

# STATEMENT OF ACCOUNTS

2021-2022



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# Narrative Report

## 1. Background

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

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

This Narrative Report provides information about Exeter, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position at 31 March 2022 and is structured as follows:

- An introduction to Exeter
- Key information about Exeter City Council
- The Corporate Plan
- Financial Performance 2021/22
- Non-Financial Performance 2021/22
- Future Financial Plans
- Statement from Director Finance

## 2. Introduction to Exeter

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

Exeter is the capital city of the county of Devon.

Below are some key facts about Exeter:

**Population:** Exeter has an estimated population of 133,300 and is at the heart of a travel to work area of over 470,000 residents.

**Employment:** 71,900 of Exeter’s residents are employed or self-employed. The city has 1.14 jobs for every resident aged 16-64.

**Commuters:** Approximately 37,000 people commute into Exeter on a daily basis and 11,000 people commute out.

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

**Environment** Exeter is the cleanest city in England in Eon ENDS’s index, which ranks the 55 primary urban areas in England on more than 30 environmental factors grouped into five categories – air quality, climate, water quality, public realm and green behaviour

**Business:** 5,112 registered for business rates.

**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. The new Exeter Bus Station opened to passengers in the city centre in July 2021.

**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 of Exeter's global reputation has been reinforced after it rose into the top 150 worldwide according to the Times Higher Education World University Rankings (2 September 2021) and the University has also moved back into the top 20 in the UK in the league table.

It is over 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. It is Devon's only Ofsted Outstanding further education college.

**Culture:** The Art Council England's Designation Scheme has 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 among the newest restaurants in Exeter, famous for attracting celebrities to its London eateries. Ikea's 29,000 square metre store is located on the outskirts of the city.

**Sport:** Exeter Chiefs play in Premiership Rugby, England's top division of rugby. Founded in 1871, the club play their home games at Sandy Park, which is located on the outskirts of the city. The Chiefs have become one of the leading clubs in the Premiership, winning the championship title twice in 2016-17 and 2019-20 and reaching a further four 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. On April 26 2022, the team gained

promotion from League Two to League One and an open-top bus parade and Civic Reception took place on 9 May to celebrate with supporters in the city centre.

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

### 3. Key Information about Exeter City Council

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

#### Political Structure

There are 39 councillors on Exeter City Council, representing the 13 wards of the City. The political make-up of the Council during the 2021/22 financial year was:

Party	Councillors
Labour seats	24
Conservative	6
Liberal Democrat	2
Green Party	2
Independent	1
Vacant	4

The local elections for Exeter City Councillors from May 2022 were held on 5 May 2022. Each elected Councillor is appointed for a four year term, with a third of the 39 seats contested each year (one seat per ward).

## YOUR CITY COUNCILLORS

### ALPHINGTON



LABOUR  
Yvonne Atkinson



LABOUR  
Bob Foale



LABOUR  
Steve Warwick

### DURYARD & ST JAMES



LIB DEM  
Kevin Mitchell



LIB DEM  
Michael Mitchell



LABOUR & CO-OP  
Martin Pearce

### EXWICK



LABOUR & CO-OP  
Phil Bialyk



LABOUR  
Paul Knott



LABOUR  
Rachel Sutton

### HEAVITREE



GREEN  
Carol Bennett



LABOUR  
Barbara Denning



GREEN  
Catherine Rees

### MINCINGLAKE & WHIPTON



LABOUR  
Naima Allcock



LABOUR  
Emma Morse



LABOUR  
Ruth Williams

### PENNSYLVANIA



LABOUR  
Zion Lights



LABOUR & CO-OP  
Josie Parkhouse



LABOUR & CO-OP  
Martyn Snow

### PRIORY



LABOUR  
Marina Asvachin



LABOUR  
Amal Ghusain



LABOUR  
Tony Wardle

### ST THOMAS



LABOUR & CO-OP  
Rob Hannaford



LABOUR  
Hannah Packham



LABOUR  
Laura Wright

### ST LOYES



CONSERVATIVE  
Peter Holland



CONSERVATIVE  
Yolonda Henson



CONSERVATIVE  
Anne Jobson

### NEWTOWN & ST LEONARDS



LABOUR  
Richard Branston



INDEPENDENT  
Jemima Moore



LABOUR  
Matthew Vizard

### PINHOE



INDEPENDENT  
David Harvey



LABOUR  
Trish Oliver



LABOUR  
Duncan Wood

### ST DAVID'S



GREEN  
Diana Moore



GREEN  
Tess Read



GREEN  
Amy Sparling

### TOPSHAM



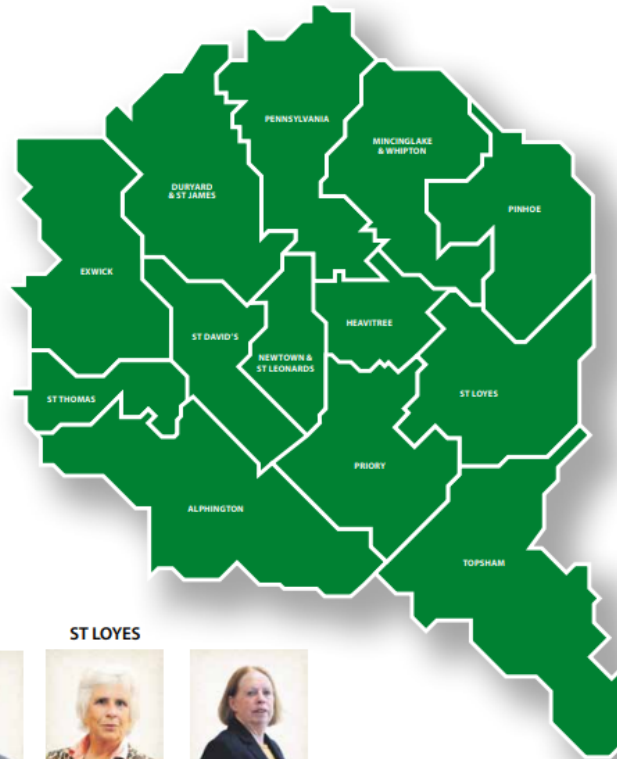
LABOUR  
Joshua Ellis-Jones



CONSERVATIVE  
Andrew Leadbetter



CONSERVATIVE  
Rob Newby



# 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 declared a climate emergency in 2019 and pledged to work towards creating a carbon neutral city by 2030. 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 2030 goal to make Exeter a carbon neutral city. The target is 20 years in advance of the 2050 national net zero target required under the Climate Change Act.

The Net Zero Exeter 2030 plan presents a blue print for how the city of Exeter can achieve its ambition to be net-zero carbon by 2030. It is built on an understanding that the city can only achieve its net-zero carbon targets if organisations, individuals and institutions take responsibility and accept they have a role and play their part. It is an attempt to focus the city on a sequence of key actions that take us to 2030 and enable these actions to be reflected in city and organisational plans.

Progress during the year included commissioning The Centre for Energy and the Environment at the University of Exeter to establish a baseline greenhouse gas inventory for the city, quantify the reductions required to achieve net zero in 2030 and identifying more specific metrics for monitoring progress towards carbon neutrality in each emissions sector; power, buildings, industry, transport, agriculture, land use, waste and fluorinated gases.



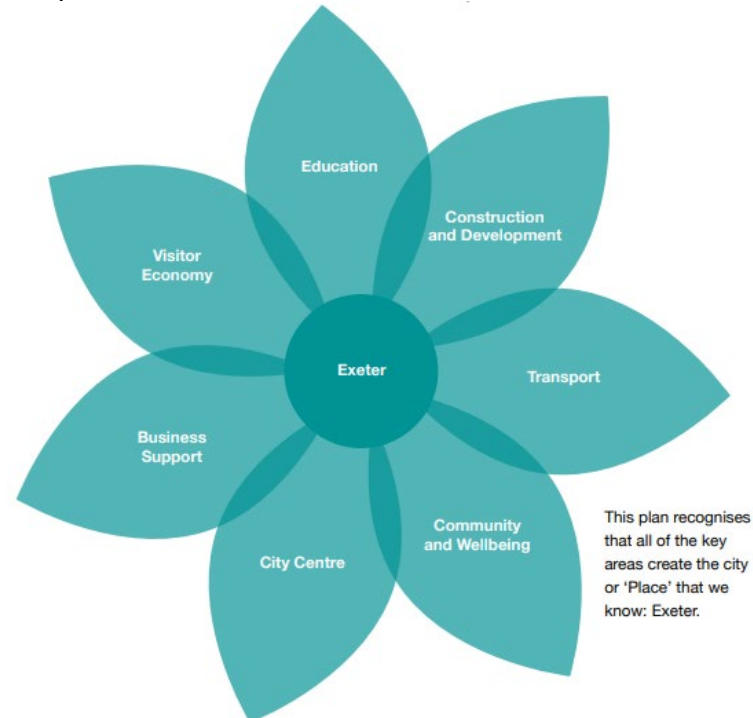
# Narrative Report

## 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 complements 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

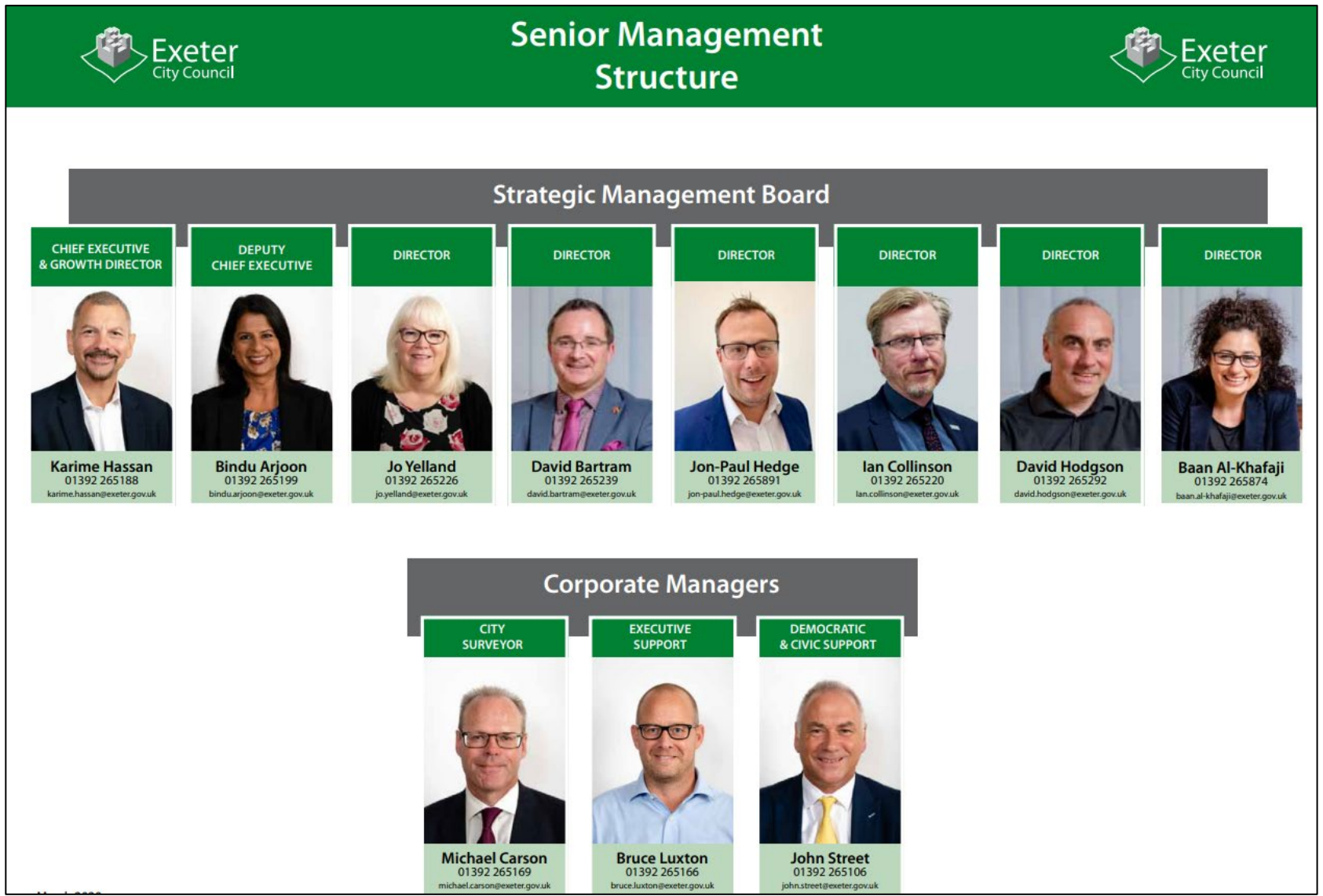
The plan sets out seven key areas that have been most keenly affected by the pandemic, resulting in the formation of seven recovery groups, chaired by members of the Liveable Exeter Place Board. The recovery groups will work collaboratively in recognition that a city does not work in silos and that all 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 817 people in full time and part time contracts in March 2022, compared to 783 people in March 2021.

The increase in the number of council employees predominantly reflects the new jobs created in Leisure Services following the opening of the new St Sidwell's Point leisure centre.

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 2021/22 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 £9.50 per hour from 1 April 2021 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 9 staff who are union representatives, with one officer spending at least 50% of their working hours on union activity.

The Council's Chief Executive and Growth Director, Karime Hassan, was made a Member of the Order of the British Empire for services to government in the Queen's New Year Honours.

### 4. The Council's Corporate Plan 2018-2021

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

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.

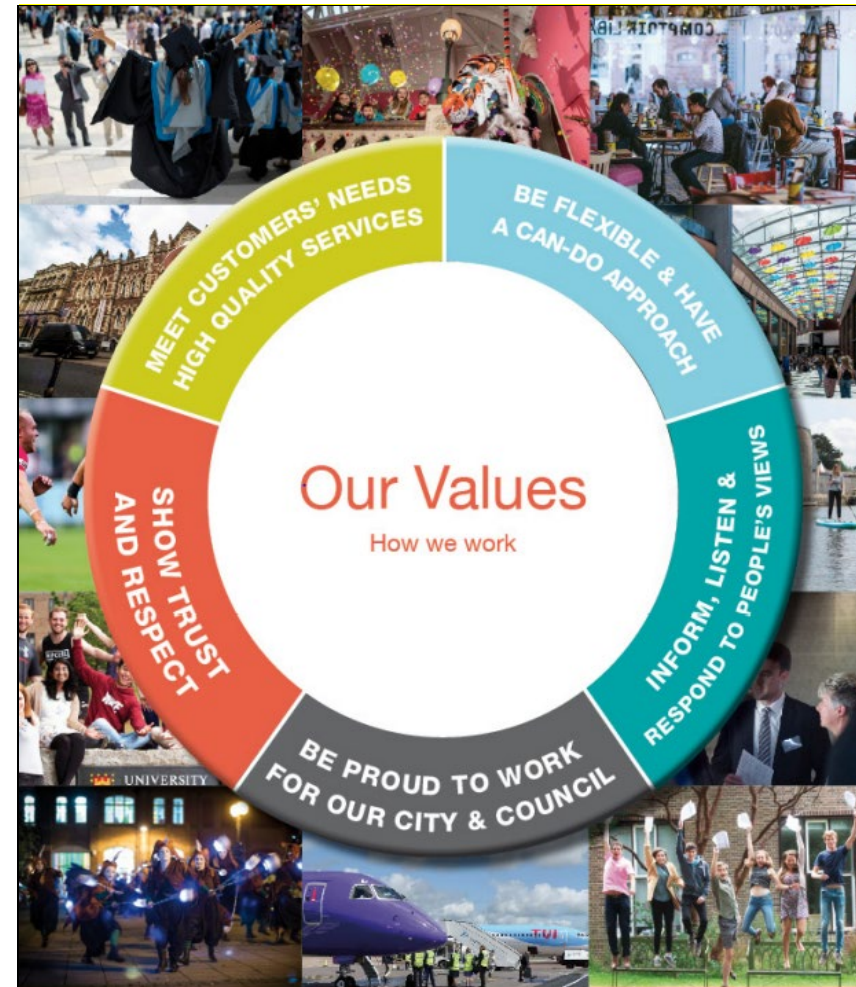
The Council's corporate priorities, which guide everything we do are:

- 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

### 5. Financial Performance 2021/22

The impact of Covid-19 on the finances of the Council and all local authorities across the country remained significant during 2021/22. The Council continued to incur both significant additional expenditure and a loss of income whilst England experienced a phased exit from lockdown. A four-step plan, known as the roadmap out of lockdown took place during the financial year with all government-mandated coronavirus restrictions ending on 24 February 2022. Despite the challenges, the Council achieved the requirement to maintain a minimum balance in excess of £3 million, as at 31 March 2022, but the Medium Term Financial Plan is reliant on substantial reductions being delivered in 2022/23 and beyond.

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

	Revised Annual Budget	Year End Outturn to Budget	Variance
	£'000	£'000	£'000
Chief Executive & Growth Director	3,250	2,837	(413)
Transformation	1,258	913	(345)
City Development, Housing & Supporting People	7,067	4,119	(2,948)
Communications, Culture & Leisure Facilities	13,848	13,318	(530)
Net Zero Exeter and City Management	5,458	5,285	(173)
Finance	336	(382)	(718)
Corporate Services	2,563	2,476	(87)
Less Use of Furlough Scheme	-	(163)	(163)
Less Notional Capital Charges	(12,328)	(12,328)	0
<b>Service Committee Net Expenditure</b>	<b>21,452</b>	<b>16,075</b>	<b>(5,377)</b>
Net Interest	150	771	621
New Homes Bonus	(1,941)	(1,941)	0
Minimum Revenue Provision	692	293	(399)
<b>General Fund Expenditure</b>	<b>20,353</b>	<b>15,198</b>	<b>(5,155)</b>
Transfer To/(From) Working Balance	(732)	827	1,559
Transfer To/(From) Earmarked Reserves	(4,351)	(6,688)	(2,337)
<b>General Fund Net Expenditure</b>	<b>15,270</b>	<b>9,337</b>	<b>(5,933)</b>
<b>Met By:</b>			
Formula Grant	(4,732)	(4,732)	0
Business Rates Growth / Pooling Gain	(2,334)	4,090	6,424
Covid19 Grant	(760)	(761)	(1)
Sales, Fees & Charges Compensation	-	(457)	(457)
CIL Income	(1,192)	(1,225)	(33)
Council Tax	(6,252)	(6,252)	0
	<b>(15,270)</b>	<b>(9,337)</b>	<b>5,933</b>
	<b>March 2021</b>	<b>March 2022</b>	
<b>Working Balance</b>	<b>4,696</b>	<b>5,523</b>	

## Narrative Report

The outturn results have been skewed by the pandemic and the Government's support to business and Councils. The following Covid related amounts are included in the outturn figures for 2021/22:

### Covid-19 Grant

In light of the phased exit from restrictions and the ongoing financial impact on local authorities, the Government announced a further round of Covid-19 emergency funding. Exeter received £0.645m in April 2021 and a further non-ring-fenced grant of £0.116m, bringing the total for the year to £0.761m.

### Sales, Fees and Charges

The Sales, Fees and Charges compensation scheme was extended to cover the first three months of 2021/22. The scheme compensated 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 £0.457m during 2021/22.

### 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 2021/22 Council's accounts. The balances remaining at 31 March 2022 have been transferred to earmarked reserves for distribution in future years.

Grant	Funding c/fwd as at 31 March 2021	Funding 2021/22	Expenditure 2021/22	Balance as at 31 March 2022	Description
Exeter Well-being Support Fund	64,372	0	50,451	(13,921)	Fund used to issue urgent financial support to persons experiencing financial difficulties.
Covid19 Business Support Grants (LADGF)	0	(7,500)	(7,500)	0	Support for small businesses that are not eligible for Small Business Grants (SBGF) or the Retail, Hospitality and Leisure Grant Fund (RHLMGF)
Covid CEV Response Fund	1,656	112,867	63,492	(51,030)	Lower tier authorities to carry out any responsibilities they are asked to undertake to support Clinically Extremely Vulnerable individuals
Business Support (Additional Restrictions Grant) and ARG Top-up	1,860,991	187,806	2,048,797	0	Local authorities can use this funding for direct business support grants or for wider business support activities
Compliance and Enforcement Grant	29,595	0	29,595	0	Net cost of services. Local authorities can choose which eligible compliance and enforcement activities to use the funding for
Contain Outbreak Management Fund	0	166,570	42,290	(124,280)	For the purposes of compliance and enforcement measures to control the spread of Covid-19
Devon Household Support Fund	0	242,957	243,387	430	To provide support to vulnerable households and individuals to help them meet daily needs such as food, clothing and utilities
Protect & Vaccinate	0	254,587	225,587	(29,000)	To increase uptake of boosters among people who are homeless and sleeping rough
<b>Total</b>	<b>1,956,614</b>	<b>957,286</b>	<b>2,696,099</b>	<b>(217,802)</b>	

## Narrative Report

### Business Rates

Due to the extent of business rate reliefs granted by the government to businesses to support them during the Covid-19 outbreak, the actual business rates receivable in the year is lower. However, the government provided Section 31 grants to offset the loss in business rates income locally, which have been held in an earmarked reserve (£17.423m as at 31 March 2021) and are being released to the General Fund in accordance with current collection fund accounting rules. A net transfer of £6.325m has been transferred from the reserve in 2021/22, taking the earmarked reserve to £11.098m, as at 31 March 2022.

### General Fund Working Balance

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 2021/22 resulted in a £0.827m transfer to the General Fund Working Balance, taking it to £5.523m as at 31 March 2022.

### 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 2022, the Council held £17.3m as a net creditor provision, for amounts due to be distributed or returned to Government in 2022/23, in particular – it includes £7.427m in respect of the council tax rebate, which was paid to billing authorities in March 2022 for passing to eligible households from April 2022.

Grant	Funding c/fwd as at 31 March 2021	Funding 2021/22	Expenditure 2021/22	Balance as at 31 March 2022
Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund (SBGF & RHLGF)	0	0	(25,000)	(25,000)
Test and Trace Support Grants	36,500	579,000	738,000	122,500
Local Restrictions Support Grant - Closed Addendum 5 Nov to 1 Dec	1,049,168	0	54,002	(995,166)
Local Restrictions Support Grant (LRSG)- Closed from 2 Dec Tier 2 & Closed 5 days (Tier 3)	65,784	0	536	(65,248)
National Lockdown 3 Top-up (Closed Business)	3,247,000	0	391,000	(2,856,000)
National Lockdown 3 Addendum	4,157,832	0	1,038,902	(3,118,930)
Christmas Support Payment Wet Led Pubs	(11,800)	11,800	(3,000)	(3,000)
Restart Grant - Non essential retail premises	0	4,515,084	1,274,715	(3,240,369)
Restart Grant - Hospitality, accommodation, leisure, personal care and gym businesses	0	4,515,084	5,304,000	788,916
Omicron Hospitality & Leisure Grant	0	1,494,072	1,009,375	(484,697)
Council Tax Rebate	0	7,426,800	0	(7,426,800)
<b>Total</b>	<b>8,544,484</b>	<b>18,541,840</b>	<b>9,782,530</b>	<b>(17,303,794)</b>

## Narrative Report

### 2021/22 Capital Outturn

Despite the challenges presented by Covid-19, the Council spent £36.379m on its Capital Programme in 2021/22 compared to the revised forecast spend of £96.115m. This comprised £17.044m on General Fund and £19.335m on HRA capital expenditure.

The variance between the outturn forecast and actual outturn for the year was £59.736m, which most notably includes £44m for commercial property purchases that completed in May 2022 in respect of 83 Fore Street and the Guildhall Shopping Centre. The overall £59.736m 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:

	2021/22 Forecast Outturn £'000	2021/22 Outturn £'000	Variance £'000
<b>Capital Expenditure:</b>			
Chief Executive & Growth Director	857	233	(624)
Transformation	9,280	8,880	(400)
Net Zero Exeter and City Management	10,257	3,604	(6,653)
City Development, Housing & Supporting People	26,811	21,505	(5,306)
Communications, Culture and Leisure Facilities	2,985	1,729	(1,256)
Finance	45,925	428	(45,497)
<b>Total Expenditure</b>	<b>96,115</b>	<b>36,379</b>	<b>(59,736)</b>
<b>Resources:</b>			
Major Repairs Reserve	921	897	(24)
Capital Receipts	8,710	4,773	(3,937)
Grants and Contributions	5,522	6,959	1,437
Community Infrastructure Levy (CIL)	1,300	1,300	0
Revenue Contributions	8,396	3,397	(4,999)
Prudential Borrowing	71,266	19,053	(52,213)
<b>Total Financing</b>	<b>96,115</b>	<b>36,379</b>	<b>(59,736)</b>

## Narrative Report

### Key achievements in 2021/22 Capital Programme:

- **New Leisure Complex; St Sidwell's Point**  
Exeter's state-of-the-art new leisure centre was substantially completed in 2021-22, with final preparations taking place in April for an official opening on Friday 29 April.

St Sidwell's Point is the UK's first super-energy-efficient passiv-haus leisure centre, built next to the new Exeter Bus Station, has three pools, a gym with more than 100 stations, a premium spa, three group exercise studios, a soft play area, crèche and café.



Inside St Sidwell's Point

It features an eight-lane, 25m main pool and a four-lane, 20m learner pool, both with moveable floors. There is also a confidence pool for children.



Inside St Sidwell's Point



- **Marsh Barton Railway Station**  
The Council contributed £1.3m towards the new Marsh Barton railway station during the year, in support of the project being led by Devon County Council. The station at Marsh Barton is a core element of the Devon Metro rail strategy for Exeter. It will provide a two-platform station improving access for residents and commuters and supporting lower carbon travel.



## Narrative Report

It will also include a new pedestrian and cycle bridge. This bridge will provide active travel links to the station as well as improving connections between Alphington, Marsh Barton and the Riverside Valley Park.



Marsh Barton railway station

- **Energy Saving Projects**

Work to create a City Solar Farm in Exeter made up of over 3,700 solar panels has started. Initial groundwork was carried out earlier in the year and a main contractor has been appointed to carry out the work.

The site in Marsh Barton will become a 1.2MW solar farm producing green energy for the city, including a direct supply to the Council's waste and recycling depot to support charging of its electric fleet and future use of electric refuse vehicles. With the help of European Regional Development Fund grant funding, the Exeter solar farm will be built on an inactive landfill site and include two battery storage containers. As well as being used to store solar power for overnight use of vehicle charging, the batteries will also be used to provide energy for the National Grid.



Site of City Solar Farm in Exeter

- **Energy Retrofit**

Around 300 Council houses in Exeter have now been retrofitted to reduce carbon emissions and help residents lower their fuel bills.

Retrofitting involves homes receiving external wall insulation, high performance cavity wall insulation, loft insulation, new double glazing windows and doors, solar panels, smart meters and upgraded central heating systems.



Retrofitting home

## 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 2021/22 the HRA reported an operating deficit of £1.804m. The deficit was met by a transfer out of the HRA working balance.

The Council's current policy is such that the minimum level of the HRA working balance will remain at no less than £4 million, as a contingency against financial risks. As at 31 March 2022, the working balance was £11.468m, 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 2021/22, work continued 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 £0.500m to tackle fuel poverty in some of our least energy efficient homes – this was in addition to the £1.100m grant secured in previous years. This funding is supported by direct contributions from the HRA and forms part of the objective for the Council to achieve carbon neutrality for its housing stock – currently targeted by 2030. The retrofits programme sees the whole house refurbished to deliver the very highest energy standards and the greatest energy benefits for tenants.

The Council completed its first extra care housing development at Edwards Court – 53 one and two bedroom flats which have been designed, built and certified to the rigorous passiv-haus standard.

The buildings ventilation system also includes heat recovery which is around 90% efficient – this heat recovery coupled with the airtightness and insulation means that the energy required to heat the building will be reduced by up to 90%.

In addition to Edwards Court, a site at Vaughan Road has been secured and cleared in readiness for the commencement of the construction of 92 flats later in 2022 and preparations have also been made for the commencement, in July 2022, of the construction of 21 flats at Hamlin Gardens.

The Council's Housing and Development Advisory Board, which comprises of Councillors and local professionals, continues to monitor housing assets and tenancy services operational delivery and comment on the strategic direction of the service.

### HRA Benchmarking

Each year the HRA participates in a benchmarking exercise to assess performance and satisfaction in comparison with similar organisations within a peer group. The 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	3.80%	1st	Within top 25% of peer group
Total cost per property of Housing Management	£244.00	2nd	Within top 50% of peer group
Total cost per property of Responsive Repairs & Void Works	£792.00	3rd	Below average of the peer group
<b>Operation performance headlines</b>			
Average number of calendar days taken to complete repairs	22.10	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 £123.353m 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 of £4.337m, which was paid up-front during 2020/21.

### Borrowing

The Capital Financing Requirement is £178.753m of which £73.242m relates to the HRA.

Actual borrowing is £167.759m, which comprises the principal outstanding on long-term loans from the PWLB. The loans include; £8.331m on-lent to Exeter City Living Ltd, £72.244m in respect of the HRA, £44m for the Guildhall Shopping Centre, £34.862m for the new leisure centre and £8.322m for capital acquisitions. The rest of the requirement is managed via internal borrowing.

### 6. Non-Financial Achievements 2021/22

Although 2021/22 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:

- Exeter's state-of-the-art new leisure centre, St Sidwell's Point, has been shortlisted for a prestigious national environmental award; Environmental Impact Award at the national RICS UK Awards 2022. The project is nominated as a building of high environmental standards, innovation and quality delivered without performance gap. It has also been short-listed in two top planning awards; Royal Town Planning Institute (RTPI) Excellence Awards for Best Project (Health and Wellbeing) and the Planning Awards for design excellence, best use of arts, culture or sport in place-making.



- Exeter Works won the prestigious Civic Award at the annual Exeter Living Awards for its specialist advice on skills and training. Exeter Works is a partnership between the Council and the Exeter Chamber of Commerce. Working together with a wide range of other organisations from across Exeter, it aims to make it easier for individuals and businesses to access information about jobs, training, redundancy and other support.
- Cans 4 City, a joint initiative between the Council and Exeter City Football Club won a Green Can Award by non-for-profit Every Can Counts, in recognition of outstanding recycling efforts. Since 2020, the initiative has collected nearly seven tonnes of aluminium packaging from used drinks cans.
- The new Exeter bus station has been shortlisted in the Building of the Year over £5m category of the Michelmores Property Awards.



## Narrative Report

### Significant Projects and Matters

#### One Exeter

One Exeter is the Council's transformation programme and is a critical priority for the council.

The Programme aims to make better use of the skills and resources we have, enable us to provide more cost efficient and joined up services and crucially, support the delivery of cost reductions that need to be made by April 2026. Transforming the way we work, including putting the customer at the centre of how we plan and deliver our services and supporting and developing our staff will ensure that we are a fit for purpose council.

A detailed programme of work has been developed to deliver this work which is focussed around seven work streams:

Work Stream	Area	Details
1	Leisure Service Review	Leisure Services to be redesigned to be cost neutral
2	Target Operating Model/Service Costs	To include Organisational Change, options for the size, shape and grouping together of our services, cessation/reduction in discretionary services and review of statutory and support services
3	Technical Accounting	Review of charges from the General Fund
4	Corporate Property	Asset disposal and management/potential additional income and review of Asset Improvement and Maintenance costs
5	Seek external funding	Seek funding from ring fenced and externally funded services
6	Staff Costs	Consideration of new working patterns
7	Income	To include commercialisation, return from borrowing and car parking income

Work has already started on delivering the One Exeter work programme.

- The 'Asset Disposal and Management' work stream has delivered a saving in 2022/23 by releasing capital receipts to fund the fleet lease contract. Further work is underway to identify further opportunities to release capital receipts through asset disposal and management.
- The 'Technical Accounting' work stream has identified savings by reviewing the support service recharges.
- A review of our discretionary services was undertaken which identified savings for 2022/23. A further review is due to be conducted for the 2023/24 financial year.

## Narrative Report

- Proposals are being developed for an Employee Wellbeing Framework which will include the introduction of Employee Wellbeing Champions.
- A draft Values and Behaviours Framework has been drafted with input from colleagues across the council. We will discuss this with staff across the council through Roadshows at our various sites. These values and behaviours will underpin a revised Performance and Development Review process.
- Work has been undertaken to ensure that all stakeholders are involved in this work including regular reporting to the Strategic Management Board and Members, regular discussions with the Union, a series of workshops with Service Leads and the creation of a Staff Sounding Board.

Over the next six months, the work programme will focus on redesigning services in order to identify and deliver opportunities to improve and become more efficient. The anticipated benefits of this include simplified business processes, minimisation of non-value-added work, an improved customer experience with wider accessibility to digital channels, a move away from a silo approach to a collaborative one and facilitation of a single point of contact and shared service customer offering.

**ONE EXETER**  

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**ONE COUNCIL · ONE TEAM**  

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## Narrative Report

### Sport England Partnership

The Live and Move programme has developed through a partnership between Exeter, Cranbrook and Sport England as part of the national Local Delivery Pilot programme. Sport England is working with 12 places across the country to identify how physical activity can tackle health inequalities and build healthier, more active communities. Following an award of £4,721,000 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.

Through programmes and networks such as Wellbeing Exeter and Move More Cranbrook we are identifying ways to support people to be more active in their everyday lives, be that walking, cycling, exercising, gathering with friends and family or taking part in a club, activity or class. The importance of working with individuals and communities as early as possible, is seen in the health, social and economic benefits that increased physical activity can support.

Whilst Exeter is a city with high rates of physical activity compared to the national average, there are significant pockets of high deprivation and poor health outcomes. There is a significant health inequality gap with a wide range of life expectancy between the most affluent and most deprived wards. In Cranbrook, the identity of a new town, rapid population growth and an evolving formal community infrastructure is making us question traditional approaches to developing sport and activity as a way of life.

The impact of the pandemic on activity levels, health outcomes and widening inequalities is significant. Our own local fieldwork has identified that residents in our poorest neighbourhoods are 3 TIMES more likely to be inactive than the mainstream population.

In particular, those on low incomes and from culturally diverse communities have seen a fall in activity levels and a decrease in general health and wellbeing. Our programme is changing and adapting as people's attitudes to community, work, health and wellbeing have changed dramatically in the last two years following the pandemic.

Through working with Sport England, we are aiming to contribute towards the significant challenges and opportunities outlined in the Uniting the Movement strategy by offering our learning and insight on how to tackle inactivity in Exeter and Cranbrook.



### Live & Move Sustainable Outcomes and Long Term Impacts

Live and Move is focused on delivering three, sustainable, strategic outcomes, through our place-based, community led approach:

- **Increased physical activity and adoption of active and healthy lifestyles**
- **Increased walking and cycling levels supported by an active travel friendly environment and culture**
- **Increased community trust, inclusivity, and sense of belonging**

## Narrative Report

By delivering sustainable outcomes, Live and Move will be setting a course toward long-term change to support Sport England in delivering the national strategy, 'Uniting the Movement':

- **A narrowing of stubborn health inequalities and reduction in the life expectancy (at birth) gap between the most and least deprived populations**
- **Active Travel and low traffic neighbourhoods are the norm**
- **Empowered communities leading change, and 'owning' local spaces**

In 2021/22 we have built on the foundations of the Live and Move programme and delivered:

Through Wellbeing Exeter over 4,000 referrals have been delivered since the inception of the programme, more than 500 of which were referred with physical activity requirements. Wellbeing Exeter now covers families and young people as well as adults with multiple referral routes, including the recently added Inclusive Exeter connector, recruited to help close the ethnicity activity gap in Exeter.

A comprehensive engagement programme and design options to secure financial commitment of £750,000 to take the Wonford Community Wellbeing Hub redevelopment programme to full planning in 2022/23.

Using the local active live insight established and developed a programme of Inclusive Communities with our partners Inclusive Exeter with their inspirational local leaders from a range of culturally diverse communities.

A programme and process that allows communities to apply for and deliver Play Streets and School Streets in their local neighbourhoods learning from the pilots in Whipton, Ladysmith, Lower King's Avenue and established 5 new annual cycle festivals in Wonford, Mincinglake/Pinhoe, Cowick Barton, Newtown/Whipton, and Cranbrook.

A new social prescribing programme, Wellbeing Cranbrook, employing a Community Builder and Connector specifically for the residents of Cranbrook.

An emerging leisure partnership bringing Exeter Leisure closer to communities and designing specific wellbeing programmes to support our least active residents to access leisure facilities and activities.

The launch of Go Jauntly, a free 'walking app for everyday outdoor adventure' to digitise the Green Circle, through engaging, curated walks, while also adding shorter accessibility friendly routes.

Partnerships with FreeMovement in Ludwell Valley, and Burn The Curtain in Mincinglake, to shape a programme of community engagement, using ABCD, focusing on creating a connection and identity between the Green Circle and local residents, using very different approaches.

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.





# Narrative Report

## Future Financial Plans

### Revenue

The Council's General Fund Medium Term Financial Plan (MTFP), on the next page, will achieve the requirement to maintain a minimum balance of £3 million. However, it is reliant on substantial reductions of £6.350m being delivered from 2023/24 to 2024/25 to address the loss of business rates growth, New Homes Bonus and additional spending pressures. Whilst the funds will be redistributed across local government, there is no certainty, at this stage, that the Council will receive more than its basic share under the formula grant system, which will be substantially lower than the Council currently receives and this reduction has been built into the medium term financial plan. Furthermore, the Government intends to introduce a new formula resulting from the fair funding review currently being undertaken. The amount of savings required in the period could vary significantly based on the results of the fair funding review.

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.

### 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 Covid-19 pandemic continues to be a risk in respect of income levels for the Council, which principally affects sales, fees and charges, but may impact business rates and council tax income as well
- 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
- There are very significant (and unbudgeted) financial pressures facing the Council (along with the rest of the World) which will likely add further requirements for reduction in spend, as inflation rises at its fastest rate for 40 years. Energy bills are one of the biggest contributors to inflation at present, as oil and gas prices remain at elevated levels in part due to the Ukraine war.

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 (2021/22 – 2025/26)

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Resources</b>					
Revenue Support Grant	602	855	543	552	563
Business Rates income	6,464	7,404	4,279	4,378	4,461
Covid 19 Support	761	-	-	-	-
Sales, Fees & Charges Compensation	440	-	-	-	-
CIL income	1,416	1,250	1,250	1,250	1,250
New Homes Bonus	1,941	1,362	-	-	-
Council Tax	6,252	6,416	6,649	6,918	7,181
<b>Likely resources</b>	<b>17,876</b>	<b>17,287</b>	<b>12,721</b>	<b>13,098</b>	<b>13,455</b>
<b>Expenditure</b>					
Service expenditure	21,189	18,369	15,256	11,773	9,627
Net Interest	565	1,083	1,248	1,262	1,180
Forecast Committee movements	386	-	-	-	-
Repayment of debt	965	2,438	2,907	3,005	3,113
Additional repayment of debt	(664)	(1,480)	(1,656)	-	-
	22,441	20,410	17,755	16,040	13,920
<b>Other funding</b>					
Contribution to/ (from) earmarked reserves	(4,001)	(234)	(1,006)	(446)	(500)
Contribution to/ (from) balances - Other	(564)	25	40	104	35
	(4,565)	(209)	(966)	(342)	(465)
<b>Further reductions required</b>	-	-	<b>(3,750)</b>	<b>(2,600)</b>	-
<b>Potential reductions identified</b>	-	<b>(2,914)</b>	<b>(318)</b>	<b>0</b>	-
<b>Total Net Budget</b>	<b>17,876</b>	<b>20,201</b>	<b>16,789</b>	<b>15,698</b>	<b>13,455</b>
<b>Balanced Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Opening General Fund Balance	4,697	4,133	4,158	4,198	4,302
Closing General Fund Balance	4,133	4,158	4,198	4,302	4,337

Please note, the MTFP has been extracted from the 2022/23 published Budget Book and therefore projected General Fund Balances differ to balances reported, as at 31/3/2022.

## Narrative Report

### HRA Medium Term Revenue Plan (2021/22 – 2025/26)

	2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
<b>Resources</b>					
Rents	18,760	18,760	19,400	20,021	20,661
Service Charges	1,098	1,143	1,187	1,201	1,215
Other	683	632	657	675	694
Inflation on income	-	688	652	674	695
<b>Likely resources</b>	<b>20,541</b>	<b>21,222</b>	<b>21,897</b>	<b>22,571</b>	<b>23,266</b>
<b>Expenditure</b>					
HRA expenditure base budget	13,547	14,031	14,278	14,068	13,962
Inflation on expenditure	-	173	118	121	118
Repairs & Maintenance Programme	-	-	(297)	18	210
New non-recurring budgets	-	51	15	-	15
New recurring budgets	-	68	-	-	-
Remove non-recurring budgets	-	(60)	(65)	(265)	
Depreciation	3,743	3,831	3,781	3,706	3,656
Revenue Contribution to Capital Outlay	8,397	2,000	1,800	2,500	2,800
Net interest	2,259	2,282	2,338	2,309	2,341
	27,946	22,376	21,968	22,457	23,102
<b>Other Funding</b>					
Contribution to / (from) HRA Working Balance	(7,405)	(1,154)	(72)	114	164
<b>Balanced Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Opening HRA Working Balance	12,950	5,545	4,391	4,320	4,434
Closing HRA Working Balance	5,545	4,391	4,320	4,434	4,598

Please note, the HRA MTFP has been extracted from the 2022/23 published Budget Book and therefore projected HRA Balances differ to balances reported, as at 31/3/2022.

## Narrative Report

### Capital Programme (2022/23 – 2025/26)

<b>GENERAL FUND - CAPITAL PROGRAMME 2022/23 AND FUTURE YEARS</b>				
<b>SCHEMES LISTED WITHIN COUNCIL PURPOSES</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive & Growth Director	1,127	304	104	104
Transformation	1,276	-	-	-
Net Zero Exeter and City Management	17,291	3,828	2,264	850
City Development, Housing & Supporting People	2,681	-	-	-
Communications, Culture and Leisure Facilities	3,481	-	-	-
Finance	105,327	2,760	4,982	-
<b>TOTAL GENERAL FUND CAPITAL PROGRAMME</b>	<b>131,183</b>	<b>6,892</b>	<b>7,350</b>	<b>954</b>
<b>FINANCING:</b>				
Capital Receipts	931	254	984	-
Disabled Facility Grant	1,607	800	800	800
New Homes Bonus	15	-	-	-
Community Infrastructure Levy	30	-	-	-
Revenue Contributions to Capital Outlay	89	-	-	-
Other Grants & Contributions	12,161	160	160	-
Prudential Borrowing	116,350	5,678	5,406	154
<b>TOTAL GENERAL FUND CAPITAL FINANCING</b>	<b>131,183</b>	<b>6,892</b>	<b>7,350</b>	<b>954</b>

<b>HOUSING REVENUE ACCOUNT - CAPITAL PROGRAMME 2022/23 AND FUTURE YEARS</b>				
	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
City Development, Housing & Supporting People	21,346	18,826	15,156	9,071
<b>TOTAL HRA CAPITAL PROGRAMME</b>	<b>21,346</b>	<b>18,826</b>	<b>15,156</b>	<b>9,071</b>
<b>FINANCING:</b>				
Major Repairs Reserve	8,118	11,400	9,106	3,771
Capital Receipts	4,016	2,676	2,300	2,200
Commuted Sums	112	-	-	-
Other Grants and Contributions	-	-	-	-
Revenue Contributions to Capital	5,000	4,000	3,000	3,100
Prudential Borrowing	4,100	750	750	-
<b>TOTAL HRA CAPITAL FINANCING</b>	<b>21,346</b>	<b>18,826</b>	<b>15,156</b>	<b>9,071</b>

## Narrative Report

The Capital Programme, on the previous page, reflects the plans approved in the 2022/23 Budget Book along with budgets slipped from 2021/22 and the associated financing. The Council continues to have an ambitious capital programme, which includes:

A £15.6m loan to Exeter City Living to support the redevelopment of Clifton Mews, in order to develop Exeter's first passiv-haus homes for open market sale. These new homes will be constructed to the highest quality and environmental standards to reduce energy costs and create attractive family homes. Demolition of the former Clifton Hill sports centre, to be replaced with the new city centre housing, will be funded by the Government's One Public Estate (OPE) programme, through the Land Release Fund.



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

Ninety two passiv-haus new homes are being created at The Gardens, Vaughan Road, Whipton, including sixty new affordable and retained as new council housing and thirty-two for market rent. The development is part of the Council's wider plans to create 500 new passiv-haus Council homes in Exeter over the next five years.



The Gardens, Vaughan Road, Whipton

The City Council completed on the acquisition of Exeter's Guildhall shopping centre in May 2022, which is reflected in the 2022/23 Capital Programme. The popular shopping centre will continue as a key retail and food and drink destination for Exeter, and the Council will invest in improvements.



Guildhall Shopping Centre

## Narrative Report

### Message from Dave Hodgson, Director Finance

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 year has been challenging, with rising costs, particularly in respect of construction contracts and difficulties and delays in acquiring products and services causing delays in projects both revenue and capital. This is a situation that is likely to continue for some time and will make the management of the budget challenging with costs rising but less being spent than anticipated. Challenges in recruitment have also had an impact in reducing the amount spent over the financial year.

However, it is pleasing to note that the Council was able to maintain core service delivery during 2021/22 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 £6.6 million of savings over the next four financial years. There is still much uncertainty over the timing of Government reform of Local Government finance, but regardless, there is a requirement for significant savings. The One Exeter programme has therefore been established to shift the way the Council generates resources as well as 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 seventh full year in operation and has delivered a refund in line with that agreed at the start of the financial year, along with a further amount, which the Company has asked to be reinvested in it during the new financial year.

Exeter City Living Ltd, the Council's development company has continued to expand its work and the Council has approved in principle the addition of a market rent property role for the Company. A business Plan proposal will be worked up during 2021/22 to take this forward.

In delivering the accounts during ever greater 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 2022.

**Dave Hodgson CPFA**  
**Director Finance**  
**26 July 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

2020-2021			2021-2022			Notes	
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		
3,062	(123)	2,939	Chief Executive & Growth Director	3,458	(128)	3,330	
3,439	(2,279)	1,160	Transformation	2,859	(1,847)	1,012	
47,671	(43,825)	3,846	City Development, Housing & Supporting People	41,528	(36,283)	5,245	
16,237	(2,661)	13,576	Communications, Culture & Leisure Facilities	20,273	(5,274)	14,999	
17,470	(9,107)	8,364	Net Zero Exeter & City Management	21,483	(13,473)	8,010	
3,296	(1,257)	2,038	Finance	10,766	(494)	10,272	
3,228	(711)	2,517	Corporate Services	4,045	(739)	3,306	
20,017	(20,299)	(282)	Housing Revenue Account	20,217	(20,489)	(272)	
755	(370)	385	Strata Service Solutions Ltd	956	(417)	539	38
<b>115,175</b>	<b>(80,632)</b>	<b>34,543</b>	<b>Cost of Services</b>	<b>125,585</b>	<b>(79,144)</b>	<b>46,441</b>	
		(2,389)	Other operating expenditure			1,431	12
		3,825	Financing and investment income and expenditure			(3,496)	13
		(35,362)	Taxation and non-specific grant income			(28,825)	14
		<b>617</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>15,551</b>	
			<b>Other Comprehensive Income and Expenditure</b>				
		(6,520)	(Surplus) or deficit on revaluation of property, plant and equipment			(20,152)	27
		27,176	Remeasurement of the net defined benefit liability/(asset)			(20,917)	27
		<b>20,656</b>	<b>Total Other Comprehensive Income and Expenditure</b>			<b>(41,069)</b>	
		<b>21,273</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(25,518)</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</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

### 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 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>
<b>Movement in Reserves during 2021-2022</b>										
Total Comprehensive Income & Expenditure	16,944	-	16,944	(1,393)	-	-	-	15,551	(41,069)	<b>(25,518)</b>
Adjustments between accounting basis and funding basis under statutory provisions (Note 10)	(11,079)	-	(11,079)	3,192	(9)	(2,952)	(4,840)	(15,688)	15,688	<b>0</b>
Transfers to / (from) Earmarked Reserves	(6,689)	6,689	-	-	-	-	-	0	-	<b>0</b>
<b>(Increase) / Decrease in 2021-2022</b>	<b>(824)</b>	<b>6,689</b>	<b>5,865</b>	<b>1,799</b>	<b>(9)</b>	<b>(2,952)</b>	<b>(4,840)</b>	<b>(137)</b>	<b>(25,381)</b>	<b>(25,518)</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(5,521)</b>	<b>(26,002)</b>	<b>(31,523)</b>	<b>(11,468)</b>	<b>(12,938)</b>	<b>(18,189)</b>	<b>(19,503)</b>	<b>(93,621)</b>	<b>(279,123)</b>	<b>(372,744)</b>

## Core Financial Statements

### Balance Sheet

2020-21 £'000	2021-22 £'000	Note
462,867 Property, Plant and Equipment	485,622	15
53,388 Investment Property	56,034	16
22,826 Heritage Assets	22,743	17
530 Intangible Assets	448	
5,717 Long Term Investments	6,536	19
24,158 Long Term Debtors	24,007	19
<b>569,486 Total Long-Term Assets</b>	<b>595,390</b>	
165 Inventories	192	
45,272 Short-Term Debtors	30,914	19, 20 & 21
20,006 Short-Term Investments	39,019	19
4,683 Assets Held for Sale	4,290	22
31,853 Cash & Cash Equivalents	68,279	19 & 23
<b>101,979 Total Current Assets</b>	<b>142,694</b>	
(941) Short-Term Borrowing	(1,510)	19
(54,267) Short-Term Creditors	(63,210)	19 & 24
(3,521) Provisions	(5,171)	25
<b>(58,729) Total Current Liabilities</b>	<b>(69,891)</b>	
(124,000) Long term borrowing	(166,695)	19
(3,710) Capital Grants Receipts in Advance	(2,760)	19 & 36
(3,094) Long-Term Creditors	(2,641)	19
(134,706) Pension Scheme Liability	(123,353)	42
<b>(265,510) Total Long-Term Liabilities</b>	<b>(295,449)</b>	
<b>347,226 Net Assets</b>	<b>372,744</b>	
<b>Financed by:</b>		
93,484 Usable Reserves	93,621	26
253,742 Unusable Reserves	279,123	27
<b>347,226 Total Reserves</b>	<b>372,744</b>	

These financial statements are unaudited and may be subject to change. Responsible Financial Officer, Dave Hodgson, on 26 July 2022.

**Dave Hodgson, CPFA, Director Finance**

## Core Financial Statements

### Cash Flow Statement

2020-21 £'000	2021-22 £'000	Notes
617 Net (surplus) or deficit on the provision of services	15,551	
4,404 Adjustments to net surplus or deficit on the provision of services for non-cash movements	(56,890)	
10,315 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	13,138	
<b>15,336 Net cashflows from Operating Activities</b>	<b>(28,201)</b>	28
11,335 Investing Activities	50,956	29
(41,388) Financing Activities	(59,181)	30
<b>(14,717) Net (Increase) or decrease in cash and cash equivalents</b>	<b>(36,426)</b>	
<b>17,136 Cash and cash equivalents at the beginning of the reporting period</b>	<b>31,853</b>	
<b>31,853 Cash and cash equivalents at the end of the reporting period</b>	<b>68,279</b>	

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# Notes to the Financial Statements

## 1. Accounting Policies

### General Principles

The Statement of Accounts summarises the authority's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022. 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 2021/22, 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 2021/22.

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

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

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

### Creditors and Debtors

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

### Capital receipts

Capital receipts are sums received by the authority from the sale of assets. A proportion of capital receipts relating to certain housing disposals are payable to the government. However, the receipts may be retained providing the local authority has signed an agreement to re-invest the receipts in the provision of replacement homes within 5 years. Exeter City Council entered into the latest retention agreement in August 2021.

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 is based on market yields at the reporting date of a 'high quality corporate bond'.
- The assets of the pension fund attributable to the authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - 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

There are uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgements, which relate to age discrimination. Remedial regulations are expected in 2022 and uncertainty over the benefit changes proposed will remain until these have been finalised.

An allowance has already been made in respect of the impact on liabilities (allowed for as a past service cost) and projected service costs. The McCloud remedy is expected to only apply to benefits accrued up to 31 March 2022, therefore an adjustment will be required from next year (1 April 2022) so that no further allowance for the McCloud remedy is made.

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 according to the loan agreement.

#### Financial Assets

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

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

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

#### Financial Assets Measured at Amortised Cost

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

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

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

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

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

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

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

However, for financial assets deemed to be pooled investment funds, e.g. CCLA Property Fund, statutory regulations are in place until 31 March 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 the expectation that the future cash flows might not take place because the borrower could default on their obligations. Where risk has increased significantly since recognition of an instrument, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on a 12 month expected loss basis

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

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

### Government grants and contributions

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

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

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

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

## 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 2022, 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
Surplus assets	Current value is fair value, estimated at highest and best use from a market participants perspective
All other assets	Current value of the asset in its existing use (EUV). Where there is no market-based evidence of fair value because of an assets specialist nature, depreciated replacement cost (DRC) is used

### Revaluations

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. A full valuation is performed on a rolling basis to cover 20% of assets per annum over a five-year cycle, but with the top 4 highest value assets revalued each year. Assets not included in the full valuation are also assessed in order to ensure that carrying amounts are not materially different to current values at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognised unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to services.

A decrease in value is accounted for by:

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

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

### Impairment

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

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

### Depreciation

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

## 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.

2020-2021	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	2,791	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	(25,467)
<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)	(25,188)
(Surplus) or Deficit in Year	(22,726)	(2,741)	(25,467)
<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

### Expenditure and Funding Analysis

2021-22	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	2,926	404	3,330
Transformation	913	99	1,012
City Development, Housing & Supporting People	3,954	1,291	5,245
Communications, Culture & Leisure Facilities	3,796	11,203	14,999
Net Zero Exeter & City Management	2,799	5,211	8,010
Finance	(533)	10,805	10,272
Corporate Services	2,220	1,086	3,306
Housing Revenue Account	1,799	(2,071)	(272)
Strata Service Solutions Ltd	-	539	539
<b>Net Cost of Services</b>	<b>17,874</b>	<b>28,567</b>	<b>46,441</b>
Other income and expenditure	(10,210)	(20,680)	(30,890)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>7,664</b>	<b>7,887</b>	<b>15,551</b>

<b>Opening General Fund and HRA Balance at 1 April 2021</b>	<b>(50,655)</b>
Add surplus on General Fund and HRA Balance in Year	7,664
<b>Closing General Fund and HRA Balance at 31 March 2022</b>	<b>(42,991)</b>

Analysed between General Fund and HRA Balances	General Fund	HRA	Total
Opening Balance at 1 April 2021	(37,388)	(13,267)	(50,655)
(Surplus) or Deficit in Year	5,865	1,799	7,664
<b>Closing General Fund and HRA Balance at 31 March 2022</b>	<b>(31,523)</b>	<b>(11,468)</b>	<b>(42,991)</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 2022/23 Code and effective from 1 April 2022, include:

- Annual improvements to IFRS Standards 2018-2020. The annual IFRS improvement programme notes four changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard
  - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)

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 1 April 2024. However, both the 2022/23 and the 2023/24 Codes allow for early adoption should an authority consider that it is able to do so as of 1 April 2022 or 2023. The Council has not adopted as of 1 April 2022 and therefore the impact is not known or reasonably estimable at 31 March 2022.

### 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 2021/22 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, 26 July 2022. Events taking place after this date are not reflected in the 2021/22 financial statements or notes. Where events took place before this date provided information about conditions existing at 31 March 2022, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no non-adjusting events after the Balance Sheet date.

## 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 £123.353m.</p> <p>For 2021/22, the actuarial report was requested using February cash-flows and March asset values (rather than the February asset values) due to current volatility in the market and the impact this is having across various asset classes globally, in part due to the war in Ukraine. Employers were recommended to wait until the 31 March 2022 fund assets were available, so that assets as at 31 March 2022 could be based on actual investment returns earned by the Fund without any estimation being required.</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 2022. 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 1% increase in the discount rate would result in a decrease of £5.481m in the pension liability and £0.352m in the Projected Service Cost. However the assumptions interact in a complex way. During the year the actuaries have reduced the liability by £13.019m 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, that there has been no recent flooding, properties are not contaminated and are free of radon gas. Valuations are undertaken in accordance with Royal Institution of Chartered Surveyors (RICS) guidance.</p> <p>The in-house valuer maintains knowledge of property conditions through their ongoing involvement with Corporate Property management services.</p> <p>Where external valuers were instructed to provide valuations as at 31 March 2022, property inspections were undertaken.</p>	<p>In 2021/22 £410.090 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 £4.1 million in the Balance Sheet.</p>
<p><b>Expected Credit Losses</b></p>	<p>At 31 March 2022, the authority had a balance of £14.227m for short-term debtors (excluding NDR deficit amounts). A review of significant balances suggested that a loss allowance for doubtful debts totalling £3.335m 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. 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, interest rate rises and inflation rate rises. Rising costs of living may impact on debtor's ability to pay, with energy and fuel prices at elevated levels in part due to the war in Ukraine.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of impairment of doubtful debts would require an additional £3.335m 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 2022). Where the Authority uses significant unobservable inputs to measure the fair value of its investment properties (Level 3 of the fair value hierarchy), there is a greater level of subjectivity involved, 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 2022, investment properties were valued at £8.729m based on Level 3 of the fair value hierarchy and a variation of 1% in the value of these assets would result in a change in the carrying amount of £0.087m 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, rising energy and fuel prices and potential rateable value appeals it is possible that current assumptions may not be fully accurate.</p> <p>The NDR arrears balance of £1.790m 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 57% (£1.020m) was appropriate. However, in the current economic climate it is not certain that such an allowance will be sufficient.</p>	<p>Whilst economic uncertainty 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 £1.020m to be set aside as an allowance.</p>

## Notes to the Financial Statements

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

<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>
<b>Adjustments between Funding and Accounting Basis 2021-22</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	43	361	-	404
Transformation	-	115	(16)	99
City Development, Housing & Supporting People	(14)	1,264	41	1,291
Communications, Culture & Leisure Facilities	10,022	1,154	27	11,203
Net Zero Exeter & City Management	3,103	2,144	(36)	5,211
Finance	7,934	(886)	3,757	10,805
Corporate Services	696	390	-	1,086
Housing Revenue Account	2,682	584	(5,337)	(2,071)
Strata Service Solutions Ltd	-	-	539	539
<b>Net Cost of Services</b>	<b>24,466</b>	<b>5,126</b>	<b>(1,025)</b>	<b>28,567</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(9,480)</b>	<b>2,747</b>	<b>(13,947)</b>	<b>(20,680)</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>14,986</b>	<b>7,873</b>	<b>(14,972)</b>	<b>7,887</b>

## 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 recognized under generally accepted accounting practices. This is a timing difference. The adjustments also reflect interest costs and investment property net income, which are reported as financing and investment income and expenditure in the Comprehensive Income and Expenditure Statement.

## 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 2021/22 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>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)
<b>2021-2022</b>								
<b>Expenditure</b>								
Benefit payment	-	-	28,704	-	-	-	-	-
Revenue Contribution to Capital	-	-	-	-	-	-	-	3,397
Net interest expense	-	-	-	-	-	-	-	1,940
Covid support payments	-	63	1,278	-	1,354	-	-	-
Depreciation & impairment	43	-	(14)	10,022	3,148	7,933	696	6,530
<b>Income</b>								
Benefit subsidy	-	-	(27,076)	-	-	-	-	-
Car park income	-	-	-	-	(7,544)	-	-	-
Covid grant funding	-	(113)	(490)	(354)	-	-	-	-
Furlough funding	-	-	(8)	(147)	-	-	(1)	-
Revenues from other external sources	(117)	-	(3,971)	(3,784)	(4,747)	(494)	(412)	(20,278)
Revenues from transactions with other operating segments of the authority	(469)	-	(265)	(39)	(710)	(531)	(453)	(93)

## Notes to the Financial Statements

### 9. Expenditure and Income Analysed by Nature

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

	2020-21 £'000	2021-22 £'000
<b>Expenditure:</b>		
Employee benefits expenses	29,623	35,082
Other service expenses	64,725	61,908
Depreciation, amortisation, impairment	20,827	28,591
Interest payments	3,553	3,741
Net interest on the net defined benefit liability	2,365	2,662
Pension Fund administration expenses	90	90
Impairment losses	553	671
Payments to Housing Capital Receipts Pool	425	425
<b>Total expenditure</b>	<b>122,161</b>	<b>133,170</b>
<b>Income:</b>		
Fees, charges and other service income	(16,280)	(23,141)
Revenue from contracts with service recipients	(18,436)	(18,811)
Interest and investment income	(2,680)	(9,749)
Income from council tax, non-domestic rates	(13,426)	(12,612)
Government grants and contributions	(41,418)	(39,836)
Furlough funding	(1,176)	(163)
Covid grants	(13,421)	(2,175)
Capital grants and contributions	(11,837)	(11,227)
Movements in Financial Instruments held at Fair Value through Profit and Loss	34	(821)
Gain on the disposal of assets	(2,904)	916
<b>Total income</b>	<b>(121,544)</b>	<b>(117,619)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>617</b>	<b>15,551</b>

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

	2020-21 £'000	2021-22 £'000
<b>Amounts included in the Comprehensive Income and Expenditure Statement for contracts with service recipients:</b>		
Revenue from contracts with service recipients	18,596	18,826
Impairment of receivables or contract assets	(160)	(15)
<b>Total included in Comprehensive Income and Expenditure Statement</b>	<b>18,436</b>	<b>18,811</b>
<b>Amounts included in the Balance Sheet for contracts with service recipients:</b>		
Receivables, which are included within debtors (Note 20)	319	315
<b>Total included in net assets</b>	<b>319</b>	<b>315</b>

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									
	2020-21					2021-22				
	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)	(3,720)	(390)	-	-	-	(7,306)	(877)	-	-	-
~ Financial instruments (transferred to the Financial Instruments Adjustment Account)	1	-	-	-	-	858	-	-	-	-
~ Council Tax and NDR (transfers to or from the Collection Fund)	(18,007)	-	-	-	-	6,320	-	-	-	-
~ Holiday pay (transferred to the Accumulated Absences Reserve)	(46)	-	-	-	-	(27)	-	-	-	-
~ 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)	(6,369)	(6,818)	-	-	(6,354)	(11,123)	(8,101)	-	-	(7,196)
<b>Total Adjustments to the Comprehensive Income and Expenditure Statement</b>	<b>(28,141)</b>	<b>(7,208)</b>	<b>0</b>	<b>0</b>	<b>(6,354)</b>	<b>(11,278)</b>	<b>(8,978)</b>	<b>0</b>	<b>0</b>	<b>(7,196)</b>
<b>Adjustments between Revenue and Capital Resources</b>										
~ Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	1,699	3,855	(5,554)	-	-	331	4,972	(5,303)	-	-
~ Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(46)	46	-	-	-	(48)	48	-	-
~ Payments to the Government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(425)	-	425	-	-	(425)	-	425	-	-
~ Posting of HRA resources from revenue to the Major Repairs Reserve	-	3,789	-	(3,789)	-	-	3,849	-	(3,849)	-
~ Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	979	-	-	-	-	957	-	-	-	-
~ Voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account)	(604)	-	-	-	-	(664)	-	-	-	-
~ Adjustment to Long Term Debtor Repayments	-	-	-	-	-	-	-	-	-	-
~ Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	18	-	-	-	-	-	3,397	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>1,667</b>	<b>7,598</b>	<b>(5,083)</b>	<b>(3,789)</b>	<b>0</b>	<b>199</b>	<b>12,170</b>	<b>(4,830)</b>	<b>(3,849)</b>	<b>0</b>
<b>Capital Financing Adjustments</b>										
~ Use of the Capital Receipts Reserve to finance capital expenditure	-	-	6,243	-	-	-	-	4,773	-	-
~ Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	472	-	-	-	-	897	-
~ Application of capital grants to finance capital expenditure	-	-	-	-	-	-	-	-	-	2,356
~ Cash payments in relation to deferred capital receipts	-	-	-	-	-	-	-	48	-	-
<b>Total Capital Financing Adjustments</b>	<b>0</b>	<b>0</b>	<b>6,243</b>	<b>472</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,821</b>	<b>897</b>	<b>2,356</b>
<b>Total Adjustments</b>	<b>(26,474)</b>	<b>390</b>	<b>1,160</b>	<b>(3,317)</b>	<b>(6,354)</b>	<b>(11,079)</b>	<b>3,192</b>	<b>(9)</b>	<b>(2,952)</b>	<b>(4,840)</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 2020	Transfers in	Transfers out	Balance 31 March 2021	Transfers in	Transfers out	Balance 31 March 2022
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Building Control Reserve	48	-	(9)	39	19	-	58
Capital Fund	500	-	-	500	-	-	500
Covid Response Funds	0	6,957	-	6,957	202	(2,941)	4,218
Economic Development	6	97	-	103	10	-	113
Environment	0	1,000	-	1,000	-	(32)	968
Housing GF Reserves	401	-	(48)	353	-	(104)	249
Land Charges Reserve	279	-	(16)	263	62	-	325
Leisure Reserves	409	158	(17)	550	67	(56)	561
Museum Reserves	1,679	419	(1,365)	733	6	(6)	733
New Homes Bonus	711	-	(577)	134	-	-	134
NDR Deficit	0	17,424	-	17,424	11,084	(17,410)	11,098
Planning Reserves	1,024	919	(536)	1,407	635	(23)	2,019
Redundancy Reserve	209	500	(209)	500	500	(62)	938
Transformation	475	-	(53)	422	264	(3)	683
Other Earmarked Reserves	2,789	1,229	(1,971)	2,047	1,200	(101)	3,146
Strata Usable Reserves	277	-	(18)	259	-	-	259
<b>Total</b>	<b>8,807</b>	<b>28,703</b>	<b>(4,819)</b>	<b>32,691</b>	<b>14,049</b>	<b>(20,738)</b>	<b>26,002</b>

Earmarked reserves continue to be held at higher than usual levels and this is predominantly due to the NDR Deficit. The accounting arrangements for NDR meant that losses incurred in 2020/21, due to collection losses and rate reliefs to particular business sectors, were able to be carried forward. The earmarked reserve reflects the setting aside of grant scheme monies which the Government implemented to compensate authorities for the lost income, which are being debited back to the General Fund Balance in future years.

## Notes to the Financial Statements

### 12. Other Operating Expenditure

	2020-21	2021-22
	£'000	£'000
Pension Fund Administration Expenses	90	90
Payment to the Government's Housing Capital Receipt Pool	425	425
(Gain) / losses on the disposal of non-current assets	(2,982)	916
(Gain) / losses on disposal of assets - Strata Service Solutions Ltd	78	-
	<b>(2,389)</b>	<b>1,431</b>

### 13. Financing and Investment Income and Expenditure

	2020-21	2021-22
	£'000	£'000
Interest payable and similar charges	3,553	3,741
Net interest on the net defined benefit liability	2,316	2,587
Net interest on the net defined benefit liability - Strata Service Solutions Ltd	49	75
Interest receivable	(1,161)	(1,033)
Income and expenditure in relation to investment properties and changes in their fair value	(1,659)	(8,856)
Other investment income and expenditure	140	141
Movements in Financial Instruments held at Fair Value through Profit and Loss	34	(821)
Impairment losses	553	671
Interest receivable - Strata Service Solutions Ltd	-	(1)
	<b>3,825</b>	<b>(3,496)</b>

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

	2020-21	2021-22
	£'000	£'000
Council tax income	(6,064)	(6,247)
Non-domestic rates	(7,362)	(6,365)
Non-ringfenced government grants	(3,934)	(3,768)
Capital grants and contributions	(11,837)	(11,227)
<b>Covid Grants:</b>		
Sales, Fees & Charges		
Compensation Scheme	(4,343)	(457)
Covid Support Grant	(1,822)	(761)
	<b>(35,362)</b>	<b>(28,825)</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 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>

## 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 2021	263,989	126,359	22,878	5,561	5,242	980	54,807	<b>479,816</b>
Additions	17,022	2,278	2,555	233	150	-	11,989	<b>34,227</b>
Donations	-	-	-	-	-	-	-	<b>0</b>
Revaluations - Revaluation Reserve	14,573	(7,740)	-	-	-	(161)	-	<b>6,672</b>
Revaluations - CIES	-	240	-	-	-	-	-	<b>240</b>
Impairments - CIES	(2,704)	(9,424)	-	-	-	(516)	-	<b>(12,644)</b>
Derecognition - disposals	(1,538)	(1,717)	(347)	-	-	(980)	-	<b>(4,582)</b>
Reclassifications - held for sale	(1,059)	(430)	-	-	-	-	-	<b>(1,489)</b>
Reclassifications - surplus	-	(794)	-	-	-	794	-	<b>0</b>
Reclassifications - AUC	170	8,448	-	-	-	-	(8,618)	<b>0</b>
Reclassifications - Investment property	-	2,300	-	-	-	-	-	<b>2,300</b>
Other movements - Strata Service Solutions Ltd	-	-	93	-	-	-	-	<b>93</b>
<b>Gross Book Value At 31 March 2022</b>	<b>290,453</b>	<b>119,520</b>	<b>25,179</b>	<b>5,794</b>	<b>5,392</b>	<b>117</b>	<b>58,178</b>	<b>504,633</b>
<b>Depreciation and impairments</b>								
At 1 April 2021	-	-	(13,603)	(3,346)	-	-	-	<b>(16,949)</b>
Depreciation Charge	(3,815)	(10,004)	(2,118)	(240)	-	-	-	<b>(16,177)</b>
Depreciation written out to Revaluation Reserve	3,771	9,482	-	-	-	-	-	<b>13,253</b>
Impairment - CIES	22	199	-	-	-	-	-	<b>221</b>
Derecognition - disposals	22	323	296	-	-	-	-	<b>641</b>
<b>Accumulative Depreciation At 31 March 2022</b>	<b>0</b>	<b>0</b>	<b>(15,425)</b>	<b>(3,586)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(19,011)</b>
<b>Balance Sheet amount at 31 March 2022</b>	<b>290,453</b>	<b>119,520</b>	<b>9,754</b>	<b>2,208</b>	<b>5,392</b>	<b>117</b>	<b>58,178</b>	<b>485,622</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 predominantly carried out by the Council's in-house valuers; registered with the Royal Institution of Chartered Surveyors, but external valuations were instructed for a number of operational properties (other land and buildings) as at 31 March 2022.

	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>	-	-	25,179	5,794	5,392	-	58,178	<b>94,543</b>
<b>Valued at current value as at:</b>								
31 March 2018	-	-	-	-	-	-	-	<b>0</b>
31 March 2019	-	-	-	-	-	-	-	<b>0</b>
31 March 2020	-	-	-	-	-	-	-	<b>0</b>
31 March 2021	-	-	-	-	-	-	-	<b>0</b>
31 March 2022	290,453	119,520	-	-	-	117	-	<b>410,090</b>
<b>Gross Book Value At 31 March 2022</b>	<b>290,453</b>	<b>119,520</b>	<b>25,179</b>	<b>5,794</b>	<b>5,392</b>	<b>117</b>	<b>58,178</b>	<b>504,633</b>

### Capital Commitments

At 31 March 2022, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2022/23 and future years budgeted to cost £9.293m. Similar commitments at 31 March 2021 were £13.076m. The major commitments are:

- £ 0.714m St Sidwell's Point Leisure Complex
- £ 0.331m Edwards Court Extra Care Scheme
- £ 4.987m Hamlin Gardens council housing development
- £ 0.927m Fire risk assessment works
- £ 0.650m Energy retrofit
- £ 0.507m Bus station construction
- £ 1.177m 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:

	2020-21	2021-22
	£'000	£'000
Rental income from investment property	3,667	4,363
Direct operating expenditure arising from investment property	(560)	(612)
<b>Net gain</b>	<b>3,107</b>	<b>3,751</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 2022 and comparatives as at 31 March 2021 are as follows:

Class of Asset	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2021 £'000
Industrial	-	5,248	<b>5,248</b>
Retail	-	26,610	<b>26,610</b>
Leisure	-	3,111	<b>3,111</b>
Office	-	14,126	<b>14,126</b>
Other Commercial	-	4,293	<b>4,293</b>
<b>Total</b>	<b>0</b>	<b>53,388</b>	<b>53,388</b>

Class of Asset	Other significant observable inputs (Level 2) £'000	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2022 £'000
Industrial	1,490	4,560	<b>6,050</b>
Retail	26,130	3,361	<b>29,491</b>
Leisure	6,385	96	<b>6,481</b>
Office	11,835	0	<b>11,835</b>
Other Commercial	1,465	712	<b>2,177</b>
<b>Total</b>	<b>47,305</b>	<b>8,729</b>	<b>56,034</b>

The increase in Level 2 valuations reflects the instruction of external valuations provided by JLL, which have been categorised as Level 2 being prices for similar assets or liabilities in active markets. Please refer to Note 1 Accounting Policies for more information.

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

	2020-21	2021-22
	£'000	£'000
Balance at 1 April	54,837	53,388
Additions :		
Purchases	-	-
Construction	-	-
Subsequent expenditure	-	-
Disposals	-	(159)
Net gains / losses from fair value adjustments	(1,449)	5,105
Transfers:		
To/from Property, Plant & Equipment	-	(2,300)
<b>Balance at 31 March</b>	<b>53,388</b>	<b>56,034</b>

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

#### Significant Observable Inputs – Level 3

## Notes to the Financial Statements

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

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

	Industrial	Retail	Leisure	Office	Other Commercial	Fair value as at 31 March 2022
Level 3 fair value measurements	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	5,248	26,610	3,111	14,126	4,293	53,388
Gains/(losses) recognised in the CIES resulting from changes in the fair value	598	(33)	-	-	29	594
Additions	-	-	-	-	-	0
Transfers in and out of level 3	(1,286)	(23,216)	(3,015)	(14,126)	(3,610)	(45,253)
Disposals	-	-	-	-	-	0
<b>Level 3 balance at 31 March</b>	<b>4,560</b>	<b>3,361</b>	<b>96</b>	<b>0</b>	<b>712</b>	<b>8,729</b>

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

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

Property type	Lease type	Rent type	Fair value as at 31 March 2022 £'000	Valuation technique used to measure fair value	Unobservable inputs	Range / percentage used	Sensitivity
Industrial	Commercial	Market	1,527	Income approach	Rent & Yield	Rent £3.50 - £8 psf Yield 7 - 10%	Significant changes in rental levels or yield will result in a significantly lower or higher fair value
	Ground	Nominal	1,598	Income approach	Rent & Yield	Rent £3.50 - £8 psf Yield 2.5 - 10%	Significant changes in rental levels or yield will not result in a significant difference to the fair value
	Ground	Geared	1,435	Income approach	Yield	Yield 3.5 - 8%	Significant changes in yield will result in a significantly lower or higher fair value
Retail	Commercial	Market	2,565	Income approach	Rent & Yield	Rent £13 - £25 psf ITZA. Yield 9 - 12%	Significant changes in rental levels or yield will result in a significantly lower or higher fair value
	Ground	Nominal	530	Income approach	Rent & Yield	Rent £15 - £42 psf ITZA. Yield 7 - 10.5%	Significant changes in rental levels or yield will not result in a significant difference to the fair value
	Ground	Geared	266	Income approach	Yield	Yield 7-8%	Significant changes in yield will result in a significantly lower or higher fair value
Leisure	Commercial	Turnover	96	Income approach	Yield	Yield 12%	Significant changes in yield will result in a significantly lower or higher fair value
Other commercial	Commercial	Market	110	Income approach	Rent & Yield	Yield 10- 12%	Significant changes in rental levels or yield will result in a significantly lower or higher fair value
	Ground	Geared	133	Income approach	Yield	Yield 7.5%	Significant changes in yield will result in a significantly lower or higher fair value
	Ground	Nominal	469	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 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>
<b>Cost or Valuation</b>				
<b>1 April 2021</b>	20,000	2,663	163	<b>22,826</b>
Additions	-	-	-	<b>0</b>
Disposals	-	-	(163)	<b>(163)</b>
Revaluations	-	80	-	<b>80</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 2022</b>	<b>20,000</b>	<b>2,743</b>	<b>0</b>	<b>22,743</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. The artefacts at Nicolas Priory were removed from the Council's insurance portfolio following the grant of a long lease to Exeter Historic Buildings Trust and treated as a disposal in accordance with the policy on property, plant and equipment.

#### 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, as explained in Note 1 Accounting Policies.



## 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 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000
Financial Assets								
Fair value through profit or loss	4,735	5,554	-	-	21,001	30,007	-	-
Amortised cost	982	982	24,158	24,007	30,858	77,291	4,125	4,496
<b>Total Financial Assets</b>	<b>5,717</b>	<b>6,536</b>	<b>24,158</b>	<b>24,007</b>	<b>51,859</b>	<b>107,298</b>	<b>4,125</b>	<b>4,496</b>
Non-financial assets	-	-	-	-	-	-	41,147	26,418
<b>Total</b>	<b>5,717</b>	<b>6,536</b>	<b>24,158</b>	<b>24,007</b>	<b>51,859</b>	<b>107,298</b>	<b>45,272</b>	<b>30,914</b>

## Notes to the Financial Statements

### Financial Liabilities

	Long-term				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000
<b>Financial Liabilities</b>								
Fair value through profit or loss	-	-	-	-	-	-	-	-
Amortised cost	124,000	166,695	2,863	2,397	941	1,510	11,366	16,420
<b>Total Financial Liabilities</b>	<b>124,000</b>	<b>166,695</b>	<b>2,863</b>	<b>2,397</b>	<b>941</b>	<b>1,510</b>	<b>11,366</b>	<b>16,420</b>
Non-financial liabilities	-	-	3,941	3,004	-	-	42,901	46,790
<b>Total</b>	<b>124,000</b>	<b>166,695</b>	<b>6,804</b>	<b>5,401</b>	<b>941</b>	<b>1,510</b>	<b>54,267</b>	<b>63,210</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.

	2020-21 £'000	2021-22 £'000
<b>Balance at start of year</b>	<b>1,007</b>	<b>1,067</b>
New loans granted in the year	-	-
Fair value adjustment on initial recognition	-	-
Accrued interest	60	62
<b>Nominal value at 31 March</b>	<b>1,067</b>	<b>1,129</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:

	2020-21 Surplus or Deficit on the Provision of Services £'000	2021-22 Surplus or Deficit on the Provision of Services £'000
<b>Net gains/losses on:</b>		
Financial assets measured at fair value through profit and loss	34	(821)
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>34</b>	<b>(821)</b>
<b>Interest receivable:</b>		
Financial assets measured at fair value through profit and loss	(282)	(241)
Financial assets measured at amortised cost	(879)	(792)
<b>Total interest receivable</b>	<b>(1,161)</b>	<b>(1,033)</b>
<b>Interest payable</b>	<b>3,553</b>	<b>3,741</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	Fair Value	Balance Sheet	Fair Value
			31 March 2021 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2022 £'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	21,001	21,001	30,007	30,007
Local Authorities' Property Fund	1	Unadjusted quoted prices in active markets for identical shares	4,735	4,735	5,554	5,554
<b>Total</b>			<b>25,736</b>	<b>25,736</b>	<b>35,561</b>	<b>35,561</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 2021 £'000	Fair Value Balance Sheet 31 March 2021 £'000	Balance Sheet 31 March 2022 £'000	Fair Value Balance Sheet 31 March 2022 £'000
<b>Financial Assets Held at Amortised Cost</b>					
Unquoted equity investment	3	982	982	982	982
Loans made for service purposes	2	10,128	10,128	10,002	10,002
Lease receivables	3	14,030	14,030	14,005	14,005
Short term investments	2	20,006	20,006	39,019	39,019
Cash (including bank accounts)	2	10,852	10,852	38,272	38,272
Short term debtors	3	45,272	45,272	30,914	30,914
<b>Total Financial Assets</b>		<b>101,270</b>	<b>101,270</b>	<b>133,194</b>	<b>133,194</b>
<b>Financial Liabilities Held at Amortised Cost</b>					
Long term borrowing	2	124,000	140,343	166,695	164,520
Short term borrowing	2	941	941	1,510	1,510
Finance lease liabilities	3	2,863	2,863	2,397	2,397
Long term creditors	3	231	231	245	245
Capital grants receipts in advance	3	3,710	3,710	2,760	2,760
Short term creditors	3	54,267	54,267	63,210	63,210
<b>Total Financial Liabilities</b>		<b>186,012</b>	<b>202,355</b>	<b>236,817</b>	<b>234,642</b>

### Fair Value Disclosure of PWLB Loans

The Council's borrowings are all with the PWLB. The fair value of PWLB loans measures the economic effect of terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, this is referred to as the new loan rate. One approach is to measure the interest that the authority will pay on its PWLB commitments for fixed rate loans and compare these to the terms of these loans with the new loan rates available from PWLB, on the Balance Sheet date. Under this approach, the difference between the carrying amount and fair value measures the variation in interest costs that the authority will pay over the remaining terms of the loans, against what would be paid if the loans were at prevailing rates. If a value is calculated on this basis, the carrying amount of £167.759m (£166.695m long term and £1.064m short term borrowing) would be valued at £164.520m. 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 £202.172m.

## Notes to the Financial Statements

### 20. Debtors

Long-term Debtors		Short-term Debtors	
2020-21	2021-22	2020-21	2021-22
£'000	£'000	£'000	£'000
-	-	3,394	3,481
-	-	(904)	(914)
-	-	<b>2,490</b>	<b>2,567</b>
-	-	1,862	1,844
-	-	(1,316)	(1,310)
-	-	<b>546</b>	<b>534</b>
-	-	857	811
-	-	(508)	(477)
-	-	<b>349</b>	<b>334</b>
-	-	29,210	18,640
-	-	2,222	1,053
-	-	1,354	1,059
-	-	1,565	450
-	-	4,929	3,992
-	-	430	461
-	-	740	838
14,029	14,005	140	141
1,068	1,130	-	-
193	181	-	-
8,821	8,596	213	223
47	95	-	-
<b>24,158</b>	<b>24,007</b>	<b>44,188</b>	<b>30,292</b>

### 21. Debtors for Local Taxation

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

	2020-21	2021-22
	£'000	£'000
Less than 1 year	784	491
Less impairment allowance	(256)	(213)
<b>Less than 1 year</b>	<b>528</b>	<b>278</b>
Over 1 to 5 years	852	662
Less impairment allowance	(328)	(371)
<b>Over 1 to 5 years</b>	<b>524</b>	<b>291</b>
Over 5 to 10 years	51	88
Less impairment allowance	(30)	(45)
<b>Over 5 to 10 years</b>	<b>21</b>	<b>43</b>
Over 10 to 15 years	12	8
Less impairment allowance	(4)	(4)
<b>Over 10 to 15 years</b>	<b>8</b>	<b>4</b>
Over 15 years	3	7
Less impairment allowance	-	(1)
<b>Over 15 years</b>	<b>3</b>	<b>6</b>
<b>Total Debtors for Local Taxation</b>	<b>1,084</b>	<b>622</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.

## Notes to the Financial Statements

### 22. Assets Held for Sale

	Current	
	2020-21	2021-22
	£'000	£'000
<b>Balance at 1 April</b>	<b>3,794</b>	<b>4,683</b>
Assets newly classified:		
Property, plant and equipment	2,330	1,605
Revaluation gains	3	147
Assets declassified:		
Property, plant and equipment	(61)	(116)
Assets sold	(1,383)	(2,029)
<b>Balance at 31 March</b>	<b>4,683</b>	<b>4,290</b>

### 23. Cash and Cash Equivalents

	2020-21	2021-22
	£'000	£'000
Cash held by the Council	82	241
Bank current accounts	460	4,649
Money Market Funds	21,001	30,007
Short-term investments	10,001	30,000
Short-term call accounts	-	3,002
Strata - Cash at bank and in hand	309	380
<b>Total cash and cash equivalents</b>	<b>31,853</b>	<b>68,279</b>

### 24. Short Term Creditors

	2020-21	2021-22
	£'000	£'000
Trade Payables	17	21
Collection Fund amounts	34,345	28,567
Income in Advance	3,853	5,883
Other Payables	7,208	10,033
Covid funding to be transferred to other parties	8,556	18,223
Creditors of Strata Service Solutions Ltd	288	483
<b>Total Short Term Creditors</b>	<b>54,267</b>	<b>63,210</b>

During 2021/22 the authority continued to act as an agent for the Government in distributing funding to those in need, as part of its Covid-19 response. Short term creditors include £18.223m of funding to be paid out under these arrangements, including £7.426m in respect of the Council Tax energy bill rebate.

### 25. Provisions

	Business Rates Appeal Provision	Loan Loss Allowances	Total Provisions
	£'000	£'000	£'000
<b>Balance as at 1 April 2021</b>	<b>3,491</b>	<b>30</b>	<b>3,521</b>
Additional provisions	1,401	707	2,108
Provision utilised in year	(450)	-	(450)
Unused amounts reversed in year	-	(8)	(8)
Unwinding of discount	-	-	-
<b>Balance as at 31 March 2022</b>	<b>4,442</b>	<b>729</b>	<b>5,171</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.

	2020-21	2021-22
Usable Reserve	£'000	£'000
General Fund Balance	4,697	5,521
Housing Revenue Account	13,267	11,468
Capital Receipts Reserve	12,929	12,938
Major Repairs Reserve	15,237	18,189
Earmarked Reserves	32,691	26,002
Capital Grants Unapplied	14,663	19,503
<b>Balance at 31 March</b>	<b>93,484</b>	<b>93,621</b>

### 27. Unusable Reserves

	2020-21	2021-22
Unusable Reserve	£'000	£'000
Revaluation Reserve	149,646	157,876
Capital Adjustment Account	245,759	242,999
Financial Instrument Adjustment Account	(411)	448
Deferred Capital Receipts Reserve	14,170	14,194
Pensions Reserve	(137,516)	(124,782)
Collection Fund Adjustment Account	(17,292)	(10,971)
Accumulated Absences Account	(614)	(641)
<b>Total Unusable Reserves</b>	<b>253,742</b>	<b>279,123</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.

2020-21 Revaluation Reserve	2021-22
£'000	£'000
152,982 Balance at 1 April	149,646
15,812 Upward revaluation of assets	38,085
Downward revaluation of assets and impairment losses not charged to	
(9,292) CIES	(17,933)
6,520 Surplus / (deficit) on revaluation	20,152
Difference between fair value depreciation and historical cost	
(9,254) depreciation	(9,879)
(602) Accumulated gains on assets sold	(2,043)
(9,856) Amount written off to CAA	(11,922)
<b>149,646 Balance at 31 March</b>	<b>157,876</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.

2020-21 Capital Adjustment Account	2021-22
£'000	£'000
248,494 Balance at 1 April	245,759
(20,688) Charges for depreciation and impairment of non-current assets	(28,422)
(140) Amortisation of intangible assets	(169)
(2) Revenue expenditure funded from capital under statute	45
0 Capital loan loss allowance	(698)
(2,243) Amounts of non-current assets written-off on disposal or sale as part of the gain/loss on disposal	(4,247)
(23,073)	(33,491)
9,254 Adjusting amounts to Revaluation reserve	9,879
Net amount written out of the cost of non-current assets in year	222,147
<b>234,675</b>	<b>222,147</b>
<b>Capital finance applied in year:</b>	
6,243 Use of Capital Receipts Reserve	4,773
472 Use of the Major Repairs Reserve	897
5,484 Capital Grants and contributions applied - CIES	6,387
0 Capital Grants and contributions applied - Capital Grants Unapplied Account	-
316 Statutory provision for financing capital	957
0 Voluntary provision for financing capital	(664)
0 Capital Expenditure charged directly to the General Fund	
18 and HRA	3,397
12,533	15,747
(1,449) Movements in the market value of Investment Properties	5,105
0 Movement in the Donated Assets Account	-
0 Repayment of Long Term Debtors	-
<b>245,759 Balance at 31 March</b>	<b>242,999</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.

2020-21 Financial Instruments Adjustment Account £'000	2021-22 £'000
(411) Balance at 1 April	(411)
Statutory reversal of movements in Financial Instruments held at Fair	
(34) Value through Profit and Loss	822
Transfer to Capital Adjustment	
- Account - soft loan write off	-
Amount by which finance costs charged to CIES differ from finance	
34 costs charged in year under statute	37
<b>(411) Balance at 31 March</b>	<b>448</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.

2020-21 Pensions Reserve £'000	2021-22 £'000
(106,229) Balance at 1 April	(137,516)
Remeasurements of the net defined benefit liability/(asset)	20,917
Reversal of items relating to retirement benefits in the CIES	(13,419)
Employers pension contributions and 4,945 direct payments to pensioners	5,236
<b>(137,516) Balance at 31 March</b>	<b>(124,782)</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 in respect of 2020/21, 2021/22 and 2022/23. 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.

2020-21 Deferred Capital Receipts £'000 Reserve	2021-22 £'000
14,010 Balance at 1 April	14,170
Deferred sale proceeds credited as part of the 301 gain/loss on disposal to CIES *	165
(141) Transfer of Finance Lease Premium to CIES	(141)
Transfer to Capital Receipts Reserve upon - receipt of cash	-
<b>14,170 Balance at 31 March</b>	<b>14,194</b>

\*Restated to separately report the deferred sale proceeds included in the gain/loss on disposal of assets

### 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.

As in 2020-21 there is a significant deficit held in the Collection Fund Adjustment Account and this reflects the authority's share of the reduction in NDR income between the amounts estimated for 2021-22 and NDR income actually receivable in 2021-22. This reduction is due to the government granting business rate reliefs to businesses after the payments from the Collection Fund to the General Fund were fixed for

the year. The government has provided Section 31 grants to offset the loss in business rates and this was received in the 2021-22 accounting year. However, under current collection fund accounting rules, the deficit that the Section 31 grants are received to offset cannot be recognised in the General Fund until 2022-23, so they are carried forward and recognised in 2022-23 to meet the Collection Fund deficit.

2020-21 Collection Fund Adjustment £'000 Account	2021-22 £'000
715 Balance at 1 April	(17,292)
Amount by which council tax and NNDR income credited to CIES differs from that calculated for (18,007) the year under statute	6,321
<b>(17,292) Balance at 31 March</b>	<b>(10,971)</b>

### Accumulated Absences Account

This account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year (e.g. annual leave entitlement carried forward at 31 March). Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2020-21 Accumulated Absences Account £'000	2021-22 £'000
(568) Balance at 1 April	(614)
Settlement / cancellation of previous year's 568 accrual	614
(614) Amounts accrued at the end of year	(641)
Amount by which remuneration charged to CIES differs from remuneration charged for the year (46) under statute	(27)
<b>(614) Balance at 31 March</b>	<b>(641)</b>

## Notes to the Financial Statements

### 28. Cash Flow Statement – Operating Activities

	2020-21	2021-22
	£'000	£'000
<b>Net (surplus) / deficit on provision of Services</b>	617	15,551
<b>Adjusted for non-cash movements:</b>		
Depreciation	(16,100)	(16,239)
Impairment	(4,588)	(12,183)
Amortisation	(141)	(169)
Investment (losses) / gains	-	-
Donated assets	-	-
Pension liability	(4,110)	(8,184)
Carrying amount of non-current assets sold	(2,906)	(6,294)
Movement in investment properties	(1,449)	5,105
Finance lease income	161	(23)
Other	(647)	(914)
Movement in inventories	(56)	27
Movement in debtors	31,150	(14,307)
Movement in creditors	3,090	(3,709)
<b>Items classified as investing and financing activities:</b>		
Proceeds from the sale of property, plant & equipment	5,554	5,255
Items classified elsewhere	4,761	7,883
<b>Net cashflows from Operating Activities</b>	<b>15,336</b>	<b>(28,201)</b>

### 29. Cash Flow Statement – Investing Activities

	2020-21	2021-22
	£'000	£'000
Purchase of non-current assets	42,936	33,270
Purchase of short and long-term investments	272,500	547,000
Other payments for investing activities	3,126	3,249
Proceeds from the sale of non-current assets	(5,554)	(5,255)
Proceeds of short and long-term investments	(293,500)	(516,000)
Other receipts for investing activities	(8,173)	(11,308)
<b>Net cash flows from investing activities</b>	<b>11,335</b>	<b>50,956</b>

### 30. Cash Flow Statement – Financing Activities

	2020-21	2021-22
	£'000	£'000
Cash receipts of short and long-term borrowing	(15,360)	(44,000)
Other receipts for financing activities	(27,438)	(16,681)
Cash payments for the reduction of liabilities relating to finance leases	513	587
Repayments of short and long-term borrowing	897	913
<b>Net cash flows from financing activities</b>	<b>(41,388)</b>	<b>(59,181)</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 £16.681m in respect of Collection Fund cash-flows and a £0.587m 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:

	2020-21 £'000	2021-22 £'000
Salaries	14	14
Allowances	390	399
Expenses	-	-
<b>Total</b>	<b>404</b>	<b>413</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
2021-22	£	£	£	£	£	£
Chief Executive & Growth Director	121,753	-	-	<b>121,753</b>	21,428	<b>143,181</b>
Deputy Chief Executive	99,178	447	-	<b>99,625</b>	17,455	<b>117,080</b>
Director (0.81 FTE wef 1 January 2022)	81,523	132	-	<b>81,655</b>	14,260	<b>95,915</b>
Director (0.86 FTE wef 28 February 2022)	85,792	-	-	<b>85,792</b>	15,099	<b>100,891</b>
Director	86,804	-	-	<b>86,804</b>	15,278	<b>102,082</b>
Director (Finance)	86,804	718	-	<b>87,522</b>	15,344	<b>102,866</b>
Director (Corporate Services)	86,804	-	-	<b>86,804</b>	15,278	<b>102,082</b>
City Surveyor	66,606	539	-	<b>67,145</b>	11,723	<b>78,868</b>
Corporate Manager - Executive Support	63,223	-	-	<b>63,223</b>	11,127	<b>74,350</b>
Corporate Manager - Democratic/Civic Support (0.80 FTE) *	51,262	-	-	<b>51,262</b>	11,346	<b>62,608</b>

\*Additional £21,962 allowances and £2,325 employers pension contributions receivable in respect of Returning Officer duties

## Notes to the Financial Statements

2020-21	Salary, fees & allowances £	Expenses £	Compensation for Loss of Office £	Total Remuneration £	Employers Pension Contributions (inc. strain payments) £	Total £
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 receivable in respect of Returning Officer duties

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

Remuneration band	Number of employees	
	2020-21	2021-22
£50,000 - £54,999	5	2
£55,000 - £59,999	9	7
£60,000 - £64,999	6	6
£65,000 - £69,999	-	3
£70,000 - £74,999	1	-
£75,000 - £79,999	1	-
£80,000 - £84,999	-	-
£85,000 - £89,999	1	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 £84,895 has been charged to the Comprehensive Income and Expenditure Statement in 2021/22.

Exit Package Cost Band	Number of employees		Total Cost of exit packages in each band	
	2020-21	2021-22	2020-21	2021-22
<b>Compulsory Redundancies</b>				
Less than £20,000	7	6	32	12
£20,001 - £39,999	2	1	65	30
£40,000 - £59,999	1	-	43	-
<b>Other Departures Agreed</b>				
Less than £20,000	3	4	32	16
£20,001 - £39,999	3	1	83	27
£40,000 - £59,999	2	-	87	-
<b>Total</b>	<b>18</b>	<b>12</b>	<b>342</b>	<b>85</b>

### 35. Audit Costs

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

	2020-21	2021-22
	£'000	£'000
Fees payable to Grant Thornton; external audit services carried out by the appointed auditor in respect of 2021-22	72	83
Fees payable to Grant Thornton; external audit services carried out by the appointed auditor in respect of prior year	16	22
Fees payable to Grant Thornton; certification of grant claims and returns	26	34
<b>Total</b>	<b>114</b>	<b>139</b>

### 36. Grants, Contributions and Donations

The Authority credited the following grants, contributions and donations to the comprehensive income and expenditure statement in 2021/22:

	2020-21	2021-22
	£'000	£'000
<b>Credited to Taxation and non-specific grant income</b>		
Council taxpayers	(6,064)	(6,247)
Revenue Support Grant	(371)	(602)
New Homes Bonus	(2,490)	(1,941)
NDR	(7,362)	(6,365)
Community Infrastructure Levy	(1,073)	(1,225)
Other Capital Grants & Contributions	(11,837)	(11,227)
Covid Grants	(6,165)	(1,218)
<b>Total</b>	<b>(35,362)</b>	<b>(28,825)</b>
<b>Credited to Services</b>		
Benefit Subsidy	(30,003)	(27,076)
Furlough funding	(1,176)	(163)
Covid Grants	(6,321)	(957)
Council Tax Covid Hardship Fund	(935)	-
NDR Cost of Collection	(214)	(209)
Sport England	(1,545)	(1,197)
Homelessness and Rough Sleepers Support Grant *	(1,488)	(1,720)
CT/HB Admin Grant	(457)	(690)
Other Grants and Contributions	(3,777)	(5,176)
<b>Total</b>	<b>(45,916)</b>	<b>(37,188)</b>

\*Restated 2020-21 comparatives to separately disclose the Homelessness and Rough Sleeper Support 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:

	2020-21	2021-22
Capital Grants receipts in advance	£'000	£'000
Affordable Housing - Pinhoe	(539)	(179)
Car Club - Harrington Lane	-	(87)
Community Facility - Hill Barton	(203)	(205)
Community Facility - Newcourt	(366)	(369)
Extracare - St Loyes	(736)	(27)
Land at Beacon Avenue	(6)	(6)
Leisure Contribution - Bishops Court	(301)	(303)
Leisure Contribution - Hill Barton	(162)	(111)
Leisure Contribution - Holland Park	(55)	(55)
Leisure Contribution - Monkerton	(9)	(78)
Leisure Contribution - Newcourt	(544)	(548)
Leisure Contribution - Rydon Lawns	(11)	(12)
Leisure Contribution - Rydon Place	(185)	(186)
Leisure Contribution - St Loyes	(290)	(292)
Leisure Contribution - Tithebarn Green	(29)	(23)
Leisure Contribution - Brookhayes	-	(49)
Local Energy Networks	(28)	(28)
Other Grants	(246)	(202)
<b>Total</b>	<b>(3,710)</b>	<b>(2,760)</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 2021/22 is shown in Note 32. During the financial year, the Council paid grants to organisations totalling £13,500 (£141,430 2020/21) in which four 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 £219,080 (£177,746 2020/21) were also made to organisations in which seven members had an interest in respect of goods and services.

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



## Notes to the Financial Statements

### 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 2022 was £8.820m.

#### 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 £95,040 as at 31 March 2022 (£133,209 as at 31 March 2021).

#### 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 2021/22). ECQT also contributed £178,443 towards Council costs mostly in respect of running the Custom House Visitor Centre, repairs to Salmonpool Bridge and Cricklepit Bridge during 2021/22.

#### 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.

In December 2021 Council agreed to deploy senior management capacity to the leadership of the Net Zero Exeter 2030 Plan with the Chief Executive and Growth Director leading Exeter City Futures CIC for two days a week and supported in this role by the Director for Transformation working up to three days per week, for a 12 month period from January 2022.

## 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.

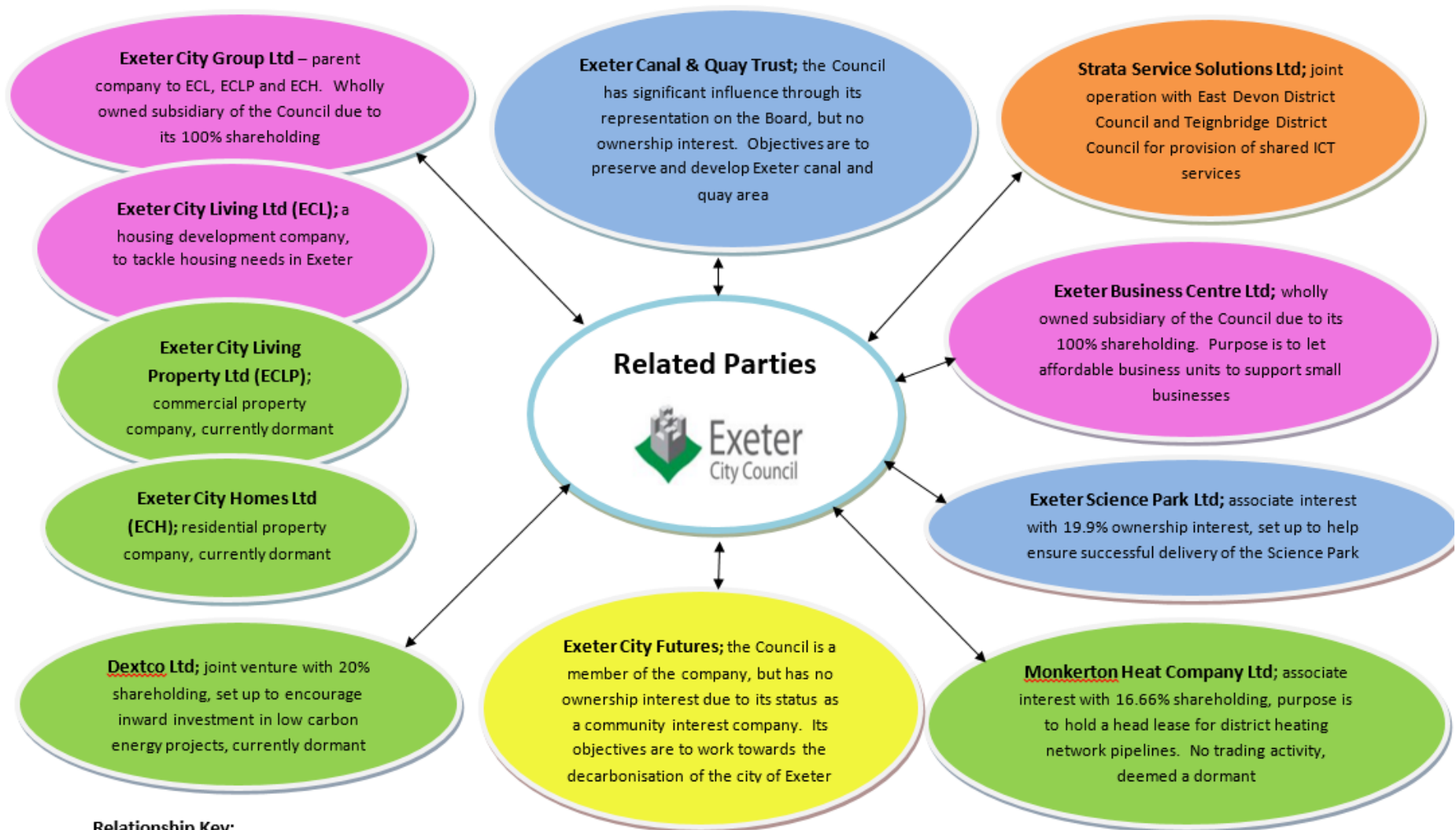
### Dextco Ltd

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

Dextco Limited is deemed to be a joint venture, as it is a separate legal entity with shareholders that have equal and collective control with decisions made unanimously. During 2021/22 a collective decision was made to place the company into abeyance with any further activities being temporarily suspended.

The next page contains a visual representation of the entities controlled or significantly influenced by the Authority, to further support the Related Party disclosure note.

# Notes to the Financial Statements



**Relationship Key:**

Subsidiary	Associate	Joint operation	Related party	Dormant
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## Notes to the Financial Statements

### 38. Interests in Joint Operations

Exeter City Council, Teignbridge District Council and East Devon District Council each have interests in a joint operation called Strata Service Solutions Ltd, a registered company (company number 09041662) whose registered office is Civic Centre, Paris Street, Exeter, Devon, EX1 1JN. The business of the Company is the operation and provision of a shared information communications technology service to each of the Councils.

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

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

	2020-21	2021-22
<b>Adjustments to CIES</b>	<b>£'000</b>	<b>£'000</b>
Fees	(2,481)	(2,568)
Cost of sales	1,222	1,369
Admin expenses	1,646	1,740
Transfer of pension scheme liability	-	-
<b>Cost of Services</b>	<b>387</b>	<b>541</b>
Loss/(Gain) on disposal of assets	78	-
Net interest on the net defined benefit liability	49	74
Interest receivable	-	-
<b>(Surplus) or Deficit on Provision of Services</b>	<b>514</b>	<b>615</b>
Remeasurement of the net defined benefit liability	1,412	(650)
<b>Total CIES</b>	<b>1,926</b>	<b>(35)</b>

	2020-21	2021-22
<b>Adjustments to Balance Sheet</b>	<b>£'000</b>	<b>£'000</b>
Property, plant & equipment	(96)	93
Intangible assets	16	(82)
Investment in Strata removed upon consolidation and replaced with proportional share of assets and liabilities	(124)	(280)
<b>Total Long Term Assets</b>	<b>(204)</b>	<b>(269)</b>
Inventories	1	-
Short Term Debtors	(179)	98
Cash & cash equivalents	213	71
<b>Total Current Assets</b>	<b>35</b>	<b>169</b>
Short Term Creditors	(10)	(195)
<b>Total Current Liabilities</b>	<b>(10)</b>	<b>(195)</b>
Capital Grants Receipts in Advance	(141)	63
Pension Scheme Liability	(1,606)	267
<b>Total Long Term Liabilities</b>	<b>(1,747)</b>	<b>330</b>
<b>Net assets</b>	<b>(1,926)</b>	<b>35</b>
Financed by:		
Usable Reserves	(17)	(1)
Unusable Reserves	(1,909)	36
<b>Total Reserves</b>	<b>(1,926)</b>	<b>35</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.

	2020-21	2021-22
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>129,203</b>	<b>160,236</b>
<b>Capital Investment</b>		
Intangible Assets		
Property, Plant and Equipment	43,448	34,227
Investment Properties	-	-
Long Term Debtors	-	-
Long Term Investments	343	280
REFCUS	1,917	1,828
<b>Sources of Finance</b>		
Capital Receipts	(6,243)	(4,778)
Government grants and other contributions	(7,399)	(8,259)
Sums set aside from revenue	(18)	(3,397)
Major Repairs Reserve	(472)	(897)
Minimum Revenue Provision	(979)	(957)
Voluntary Revenue Provision	604	664
Repayment of Long Term Debtors	(168)	(194)
<b>Closing Capital Financing Requirement</b>	<b>160,236</b>	<b>178,753</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrow (unsupported by Government financial assistance)	31,033	18,517
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>31,033</b>	<b>18,517</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 7 vehicles and plant were acquired under finance leases during 2021/22, bringing the total number of vehicles and plant leased to 82 as at 31/3/2022.

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:

	2020-21 £'000	2021-22 £'000
<b>Net amount carried in the Balance Sheet</b>		
Council dwellings	356	395
Other land and buildings	8,132	9,900
Investment property	9,566	7,950
Vehicles, plant and equipment	3,449	2,540

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:

	2020-21 £'000	2021-22 £'000
<b>Finance lease liabilities (net present value of minimum lease payments)</b>		
Current	579	599
Non-current	2,863	2,397
<b>Finance costs payable in future years</b>	749	641
<b>Total minimum lease payments</b>	<b>4,191</b>	<b>3,637</b>

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

	Minimum lease payments		Finance lease liabilities	
	2020-21 £'000	2021-22 £'000	2020-21 £'000	2021-22 £'000
Not later than one year	705	728	579	599
2 - 5 years	2,820	2,760	2,318	2,272
5+ years	666	149	545	125
	<b>4,191</b>	<b>3,637</b>	<b>3,442</b>	<b>2,996</b>

The authority has sub-let some properties held under finance leases. At March 2022 the minimum future payments expected to be received under non-cancellable sub-leases is £28.014m.

## 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 £286,207 (2020/21 £313,585).

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

	Restated	
	2020-21	2021-22
	£'000	£'000
Not later than one year	53	72
2 - 5 Years	52	77
5+ Years	37	36
	<b>142</b>	<b>185</b>

\*Restated to include future lease payments in respect of 13 and 14 St Thomas, Arches

### Council as a Lessor

#### Finance Leases

The Authority has 57 leases, which would be classified as finance leases under IFRS. The asset valuation in the Balance Sheet is therefore based on the freehold interest in the asset.

The gross investment is made up of the following amounts:

	2020-21	2021-22
	£'000	£,000
<b>Finance Lease Debtor (net present value of minimum lease payments)</b>		
Current	140	141
Non-current	14,029	14,005
Unearned finance income	14,169	14,146
Unguaranteed Residual Value	22,888	26,267
<b>Gross Investment in Lease</b>	<b>37,057</b>	<b>40,413</b>
<b>Minimum lease payments are:</b>		
Per annum	700	703

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:

	2020-21 £'000	2021-22 £'000
Not later than one year	2,851	2,725
2 - 5 Years	8,607	8,008
5+ Years	60,573	57,437
	<b>72,031</b>	<b>68,170</b>

### 41. Impairments and Downward Valuations

During 2021/22, the Council recognised impairment losses of £12.644 million in relation to its council dwellings and operational land and buildings. Impairment losses of £240k 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:

- 2021/22 saw the completion of the new Bus station. The value of the bus station as at 31 March 2022 was £7.878 million less than the cost to build.
- The Council sought valuations from external valuers for a range of properties in the portfolio for 2021/22. This resulted in two key impairments; The Civic Centre has been impaired by £522k and Arena exhibition fields complex has been impaired by £714k.
- 2021/22 saw the continuation of the LAINGS property demolition and rebuild programme, this has resulted in an impairment of £612k in the year.
- The Council purchased nine properties during the year from Exeter City Living Limited, a wholly owned subsidiary of the Council. The tenanted value of these properties was £1.840 million 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 2022.

To assess the value of the liabilities at 31 March 2022, 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 2021/22 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	2020-21		2021-22	
	£'000	%	£'000	%
Equities	16,497	11	14,111	11
Overseas Equities	76,922	52	79,623	52
Infrastructure	6,035	4	8,940	4
Gilts	5,066	3	21,057	3
Other Bonds	6,678	5	3,239	5
Property	11,963	8	14,916	8
Cash	1,536	1	1,870	1
Target Return Portfolio	14,023	9	14,635	9
Alternative Assets	10,230	7	(67)	7
<b>Total</b>	<b>148,950</b>	<b>100</b>	<b>158,324</b>	<b>100</b>

### Significant Assumptions used by the Actuary:

	2020-21	2021-22
Discount rate for scheme liabilities	2.0% pa	2.6% pa
Rate of increase in salaries	3.8% pa	4.2% pa
Rate of increase in pensions	2.8% pa	3.2% pa
Rate of inflation - RPI	3.2% pa	3.55% pa
Rate of inflation - CPI	2.8% pa	3.2% pa
Longevity at 65 - current pensioners		
Men	22.6	22.7
Women	23.9	24.0
Longevity at 65 - future pensioners		
Men	24.0	24.0
Women	25.4	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:

	2020-21	2021-22
	£'000	£'000
<b>Cost of Services</b>		
Current Service Cost	6,539	10,456
Loss / (Gain) on curtailment	62	212
(Gain) / Loss from Settlements	-	-
<b>Other Operating Expenditure</b>		
Administration expenses	90	90
<b>Financing and Investment Income and Expenditure</b>		
Net Interest on the net defined benefit liability	2,365	2,662
<b>Total post-employment benefits charged to the CIES</b>	<b>9,056</b>	<b>13,420</b>
<b>Movement in Reserves Statement:</b>		
Reversal of net charges	(9,056)	(13,420)
Actual Employers contributions payable to the scheme	4,946	5,235

## Notes to the Financial Statements

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

	2020-21 £'000	2021-22 £'000
Present value of defined benefit obligation	283,656	281,676
Fair Value of Scheme Assets	(148,950)	(158,323)
<b>Net liability arising from defined benefit obligation</b>	<b>134,706</b>	<b>123,353</b>

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

	2020-21 £'000	2021-22 £'000
Opening fair value of assets	114,155	145,215
Opening fair value of Strata assets	2,833	3,735
Interest income	2,810	2,960
Re-measurement gains / losses	27,733	8,567
Administration expenses	(90)	(90)
Contributions by the employer	7,690	3,861
Contributions by participants	1,229	1,336
Net benefits paid out	(7,410)	(7,261)
Settlement prices received / (paid)	-	-
<b>Closing fair value of assets</b>	<b>148,950</b>	<b>158,323</b>

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

	2020-21 £'000	2021-22 £'000
Opening present value of liabilities	218,256	276,186
Opening present value of Strata liabilities	4,962	7,470
Current service cost	6,539	10,456
Interest cost	5,175	5,622
Contributions by participants	1,229	1,336
Re-measurement (gains) and losses:		
Change in demographic assumptions	(2,517)	-
Change in financial assumptions	60,232	(13,019)
Experience loss (gain)	(2,872)	674
Benefits paid out	(7,163)	(7,017)
Past service cost, including curtailments	62	212
Liabilities assumed / (extinguished) on settlements	-	-
Unfunded pension payments	(247)	(244)
<b>Closing present value of liabilities</b>	<b>283,656</b>	<b>281,676</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)	294,504	269,431
Rate of increase in salaries (increase or decrease by 1%)	282,228	281,130
Rate of increase in pensions (increase or decrease by 1%)	286,681	276,768
Rate for discounting scheme liabilities (increase or decrease by 1%)	276,195	287,271

## 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 2021 £'000	Expenditure £'000	Income £'000	Value of fund at 31 March 2022 £'000
Reynolds Chard Bequest	449	-	6	455
Veitch Bequest	22	-	1	23
Dorothy Holman Trust	27	-	-	27
Bowling Green Marshes	2	-	-	2
Topsham Recreation Ground	18	-	-	18
King George Playing Field Trust	16	(25)	28	19
	<b>534</b>	<b>(25)</b>	<b>35</b>	<b>544</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 22 February 2022, which is available on the Council's website (use search function for the 2022/23 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.

## 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 2021 £'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 2022 £'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	-	-	-	-	699	729
Lifetime expected credit losses	-	-	-	-	-	-	-
<b>Other debtors</b>							
Sundry debtors	904	-	-	-	-	10	914
Overpaid Housing Benefits	1,316	-	-	-	-	(6)	1,310
Housing rents	508	-	-	-	-	(31)	477
Council Tax and NDR	618	-	-	-	-	16	634
<b>Total Loss Allowances</b>	<b>3,376</b>	-	-	-	-	<b>688</b>	<b>4,064</b>



## Notes to the Financial Statements

### Credit Risk Exposure

The authority has the following exposure to credit risk at 31 March 2022:

	Credit risk rating	Gross carrying amount
	£'000	£'000
<b>Deposits with bank and building societies:</b>		
12-month expected credit losses	Low	6,007
<b>Loans to business and voluntary organisations:</b>		
12-month expected credit losses	Low	10,184
Lifetime expected credit losses	High	-
<b>Other debtors:</b>		
Sundry debtors	Other *	3,481
Overpaid Housing Benefits	Other *	1,844
Housing rents	Other *	811
Council Tax and NDR	Other *	1,256
<b>Total amount exposed to credit risk</b>		<b>23,583</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 2021	31 March 2022
	£'000	£'000
Less than 1 year	941	1,511
1 - 2 years	959	1,537
2 - 5 years	2,949	4,720
+ 5 years	119,935	160,076
	<b>124,784</b>	<b>167,844</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 2022 the interest rates are 1% higher than the actual interest rates the financial impact would be:

### **Borrowing:**

As at 31 March 2022, the Council had a number of long-term loans with the PWLB amounting to £168m. A 1% increase in interest rates would increase the cost of borrowing by £1.68m 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 £69m a 1% increase in interest rates would increase interest receivable by £690k a year. The impact of a 1% fall in interest rates would be the same, but with the movements being reversed.

### **Price Risk**

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

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

The Council has investments in pooled investment funds, which are classified as fair value through profit and loss, including £30.007m 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.

	2020-21	2021-22
	£'000	£'000
<b>Income</b>		
Fees and Charges	(57)	(123)
<b>Total Income</b>	<b>(57)</b>	<b>(123)</b>
<b>Expenditure</b>		
Employees	179	197
Premises	58	71
Supplies and Services	13	33
Transport	28	40
Capital Charges	29	52
<b>Total Expenditure</b>	<b>307</b>	<b>393</b>
<b>Net cost of Harbour Activities as included in the Comprehensive Income and Expenditure Statement</b>	<b>250</b>	<b>270</b>

### 46. Contingent Liability

The Council has received Covid related delay notices in respect of the bus and coach station, St Sidwell's Point and Edwards Court. However, whether there is an obligation that could lead to a transfer of economic benefits is not yet certain and therefore a reliable estimate of the amount of the obligation cannot be made. The outcome of the claim is uncertain at this stage and no provision has been made in the accounts.

## 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 2022, 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> 2021/22 is the third full year of trading for the company with work in progress valued at £1.6m and an operating loss of £1m for the year. Intra group loans of £8.820m from the Council are in place at 31/3/2022.
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 (20/21) and net assets of £133k (20/21) and £227k turnover (21/22) and net assets of £95k (21/22)
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 2021 show Council's equity share of profit at (£525k) and (£988k) net assets and draft accounts to 31 March 2022 show Council's equity share of profit at (£452k) and £1.440m 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), accounts to 31 Dec 2020 reports nil profit/loss and net assets of £25k - the same as 2019/20. The company was placed into abeyance during 2021/22
Monkerton Heat Company Ltd	Set up to facilitate the formation of a district heating network, as part of planning requirements relating to five major residential developments at Monkerton	16.66% shareholding with significant influence due to representation on the board	Associate	Equity accounting	<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 2022 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 2021/22, saw the sale of nine passiv-haus homes at Thornpark Rise developed by Exeter City Living and sold to the Council's Housing Revenue Account. Enabling works commenced on site at The Gardens, Whipton to demolish the existing buildings and clear the site ready for 92 new passiv-haus apartments. Working as Development Agent for the HRA, the procurement of the main contractor was completed for the construction of 21 passiv-haus homes at Hamlin Gardens. The procurement of a main contractor for the Clifton Mews development continues with demolition of the existing sports centre recently started.

Development works towards planning submissions expected in the new financial year continues progress on 5 sites covering a potential total of circa 250-300 new homes. Initial feasibility work is also being progressed on a further six sites for the HRA which have the potential to deliver between 300 and 500 new homes, along with identifying additional development opportunities in collaboration and partnership with the HRA.

The challenges in the current construction market, continue to impact on the timing of delivering the build phase of developments. Exeter City Living continue to explore alternative procurement routes with contractors to try and find the best way to manage the uncertainties caused by the current unprecedented economic environment.

### 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

2020-2021			2021-2022			Notes
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
3,162	(123)	3,039	3,415	(14)	3,401	Chief Executive & Growth Director
3,317	(2,279)	1,038	2,834	(1,845)	989	Transformation
47,671	(43,790)	3,881	41,528	(36,241)	5,287	City Development, Housing & Supporting People
16,237	(2,661)	13,576	20,273	(5,274)	14,999	Communications, Culture & Leisure Facilities
17,465	(9,107)	8,358	21,474	(13,473)	8,001	Net Zero Exeter & City Management
3,296	(1,230)	2,066	10,764	(437)	10,327	Finance
3,228	(652)	2,576	4,045	(643)	3,402	Corporate Services
19,928	(20,299)	(371)	19,377	(20,489)	(1,112)	Housing Revenue Account
755	(370)	385	956	(417)	539	Strata Service Solutions Ltd
588	771	1,359	3,200	36	3,236	Exeter City Group Ltd - subsidiary
<b>115,648</b>	<b>(79,740)</b>	<b>35,908</b>	<b>127,866</b>	<b>(78,797)</b>	<b>49,069</b>	<b>Cost of Services</b>
		(2,389)			1,431	Other operating expenditure
		4,284			(3,052)	Financing and investment income and expenditure
		(35,362)			(28,775)	Taxation and non-specific grant income
		<b>2,441</b>			<b>18,673</b>	<b>(Surplus) or Deficit on Provision of Services</b>
		<b>Other Comprehensive Income and Expenditure</b>				
		(6,520)			(20,152)	(Surplus) or deficit on revaluation of property, plant and equipment
		27,176			(20,917)	Remeasurement of the net defined benefit liability/(asset)
		<b>20,656</b>			<b>(41,069)</b>	<b>Total Other Comprehensive Income and Expenditure</b>
		<b>23,097</b>			<b>(22,396)</b>	<b>Total Comprehensive Income and Expenditure</b>

## 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 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>
<b>Movement in Reserves during 2021-2022</b>											
Total Comprehensive Income & Expenditure	16,944	-	16,944	(1,393)	-	-	-	3,122	18,673	(41,069)	<b>(22,396)</b>
Adjustments between accounting basis and funding basis under statutory provisions (Note 10)	(11,079)	-	(11,079)	3,192	(9)	(2,952)	(4,840)	-	(15,688)	15,688	<b>0</b>
Transfers to / (from) Earmarked Reserves	(6,689)	6,689	-	-	-	-	-	-	0	-	<b>0</b>
<b>(Increase) / Decrease in 2021-2022</b>	<b>(824)</b>	<b>6,689</b>	<b>5,865</b>	<b>1,799</b>	<b>(9)</b>	<b>(2,952)</b>	<b>(4,840)</b>	<b>3,122</b>	<b>2,985</b>	<b>(25,381)</b>	<b>(22,396)</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(5,521)</b>	<b>(26,002)</b>	<b>(31,523)</b>	<b>(11,468)</b>	<b>(12,938)</b>	<b>(18,189)</b>	<b>(19,503)</b>	<b>6,661</b>	<b>(86,960)</b>	<b>(279,123)</b>	<b>(366,083)</b>



## Group Balance Sheet

2020-21 £'000	2021-22 £'000	Note
461,967	482,272	
53,388	56,034	
22,826	22,743	
530	448	
5,717	6,536	1
15,338	15,411	1
<b>559,766</b>	<b>583,444</b>	
3,138	1,737	2
44,841	30,764	1
20,006	39,019	1
4,683	4,290	
35,387	72,302	1 & 3
<b>108,055</b>	<b>148,112</b>	
(941)	(1,510)	
(54,149)	(63,341)	
(3,534)	(5,173)	
<b>(58,624)</b>	<b>(70,024)</b>	
(124,000)	(166,695)	
(3,710)	(2,760)	
(3,094)	(2,641)	
(134,706)	(123,353)	
<b>(265,510)</b>	<b>(295,449)</b>	
<b>343,687</b>	<b>366,083</b>	
<b>Financed by:</b>		
89,945	86,960	
253,742	279,123	
<b>343,687</b>	<b>366,083</b>	

These financial statements are unaudited and may be subject to change. Responsible Financial Officer, Dave Hodgson, on 26 July 2022.

**Dave Hodgson, CPFA, Director Finance**

## Group Cash-Flow Statement

2020-21 £'000		2021-22 £'000	Notes
2,441	Net (surplus) or deficit on the provision of services	18,673	
4,678	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(58,610)	
10,315	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	13,143	
<b>17,434</b>	<b>Net cashflows from Operating Activities</b>	<b>(26,794)</b>	
10,849	Investing Activities	49,060	4
(41,388)	Financing Activities	(59,181)	
<b>(13,105)</b>	<b>Net (Increase) or decrease in cash and cash equivalents</b>	<b>(36,915)</b>	
<b>22,282</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>35,387</b>	
<b>35,387</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>72,302</b>	

## Group Notes to the Accounts

### 1. Financial Instruments

	Long-term				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000
<b>Financial Assets</b>								
Fair value through profit or loss	4,735	5,554	-	-	21,001	30,007	-	-
Amortised cost	982	982	15,338	15,411	34,392	81,314	3,694	4,346
<b>Total Financial Assets</b>	<b>5,717</b>	<b>6,536</b>	<b>15,338</b>	<b>15,411</b>	<b>55,393</b>	<b>111,321</b>	<b>3,694</b>	<b>4,346</b>
Non-financial assets	-	-	-	-	-	-	41,147	26,418
<b>Total</b>	<b>5,717</b>	<b>6,536</b>	<b>15,338</b>	<b>15,411</b>	<b>55,393</b>	<b>111,321</b>	<b>44,841</b>	<b>30,764</b>

	Fair Value Level	Balance	Fair Value	Balance	Fair Value
		Sheet	31 March	Sheet	31 March
		31 March	2021	2022	2022
Financial Assets Held at Amortised Cost					
Unquoted equity investment	3	982	982	982	982
Loans made for service purpose:	2	1,308	1,308	1,406	1,406
Lease receivables	3	14,030	14,030	14,005	14,005
Short term investments	2	20,006	20,006	39,019	39,019
Cash (including bank accounts)	2	14,386	14,386	42,295	42,295
Short term debtors	3	3,694	3,694	4,346	4,346
<b>Total Financial Assets</b>		<b>54,406</b>	<b>54,406</b>	<b>102,053</b>	<b>102,053</b>

## Group Notes to the Accounts

### 2. Inventories

	Exeter City Council consumables 2020/21 £'000s	Exeter City Council consumables 2021/22 £'000s	Strata proportional share of stock 2020/21 £'000s	Strata proportional share of stock 2021/22 £'000s	Subsidiary work in progress 2020/21 £'000s	Subsidiary work in progress 2021/22 £'000s	Total 2020/21 £'000s	Total 2021/22 £'000s
Balance at 1 April	218	161	3	4	2,638	2,973	2,859	3,138
Purchases	231	344	1	-	1,016	520	1,248	864
Expense in year	(288)	(317)	-	-	(681)	(1,948)	(969)	(2,265)
Written off balances	-	-	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
<b>Balance at 31 March</b>	<b>161</b>	<b>188</b>	<b>4</b>	<b>4</b>	<b>2,973</b>	<b>1,545</b>	<b>3,138</b>	<b>1,737</b>

### 3. Cash and Cash Equivalents

	2020-21 £'000	2021-22 £'000
Cash held by the Council	82	241
Bank current accounts	460	4,649
Money Market Funds	21,001	30,007
Short-term investments	10,001	30,000
Short-term call accounts	-	3,002
Strata - Cash at bank and in hand	309	380
Subsidiary - Cash at bank and in hand	3,534	4,023
<b>Total cash and cash equivalents</b>	<b>35,387</b>	<b>72,302</b>

### 4. Cash flow Statement – Investing Activities

	2020-21 £'000	2021-22 £'000
Purchase of non-current assets	42,036	30,820
Purchase of short and long-term investments	272,500	547,000
Other payments for investing activities	3,126	3,249
Proceeds from the sale of non-current assets	(5,354)	(4,885)
Proceeds of short and long-term investments	(293,500)	(516,000)
Other receipts for investing activities	(7,959)	(11,124)
<b>Net cash flows from investing activities</b>	<b>10,849</b>	<b>49,060</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.

2020-21		2021-22	
£'000	Income	£'000	£'000
(18,623)	Dwelling rents	(18,850)	
(436)	Non dwelling rents	(410)	
(874)	Charges for services and facilities	(1,018)	
<b>(19,933)</b>	<b>Total Income</b>		<b>(20,278)</b>
	<b>Expenditure</b>		
5,579	Repairs and maintenance	6,900	
5,639	Supervision and management	6,257	
62	Rents, rates, taxes and other charges	103	
8,160	Depreciation and impairment of non-current assets	6,530	
22	Debt management costs	22	
<b>19,462</b>	<b>Total Expenditure</b>		<b>19,812</b>
<b>(471)</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(466)</b>
189	HRA share of Corporate and Democratic Core		194
<b>(282)</b>	<b>Net Cost of HRA Services</b>		<b>(272)</b>

## HRA Income & Expenditure Statement

2020-21 £'000		2021-22 £'000
(282)	<b>Net Cost of HRA Services</b>	(272)
<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
(1,271)	(Gain) or loss on sale of HRA non-current assets	(1,380)
2,342	Interest payable and similar charges	2,193
(264)	Interest and investment income	(253)
224	Net interest on the net defined benefit liability (asset) and administration expenses	294
(3,880)	Capital grants and contributions receivable	(1,975)
<b>(3,131)</b>	<b>(Surplus) or deficit for the year on HRA services</b>	<b>(1,393)</b>

### Movement on the HRA Statement

2020-21 £'000		2021-22 £'000
(10,526)	Housing Revenue Account surplus brought forward	(13,267)
(3,131)	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	(1,393)
390	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	3,192
<b>(2,741)</b>	<b>(Increase) or decrease in the HRA Balance</b>	<b>1,799</b>
<b>(13,267)</b>	<b>Housing Revenue Account surplus carried forward</b>	<b>(11,468)</b>

## Notes to the HRA Statements

### 1. HRA Dwellings

	Flats	Houses and Bungalows	Total
At 31 March 2021	2,538	2,299	<b>4,837</b>
At 31 March 2022	2,513	2,280	<b>4,793</b>

### 2. Vacant Possession Value of Dwellings

At 1 April 2022 the vacant possession value of the dwellings was £818.837m, this compares to the tenanted market value in the Balance Sheet of £286.593m. The difference of £532.244m 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 £2.682m (£4.243m 2020/21) were debited to the HRA Income and Expenditure Account in 2021/22 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:

	2020-21 £'000	2021-22 £'000
Land	-	-
Dwellings	3,809	4,924
Repayment of discounts	-	-
	<b>3,809</b>	<b>4,924</b>
Less amount pooled	(425)	(425)
	<b>3,384</b>	<b>4,499</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 2021	260,179	3,810	109	14,380	980	2,563	<b>282,021</b>
At 31 March 2022	286,593	3,860	73	16,519	-	1,638	<b>308,683</b>

Within the valuation of Council dwellings as at 31 March 2022 of £286.593m, £145.052m was attributable to the value of land (2020/21 £131.703m) and £141.541m to buildings (2020/21 £128.476m).

### 7. HRA Capital Expenditure

HRA capital expenditure amounted to £19.268m during 2021/22 (£16.168m 2020/21), the expenditure and sources of finance were as follows:

	Sources of Finance					Capital Receipts	Total Expenditure
	Major Repairs Reserve	Revenue Contributions	Borrowing	Grants & Other Contributions			
	£'000	£'000	£'000	£'000	£'000		
Land	-	-	-	-	-	-	-
Houses	825	3,397	7,239	3,620	4,182	<b>19,263</b>	
Other	5	-	-	-	-	<b>5</b>	
<b>Total</b>	<b>830</b>	<b>3,397</b>	<b>7,239</b>	<b>3,620</b>	<b>4,182</b>	<b>19,268</b>	



## Notes to the HRA Statements

### 8. Depreciation

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

	2020-21	2021-22
	£'000	£'000
<b>Operational assets</b>		
Dwellings	3,672	3,764
Garages	52	51
Equipment	64	33
<b>Total depreciation charged</b>	<b>3,788</b>	<b>3,848</b>
Less depreciation written off - disposals	(12)	(22)
Less depreciation written off - revaluations	(3,704)	(3,772)
Less depreciation written off - impairments	(8)	(21)
<b>Total depreciation</b>	<b>64</b>	<b>33</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.

2020-2021			2021-2022		
Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
<b>Income</b>					
72,118	-	72,118	76,561	-	76,561
-	(1,136)	(1,136)	-	(969)	(969)
-	36,381	36,381	-	56,063	56,063
<b>72,118</b>	<b>35,245</b>	<b>107,363</b>	<b>76,561</b>	<b>55,094</b>	<b>131,655</b>
<b>Expenditure</b>					
<b>Demands on the Fund by:</b>					
8,428	-	8,428	8,956	-	8,956
3,357	795	4,152	3,410	368	3,778
54,740	7,392	62,132	57,231	3,309	60,540
5,977	31,801	37,778	6,169	14,707	20,876
-	39,514	39,514	-	18,383	18,383
-	214	214	-	209	209
110	-	110	83	-	83
<b>Bad and doubtful debts</b>					
101	(20)	81	252	(4)	248
450	290	740	520	(70)	450
-	63	63	-	2,379	2,379
<b>73,163</b>	<b>80,049</b>	<b>153,212</b>	<b>76,621</b>	<b>39,281</b>	<b>115,902</b>
<b>1,045</b>	<b>44,804</b>	<b>45,849 (Surplus) / Deficit</b>	<b>60</b>	<b>(15,813)</b>	<b>(15,753)</b>
(2,416)	(1,245)	(3,661)	(1,371)	43,559	42,188
<b>(1,371)</b>	<b>43,559</b>	<b>42,188 Fund Balance c/f</b>	<b>(1,311)</b>	<b>27,746</b>	<b>26,435</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 2021/22 were:

Band	Dwellings	Less Discounts	Technical Changes	Conversion Factor	Band D equivalents
A Relief	22	12	-	5/9ths	6
A	9,589	3,660	-	6/9ths	3,953
B	14,323	3,148	2	7/9ths	8,693
C	13,035	1,850	4	8/9ths	9,946
D	8,080	788	15	9/9ths	7,307
E	3,952	276	2	11/9ths	4,495
F	1,919	119	5	13/9ths	2,607
G	930	49	1	15/9ths	1,470
H	31	3	-	18/9ths	56
<b>Band D equivalent</b>					<b>38,533</b>
Less Hardship Relief (Band D)					0
<b>Total Band D equivalent</b>					<b>38,533</b>
Collection rate					97%
<b>Tax base</b>					<b>37,377</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 (£190.570m at March 2022) multiplied by a uniform rate 51.2p (49.9p for those receiving small business relief) for 2021/22.



**Exeter City Council**

# Annual Governance Statement

**2021-22**

## Annual Governance Statement

### Scope of Responsibility

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

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

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

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

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

A copy of the Council's code is available on our website.

## Annual Governance Statement

### The Purpose of the Governance Framework

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

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

The governance framework has been in place at Exeter City Council for the year ended 31 March 2022 and up to the date of the approval of the annual statement of accounts.

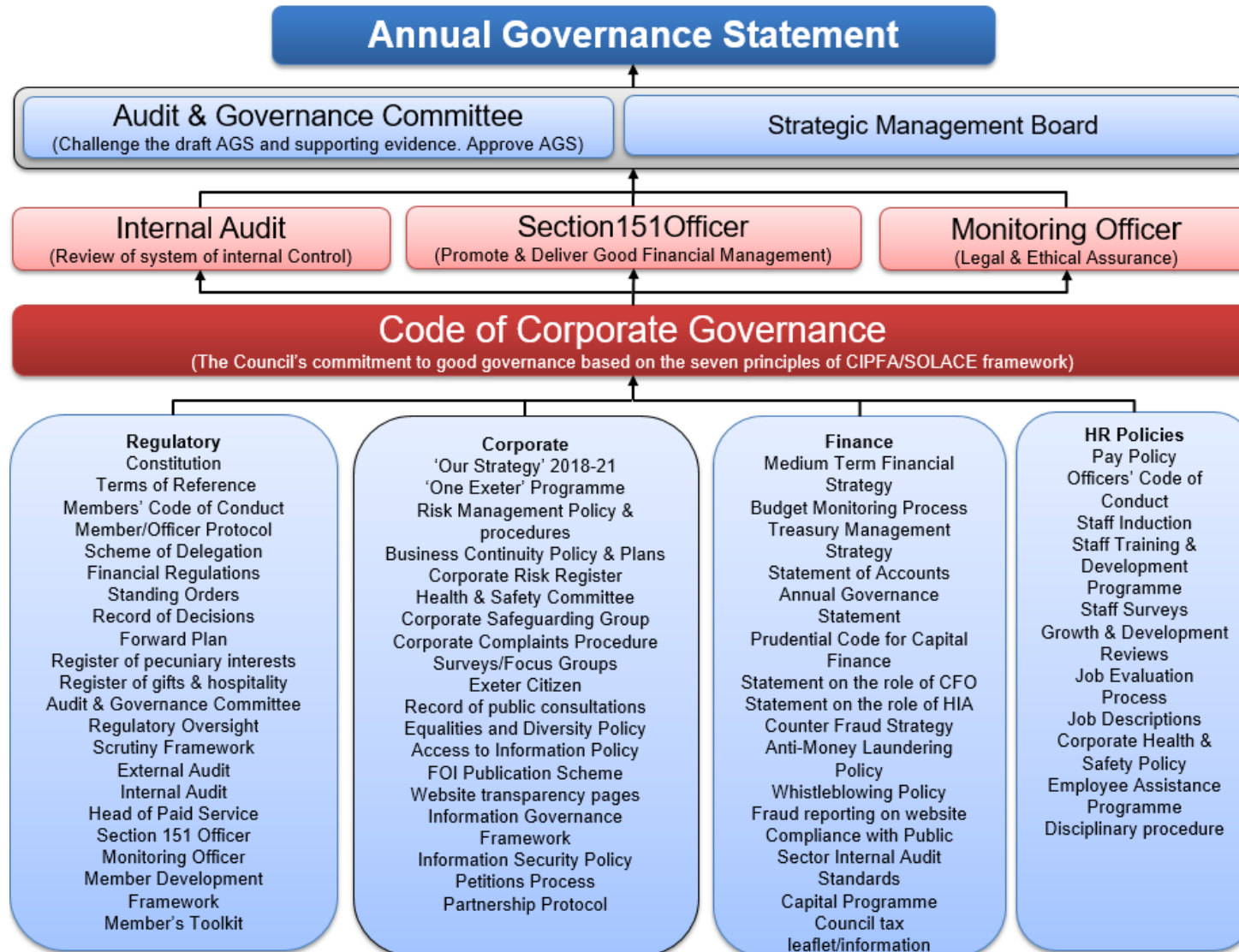
### The Governance Framework

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 19 April 2022. 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, Director Finance (Section 151), Director Corporate Services (Monitoring Officer).

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

# 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 and Growth Director and Directors 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

The Council's external auditor (Grant Thornton) has not yet issued a certificate of completion in respect of 2020/21, as this is pending the issue of a report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources and also until they are able to complete the work necessary to issue a Whole of Government Accounts (WGA) Component Assurance statement for the year ended 31 March 2021. It should be noted that the WGA for 2020/21 was significantly delayed by HM Treasury and is not due to be submitted by the Council until 31 July 2022.

## Annual Governance Statement

### Corporate Complaints

During 2021-22, responsibility for complaints monitoring was moved from the Corporate Support Unit to the Customer Service Team and also moved from a heavily manual system of recording to a more automated system. Complaints are now made online which allows the complaint to be workflowed and provides a greater level of reporting. As a result, the level of corporate complaints has dropped considerably to 13 (73 in 2020-21).

### 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 2021-22

This Statement is intended to provide reasonable assurance. It is stressed that no system of control can provide absolute assurance against material misstatement or loss. In concluding this overview of the Council's governance arrangements, three key issues have been identified for 2021-22 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 – The Government's continued delays in implementing the Fair funding review and business Rates reset have led to further uncertainty over the Medium term Financial Plan. However, the financial position remains precarious with significant reductions required to balance the budget over the medium term. Not all reductions are underpinned by Government decisions and therefore even if the plans were to be dropped, the Council would still require reductions of around £5m. There are significant headwinds affecting the Global economy and this is producing cost pressures which affect the Council.	One Exeter plan is operational and being progressed. Specific reduction targets have been set for each year of the plan. This is being monitored monthly by SMB. Clear programmes of work are in place and are being actioned.
2	Net Zero 2030 – the Council has set a net zero target date of 2030 for council operations as opposed to the Devon County Council and central government target of 2050. In setting this central government target, the Committee on Climate Change (CCC) recognised that whilst this target is technically feasible it is highly challenging without sustained policy interventions across several sectors, many of which will be complex, costly and time-consuming. In choosing to set a target 20 years ahead of national and other locally set targets is high risk. However, this has already been recognised and will be monitored by the Audit & Governance Committee as part of the corporate risk register process.	To be monitored as part of the Corporate Risk Register monitoring process.

## Annual Governance Statement

### Key Issues 2021-22

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>• external factors e.g. regulatory change and compliance, climate change</li><li>• internal factors e.g. The One Exeter project to deliver the digitalisation/transformation of service delivery</li></ul>	<p>The Audit Managers have been involved in a number of the One Exeter work streams, including the service review process and production of the 'How to' guidance for service leads. Involvement at this early stage should help identify risks to the internal control environment that could arise due to any changes being brought about by the program and this work will continue as the project develops.</p> <p>Internal Audit have also been asked to input into the development of service plans advising on governance and risk assessment processes.</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. During the review of effectiveness, we have identified three key areas of concern and we propose over the coming year to take steps to address these concerns in order to enhance our governance arrangements and are satisfied that these steps will address the need for improvements that were identified during the review of effectiveness. Progress against the action plan will be monitored quarterly by the Audit & Governance Committee.

<b>Signed:</b> ..... Councillor Wardle <b>Chair of Audit &amp; Governance Committee</b>	<b>Date:</b> .....
<b>Signed:</b> ..... Dave Hodgson CPFA <b>Director Finance &amp; Section 151 Officer</b>	<b>Date:</b> .....
<b>Signed:</b> ..... Councillor <u>Bialyk</u> <b>Leader of the Council</b>	<b>Date:</b> .....
<b>Signed:</b> ..... Karime Hassan <b>Chief Executive &amp; Growth Director MBE</b>	<b>Date:</b> .....

## **Auditors Report**

## **Auditors Report**

## Auditors Report



## **Auditors Report**

## Auditors Report

## Auditors Report

## **Auditors Report**

## Glossary of Terms

### **Accounting Period**

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

### **Accrual Basis**

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

### **Actual**

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

### **Appointed Auditors**

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

### **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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