nature

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

	Restated 2019-20 £'000	2020-21 £'000
<b>Expenditure:</b>		
Employee benefits expenses	29,783	29,623
Other service expenses	61,358	64,725
Depreciation, amortisation, impairment	13,989	20,827
Interest payments	3,033	3,553
Net interest on the net defined benefit liability	2,634	2,365
Pension Fund administration expenses	91	90
Impairment losses	158	553
Payments to Housing Capital Receipts Pool	565	425
<b>Total expenditure</b>	<b>111,611</b>	<b>122,161</b>
<b>Income:</b>		
Fees, charges and other service income	(23,305)	(16,280)
Revenue from contracts with service recipients	(18,274)	(18,436)
Interest and investment income	(4,104)	(2,680)
Income from council tax, non-domestic rates	(12,755)	(13,426)
Government grants and contributions	(39,776)	(41,418)
Furlough funding	-	(1,176)
Covid grants	-	(13,421)
Capital grants and contributions	(5,887)	(11,837)
Movements in Financial Instruments held at Fair Value through Profit and Loss	175	34
Gain on the disposal of assets	(4,273)	(2,904)
<b>Total income</b>	<b>(108,199)</b>	<b>(121,544)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>3,412</b>	<b>617</b>

Restated to show income from revenue contracts with service recipients separately from fees, charges and other service income.

### 9A. Revenue from Contracts with Service Recipients

	2019-20 £'000	2020-21 £'000
<b>Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:</b>		
Revenue from contracts with service recipients	18,308	18,596
Impairment of receivables or contract assets	(34)	(160)
<b>Total included in Comprehensive Income and Expenditure Statement</b>	<b>18,274</b>	<b>18,436</b>
<b>Amounts included in the Balance Sheet for contracts with service recipients:</b>		
Receivables, which are included within debtors (Note 20)	207	319
<b>Total included in net assets</b>	<b>207</b>	<b>319</b>

In 2020/21 the Code clarified that HRA rental income is an exchange transaction and accounted for as revenue from contracts with service recipients.

The Council recognises revenue from contracts with service recipients when it satisfies a performance obligation by transferring promised goods or services to a recipient. For HRA rental income, the performance obligations are satisfied over time and recognises revenue over time, as the service recipient (tenant) simultaneously receives and consumes the benefits provided by the authority's performance through their residency at the property. The rents charged in accordance with the tenancy agreement are accounted for on an accruals basis, i.e. when due and not necessarily when paid.

## Notes to the Financial Statements

### 10. Adjustments between Accounting Basis and Funding Basis under Regulations

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

#### General Fund Balance

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

#### Housing Revenue Account Balance

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

#### Major Repairs Reserve

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

#### Capital Grants Unapplied

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

#### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

## Notes to the Financial Statements

	Usable Reserves									
	2019-20					2020-21				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to the Comprehensive Income and Expenditure Statement</b>										
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:										
~ Pension costs (transferred to or from the Pensions Reserve)	(5,941)	(473)	-	-	-	(3,720)	(390)	-	-	-
~ Financial instruments (transferred to the Financial Instruments Adjustment Account)	(142)	-	-	-	-	1	-	-	-	-
~ Council Tax and NDR (transfers to or from the Collection Fund)	777	-	-	-	-	(18,007)	-	-	-	-
~ Holiday pay (transferred to the Accumulated Absences Reserve)	(111)	-	-	-	-	(46)	-	-	-	-
~ 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)	(3,273)	(7,084)	-	-	(129)	(6,369)	(6,818)	-	-	(6,354)
<b>Total Adjustments to the Comprehensive Income and Expenditure Statement</b>	<b>(8,690)</b>	<b>(7,557)</b>	<b>0</b>	<b>0</b>	<b>(129)</b>	<b>(28,141)</b>	<b>(7,208)</b>	<b>0</b>	<b>0</b>	<b>(6,354)</b>
<b>Adjustments between Revenue and Capital Resources</b>										
~ Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,532	4,778	(6,310)	-	-	1,699	3,855	(5,554)	-	-
~ Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(53)	53	-	-	-	(46)	46	-	-
~ Payments to the Government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(565)	-	565	-	-	(425)	-	425	-	-
~ Posting of HRA resources from revenue to the Major Repairs Reserve	-	3,529	-	(3,529)	-	-	3,789	-	(3,789)	-
~ Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	693	-	-	-	-	979	-	-	-	-
~ Voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account)	(582)	-	-	-	-	(604)	-	-	-	-
~ Adjustment to Long Term Debtor Repayments	-	-	-	-	-	-	-	-	-	-
~ Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	32	2,500	-	-	-	18	-	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,110</b>	<b>10,754</b>	<b>(5,692)</b>	<b>(3,529)</b>	<b>0</b>	<b>1,667</b>	<b>7,598</b>	<b>(5,083)</b>	<b>(3,789)</b>	<b>0</b>
<b>Capital Financing Adjustments</b>										
~ Use of the Capital Receipts Reserve to finance capital expenditure	-	-	7,530	-	-	-	-	6,243	-	-
~ Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	5,937	-	-	-	-	472	-
~ Application of capital grants to finance capital expenditure	-	-	-	-	567	-	-	-	-	-
~ Cash payments in relation to deferred capital receipts	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Financing Adjustments</b>	<b>0</b>	<b>0</b>	<b>7,530</b>	<b>5,937</b>	<b>567</b>	<b>0</b>	<b>0</b>	<b>6,243</b>	<b>472</b>	<b>0</b>
<b>Total Adjustments</b>	<b>(7,580)</b>	<b>3,197</b>	<b>1,838</b>	<b>2,408</b>	<b>438</b>	<b>(26,474)</b>	<b>390</b>	<b>1,160</b>	<b>(3,317)</b>	<b>(6,354)</b>

## Notes to the Financial Statements

### 11. Movements in Earmarked Reserves

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

	Balance 31 March 2019	Transfers in	Transfers out	Balance 31 March 2020	Transfers in	Transfers out	Balance 31 March 2021
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Building Control Reserve	74	-	(26)	48	-	(9)	39
Capital Fund	790	-	(290)	500	-	-	500
Covid Response Funds	0	-	-	0	6,957	-	6,957
Economic Development	40	-	(34)	6	97	-	103
Environment	0	-	-	0	1,000	-	1,000
Housing GF Reserves	110	300	(9)	401	-	(48)	353
Land Charges Reserve	254	25	-	279	-	(16)	263
Leisure Reserves	857	-	(448)	409	158	(17)	550
Museum Reserves *	1,374	567	(262)	1,679	419	(1,365)	733
New Homes Bonus	857	189	(335)	711	-	(577)	134
NNDR Deficit	561	-	(561)	0	17,424	-	17,424
Planning Reserves	1,060	146	(182)	1,024	919	(536)	1,407
Redundancy Reserve	289	-	(80)	209	500	(209)	500
Transformation	1,271	-	(796)	475	-	(53)	422
Other Earmarked Reserves *	1,710	1,400	(321)	2,789	1,229	(1,971)	2,047
Strata Usable Reserves	275	2	-	277	-	(18)	259
<b>Total</b>	<b>9,522</b>	<b>2,629</b>	<b>(3,344)</b>	<b>8,807</b>	<b>28,703</b>	<b>(4,819)</b>	<b>32,691</b>

\*Restated to reflect a museum reserve previously reported in other earmarked reserves

The accounting arrangements for council tax and NDR income mean that the General Fund balance at 31 March 2021 exclude collection losses resulting from the pandemic that were not predicted at the start of the year and rate reliefs introduced during the year to support particular business sectors. However, the Government implemented grant schemes to compensate authorities for the lost income, which it paid during 2020/21. Earmarked reserves have therefore been set up to carry forward amounts to cover the losses that will be debited back to the General Fund Balance in future years, which most notably includes £17.4m in respect of NDR.

The authority has also set aside £6.957m to help manage the financial impact of Covid-19, including £1.861m of Additional Restrictions Grant, which will be used to provide funding for business support grants or for wider business support activities.

If these amounts are deducted from the General Fund Balance as at 31 March 2021, the resources available for spending on service provision are reduced to £8.358m.

## Notes to the Financial Statements

### 12. Other Operating Expenditure

	2019-20	2020-21
	£'000	£'000
Pension Fund Administration Expenses	91	90
Payment to the Government's Housing Capital Receipt Pool	565	425
(Gain) / losses on the disposal of non-current assets	(4,273)	(2,982)
(Gain) / losses on disposal of assets - Strata Service Solutions Ltd	-	78
	<b>(3,617)</b>	<b>(2,389)</b>

### 13. Financing and Investment Income and Expenditure

	2019-20	2020-21
	£'000	£'000
Interest payable and similar charges	3,033	3,553
Net interest on the net defined benefit liability	2,574	2,316
Net interest on the net defined benefit liability - Strata Service Solutions Ltd	60	49
Interest receivable	(1,464)	(1,161)
Income and expenditure in relation to investment properties and changes in their fair value	(2,774)	(1,659)
Other investment income and expenditure	137	140
Movements in Financial Instruments held at Fair Value through Profit and Loss	175	34
Impairment losses	158	553
Interest receivable - Strata Service Solutions Ltd	(3)	-
	<b>1,896</b>	<b>3,825</b>

### 14. Taxation and Non-specific Grant Income

	2019-20	2020-21
	£'000	£'000
Council tax income	(5,826)	(6,064)
Non-domestic rates	(6,929)	(7,362)
Non-ringfenced government grants	(3,669)	(3,934)
Capital grants and contributions	(5,887)	(11,837)
<b>Covid Grants:</b>		
Sales, Fees & Charges		(4,343)
Compensation Scheme	-	(1,822)
Covid Support Grant	-	(1,822)
	<b>(22,311)</b>	<b>(35,362)</b>



## Notes to the Financial Statements

### 15. Property, Plant and Equipment

	Council Dwellings and Garages £'000s	Other Land and Buildings £'000s	Vehicles, Plant & Equipment £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Surplus Assets £'000s	Assets under Construction £'000s	Total Property, Plant and Equipment £'000s
<b>Cost or valuation</b>								
As at 1 April 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
<b>Gross Book Value At 31 March 2020</b>	<b>261,644</b>	<b>127,947</b>	<b>21,245</b>	<b>5,354</b>	<b>5,130</b>	<b>830</b>	<b>30,923</b>	<b>453,073</b>
<b>Depreciation and impairments</b>								
At 1 April 2019	-	(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
<b>Accumulative Depreciation At 31 March 2020</b>	<b>0</b>	<b>0</b>	<b>(12,874)</b>	<b>(3,105)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(15,979)</b>
<b>Balance Sheet amount at 31 March 2020</b>	<b>261,644</b>	<b>127,947</b>	<b>8,371</b>	<b>2,249</b>	<b>5,130</b>	<b>830</b>	<b>30,923</b>	<b>437,094</b>
<b>Balance Sheet amount at 1 April 2019</b>	<b>263,619</b>	<b>120,507</b>	<b>6,593</b>	<b>1,935</b>	<b>5,091</b>	<b>9,830</b>	<b>11,626</b>	<b>419,201</b>

## Notes to the Financial Statements

	Council Dwellings and Garages £'000s	Other Land and Buildings £'000s	Vehicles, Plant & Equipment £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Surplus Assets £'000s	Assets under Construction £'000s	Total Property, Plant and Equipment £'000s
<b>Cost or valuation</b>								
As at 1 April 2020	261,644	127,947	21,245	5,354	5,130	830	30,923	<b>453,073</b>
Additions	9,303	4,728	2,886	207	112	-	26,432	<b>43,668</b>
Donations	-	-	-	-	-	-	-	<b>0</b>
Revaluations - Revaluation Reserve	(1,268)	(5,753)	-	-	-	(458)	-	<b>(7,479)</b>
Revaluations - CIES	-	75	-	-	-	-	-	<b>75</b>
Impairments - CIES	(4,251)	(308)	-	-	-	(128)	-	<b>(4,687)</b>
Derecognition - disposals	(867)	(65)	(1,157)	-	-	-	(379)	<b>(2,468)</b>
Reclassifications - held for sale	(2,270)	-	-	-	-	-	-	<b>(2,270)</b>
Reclassifications - surplus	(471)	(265)	-	-	-	736	-	<b>0</b>
Reclassifications - AUC	2,169	-	-	-	-	-	(2,169)	<b>0</b>
Reclassifications - community	-	-	-	-	-	-	-	<b>0</b>
Other movements - Strata Service Solutions Ltd	-	-	(96)	-	-	-	-	<b>(96)</b>
<b>Gross Book Value At 31 March 2021</b>	<b>263,989</b>	<b>126,359</b>	<b>22,878</b>	<b>5,561</b>	<b>5,242</b>	<b>980</b>	<b>54,807</b>	<b>479,816</b>
<b>Depreciation and impairments</b>								
At 1 April 2020	-	-	(12,874)	(3,105)	-	-	-	<b>(15,979)</b>
Depreciation Charge	(3,724)	(10,309)	(1,741)	(241)	-	-	-	<b>(16,015)</b>
Depreciation written out to Revaluation Reserve	3,704	10,291	-	-	-	-	-	<b>13,995</b>
Impairment - CIES	8	17	-	-	-	-	-	<b>25</b>
Derecognition - disposals	12	1	1,012	-	-	-	-	<b>1,025</b>
<b>Accumulative Depreciation At 31 March 2021</b>	<b>0</b>	<b>0</b>	<b>(13,603)</b>	<b>(3,346)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(16,949)</b>
<b>Balance Sheet amount at 31 March 2021</b>	<b>263,989</b>	<b>126,359</b>	<b>9,275</b>	<b>2,215</b>	<b>5,242</b>	<b>980</b>	<b>54,807</b>	<b>462,867</b>
<b>Balance Sheet amount at 1 April 2020</b>	<b>261,644</b>	<b>127,947</b>	<b>8,371</b>	<b>2,249</b>	<b>5,130</b>	<b>830</b>	<b>30,923</b>	<b>437,094</b>

## Notes to the Financial Statements

### Revaluations

The frequency of revaluations and significant assumptions applied in estimating fair value are set out in the statement of accounting policies. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The valuations 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
<b>Carried at historical cost</b>	-	-	22,878	5,561	5,242	-	54,807	<b>88,488</b>
<b>Valued at current value as at:</b>								
31 March 2017	-	-	-	-	-	-	-	<b>0</b>
31 March 2018	-	-	-	-	-	-	-	<b>0</b>
31 March 2019	-	-	-	-	-	-	-	<b>0</b>
31 March 2020	-	-	-	-	-	-	-	<b>0</b>
31 March 2021	263,989	126,359	-	-	-	980	-	<b>391,328</b>
<b>Gross Book Value At 31 March 2021</b>	<b>263,989</b>	<b>126,359</b>	<b>22,878</b>	<b>5,561</b>	<b>5,242</b>	<b>980</b>	<b>54,807</b>	<b>479,816</b>

### Capital Commitments

At 31 March 2021, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2021/22 and future years budgeted to cost £13.08m. Similar commitments at 31 March 2020 were £39m. The major commitments are:

- £ 9.10m St Sidwell's Point Leisure Complex
- £ 1.16m Extra Care Scheme
- £ 0.94m LAINGS Refurbishment
- £ 0.86m Riverside Leisure Centre
- £ 0.42m Bus Station construction
- £ 0.60m Other (new construction, grants, IT and property improvements)

## Notes to the Financial Statements

### 16. Investment Properties

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

	2019-20	2020-21
	£'000	£'000
Rental income from investment property	3,500	3,667
Direct operating expenditure arising from investment property	(497)	(560)
<b>Net gain</b>	<b>3,003</b>	<b>3,107</b>

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 2021 and comparatives as at 31 March 2020 are as follows:

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
<b>Total</b>	<b>54,837</b>	<b>54,837</b>

Class of Asset	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2021 £'000
Industrial	5,248	5,248
Retail	26,610	26,610
Leisure	3,111	3,111
Office	14,126	14,126
Other Commercial	4,293	4,293
<b>Total</b>	<b>53,388</b>	<b>53,388</b>

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

	2019-20	2020-21
	£'000	£'000
Balance at 1 April	40,144	54,837
Additions :		
Purchases	14,922	-
Construction	-	-
Subsequent expenditure	-	-
Disposals	-	-
Net gains / losses from fair value adjustments	(229)	(1,449)
Transfers:		
to/from Property, Plant & Equipment	-	-
<b>Balance at 31 March</b>	<b>54,837</b>	<b>53,388</b>

#### 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 2021					
	Industrial	Retail	Leisure	Office	Other Commercial	
Level 3 fair value measurements	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	4,150	28,335	3,967	14,084	4,301	54,837
Gains/(losses) recognised in the CIES resulting from changes in the fair value	1,098	(1,725)	(856)	42	(8)	(1,449)
Additions/Transfers	-	-	-	-	-	0
Disposals	-	-	-	-	-	0
<b>Level 3 balance at 31 March</b>	<b>5,248</b>	<b>26,610</b>	<b>3,111</b>	<b>14,126</b>	<b>4,293</b>	<b>53,388</b>

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

Property type	Lease type	Rent type	Fair value as at 31 March 2021 £'000	Valuation technique used to measure fair value	Unobservable inputs	Range / percentage used	Sensitivity
Industrial	Commercial	Market	1,518	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	1,561	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	Geared	2,169	Income approach	Yield	Yield 5 - 6%	Significant changes in yield will result in a significantly lower or higher fair value
Retail	Commercial	Market	10,548	Income approach	Rent & Yield	Rent £13.50 (neighbourhood)- £51 (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	2,694	Income approach	Rent & Yield	Rent £15 (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	Geared	13,368	Income approach	Yield	Yield 5 - 7%	Significant changes in yield will result in a significantly lower or higher fair value
Leisure	Commercial	Turnover	3,111	Income approach	Yield	Yield 10 - 17%	Significant changes in yield will result in a significantly lower or higher fair value
Office	Commercial	Market	14,126	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	3,710	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	Geared	125	Income approach	Yield	Yield 7.5%	Significant changes in yield will result in a significantly lower or higher fair value
	Ground	Nominal	458	Income approach	Yield	Yield 5.5 - 12%	Significant changes in yield will not result in a significant difference to the fair value

## Notes to the Financial Statements

### 17. Heritage Assets

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

	Museum Exhibits £'000	Civic Regalia and Paintings at the Guildhall £'000	Artefacts at St Nicholas Priory £'000	Total £'000
<b>Cost or Valuation</b>				
<b>1 April 2019</b>	19,817	2,663	163	<b>22,643</b>
Additions	-	-	-	<b>0</b>
Disposals	-	-	-	<b>0</b>
Revaluations	183	-	-	<b>183</b>
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	<b>0</b>
Impairment Losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	<b>0</b>
<b>31 March 2020</b>	<b>20,000</b>	<b>2,663</b>	<b>163</b>	<b>22,826</b>
<b>Cost or Valuation</b>				
<b>1 April 2020</b>	20,000	2,663	163	<b>22,826</b>
Additions	-	-	-	<b>0</b>
Disposals	-	-	-	<b>0</b>
Revaluations	-	-	-	<b>0</b>
Impairment Losses/(reversals) recognised in the Revaluation Reserve	-	-	-	<b>0</b>
Impairment Losses/(reversals) recognised in the Surplus or Deficit on the Provision of Services	-	-	-	<b>0</b>
<b>31 March 2021</b>	<b>20,000</b>	<b>2,663</b>	<b>163</b>	<b>22,826</b>

### 18. Further Information on the Collections

#### St Nicholas Priory

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

#### Guildhall

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

#### Royal Albert Memorial Museum

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

#### Other Heritage Assets

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

## Notes to the Financial Statements

### 19. Financial Instruments

#### Classification of Financial Instruments

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

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

#### Categories of Financial Instruments

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

#### Financial Assets

	Long-term				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000
Financial Assets								
Fair value through profit or loss	4,713	4,735	-	-	11,009	21,001	-	-
Amortised cost	982	982	24,166	24,158	51,319	30,858	4,483	4,125
<b>Total Financial Assets</b>	<b>5,695</b>	<b>5,717</b>	<b>24,166</b>	<b>24,158</b>	<b>62,328</b>	<b>51,859</b>	<b>4,483</b>	<b>4,125</b>
Non-financial assets	-	-	-	-	-	-	7,612	41,147
<b>Total</b>	<b>5,695</b>	<b>5,717</b>	<b>24,166</b>	<b>24,158</b>	<b>62,328</b>	<b>51,859</b>	<b>12,095</b>	<b>45,272</b>

## Notes to the Financial Statements

### Financial Liabilities

	Long-term				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000
<b>Financial Liabilities</b>								
Fair value through profit or loss	-	-	-	-	-	-	-	-
Amortised cost	109,490	124,000	1,707	2,863	925	941	11,593	11,366
<b>Total Financial Liabilities</b>	<b>109,490</b>	<b>124,000</b>	<b>1,707</b>	<b>2,863</b>	<b>925</b>	<b>941</b>	<b>11,593</b>	<b>11,366</b>
Non-financial liabilities	-	-	8,214	3,941	-	-	13,417	42,901
<b>Total</b>	<b>109,490</b>	<b>124,000</b>	<b>9,921</b>	<b>6,804</b>	<b>925</b>	<b>941</b>	<b>25,010</b>	<b>54,267</b>

### Material Soft Loans Made by the Authority

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

	2019-20 £'000s	2020-21 £'000s
<b>Balance at start of year</b>	<b>949</b>	<b>1,007</b>
New loans granted in the year	-	-
Fair value adjustment on initial recognition	-	-
Accrued interest	58	60
<b>Nominal value at 31 March</b>	<b>1,007</b>	<b>1,067</b>

### Valuation Assumptions

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



## Notes to the Financial Statements

### Reclassification of Financial Instruments

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

### Income, Expense, Gains and Losses

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

	2019-2020 Surplus or Deficit on the Provision of Services £'000s	2020-2021 Surplus or Deficit on the Provision of Services £'000s
<b>Net gains/losses on:</b>		
Financial assets measured at fair value through profit and loss	175	34
Financial assets measured at amortised cost	-	-
Financial liabilities measured at fair value through profit and loss	-	-
Financial liabilities measured at amortised cost	-	-
<b>Total net gains/losses</b>	<b>175</b>	<b>34</b>
<b>Interest receivable:</b>		
Financial assets measured at fair value through profit and loss	(431)	(282)
Financial assets measured at amortised cost	(1,034)	(879)
<b>Total interest receivable</b>	<b>(1,465)</b>	<b>(1,161)</b>
<b>Interest payable</b>	<b>3,033</b>	<b>3,553</b>

### Changes in the valuation technique

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

## Notes to the Financial Statements

### Fair Value of Financial Assets

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

	Fair Value Level	Valuation technique used to measure fair value	Balance Sheet 31 March 2020 £'000	Fair Value 31 March 2020 £'000	Balance Sheet 31 March 2021 £'000	Fair Value 31 March 2021 £'000
<b>Financial Assets Held at Fair Value</b>						
Financial instruments classified as fair value through profit and loss:						
Money market funds	1	Unadjusted quoted prices in active markets for identical shares	11,009	11,009	21,001	21,001
Local Authorities' Property Fund	1	Unadjusted quoted prices in active markets for identical shares	4,713	4,713	4,735	4,735
<b>Total</b>			<b>15,722</b>	<b>15,722</b>	<b>25,736</b>	<b>25,736</b>

### 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 2020 £'000	Fair Value 31 March 2020 £'000	Balance Sheet 31 March 2021 £'000	Fair Value 31 March 2021 £'000
<b>Financial Assets Held at Amortised Cost</b>					
Unquoted equity investment	3	982	982	982	982
Loans made for service purposes	2	10,295	10,295	10,128	10,128
Lease receivables	3	13,871	13,871	14,030	14,030
Short term investments	2	45,192	45,192	20,006	20,006
Cash (including bank accounts)	2	6,127	6,127	10,852	10,852
Short term debtors	3	12,095	12,095	45,272	45,272
<b>Total Financial Assets</b>		<b>88,562</b>	<b>88,562</b>	<b>101,270</b>	<b>101,270</b>
<b>Financial Liabilities Held at Amortised Cost</b>					
Long term borrowing	2	109,490	118,530	124,000	140,343
Short term borrowing	2	925	925	941	941
Finance lease liabilities	3	1,707	1,707	2,863	2,863
Long term creditors	3	224	224	231	231
Capital grants receipts in advance	3	7,990	7,990	3,710	3,710
Short term creditors	3	25,010	25,010	54,267	54,267
<b>Total Financial Liabilities</b>		<b>145,346</b>	<b>154,386</b>	<b>186,012</b>	<b>202,355</b>

Restated to reflect all financial assets except for those carried at fair value

### Fair Value Disclosure of PWLB Loans

The Council's borrowings are all with the Public Works Loan Board (PWLB). The fair value of PWLB loans measures the economic effect of terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, this is referred to as the new loan rate. One approach is to measure the interest that the authority will pay on its PWLB commitments for fixed rate loans and compare these to the terms of these loans with the new loan rates available from PWLB, on the Balance Sheet date. Under this approach, the difference between the carrying amount and fair value measures the variation in interest costs that the authority will pay over the remaining terms of the loans, against what would be paid if the loans were at prevailing rates. If a value is calculated on this basis, the carrying amount of £124.672m would be valued at £140.343m. Alternatively, if the authority were to seek to avoid the notional new loan rate loss by repaying the loans to the PWLB, the exit price, including a penalty charge, would be based on the PWLB Premature Repayment Rates at the Balance Sheet date and this fair value would be £175.716m.

## Notes to the Financial Statements

### 20. Debtors

Long-term		Short-term	
2019-20	2020-21	Restated 2019-20	2020-21
£'000	£'000	£'000	£'000
-	-	3,095	3,394
-	-	(728)	(904)
-	-	<b>2,367</b>	<b>2,490</b>
-	-	2,063	1,862
-	-	(1,111)	(1,316)
-	-	<b>952</b>	<b>546</b>
-	-	580	857
-	-	(335)	(508)
-	-	<b>245</b>	<b>349</b>
-	-	1,776	29,210
-	-	1,024	-
-	-	-	2,222
-	-	1,043	1,354
-	-	17	1,565
-	-	2,364	4,929
-	-	387	430
-	-	919	740
13,871	14,029	138	140
1,007	1,068	-	-
208	193	-	-
9,032	8,821	203	213
48	47	-	-
<b>24,166</b>	<b>24,158</b>	<b>11,435</b>	<b>44,188</b>

Short term debtors include significant NDR and council tax deficits due to extraordinary circumstances relating to the pandemic, shown within Collection Fund amounts. The financial downturn caused collection rates to be lower than predicted and the Government introduced emergency rate reliefs for particular business sectors. The Government have provided section 31 grants specifically to compensate for the deficit, which are also carried forward within earmarked reserves to provide for the repayment of the deficit in future years.

Short term debtors also include amounts due from Government in respect of Covid-19 support measures; £1.660m compensation from the Sales, Fees and Charges Compensation Scheme and £0.560m from the NDR and Council Tax Income Guarantee Scheme.

### 21. Debtors for Local Taxation

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

	Restated 2019-20	2020-21
	£'000	£'000
Less than 1 year	583	784
Less impairment allowance	(205)	(256)
<b>Less than 1 year</b>	<b>378</b>	<b>528</b>
Over 1 to 5 years	494	852
Less impairment allowance	(241)	(328)
<b>Over 1 to 5 years</b>	<b>253</b>	<b>524</b>
Over 5 to 10 years	34	51
Less impairment allowance	(19)	(30)
<b>Over 5 to 10 years</b>	<b>15</b>	<b>21</b>
Over 10 to 15 years	15	12
Less impairment allowance	(3)	(4)
<b>Over 10 to 15 years</b>	<b>12</b>	<b>8</b>
Over 15 years	3	3
Less impairment allowance	(1)	-
<b>Over 15 years</b>	<b>2</b>	<b>3</b>
<b>Total Debtors for Local Taxation</b>	<b>660</b>	<b>1,084</b>

Restated to reflect the Council's proportional shares of NDR debtors and associated impairment allowance

## Notes to the Financial Statements

### 22. Assets Held for Sale

	Current	
	2019-20 £'000s	2020-21 £'000s
<b>Balance at 1 April</b>	<b>818</b>	<b>3,794</b>
Assets newly classified:		
Property, plant and equipment	3,794	2,330
Revaluation gains	-	3
Assets declassified:		
Property, plant and equipment	-	(61)
Assets sold	(818)	(1,383)
<b>Balance at 31 March</b>	<b>3,794</b>	<b>4,683</b>

### 23. Cash and Cash Equivalents

	2019-20 £'000	2020-21 £'000
Cash held by the Council	70	82
Bank current accounts	(57)	460
Money Market Funds	11,009	21,001
Short-term investments	3,006	10,001
Short-term call accounts	3,012	-
Strata - Cash at bank and in hand	96	309
<b>Total cash and cash equivalents</b>	<b>17,136</b>	<b>31,853</b>

### 24. Short Term Creditors

	2019-20 £'000	2020-21 £'000
Trade Payables	34	17
Collection Fund amounts	9,995	34,345
Income in Advance	3,204	3,853
Other Payables	8,077	7,208
Section 31 Grant Income in Advance	3,422	-
Covid funding to be transferred to other parties	-	8,556
Creditors of Strata Service Solutions Ltd	278	288
<b>Total Short Term Creditors</b>	<b>25,010</b>	<b>54,267</b>

During 2020/21 the authority acted as an agent for the Government in distributing funding to those in need, as part of its Covid-19 response. Short term creditors include £8.556m of funding to be paid out under these arrangements. The significant increase in Collection Fund amounts most notably includes £24.9m of section 31 grant funding to be repaid in respect of the expanded retail discount.

### 25. Provisions

	Business Rates Appeal Provision £'000	Loan Loss Allowances £'000	Total Provisions £'000
<b>Balance as at 1 April 2020</b>	<b>3,465</b>	<b>30</b>	<b>3,495</b>
Additional provisions	223	-	223
Provision utilised in year	(197)	-	(197)
Unused amounts reversed in year	-	-	-
Unwinding of discount	-	-	-
<b>Balance as at 31 March 2021</b>	<b>3,491</b>	<b>30</b>	<b>3,521</b>

## Notes to the Financial Statements

### 26. Usable Reserves

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

	2019-20	2020-21
Usable Reserve	£'000	£'000
General Fund Balance	5,855	4,697
Housing Revenue Account	10,526	13,267
Capital Receipts Reserve	14,089	12,929
Major Repairs Reserve	11,920	15,237
Earmarked Reserves	8,807	32,691
Capital Grants Unapplied	8,309	14,663
<b>Balance at 31 March</b>	<b>59,506</b>	<b>93,484</b>

### 27. Unusable Reserves

	2019-20	2020-21
Unusable Reserve	£'000	£'000
Revaluation Reserve	152,982	149,646
Capital Adjustment Account	248,494	245,759
Financial Instrument Adjustment Account	(411)	(411)
Deferred Capital Receipts Reserve	14,010	14,170
Pensions Reserve	(106,229)	(137,516)
Collection Fund Adjustment Account	715	(17,292)
Accumulated Absences Account	(568)	(614)
<b>Total Unusable Reserves</b>	<b>308,993</b>	<b>253,742</b>

### Revaluation Reserve

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

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

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

2019-20 Revaluation Reserve	2020-21	
£'000	£'000	£'000
155,921 Balance at 1 April		152,982
17,227 Upward revaluation of assets	15,812	
Downward revaluation of assets and impairment losses not charged to		
(14,465) CIES	(9,292)	
2,762 Surplus / (deficit) on revaluation		6,520
Difference between fair value depreciation and historical cost		
(4,946) depreciation	(9,254)	
(755) Accumulated gains on assets sold	(602)	
(5,701) Amount written off to CAA		(9,856)
<b>152,982 Balance at 31 March</b>		<b>149,646</b>

## Notes to the Financial Statements

### Capital Adjustment Account (CAA)

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

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

Note 10 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2019-20 Capital Adjustment Account	2020-21	
£'000	£'000	£'000
237,289	Balance at 1 April	248,494
(13,766)	Charges for depreciation and impairment of non-current assets	(20,688)
(222)	Amortisation of intangible assets	(140)
37	Revenue expenditure funded from capital under statute	(2)
80	Capital loan loss allowance	-
(2,010)	Amounts of non-current assets written-off on disposal or sale as part of the gain/loss on disposal	(2,243)
(15,881)		(23,073)
4,946	Adjusting amounts to Revaluation reserve	9,254
<b>226,354</b>	Net amount written out of the cost of non-current assets in year	<b>234,675</b>
	<b>Capital finance applied in year:</b>	
7,530	Use of Capital Receipts Reserve	6,243
5,937	Use of the Major Repairs Reserve	472
5,757	Capital Grants and contributions applied - CIES	5,484
567	Capital Grants and contributions applied - Capital Grants Unapplied Account	-
693	Statutory provision for financing capital	316
(582)	Voluntary provision for financing capital	-
2,532	Capital Expenditure charged directly to the General Fund and HRA	18
22,434		12,533
(229)	Movements in the market value of Investment Properties	(1,449)
-	Movement in the Donated Assets Account	-
(65)	Repayment of Long Term Debtors	-
<b>248,494</b>	<b>Balance at 31 March</b>	<b>245,759</b>

## Notes to the Financial Statements

### Financial Instruments Adjustment Account

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

2019-20 Financial Instruments Adjustment Account £'000	2020-21 £'000
(313) Balance at 1 April	(411)
Statutory reversal of movements in Financial Instruments held at Fair	
(175) Value through Profit and Loss	(34)
Transfer to Capital Adjustment 44 Account - soft loan write off	-
Amount by which finance costs charged to CIES differ from finance costs charged in year under statute	34
<b>(411) Balance at 31 March</b>	<b>(411)</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the

benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2019-20 Pensions Reserve £'000	2020-21 £'000
(112,032) Balance at 1 April	(106,229)
Remeasurements of the net defined benefit liability/(asset)	(27,176)
12,217	(27,176)
Reversal of items relating to retirement benefits in the CIES	(9,056)
(10,839)	(9,056)
Employers pension contributions and direct payments to pensioners	4,945
4,425	4,945
<b>(106,229) Balance at 31 March</b>	<b>(137,516)</b>

There is a temporary imbalance between the Net Pensions Liability and the Pensions Reserve, which is due to the Council opting to pay 3 years past service deficit amounts up front during 2020/21. It immediately reduced the net pension liability, but the payment will be released to the Pension Reserve over the respective three financial years, in accordance with proper accounting practice.



## Notes to the Financial Statements

### Deferred Capital Receipts Reserve

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

2019-20 Deferred Capital Receipts Reserve £'000	2020-21 £'000
13,367 Balance at 1 April	14,010
Transfer of Finance Lease Premium 643 to CIES	160
Transfer to Capital Receipts Reserve - upon receipt of cash	-
<b>14,010 Balance at 31 March</b>	<b>14,170</b>

### 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.

2019-20 Collection Fund Adjustment Account	2020-21
(62) Balance at 1 April	715
Amount by which council tax and NDR income credited to CIES differs from that calculated for the 777 year under statute	(18,007)
<b>715 Balance at 31 March</b>	<b>(17,292)</b>

There is a significant deficit held in the Collection Fund Adjustment Account compared to the prior year and this reflects the authority's share of the reduction in NDR income between the amounts estimated for 2020-21 and NDR income actually received in 2020-21. This is due to the extent of reliefs given to businesses during the pandemic. Under current collection fund accounting rules, the Section 31 grants received to offset the reliefs will not be discharged against the Collection Fund deficit until 2021-22.

### 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.

2019-20 Accumulated Absences Account £'000	2020-21 £'000
(457) Balance at 1 April	(568)
Settlement / cancellation of previous 457 year's accrual	568
(568) Amounts accrued at the end of year	(614)
Amount by which remuneration charged to CIES differs from (111) remuneration charged for the year	(46)
<b>(568) Balance at 31 March</b>	<b>(614)</b>

## Notes to the Financial Statements

### 28. Cash Flow Statement – Operating Activities

	2019-20	2020-21
	£'000	£'000
<b>Net (surplus) / deficit on provision of Services</b>	3,412	617
<b>Adjusted for non-cash movements:</b>		
Depreciation	(10,973)	(16,100)
Impairment	(2,794)	(4,588)
Amortisation	(222)	(141)
Investment (losses) / gains	-	-
Donated assets	-	-
Pension liability	(6,413)	(4,110)
Carrying amount of non-current assets sold	(2,765)	(2,906)
Movement in investment properties	(229)	(1,449)
Finance lease income	532	161
Other	449	(647)
Movement in inventories	14	(56)
Movement in debtors	(720)	31,150
Movement in creditors	(5,271)	3,090
<b>Items classified as investing and financing activities:</b>		
Proceeds from the sale of property, plant & equipment	6,310	5,554
Items classified elsewhere	2,679	4,761
<b>Net cashflows from Operating Activities</b>	<b>(15,991)</b>	<b>15,336</b>

### 29. Cash Flow Statement – Investing Activities

	2019-20	2020-21
	£'000	£'000
Purchase of non-current assets	54,850	42,936
Purchase of short and long-term investments	264,994	272,500
Other payments for investing activities	2,604	3,126
Proceeds from the sale of non-current assets	(6,310)	(5,554)
Proceeds of short and long-term investments	(255,000)	(293,500)
Other receipts for investing activities	(5,640)	(8,173)
<b>Net cash flows from investing activities</b>	<b>55,498</b>	<b>11,335</b>

### 30. Cash Flow Statement – Financing Activities

	2019-20	2020-21
	£'000	£'000
Cash receipts of short and long-term borrowing	(51,740)	(15,360)
Other receipts for financing activities	(777)	(27,438)
Cash payments for the reduction of liabilities relating to finance leases	111	513
Repayments of short and long-term borrowing	10,475	897
<b>Net cash flows from financing activities</b>	<b>(41,931)</b>	<b>(41,388)</b>

### 31. Reconciliation of Liabilities arising from Financing Activities

The total of Financing cash flows of £41.388m reconciles to the movement in borrowings in the Balance Sheet, excluding £27.438m in respect of Collection Fund cash-flows and a £0.513m reduction in liabilities relating to finance leases. Apart from this, there have been no non-cash movements in borrowing amounts on the Balance Sheet.

## Notes to the Financial Statements

### 32. Members Allowances

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

	2019-20	2020-21
	£'000	£'000
Salaries	12	14
Allowances	361	390
Expenses	-	-
<b>Total</b>	<b>373</b>	<b>404</b>

### 33. Officers' Remuneration

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

	Salary, fees & allowances	Expenses	Compensation for Loss of Office	Total Remuneration	Employers Pension Contributions (inc. strain payments)	Total
2020-21	£	£	£	£	£	£
Chief Executive & Growth Director	119,954	-	-	<b>119,954</b>	21,112	<b>141,066</b>
Director	85,521	25	-	<b>85,546</b>	15,052	<b>100,598</b>
Director	84,204	40	-	<b>84,244</b>	14,891	<b>99,135</b>
Director	85,521	-	-	<b>85,521</b>	15,052	<b>100,573</b>
Director	85,521	-	-	<b>85,521</b>	15,052	<b>100,573</b>
Director (Finance)	84,098	-	-	<b>84,098</b>	14,801	<b>98,899</b>
Director (Corporate Services)	82,676	-	-	<b>82,676</b>	14,551	<b>97,227</b>
City Surveyor	62,289	-	-	<b>62,289</b>	10,963	<b>73,252</b>
Corporate Manager - Executive Support	62,289	-	-	<b>62,289</b>	10,963	<b>73,252</b>
Corporate Manager - Democratic/Civic Support (0.80 FTE) *	50,505	-	-	<b>50,505</b>	9,052	<b>59,557</b>

\*Additional £930 paid in respect of Returning Officer duties

## Notes to the Financial Statements

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

\*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

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	
	2019-20	2020-21
£50,000 - £54,999	5	5
£55,000 - £59,999	6	9
£60,000 - £64,999	-	6
£65,000 - £69,999	2	-
£70,000 - £74,999	-	1
£75,000 - £79,999	1	1
£80,000 - £84,999	1	-
£85,000 - £89,999	-	1

## Notes to the Financial Statements

### 34. Termination Benefits

The number of exit packages with total cost per band and total cost of compulsory redundancies and other departures are set out below. The total cost of £341,475 has been charged to the Comprehensive Income and Expenditure Statement in 2020/21.

Exit Package Cost Band	Number of employees		Total Cost of exit packages in each band	
	2019-20	2020-21	2019-20 £'000	2020-21 £'000
<b>Compulsory Redundancies</b>				
Less than £20,000	1	7	5	32
£20,001 - £39,999	-	2	-	65
£40,000 - £59,999	-	1	-	43
<b>Other Departures Agreed</b>				
Less than £20,000	4	3	24	32
£20,001 - £39,999	-	3	-	83
£40,000 - £59,999	-	2	-	87
<b>Total</b>	<b>5</b>	<b>18</b>	<b>29</b>	<b>342</b>

### 35. Audit Costs

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

	2019-20 £'000	2020-21 £'000
Fees payable to Grant Thornton; external audit services carried out by the appointed auditor in respect of 2020-21	52	72
Fees payable to Grant Thornton; external audit services carried out by the appointed auditor in respect of prior year	-	16
Fees payable to Grant Thornton; certification of grant claims and returns	21	26
<b>Total</b>	<b>73</b>	<b>114</b>

### 36. Grants, Contributions and Donations

The Authority credited the following grants, contributions and donations to the comprehensive income and expenditure statement in 2020/21:

	Restated 2019-20 £'000	2020-21 £'000
<b>Credited to Taxation and non-specific grant income</b>		
Council taxpayers	(5,826)	(6,064)
Revenue Support Grant	(379)	(371)
New Homes Bonus	(2,517)	(2,490)
NDR	(6,929)	(7,362)
Community Infrastructure Levy	(700)	(1,073)
Other Capital Grants & Contributions	(5,960)	(11,837)
Covid Grants	-	(6,165)
<b>Total</b>	<b>(22,311)</b>	<b>(35,362)</b>
<b>Credited to Services</b>		
Benefit Subsidy	(30,108)	(30,003)
Furlough funding	-	(1,176)
Covid Grants	-	(6,321)
Council Tax Covid Hardship Fund	-	(935)
NDR Cost of Collection	(214)	(214)
Sport England *	(1,007)	(1,545)
CT/HB Admin Grant	(502)	(457)
Other Grants and Contributions	(4,276)	(5,265)
<b>Total</b>	<b>(36,107)</b>	<b>(45,916)</b>

\*Restated 2019-20 comparatives to separately disclose the Sport England grant, as considered useful to the reader

## Notes to the Financial Statements

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:

	2019-20	2020-21
Capital Grants receipts in advance	£'000	£'000
Affordable Housing - Bishops Court	(102)	-
Affordable Housing - Holland Park	(29)	-
Affordable Housing - Millbrook Village	(323)	-
Affordable Housing - Newcourt	(256)	-
Affordable Housing - Pinhoe	(458)	(539)
Community Facility - Hill Barton	(202)	(203)
Community Facility - Newcourt	(364)	(366)
Extracare - St Loyes	(4,432)	(736)
Land at Beacon Avenue	(6)	(6)
Leisure Contribution - Bishops Court	(299)	(301)
Leisure Contribution - Hill Barton	(218)	(162)
Leisure Contribution - Holland Park	(54)	(55)
Leisure Contribution - Monkerton	(47)	(9)
Leisure Contribution - Newcourt	(540)	(544)
Leisure Contribution - Rydon Lawns	(11)	(11)
Leisure Contribution - Rydon Place	(184)	(185)
Leisure Contribution - St Loyes	(288)	(290)
Leisure Contribution - Tithebarn Green	(45)	(29)
Local Energy Networks	(27)	(28)
Other Grants	(105)	(246)
<b>Total</b>	<b>(7,990)</b>	<b>(3,710)</b>

### 37. Related Parties

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

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

**Council Members** – have direct control over the council's financial and operating policies. The total of member allowances paid in 2020/21 is shown in Note 32. During the financial year, the Council paid grants to organisations totalling £141,430 (£176,847 2019/20) in which eight 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 £177,746 (£144,703 2019/20) were also made to organisations in which fourteen members had an interest in respect of goods and services.

## 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

Exeter City Group Ltd (holding company) and Exeter City Living Ltd (housing development company) are subsidiary companies due to the Council's 100% shareholding. The main purposes of the group are to build more and better homes to tackle housing need in Exeter, help reduce the substantial pressures on the Council's housing waiting list and to improve the lives of those residents currently living in poor quality homes. To date, the Council has provided three loan advances to facilitate the development of sites, undertake site viability investigations, meet operational costs and provide adequate working capital. The balance outstanding as at 31 March 2021 was £9.034m.

#### 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 £133,209 as at 31 March 2021 (£140,754 as at 31 March 2020).

#### 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 (£35,423 in 2020/21). ECQT also contributed £86,120 towards Council costs mostly in respect of running the Custom House Visitor 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. The Council has also provided a guarantee to the University of Exeter for a lease granted to Exeter Science Park Ltd of up to £950,054.

#### Exeter City Futures Community Interest Company

The Authority is a registered Member of Exeter City Futures Community Interest Company, which is a type of company designed in particular for social enterprises that want to use their profits and assets for the public good. The primary objectives of the Company are to promote and work towards the decarbonisation of the City of Exeter. During 2020/21 the authority incurred expenditure of £74,575 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 2020/21.

### 38. Interests in Joint Operations

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

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

	2019-20	2020-21
<b>Adjustments to CIES</b>	<b>£'000</b>	<b>£'000</b>
Fees	(2,395)	(2,481)
Cost of sales	1,276	1,222
Admin expenses	1,723	1,646
Transfer of pension scheme liability	-	-
<b>Cost of Services</b>	<b>604</b>	<b>387</b>
Loss/(Gain) on disposal of assets	-	78
Net interest on the net defined benefit liability	60	49
Interest receivable	(3)	-
<b>(Surplus) or Deficit on Provision of Services</b>	<b>661</b>	<b>514</b>
Remeasurement of the net defined benefit liability	(685)	1,412
<b>Total CIES</b>	<b>(24)</b>	<b>1,926</b>

	2019-20	2020-21
<b>Adjustments to Balance Sheet</b>	<b>£'000</b>	<b>£'000</b>
Property, plant & equipment	10	(96)
Intangible assets	(32)	16
Investment in Strata removed upon consolidation and replaced with proportional share of assets and liabilities	(522)	(124)
<b>Total Long Term Assets</b>	<b>(544)</b>	<b>(204)</b>
Inventories	(1)	1
Short Term Debtors	524	(179)
Cash & cash equivalents	(342)	213
<b>Total Current Assets</b>	<b>181</b>	<b>35</b>
Short Term Creditors	32	(10)
<b>Total Current Liabilities</b>	<b>32</b>	<b>(10)</b>
Capital Grants Receipts in Advance	(25)	(141)
Pension Scheme Liability	380	(1,606)
<b>Total Long Term Liabilities</b>	<b>355</b>	<b>(1,747)</b>
<b>Net assets</b>	<b>24</b>	<b>(1,926)</b>
Financed by:		
Usable Reserves	-	(17)
Unusable Reserves	24	(1,909)
<b>Total Reserves</b>	<b>24</b>	<b>(1,926)</b>

## Notes to the Financial Statements

### 39. Capital Expenditure and Capital Financing

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

	2019-20	2020-21
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>94,609</b>	<b>129,203</b>
<b>Capital Investment</b>		
Intangible Assets		
Property, Plant and Equipment	34,677	43,448
Investment Properties	14,922	-
Long Term Debtors	7,150	-
Long Term Investments	522	343
REFCUS	1,094	1,917
<b>Sources of Finance</b>		
Capital Receipts	(7,530)	(6,243)
Government grants and other contributions	(7,456)	(7,399)
Sums set aside from revenue	(8,469)	(490)
Minimum Revenue Provision	(693)	(979)
Voluntary Revenue Provision	582	604
Repayment of Long Term Debtors	(205)	(168)
<b>Closing Capital Financing Requirement</b>	<b>129,203</b>	<b>160,236</b>

<b>Explanation of movements in year</b>		
Increase in underlying need to borrow (unsupported by Government financial assistance)	34,594	31,033
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>34,594</b>	<b>31,033</b>

## Notes to the Financial Statements

### 40. Leases

#### Council as Lessee

##### Finance Leases

The Council is taking a phased approach to leasing in items of plant and vehicles, as items fall due for replacement. A total of 50 vehicles were acquired under finance leases during 2020/21, bring the total number of vehicles leased to 76 as at 31/3/2021.

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

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

	2019-20 £'000	2020-21 £'000
<b>Net amount carried in the Balance Sheet</b>		
Council dwellings	351	356
Other land and buildings	8,572	8,132
Investment property	9,524	9,566
Vehicles, plant and equipment	2,120	3,449

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:

	2019-20 £'000	2020-21 £'000
<b>Finance lease liabilities (net present value of minimum lease payments)</b>		
Current	303	579
Non-current	1,707	2,863
<b>Finance costs payable in future years</b>	421	749
<b>Total minimum lease payments</b>	<b>2,431</b>	<b>4,191</b>

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

	Minimum lease payments		Finance lease liabilities	
	2019-20 £'000	2020-21 £'000	2019-20 £'000	2020-21 £'000
Not later than one year	367	705	303	579
2 - 5 years	1,466	2,820	1,212	2,318
5+ years	598	666	495	545
	<b>2,431</b>	<b>4,191</b>	<b>2,010</b>	<b>3,442</b>

The authority has sub-let some properties held under finance leases. At March 2021 the minimum future payments expected to be received under non-cancellable sub-leases is £28.825m.

## 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 £313,585 (2019/20 £386,040).

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

	Restated	
	2019-20	2020-21
	£'000	£'000
Not later than one year	72	53
2 - 5 Years	91	52
5+ Years	-	-
	<b>163</b>	<b>105</b>

Restated to include the lease of 15 Magdalen St, as part of the Safesleep programme

### Council as a Lessor

#### Finance Leases

The Authority has 55 leases, which would be classified as finance leases under IFRS. The asset valuation in the Balance Sheet is therefore based on the freehold interest in the asset.

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:

	2019-20	2020-21
	£'000	£,000
<b>Finance Lease Debtor (net present value of minimum lease payments)</b>		
Current	137	140
Non-current	13,872	14,029
Unearned finance income	14,009	14,169
Unguaranteed Residual Value	23,916	22,888
<b>Gross Investment in Lease</b>	<b>37,925</b>	<b>37,057</b>
<b>Minimum lease payments are:</b>		
Per annum	692	700

Rents due in respect of leases out (lessor) are collected by the Council's ASH Debtors system. As there is a possibility that worsening financial circumstances might result in lease payments not being made, the authority has set aside an allowance for uncollectable amounts using the simplified approach. Please refer to Note 20.

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

## Notes to the Financial Statements

### Operating Leases

The Council leases out approximately 350 commercial premises, which are held as investment properties. Note 16 sets out the value of the investment properties in the accounts.

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

	2019-20	2020-21
	£'000	£'000
Not later than one year	3,116	2,851
2 - 5 Years	10,220	8,607
5+ Years	72,699	60,573
	<b>86,035</b>	<b>72,031</b>

### 41. Impairments and Downward Valuations

During 2020/21, the Council recognised impairment losses of £4.662 million in relation to its council dwellings and operational land and buildings. Impairment losses of £75k 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:

- 2020/21 saw the continuation of the LAINGS property demolition and rebuild programme, this has resulted in an impairment of £1.536m in the year.
- The Council built ten dwellings during the year for use as social housing, the tenanted value of these properties was £1.315m less than the build costs.
- The Council purchased three properties during the year from Exeter City Living Limited, a wholly owned subsidiary of the Council. The tenanted value of these properties was £680k less than the market value.
- The Council purchased six properties on the Open market during the year for use as social housing. The tenanted value of these properties was £712k less than the market value.

The impairment reversals reflect an upward movement in market yield. The impairments are reflected in Note 15 which reconciles the movement over the year in the Property, Plant and Equipment balances.

## Notes to the Financial Statements

### 42. Defined Benefit Pension Scheme

#### Participation in Pension Scheme

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

- Exeter City Council participates in the Local Government Pension Scheme, which is administered by Devon County Council in accordance with the Local Government Pension Scheme Regulations 2013. The Pension Fund Committee oversees the management of the Fund.
- The Local Government Pension Scheme is a defined benefit statutory scheme and currently provides benefits based on career average revalued earnings.
- The principle risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the general fund and HRA the amounts required by statute.
- The Pension Reserve shows the City Council's current deficit in the Devon County Council Pension Fund. The figure has been derived from 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 2021.

To assess the value of the liabilities at 31 March 2021, 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 2020/21 was 17.6% 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 3 years past service deficit amounts up front during 2020/21, which has reduced the net pension liability. However, the payment will be spread over the respective three financial years, in accordance with proper accounting practice. This treatment does lead to a temporary imbalance between the Net Pensions Liability and the Pensions Reserves.

## Notes to the Financial Statements

### Local Government Pension Scheme Assets Comprised:

Asset Share	2019-20		2020-21	
	£'000	%	£'000	%
Equities	15,567	14	16,497	11
Overseas Equities	50,311	43	76,922	52
Infrastructure	5,040	4	6,035	4
Gilts	4,992	4	5,066	3
Other Bonds	6,130	5	6,678	5
Property	11,021	10	11,963	8
Cash	1,362	1	1,536	1
Target Return Portfolio	15,361	13	14,023	9
Alternative Assets	7,204	6	10,230	7
<b>Total</b>	<b>116,988</b>	<b>100</b>	<b>148,950</b>	<b>100</b>

### Significant Assumptions used by the Actuary:

	2019-20	2020-21
Discount rate for scheme liabilities	2.35% pa	2.0% pa
Rate of increase in salaries	2.9% pa	3.8% pa
Rate of increase in pensions	1.9% pa	2.8% pa
Rate of inflation - RPI	2.7% pa	3.2% pa
Rate of inflation - CPI	1.9% pa	2.8% pa
Longevity at 65 - current pensioners		
Men	22.9	22.6
Women	24.1	23.9
Longevity at 65 - future pensioners		
Men	24.3	24.0
Women	25.5	25.4
Conversion of pension into lump sum		
Pre April 2008 permitted amount	50%	50%
Post April 2008 permitted amount	50%	50%

### Transactions Relating to Post-employment Benefits

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

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

	2019-20	2020-21
	£'000	£'000
<b>Cost of Services</b>		
Current Service Cost	6,621	6,539
Loss / (Gain) on curtailment	1,589	62
(Gain) / Loss from Settlements	(98)	-
<b>Other Operating Expenditure</b>		
Administration expenses	93	90
<b>Financing and Investment Income and Expenditure</b>		
Net Interest on the net defined benefit liability	2,634	2,365
<b>Total post-employment benefits charged to the CIES</b>	<b>10,839</b>	<b>9,056</b>
<b>Movement in Reserves Statement:</b>		
Reversal of net charges	(10,839)	(9,056)
Actual Employers contributions payable to the scheme	4,425	4,946

## Notes to the Financial Statements

### Pension Assets and Liabilities Recognised in the Balance Sheet:

	2019-20 £'000	2020-21 £'000
Present value of defined benefit obligation	223,218	283,656
Fair Value of Scheme Assets	(116,988)	(148,950)
<b>Net liability arising from defined benefit obligation</b>	<b>106,230</b>	<b>134,706</b>

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

	2019-20 £'000	2020-21 £'000
Opening fair value of assets	125,744	114,155
Opening fair value of Strata assets	2,883	2,833
Interest income	3,070	2,810
Re-measurement gains / losses	(13,220)	27,733
Administration expenses	(93)	(90)
Contributions by the employer	4,539	7,690
Contributions by participants	1,144	1,229
Net benefits paid out	(6,883)	(7,410)
Settlement prices received / (paid)	(196)	-
<b>Closing fair value of assets</b>	<b>116,988</b>	<b>148,950</b>

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

	2019-20 £'000	2020-21 £'000
Opening present value of liabilities	235,268	218,256
Opening present value of Strata liabilities	5,392	4,962
Current service cost	6,621	6,539
Interest cost	5,704	5,175
Contributions by participants	1,144	1,229
Re-measurement (gains) and losses:		
Change in demographic assumptions	(2,327)	(2,517)
Change in financial assumptions	(22,721)	60,232
Experience loss (gain)	(276)	(2,872)
Benefits paid out	(6,630)	(7,163)
Past service cost, including curtailments	1,589	62
Liabilities assumed / (extinguished) on settlements	(294)	-
Unfunded pension payments	(252)	(247)
<b>Closing present value of liabilities</b>	<b>223,218</b>	<b>283,656</b>



## Notes to the Financial Statements

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

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

	Increase in assumption £'000	Decrease in assumption £'000
Longevity (increase or decrease by 1 year)	297,029	270,909
Rate of increase in salaries (increase or decrease by 1%)	284,238	283,079
Rate of increase in pensions (increase or decrease by 1%)	288,690	278,722
Rate for discounting scheme liabilities (increase or decrease by 1%)	278,107	289,322

## Notes to the Financial Statements

### 43. Charitable and Trust Funds

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

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

	Value of fund at 31 March 2020 £'000	Expenditure £'000	Income £'000	Value of fund at 31 March 2021 £'000
Reynolds Chard Bequest	444	-	5	449
Veitch Bequest	22	-	-	22
Dorothy Holman Trust	27	-	-	27
Bowling Green Marshes	1	-	1	2
Topsham Recreation Ground	18	-	-	18
King George Playing Field Trust	17	(28)	27	16
	<b>529</b>	<b>(28)</b>	<b>33</b>	<b>534</b>

## Notes to the Financial Statements

### 44. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

#### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the annual investment strategy. The Council's latest Treasury Management Strategy, incorporating the Annual Investment Strategy was approved on 23 February 2021, which is available on the Council's website (use search function for the 2021/22 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
<b>Loans to businesses and voluntary organisations</b>	Loans are subject to internal credit risk assessment, based on audited accounts, match funding secured or management accounts. Loans are treated as credit impaired where the borrower defaults on the terms of the loan or there is evidence of significant financial difficulties. Balances are not written off until there is no realistic prospect of recovery.	12 month expected credit losses are calculated in respect of loans where the credit risk has not increased significantly, using a probability of default approach. Lifetime expected credit losses are calculated in respect of loans where the credit risk has increased significantly, i.e. when default has occurred, using probability weighted outcomes.
<b>Short term investments:</b>  Loans to other local authorities	Investments guaranteed by statute - no credit risk. However, a monetary limit of £5m may be placed with each upper tier and lower tier local authority for up to 12 months	No allowance required
Investments with banks and building societies	Deposits are restricted by the Council's treasury strategy to institutions with high credit ratings (Fitch and Moodys ratings). Up to £4m may be placed with UK owned banks and buildings societies with F1+ and P-1 credit ratings for up to 12 months, up to £3m may be placed with foreign owned banks that deal in sterling holding short-term credit ratings no lower than F1+ and P-1 for up to 9 months and up to £3m may be placed with UK owned banks and building societies holding short-term credit ratings no lower than F1 and P-1 for up to 6 months. Consideration is given to recalling any existing investments when an institution has been downgraded	12 month expected credit losses are calculated applying risk factors provided by the Council's treasury management advisers, Link Asset Services.
<b>Sundry debtors</b>	Sundry debtors are not subject to internal credit rating and have been grouped for the purposes of calculating expected credit losses. The groupings used comprise: - Trade receivables Recovery of overpaid housing benefits Council Tax and NDR balances are not written off until all debt recovery actions have been taken and there is no realistic prospect of recovery	Trade receivables & recovery of overpaid housing benefits - Expected credit losses are calculated using provision matrices based on historical data in respect of aged debt, adjusted for future expectations of recovery. - Council Tax and NDR - Expected credit losses are calculated using provision matrices based on the stages of debt recovery actions and historically observed rates of recovery adjusted for future expectations of recovery.

## Notes to the Financial Statements

### Impairment Loss Allowances

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

	Allowance at 1 April 2020 £'000	Allowance for assets originated or acquired £'000	Allowance for assets de- recognised £'000	Assets switching measurement basis £'000	Changes in models/risk parameters £'000	Other movements £'000	Allowance at 31 March 2021 £'000
<b>Deposits with bank and building societies</b>							
12-month expected credit losses	-	-	-	-	-	-	-
<b>Loans to business and voluntary organisations</b>							
12-month expected credit losses	30	-	-	-	-	-	30
Lifetime expected credit losses	-	-	-	-	-	-	-
<b>Other debtors</b>							
Sundry debtors	728	-	-	-	-	176	904
Overpaid Housing Benefits	1,111	-	-	-	-	205	1,316
Housing rents	335	-	-	-	-	173	508
Council Tax and NDR *	569	-	-	-	-	49	618
<b>Total Loss Allowances</b>	<b>2,773</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>603</b>	<b>3,376</b>

\* Restated to reflect the Council's proportional share of the impairment allowance for business rates (NDR)

## Notes to the Financial Statements

### Credit Risk Exposure

The authority has the following exposure to credit risk at 31 March 2021:

	Credit risk rating £'000	Gross carrying amount £'000
<b>Deposits with bank and building societies:</b>		
12-month expected credit losses	Low	3,001
<b>Loans to business and voluntary organisations:</b>		
12-month expected credit losses	Low	1,351
Lifetime expected credit losses	High	-
<b>Other debtors:</b>		
Sundry debtors	Other *	3,394
Overpaid Housing Benefits	Other *	1,862
Housing rents	Other *	857
Council Tax and NDR	Other *	1,702
<b>Total amount exposed to credit risk</b>		<b>12,167</b>

#### \* Credit risk rating – Other

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

#### Exposure to Credit Risk on Guarantees

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

## Notes to the Financial Statements

### Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority may need to replenish its borrowings at a time of unfavourable interest rates. All trade and other payables are due to be paid in less than one year, although some 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 2020	31 March 2021
	£'000	£'000
Less than 1 year	925	941
1 - 2 years	942	959
2 - 5 years	2,925	2,949
+ 5 years	105,557	119,935
	<b>110,349</b>	<b>124,784</b>

### 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 2021 the interest rates are 1% higher than the actual interest rates the financial impact would be:

### **Borrowing:**

As at 31 March 2021, the Council had a number of long-term loans with the PWLB amounting to £125m. A 1% increase in interest rates would increase the cost of borrowing by £1.25m 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 £30m a 1% increase in interest rates would increase interest receivable by £300k. 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 £21.001m 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.

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

	2019-20	2020-21
	£'000	£'000
<b>Income</b>		
Fees and Charges	(69)	(57)
<b>Total Income</b>	<b>(69)</b>	<b>(57)</b>
<b>Expenditure</b>		
Employees	127	179
Premises	85	58
Supplies and Services	37	13
Transport	12	28
Capital Charges	2	29
<b>Total Expenditure</b>	<b>263</b>	<b>307</b>
<b>Net cost of Harbour Activities as included in the Comprehensive Income and Expenditure Statement</b>	<b>194</b>	<b>250</b>

## Group Accounts

The Code sets out a requirement to prepare Group Accounts where the authority has interests in subsidiaries, associates and/or joint ventures, subject to consideration of materiality. As at 31 March 2021, the authority has the following interests (please also refer to Note 37, Related Parties, for more information):

### Composition of the Group:

Entity	Purpose	Significant judgements	Relationship with the Exeter City Council	Accounting	Materiality
Exeter City Group Ltd and Exeter City Living Ltd	Housing development company to sell homes on the open market, to tackle housing needs in Exeter and to improve the provision of quality homes	100% shareholding	Subsidiary	Line-by-line consolidation of assets, liabilities, income and expenditure	<b>Material</b> 2020/21 is the second full year of trading for the company with work in progress valued at £3.4m and an operating loss of £1.1m for the year. Intra group loans of £9.032m from the Council are in place at 31/3/2021.
Exeter Canal and Quay Trust Ltd	Charitable status and its main objectives are to preserve and develop Exeter Canal and Quay area	The company is limited by guarantee and the Council has significant influence through its representation on the board	Associate	Equity method	<b>Not material</b> The Council has significant influence but no interest in the net assets of the charity and no rights to the profits
Exeter Business Centre Ltd	Main purpose is the letting of affordable business units to support small businesses	100% shareholding	Subsidiary	Line-by-line consolidation of assets, liabilities, income and expenditure	<b>Not material</b> Largest item for consolidation is turnover of £233k (19/20) and net assets of £141k (19/20) and £233k turnover (20/21) and net assets of £133k (20/21)
Exeter Science Park Ltd	Principal activity is to ensure the successful delivery of the Science Park by enabling the market for the Science Park to be developed through connections with the knowledge base at the University of Exeter, the Met Office and the Peninsula College of Medicine and Dentistry	19.9% ownership interest and significant influence through its representation on the board	Associate	Equity accounting	<b>Not material</b> Accounts to 31 March 2020 show Council's equity share at (£139k) loss and (£557k) net liabilities and draft accounts to 31 March 2021 show Council's equity share of loss at (£367k) and £418k net assets
Dextco Ltd	Established to fund and implement low carbon energy projects across Devon to deliver a reliable, low cost energy infrastructure which will encourage inward investment	20% shareholding with equal and collective control with five equal shareholders and unanimous decisions	Joint Venture	Equity method	<b>Not material</b> Financial year-end 31 Dec (unable to synchronise with all shareholders), draft accounts to 31 Dec 2020 reports nil profit/loss and net assets of £25k - the same as 2019/20 and the company has been placed into abeyance.
Monkerton Heat Company Ltd	Set up to facilitate the formation of a district heating network, as part of planning requirements relating to five major residential developments at Monkerton	16.66% shareholding with significant influence due to representation on the board	Associate	Equity accounting	<b>Not material</b> The company is deemed to be a dormant company with no transactions to recognise

## Group Accounts

### Non Material Interests

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

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

### Group Accounts

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 2021 can be obtained from Exeter City Living Ltd, Civic Centre, Paris Street, Exeter, EX1 1JN.

### Exeter City Group Ltd and Exeter City Living Ltd

Exeter City Group Ltd (holding company) and Exeter City Living Ltd (housing development company), are subsidiary companies of Exeter City Council who own a 100% shareholding in the group. The main purpose of the group are to build more and better homes to tackle housing need in Exeter, help reduce the substantial pressures on the Council's housing waiting list and to improve the lives of those residents currently living in poor quality homes.

Financial year 2020/21, saw the first sales of Passiv-haus homes developed by Exeter City Living in its second year of trading. The sale of three homes at Anthony Road to the Housing Revenue Account (HRA) completed, 10 new homes at Bovemoors Lane were handed over after development was carried out by Exeter City Living acting as Development Agent for the HRA and a resolution to grant planning approval for 42 homes at Clifton Hill was secured. The sale of a further nine homes at Thornpark Rise is agreed with the HRA and is expected to complete in the summer.

Further development progress was made on six sites covering a potential total of 279 new homes, of which 137 are affordable homes. Work is also set to continue on a further four sites which have the potential to deliver between 300 and 400 new homes, along with identifying additional development opportunities in collaboration and partnership with the HRA.

### 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 2019-2020				2020-2021			Notes
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
3,084	(186)	2,898	Chief Executive & Growth Director	3,162	(123)	3,039	
2,710	(1,418)	1,292	Transformation	3,317	(2,279)	1,038	
41,935	(37,069)	4,866	City Development, Housing & Supporting People	47,671	(43,790)	3,881	
12,335	(3,838)	8,497	Communications, Culture & Leisure Facilities	16,237	(2,661)	13,576	
17,981	(13,334)	4,647	Net Zero Exeter & City Management	17,465	(9,107)	8,358	
4,065	(723)	3,342	Finance	3,296	(1,230)	2,066	
3,579	(712)	2,867	Corporate Services	3,228	(652)	2,576	
18,602	(20,067)	(1,465)	Housing Revenue Account	19,929	(20,299)	(370)	
722	(118)	604	Strata Service Solutions Ltd	755	(370)	385	
522	(11)	511	Exeter City Group Ltd - subsidiary	588	771	1,359	
<b>105,535</b>	<b>(77,476)</b>	<b>28,059</b>	<b>Cost of Services</b>	<b>115,648</b>	<b>(79,740)</b>	<b>35,908</b>	
		(3,617)	Other operating expenditure			(2,389)	
		2,136	Financing and investment income and expenditure			4,284	
		(22,311)	Taxation and non-specific grant income			(35,362)	
		<b>4,267</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>2,441</b>	
			<b>Other Comprehensive Income and Expenditure</b>				
		(2,762)	(Surplus) or deficit on revaluation of property, plant and equipment			(6,520)	
		(12,217)	Remeasurement of the net defined benefit liability/(asset)			27,176	
		<b>(14,979)</b>	<b>Total Other Comprehensive Income and Expenditure</b>			<b>20,656</b>	
		<b>(10,712)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>23,097</b>	

The Council's internal financial reporting structure changed in 2020/21 following key changes to the Council's corporate priorities and director responsibilities. The segment information for the prior year has therefore been restated.

## Group Movement in Reserves Statement

	General Fund Working Balance (£'000)	Earmarked Reserves (£'000)	Sub total General Fund Total	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Council's share of Reserves of Subsidiary (£'000)	Total Usable Reserves (£'000)	Unusable Reserves (£'000)	Total Authority Reserves (£'000)
<b>Balance at 31 March 2020 carried forward</b>	<b>(5,855)</b>	<b>(8,807)</b>	<b>(14,662)</b>	<b>(10,526)</b>	<b>(14,089)</b>	<b>(11,920)</b>	<b>(8,309)</b>	<b>1,715</b>	<b>(57,791)</b>	<b>(308,993)</b>	<b>(366,784)</b>
<b>Movement in Reserves 2020-2021:</b>											
Total Comprehensive Income & Expenditure	3,748	-	3,748	(3,131)	-	-	-	1,824	2,441	20,656	<b>23,097</b>
Adjustments between accounting basis and funding basis under statutory provisions (Note 10)	(26,474)	-	(26,474)	390	1,160	(3,317)	(6,354)	-	(34,595)	34,595	<b>0</b>
Transfers to / (from) Earmarked Reserves	23,884	(23,884)	-	-	-	-	-	-	0	-	<b>0</b>
<b>(Increase) / Decrease in 2020-2021</b>	<b>1,158</b>	<b>(23,884)</b>	<b>(22,726)</b>	<b>(2,741)</b>	<b>1,160</b>	<b>(3,317)</b>	<b>(6,354)</b>	<b>1,824</b>	<b>(32,154)</b>	<b>55,251</b>	<b>23,097</b>
<b>Balance at 31 March 2021 carried forward</b>	<b>(4,697)</b>	<b>(32,691)</b>	<b>(37,388)</b>	<b>(13,267)</b>	<b>(12,929)</b>	<b>(15,237)</b>	<b>(14,663)</b>	<b>3,539</b>	<b>(89,945)</b>	<b>(253,742)</b>	<b>(343,687)</b>

## Group Balance Sheet

2019-20 £'000	2020-21 £'000	Note
437,094	461,967	
54,837	53,388	
22,826	22,826	
514	530	
5,695	5,717	
15,134	15,338	1
<b>536,100</b>	<b>559,766</b>	
2,859	3,138	2
12,115	44,841	1
45,192	20,006	1
3,794	4,683	
22,282	35,387	1 & 3
<b>86,242</b>	<b>108,055</b>	
(925)	(941)	
(25,438)	(54,149)	
(3,554)	(3,534)	
<b>(29,917)</b>	<b>(58,624)</b>	
(109,490)	(124,000)	
(7,990)	(3,710)	
(1,931)	(3,094)	
(106,230)	(134,706)	
<b>(225,641)</b>	<b>(265,510)</b>	
<b>366,784</b>	<b>343,687</b>	
<b>Financed by:</b>		
57,791	89,945	
308,993	253,742	
<b>366,784</b>	<b>343,687</b>	

These financial statements replace the unaudited financial statements certified by the Responsible Financial Officer, Dave Hodgson, on 16 July 2021.



**Dave Hodgson, CPFA, Director Finance**

## Group Cash-Flow Statement

2019-20 £'000	2020-21 £'000	Notes
4,267 Net (surplus) or deficit on the provision of services	2,441	
(26,631) Adjustments to net surplus or deficit on the provision of services for non-cash movements	4,678	
8,729 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	10,315	
<b>(13,635) Net cashflows from Operating Activities</b>	<b>17,434</b>	
48,723 Investing Activities	10,849	4
(41,931) Financing Activities	(41,388)	
<b>(6,843) Net (Increase) or decrease in cash and cash equivalents</b>	<b>(13,105)</b>	
<b>15,439 Cash and cash equivalents at the beginning of the reporting period</b>	<b>22,282</b>	
<b>22,282 Cash and cash equivalents at the end of the reporting period</b>	<b>35,387</b>	

## Group Notes to the Accounts

### 1. Financial Instruments

	Long-term				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021	31 March 2020	31 March 2021
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial Assets</b>								
Fair value through profit or loss	4,713	4,735	-	-	11,009	21,001	-	-
Amortised cost	982	982	15,134	15,338	56,465	34,392	4,503	3,694
<b>Total Financial Assets</b>	<b>5,695</b>	<b>5,717</b>	<b>15,134</b>	<b>15,338</b>	<b>67,474</b>	<b>55,393</b>	<b>4,503</b>	<b>3,694</b>
Non-financial assets	-	-	-	-	-	-	7,612	41,147
<b>Total</b>	<b>5,695</b>	<b>5,717</b>	<b>15,134</b>	<b>15,338</b>	<b>67,474</b>	<b>55,393</b>	<b>12,115</b>	<b>44,841</b>

	Fair Value Level	Balance		Balance	
		Sheet	Fair Value	Sheet	Fair Value
		31 March 2020	31 March 2020	31 March 2021	31 March 2021
		£'000	£'000	£'000	£'000
<b>Financial Assets Held at Amortised Cost</b>					
Unquoted equity investment	3	982	982	982	982
Loans made for service purpose:	2	1,263	1,263	1,308	1,308
Lease receivables	3	13,871	13,871	14,030	14,030
Short term investments	2	45,192	45,192	20,006	20,006
Cash (including bank accounts)	2	11,273	11,273	14,386	14,386
Short term debtors	3	4,503	4,503	3,694	3,694
<b>Total Financial Assets</b>		<b>77,084</b>	<b>77,084</b>	<b>54,406</b>	<b>54,406</b>



## Group Notes to the Accounts

### 2. Inventories

	Exeter City Council consumables 2019/20 £'000s	Exeter City Council consumables 2020/21 £'000s	Strata proportional share of stock 2019/20 £'000s	Strata proportional share of stock 2020/21 £'000s	Subsidiary work in progress 2019/20 £'000s	Subsidiary work in progress 2020/21 £'000s	Total 2019/20 £'000s	Total 2020/21 £'000s
Balance at 1 April	203	218	4	3	809	2,638	1,016	2,859
Purchases	620	231	-	1	1,829	1,016	2,449	1,248
Expense in year	(605)	(288)	(1)	-	-	(681)	(606)	(969)
Written off balances	-	-	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
<b>Balance at 31 March</b>	<b>218</b>	<b>161</b>	<b>3</b>	<b>4</b>	<b>2,638</b>	<b>2,973</b>	<b>2,859</b>	<b>3,138</b>

### 3. Cash and Cash Equivalents

	2019-20 £'000	2020-21 £'000
Cash held by the Council	70	82
Bank current accounts	(57)	460
Money Market Funds	11,009	21,001
Short-term investments	3,006	10,001
Short-term call accounts	3,012	-
Strata - Cash at bank and in hand	96	309
Subsidiary - Cash at bank and in hand	5,146	3,534
<b>Total cash and cash equivalents</b>	<b>22,282</b>	<b>35,387</b>

### 4. Cash flow Statement – Investing Activities

	2019-20 £'000	2020-21 £'000
Purchase of non-current assets	48,075	42,036
Purchase of short and long-term investments	264,994	272,500
Other payments for investing activities	2,604	3,126
Proceeds from the sale of non-current assets	(6,310)	(5,354)
Proceeds of short and long-term investments	(255,000)	(293,500)
Other receipts for investing activities	(5,640)	(7,959)
<b>Net cash flows from investing activities</b>	<b>48,723</b>	<b>10,849</b>

## HRA Income & Expenditure Statement

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

2019-20		2020-21	
£'000	Income	£'000	£'000
(18,331)	Dwelling rents	(18,623)	
(515)	Non dwelling rents	(436)	
(870)	Charges for services and facilities	(874)	
<b>(19,716)</b>	<b>Total Income</b>		<b>(19,933)</b>
	<b>Expenditure</b>		
6,227	Repairs and maintenance	5,579	
5,520	Supervision and management	5,639	
29	Rents, rates, taxes and other charges	62	
6,370	Depreciation and impairment of non-current assets	8,160	
21	Debt management costs	22	
<b>18,167</b>	<b>Total Expenditure</b>		<b>19,462</b>
<b>(1,549)</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(471)</b>
184	HRA share of Corporate and Democratic Core		189
<b>(1,365)</b>	<b>Net Cost of HRA Services</b>		<b>(282)</b>

## HRA Income & Expenditure Statement

2019-20		2020-21
£'000		£'000
(1,365)	<b>Net Cost of HRA Services</b>	(282)
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>	
(2,064)	(Gain) or loss on sale of HRA non-current assets	(1,271)
2,024	Interest payable and similar charges	2,342
(323)	Interest and investment income	(264)
253	Net interest on the net defined benefit liability (asset) and administration expenses	224
(1,948)	Capital grants and contributions receivable	(3,880)
<b>(3,423)</b>	<b>(Surplus) or deficit for the year on HRA services</b>	<b>(3,131)</b>

### Movement on the HRA Statement

2019-20		2020-21
£'000		£'000
(10,300)	Housing Revenue Account surplus brought forward	(10,526)
(3,423)	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	(3,131)
3,197	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	390
<b>(226)</b>	<b>(Increase) or decrease in the HRA Balance</b>	<b>(2,741)</b>
<b>(10,526)</b>	<b>Housing Revenue Account surplus carried forward</b>	<b>(13,267)</b>

## Notes to the HRA Statements

### 1. HRA Dwellings

	Flats	Houses and Bungalows	Total
At 31 March 2020	2,551	2,304	<b>4,855</b>
At 31 March 2021	2,538	2,299	<b>4,837</b>

### 2. Vacant Possession Value of Dwellings

At 1 April 2021 the vacant possession value of the dwellings was £743.368m, this compares to the tenanted market value in the Balance Sheet of £260.179m. The difference of £483.189m represents the economic cost to the Government of providing council housing at less than open market rents.

### 3. Council Own Build Scheme

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

### 4. Impairment Charges

Impairment charges of £4.243m (£2.841m 2019/20) were debited to the HRA Income and Expenditure Account in 2020/21 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:

	2019-20 £'000	2020-21 £'000
Land	30	-
Dwellings	4,657	3,809
Repayment of discounts	38	-
	<b>4,725</b>	<b>3,809</b>
Less amount pooled	(565)	(425)
	<b>4,160</b>	<b>3,384</b>

## Notes to the HRA Statements

### 6. Balance Sheet Valuation of Assets

	Dwellings	Garages	Vehicles, Plant & Equipment	Assets Under Construction	Surplus Assets	Assets Held for Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2020	257,724	3,920	122	10,125	-	1,594	<b>273,485</b>
At 31 March 2021	260,179	3,810	109	14,380	980	2,563	<b>282,021</b>

Within the valuation of Council dwellings as at 31 March 2021 of £260.179m, £131.703m was attributable to the value of land (2019/20 £130.473m) and £128.476m to buildings (2019/20 £127.251m).

### 7. HRA Capital Expenditure

HRA capital expenditure amounted to £16.168m during 2020/21 (£15.733m 2019/20), the expenditure and sources of finance were as follows:

	Sources of Finance					Total
	Major Repairs Reserve	Revenue Contributions	Borrowing	Grants & Other Contributions	Capital Receipts	Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Land	-	-	-	-	-	-
Houses	410	-	8,120	4,036	3,540	<b>16,106</b>
Other	62	-	-	-	-	<b>62</b>
<b>Total</b>	<b>472</b>	<b>-</b>	<b>8,120</b>	<b>4,036</b>	<b>3,540</b>	<b>16,168</b>

## Notes to the HRA Statements

### 8. Depreciation

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

	2019-20	2020-21
	£'000	£'000
<b>Operational assets</b>		
Dwellings	3,385	3,672
Garages	51	52
Equipment	150	64
<b>Total depreciation charged</b>	<b>3,586</b>	<b>3,788</b>
Less depreciation written off - disposals	(24)	(12)
Less depreciation written off - revaluations	(3,317)	(3,704)
Less depreciation written off - impairments	(95)	(8)
<b>Total depreciation</b>	<b>150</b>	<b>64</b>

## Collection Fund

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

2019-2020			2020-2021		
Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
<b>Income</b>					
69,553	-	69,553	72,118	-	72,118
-	(1,535)	(1,535)	-	(1,136)	(1,136)
-	82,422	82,422	-	36,381	36,381
<b>69,553</b>	<b>80,887</b>	<b>150,440</b>	<b>72,118</b>	<b>35,245</b>	<b>107,363</b>
<b>Expenditure</b>					
<b>Demands on the Fund by:</b>					
7,973	-	7,973	8,428	-	8,428
3,254	761	4,015	3,357	795	4,152
52,057	7,371	59,428	54,740	7,392	62,132
5,735	30,434	36,169	5,977	31,801	37,778
-	37,518	37,518	-	39,514	39,514
-	214	214	-	214	214
96	-	96	110	-	110
<b>Bad and doubtful debts</b>					
269	1,925	2,194	101	(20)	81
240	(270)	(30)	450	290	740
-	979	979	-	63	63
<b>69,624</b>	<b>78,932</b>	<b>148,556</b>	<b>73,163</b>	<b>80,049</b>	<b>153,212</b>
<b>71</b>	<b>(1,955)</b>	<b>(1,884)</b>	<b>1,045</b>	<b>44,804</b>	<b>45,849</b>
(2,487)	710	(1,777)	(2,416)	(1,245)	(3,661)
<b>(2,416)</b>	<b>(1,245)</b>	<b>(3,661)</b>	<b>(1,371)</b>	<b>43,559</b>	<b>42,188</b>

## 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 2020/21 were:

	Band Dwellings	Less Discounts	Technical Changes	Conversion Factor	Band D equivalents
A Relief	25	13	-	5/9ths	7
A	9,567	3,558	2	6/9ths	4,007
B	14,208	3,034	9	7/9ths	8,698
C	12,990	1,786	16	8/9ths	9,973
D	8,027	752	1	9/9ths	7,276
E	3,897	262	(1)	11/9ths	4,442
F	1,917	115	0	13/9ths	2,603
G	906	47	1	15/9ths	1,433
H	32	3	3	18/9ths	64
<b>Band D equivalent</b>					<b>38,503</b>
Less Hardship Relief (Band D)					0
<b>Total Band D equivalent</b>					<b>38,503</b>
Collection rate					97%
<b>Tax base</b>					<b>37,348</b>

### 2. Income from Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values (£191.600m at March 2021) multiplied by a uniform rate 51.2p (49.9p for those receiving small business relief) for 2020/21.





**Exeter City Council**

# Annual Governance Statement

**2020-21**

## Annual Governance Statement

### Scope of Responsibility

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

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

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

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

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

A copy of the Council's code is available on our website at [Code of Corporate Governance 2020-21](#)

## Annual Governance Statement

### The Purpose of the Governance Framework

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

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

The governance framework has been in place at Exeter City Council for the year ended 31 March 2021 and up to the date of the approval of the annual statement of accounts.

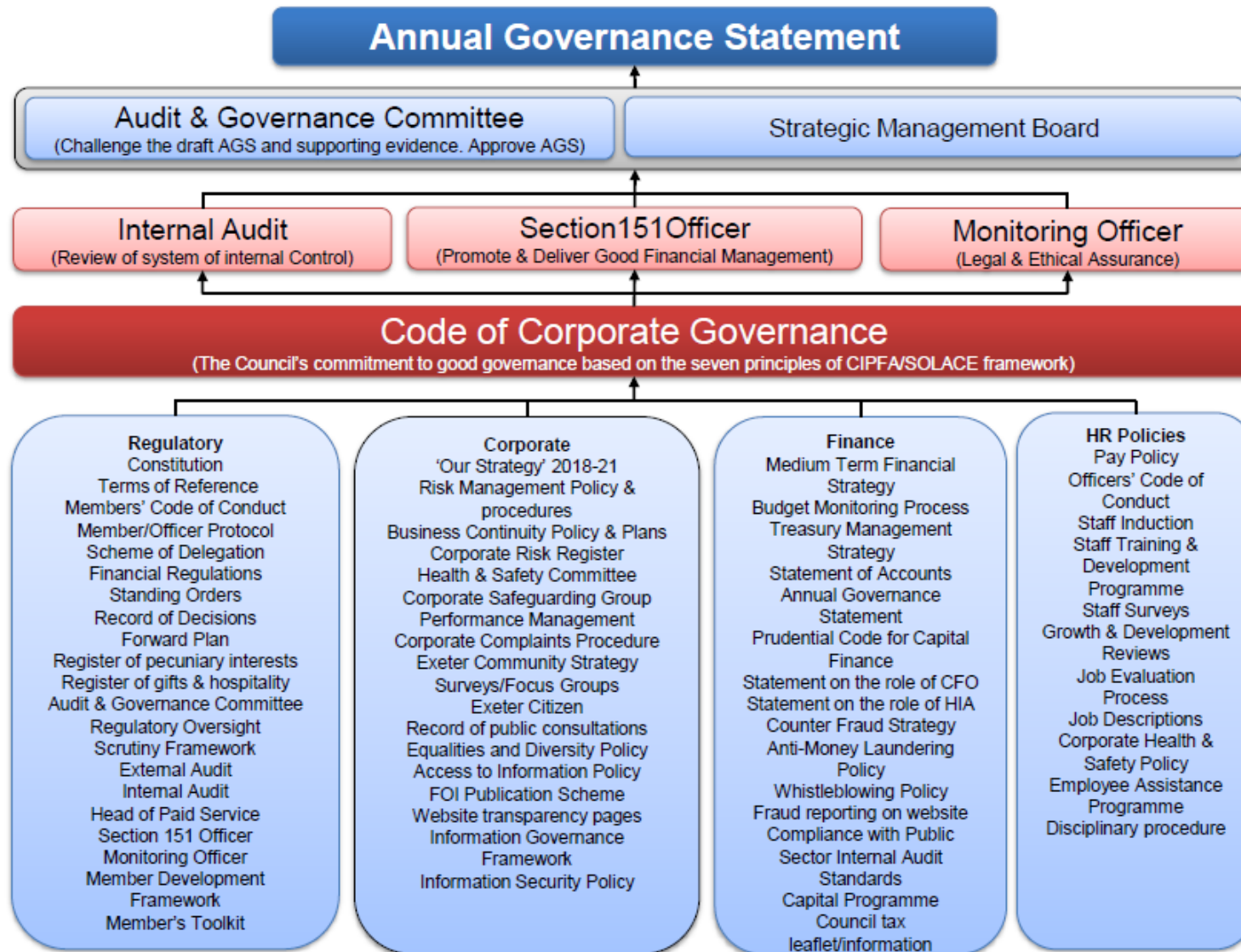
### The Governance Framework

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 (updated Autumn 2020) 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 11 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), Director Corporate Services (Monitoring Officer).

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

# Annual Governance Statement



## Annual Governance Statement

### Review of effectiveness

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

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

### Risk Management

Responsibility for Risk Management sits with the Audit and Governance Committee and they review the Corporate Risk Register (CRR) on a quarterly basis. The Council's Strategic Management Board (SMB) are responsible for constantly reviewing the risks being posed to the Council and ensuring that significant risks are recorded on the CRR along with the mitigating actions. Service Leads monitor risks at operational level and feedback any issues to their Director. Any significant risks, at operational level, that could impact the Council corporately are escalated to the CRR. The administration of the CRR is with Internal Audit and one of the Audit Managers meets with the Chief Executive on a regular basis to review the CRR prior to review by SMB. Internal Audit are working with Service Leads to review operational risk registers and offer any advice and guidance as needed. The system seems to be working well to date.

## 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 November 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 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'.

### Corporate Complaints

In 2020/21 the Council responded to 73 (2019/20 – 100) 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 9<sup>th</sup> October 2018 (updated Autumn 2020). 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. However, the global pandemic meant that this work was subsequently put on hold. As recovery from the pandemic continues, performance management will form an integral part of the 'One Exeter' programme.

## Annual Governance Statement

### Key Issues 2020-21

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 one issue significant issue 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	Financial position - 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.	<p>The Government have provided grants to cover expenditure pressures.</p> <p>The Government have committed to covering most of the losses from sales, fees and charges.</p> <p>The Council has taken an emergency budget to be considered on 21 July 2020, identifying ways to ensure a balanced budget</p> <p>The Council is setting aside funds to mitigate ongoing impacts on income to protect against a further emergency budget being required in 2021-22.</p>
2	Information security in the expanded work environment - The rapid widespread shift to homeworking amid national lockdowns in 2020 brought with it a unique data security challenge. Lacking personal interaction, staff can be more susceptible to social engineering ploys as they cannot immediately sense-check emails with nearby co-workers. Given that the Council is likely to keep a greater degree of remote and flexible working arrangements in place going forward, it is more important than ever that information security culture is promoted throughout every level of the organisation to raise awareness and ensure the integrity of staff behaviour.	<p>Information Security Forum to look at:</p> <ul style="list-style-type: none"> <li>• how the newly expanded work environment has impacted information security controls in different parts of the organisation and update the Information Security Risk Register accordingly</li> <li>• how best to raise staff awareness of key information security threats and provide guidance on what staff should look out for</li> <li>• whether staff information security training needs to be updated in light of changes to the working environment and IT infrastructure.</li> </ul>



## Annual Governance Statement

### Key Issues 2020-21

Issue No.	Issue Identified	Summary of Action to be Taken
3	<p>Change Management – the current scale and pace of change due to a number of factors presents a risk to achieving objectives and may impact the extent to which the organisation is capable of maintaining acceptable levels of compliance amid the shake up of operations and control systems. These factors include the following:</p> <ul style="list-style-type: none"> <li>• response to the global pandemic</li> <li>• recovery from the global pandemic</li> <li>• external factors e.g. regulatory change and compliance, climate change</li> <li>• internal factors e.g. Organisational Development plan to deliver the digitalisation/transformation of service delivery, bringing Leisure in-house</li> </ul>	<p>The Audit Plan 2021/22 approved by Audit &amp; Governance in March 2021 will continue to be flexible with updates/changes to the plan report quarterly to enable the Audit Manager to respond to emerging issues.</p> <p>Audit Manager to provide advice and guidance/support to the Organisational Development Project Group to ensure that an adequate control environment continues to be in place throughout the transformation period.</p> <p>The Audit Plan 2021/22 includes time for a review of the new in-house leisure service.</p> <p>The Deputy Chief Executive has been tasked with leading the transformation Programme and has set up a dedicated team to address the ambitious</p>

## Annual Governance Statement

### Key Issues 2020-21

Issue No.	Issue Identified	Summary of Action to be Taken
4	<p>Increase in commercial activity – Councils have both a legal and a moral duty to manage scarce resources responsibly. With the uncertainty surrounding <u>Brexit</u> and ongoing funding struggles, councils need to take a place based approach to choosing the most prudent commercial options and ensure that appropriate checks and balances are in place to manage the associated risks. High profile public interest reports and recent organisational reviews show some common themes and issues among councils undertaking commercial activities . The potential for issues can generally be linked to organisational governance, leadership, capacity, financial stability, and culture, including:</p> <ul style="list-style-type: none"> <li>• a lack of understanding of roles and responsibilities</li> <li>• a lack of skills around commercial decision making</li> <li>• an optimism bias that does not reflect the true position</li> <li>• a lack of strategic rationale surrounding the creation of companies</li> <li>• a reluctance to listen to challenges.</li> </ul> <p>Whilst the issues detailed above have not specifically been identified by this Council, it is important that the potential risks are fully understood at the outset when entering into any new commercial activity and that the Council’s commercialisation policies and procedures both recognise these risks and ensures put effective controls in place to minimise them.</p>	<p>Internal Audit are in the process of conducting a review of the commercialisation process and will be issuing a report, identifying areas for improvement, in the near future.</p> <p>Additional guidance on council-owned companies will be issued by CIPFA in the autumn. The Audit Manager will review this guidance and, where necessary, make recommendations on how the current process may be improved.</p>

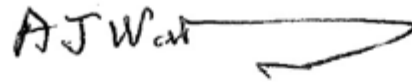
## Annual Governance Statement

### Key Issues 2020-21

Issue No.	Issue Identified	Summary of Action to be Taken
5	<p>Bribery, fraud and other financial crime – The global pandemic resulted in a reduction to the planned audit programme during 2020/21 due to the redeployment and furloughing of staff and the prioritisation of the payment of business support grants. This reduction in the compliance resource increases the risk of both internal and external fraud.</p> <p>In addition, historically, grant schemes always attract individuals hoping to exploit the system and with numerous government Business Support grants schemes which were introduced and paid out 'at pace' this risk has also further increased.</p>	<p>Audit Manager worked with Directors and Service Leads to identify and prioritise high risk audits within the plan with the remaining audits deferred to the 20221/22 plan. This prioritisation has enabled the Audit Manager to provide some assurance on the control environment in place throughout this period.</p> <p>The Audit Plan 2021/22 approved by Audit &amp; Governance in March 2021 will continue to be flexible with updates/changes to the plan report quarterly to enable the Audit Manager to respond to emerging issues.</p> <p>Audit Manager has completed a risk assessment on behalf of the Council, to assess the level of risk the Council may be exposed to as a result of administering all of the business support grants, which has been submitted to government. Based on the risk assessment submitted, the government requested the necessary evidence to support the payment of a sample of grants as required by the Post Payment Assurance – Verification process.</p> <p>Internal Audit are in the process of undertaking post award assurance checking, following guidance issued by the government, for each scheme type.</p>

## Approval of the Annual Governance Statement

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



**Signed:**

**Date:** 21/03/2022

Councillor Tony Wardle  
**Chair of Audit & Governance Committee**

**Signed:**



**Date:** 21/03/2022

Dave Hodgson CPFA  
**Director Finance & Section 151 Officer**

**Signed:**



**Date:** 21/03/2022

Councillor Philip Bialyk  
**Leader of the Council**



**Signed:**

**Date:** 21/03/2022

Karime Hassan  
**Chief Executive & Growth Director**

## Auditors Report

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

#### Report on the Audit of the Financial Statements

##### Opinion on financial statements

We have audited the financial statements of Exeter City Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Statement of Movement in the Housing Revenue Account, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2020/21.

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 2021 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 2020/21; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority or group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

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 2020/21 that the Authority and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Director Finance and Those Charged with Governance for the financial statements' section of this report.

### 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 financial statements. 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 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 the other information, we are required to report that fact.

## Auditors Report

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 in April 2020 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 '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 matters 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, the other 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.

## Auditors Report

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

As explained in the Statement of Responsibilities set out on page 27, 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 2020/21, 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 Authority's and the group'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 and the group will no longer be provided.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:



## Auditors Report

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Local Government and Housing Act 1989).

We enquired of senior officers and the Audit and Governance Committee, concerning the group and Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals, management estimates and judgements and transactions outside the normal course of business.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Director Finance has in place to prevent and detect fraud;
- journal entry testing, with a focus on high risk journals
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, council dwellings and investment property valuations and defined benefit pensions liability valuations;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

## Auditors Report

The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and investment property valuations and defined benefit pensions liability valuations.

Assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's and component auditors

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority and group including:
- the provisions of the applicable legislation
- guidance issued by CIPFA, LASAAC and SOLACE
- the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements.

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

**Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

## Auditors Report

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

### **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.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Auditors Report

### Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Exeter City Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report,
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

### 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.

*Julie Masci*

Julie Masci, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

21 March 2022

## Glossary of Terms

### **Accounting Period**

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

### **Accrual Basis**

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

### **Actual**

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

### **Appointed Auditors**

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

### **Associate Companies**

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

### **Balances**

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

### **Budget**

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

### **Capital Expenditure**

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

### **Capital Financing**

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

## Glossary of Terms

### **Capital Grants**

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

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

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

### **Collection Fund**

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

### **Community Assets**

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

### **Contingent Liability or Assets**

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

### **Council Tax Requirement**

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

### **Creditors**

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

### **Current Service Cost**

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

### **Current Assets**

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

## Glossary of Terms

### **Current Liabilities**

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

### **Curtailement**

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

### **Debtors**

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

### **Deferred Liabilities**

This represents the liability for principal repayments on finance leases.

### **Depreciation**

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

### **Earmarked Reserves**

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

### **Employee Costs**

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

### **External Audit**

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

### **Fair Value**

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

## Glossary of Terms

### **Final Accounts**

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

### **Finance Lease**

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

### **Financial Instruments**

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

### **Financial Year**

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

### **Financial Regulations**

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

### **Government Grants**

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

### **Housing Benefit**

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

### **Housing Revenue Account**

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

### **Impairment**

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



## Glossary of Terms

### **Interest**

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

### **Inventories**

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

### **Investment Properties**

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

### **Materiality**

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

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

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

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

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

### **Net Book Value**

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

### **Non-Current Assets**

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

### **Operating Lease**

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

## Glossary of Terms

### **Precepts**

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

### **Prior Period Adjustments**

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

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

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

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

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

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

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

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

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

### **Revenue Support Grant**

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

### **Subsidiary**

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

### **Value for Money**

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



**Exeter**  
City Council



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