



Exeter City Council

STATEMENT OF ACCOUNTS

2011-2012

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EXPLANATORY FOREWORD

1. THE KEY ACCOUNTING STANDARDS AND STATEMENTS

The Statement of Accounts for 2011-12 have been prepared in accordance with the “Code of Practice on Local Authority Accounting in the United Kingdom” published by the Chartered Institute of Public Finance and Accountancy.

The purpose of the Statement of Accounts is to give the electors, local taxpayers, members of the authority and other interested parties clear information about the Council’s finances. They should inform readers of:

- The cost of services provided by the Council in the year 2011-12
- How the services were paid for
- The Council’s assets and liabilities at the year end

The four main statements in the accounts are the Movement in Reserves Statement, the Comprehensive Income and Expenditure Account, the Balance Sheet and the Cashflow Statement and they are shown together, with the notes to those statements following as one set. The rest of the statements follow these notes.

There have been a number of changes to the Code of Practice in 2011-12, which affect the accounts of the Council :

- The Code has adopted FRS 30 – Heritage Assets. Heritage Assets are required to be carried on the Balance Sheet at valuation where possible. The Council has identified a number of Heritage Assets, for which a valuation is readily available, and a number where no valuation is available and these have been included at nil cost;
- Additional disclosures are required in respect of remuneration and exit packages;
- Additional information is required within the Annual Governance Statement;
- The related party disclosure has been amended;
- A number of other small amendments have been made to notes in respect of financial instruments.

EXPLANATORY FOREWORD

The main financial statements are described below, setting out the purpose of each statement. A statement of accounting policies, appropriate notes and a glossary of terms provide readers with further information to support the accounts.

Movement in Reserves Statement

Shows the movement in each of the usable and unusable reserves of the Council during the year.

Comprehensive Income & Expenditure Statement (CIES)

Sets out the expenditure and income for the year of all of the Council's revenue services and functions and the other unrealised gains & losses to demonstrate how the net worth shown in the Balance Sheet has moved year on year.

The Consolidated Balance Sheet

Summarises the overall financial position of the Council at 31st March 2012 showing its assets, liabilities and reserves.

Cashflow Statement

Summarises all of the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

Housing Revenue Account Income & Expenditure Statement

The HRA reflects the statutory obligation to account separately for the Council's provision of housing. It shows the major elements of housing revenue expenditure and how these are met by rents and other income.

Movement on the Housing Revenue Account Statement

This shows how the surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year.

Collection Fund

This shows the transactions in relation to the Business Rates and collection of the Council Tax, indicating how the amounts collected are distributed to Devon County Council, Devon and Cornwall Police Authority, Devon & Somerset Fire and Rescue Service and Exeter City Council.

EXPLANATORY FOREWORD

Group Accounts

These consolidate the accounts of Exeter City Council, Exeter Canal and Quay Trust Ltd and Exeter Business Centre Ltd. The Council has a 100% shareholding in both. The Group Accounts set out a Group Movement in Reserves Statement, Group Comprehensive Income and Expenditure Statement, Group Balance Sheet and Group Cashflow Statement.

Annual Governance Statement

The Annual Governance Statement provides assurance that: Governance arrangements are adequate and operating effectively in practice, or Where reviews of the governance arrangements have revealed gaps, action is planned that will ensure effective governance in future.

2. PENSION FUND

To comply with IAS 19, the Actuary has reviewed the performance of the Pension Fund, managed by Devon County Council. The analysis has shown that during 2011-12, Exeter's fund deficit has increased from £45.518 million to £69.606 million an increase of £24.088 million. This is due to a large actuarial increase in expected future liabilities. A full actuarial valuation was undertaken in 2010 to review the contribution levels of the Council. The contribution rate has been set at 20.5% of pensionable pay for the three years from 2011-12. The next valuation is due during 2013.

3. CURRENT BORROWING AND USE OF ASSETS

The Council has borrowed £56,884,000 from the PWLB over fifty years, to finance the HRA self-financing settlement payment. This is the Council's only long term loan. Short term and internal borrowing have also been used to finance capital expenditure. Additions to property, plant and equipment totalled £11 million. During the year, the council disposed of property, plant, equipment and assets held for sale valued at £0.4 million, the receipts from which were used to finance capital expenditure. Revaluation and impairment has decreased the value by £1.2 million. Depreciation and amortisation have also reduced the value of fixed assets by £5.3 million.

4. ICELANDIC INVESTMENTS

During the year, the Supreme Court in Iceland ruled in favour of local authorities' priority status claim.

Glitnir have repaid in full the amount invested, plus interest, although £383,128 has been repaid in Icelandic Krona and is held in an escrow account in Iceland earning 3.4% interest. The Council has actually received back £1,680,752.

Landsbanki have made a first repayment to the Council of £929,620. A further £21,000 is held in an escrow account in Iceland earning 3.35% interest. Further payments are expected with 100% recovery over the next few years.

EXPLANATORY FOREWORD

5. FINANCIAL OVERVIEW

The Council expected a challenging year in respect of its finances having found some £2.4 million of savings to meet the reduction in grant and the freeze in Council Tax. However, over 90% of these savings have been achieved and along with additional income and other savings identified during the year, this has enabled the Council to add back more than anticipated to its General Fund balance during the year.

The City Council's revised budgeted Service net expenditure for 2011-12 was £13,003,620 of which £38,570 was to be financed from earmarked reserves and balances.

Net interest payments of £100,000 and £1,070,000 to cover the repayment of debt resulted in a net budget of £14,135,050.

The Council delivered its General Fund service plans for a total net cost of £12,632,300, an underspend of £371,320 against the revised budget of £13,003,620.

The reduction in net interest paid against budget of £10,184 was offset by a small investment loss (£12,983) associated with foreign exchange rates on the recovery of some of the Icelandic investments.

During the year £727,999 has been transferred to earmarked reserves, mainly to set up new reserves to fund future expenditure and £49,000 was used to finance capital expenditure. As a consequence of all the above, General Fund Balances have been increased by £92,528.

The Council's General Fund Balance has therefore increased during the year from £4,192,897 to stand at £4,285,425 as at 31st March 2012. This is equivalent to about 30.5% of the net budget for 2011-12.

HRA

The HRA made a one-off debt settlement payment to the Department for Communities and Local Government (DCLG) of £56,884,000 on 28 March as part of the implementation of the HRA self-financing scheme. Statute requires this revenue transaction to be written out of revenue and treated as capital expenditure. The Council has borrowed £56,884,000 from the PWLB over fifty years, to finance this payment.

The final position for the Housing Revenue Account, including Council Own Build, showed an overall increase in the HRA working balance of £1,874,760 to £5,792,629 as at 31st March 2012. Additionally, £3,149,400 has been put into the Major Repairs Reserve to fund future capital investment in the HRA.

EXPLANATORY FOREWORD

A summary of the General Fund position is indicated below :

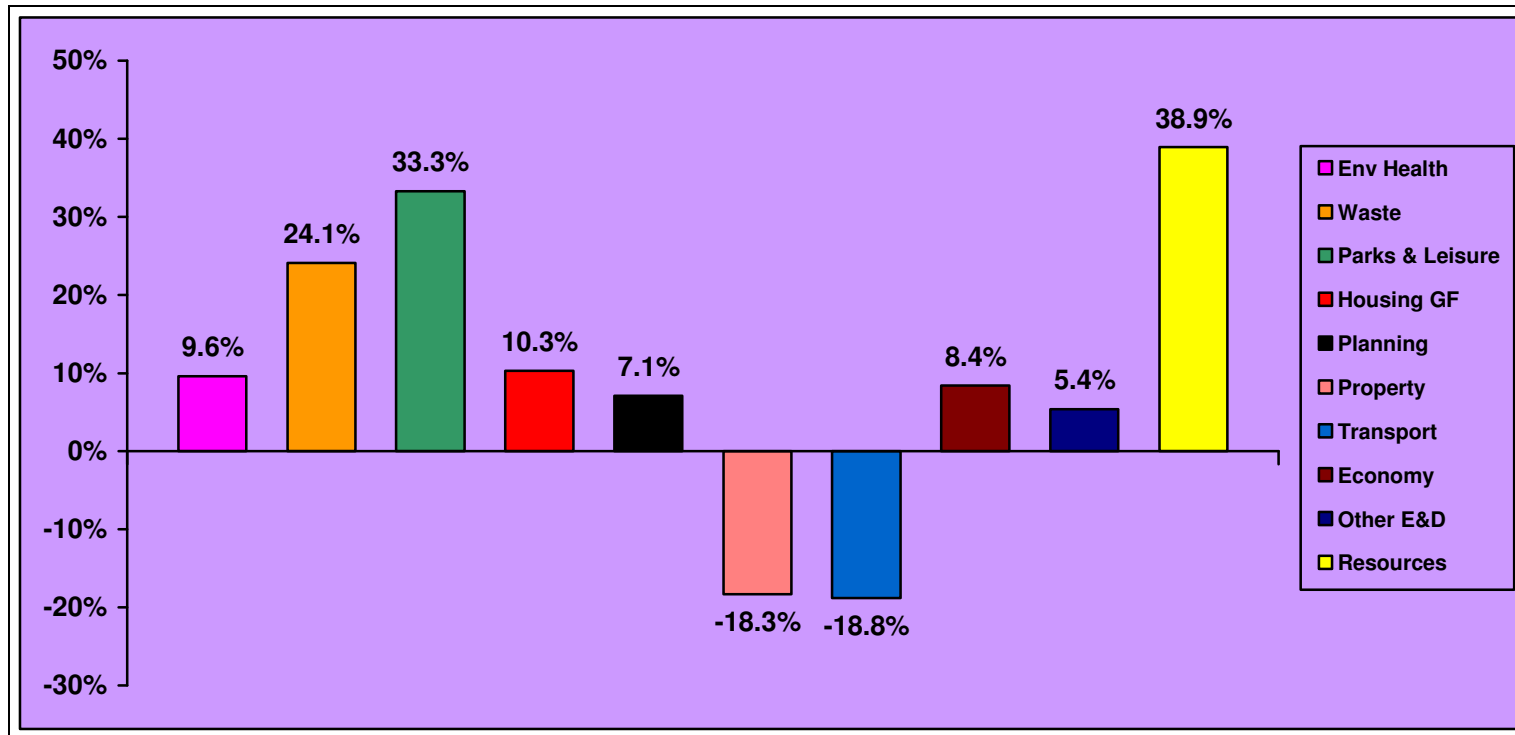
	Revised Budget £	Final Outturn £	Variance to Budget £
Service Net Expenditure	13,003,620	12,632,300	(371,320)
Net Interest	100,000	89,816	(10,184)
Provision for Repayment of Debt	1,070,000	919,553	(150,447)
Investment Loss	0	12,983	12,983
Revenue Contribution to Capital	0	49,000	49,000
	14,173,620	13,703,652	(469,968)
T/fr (From)/To Earmarked Reserves	(119,000)	727,999	846,999
Transfer (From)/To Working Balance	80,430	92,528	12,098
General Fund Expenditure	14,135,050	14,524,179	389,129
Formula Grant	(9,279,790)	(9,279,790)	0
Council Tax Freeze Grant	(118,456)	(118,420)	36
New Homes Bonus	0	(389,165)	(389,165)
Council Tax Net Expenditure	4,736,804	4,736,804	0
Opening General Fund Balance	4,192,897	4,192,897	0
Closing General Fund Balance	4,273,327	4,285,425	12,098

Note : This summary is based on the Council's management accounting format, not the Comprehensive Income & Expenditure Statement. In particular some reserve transactions are included within service committee net expenditure.

EXPLANATORY FOREWORD

The Service Committee net expenditure is broken down as follows:

Service Net Expenditure 2011-12

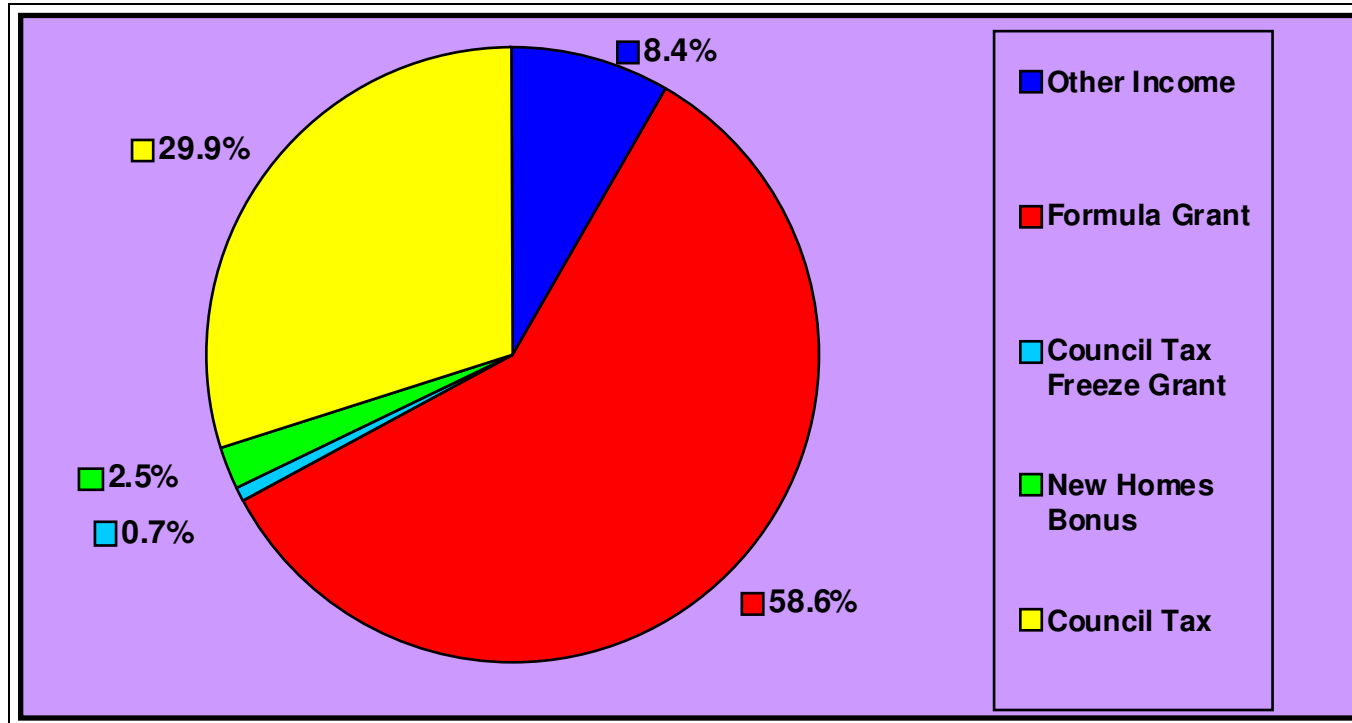


Where the figure is negative, this indicates that the income generated was higher than the cost of providing the service.

EXPLANATORY FOREWORD

Service net expenditure was financed as follows:

Revenue Income 2011-12



EXPLANATORY FOREWORD

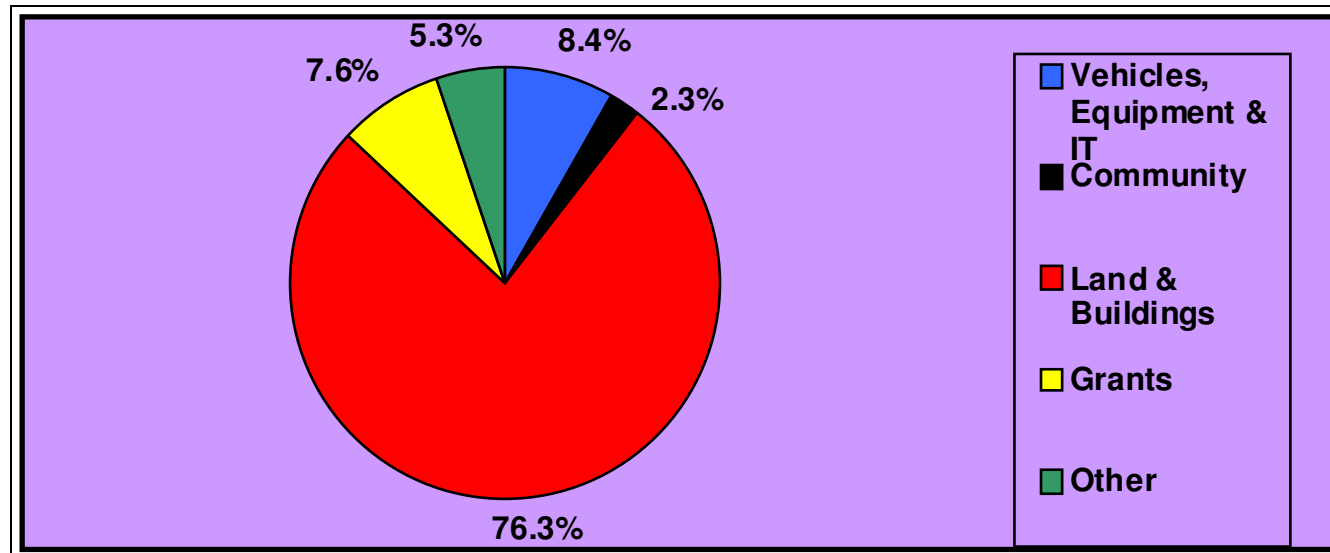
In 2011-12 the Council spent £70 million on capital projects and grants, compared with a revised approved programme of £16.3 million. However, £56,884,000 of this expenditure was due to the HRA Self-Financing payment.

Included in the expenditure for the year was:

- £0.9 million – vehicles, equipment and information technology
- £3.3 m – RAMM redevelopment
- £7.0 million – other construction/improvement of dwellings, land and buildings
- £1.0 million – grants, including disabled facility grants, renovation grants and grants to housing associations for affordable housing.
- £0.3 million – improvement of community assets (e.g. parks/play areas)
- £0.5 million – capitalised redundancy costs
- £0.2 million - other expenditure including capital loans.

It has been identified that £4.9 million will need to be carried forward into future years.

Capital Expenditure 2011-12

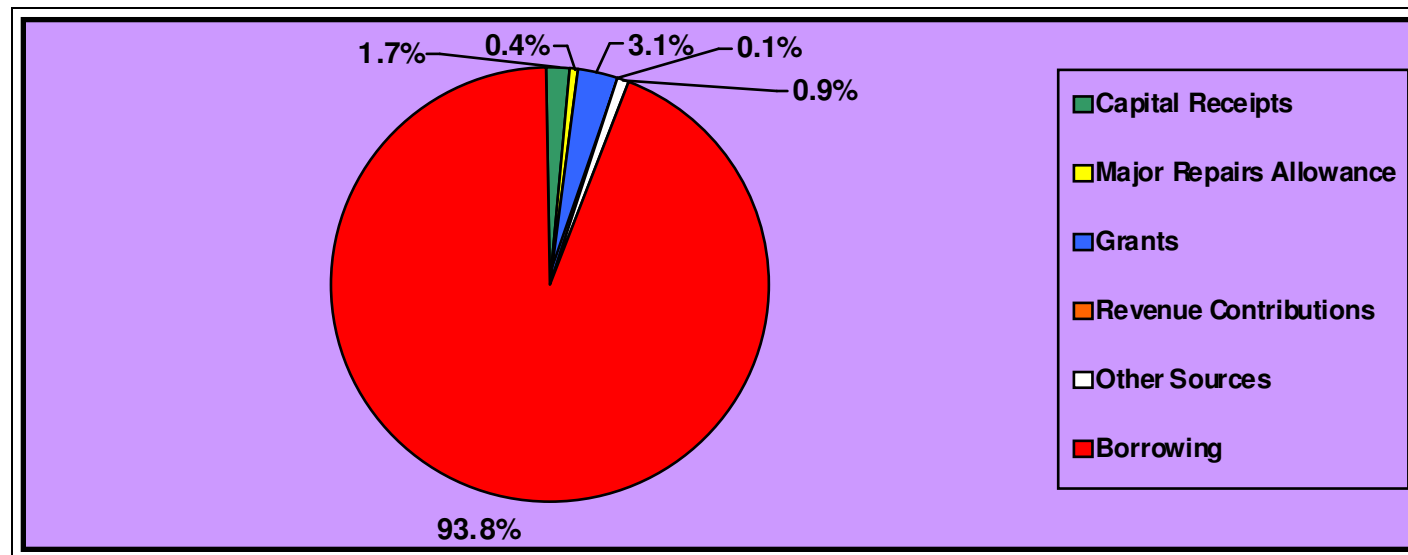


EXPLANATORY FOREWORD

3.7% of the total capital programme of £70 million was financed from grants, with £0.3 million coming from the Major Repairs Allowance, £0.9 million from the Heritage Lottery Fund, £0.3 million from the Homes and Communities Agency, £0.2 million from the Regional Housing Pot and £0.8 million from other bodies.

£65.5 million was financed from borrowing with the balance of funding from capital receipts of £1.2m and £0.6m from other sources including contributions from developers.

Capital Finance 2011-12



EXPLANATORY FOREWORD

In conclusion, the City Council has overcome a challenging financial year and has maintained its prudent financial position. However, there are a number of challenges ahead, with difficult financial conditions remaining well into the future. In both organisational and financial terms, the Council is ready to meet these challenges.

Andrew Stark ACMA
Assistant Director Finance

Councillor Pete Edwards
Chair – Final Accounts 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 Assistant Director Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

The Assistant Director Finance's Responsibilities

The Assistant Director Finance 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').

The Statement of Accounts gives a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2012.



Andrew Stark ACMA
Assistant Director Finance
29 June 2012

In preparing this statement of accounts, the Assistant Director Finance 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.

The Assistant Director Finance has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities

MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement in 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 reserves. The surplus (or deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different to the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The net increase / decrease before Transfers to or from Earmarked Reserves shows the statutory General Fund and Housing Revenue Account Balances before any discretionary transfers to or from Earmarked Reserves.

	General Fund Balance (£'000)	Earmarked Reserves (£'000)	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Total Usable Reserves (£'000)	Unusable Reserves (£'000)	Total Authority Reserves (£'000)
Balance at 31 March 2010	(3,845)	(1,564)	(2,682)	(311)	0	(1,311)	(9,713)	(333,289)	(343,002)
<i>Movement in Reserves 2010-11</i>									
(Surplus) / deficit on the provision of services	4,087	0	70,429	0	0	0	74,516	0	74,516
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	(33,556)	(33,556)
Total Comprehensive Income & Expenditure	4,087	0	70,429	0	0	0	74,516	(33,556)	40,960
Adjustments between Accounting basis and funding basis under regulations (note 7)	(4,035)	0	(71,665)	181	0	(122)	(75,641)	75,641	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	52	0	(1,236)	181	0	(122)	(1,125)	42,085	40,960
Transfers to / (from) Earmarked Reserves	(400)	400	0	0	0	0	0	0	0
(Increase) / Decrease in 2010-11	(348)	400	(1,236)	181	0	(122)	(1,125)	42,085	40,960

MOVEMENT IN RESERVES STATEMENT

	General Fund Balance (£'000)	Earmarked Reserves (£'000)	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Total Usable Reserves (£'000)	Unusable Reserves (£'000)	Total Authority Reserves (£'000)
Balance at 31 March 2011 carried forward	(4,193)	(1,164)	(3,918)	(130)	0	(1,433)	(10,838)	(291,204)	(302,042)
<i>Movement in Reserves 2011-12</i>									
(Surplus) / deficit on the provision of services	3,062	0	59,411	0	0	0	62,473	0	62,473
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	14,403	14,403
Total Comprehensive Income & Expenditure	3,062	0	59,411	0	0	0	62,473	14,403	76,876
Adjustments between Accounting basis and funding basis under regulations (note 7)	(3,882)	0	(61,286)	(766)	(3,149)	171	(68,912)	68,912	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(820)	0	(1,875)	(766)	(3,149)	171	(6,439)	83,315	76,876
Transfers to / (from) Earmarked Reserves	728	(728)	0	0	0	0	0	0	0
(Increase) / Decrease in 2011-12	(92)	(728)	(1,875)	(766)	(3,149)	171	(6,439)	83,315	76,876
Balance at 31 March 2012 carried forward	(4,285)	(1,892)	(5,793)	(896)	(3,149)	(1,262)	(17,277)	(207,889)	(225,166)

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

This 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2010-2011				2011-2012			Notes
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Service	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
10,090	(8,523)	1,567	Central Services to the Public	12,053	(9,643)	2,410	
20,108	(2,157)	17,951	Cultural and Related Services	10,685	(2,142)	8,543	
8,366	(2,048)	6,318	Environmental and Regulatory Services	7,784	(2,262)	5,522	
3,925	(1,523)	2,402	Planning Services	3,107	(1,200)	1,907	
43,892	(39,562)	4,330	Housing Services	43,202	(40,358)	2,844	
8,362	(8,234)	128	Highways and Transport Services	3,221	(6,086)	(2,865)	
2,331	(84)	2,247	Corporate and Democratic Core	2,361	(64)	2,297	
0	(12,367)	(12,367)	Non Distributed Cost	731	0	731	
0	0	0	Housing Revenue Account - Self Financing Payment	56,884	0	56,884	5
92,020	(19,651)	72,369	Housing Revenue Account - Other	23,994	(21,199)	2,795	
189,094	(94,149)	94,945	Cost of Services	164,022	(82,954)	81,068	
		1,153	Other operating expenditure			93	9
		547	Financing and investment income and expenditure			(1,857)	10
		0	Surplus / deficit of discontinued operations			0	
		(22,129)	Taxation and non-specific grant income			(16,831)	11
		74,516	(Surplus) or Deficit on Provision of Services			62,473	

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2010-2011			2011-2012			Notes
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000	£'000	£'000	£'000	
		(1,024)			(8,044)	
		(41)			0	
		(32,491)			22,447	
		<u>(33,556)</u>			<u>14,403</u>	
		40,960			76,876	

BALANCE SHEET

The 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 of the authority. The first category of reserves is 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 can only be used to finance capital expenditure or repay debt). The second category of reserve is those that are not able to be used to provide services. This includes reserves that hold unrealised gains and losses where amounts would only become available if the asset was sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Restated 2009-2010 £'000	Restated 2010-2011 £'000		2011-2012 £'000	Notes
359,804	287,799	Property, Plant and Equipment	292,629	12
42,579	42,284	Investment Property	42,093	13
21,782	21,782	Heritage Assets	22,436	14
1,757	1,278	Intangible Assets	915	17
45	0	Assets Held for Sale	0	23
0	1,733	Long Term Investments	1,187	
6,089	6,283	Long Term Debtors	6,290	
<u>432,056</u>	<u>361,159</u>	Total Long-Term Assets	<u>365,550</u>	
84	195	Inventories	156	19
14,972	10,221	Short-Term Debtors	6,922	21
14,008	2,767	Short-Term Investments	1,018	
206	45	Assets Held for Sale	45	23
<u>1,069</u>	<u>(368)</u>	Cash & Cash Equivalents	<u>1,089</u>	22
<u>30,339</u>	<u>12,860</u>	Total Current Assets	<u>9,230</u>	

BALANCE SHEET

Restated 2009-2010 £'000	Restated 2010-2011 £'000		2011-2012 £'000	Notes
(21,809)	(15,035)	Short-Term Borrowing	(8,028)	
(9,292)	(10,862)	Short-Term Creditors	(14,011)	24
<u>(31,101)</u>	<u>(25,897)</u>	Total Current Liabilities	<u>(22,039)</u>	
0	0	Long term borrowing	(56,906)	
(706)	(515)	Capital Grants Receipts in Advance	(1,010)	
0	0	Other Long-Term Liabilities	0	
(46)	(47)	Long-Term Creditors	(53)	
(87,540)	(45,518)	Pension Scheme Liability	(69,606)	
<u>(88,292)</u>	<u>(46,080)</u>	Total Long-Term Liabilities	<u>(127,575)</u>	
<u>343,002</u>	<u>302,042</u>	Net Assets	<u>225,166</u>	
		Financed by:		
9,713	10,838	Usable Reserves	17,277	26
333,289	291,204	Unusable Reserves	207,889	27
<u>343,002</u>	<u>302,042</u>	Total Reserves	<u>225,166</u>	



**ANDREW STARK ACMA
ASSISTANT DIRECTOR FINANCE**

CASH FLOW STATEMENT

The 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 to the authority.

2010-2011 £'000		2011-2012 £'000	Notes :
74,516	Net (surplus) or deficit on the provision of services	62,473	
(81,050)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(16,827)	
918	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	2,151	
<u>(5,616)</u>	Net cashflows from Operating Activities	<u>47,797</u>	28
1,046	Investing Activities	4,657	29
6,007	Financing Activities	(53,911)	30
1,437	Net (Increase) or decrease in cash and cash equivalents	(1,457)	
1,069	Cash and cash equivalents at the beginning of the reporting period	(368)	
(368)	Cash and cash equivalents at the end of the reporting period	1,089	

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

GENERAL PRINCIPLES

The statement of accounts summarises the Authority's transactions for the financial year and its position at the end of the year. The Authority is required to prepare an annual Statement of Accounts by the Account and Audit Regulations 2011, 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 and the Service Reporting Code of Practice, supported by International Financial Reporting Standards (IFRS) and statutory guidance.

The accounts are compiled primarily on an historical cost basis modified by the revaluation of certain category of non-current assets and financial instruments.

QUALITATIVE CHARACTERISTICS OF FINANCIAL INFORMATION:

- **Relevance**

The objective of these financial statements is to provide information about the authority's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.

- **Reliability**

Financial information will be reliable if:

- it can be depended upon to reflect the substance of the transactions and other events that have taken place
- it is free from deliberate or systematic bias
- it is free from material error
- it is complete within the bounds of materiality
- it has been prudently prepared (under conditions of uncertainty)

- **Comparability**

Information in financial statements increases its usefulness if it can be compared with similar information about the body for some other period of time or with another body. This will depend on consistency and the adequacy of disclosures.

- **Understandability**

All reasonable efforts have been taken in the preparation of financial statements to ensure they are as easy to understand as possible.

- **Materiality**

An item is material to the accounts if its misstatement or omission might reasonably be expected to influence assessments of the authority's stewardship, economic decisions or comparisons with other entities based upon those financial statements.

NOTES TO THE FINANCIAL STATEMENTS

UNDERLYING ASSUMPTIONS

- Accruals

All financial statements other than the cashflow statement are produced on an accruals basis.

- Going Concern

These accounts are prepared on a going concern basis, i.e. the accounts are prepared on the assumption that the authority will continue in operational existence for the foreseeable future. This means in particular that the income and expenditure accounts and balance sheet assume no intention to curtail significantly the scale of operation.

- Primacy of Legislative Requirements

Local Authorities derive their power from statute and their financial and accounting framework is closely controlled by primary and secondary legislation. To the extent that treatments are prescribed by law the accounting concepts outlined above may not apply in all cases. It is a fundamental principle of local authority accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall apply.

ACCOUNTING POLICIES

ACCRUALS OF INCOME AND EXPENDITURE

The revenue accounts of the Council are maintained on an accruals basis, that is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

Customer and client receipts

Customer and client receipts in the form of sales, fees, charges and rents are accrued for when it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority.

Supplies

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.

Services (including services provided by employees)

Expenses in relation to services received are recorded as expenditure when the services are received rather than the payments made.

Interest

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.

NOTES TO THE FINANCIAL STATEMENTS

Creditors / 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. The Council is required to pool its Housing capital receipts (75% for dwellings, 50% for land) and reflect this in the Income and Expenditure Account. A de minimis level of £10,000 has been agreed in respect of all capital receipts and any receipts for the sale of an asset which total less are accounted for as income in the income & expenditure account.

CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty or notice of not more than 24 hours. Cash equivalents are investments that mature in one month 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 / LIABILITIES

Contingent assets / liabilities arise where an event has taken place, but the potential asset / obligation will only be confirmed by future, uncertain events not wholly within the control of the authority.

They are not recognised in the accounting statements, and are disclosed by way of a note to the Balance Sheet.

EMPLOYEE BENEFITS

Benefits Payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end, including wages and salaries, paid annual leave, paid sick leave, bonuses and non-monetary benefits for current employees. They are recognised as an expense in the year in which the employees render service. An accrual is made for the cost of holidays earned but not taken. The accrual is charged to the relevant service but reversed out through the Movement in Reserves Statement so that holiday benefits 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 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.

NOTES TO THE FINANCIAL STATEMENTS

Where the provisions involve enhancement of pensions, statutory provisions require the General Fund to be charged with the amount payable by the Authority in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, the notional debits and credits are replaced with the debits for the cash paid to the Pension Fund and pensioners.

Post employment Benefits

Exeter City Council participates in the Local Government Pension Scheme, which is administered by Devon County Council. The Local Government Pension Scheme is a defined benefit scheme based on a final pensionable salary.

The Pensions Fund's Actuary has provided updated figures for the year based on the last valuation in 2010.

The attributable scheme liabilities have been measured on an actuarial basis using the projected unit method – an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc and projections of future earnings for current employees. They are discounted to their value at current prices using a discount rates based on the indicative rate of return on the iBoxx AA rated over 15 year corporate bond index.

The assets attributed are included in the Balance Sheet at their fair value.

quoted securities – current bid price;
unquoted securities – professional estimate;
unitised securities - current bid price;
property – market value.

The surplus/deficit in a scheme is the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme liabilities. The City Council has recognised the liability to the extent that it reflects its legal or constructive obligation.

Any unpaid contributions to the scheme are presented in the balance sheet as a creditor due within one year.

The change in the defined benefit asset or liability is analysed into the following components:

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 costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – charged to the Comprehensive Income and Expenditure Statement;
interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid;

NOTES TO THE FINANCIAL STATEMENTS

expected return on assets – the annual investment return on the fund assets attributable to the Council, based on the average long term return;

gains and losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees;

actuarial gains and losses – changes in the net pensions liability that arise out of events not coincided with assumptions made at the last actuarial valuation;

contributions paid to the pension fund – cash paid as employer's contributions in settlement of liabilities.

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund (or directly to pensioners) in the year. In the movement in Reserves Statement, the 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.

Discretionary Benefits

The Council 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 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 adjusted to reflect such events, but disclosure of the nature and an estimate of the financial impact is disclosed in the notes to the accounts if material.

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

EXCEPTIONAL ITEMS

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Account or in the notes to the accounts, depending on how significant the items are to the understanding of the Authority's financial performance.

NOTES TO THE FINANCIAL STATEMENTS

FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and 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 in the year.

FINANCIAL ASSETS

Financial Assets are classified into two types:

Loans and Receivables

Assets that have fixed or determinable payments but are not quoted in an active market. They are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans made, 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 in the year.

However, the council has made a number of loans at less than market rates (soft loans). When they 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 of the outstanding principal. Interest is credited at a higher effective rate of interest than the rate receivable. Statutory provisions require that the impact on the General Fund Balance is the interest receivable and is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payment due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. In respect of sundry debtors, assets are considered to be impaired when they are six months old.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed, determinable payments annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

NOTES TO THE FINANCIAL STATEMENTS

Assets are maintained in the Balance Sheet at fair value, which for the investments held is the quoted market price.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payment due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement along with any accumulated gains / losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be reliably measured, the instrument is carried at cost.

FOREIGN CURRENCY TRANSLATION

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date of the transaction. Where amounts are outstanding at the year-end, they are converted at the spot exchange rate at 31 March.

Resulting gains and losses are recognised in the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

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 are not credited to the Comprehensive Income and Expenditure Statement until conditions attached have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential are required to be consumed by the Council as specified or they must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been met are held as creditors on the Balance Sheet. When the conditions have been met, 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. If the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve.

NOTES TO THE FINANCIAL STATEMENTS

Where it has been used it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account when they have been applied to fund capital expenditure.

Local Services Support Grant (LSSG)

LSSG is a general grant allocated by central government as additional revenue funding. It is non-ringfenced and is credited to taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Council Tax Income

The City Council is a Billing Authority. In this capacity, it acts as an agent for the major precepting authorities. The amount included in the Council's income & expenditure account for the year is the accrued income relating to the Council's share of the Council Tax income for the year. The difference between the income included within the Comprehensive Income and Expenditure Statement and the amount required by legislation to be credited to the General Fund is taken to the Council Tax Adjustment Account and included as a reconciling item in the Statement of Movement in General Fund Balance.

The Balance Sheet includes only those parts of the Council Tax debtor and creditor balances relating to the Council's share of the Council Tax income.

The Cashflow Statement includes on the Council's share of net cash received plus the net cash paid to major preceptors.

NNDR

The Council acts as an agent for the Government and as such does not recognise in the accounts any transactions relating to the collection of Business Rates, other than the Cost of Collection allowance awarded by the Government, and an accrual in respect of the under / over payment to the Government of cash received.

HERITAGE ASSETS

The Council has a number of Heritage Assets. Heritage Asset are recognised and measured at cost in line with the policies on property, plant and equipment. However, some of the measurement rules are relaxed.

The Council's Heritage Assets are accounted for as follows:
Property / Infrastructure / Statues – the Council owns a range of assets around the City which are of historic value. These include the Roman Wall, Underground Passages and a number of statues. 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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

INTANGIBLE ASSETS

Recognition

Purchased intangible assets (e.g. software licences) have been capitalised as intangible assets when it is expected that future economic benefits or service potential will flow to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and intended to be completed and it will generate future economic benefits or service potential by selling or using the asset.

Measurement

Purchased intangible assets have been capitalised 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.

Valuations

Intangible assets are only revalued where the fair value of the assets can be determined by reference to an active market. Intangible assets have not been revalued and are carried at amortised cost.

Amortisation

Intangible assets have been amortised on a systematic basis over their economic lives and charged to the relevant service in the Comprehensive Income and Expenditure Statement. A straight-line method has been chosen over five years with a nil residual value.

Disposals

The gain or loss on disposal of an intangible asset is the amount by which the disposal proceeds are more (gain) or less (loss) than the carrying amount of the asset. The gain / loss is charged to the Comprehensive Income and Expenditure Statement.

Impairment

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses are charged to the relevant service line in the Comprehensive Income and Expenditure Statement.

Where expenditure qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and the gain or loss on the disposal of assets is reversed out in the Movement in Reserves Statement and posted to either the Capital Adjustment Account or Capital Receipts Reserve.

INVENTORIES AND LONG TERM CONTRACTS

Inventories are valued at cost on a first in, first out (FIFO) basis. Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

INVESTMENT PROPERTIES

Recognition

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, based on the amount at which the asset could be exchanged between knowledgeable parties at arms length.

Valuations / Disposals

Investment properties are revalued annually with gains and losses on revaluation posted to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. The gain or loss on disposal of an investment property is treated in the same way as revaluation gains and losses.

Depreciation

Investment properties are not depreciated.

Income

Rental income is credited to the Financing and Investment Income line and results in a gain to the General Fund balance. However the gain or loss on revaluation or disposal assets is reversed out in the Movement in Reserves Statement and posted to either the Capital Adjustment Account or Capital Receipts Reserve.

LEASING

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.

Arrangements that do not have the legal status of a lease are accounted for under this policy where fulfilment of the arrangement is dependant on the use of specific assets.

The Council 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 charges as expenses in the period incurred.

NOTES TO THE FINANCIAL STATEMENTS

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.

Assets recognised under finance leases are accounted for using the same policies set out in the property, plant and equipment policy above. However depreciation is charged over the term of the lease where this is lower than the useful life.

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 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 in the Comprehensive Income and Expenditure Statement on a straight line basis regardless of the pattern of payments.

The Council as Lessor

Finance leases

Property, plant and equipment granted by the Council under a finance lease are written out of the Balance Sheet as a disposal at the commencement of the lease. The carrying amount is written off to the Other Operating Expenditure in the Comprehensive Income and Expenditure Statement and offset against the Council's net investment in the lease, with a matching long-term debtor in the Balance Sheet.

Lease rentals 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 Council is not allowed to increase the General Fund balance by this income and is required to treat the income as a capital receipt. Premiums are posted 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 values of the Assets do not form a charge against council tax and is appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

NOTES TO THE FINANCIAL STATEMENTS

Operating Leases

Where the Council grants an operating lease, the asset remains on the Council's Balance Sheet and rental income is credited to Other Operating Expenditure in the Comprehensive Income and Expenditure Statement on a straight line basis regardless of the pattern of payments. 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 costs of overheads, professional, technical and administrative support are charged to clients on a fixed fee, time or unit rate basis.

The costs of Corporate and Democratic Core and Non Distributed costs are shown separately on the Comprehensive Income and Expenditure Statement and not recharged to Services.

PROVISIONS

The Council sets aside provisions for future expenses. These are charged to the service in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation and held on the Balance Sheet.

Provisions are required to be recognised in the accounts when :

- the Council has a present obligation (legal or constructive) as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation and
- a reliable estimate can be made of the amount of the obligation.

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 if 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 to the opening balances and comparative amounts for the prior period.

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

PROPERTY, PLANT AND EQUIPMENT

Recognition

All expenditure on the acquisition creation or enhancement of property, plant and equipment is capitalised on an accruals basis in the accounts. Expenditure is capitalised, provided that the property, plant and equipment yields benefits to the authority and the services it provides, for a period of more than one year. Repairs and maintenance is charged as an expense when it is incurred.

NOTES TO THE FINANCIAL STATEMENTS

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 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 credited to the Comprehensive Income and Expenditure Statement, they are reversed out in the Movement in Reserves Statement to the Capital Adjustment Account.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost;
- Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- All other assets – fair value of the asset in its existing use (EUV) Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used;
- Where non-property assets with short useful lives / low values, depreciated historical cost is used as a proxy for fair value;

Valuations

When an asset is included in the balance sheet at fair value, it is formally revalued at intervals of not more than five years and the revised amount should be included in the balance sheet. This full valuation is performed on a rolling basis to cover all relevant fair value assets over a five-year cycle. Interim valuations are undertaken in order to update asset valuations with any material changes. 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 there is insufficient balance, the carrying amount of the asset is written down against the relevant service in the Comprehensive Income and Expenditure Statement.

NOTES TO THE FINANCIAL STATEMENTS

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.

Disposals

The gain or loss on disposal of a non-current asset is the amount by which the disposal proceeds are more (gain) or less (loss) than the carrying amount of the fixed asset. The gain / loss is charged to the Comprehensive Income and Expenditure Statement. Any revaluation gains in the Revaluation Reserve relating to the disposed assets are transferred to the Capital Adjustment Account.

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, revalued immediately and carried at the lower of this amount and fair value less costs to sell. Losses in fair value are charged to the Comprehensive Income and Expenditure Statement. Gains are recognised only up to the amount of any previous charges. Depreciation is not charged.

If an asset no longer meets the criteria, they are re-classified as 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 of the date of the decision not to sell.

Assets to be abandoned / scrapped are not reclassified.

Depreciation

The following policies are used for depreciation:

Each year an estimate of depreciation for HRA dwellings is calculated in accordance with proper practices and then considered in the context of the Major Repairs Allowance (MRA). The Council's own calculated figure for depreciation is charged where there is a material difference to the MRA.

- Freehold land and Community Assets are not depreciated
- Newly acquired assets are depreciated from 1 April following their purchase.
- Full year depreciation is charged in the year an asset is disposed of.
- A reducing balance method of depreciation is used for vehicles and assumes the following life expectancies – this is a change in policy, which will better reflect the consumption of the economic benefits of the assets:

<u>Acquisition value</u>	
£10,000 - £14,999	6 years
£15,000 - £19,999	7 years
£20,000 - £49,999	6 years
Over £50,000	7 years

NOTES TO THE FINANCIAL STATEMENTS

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

Plant and equipment	5 to 10 years
Infrastructure assets	20 years
Operational properties	up to 60 years (unless otherwise specified by the Head of Estates)

In calculating the depreciation of assets, the value depreciated is the difference between the value of the asset and its residual value. The residual value is calculated along the following lines:

Vehicles (cost £10,000 - £14,999)	12%
Vehicles (cost £15,000 - £19,999)	11%
Vehicles (cost £20,000 - £49,999)	12%
Vehicles (cost over £50,000)	4%
Plant and Equipment	Nil
Infrastructure assets	Nil
Operational properties	Specified by the Head of Estates

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.

Impairment

Impairment reviews are undertaken each year to assess whether there is evidence of a reduction in an assets value. Where impairment is identified as part of this review or as a result of a valuation exercise, this 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 there is insufficient balance, the carrying amount of the asset is written down against the relevant service in the Comprehensive Income and Expenditure Statement.

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.

NOTES TO THE FINANCIAL STATEMENTS

REVENUE CHARGES FOR NON-CURRENT ASSETS

Services, support services and trading accounts 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 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.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue expenditure funded from capital under statute (REFCUS) represents payments that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset. REFCUS has been charged 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.

RESERVES

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure is incurred, it is charged to the appropriate service and the reserve appropriated back into the General Fund Balance in the Movement in Reserves Statement 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, retirement and employee benefits and do not represent usable resources for the Authority.

The usable Capital Receipts Reserve can be used to meet expenditure designated as expenditure for capital purposes; the Revenue Reserves can be used to meet capital and revenue expenditure.

NOTES TO THE FINANCIAL STATEMENTS

The Major Repairs Reserve for Housing Revenue Account (HRA) assets can only be used for improvements and major repairs to HRA properties and is funded by a transfer from the HRA.

RELATED COMPANIES

The City Council's interest in and financial relationship with, related companies are explained in the Group Accounts. The Accounting Code of Practice requires local authorities with material interests in subsidiary and associated companies to prepare group accounts. A local authority group comprises the local authority and its interests in companies, which would be regarded as its subsidiaries or associates if the local authority were subject to The Companies Act. Further information on the accounting policies is contained in the Group Account Section of the Accounts.

VAT

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

2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom 2012-13 (the Code) has introduced a change in accounting policy in relation to IFRS 7 Financial Instruments: Disclosures. It covers the disclosure of transfers of financial assets that are not derecognised by the Council and will need to be adopted fully by the authority in the 2012-13 financial statements.

The amendment requires the disclosure of both assets that have been transferred but not derecognised, or assets derecognised but in which the Council has continuing involvement

The Council has reviewed its financial assets and it has no financial assets which will require disclosure under the Standard.

NOTES TO THE FINANCIAL STATEMENTS

3. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies, the Council has had to make certain judgements about complex transaction or those involving uncertainty about future events. The critical judgements made are:

- There is a high degree of uncertainty over the future levels of funding for local government. However the Council has determined that this uncertainty is not yet sufficient to provide an indication of impairment as a result of the need to close facilities.
- The Council has £5 million deposited with Glitnir and Landsbanki banks which are in administration. The Supreme Court in Iceland has confirmed that the Council has the status of preferred creditor. Although over £3million has been repaid, the timing of future repayments from Landsbanki is uncertain. Current legal advice assumes repayments will continue over a number of years into the future.
- The Council is the main trustee of the Exeter Canal and Quay Trust and the sole shareholder of Exeter Business Centre. It has been determined that the Council has control of both organisations and they are included in the Council's Group Accounts.

NOTES TO THE FINANCIAL STATEMENTS

4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimates based on assumptions made about the future or that are otherwise uncertain. Estimates take into account historical experience, current trends and relevant factors. However as there is uncertainty, material results could emerge. The items in the Council's Balance Sheet, for which there is a significant risk of material adjustment are as follows:

Item	Uncertainties	Effect if actual result differs from assumptions
Pensions Liabilities	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.	The effects of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate would result in a decrease of £3.740m in the pension liability and £0.143m in the Projected Service Cost. However the assumptions interact in a complex way. During the year the actuaries have amended the liability by £21.957m as a result of assumptions being corrected as a result of experience or being updated.
Arrears	At the Balance Sheet date, the Council had a balance of £6.922m for sundry debtors. Impairment of doubtful debts totalling £1.699m has been made, but in the current economic climate it is not certain that this will be sufficient.	If collection rates were to deteriorate a doubling of the amount of impairment would lead to an additional £1.699m being set aside.

NOTES TO THE FINANCIAL STATEMENTS

5. MATERIAL ITEMS OF INCOME AND EXPENSE

The Housing Revenue Account (HRA) made a one-off debt settlement payment to the Department for Communities and Local Government (DCLG) of £56.884m on 28 March as part of the implementation of the HRA self-financing scheme. The Council will no longer be required to pay over Housing Subsidy to the Government.

Statute requires this revenue transaction to be written out of revenue and treated as capital expenditure. The Council has borrowed £56.884m from the PWLB over fifty years, to finance this payment.

This has the effect of increasing the expenditure in the Housing Revenue Account by £56.884m. The transaction has been reversed out in the Movement in Reserves Statement to the Capital Adjustment Account.

6. EVENTS AFTER THE BALANCE SHEET DATE

The 2011-12 Statement of Accounts was authorised for issue by the Assistant Director Finance, A Stark ACMA, on 26 June 2012. Events after the 'authorised for issue' date have not been recognised in the 2011-12 Statement of Accounts. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figure in the financial statements and/or notes have been adjusted in all material respects to reflect the impact of this information.

NOTES TO THE FINANCIAL STATEMENTS

7. 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 Council in accordance with proper accounting practice to the resources specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	2010-2011						2011-2012					
	General Fund Balance (£'000)	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Unusable Reserves (£'000)	General Fund Balance (£'000)	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Unusable Reserves (£'000)
Adjustments involving the Capital Adjustment Account												
Reversal of items debited or credited to the CIES												
Charges for depreciation and impairment of non-current assets	(13,696)	(74,122)	0	0	0	87,818	(5,032)	(6,304)	0	0	0	11,336
Revaluation losses on Property, Plant and Equipment	0	0	0	0	0	0	0	0	0	0	0	0
Movements in the market value of Investment Properties	(560)	0	0	0	0	560	624	0	0	0	0	(624)
Amortisation of intangible Assets	(666)	(4)	0	0	0	670	(537)	(3)	0	0	0	540
Capital Grants and contributions applied	3,477	1,447	0	0	0	(4,924)	1,464	160	0	0	0	(1,624)
Movement in the Donated Assets Account	0	0	0	0	0	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(2,583)	0	0	0	0	2,583	(153)	(56,884)	0	0	0	57,037
Amounts of non-current assets written-off on disposal or sale as part of the gain/loss on disposal	(22)	(837)	0	0	0	859	(874)	(407)	0	0	0	1,281
Insertion of items not debited or credited to the CIES												
Statutory provision for the financing of capital investment	379	0	0	0	0	(379)	920	0	0	0	0	(920)
Capital expenditure charged against the General Fund and HRA balances	70	500	0	0	0	(570)	49	0	0	0	0	(49)

NOTES TO THE FINANCIAL STATEMENTS

	2010-2011						2011-2012					
	General Fund Balance (£'000)	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Unusable Reserves (£'000)	General Fund Balance (£'000)	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Unusable Reserves (£'000)
Adjustments involving the Capital Grants Unapplied												
Capital grants and contributions unapplied credited to the CIES	342	0	0	0	(342)	0	168	0	0	0	(168)	0
Application of grants to capital financing transferred to the Capital Adjustment	0	0	0	0	220	(220)	0	0	0	0	339	(339)
Adjustments involving the Capital Receipts Reserve												
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the CIES	53	884	(937)	0	0	0	1,406	755	(2,161)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	625	0	0	(625)	0	0	1,112	0	0	(1,112)
Contribution from the Capital Receipts Reserve towards admin costs of disposals	0	(19)	19	0	0	0	0	(10)	10	0	0	0
Contribution from the Capital Receipts Reserve towards the payment to the Government capital receipts pool	(495)	0	495	0	0	0	(291)	0	291	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(21)	0	0	21	0	0	(18)	0	0	18
Adjustments involving the Deferred Capital Receipts Reserve												
Transfer of Finance Lease Premium to I&E account	(64)	0	0	0	0	64	(64)	0	0	0	0	64

NOTES TO THE FINANCIAL STATEMENTS

	2010-2011						2011-2012					
	General Fund Balance (£'000)	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Unusable Reserves (£'000)	General Fund Balance (£'000)	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Unusable Reserves (£'000)
Adjustments involving the Financial Instruments Adjustment Account												
Amount by which finance costs charged to the CIES are different from the finance costs chargeable in year in accordance with statutory requirements	691	0	0	0	0	(691)	3	0	0	0	0	(3)
Adjustments involving the Pension Reserve												
Reversal of retirement benefits debited or credited to CIES	5,321	329	0	0	0	(5,650)	(5,177)	(286)	0	0	0	5,463
Employers pension contributions and direct payments to pensioners in the year	3,690	191	0	0	0	(3,881)	3,631	191	0	0	0	(3,822)
Adjustments involving the Council Tax Adjustment Account												
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	(18)	0	0	0	0	18	10	0	0	0	0	(10)
Adjustments involving the Accumulated Absences Account												
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	46	(34)	0	0	0	(12)	(29)	0	0	0	0	29
Adjustments involving the Major Repairs Reserve												
Reversal of Major Repairs Allowance credited to the HRA	0	0	0	0	0	0	0	1,502	0	(3,501)	0	1,999
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	0	0	0	0	0	0	352	0	(352)
Total Adjustments	(4,035)	(71,665)	181	0	(122)	75,641	(3,882)	(61,286)	(766)	(3,149)	171	68,912

NOTES TO THE FINANCIAL STATEMENTS

8. TRANSFERS TO / FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balances 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 2010 £'000s	Transfers in £'000s	Transfers out £'000s	Balance 31 March 2011 £'000s	Transfers in £'000s	Transfers out £'000s	Balance 31 March 2012 £'000s
General Fund							
New Homes Bonus	0	0	0	0	389	0	389
Strategic Review	0	175	0	175	0	(133)	42
Planning Delivery	570	0	(392)	178	0	(162)	16
Other Planning Reserves	237	24	0	261	47	(16)	292
Leisure Reserves	364	20	(149)	235	10	0	245
Economic Development	85	0	(50)	35	0	(1)	34
Housing GF Reserves	78	88	(46)	120	26	0	146
Redundancy Reserve	0	0	0	0	400	0	400
Other Earmarked Reserves	230	56	(126)	160	163	(17)	306
Total	1,564	363	(763)	1,164	1,035	(329)	1,870

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER OPERATING EXPENDITURE

	2010-11	2011-12
	£'000	£'000
Trading Account (surplus) / deficit	716	672
Payment to the Government's Housing Capital Receipt Pool	495	291
Gain / losses on the disposal of non-current assets	(58)	(870)
	1,153	93

11. TAXATION AND NON-SPECIFIC GRANT INCOME

	2010-11	2011-12
	£'000	£'000
Council tax income	(4,713)	(4,747)
Non-domestic rates	(10,557)	(7,089)
Non-ringfenced government grants	(1,593)	(3,203)
Capital grants and contributions	(5,266)	(1,792)
	(22,129)	(16,831)

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2010-11	2011-12
	£'000	£'000
Interest payable and similar charges	82	120
Pension interest cost and expected return on pension assets	2,863	1,722
Interest receivable	(380)	(45)
Income and expenditure in relation to investment properties and changes in their fair value	(2,146)	(3,403)
Other investment income	128	(251)
	547	(1,857)

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

Movement on balances

	Council Dwellings £'000s	Other Land and Buildings £'000s	Vehicles, Plant & Equipment £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Surplus Assets £'000s	Assets under Construction £'000s	Total Property, Plant and Equipment £'000s
Cost or valuation								
As at 1 April 2011	187,398	87,366	13,147	5,518	3,799	0	2,286	299,514
Additions	5,822	3,724	904	135	308		350	11,243
Donations								0
Revaluations - Revaluation Reserve	4,004	2,681						6,685
Revaluations - CIES								0
Derecognition - disposals	(412)		(372)					(784)
Derecognition - other								0
Reclassifications - held for sale								0
Other movements	1,920						(1,920)	0
At 31 March 2012	198,732	93,771	13,679	5,653	4,107	0	716	316,658
Depreciation and impairments								
At 1 April 2011		(1,838)	(8,098)	(1,779)				(11,715)
Depreciation Charge	(2,019)	(1,238)	(1,219)	(281)				(4,757)
Depreciation written out to Revaluation Reserve	860	599						1,459
Depreciation written out to CIES	1,154							1,154
Impairment - Revaluation Reserve	(144)	(43)						(187)
Impairment - CIES	(7,420)	(2,912)						(10,332)
Derecognition - disposals	4		345					349
Derecognition - other								
Other movements								
At 31 March 2012	(7,565)	(5,432)	(8,972)	(2,060)	0	0	0	(24,029)
Balance Sheet amount at 31 March 2012	191,167	88,339	4,707	3,593	4,107	0	716	292,629
Balance Sheet amount at 1 April 2011	187,398	85,528	5,049	3,739	3,799	0	2,286	287,799

NOTES TO THE FINANCIAL STATEMENTS

	Council Dwellings £'000s	Other Land and Buildings £'000s	Vehicles, Plant & Equipment £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Surplus Assets £'000s	Assets under Construction £'000s	Total Property, Plant and Equipment £'000s
Cost or valuation								
As at 1 April 2010	260,501	86,819	12,343	5,416	3,688	0	627	369,394
Additions	4,891	10,926	1,010	102	111		1,771	18,811
Donations								0
Revaluations - Revaluation Reserve	6	493						499
Revaluations - CIES								0
Derecognition - disposals	(638)		(207)					(845)
Derecognition - other		(1)						(1)
Reclassifications - held for sale								0
Other movements	112						(112)	0
At 31 March 2011	<u>264,872</u>	<u>98,237</u>	<u>13,146</u>	<u>5,518</u>	<u>3,799</u>	<u>0</u>	<u>2,286</u>	<u>387,858</u>
Depreciation and impairments								
At 1 April 2010		(1,201)	(6,886)	(1,502)				(9,589)
Depreciation Charge	(2,676)	(1,169)	(1,398)	(277)				(5,520)
Depreciation written out to Revaluation Reserve		531						531
Depreciation written out to CIES	2,669							2,669
Impairment - Revaluation Reserve								0
Impairment - CIES	(77,475)	(10,870)						(88,345)
Derecognition - disposals	8		187					195
Derecognition - other								0
Other movements								0
At 31 March 2011	<u>(77,474)</u>	<u>(12,709)</u>	<u>(8,097)</u>	<u>(1,779)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(100,059)</u>
Balance Sheet amount at 31 March 2011	<u>187,398</u>	<u>85,528</u>	<u>5,049</u>	<u>3,739</u>	<u>3,799</u>	<u>0</u>	<u>2,286</u>	<u>287,799</u>
Balance Sheet amount at 1 April 2010	<u>260,501</u>	<u>85,617</u>	<u>5,457</u>	<u>3,914</u>	<u>3,688</u>	<u>0</u>	<u>627</u>	<u>359,804</u>

NOTES TO THE FINANCIAL STATEMENTS

Depreciation

The following useful lives have been used in the calculation of depreciation:

- A reducing balance method of depreciation is used for vehicles and assumes the following life expectancies – this is a change in policy, which will better reflect the consumption of the economic benefits of the assets:

<u>Acquisition value</u>	
£10,000 - £14,999	6 years
£15,000 - £19,999	7 years
£20,000 - £49,999	6 years
Over £50,000	7 years

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

Plant and equipment	5 to 10 years
Infrastructure assets	20 years
Operational properties	up to 60 years (unless otherwise specified by the Head of Estates)

Capital Commitments

At 31 March 2012, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2012/13 budgeted to cost £8.806. Similar commitments at 31 March 2011 were £7.834 m. The major commitments are:

	£'000
Property refurbishment and improvement	7,280
New Construction	0
Infrastructure	784
Information Technology	280
Vehicles and equipment	<u>462</u>
	<u>8,806</u>

Revaluations

The Council carries out a rolling programme for the revaluation of property, plant and equipment's fair value at least every five years. The valuations have been carried out by the City Council's Chief Estates Officer, M Carson MRICS in accordance with the professional standards of RICS. Vehicles, plant and equipment valuations are based on current prices adjusted for the condition of the asset.

NOTES TO THE FINANCIAL STATEMENTS

The significant assumptions applied in estimating fair value are set out in the statement of accounting policies

	Council Dwellings £'000s	Other Land and Buildings £'000s	Vehicles, Plant & Equipment £'000s	Surplus Assets £'000s	Total £'000s
Carried at historical cost	-	-	-	-	-
Valued at fair value in:					
2011-12	191,167	-	-	-	191,167
2010-11	-	-	-	-	-
2009-10	-	-	-	-	-
2008-09	-	71,743	-	-	71,743
2007-08	292,846	-	-	-	292,846
2006-07	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

13. 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.

	2010-11	2011-12
	£'000	£'000
Rental income from investment property	3,647	3,669
Direct operating expenditure arising from investment property	(877)	(895)
Net gain / (loss)	2,770	2,774

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.

The following table summarises the movement in the fair value of investment properties over the year.

	2010-11	2011-12
	£000s	£000s
Balance at 1 April	42,579	42,284
Additions :		
Purchases	0	0
Construction	0	0
Subsequent expenditure	265	32
Disposals	0	(847)
Net gains / (losses) from fair value adjustments	(560)	624
Transfers:		
to/from Inventories	0	0
to/from Property, Plant & Equipment	0	0
Other changes	0	0
Balance at 31 March	42,284	42,093

NOTES TO THE FINANCIAL STATEMENTS

14. HERITAGE ASSETS – FIVE-YEAR SUMMARY OF TRANSACTIONS

	2010-11	2011-12
	£'000	£'000
Cost of Acquisitions		
Museum Exhibits	0	0
Guildhall	0	0
St Nicholas Priory	0	0
Total	0	0
Donated Assets		
Museum Exhibits	0	0
Guildhall	0	0
St Nicholas Priory	0	0
Total	0	0
Disposals		
Museum Exhibits	0	0
Guildhall	0	0
St Nicholas Priory	0	0
Total	0	0
Revaluation		
Museum Exhibits	0	572
Guildhall	0	76
St Nicholas Priory	0	6
Total	0	654

It is not practicable to provide the information for 2007-08 – 2009-10 as records were not kept at this time.

NOTES TO THE FINANCIAL STATEMENTS

15. FURTHER INFORMATION ON THE COLLECTIONS

St Nicholas Priory

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

Guildhall

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

Royal Albert Memorial Museum

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

Other Heritage Assets

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

NOTES TO THE FINANCIAL STATEMENTS

16. HERITAGE ASSETS – CHANGE IN ACCOUNTING POLICY REQUIRED BY THE CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM

The Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 introduced a change to the treatment in accounting for heritage assets. As set out in the Summary of Accounting Policies, heritage assets are now carried at valuation.

Previously heritage assets were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The Council's accounting policies for recognition and measurement of heritage assets are set out in the accounting policies in note 1 to the Financial Statements.

In applying the new accounting policy the Council has identified four broad categories of heritage asset. These are:

- Museum exhibits – carried at insurance valuation;
- Guildhall fine art – carried at insurance valuation;
- St Nicholas Priory artefacts – carried at insurance valuation;
- Various statues and infrastructure – not recognised as 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.

The Council has recognised, in 2011/12, an additional £22,435,520 that was not previously recognised in the Balance Sheet with a corresponding entry in the Revaluation Reserve.

The 1 April 2010 and 31 March 2011 Balance Sheet have been restated. There is no impact on the other Statements. The effects of the restatement are as follows:

	Original 01/04/2010 £'000	Restatement £'000	Restated 01/04/2010 £'000
Heritage Assets	0	21,782	21,782
Long-term Assets	410,825	21,782	432,607
Net Assets	321,771	21,782	343,553
Unusable reserves	312,058	21,782	333,840
Total Reserves	321,771	21,782	343,553
	Original 31/03/2011 £'000	Restatement £'000	Restated 31/03/2011 £'000
Heritage Assets	0	21,782	21,782
Long-term Assets	339,928	21,782	361,710
Net Assets	280,811	21,782	302,593
Unusable reserves	269,973	21,782	291,755
Total Reserves	280,811	21,782	302,593

NOTES TO THE FINANCIAL STATEMENTS

17. INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that it is not an integral part of a particular IT system and accounted for as part of Property, Plant and Equipment.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. All intangible assets have been given a five year useful life, with a nil residual value.

The carrying amount of intangible assets is amortised on a straight line basis and charged to either the relevant service or to IT Services and absorbed as an overhead across all service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service.

The movement on Intangible Asset balances during the year is as follows:

	2010-11 £000s	2011-12 £000s
Balance at 1 April		
Gross carrying amounts	6,872	7,037
Accumulated amortisation	(5,115)	(5,759)
Net carrying amount at 1 April	1,757	1,278
Additions :		
Internal development	83	27
Purchases	109	150
Assets reclassified as held for sale	0	0
Other disposals	(27)	0
Revaluations - increases / decreases	0	0
Impairment - Revaluation Reserve	0	0
Impairment - CIES	0	0
Impairment reversals - CIES	0	0
Amortisation charge	(644)	(540)
Other changes		
Balance at 31 March	1,278	915

NOTES TO THE FINANCIAL STATEMENTS

18. FINANCIAL INSTRUMENTS

Categories of financial instruments

The borrowing and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-term			Current		
	31 March 2010 £'000s	31 March 2011 £'000s	31 March 2012 £'000s	31 March 2010 £'000s	31 March 2011 £'000s	31 March 2012 £'000s
Financial liabilities at amortised cost	752	562	57,969	31,101	25,897	22,039
Financial liabilities at fair value through profit and loss	-	-	-	-	-	-
Total borrowings	<u>752</u>	<u>562</u>	<u>57,969</u>	<u>31,101</u>	<u>25,897</u>	<u>22,039</u>
Loans and Receivables	6,640	8,567	8,028	20,351	12,620	9,029
Available-for-sale financial assets	-	-	-	9,698	0	0
Total investments	<u>6,640</u>	<u>8,567</u>	<u>8,028</u>	<u>30,049</u>	<u>12,620</u>	<u>9,029</u>

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. The Council has not pledged any financial assets as collateral for liabilities or contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS

Financial Instruments gains / losses

The gains and losses in the Income and Expenditure Account and the Statement of Recognised Gains and Losses (STRGL) in relation to Financial Instruments for Investments and Borrowing are made up as follows.

	2010-2011				2011-2012			
	Financial Liabilities	Financial Assets		Total	Financial Liabilities	Financial Assets		Total
	Measured at Amortised Cost	Loans and Receivables	Available for Sale		Measured at Amortised Cost	Loans and Receivables	Available for Sale	
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Interest Expenses	82	0	0	82	120	0	0	120
Loss on Derecognition	0	0	41	41	0	0	0	0
Reduction in fair value	0	0	0	0	0	0	0	0
Impairment Losses	0	817	0	817	0	13	0	13
Total Expense	82	817	41	940	120	13	0	133
Interest Income	0	0	0	0	0	(50)	0	(50)
Interest income on impaired assets	0	(317)	0	(317)	0	0	0	0
Increase in fair value	0	0	0	0	0	0	0	0
Gains on Derecognition	0	0	0	0	0	0	0	0
Total income	0	(317)	0	(317)	0	(50)	0	(50)
Gains on Revaluation	0	0	0	0	0	0	0	0
Losses on Revaluation	0	0	0	0	0	0	0	0
Amounts recycled after impairment	0	0	0	0	0	(328)	0	(328)
Surplus/Deficit on Revaluation	0	0	0	0	0	(328)	0	(328)
Net (Gain)/Loss for the year	82	500	41	623	120	(365)	0	(245)

NOTES TO THE FINANCIAL STATEMENTS

Fair value of assets and liabilities carried at amortised cost

The main measurement bases used by the Council in preparing the treatment of Financial Instruments within its financial statement are as follows:

Financial Instrument	Basis of measurement	Note
Investments – fixed rate	Carrying value adjusted for interest owed at year end	Investments have both fixed term and fixed interest rates
Investments – Fund Manager	Treated as a Financial Instrument that is available-for-sale and measured at fair value as the fund is part of a portfolio of identified financial instruments that are managed together.	The Investment Fund held by the Fund Manager was closed on 22 February 2011. All unrecognised losses have been passed through the CIES
Soft Loans	Where material soft loans have been measured using an assumed effective interest rate of 8% for company loans and 6% for homeowner loans.	The only loans deemed material are the loans for private sector renewal.
Contractual Debt/payables	Held at invoiced or billed amount less an estimate of Impairment for the uncollectability of that debt.	
Long-term creditors / Capital Grants in Advance	Held at carrying value as it is considered highly unlikely, owing to historical experience, that they will require repayment.	

The Council in compiling its accounts assessed all its financial instruments and there were a number that were not considered material to make adjustment to the carrying value of the asset or liability. These include car loans to staff, and some other small soft loans.

NOTES TO THE FINANCIAL STATEMENTS

Financial Liabilities and assets represented by loans and receivables are carried in the Balance Sheet at amortised cost.

Comparison of the fair value of these instruments compared to the carrying value (amortised cost) can be assessed by calculating the present value of the cash flows that will take place over remaining term of the instruments, using the following assumptions:

- For Investments, such as fixed term deposits where the rate is fixed, the fair value has been assessed by using a discount rate for deposits of similar length with a comparable lender as at 31st March 2012;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The carrying amount and fair values for the Financial Instruments carried at amortised cost are shown in the table below.

	31 st March 2011		31 st March 2012	
	Carrying Amount £'000	Carrying Amount £'000	Carrying Amount £'000	Fair Value £'000
Financial Assets				
- Investments	0	0	0	0
- Fixed Term Investments	4,045	4,045	2,205	2,205
Sub Total - Note One	4,045	4,045	2,205	2,205
- Trade and other receivables	10,221	10,221	6,922	6,922
Financial Liabilities				
- Long term Creditors	(47)	(47)	(53)	(53)
- Capital Grants Received in Advance	(515)	(515)	(1,010)	(1,010)
- Trade and other payables	(10,862)	(10,862)	(14,011)	(14,011)
- Short-term Borrowing	(15,035)	(15,035)	(8,028)	(8,028)
- Long-term Borrowing	0	0	(56,884)	(61,009)

Note One: The fair value of the investments is the same as the carrying value as the only two investments held are the Icelandic investments, which have been impaired to their fair value.

NOTES TO THE FINANCIAL STATEMENTS

19. INVENTORIES

	Tourism		Corn Exchange		Exton Road		Other Stock		Total	
	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11	2011-12
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 1 April	16	30	5	7	49	144	14	14	84	195
Purchases	63	38	62	57	162	148	1	0	288	243
Expense in year	(49)	(45)	(60)	(59)	(67)	(177)	(1)	(1)	(177)	(282)
Written off balances	0	0	0	0	0	0	0	0	0	0
Reversals of write-offs in previous years	0	0	0	0	0	0	0	0	0	0
Balance at 31 March	30	23	7	5	144	115	14	13	195	156

20. CONSTRUCTION CONTRACTS

The Council has no construction contracts in respect of building assets for a third party in place at 31 March 2012.

NOTES TO THE FINANCIAL STATEMENTS

21. DEBTORS

	2010-11	2011-12
	£'000	£'000
Government Departments	5,248	1,905
Public Body	1,283	887
Housing Rents	277	243
Council tax	203	207
Sundry Debtors	5,055	5,379
	<u>12,066</u>	<u>8,621</u>
Provision for bad debts	(1,845)	(1,699)
Total Debtors	10,221	6,922

22. CASH AND CASH EQUIVALENTS

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

	2010-11	2011-12
	£'000	£'000
Cash held by the Council	10	6
Bank current accounts	(2,100)	(568)
Short-term call accounts	1,722	1,651
Total cash and cash equivalents	(368)	1,089

23. ASSETS HELD FOR SALE

	Current		Non-Current	
	2010-11	2011-12	2010-11	2011-12
	£'000s	£'000s	£'000s	£'000s
Balance at 1 April	206	45	45	0
Assets newly classified:				
Property, plant and equipment	0	0	0	0
Intangible assets	0	0	0	0
Other assets / liabilities	0	0	0	0
Revaluation losses	0	0	0	0
Revaluation gains	0	0	0	0
Impairment losses	0	0	0	0
Assets declassified:				
Property, plant and equipment	0	0	0	0
Intangible assets	0	0	0	0
Other assets / liabilities	0	0	0	0
Assets sold	(206)		0	0
Transfers between current and non-current	45	0	(45)	0
Other movements	0	0	0	0
Balance at 31 March	45	45	0	0

NOTES TO THE FINANCIAL STATEMENTS

24. CREDITORS

	2010-11	2011-12
	£'000	£'000
Government Departments	1,658	4,848
Public bodies	1,085	1,166
Sundry Creditors	8,119	7,997
	10,862	14,011

25. PROVISIONS

The Council has an excess of £2,500 for public liability claims.

	Injury and Damage Compensation claims	Injury and Damage Compensation claims
	2010-11	2011-12
	£'000	£'000
Balance at 1 April	106	45
Additional provisions made	8	31
Amounts used	(28)	(15)
Unused amounts reversed	(41)	(11)
Balance at 31 March	45	50

26. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 7 and 24.

	2010-11	2011-12
	£'000	£'000
General Fund Balance	4,193	4,285
Housing Revenue Account	3,918	5,793
Capital Receipts Reserve	130	896
Major Repairs Reserve	0	3,149
Earmarked Reserves	1,164	1,892
Capital Grants Unapplied	1,433	1,262
Balance at 31 March	10,838	17,277

NOTES TO THE FINANCIAL STATEMENTS

27. UNUSABLE RESERVES

	2010-11	2011-12
	£'000	£'000
Revaluation Reserve	45,791	53,154
Capital Adjustment Account Available for sale Financial Instrument Reserve	285,554	219,061
Financial Instrument Adjustment Account	0	0
Deferred Capital Receipts Reserve	(45)	(41)
Pensions Reserve	5,889	5,806
Collection Fund Adjustment Account	(45,518)	(69,606)
Accumulated Absences Account	(18)	(7)
	(449)	(478)
Total Unusable Reserves	291,204	207,889

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). 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

	2010-11	2011-12	
	£'000	£'000	£'000
45,312 Balance at 1 April			45,791
1,031 Upward revaluation of assets		8,199	
Downward revaluation of assets and impairment losses not charged (35) to CIES		(188)	
996 Surplus / deficit on revaluation			8,011
Difference between fair value depreciation and historical cost (491) depreciation		(648)	
(26) Accumulated gains on assets sold		0	
(517) Amount written off to CAA			(648)
45,791 Balance at 31 March			53,154

NOTES TO THE FINANCIAL STATEMENTS

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2010-11 £'000	2011-12	
	£'000	£'000
(41) Balance at 1 April		0
Upward revaluation of investments		
Downward revaluation of		
0 investments not charged to CIES	0	0
Accumulated gains on assets sold		
and maturing assets written out to		
41 CIES	0	0
0 Balance at 31 March		0

Capital Adjustment Account

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

NOTES TO THE FINANCIAL STATEMENTS

2010-11 £'000	2011-12	
	£'000	£'000
370,781		285,554
		Charges for depreciation and
(87,818)	(11,336)	impairment of non-current assets
		Revaluation losses on Property,
0	0	Plant and Equipment
(670)	(540)	Amortisation of intangible Assets
		Revenue expenditure funded from
(2,583)	(57,037)	capital under statute
		Amounts of non-current assets
		written-off on disposal or sale as
(859)	(1,281)	part of the gain/loss on disposal
<u>278,851</u>		<u>(70,194)</u>
		Adjusting amounts to Revaluation
545		reserve
		<u>648</u>
		Net amount written out of the cost
279,396		216,008

2010-11 £'000	2011-12	
	£'000	£'000
		Capital finance applied in year:
625	1,112	Use of Capital receipts reserve
0	(1,615)	Use of the Major Repairs Reserve
		Capital Grants and contributions
4,924	1,624	applied - CIES
		Capital Grants and contributions
		applied - Capital Grants Unapplied
220	339	Account
		Statutory provision for financing
379	920	capital
		Capital Expenditure charged
		directly to the General Fund and
570	49	HRA
<u>6,718</u>		<u>2,429</u>
		Movements in the market value of
(560)		Investment Properties
		Movement in the Donated Assets
0		Account
<u>285,554</u>		<u>219,061</u>
		Balance at 31 March

NOTES TO THE FINANCIAL STATEMENTS

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account 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 statute.

2010-11 £'000	2011-12 £'000	£'000
(736) Balance at 1 April		(45)
Premiums incurred in year and 0 charged to CIES	0	
Proportion of premiums incurred in previous years to be charged to 0 General Fund	0	
0		0
Amount by which finance costs charged to CIES differ from finance 691 costs charged in year under statute	4	
691		4
(45) Balance at 31 March		(41)

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 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 debit 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.

2010-11 £'000	2011-12 £'000	£'000
(87,540) Balance at 1 April		(45,518)
32,491 Actuarial gains/losses		(22,447)
Reversal of items relating to 5,650 retirement benefits in the CIES		(5,463)
Employers pension contributions 3,881 and direct payments to pensioners		3,822
(45,518) Balance at 31 March		(69,606)

NOTES TO THE FINANCIAL STATEMENTS

Deferred Capital Receipts Reserve

The Deferred Capital Receipts 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 eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2010-11 £'000	2011-12 £'000	
	£'000	£'000
5,974		5,889
(64)	(64)	
(21)	(19)	
		(83)
5,889		5,806
Balance at 31 March		

Collection Fund Adjustment Account

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

2010-11 £'000	2011-12 £'000	
	£'000	£'000
0		(18)
(18)	11	
		11
(18)		(7)
Balance at 31 March		

NOTES TO THE FINANCIAL STATEMENTS

Accumulated Absences Account

The Accumulated Absences 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.

2010-11 £'000	2011-12 £'000	£'000
(461) Balance at 1 April		(449)
Settlement / cancellation of 461 previous year's accrual	449	
(449) Amounts accrued at the end of	(478)	
Amount by which remuneration charged to CIES differs from remuneration charged for the year		
12 under statute		(29)
(449) Balance at 31 March		(478)

28. CASHFLOW STATEMENT – OPERATING ACTIVITIES

	2010-11 £'000	2011-12 £'000
Net (surplus) / deficit on provision of Services	74,516	62,473
Depreciation	(5,520)	(4,756)
Impairment	(85,641)	(8,579)
Amortisation	(670)	(540)
bad debt impairment	(689)	(13)
pension liability	9,531	(1,641)
carrying amount of non-current assets sold	(859)	(434)
movement in investment properties	(560)	(223)
capital grants applied	4,924	1,624
Finance Lease income	(64)	(64)
Other	0	(16)
Movement in Inventories	111	(39)
Movement in Debtors	(2,600)	544
Movement in Creditors	987	(2,690)
less		
Items classified elsewhere	918	2,151
	(5,616)	47,797

NOTES TO THE FINANCIAL STATEMENTS

29. CASHFLOW STATEMENT – INVESTING ACTIVITIES

	2010-11	2011-12
	£'000	£'000
Purchase of non-current assets	16,687	12,885
Purchase of short and long-term investments	6,000	47,009
Other payments for investing activities	0	0
Proceeds from the sale of non-current assets	(918)	(2,151)
Proceeds of short and long-term investments	(15,761)	(49,619)
Other receipts for investing activities	(4,962)	(3,467)
Net cash flows from investing activities	1,046	4,657

30. CASHFLOW STATEMENT – FINANCING ACTIVITIES

	2010-11	2011-12
	£'000	£'000
Cash receipts of short and long-term borrowing	(46,050)	(72,384)
Other receipts for investing activities	(1,133)	(4,027)
Cash payments for the reduction of liabilities relating to finance leases	0	0
Repayments of short and long-term borrowing	52,850	22,500
Other payments for financing activities	340	0
Net cash flows from investing activities	6,007	(53,911)

NOTES TO THE FINANCIAL STATEMENTS

31. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- not all charges are made in relation to capital expenditure (revaluation and impairment losses in excess of the balance on the Revaluation Reserve are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

The income and expenditure of the Council's Directorates recorded in the budget reports for the year are as follows:

	2010-11	2011-12
Directorate Net Expenditure	£'000	£'000
Community & Environment	13,414	12,235
Economy & Development	229	(2,548)
Corporate Services	6,420	6,160
HRA	0	0
less		
Notional Capital Charges	(3,246)	(3,255)
IAS Pension Adjustment	(497)	40
Net Expenditure	16,320	12,632

NOTES TO THE FINANCIAL STATEMENTS

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2010-11	2011-12
	£'000	£'000
Net expenditure in the Directorate analysis	16,320	12,632
Net expenditure of services not included in the analysis	(8,286)	4,026
Amounts in the CIES not reported to management in the analysis	87,652	65,964
Amounts included in the analysis not included in the CIES cost of services	(741)	(1,554)
Cost of Services in CIES	94,945	81,068

NOTES TO THE FINANCIAL STATEMENTS

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Directorate Analysis	Services & Support Services not in analysis	Amounts not reported to management for decision making	Amounts not included in CIES	Allocation of recharges	Cost of services	Corporate Amounts	Total
2011-12	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees & charges	(36,696)					(36,696)		(36,696)
Interest & Investment income						0	(1,130)	(1,130)
Income from Council Tax						0	(4,747)	(4,747)
Government grants & contributions	(49,724)					(49,724)	(12,084)	(61,808)
Total Income	(86,420)	0	0	0	0	(86,420)	(17,961)	(104,381)
Employees	19,695	771		(679)		19,787		19,787
Other expenses	77,357		57,385	(875)		133,867	672	134,539
Support Service recharges						0		0
Depreciation, amortisation & impairment	2,000	3,255	8,579			13,834		13,834
Interest payments						0	120	120
Payments to Housing Pool						0	291	291
Gain / loss of disposal of assets						0	(1,717)	(1,717)
Total Expenditure	99,052	4,026	65,964	(1,554)	0	167,488	(634)	166,854
Surplus / deficit on the provision of services	12,632	4,026	65,964	(1,554)	0	81,068	(18,595)	62,473

NOTES TO THE FINANCIAL STATEMENTS

	Directorate Analysis	Services & Support Services not in analysis	Amounts not reported to management for decision making	Amounts not included in CIES	Allocation of recharges	Cost of services	Corporate Amounts	Total
2010-11	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees & charges	(42,075)					(42,075)		(42,075)
Interest & Investment income						0	465	465
Income from Council Tax						0	(4,713)	(4,713)
Government grants & contributions	(48,275)					(48,275)	(17,416)	(65,691)
Total Income	(90,350)	0	0	0	0	(90,350)	(21,664)	(112,014)
Employees	21,811	(11,841)		(552)		9,418		9,418
Other expenses	82,224		2,023	(189)		84,058	716	84,774
Support Service recharges						0		0
Depreciation, amortisation & impairment	2,635	3,555	85,629			91,819		91,819
Interest payments						0	82	82
Payments to Housing Pool						0	495	495
Gain / loss of disposal of assets						0	(58)	(58)
Total Expenditure	106,670	(8,286)	87,652	(741)	0	185,295	1,235	186,530
Surplus / deficit on the provision of services	16,320	(8,286)	87,652	(741)	0	94,945	(20,429)	74,516

NOTES TO THE FINANCIAL STATEMENTS

32. MEMBERS ALLOWANCES

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

	2010-11	2011-12
	£'000	£'000
Salaries	10	12
Allowances	232	246
Expenses	0	0
Total	242	258

33. OFFICERS REMUNERATION

The number of employees whose remuneration, was £50,000 or more in bands of £5,000 were:

Remuneration Band	Number of Employees	
	2010-11	2011-12
£50,000 - £54,999	2	4
£55,000 - £59,999	8	4
£60,000 - £64,999	5	4
£65,000 - £69,999	0	0
£70,000 - £74,999	0	0
£75,999 - £79,999	0	0
£80,000 - £84,999	3	3
£85,000 - £89,999	0	0
£90,000 - £94,999	0	1
£95,000 - £99,999	0	0
£100,000 - £104,999	1	0
£105,000 - £109,999	0	0
£110,000 - £114,999	0	0
£115,000 - £120,000	0	0

NOTES TO THE FINANCIAL STATEMENTS

The table below sets out the remuneration of Statutory Officers and the Council's Strategic Management Team.

2011-12

Post	Remuneration	Bonuses	Expenses	Taxable Benefits	Total Remuneration	Employers Pension Contributions	Total
Chief Executive	93,941	0	241	0	94,182	19,258	113,440
Strategic Director (E&D)	81,746	0	162	0	81,908	16,758	98,665
Strategic Director (C&E)	81,495	0	0	0	81,495	16,707	98,202
Strategic Director (Corporate)	81,495	0	0	0	81,495	16,707	98,202
Assistant Director Economy	63,417	0	863	0	64,280	13,000	77,280
Assistant Director Environment	63,527	0	63	0	63,590	13,000	76,590
Assistant Director Business Transformation	63,417	0	52	0	63,469	13,000	76,469
Assistant Director Finance	60,416	0	0	2,872	63,288	12,385	75,673
Assistant Director City Development	59,529	0	0	0	59,529	12,203	71,732
Corporate Manager - Legal	58,520	0	71	0	58,591	11,974	70,565
Acting Assistant Director Housing	53,054	0	38	0	53,092	10,876	63,968
Assistant Director Public Realm	51,264	0	0	0	51,264	10,509	61,773

2010-11

Post	Remuneration	Bonuses	Expenses	Taxable Benefits	Total Remuneration	Employers Pension Contributions	Total
Chief Executive	104,343	0	83	0	104,426	21,390	125,816
Strategic Director (E&D)	81,495	0	58	0	81,553	16,707	98,260
Strategic Director (C&E)	81,495	0	0	0	81,495	16,707	98,202
Strategic Director (Corporate)	81,495	0	0	0	81,495	16,707	98,202
Assistant Chief Executive	63,300	0	85	0	63,385	12,977	76,362
Head Of Treasury Services	60,299	0	0	2,872	63,171	12,361	75,532
Head of Legal Services	58,745	0	72	0	58,817	12,020	70,837

In February 2012, the Council's Management underwent a major restructure. All Assistant Directors are now members of the Strategic Management Team. The Corporate Manager – Legal remains the Monitoring Officer for the Council. The Chief Executive post moved to four days a week. The Strategic Directors (C&E and Corporate) left the Council on 31 March 2012.

NOTES TO THE FINANCIAL STATEMENTS

34. AUDIT COSTS

In 2011-12 Exeter City Council incurred the following fees relating to external audit and inspection:

	2010-11	2011-12
	£'000	£'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	134	127
Fees payable to Audit Commission in respect of statutory inspection	8	0
Fees payable to Grant Thornton for the certification of grant claims and returns	20	31
Fees payable in respect of other services provided by the appointed auditor*	0	10
	162	168

* Charge for a review of the creditors process at the Council

35. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

	2010-11	2011-12
	£'000	£'000
Credited to Taxation and non-specific grant income		
Council taxpayers	(4,713)	(4,747)
Revenue Support Grant	(1,533)	(2,191)
Area Based Grant	(60)	0
New Homes Bonus	0	(389)
Council Tax Freeze Grant	0	(118)
Local Services Support Grant	0	(505)
NNDR	(10,557)	(7,089)
HLF Grant	(1,691)	(894)
HCA Grant	(1,003)	(338)
Other Capital Grants	(1,438)	(61)
Other Capital Contributions	(1,134)	(499)
Total	(22,129)	(16,831)
Credited to Services		
Benefit Subsidy	(42,805)	(45,160)
NNDR Cost of Collection	(229)	(228)
Supporting People	(323)	(280)
CT/HB Admin Grant	(898)	(874)
Other Grants	(4,020)	(3,026)
Total	(48,275)	(49,568)

NOTES TO THE FINANCIAL STATEMENTS

The Council 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 will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	2010-11	2011-12
	£'000	£'000
Capital Grants receipts in advance		
Crossmead Public Open Space	(50)	(103)
Land at Beacon Avenue	(96)	(97)
Leisure - St Pauls	(18)	(4)
Environmental Cont - Rydon Lane	(13)	(13)
Leisure Contribution - Cowick St	(12)	(12)
Builind improvement - Cowick St	0	(34)
Affordable Housing - Cowick St	0	(532)
Community Facility - Western Way	0	(8)
Other Grants	(7)	(207)
Total	(196)	(1,010)

36. 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 influence 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 effective control 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).

Council Members – have direct control over the council's financial and operating policies. No transactions were made with companies in which members had an interest

Officers – The Director Community & Environment is a trustee of the Exeter Citizens Advice Bureau to whom Council made grant payments of £103,679. The Director was not involved in any decision relating to the grant. All other senior Officers indicated nil returns.

Other public bodies – no disclosures

Companies – details can be found in the Group Accounts.

NOTES TO THE FINANCIAL STATEMENTS

37. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), 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.

	2010-11	2011-12
	£'000	£'000
Opening Capital Financing Requirement	10,361	22,400
Capital Investment		
Intangible Assets	192	176
Property, Plant and Equipment	18,811	11,209
Investment Properties	265	33
Long Term Debtors	427	203
Revenue Expenditure Financed by Capital Under Statute	2,640	57,982
Sources of Finance		
Capital Receipts	(775)	(1,212)
Government grants and other contributions	(8,487)	(3,260)
Sums set aside from revenue	(571)	(49)
Minimum Revenue Provision	(379)	(920)
Repayment of Long Term Debtors	(84)	(59)
Closing Capital Financing Requirement	22,400	86,503

NOTES TO THE FINANCIAL STATEMENTS

	2010-11	2011-12
	£'000	£'000
Explanation of movements in year		
Increase in underlying need to borrow (support by Government financial assistance)	0	0
Increase in underlying need to borrow (unsupported by Government financial assistance)	12,039	64,103
Assets acquired under finance leases		
Increase/(decrease) in Capital Financing Requirement	12,039	64,103

NOTES TO THE FINANCIAL STATEMENTS

38. LEASES

Council as a Lessee

Finance Leases

The Council has acquired a number of its investment properties and some small items of equipment on finance leases. However the items of equipment are below the Council's de minimis for treatment as capital expenditure and they have therefore been treated at operating leases, with the rental charge being charged to the relevant service within the net cost of services.

In respect of investment properties, there are eleven assets, which have been leased in under finance leases, owing to the length of the lease. However, none of the fifteen leases attracted 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. 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 Council therefore has no minimum lease payments in respect of finance leases.

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 property owners who have provided property on short term lease arrangements (3-5 years) for temporary accommodation. Rental payments made in the year amounted to £1,000,086 (2010-11 £981,547). Rental Payments due in 2012-13 can be broken down as follows:

Due to expire in 2012-13 (or on 1 year rolling agreements)	£43,869
2 – 5 Years	£948,390
5+ Years	0

NOTES TO THE FINANCIAL STATEMENTS

Council as a Lessor

Finance Leases

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

Twenty six of the leases were entered into prior to 2010 and therefore the Council has taken advantage of the statutory regulations allowing the income received to be retained as revenue income. The final lease has no annual rental payments; therefore there is no impact upon revenue income.

The gross investment is made up of the following amounts

	2010-11 £'000	2011-12 £'000
Finance Lease Debtor		
• Current	64	64
• Non-current	6,245	6,181
Unearned finance income	6,309	6,245
Unguaranteed Residual Value	11,758	11,758
Gross investment in Lease	18,067	18,003

Operating Leases

The Council leases out approximately 730 Commercial Premises. Investment income totalling £2,774,296 has been received in respect of these properties, during 2011-12 (£2,770,422 2010-11).

Note 13 sets out the value of the investment properties in the accounts. As they are investment properties, they are carried at their fair value and no depreciation is charged.

NOTES TO THE FINANCIAL STATEMENTS

39. IMPAIRMENT LOSSES

During 2011/12, the Council has recognised impairment losses of £6.266 million and £2.313 million in relation to its Council dwellings and operational land and buildings respectively.

The impairment of Council dwellings was charged to the Housing Revenue Account line in the Comprehensive Income and Expenditure Statement.

The impairment loss to operational land and buildings of £2.313 million mostly related to expenditure on properties which was charged to the Comprehensive Income and Expenditure Statement.

40. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2011-12, incurring liabilities of £460,157 in redundancy payments (£599,385 - 2010-11) and £401,456 in pension strain payments (£277,315 – 2010-11). The Council has been allowed to capitalise £460,157 of redundancy payments (£380,000 – 2010-11).

These are broken down as follows:

Band	Number of Employees 2011-12
Compulsory Redundancy	
Less than £20,000	21
£20,000 - £39,999	6
£40,000 - £59,999	1
£60,000 - £79,999	3
£80,000 - £99,999	1
Voluntary Redundancy	
Less than £20,000	0
£20,000 - £39,999	2
£40,000 - £59,999	0
£60,000 - £79,999	1
£80,000 - £99,999	0
£100,000 - £149,999	0
£150,000 - £199,999	1
£200,000 - £249,999	1

NOTES TO THE FINANCIAL STATEMENTS

41. DEFINED BENEFIT PENSION SCHEMES

- Exeter City Council participates in the Local Government Pension Scheme, which is administered by Devon County Council. The Local Government Pension Scheme is a defined benefit scheme based on a final pensionable salary, with index linked pensionable benefits.
- Although the Council only participates in the Local Government Pension Scheme, a number of early retirements mean that there is an element of unfunded liabilities for the Council to cover.
- 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 in 2010 rolled forward to take into account changes in the intervening period.

The most recent valuation was carried out as at 31 March 2010, and has been updated by independent actuaries to the Devon County Council Pension Fund to take account of the requirements of IAS 19 in order to assess the liabilities of the Fund as at 31 March 2012. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value.

Exeter City Council's contribution rate over the accounting period was 20.5% of pensionable pay. The contribution rates certified for Exeter City Council at 31 March 2010 valuation are as follows:

April 2011 to March 2012	20.5% of pensionable pay
April 2012 to March 2013	20.5% of pensionable pay
April 2013 to March 2014	20.5% of pensionable pay

These figures include the past service element of the contribution rate. The estimated value of employer contributions for 2012-13 is £3.889m.

The estimated asset allocation as at 31 March 2012 is as follows:

Asset Share	2010-11		2011-12	
	£'000	%	£'000	%
Equities	58,530	70	59,272	69
Gilts	14,214	17	15,462	18
Other Bonds	-	-	-	-
Property	4,181	5	5,154	6
Cash	5,853	7	5,154	6
Absolute Return Funds	836	1	859	1
Total	83,614	100	85,901	100

NOTES TO THE FINANCIAL STATEMENTS

The main assumptions used for the purposes of IAS 19 are as follows:

	2010-11	2011-12
Discount rate for scheme liabilities	5.5% pa	4.6% pa
Discount rate for pension cost	5.5% pa	4.6% pa
Rate of increase in salaries	5.0% pa	4.7% pa
Rate of increase in pensions in payment	2.7% pa	2.5% pa
Rate of increase in deferred pensions	2.7% pa	2.5% pa
Rate of inflation - RPI	3.5% pa	3.3% pa
- CPI	2.7% pa	2.5% pa
<i>Mortality assumptions</i>		
Longevity at 65 – current pensioners		
Men	20.3	20.5
Women	24.4	24.5
Longevity at 65 – future pensioners		
Men	22.4	22.5
Women	26.3	26.4
Rate of return on equities	7.4% pa	6.3% pa
Rate of return on government bonds	4.4% pa	3.3% pa
Rate of return on corporate bonds	5.5% pa	4.6% pa
Rate of return on property	5.4% pa	4.3% pa
Rate of return on other assets	3.0% pa	3.0% pa
Absolute Return Funds	5.0% pa	4.7% pa
Avg long term expected rate of return	6.5% pa	5.4% pa
Conversion of pension into lump sum		
Pre April 2008 permitted amount	50%	50%
Post April 2008 permitted amount	50%	50%

In accordance with IAS 19, Exeter City Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

The amounts charged to the Comprehensive Income & Expenditure Statement and reversed out in the Movement in Reserves Statement were as follows:

CIES	2010-11 £m	2011-12 £m
<i>Net Services Cost</i>		
Current Service Cost	3.854	3.010
Past Service Costs	(12.445)	-
Loss / (gain) on curtailment	0.078	0.731
<i>Financing and Investment Income and Expenditure</i>		
Interest Cost	8.016	7.110
Expected Return on Assets	<u>(5.153)</u>	<u>(5.388)</u>
	(5.650)	5.463
Movement in Reserves Statement		
Reversal of net charges	5.650	(5.463)
Employers contributions	3.881	3.822

NOTES TO THE FINANCIAL STATEMENTS

Assets are valued at fair value, principally market value for investments, and are reconciled as follows:

	2010-11	2011-12
	(£m)	(£m)
Opening fair value of assets	81.502	83.614
Expected return on assets	5.153	5.388
Actuarial gains / (losses) on assets	(2.375)	(2.727)
Contributions by the employer	4.114	3.889
Contributions by participants	1.199	0.986
Net benefits paid out	<u>(5.979)</u>	<u>(5.249)</u>
Closing fair value of assets	<u>83.614</u>	<u>85.901</u>

Reconciliation of the present value of scheme liabilities

	2010-11	2011-12
	(£m)	(£m)
Opening present value of liabilities	169.042	129.689
Current service cost	3.854	3.010
Interest cost	8.016	7.110
Contributions by participants	1.199	0.986
Actuarial (gains) / losses on liabilities	(34.076)	19.230
Net benefits paid out	(5.674)	(4.972)
Past service cost	(12.445)	-
Loss (gains) on curtailments	0.078	0.731
Unfunded pension payments	<u>(0.305)</u>	<u>(0.277)</u>
Closing present value of liabilities	<u>129.689</u>	<u>155.507</u>

The amounts recognised in the Other Comprehensive Income and Expenditure are:

	2010-11	2011-12
	(£m)	(£m)
Actual return less expected return on pension scheme assets	0.611	(2.727)
Experience gain (loss)	6.913	(0.035)
Changes in assumptions underlying the present value of the scheme liabilities	<u>24.177</u>	<u>(19.195)</u>
Total gain / (loss) in CIES	<u>31.701</u>	<u>(21.957)</u>

NOTES TO THE FINANCIAL STATEMENTS

The scheme history of asset values, present values of liabilities and surplus / deficit are shown below.

	2007-08	2008-09	2009-10	2010-11	2011-12
present value -liabilities	Restated (£m)	(£m)	(£m)	(£m)	(£m)
LGPS – Funded	(107.00)	(113.48)	(164.72)	(126.20)	(151.91)
LGPS – Unfunded	(4.13)	(4.06)	(4.33)	(3.49)	(3.60)
Fair Value of assets	75.38	61.24	81.51	84.17	85.90
Surplus / (deficit)					
LGPS – Funded	(31.62)	(52.24)	(83.21)	(42.03)	(66.01)
LGPS – Unfunded	(4.13)	(4.06)	(4.33)	(3.49)	(3.60)
Total surplus / (deficit)	(35.75)	(56.30)	(87.54)	(45.52)	(69.61)

NOTES TO THE FINANCIAL STATEMENTS

The actuarial gains identified as movements on the Pensions reserve can be analysed into the following categories as a percentage of the assets or liabilities for that year:

	2007-08	2008-09	2009-10	2010-11	2011-12
	(%)	(%)	(%)	(%)	(%)
Actual return less expected return on assets	(8.6)	(33.5)	20.3	(2.8)	(3.2)
Experience gains and losses on pension liabilities	0.5	(0.3)	0.2	7.6	0.0

NOTES TO THE FINANCIAL STATEMENTS

42. CHARITABLE AND TRUST FUNDS

The Council administers 5 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 Consolidated Balance Sheet.

The funds are:

	Value of fund at 1.4.11	Expenditure	Income	Value of fund at 31.3.12
	£'000	£'000	£'000	£'000
Reynolds Chard Bequest	354	0	12	366
Veitch Bequest	21	0	0	21
Dorothy Holman Trust	39	0	1	40
Bowling Green Marshes	1	(2)	0	(1)
Topsham Recreation Ground	17	0	0	17
	432	(2)	13	443

43. FINANCIAL INSTRUMENTS – INVESTMENTS IN ICELANDIC BANKS

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £5m deposited across 2 of these institutions, with varying maturity dates and interest rates as follows:

Amount Invested (£m)	Carry Value 01/04/11 (£m)	Repayment 2011-12 (£m)	Carry Value 31/03/12 (£m)	Impairment (£m)
£3.0	£2.426	£0.930	£1.822	(£0.326)
£2.0	£2.074	£1.681	£0.382	£0.011

NOTES TO THE FINANCIAL STATEMENTS

The current situation is set out below:

General

On 28 October 2011 the Icelandic Supreme Court ruled that UK local authorities' claims in the administrations of Glitnir and Landsbanki qualified as priority claims under Icelandic bankruptcy legislation, confirming the earlier decision of the Reykjavik District Court. The position as to the status of interest on UK local authorities' deposits maturing between 6 October 2008 and 22 April 2009 has also been fully resolved for Glitnir depositors and resolved for all but a handful of Landsbanki depositors. This means that the values of local authorities' claims in the Icelandic administrations qualifying for priority settlement are now final and will, at the very least, be equal to the value of the original deposit plus interest accrued to 22 April 2009 or, if earlier, the maturity date.

Glitnir Bank hf

After the decision of the Icelandic Supreme Court had been delivered, the Winding Up Board of Glitnir made a distribution proposal to priority creditors. This was accepted by all UK local authorities and implemented on 16 March 2012. Under the terms of the distribution proposal, payment of each depositor's claim (measured in ISK terms as at 22 April 2009) was made in a basket of currencies with conversions made using Central Bank of Iceland selling rates as at 22 April 2009. The distribution currencies were Icelandic kroner, Euros, US dollars, pounds sterling, and Norwegian krona. The weightings for the distribution currencies were determined based on the currencies of the adjusted assets held by Glitnir as at 30 September 2011.

The ISK amounts that have been distributed by the Glitnir Winding Up Board are held in escrow because, under the applicable currency controls operating in Iceland, the permission of the Central Bank of Iceland is required to release Icelandic kroner payments held within the Icelandic banking system⁴. The money held in the Glitnir Winding Up Board escrow account is, however, earning interest for the benefit of local authorities at a rate of 3.4%.

The Council received £1,680,752 converted into Sterling and has £382,567 in escrow (value at 31 March 2012).

Landsbanki Islands hf

After the decision of the Icelandic Supreme Court had been delivered, the Winding Up Board of Landsbanki made a distribution to priority creditors. This was implemented on 7 December 2011 for those local authorities whose deposits had been the subject of the test cases litigated in the Supreme Court, and on 17 February 2012 for all other local authority deposits. The February payments attracted interest from 7 December 2011 as the Winding Up Board of Landsbanki had held the relevant amounts in escrow since then. Under the terms of the distribution proposal, payment of each depositor's claim (measured in ISK terms as at 22 April 2009) was made in a basket of currencies with conversions made using Central Bank of Iceland selling rates as at 22 April 2009. The distribution currencies were Icelandic kroner, Euros, US dollars and sterling. The amount distributed is close to one-third of each qualifying creditor's priority claim.

NOTES TO THE FINANCIAL STATEMENTS

The Winding Up Board announced on 9 March 2012 that it anticipated that recoveries in the Landsbanki Administration would exceed the book value of recognised priority claims by around ISK 121bn, taking into account the sale of its holding in Iceland Foods. Estimated recoveries are some 9% higher than the value of priority claims and it is therefore now considered likely that UK local authorities will recover 100% of their deposits, subject to potential future exchange rate fluctuations.

Following the Iceland Foods sale, the Landsbanki Winding Up Board authorised a further distribution to priority creditors on 24 May 2012. The distribution was made wholly in sterling and the amount distributed was £850m. Taken together with the first distribution at the end of 2011, this raises the total amount distributed to approximately 43% (distribution percentages quoted by the Landsbanki Winding Up Board are based on the Board's understanding of Icelandic law, which may be subject to future legal challenge). The future pattern of distributions by the Landsbanki Winding Up Board is not known, although the Winding Up Board has published on its website an estimated schedule of recoveries by year, based on the position as at 31 December 2011.

As with Glitnir, Icelandic kroner distributions already made to authorities have been placed into escrow, earning interest at a rate of 3.35%,

The Council received £929,620 converted into Sterling during 2011-12 and has £21,695 in escrow (value at 31 March 2012). A further payment was received in May 2012 totalling £390,190.

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. As a result of the Council's exposure to Icelandic Banks, the Council's in-house criteria have been significantly tightened. This was approved by the Executive in December 2008 and re-approved on 10 February 2009. The latest Strategy was approved on 22 February 2012.

Deposits are not made with banks and financial institutions unless they are rated independently (by both Fitch and Moody's credit rating agencies) and based in the UK or are a local authority. There are a range of investment limits relating to both value and length of deposit depending on rating. For example institutions with the highest rating of rates F1+ have a maximum investment of £3 million for up to 364 days, while the lowest rating the Council will accept (F1 and P1) have a maximum investment of £1 million for up to 90 days.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

NOTES TO THE FINANCIAL STATEMENTS

	Amount at 31/03/2012	Historical experience of default	Historic experience adjusted for market conditions at 31/03/2012	Estimated maximum exposure to default and uncollectability
	£'000	%	%	£'000
Deposits with banks and other financial institutions	2,205	4.3	5	110
Trade and other Receivables – Sundry Debt	6,715	10	15	1,007
Other statutory debts	207	10	15	31
Total	9,127			1,148

NOTES TO THE FINANCIAL STATEMENTS

The Council has varying credit terms for customers. In reviewing the Council's sundry debt (not including Council Tax, Business Rates or money owed by the Government in respect of Business Rates etc): £1.7 m of its sundry debt out of the £3.0 m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	£'000
Less than 3 months	248
Three to six months	122
Six months to one year	461
More than one year	888
Total	1,719

Liquidity Risk

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. The Council has one long-term loan, taken out on 28 March 2012 to cover the HRA self-financing payment. This loan is due for repayment in 2062. There is a risk of having to replenish this loan at unfavourable interest rates.

All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

The Council is exposed to significant 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 Balance. Movements in the fair value of fixed rate investments will be reflected in the Other Comprehensive Income & Expenditure.

NOTES TO THE FINANCIAL STATEMENTS

The Council has a number of strategies for managing interest rate risk; however it has not borrowed using variable rate loans for many years. The Council has no long-term borrowing.

If on the 31 March 2012 the interest rates are 1% higher than the actual interest rates the financial impact would be:

Borrowing:

The Council's short term fixed rate borrowing as at 31/03/2012 was taken out over a maximum of one year. A 1% increase in interest rates would increase the cost by £80,000 over a year. The Council's long-term borrowing has been taken out over a period of 50 years and matures in 2062. A 1% increase in interest rates would increase the cost of borrowing by £568,840 a year.

Investments:

It is reasonable to assume that the Council's investments in "cash" accounts should increase by the change in interest rates. A 1% increase would generate an additional £16,510 over a year. In respect of the fixed term deposits of £2.2m an increase of 1% would have decreased the fair value by £22,050.

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Council does not generally invest in equity shares. The Council does have an interest in two companies but these do not lead to a share of profits or consist of an equity value on the Balance Sheet.

Foreign Exchange Risk

The Council has received a substantial recovery of the money it placed in Iceland. The repayments were made in a basket of currencies, based on foreign exchange rates at 22 April 2009. Most of the funds have been converted to Sterling; however some repayments were made in Icelandic Kroner. Currency restrictions in Iceland mean that the funds must remain in Iceland and are held in escrow. The funds have been revalued at 31 March 2012 and a foreign currency loss has been charged against the Comprehensive Income and Expenditure Statement. A further 1% reduction in the value of the Kroner will mean a reduction of £4,000 in the value of the investments.

NOTES TO THE FINANCIAL STATEMENTS

45. CONTINGENT ASSET

The Council has an outstanding insurance claim, which may result in the Council receiving a cash settlement in the future. The timing and value of the potential settlement is at this stage uncertain and no provision has therefore been made in the accounts.

HRA INCOME & EXPENDITURE ACCOUNT

2010-2011		2011-2012	
£'000	Income	£'000	£'000
(15,039)	Dwelling rents	(16,227)	
(435)	Non dwelling rents	(446)	
(489)	Charges for services and facilities	(680)	
0	Contributions towards expenditure	(5)	
(103)	HRA Subsidy receivable	(20)	
(16,066)	Total Income	(17,378)	
	Expenditure		
3,471	Repairs and maintenance	4,227	
3,522	Supervision and Management	3,325	
7	Rents, rates and other charges	7	
3,941	Negative HRA Subsidy payable	4,301	
77,469	Depreciation and impairment of fixed assets	8,307	
0	Debt management costs	29	
0	Self Financing Settlement Payment to DCLG	56,884	
25	Increase/(decrease) in bad debt provision	(23)	
88,435	Total Expenditure	77,057	
72,369	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	59,679	
147	HRA share of Corporate and Democratic Core		145
(713)	HRA Share of Past Service Cost		0
71,803	Net Cost of HRA Services		59,824

HRA INCOME & EXPENDITURE ACCOUNT

2010-2011		2011-2012
£'000		£'000
(28)	(Gain) or loss on sale of HRA fixed assets	(337)
	Interest payable and similar charges	31
(63)	Interest and investment income	(51)
164	Pensions interest cost and expected return on pensions assets	104
(1,447)	Capital Grants receivable	(160)
70,429	(Surplus) or deficit for the year on HRA services	59,411

Movement on the HRA Statement

2010-2011		2011-2012
£'000		£'000
(2,682)	Housing Revenue Account surplus brought forward	(3,918)
70,429	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	59,411
(71,665)	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(61,286)
(1,236)	(Increase) or decrease in the HRA Balance	(1,875)
(3,918)	Housing Revenue Account surplus carried forward	(5,793)

HRA – NOTES TO THE ACCOUNT

1. HRA DWELLINGS

	Flats	Houses and Bungalows	Total
At 31 March 2011	2,638	2,403	5,041
At 31 March 2012	2,656	2,391	5,047

2. VACANT POSSESSION VALUE OF DWELLINGS

At 1 April 2012 the vacant possession value of the dwellings was £611.473 million, this compares to the tenanted market value in the Balance Sheet of £190.090 million. The difference of £421.383 million represents the economic cost to the Government of providing council housing at less than open market rents.

3. COUNCIL'S OWN BUILD SCHEME

The Council's Own Build scheme involves the development of 21 homes at Sivell Place and Merlin Crescent. Whilst this development remains within the overall umbrella of the Housing Revenue Account, nevertheless the costs and incomes arising from the development are not part of the HRA subsidy system but are required to be financed and accounted for separately. The cost of servicing the borrowing will therefore be met from the rent income received from the completed dwellings.

4. MAJOR REPAIRS RESERVE

This is a reserve for the financing of major repairs and improvements to HRA assets. The movements during 2010-11 were as follows:

	2010-11	2011-12
	£'000	£'000
<u>Income</u>		
Balance at 1 April	0	0
Transfer from the HRA	3,343	3,501
	<u>3,343</u>	<u>3,501</u>
<u>Expenditure</u>		
HRA Consolidation Reversal	0	0
Financing HRA Capital Expenditure		
Land	0	0
Houses	3,343	352
Other Property	0	0
	<u>3,343</u>	<u>352</u>
Balance at 31st March	<u>0</u>	<u>3,149</u>

HRA – NOTES TO THE ACCOUNT

5. BALANCE SHEET VALUATIONS OF ASSETS

	Dwellings	Garages	Vehicles, Plant & Equipment	Intangible Assets	Assets Under Construction	Assets Held for Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2011	186,394	1,004	80	5	1,944	0	189,427
At 31 March 2012	190,090	1,076	109	2	706	0	191,983

Within the valuation of Council dwellings as at 31 March 2012 of £190.090m, £96.471m was attributable to the value of land (2010-11 £94.595m) and £93.619m to buildings (2010-11 £91.799m).

6. HRA CAPITAL EXPENDITURE

HRA capital expenditure amounted to £62.015m during 2011-12 (£4.352m 2010-11), the expenditure and sources of finance were as follows:

	Total Expenditure	Sources of Finance				
		Major Repairs Reserve	Revenue Contributions	Borrowing	Grants & Other Contributions	Capital Receipts
	£'000	£'000	£'000	£'000	£'000	£'000
Land	0	0	0	0	0	0
Houses	5,082	352	0	4,629	77	24
Other Property	49	0	0	49	0	0
HRA Self Financing Payment	56,884	0	0	56,884	0	0
	<u>62,015</u>	<u>352</u>	<u>0</u>	<u>61,562</u>	<u>77</u>	<u>24</u>
Council's Own Build Scheme	708			206	502	0
Total	<u>62,723</u>	<u>352</u>	<u>0</u>	<u>61,768</u>	<u>579</u>	<u>24</u>

HRA – NOTES TO THE ACCOUNT

7. 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:

	2010-11 £'000	2011-12 £'000
Land	0	0
Dwellings	879	755
Repayment of discounts	7	6
	<u>886</u>	<u>761</u>
Less amount pooled	<u>(495)</u>	<u>(291)</u>
	391	470

8. IMPAIRMENT CHARGES

Impairment charges of £6.266 million were debited to the HRA Income and Expenditure Account in 2011-12 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 Statement of Recommended Practice.

9. DEPRECIATION & AMORTISATION

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

	2010-11 £'000	2011-12 £'000
Intangible assets	4	3
Operational assets		
Dwellings	2,641	2,000
Garages	35	13
Equipment	19	18
Depreciation and amortisation charged for the period	<u>2,699</u>	<u>2,034</u>
Less depreciation written off in respect of disposals	(7)	(4)
Less depreciation written off in respect of revaluations	0	(843)
Less depreciation written off in respect of impairments	<u>(2,669)</u>	<u>(1,152)</u>
Total depreciation and amortisation	23	35

HRA – NOTES TO THE ACCOUNT

10. HOUSING REVENUE ACCOUNT SUBSIDY

The HRA Subsidy Determination calculates the annual subsidy receivable or payable by the local authority. HRA subsidy is paid to meet any shortfall between expenditure and income, based on a model of each authority's HRA. Where, according to this model, an authority's HRA income is greater than its HRA expenditure then the subsidy system collects the resulting 'negative subsidy' from the authority. The Council's 'negative subsidy' for 2011-12 was calculated as follows:

	2010-11 £'000	2011-12 £'000
Management and maintenance	8,201	8,487
Major Repairs Allowance	3,343	3,502
Rent	(15,410)	(16,235)
Interest	(75)	(51)
Subsidy amendment re settlement payment interest costs	0	20
HRA subsidy	<u>(3,941)</u>	<u>(4,277)</u>
Housing subsidy re prior year	103	(4)
Total Subsidy	<u>(3,838)</u>	<u>(4,281)</u>

11. RENT ARREARS

The rent arrears at 31 March 2012, amounted to £0.198m (31 March 2011, £0.255m) and the aggregate Balance Sheet provision in respect of uncollectable HRA debts is £0.136m (31 March 2011, £0.159m).

12. IAS 19 – DEFINED BENEFIT PENSION SCHEME

For further information please see Note 41 in the Notes to the Financial Statements.

13. SUMS DIRECTED BY THE SECRETARY OF STATE TO BE DEBITED OR CREDITED TO THE HRA

A payment of £56.884m was made to the Department for Communities and Local Government (DCLG) in preparation for the commencement of Housing Revenue Account self-financing from 1 April 2012, in accordance with the Settlement Payment Determination.

The Settlement Payment Determination set out the amount each local authority was required to either pay or receive from DCLG on 28 March 2012 to end the subsidy system.

This transaction has been identified separately as a material item of expenditure on the face of the HRA Income and Expenditure Statement.

COLLECTION FUND

This account reflects the statutory requirements for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund. The Collection Fund is consolidated with other accounts of the billing authority.

2010-2011		2011-2012	
£'000		£'000	£'000
	Income from:		
47,744	Council tax	48,164	
7,817	Transfers from General Fund: Council tax benefit	7,918	
63,274	Business ratepayers (Note 2)	69,119	
<u>118,835</u>			125,201
	Expenditure		
	Demands on the Fund by:		
5,934	Devon and Cornwall Police Authority	5,942	
2,720	Devon & Somerset Fire and Rescue Service	2,723	
42,305	Devon County Council	42,358	
4,722	Exeter City Council	4,737	
8	Surplus on Collection Fund	0	
	Business rates:		
63,045	Payments to national non domestic rate pool	68,891	
229	Costs of Collection	228	
	Council Tax Bad and Doubtful Debts:		
135	Write offs	171	
(60)	Provisions	30	
<u>119,038</u>			125,080
203	(Surplus) / Deficit		(121)
	Add		
2	Fund balance b/f		205
<u>205</u>	Fund Balance c/f		<u>84</u>

COLLECTION FUND

NOTES:

1. Council Taxbase

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 2011/12 were :

Band	Dwellings	Less Discounts	Conversion Factor	Band D equivalents
A relief	17	3	5/9ths	8
A	9,282	1,507	6/9ths	5,183
B	13,585	1,493	7/9ths	9,405
C	12,291	1,063	8/9ths	9,980
D	7,128	527	9/9ths	6,601
E	3,519	230	11/9ths	4,019
F	1,556	97	13/9ths	2,107
G	768	50	15/9ths	1,197
H	24	3	18/9 th s	<u>42</u>
Band D equivalent				38,542
Additional Taxbase due to reduction in discounts (Band D)				<u>175</u>
Total Band D equivalent				38,717
Collection rate @ 98%				<u>(774)</u>
Tax base				37,943

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 (£186.928m at March 2012) multiplied by a uniform rate 43.3p (42.6p for those receiving small business relief) for 2011-2012. The total amount, less certain reliefs and other deductions, is paid to a national pool (the NNDR pool) managed by Central Government.

GROUP ACCOUNTS

The City Council controls the majority voting rights in the following two companies. They are both limited by guarantee and no dividends have ever been paid by either of the companies. As they are 100% owned the City Council would be required to meet any deficit arising from the companies' activities.

(a) Exeter Business Centre Limited (EBC).

The company's activities relate to the letting of affordable industrial units for small businesses.

(b) Exeter Canal and Quay Trust Limited (ECQT)

The company has charitable status and its main objectives are to preserve and develop the Exeter Canal and Quay area. The assets of ECQT consist of Investment Properties, which earn income for the Trust. These assets are not the property of the City Council and are subject to charitable status. City Councillors sit on the Trust's board and therefore the Council has control over the charitable funds disclosed.

The requirements for group accounts are based on the provisions of IAS 27 Consolidated and Separate Financial Statements, which provide accounting provisions for the consolidation of subsidiaries in group accounts.

The Group accounts have been prepared using consistent accounting policies.

The main effect of this consolidation has been to increase the usable reserves by £2.073 million based on company accounts, which are subject to audit (in ECQT's case). Exeter Business Centre's accounts are considered exempt from audit under s.249(a)(2) of the Companies Act 1985.

There has been no qualification of ECQT's accounts. Copies of the company accounts can be obtained from the Assistant Director Finance at the Civic Centre.

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2010-2011				2011-2012		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Service	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
10,090	(8,523)	1,567	Central Services to the Public	12,053	(9,643)	2,410
20,160	(2,282)	17,878	Cultural and Related Services	10,752	(2,281)	8,471
8,366	(2,048)	6,318	Environmental and Regulatory Services	7,784	(2,262)	5,522
4,131	(1,699)	2,432	Planning Services	3,224	(1,382)	1,842
43,892	(39,562)	4,330	Housing Services	43,202	(40,358)	2,844
8,362	(8,234)	128	Highways and Transport Services	3,221	(6,086)	(2,865)
2,331	(84)	2,247	Corporate and Democratic Core	2,361	(63)	2,298
0	(12,367)	(12,367)	Non Distributed Cost	731	0	731
			0 Housing Revenue Account - Self Financing Payment	56,884	0	56,884
92,020	(19,651)	72,369	Housing Revenue Account - Other	23,994	(21,199)	2,795
189,352	(94,450)	94,902	Cost of Services	164,206	(83,274)	80,932
		1,153	Other operating expenditure			93
		547	Financing and investment income and expenditure			(1,857)
		0	Surplus / deficit of discontinued operations			0
		(22,129)	Taxation and non-specific grant income			(16,831)
		74,473	(Surplus) or Deficit on Provision of Services			62,337

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2010-2011			2011-2012		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000	£'000	£'000	£'000
		(1,130)			(8,039)
		(41)			0
		(32,491)			22,447
		<u>(33,662)</u>			<u>14,408</u>
		40,811			76,745
		Total Comprehensive Income and Expenditure			Total Comprehensive Income and Expenditure

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance (£'000)	Group I&E Account (£'000)	Earmarked Reserves (£'000)	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Total Usable Reserves (£'000)	Unusable Reserves (£'000)	Total Group Reserves (£'000)
Balance at 31 March 2010 carried forward	(3,845)	(1,894)	(1,564)	(2,682)	(311)	0	(1,311)	(11,607)	(335,225)	(346,832)
<i>Movement in Reserves 2010-11</i>										
(Surplus) / deficit on the provision of services	4,087	(43)	0	70,429	0	0	0	74,473	0	74,473
Other Comprehensive Income & Expenditure			0	0	0	0	0	0	(33,662)	(33,662)
Total Comprehensive Income & Expenditure	4,087	(43)	0	70,429	0	0	0	74,473	(33,662)	40,811
Adjustments between Accounting basis and funding basis under regulations (note 7)	(4,035)		0	(71,665)	181	0	(122)	(75,641)	75,641	0
Net Increase / Decrease before Transfers to Earmarked Reserves	52	(43)	0	(1,236)	181	0	(122)	(1,168)	41,979	40,811
Transfers to / from Earmarked Reserves	(400)		400	0	0	0	0	0	0	0
(Increase) / Decrease in 2010-11	(348)	(43)	400	(1,236)	181	0	(122)	(1,168)	41,979	40,811

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance (£'000)	Group I&E Account (£'000)	Earmarked Reserves (£'000)	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Total Usable Reserves (£'000)	Unusable Reserves (£'000)	Total Group Reserves (£'000)
Balance at 31 March 2011 carried forward	(4,193)	(1,937)	(1,164)	(3,918)	(130)	0	(1,433)	(12,775)	(293,246)	(306,021)
<i>Movement in Reserves 2011-12</i>										
(Surplus) / deficit on the provision of services	3,062	(136)	0	59,411	0	0	0	62,337	0	62,337
Other Comprehensive Income & Expenditure			0	0	0	0	0	0	14,408	14,408
Total Comprehensive Income & Expenditure	3,062	(136)	0	59,411	0	0	0	62,337	14,408	76,745
Adjustments between Accounting basis and funding basis under regulations (note 7)	(3,882)		0	(61,286)	(766)	(3,149)	171	(68,912)	68,912	0
Net Increase / Decrease before Transfers to Earmarked Reserves	(820)	(136)	0	(1,875)	(766)	(3,149)	171	(6,575)	83,320	76,745
Transfers to / from Earmarked Reserves	728		(728)	0	0	0	0	0	0	0
(Increase) / Decrease in 2011-12	(92)	(136)	(728)	(1,875)	(766)	(3,149)	171	(6,575)	83,320	76,745
Balance at 31 March 2012 carried forward	(4,285)	(2,073)	(1,892)	(5,793)	(896)	(3,149)	(1,262)	(19,350)	(209,926)	(229,276)

GROUP BALANCE SHEET

Restated 2009-2010 £'000	Restated 2010-2011 £'000		2011-2012 £'000	Notes
360,120	288,098	Property, Plant and Equipment	292,998	
44,419	44,229	Investment Property	44,033	1
21,782	21,782	Heritage Assets	22,436	
1,757	1,278	Intangible Assets	915	
45	0	Assets Held for Sale	0	
0	1,733	Long Term Investments	1,187	
6,640	6,283	Long Term Debtors	6,290	
<u>434,763</u>	<u>363,403</u>	Total Long-Term Assets	<u>367,859</u>	
84	195	Inventories	156	
15,015	10,278	Short-Term Debtors	7,273	
14,008	2,767	Short-Term Investments	1,018	
206	45	Assets Held for Sale	45	
2,231	838	Cash & Cash Equivalents	2,423	
<u>31,544</u>	<u>14,123</u>	Total Current Assets	<u>10,915</u>	

GROUP BALANCE SHEET

Restated 2009-2010 £'000	Restated 2010-2011 £'000		2011-2012 £'000	Notes
(21,809)	(15,035)	Short-Term Borrowing	(8,028)	
(9,374)	(10,941)	Short-Term Creditors	(14,143)	
<u>(31,183)</u>	<u>(25,976)</u>	Total Current Liabilities	<u>(22,171)</u>	
0	0	Long term borrowing	(56,906)	
(706)	(515)	Capital Grants Receipts in Advance	(1,010)	
0	0	Other Long-Term Liabilities	0	
(46)	(47)	Long-Term Creditors	(356)	
(87,540)	(45,518)	Pension Scheme Liability	(69,606)	
<u>(88,292)</u>	<u>(46,080)</u>	Total Long-Term Liabilities	<u>(127,878)</u>	
<u>346,832</u>	<u>305,470</u>	Net Assets	<u>228,725</u>	
		Financed by:		
11,607	12,775	Usable Reserves	19,350	
335,225	292,695	Unusable Reserves	209,375	
<u>346,832</u>	<u>305,470</u>	Total Reserves	<u>228,725</u>	



ANDREW STARK ACMA
ASSISTANT DIRECTOR FINANCE

GROUP CASHFLOW STATEMENT

2010-2011		2011-12	
£'000		£'000	Notes :
74,473	Net (surplus) or deficit on the provision of services	62,337	
(81,051)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(16,819)	
938	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	2,161	
(5,640)	Net cashflows from Operating Activities	47,679	
1,026	Investing Activities	4,647	
6,007	Financing Activities	(53,911)	
1,393	Net (Increase) or decrease in cash and cash equivalents	(1,585)	
2,231	Cash and cash equivalents at the beginning of the reporting period	838	
838	Cash and cash equivalents at the end of the reporting period	2,423	

GROUP NOTE TO THE ACCOUNTS

1. INVESTMENT PROPERTIES

	2010-11	2011-12
	£'000	£'000
Rental income from investment property	3,907	3,905
Direct operating expenditure arising from investment property	(978)	(1,084)
Net gain / (loss)	2,929	2,821

	2010-11	2011-12
	£000s	£000s
Balance at 1 April	44,419	44,229
Additions :		
Purchases		
Construction		
Subsequent expenditure	265	32
Disposals		(847)
Net gains / (losses) from fair value adjustments	(455)	619
Transfers:		
to/from Inventories		
to/from Property, Plant & Equipment		
Other changes		
Balance at 31 March	44,229	44,033

ANNUAL GOVERNANCE STATEMENT

1. SCOPE OF RESPONSIBILITY

- 1.1 Exeter City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. It 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.
- 1.2 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, which includes arrangements for the management of risk.
- 1.3 The City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on the Council's website. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(4) of the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control in accordance with proper practice. Proper practice has been defined as an Annual Governance Statement.

- 1.4 In accordance with the 2011/12 Code of Practice on Accounting, the Assistant Director Finance has reviewed the authority's financial management arrangements against the governance requirements of the CIPFA Statement of the role of the Chief Finance Officer in Local Government. He is satisfied that the Authorities financial management arrangements conform with each of the governance requirements.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 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 strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 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.

ANNUAL GOVERNANCE STATEMENT

2.3 The governance framework has been in place at Exeter City Council for the year ended 31 March 2012 and up to the date of approval of the Annual Statement of Accounts. The Council supports the six core principles set out in *The Good Governance Standard for Public Services (2004)* developed by the Independent Commission on Good Governance in Public Services. The following paragraphs describe the arrangements in place to meet the six core principles of effective governance.

3. PRINCIPLE ONE - FOCUSING ON THE PURPOSE OF THE AUTHORITY AND ON OUTCOMES FOR THE COMMUNITY AND CREATING AND IMPLEMENTING A VISION FOR THE LOCAL AREA

3.1 The Council aims to use resources effectively and provide high performing, value for money services that focus on customer needs.

3.2 We have a comprehensive performance management framework that supports the effective monitoring and management of performance. The main elements of our performance management arrangements are summarised below:-

- **The Exeter Vision** is the city's community strategy. It was written in consultation with key partners in the city. It sets out the priorities for the city.
- The Council's **Priorities** support the themes of the Exeter Vision. They are reviewed regularly.

- Each service compiles a **Service Plan**, which identifies its key priorities for the forthcoming year. They identify ways of increasing service contribution to the Council's priorities.
- Each member of staff has an **Annual Personal Appraisal** where they review performance against targets and set objectives for the forthcoming year.
- The availability of quality, timely, accurate and comprehensive performance information is critical for the Council's decision-making process. **Performance indicators** are used to inform decisions on the allocation of resources and the setting of priorities and targets. They are also used to compare the Council's performance with other councils and to enable external bodies and the public to scrutinise the effectiveness of the various services that are provided. The Council uses a combination of statutory, local and management indicators to monitor performance.
- Directors regularly review performance indicator results and progress against planned actions. These are also reviewed every six months by Scrutiny Committees. The Council uses integrated performance management software to help focus on managing performance as well as reporting on it. Performance information is available to all officers and Members on a regular basis.
- Finally, the website and the Exeter Citizen are used to communicate performance to the public. A summary of our key achievements and overall performance is distributed to all households in Exeter with Council Tax bills.

ANNUAL GOVERNANCE STATEMENT

- 3.3 A range of financial management measures are in place to ensure the effective use and management of resources including: -
- A medium-term financial plan covering both revenue and capital spend which provides a framework for the planning and monitoring of resource requirements.
 - A Capital Strategy that aims to ensure that investment is linked to Strategic Objectives. Bids for capital and other asset management funding require an effective 'business case' linked to Strategic Objectives, and progress in delivering projects is formally monitored by Councillors and Directorate Management Teams.
 - Financial stewardship is reported to Councillors quarterly, and is considered regularly by Directorate Management Teams. This is supported by an established budget monitoring process by managers and Accountancy staff.
 - Standing Orders and Financial Regulations contained within the Council's Constitution set out the overall framework that governs the management of the Council's finances.
- 3.4 The Council operates a complaints procedure and uses this to identify areas where service quality is not satisfactory, and to take action to improve.

- 4. PRINCIPLE TWO - MEMBERS AND OFFICERS WORKING TOGETHER TO ACHIEVE A COMMON PURPOSE WITH CLEARLY DEFINED FUNCTIONS AND ROLES**
- 4.1 The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. This is contained in the Council's Constitution which sets out how the Council operates and how decisions are made. In particular it sets out a clear statement of the roles of committees, the full council, members and senior officers.
- 4.2 The Constitution also includes a Member/Officer Protocol which describes and regulates the way in which Members and Officers should interact to work effectively together.
- 4.3 All Committees have clear terms of reference and work programmes to set out their roles and responsibilities. The Resources Scrutiny Committee provides assurance to the Council on the effectiveness of the governance arrangements, risk management and internal control arrangements.
- 4.4 The Council's Chief Executive (and Head of Paid Service) leads the Council's officers and chairs the Strategic Management Team.

ANNUAL GOVERNANCE STATEMENT

4.5 The Assistant Director Finance, as the s151 Officer, carries overall responsibility for the financial administration of the City Council.

4.6 The Monitoring Officer (Corporate Manager Legal Services) carries overall responsibility for regulatory compliance.

4.7 When working in partnership the Council will ensure that:-

Members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the Council

Representatives understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions.

5. PRINCIPLE THREE - PROMOTING VALUES FOR THE AUTHORITY AND DEMONSTRATING THE VALUES OF GOOD GOVERNANCE THROUGH UPHOLDING HIGH STANDARDS OF CONDUCT AND BEHAVIOUR

5.1 To ensure that members and officers exemplify good standards of behaviour the Council has in place appropriate codes of conduct. These clearly set out the standards of conduct and personal behaviour expected of members and officers. In particular, the codes put in place arrangements to ensure that members and officers of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.

5.2 The Council takes fraud, corruption and maladministration very seriously and has in place the following which aim to prevent or deal with such occurrences: -

Anti-fraud and Anti-corruption Strategy
Whistle Blowing Policy
Human Resources Policies and Procedures regarding the disciplining of staff involved in such occurrences
Fraud reporting facility on the website

5.3 The Council has a Standards Committee to advise the City Council on the adoption of Codes of Conduct with the aim of promoting and maintaining high standards of conduct by members and officers and the subsequent monitoring and updating of the codes.

5.4 The Council has a complaints procedure in place to receive and investigate any complaints that are made.

6. PRINCIPLE FOUR - TAKING INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY AND MANAGING RISK

6.1 The Council's Constitution sets out how the Council operates and the processes for policy and decision making.

ANNUAL GOVERNANCE STATEMENT

- 6.2 The full Council, comprising 40 Members, meets several times each year to decide the Council's overall policies and set the budget. In addition to recommending major strategies to the Council, the Executive is responsible for the most significant and day to day decisions which are not delegated to officers. There are three scrutiny committees which scrutinise the work of the Executive and the Council as a whole. They consider issues and review services within their remit and make recommendations to the Executive and the Council on its policies, budget and service delivery issues. Scrutiny Committees also monitor the decisions of the Executive and can in certain circumstances "call-in" a decision which has been made but not yet implemented.
- 6.3 The Forward Plan, which is published on a monthly basis, identifies key decisions which are likely to be made, either by the Executive or the Council, in the following four month period.
- 6.4 Other decisions are made by officers under delegated powers. The list of decisions made by officers in consultation with portfolio holders is maintained by Member Services, to whom completed delegated powers forms are sent. The decisions are also recorded on the Council's intranet. A record of delegated decisions in relation to staffing matters is maintained by Human Resources.
- 6.5 Policies and procedures governing the Council's operations include:-
- Financial Regulations and Standing Orders
 - Data Protection
 - Corporate Procurement
 - Risk Management
 - Freedom of Information
 - Business Continuity
- 6.6 Internal Audit is an independent appraisal function that reviews all of the Council's activities, both financial and non-financial. Internal Audit provides a service to the whole Council in order to provide assurance on the arrangements for risk management, internal control and corporate governance, and to provide advice to support achievement of best practice.
- 6.7 Exeter City Council is committed to the effective management of risk at every level within the Council. A Risk Management Policy has been established that states the Council's objectives, approach, procedures and responsibilities. To support the policy, risk management procedures have been produced that explain how the Council's risk management process works. The procedures show the various documents used, and explain how the risk analysis form should be completed. The Council's risk management process is audited on a regular basis by its Internal Auditors using the enhanced systems based auditing approach they devised.

ANNUAL GOVERNANCE STATEMENT

6.8 The Council maintains a corporate risk register but for reporting purposes it also maintains a summary risk register that does not include the 'low' risk ratings. Its purpose is for reporting half-yearly to the Scrutiny Committee - Resources the 'High' and 'Medium' risks, mitigating actions agreed and taken, etc. so that risk management progress can be monitored. Reports are also made to the Executive and the other two Scrutiny Committees on an annual basis.

6.9 Financial management processes and procedures are set out in the City Council's Financial Regulations and include the following:-

- Financial Management Responsibilities
- Financial Planning
- Control of Expenditure and Income
- Banking Arrangements
- Disposal of Assets
- Insurance
- Orders and Payment for Goods, Work or Services

7. PRINCIPLE FIVE - DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS

7.1 The Council aims to ensure that members and officers of the Council have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well trained and competent people in effective service delivery. All new members and officers undertake an induction to familiarise them with the policies, procedures, values and aims of the Council. The Council has also signed up to the South West Charter for elected Member Development.

7.2 There is a Councillor Development Framework which broadly outlines the skills and knowledge required by Councillors to perform their different roles and provides an indication of how they might carry them out effectively. It is not intended to be exhaustive or prescriptive but to provide a structure for officers to develop learning & development programmes and act as a prompt for new and existing Councillors to identify areas where they need support. This support could be in the form of information, training, facilitated workshops, coaching and mentoring, or opportunities to learn from observation. The framework is designed to be flexible, so that Councillors can work with officers to identify the most effective methods to meet learning development needs.

ANNUAL GOVERNANCE STATEMENT

7.3 The Council has also developed its own Councillors' Information Portal. This gives members access via the intranet to a wide range of information on a range of key topics.

7.4 The Council recognises that the quality of the services provided by the Council depends on the quality of its employees. The Appraisal and Development Scheme is the way in which employees and their managers can identify their training and development needs and one way in which managers can talk to their staff about their work and the work of the Council.

7.5 A full programme of training and development is available to all managers to provide them with the understanding, knowledge and skills to carry out their managerial responsibilities effectively. This is managed centrally to achieve cost savings while enhancing equality of opportunity of accessing resources.

8. PRINCIPLE SIX - ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY

8.1 As a community leader the City Council works with numerous partners to contribute to the overall quality of life in the city, but it is also concerned with providing the highest quality public services and the widest access to those services. Individual services are continuously assessing service levels and making improvements in line with legislative requirements and customer feedback.

8.2 The Council has a continuous programme of consultation and engagement with its residents and communities which informs its activity. A range of methods are employed to ensure that it hears the views of all our residents. These include:

- Wavelength - a citizens' panel which is made up of 1000 people representing all sections of the community.
- Community Forums – these give all citizens the chance to talk to the Council and partner agencies about issues that concern them.
- Surveys – used to obtain detailed feedback about services.
- Focus groups – used to obtain detailed feedback about services.
- Exhibitions and roadshows – used to launch new ideas and initiatives.

9. REVIEW OF EFFECTIVENESS

9.1 The City 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 managers within the Council who have responsibility for the development and maintenance of the governance environment, the work of the internal auditors and also by comments made by the external auditors and other review agencies and inspectorates.

ANNUAL GOVERNANCE STATEMENT

9.2 The processes for maintaining and reviewing the effectiveness of the governance framework are: -

- Executive is responsible for considering overall financial and performance management and receives comprehensive reports throughout the year.
- Scrutiny Committee Resources monitors the overall financial performance of the Council and also discharges the functions of an audit committee including monitoring the effectiveness of risk management. Risk management reports and financial stewardship reports are also presented to both Scrutiny Committee Economy and Scrutiny Committee Community as appropriate.
- Annual reviews of the Council's key financial and non financial systems by Internal Audit against known and evolving risks
- Cyclical reviews by Internal Audit of internal controls in operation within each service area against known and evolving risks
- Annual service planning to align service development against Strategic Objectives
- The Monitoring Officer provides assurance that the Council has complied with its statutory and regulatory obligations

- Half-yearly reports to the Council's Scrutiny Committee - Resources on the work of and recommendations made by the Internal and the External Auditors
- 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, update of the Council's Financial Regulations and Standing Orders

10. SIGNIFICANT GOVERNANCE ISSUES

10.1 The following steps have been undertaken during the year to further improve our Corporate Governance Arrangements: -

- Completed a budget consultation exercise to identify spending priorities.
- Complied with the Government's request to provide financial transparency by publishing spending information over £500 and senior salaries online.

ANNUAL GOVERNANCE STATEMENT

- Continued to review our consultation and engagement practices across the council and have developed an action plan to look at additional ways to provide more support and training to services, work more collaboratively with the community and voluntary sector, celebrate learning and best practice, and engage citizens through online media.
- Addressed recommendations made by the Council’s external auditors in their Annual Audit and Inspection Report and other reports as appropriate.
- A joint review is to be undertaken by Treasury Services and Internal Audit staff to identify issues with, and improve the robustness and effectiveness of, the creditors’ system of internal controls.
- Reviewed the areas for improvement identified in the annual assurance statement by the Head of Internal Audit namely:-

Risk Management – the roll-out programme has continued to roll out risk management to each of the Council’s services in order to embed risk management throughout the Council.

Reduction in Government Funding and Cuts to Services – Highlighted the need to ensure that systems of internal control including separation of duties are not compromised by reductions in staffing resources.

As a result of a review of our overall arrangements, the following have been identified as actions over the coming year: -

- Review the Council’s corporate priorities following the new organisational structure.
- Revise the performance framework.
- Address recommendations made by the Council’s external auditors.

11. CERTIFICATION

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Signed:

**Chief Executive
20 September 2012**

Leader of the Council

AUDITORS REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EXETER CITY COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Exeter City Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Exeter City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Assistant Director, Finance and auditor

As explained more fully in the Statement of the Assistant Director, Finance's Responsibilities, the Assistant Director, Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Director, Finance];

AUDITORS REPORT

and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Exeter City Council as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects

AUDITORS REPORT

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

AUDITORS REPORT

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, we are satisfied that, in all significant respects, Exeter City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

.....

Barrie Morris

Senior Statutory Auditor, for and on behalf of Grant Thornton UK LLP

Hartwell House, 55-61 Victoria Street, Bristol, BS1 6FT

Date.....

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

GLOSSARY OF TERMS

Accounting Period	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local authority accounts.	Balances	Working balances are reserves needed to finance expenditure in advance of income from debtors, precepts and grants. Any excess may be applied at the discretion of the authority, to reduce future demands on the Collection Fund or to meet unexpected costs during the year. Balances on holding accounts and provisions are available to meet expenditure in future years without having adverse effect on revenue expenditure.
Accounts	A generic term for statements setting out details of income and expenditure or assets and liabilities or both, in a structured manner. Accounts may be categorised either by the type of transactions they record, e.g. revenue account, capital accounts or by the purpose they serve, e.g. management accounts, final accounts, balance sheets.	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. manpower resources.
Accruals	Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made / received at the balance sheet date.	Capital Financing	The raising of money to pay capital expenditure. In the past the cost of capital assets was usually met by borrowing, but capital expenditure may also be financed by other means such as leasing, contributions from revenue accounts, the proceeds from the sale of capital assets, capital grants and contributions from developers or others.
Actual	Actual, as opposed to budget, expenditure and income directly attributable to an accounting period, generally referred to as actuals.		
Audit	An independent examination of an organisation's activities, either by internal audit or the organisations external auditor.		

GLOSSARY OF TERMS

Capital Grants	Government grant towards capital expenditure on a specific service or project.	Debtor	An amount due to an organisation within the accounting period not received at the balance sheet date.
Collection Fund	This is a statutory fund kept separate from the main accounts of the Council. It records all income due from the Council Tax, National Non Domestic Rates and Revenue Support Grant and shows the precept payments due to Devon County Council, Devon Police Authority, Devon Fire & Rescue Authority and Exeter City Council.	Deferred Liabilities	This represents the liability for principal repayments on finance leases.
Contingent Liability	A liability which exists at the balance sheet date where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events, for example, the default by a borrower on a loan from a third party for which the authority has given a guarantee.	Depreciation	The theoretical loss in value of an asset, owing to age, wear and tear, deterioration, or obsolescence.
Creditor	Amounts owed by the Authority for work done, goods received or services rendered within the accounting period, but for which payment was not made at the balance sheet date.	Employee Costs	These include salaries, wages and allied national insurance and superannuation costs payable by the City Council, together with training expenses and charges relating to the index-linking of pensions of former employees.
Current Assets	Assets that can be expected to be consumed or realised during the next accounting period.	Final Accounts	Accounts prepared for an accounting period, usually in a summarised form. These accounts show 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 (final accounts and balance sheet) as specified in the Accounts and Audit Regulations 2011.
Current Liabilities	Amounts that will become due or could be called upon during the next accounting period.		

GLOSSARY OF TERMS

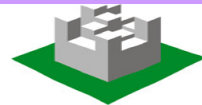
Finance Lease	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.	Non-Current Assets	Assets that can be expected to be of use or benefit to the Authority in providing its service for more than one accounting period.
Financial Year	The local authority financial year commences 1 April and finishes 31 March the following year.	Operating Lease	A lease under which ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.
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.	Precepts	The amount that a Precepting Authority (e.g. a County Council) requires from a Charging Authority to meet its expenditure requirements.
Interest	An amount received or paid for the use of a sum of money when it is invested or borrowed.	Revenue Expenditure Financed by Capital under Statute	Expenditure which has been legally capitalised but which does not produce a fixed asset for the council, e.g. renovation grants for homeowners.
Inventories	Items of raw materials and stores an authority has procured to use on a continuing basis which it has not used.	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.
Minimum Revenue Provision	The minimum amount that must be charged to an authority's revenue accounts and set aside as a provision for credit liabilities. It is calculated by applying a percentage of outstanding debt in accordance with the Council's approved policy.		
National Non Domestic Rates (NNDR)	The NNDR poundage is set annually by central government and collected by Charging Authorities. The proceeds are redistributed by the government between Local Authorities in proportion to their population.		

GLOSSARY OF TERMS

Value for Money An expression describing the benefit obtained (not just in financial terms) for a given input of cash.

The phrase 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 Audit Commission is required to consider value for money with the three objectives of economy of input, efficiency of operation and effectiveness of output in service provision.

Work in Progress The cost of work done on an incomplete project at a specified date which has not been recharged to the appropriate account at that date.



Exeter City Council

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