

AUDIT AND GOVERNANCE COMMITTEE

Date: Wednesday 24 September 2014
Time: 5.30 pm
Venue: Rennes Room, Civic Centre, Paris Street, Exeter

Members are invited to attend the above meeting to consider the items of business.

If you have an enquiry regarding any items on this agenda, please contact Sharon Sissons, Democratic Services Officer (Committees) on 01392 265115 or email sharon.sissons@exeter.gov.uk

Entry to the Civic Centre can be gained through the Customer Services Centre, Paris Street.

Membership -

Councillors Sheldon (Chair), Baldwin (Deputy Chair), Bowkett, Brock, Donovan, Henson, Laws, Lyons, Morris, Raybould and Williams

Agenda

Part I: Items suggested for discussion with the press and public present

9 Final Statement of Accounts 2013/14

To consider the report of the Assistant Director Finance.

(Pages 3 -
126)

10 Management Representation Letter to the External Auditor in respect of the 2013/14 Statement of Accounts - (To follow)

To consider the report of the Assistant Director Finance.

(Pages
127 - 130)

Date of Next Meeting

The next **Audit and Governance Committee** will be held on Wednesday 3 December 2014 at 5.30 pm

Find out more about Exeter City Council by looking at our website <http://www.exeter.gov.uk> . This will give you the dates of all future Committee meetings and tell you how you can ask a question at a Scrutiny Committee meeting. Alternatively, contact the Democratic Services Officer (Committees) on 01392 265107 for further information.

Follow us:

www.twitter.com/ExeterCouncil

www.facebook.com/ExeterCityCouncil

Individual reports on this agenda can be produced in large print on request to Democratic Services (Committees) on 01392 265111

This page is intentionally left blank



Exeter City Council

STATEMENT OF ACCOUNTS

2013-2014

CONTENTS

Explanatory Foreword	2	HRA Statement of the Movement in HRA Balance	90
Statement of Responsibilities for the Statement of Accounts	12	HRA Notes to the Account	91
Movement in Reserves Statement	13	Collection Fund	95
Comprehensive Income & Expenditure Statement	15	Group Accounts	97
Balance Sheet	17	Annual Governance Statement	106
Cashflow Statement	19	Auditor's Report	115
Notes to the Financial Statements	20	Glossary of Terms	119
HRA Income & Expenditure Account	89		

EXPLANATORY FOREWORD

1. THE KEY ACCOUNTING STANDARDS AND STATEMENTS

The Statement of Accounts for 2013-14 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 2013-14
- 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 2013-14, which affect the accounts of the Council :

- The Code has been updated to reflect the accounting requirements associated with the localisation of business rates in England
- Revisions have been made as a result of the June 2011 amendments to IAS 19 Employee Benefits
- Minor amendments have been made to the HRA Income and Expenditure Statement. The Code also includes revisions to reflect changes in the statutory accounting requirements in relation to the transfers to and from the Major Repairs Reserve under the self-financing regime
- A number of other small amendments have been made to code.

Business Rates Retention

On 1 April 2013, the business rates retention scheme was introduced. Under the scheme Exeter City Council is able to keep 40% of the growth in Business Rates generated above a baseline set by Central Government. The Council is part of the Devon pool, which means that all growth generated within the Devon area is kept and spread across Devon, benefitting the local area. Conversely the pool is also responsible for protecting Council’s where the business rates are lower than the baseline. In 2013-14, the Council has made a net gain of £457,000 above the baseline set.

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 2014 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 collection Business Rates and Council Tax, indicating how the amounts collected are distributed to Central Government, the Devon Business Rates pool run by Plymouth City Council, 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 Council's interest in Exeter Science Park is also shown in the accounts. They 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 2013-14, Exeter's fund deficit has increased from £73.738 million to £75.530 million, an increase of £1.792 million. This is due to a large actuarial increase in expected future liabilities. A full actuarial valuation was undertaken in 2013 to review the contribution levels of the Council. The contribution rate has been set at 14.1% of pensionable pay for future service and a varying cash figure in respect of the past service deficit (£1.286m in 2014-15). The next valuation is due during 2016.

3. CURRENT BORROWING AND USE OF ASSETS

The Council's long-term borrowing remains at £56.9 million, which represents the HRA self financing settlement payment, Short term and internal borrowing of £1.9 million have been used to finance capital expenditure in 2013/14. Additions to property, plant and equipment (PPE) totalled £9.9 million, £0.1 million was spent on intangible assets, £1.3 million was written off to revenue and £0.4 million was treated as long term debtors. During the year, the council disposed of PPE and assets held for sale valued at £2.0 million, the receipts from which were used in part to finance capital expenditure. Revaluation and impairment has increased the value of fixed assets by £4.0 million. Depreciation and amortisation have reduced the value of fixed assets by £5.0 million.

4. ICELANDIC INVESTMENTS

Glitnir - The Council has received 100% return of the investment plus interest; however £383,128 was repaid in Icelandic Krona and is held in an escrow account in Iceland earning 4.2% interest owing to currency restrictions in place in the Country. As a result of interest received and foreign exchange movements, the value of the investment has increased to £447,516.

Landsbanki – During 2013-14, the City Council successfully sold the remaining investment held in Landsbanki via an auction. All amounts relating to the investment have now been removed from the accounts with an investment gain being used to pay down the debt outstanding from the capitalisation of the impairment.

EXPLANATORY FOREWORD

5. FINANCIAL OVERVIEW

The Council expected a challenging year in respect of its finances having found in excess of £2 million of savings / additional income to meet the reduction in grant. However, the reductions have been achieved as has the additional income in respect of car parking, which along with additional income from the new business rates retention scheme, has enabled the Council to add a small amount back to the General Fund balance during the year.

The City Council's revised budgeted Service net expenditure for 2013-14 was £12,248,020. Net interest payments of £140,000, income from Local Services Support Grant (£502,618) and £1,358,000 to cover the repayment of debt were added and resulted in a net budget of £13,019,737, which includes a net £223,665 transferred from reserves and balances.

The Council delivered its General Fund service plans for a total net cost of £12,225,764, an underspend of £22,256 against the revised budget of £12,248,020.

There was a large reduction in net interest paid against budget of £79,872 and an investment gain of £93,291 associated with the sale by auction of the amount held in Landsbanki.

During the year £3,419,871 has been transferred to earmarked reserves, mainly to the New Homes Bonus reserve, to cover the NNDR deficit and to set up new reserves to fund future expenditure. £366,344 was used to finance capital expenditure and a payment of £5,858 has been made to cover the payment due to the administrators of Municipal Mutual Insurance. As a consequence of all the above, General Fund Balances have increased by £6,593.

The Council's General Fund Balance has therefore increased during the year from £3,358,047 to stand at £3,364,640 as at 31st March 2014. This is equivalent to about 25.8% of the net budget for 2013-14.

HRA

The final position for the Housing Revenue Account, including Council Own Build, showed an overall decrease in the HRA working balance of £297,063 to £6,066,732 as at 31st March 2014. Additionally, £2,333,906 was set aside in the Major Repairs Reserve to fund future capital investment in the HRA.

EXPLANATORY FOREWORD

A summary of the General Fund position is indicated below :

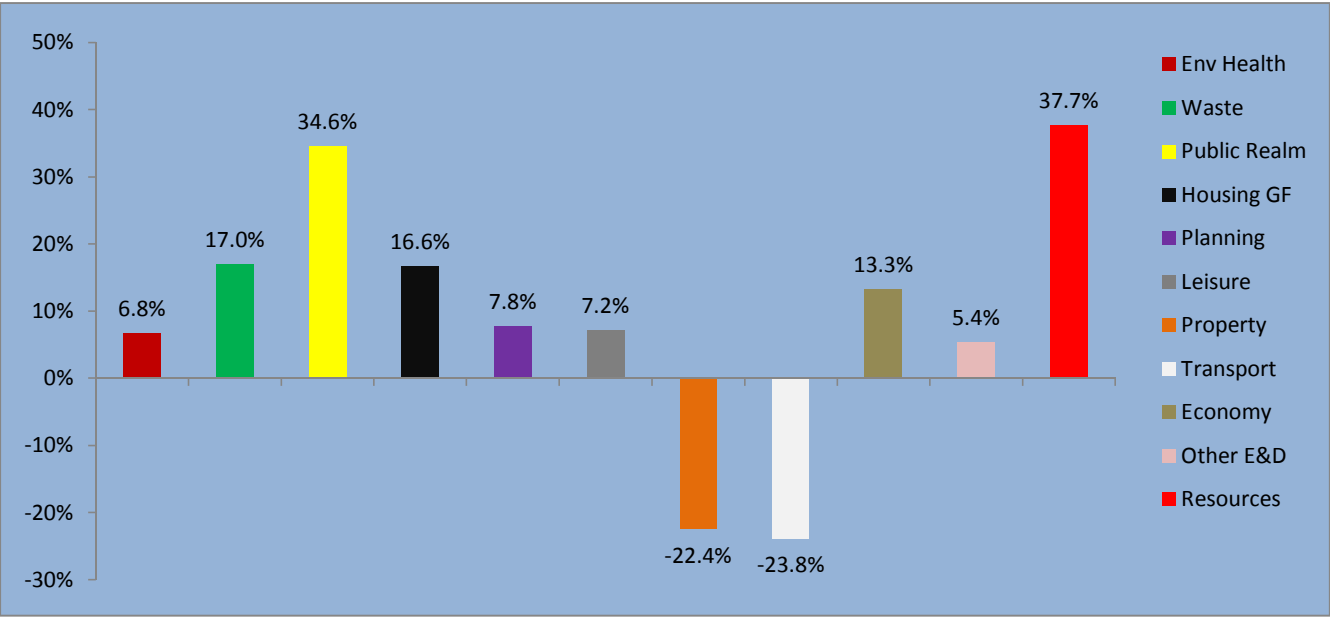
	Revised Budget £	Final Outturn £	Variance to Budget £
Service Net Expenditure	12,248,020	12,225,764	(22,256)
Net Interest	140,000	79,872	(60,128)
Provision for Repayment of Debt	1,358,000	1,437,066	79,066
Investment Gain	0	(93,291)	(93,291)
Local Services Support Grant	(502,618)	(502,618)	0
Revenue Contribution to Capital	0	366,344	366,344
Mutual Municipal Insurance Levy	0	5,858	5,858
	13,243,402	13,518,995	275,593
T/fr (From)/To Earmarked Reserves	2,248,865	3,419,871	1,171,006
Transfer (From)/To Working Balance	(267,700)	6,593	274,293
General Fund Expenditure	15,224,567	16,945,459	1,720,892
Formula Grant	(7,811,885)	(7,845,131)	(33,246)
Council Tax Freeze Grant	(118,420)	(118,420)	0
Council Tax Support Grant	(598,243)	(598,243)	0
Pooling of Business Rates	(100,000)	(1,787,646)	(1,687,646)
New Homes Bonus	(2,204,830)	(2,204,830)	0
Council Tax Net Expenditure	4,391,189	4,391,189	0
Opening General Fund Balance	3,358,047	3,358,047	0
Closing General Fund Balance	3,090,347	3,364,640	(274,293)

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 2013-14

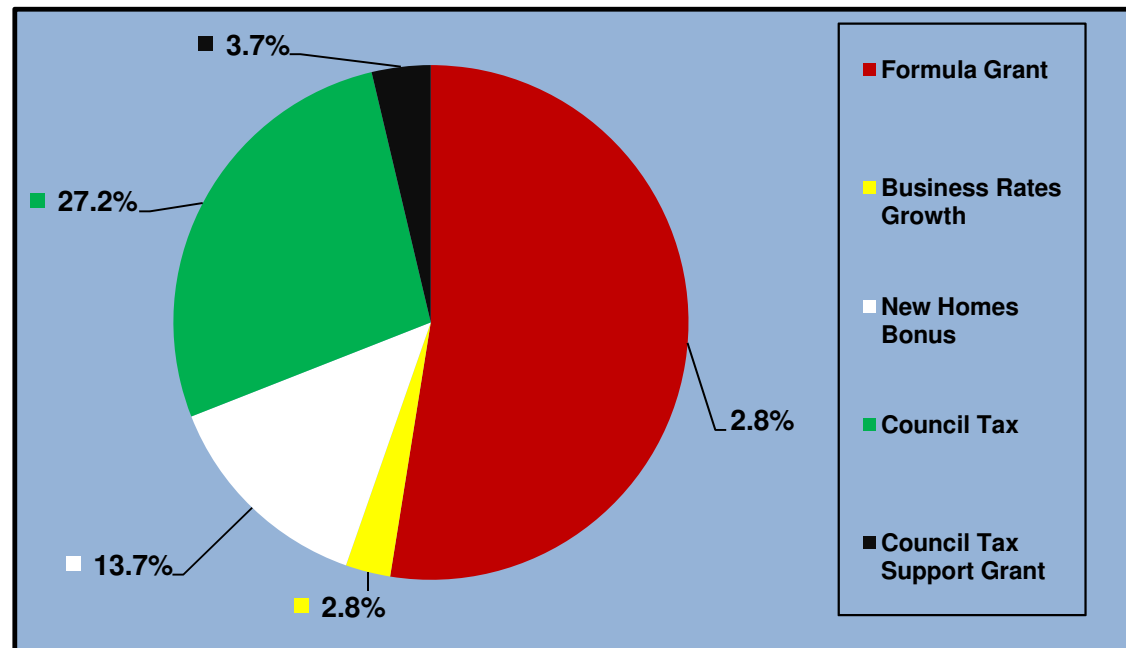


Where the figure is negative, this indicates that the income generated was higher than the cost of providing the service.

EXPLANATORY FOREWORD

Service net expenditure was financed as follows:

Revenue Income 2013-14



EXPLANATORY FOREWORD

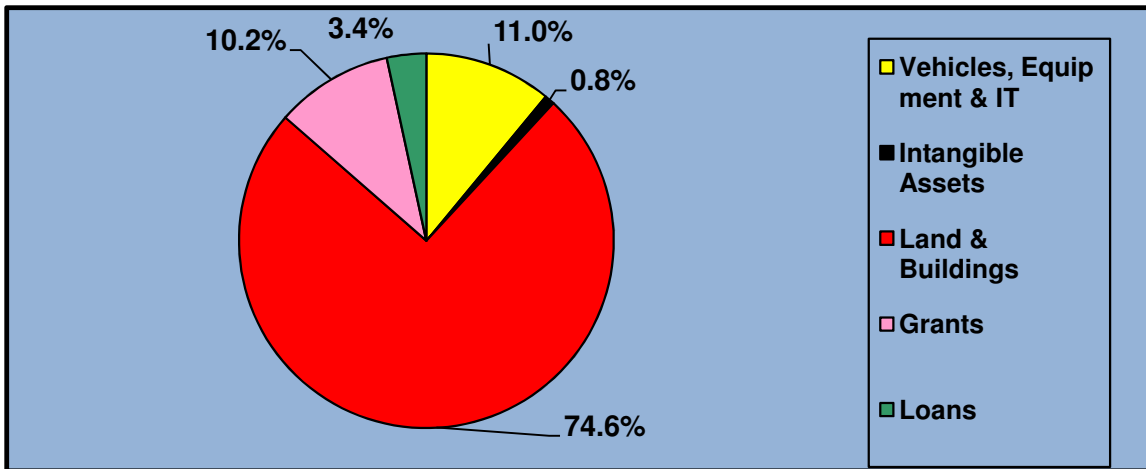
In 2013-14 the Council spent £11.8 million on capital projects and grants, compared with a revised approved programme of £14.8 million.

It has been identified that £2.5 million will need to be carried forward into future years. Included in the expenditure for the year was:

- £8.3 m - New construction, conversion and renovation
- £1.3 m - Vehicles, plant and equipment
- £1.2 m - Grants

- £0.5 m - Acquisition of land and existing buildings
- £0.4 m - Loans
- £0.1 m - Intangible fixed assets

Capital Expenditure 2013-14



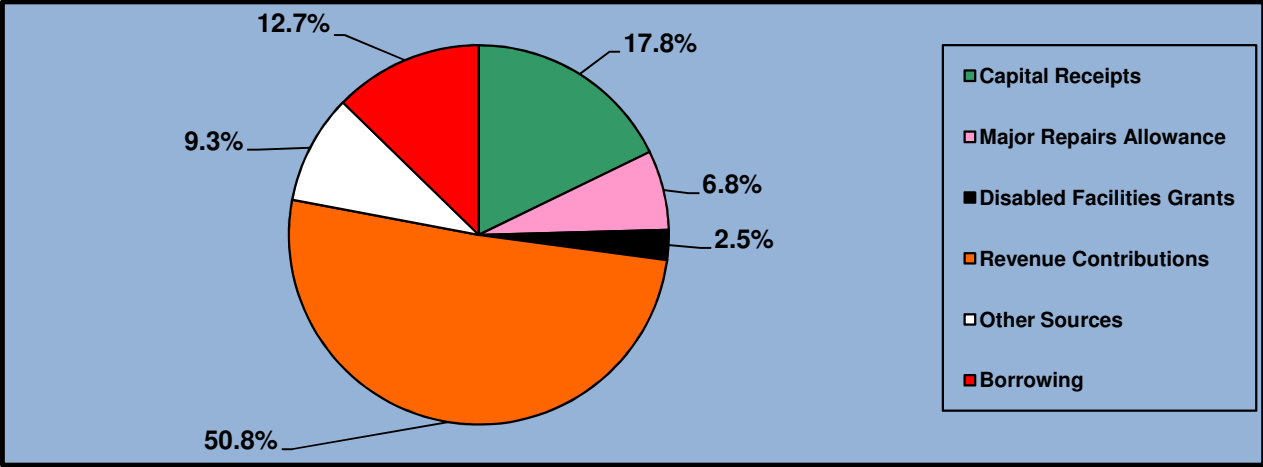
EXPLANATORY FOREWORD

The capital programme of £11.8 million was financed as follows

£0.8 million - HRA Major Repairs Allowance,
£0.3 million - Communities & Local Government (Disabled
Facilities Grant).

£1.5 million - financed from borrowing
£6.0 million - revenue and reserves,
£2.1 million - capital receipts
£1.1 million - other sources including contributions from
developers.

Capital Finance 2013-14



EXPLANATORY FOREWORD

In conclusion, the City Council has overcome another challenging financial year and has maintained its prudent financial position. However, there continue to be 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.

Dave Hodgson CPFA
Assistant Director Finance

Councillor Greg Sheldon
Chair – Audit and Governance Committee

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the 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 reporting date and of its income and expenditure for the year ended 31 March 2014.



Dave Hodgson CPFA
Assistant Director Finance
24 September 2014

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 2012 carried forward	(4,285)	(1,892)	(5,793)	(896)	(3,149)	(1,262)	(17,277)	(207,889)	(225,166)
<i>Movement in Reserves 2012-13</i>									
(Surplus) / deficit on the provision of services	2,869	0	(1,809)	0	0	0	1,060	0	1,060
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	(8,710)	(8,710)
Total Comprehensive Income & Expenditure	2,869	0	(1,809)	0	0	0	1,060	(8,710)	(7,650)
Adjustments between Accounting basis and funding basis under regulations (note 7)	(3,070)	0	1,238	(727)	879	301	(1,379)	1,379	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(201)	0	(571)	(727)	879	301	(319)	(7,331)	(7,650)
Transfers to / (from) Earmarked Reserves	1,128	(1,128)	0	0	0	0	0	0	0
(Increase) / Decrease in 2012-13	927	(1,128)	(571)	(727)	879	301	(319)	(7,331)	(7,650)

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 2013 carried forward	(3,358)	(3,020)	(6,364)	(1,623)	(2,270)	(961)	(17,596)	(215,220)	(232,816)
<i>Movement in Reserves 2013-14</i>									
(Surplus) / deficit on the provision of services	3,289	0	(3,804)	0	0	0	(515)	0	(515)
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	0	(8,661)	(8,661)
Total Comprehensive Income & Expenditure	3,289	0	(3,804)	0	0	0	(515)	(8,661)	(9,176)
Adjustments between Accounting basis and funding basis under regulations (note 7)	(6,716)	0	4,101	(683)	(1,524)	278	(4,544)	4,544	0
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(3,427)	0	297	(683)	(1,524)	278	(5,059)	(4,117)	(9,176)
Transfers to / (from) Earmarked Reserves	3,420	(3,420)	0	0	0	0	0	0	0
(Increase) / Decrease in 2013-14	(7)	(3,420)	297	(683)	(1,524)	278	(5,059)	(4,117)	(9,176)
Balance at 31 March 2014 carried forward	(3,365)	(6,440)	(6,067)	(2,306)	(3,794)	(683)	(22,655)	(219,337)	(241,992)

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.

2012-2013				2013-2014			Notes
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Service	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
10,908	(8,386)	2,522	Central Services to the Public	2,976	(936)	2,040	
11,463	(2,769)	8,694	Cultural and Related Services	9,982	(3,903)	6,079	
7,586	(1,058)	6,528	Environmental and Regulatory Services	10,013	(3,671)	6,342	
3,827	(1,253)	2,574	Planning Services	3,721	(1,069)	2,652	
49,500	(45,572)	3,928	Housing Services	49,459	(46,114)	3,345	
3,783	(6,309)	(2,526)	Highways and Transport Services	3,731	(6,876)	(3,145)	
2,403	(130)	2,273	Corporate and Democratic Core	2,727	(655)	2,072	
166	0	166	Non Distributed Cost	211	0	211	
19,541	(22,876)	(3,335)	Housing Revenue Account - Other	14,366	(19,738)	(5,372)	
109,177	(88,353)	20,824	Cost of Services	97,186	(82,962)	14,224	
		(96)	Other operating expenditure			(542)	9
		(4,281)	Financing and investment income and expenditure			1,607	10
		(15,387)	Taxation and non-specific grant income			(15,804)	11
		1,060	(Surplus) or Deficit on Provision of Services			(515)	

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2012-2013			2013-2014			Notes
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
		(9,319) (Surplus) or deficit on revaluation of property, plant and equipment			(6,731)	
		609 Remeasurement of the net defined benefit liability			(1,930)	
		<u>(8,710)</u> Other Comprehensive Income and Expenditure			<u>(8,661)</u>	
		<u>(7,650) Total Comprehensive Income and Expenditure</u>			<u>(9,176)</u>	

The 2012-2013 Comprehensive Income and Expenditure Statement has been restated to reflect the change to accounting requirements for the local government pension scheme, in accordance with IAS 19, Employee Benefits. The main changes are:

- The expected return on assets and the interest cost has been replaced with a single net interest cost, comprising interest income on the assets and interest expense on the liabilities
- A re-allocation of amounts charged in the comprehensive income and expenditure statement
- Actuarial (gains) / losses on pension assets / liabilities renamed re-measurement of the net defined benefit liability

The effect on the Comprehensive Income and Expenditure Statement is set out in Note 40, please refer to page 82.

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. Reserves are reported in two categories. 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 reserves is those that are not able to be used to provide services. This includes reserves that hold unrealised gains and losses (the Revaluation Reserve) 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'.

2012-2013	2013-2014	Notes
£'000	£'000	
300,930 Property, Plant and Equipment	319,012	12
41,265 Investment Property	31,965	13
22,436 Heritage Assets	22,615	14
627 Intangible Assets	477	16
1,499 Long Term Investments	0	17
12,231 Long Term Debtors	12,456	17
378,988 Total Long-Term Assets	386,525	
194 Inventories	209	18
6,972 Short-Term Debtors	9,542	20
239 Short-Term Investments	448	17
1,635 Assets Held for Sale	609	22
3,969 Cash & Cash Equivalents	12,284	21
13,009 Total Current Assets	23,092	

BALANCE SHEET

2012-2013 £'000	2013-2014 £'000	Notes
(15,015) Short-Term Borrowing	(18,033)	17
(12,320) Short-Term Creditors	(14,490)	23
(27,335) Total Current Liabilities	(32,523)	
(56,906) Long term borrowing	(56,906)	17
(1,151) Capital Grants Receipts in Advance	(2,614)	
(51) Long-Term Creditors	(52)	
(73,738) Pension Scheme Liability	(75,530)	40
(131,846) Total Long-Term Liabilities	(135,102)	
232,816 Net Assets	241,992	
Financed by:		
17,596 Usable Reserves	22,655	25
215,220 Unusable Reserves	219,337	26
232,816 Total Reserves	241,992	



DAVE HODGSON CPFA
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 (i.e. borrowing) to the authority.

2012-2013	2013-2014	Notes :
£'000	£'000	
1,060 Net (surplus) or deficit on the provision of services	(515)	
(13,159) Adjustments to net surplus or deficit on the provision of services for non-cash movements	(12,357)	
1,841 Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	3,052	
(10,258) Net cashflows from Operating Activities	(9,820)	27
14,108 Investing Activities	5,874	28
(6,730) Financing Activities	(4,369)	29
(2,880) Net (Increase) or decrease in cash and cash equivalents	(8,315)	
1,089 Cash and cash equivalents at the beginning of the reporting period	3,969	
3,969 Cash and cash equivalents at the end of the reporting period	12,284	

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. 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 2013/14 and the Service Reporting Code of Practice 2013/14, 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.

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.

Expenses in relation to services received (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. Receipts arising from Housing Right to Buy sales may be retained providing the local authority has signed an agreement to re-invest the receipts in the provision of replacement homes within 3 years. Exeter City Council entered into such an agreement on 27 June 2012.

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 (e.g. cars) 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 holiday entitlements earned but not taken. The accrual is charged to the relevant service but reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision 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 (retirement lump sums and pensions) earned as employees worked for the Authority.

The Pensions Fund's Actuary has provided updated figures for the year based on the last valuation in 2013.

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

Liabilities are discounted to their value at current prices using a discount rate based on the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond.

The assets attributable to the Authority 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 change in the net pensions liability is analysed into the following components:

Service cost

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – charged to the Comprehensive Income and Expenditure Statement
- Net interest on the defined benefit liability (asset) – the change during the year in the net defined benefit liability (asset) that arises from the passage of time charged to the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability (asset), both at the beginning of the year, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments

NOTES TO THE FINANCIAL STATEMENTS

Re-measurements

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

Contributions paid to the pension fund

- Cash paid as employer's contributions 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 not 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 soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a higher effective rate of interest than the rate receivable. 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 de-recognition of an 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 or 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 likelihood arising from a past event that payment due under the contract will not be made or fair value falls below cost, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition 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 TRANSACTION

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 to the Council 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.

POOL OF AUTHORITIES FOR NATIONAL NON DOMESTIC RATES

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

HERITAGE ASSETS

The Council has a number of Heritage Assets. Heritage Assets 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. 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, therefore they have been entered at nil value into the accounts.

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 are amortised over their useful 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 disposal gains and losses are reversed out in the Movement in Reserves Statement and posted to either the Capital Adjustment Account or Capital Receipts Reserve.

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 arm's 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, revaluation and disposal gains and losses are reversed out in the Movement in Reserves Statement and posted to either the Capital Adjustment Account or Capital Receipts Reserve.

LEASES

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

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

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

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 charged 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

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

The 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 (e.g. a rent free period at the commencement of the lease).

The Council as Lessor

Finance leases

Where the Authority grants a finance lease over a property or an item of plant and equipment, the asset is written out of the Balance Sheet as a disposal. The carrying amount of the asset is written off to 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 receivable are apportioned between:

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

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

OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to clients on a fixed fee, time or unit rate basis, with their full costs shared between users in proportion to the benefits received.

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 the change provides more reliable or relevant information in respect of the Authority's financial position or performance. Where a change is made, it is applied retrospectively by adjusting the opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior 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 is 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 ensure that carrying amounts are not materially different to fair values at the year-end. Increases in valuations are matched by credits to the Revaluation Reserve to recognised unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to services.

A decrease in value is accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or 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. The asset is revalued immediately before reclassification and then 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 losses. 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 or scrapped are not reclassified as Assets Held for Sale.

Depreciation

The following policies are used for depreciation:

- 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:

<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)

NOTES TO THE FINANCIAL STATEMENTS

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

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. For example, key components of council dwellings are depreciated on a straight line basis and assume the following life expectancies:

Kitchens and Bathrooms	30 years
Windows	30 years
Roofs	60 years

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 asset's 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.

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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 to be financed from a reserve 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 the Housing Revenue Account (HRA) can only be used for HRA capital expenditure, the repayment of HRA debt or meeting liabilities under credit arrangements.

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

Local authorities are required to report the impact of accounting changes that will be required by a new standard that has been issued but not yet adopted. For 2013/14, they comprise:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements
- IAS 28 Investments in Associates and Joint Ventures
- IAS 32 Financial Instruments
- Annual improvements to IFRSs 2009 – 2011 cycle

The 2014/15 Code of Practice on Local Authority Accounting has adopted these new or amended standards, any accounting changes will therefore be implemented from 1 April 2014.

IFRS10, IFRS 11, IFRS 12, IAS 27 and IAS 28 will apply to the Council's Group Accounts. IAS 32 relates to offsetting financial assets and liabilities, where applicable.

The annual improvements to IFRS 2009-2011 cycle resulted in an amendment to IAS 1, which relates to the presentation of financial statements.

The impact of the accounting changes is not yet known or reasonably estimable.

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 transactions 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 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. Additionally, the Council holds a 21% stake in the Exeter Science Park Company, along with Devon County Council, Exeter University and East Devon District Council. The Science Park is included in the Group Accounts as well.

NOTES TO THE FINANCIAL STATEMENTS

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

The Statement of Accounts contain estimates based on assumptions made about the future or that are otherwise uncertain. Estimates take into account historical experience, current trends and other 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 £3.021m in the pension liability and £0.082m in the Projected Service Cost. However the assumptions interact in a complex way. During the year the actuaries have amended the liability by £1.509m as a result of assumptions being corrected.
Arrears	At the Balance Sheet date, the Council had a balance of £8.382m for sundry debtors. Impairment of doubtful debts totalling £2.185m 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 £2.185m being set aside.
Valuation of Property, Plant and Equipment and Depreciation	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance (R&M) that will be incurred. The economic climate makes it uncertain that the Council can sustain its current spending on R&M bringing into doubt the useful lives assigned.	If the useful life is reduced depreciation will increase and the carrying value of asset will fall. It is estimated that the depreciation charge for other land and building will increase by £22,000 for every year that the useful life is reduced by.

NOTES TO THE FINANCIAL STATEMENTS

5. EVENTS AFTER THE BALANCE SHEET DATE

The 2013/14 Statement of Accounts was authorised for issue by the Assistant Director Finance, D Hodgson CPFA, on 24 September 2014. Events after this date have not been recognised in the 2013/14 Statement of Accounts. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and/or notes have been adjusted in all material respects to reflect the impact of this information.

6. NON- ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

Changes to the LGPS came into effect from 1 April 2014 and any benefits accrued from this date will be based on career average re-valued salary, with various protections in place for those members in the scheme before the changes take effect.

Exeter City Council jointly with East Devon District Council and Teignbridge District Council is forming a new entity called STRATA. STRATA will provide IT services for the three councils and will be wholly owned by the three councils. As all IT staff will be transferred to the new entity along with existing terms and conditions, there will be no change to the pension liability for Exeter City Council, however the Council along with East Devon and Teignbridge will be required to give a guarantee to the Pension Fund that they will jointly fund any deficit on the Pension Fund should the Company cease trading. The guarantee is estimated to be a maximum of £705,000 over the next three years, of which Exeter's contribution would be approximately £244,000.

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.

	2012-2013						2013-2014					
	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	(6,605)	(5,021)	0	0	0	11,626	(3,548)	(1,992)	0	0	0	5,540
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	(100)	0	0	0	0	100	1,039	0	0	0	0	(1,039)
Amortisation of intangible Assets	(413)	(1)	0	0	0	414	(284)	0	0	0	0	284
Capital Grants and contributions applied	175	84	0	0	0	(259)	214	122	0	0	0	(336)
Movement in the Donated Assets Account	659	0	0	0	0	(659)	131	0	0	0	0	(131)
Revenue expenditure funded from capital under statute	(723)	0	0	0	0	723	(568)	0	0	0	0	568
Amounts of non-current assets written-off on disposal or sale as part of the gain/loss on disposal	(25)	(936)	0	0	0	961	(696)	(1,344)	0	0	0	2,040
Insertion of items not debited or credited to the CIES												
Statutory provision for the financing of capital investment	1,107	0	0	0	0	(1,107)	1,327	0	0	0	0	(1,327)
Voluntary provision for the financing of capital investment	0	0	0	0	0	0	110	0	0	0	0	(110)
Capital expenditure charged against the General Fund and HRA balances	282	4,254	0	0	0	(4,536)	366	5,608	0	0	0	(5,974)

NOTES TO THE FINANCIAL STATEMENTS

	2012-2013						2013-2014					
	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	17	0	0	0	(17)	0	(41)	0	0	0	41	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	318	(318)	0	0	0	0	226	(226)
Adjustments involving the Capital Receipts Reserve												
Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the CIES	234	1,637	(1,871)	0	0	0	1,060	1,992	(3,052)	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	997	0	0	(997)	0	0	2,126	0	0	(2,126)
Contribution from the Capital Receipts Reserve towards admin costs of disposals	0	(30)	30	0	0	0	0	(40)	40	0	0	0
Contribution from the Capital Receipts Reserve towards the payment to the Government capital receipts pool	(317)	0	317	0	0	0	(364)	0	364	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(200)	0	0	200	0	0	(161)	0	11	150
Adjustments involving the Deferred Capital Receipts Reserve												
Transfer of Finance Lease Premium to I&E account	5,839	0	0	0	0	(5,839)	(4)	0	0	0	0	4

NOTES TO THE FINANCIAL STATEMENTS

	2012-2013						2013-2014					
	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	(10)	0	0	0	0	10	(7)	0	0	0	0	7
Adjustments involving the Pension Reserve												
Reversal of retirement benefits debited or credited to CIES	(6,591)	(424)	0	0	0	7,015	(6,962)	(461)	0	0	0	7,423
Employers pension contributions and direct payments to pensioners in the year	3,308	183	0	0	0	(3,491)	3,509	191	0	0	0	(3,700)
Adjustments involving the Collection Fund Adjustment Account												
Amount by which council tax and NNDR income credited to the CIES is different from that calculated for the year in accordance with statutory requirements	31	0	0	0	0	(31)	(1,939)	0	0	0	0	1,939
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	62	(18)	0	0	0	(44)	(59)	25	0	0	0	34
Adjustments involving the Major Repairs Reserve												
Reversal of Major Repairs Allowance credited to the HRA	0	1,510	0	(3,674)	0	2,164	0	0	0	0	0	0
Amount equal to full depreciation charges set aside in the Major Repairs Reserve	0	0	0	0	0	0	0	0	0	(2,333)	0	2,333
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	4,553	0	(4,553)	0	0	0	809	0	(809)
Total Adjustments	(3,070)	1,238	(727)	879	301	1,379	(6,716)	4,101	(683)	(1,524)	278	4,544

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 2012 £'000s	Transfers in £'000s	Transfers out £'000s	Balance 31 March 2013 £'000s	Transfers in £'000s	Transfers out £'000s	Balance 31 March 2014 £'000s
General Fund							
New Homes Bonus	389	1,323	(335)	1,377	2,205	(635)	2,947
Strategic Review	42	0	(42)	0	140	(15)	125
Planning Delivery	16	0	(16)	0	0	0	0
Other Planning Reserves	292	0	(12)	280	94	(156)	218
Leisure Reserves	245	0	(30)	215	0	0	215
Economic Development	56	10	(22)	44	9	0	53
Housing GF Reserves	146	0	0	146	33	(67)	112
Redundancy Reserve	400	0	(400)	0	250	0	250
Museum Reserves	0	600	0	600	0	(52)	548
NNDR Deficit	0	0	0	0	1,331	0	1,331
Other Earmarked Reserves	306	104	(52)	358	311	(28)	641
Total	1,892	2,037	(909)	3,020	4,373	(953)	6,440

NOTES TO THE FINANCIAL STATEMENTS

9. OTHER OPERATING EXPENDITURE

	2012-13	2013-14
	£'000	£'000
Trading Account (surplus) / deficit	424	14
Pension Fund Administration Expenses	43	53
Payment to the Government's Housing Capital Receipt Pool	317	363
Gain / (losses) on the disposal of non-current assets	(880)	(972)
	(96)	(542)

11. TAXATION AND NON-SPECIFIC GRANT INCOME

	2012-13	2013-14
	£'000	£'000
Council tax income	(4,788)	(4,457)
Non-domestic rates	(8,217)	(3,365)
Non-ringfenced government grants	(2,106)	(7,687)
Capital grants and contributions	(276)	(295)
	(15,387)	(15,804)

10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2012-13	2013-14
	£'000	£'000
Interest payable and similar charges	2,041	2,125
Net interest on the net defined benefit liability (asset) *	3,130	3,251
Interest receivable	(62)	(109)
Income and expenditure in relation to investment properties and changes in their fair value	(2,802)	(3,824)
Other investment income	(6,588)	164
	(4,281)	1,607

* Restated had the revised IAS 19 standard applied. Interest on obligation and expected return on fund assets has been replaced with a single net interest cost

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 2013	191,049	96,192	14,241	6,491	4,260	0	862	313,095
Additions	6,893	421	1,218	508	281		628	9,949
Donations	81	50						131
Revaluations - Revaluation Reserve	6,735							6,735
Revaluations - CIES								0
Derecognition - disposals	(820)		(474)					(1,294)
Derecognition - other								0
Reclassifications - held for sale	(609)							(609)
Other movements	51	10,336	(16)		19			10,390
At 31 March 2014	203,380	106,999	14,969	6,999	4,560	0	1,490	338,397
Depreciation and impairments								
At 1 April 2013	0	0	(9,817)	(2,348)	0	0	0	(12,165)
Depreciation Charge	(2,301)	(1,320)	(1,030)	(330)				(4,981)
Depreciation written out to Revaluation Reserve	2,004	0						2,004
Depreciation written out to CIES	287	0						287
Impairment - Revaluation Reserve	(2,188)	0						(2,188)
Impairment - CIES	(2,278)	(516)						(2,794)
Derecognition - disposals	10		450					460
Derecognition - other							(8)	(8)
Other movements								
At 31 March 2014	(4,466)	(1,836)	(10,397)	(2,678)	0	0	(8)	(19,385)
Balance Sheet amount at 31 March 2014	198,914	105,163	4,572	4,321	4,560	0	1,482	319,012
Balance Sheet amount at 1 April 2013	191,049	96,192	4,424	4,143	4,260	0	862	300,930

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 2012	191,167	90,816	13,679	5,653	4,107	0	716	306,138
Additions	8,781	3,203	857	838	153		146	13,978
Donations	659							659
Revaluations - Revaluation Reserve	1,444	9,738						11,182
Revaluations - CIES								0
Derecognition - disposals	(946)		(295)					(1,241)
Derecognition - other								0
Reclassifications - held for sale	(543)	(688)						(1,231)
Other movements		751						751
At 31 March 2013	<u>200,562</u>	<u>103,820</u>	<u>14,241</u>	<u>6,491</u>	<u>4,260</u>	<u>0</u>	<u>862</u>	<u>330,236</u>
Depreciation and impairments								
At 1 April 2012		(2,477)	(8,972)	(2,060)	0	0	0	(13,509)
Depreciation Charge	(2,192)	(1,295)	(1,114)	(288)				(4,889)
Depreciation written out to Revaluation Reserve	1,149	3,404						4,553
Depreciation written out to CIES	1,032	368						1,400
Impairment - Revaluation Reserve	(3,806)	(2,973)						(6,779)
Impairment - CIES	(5,706)	(4,655)						(10,361)
Derecognition - disposals	10		269					279
Derecognition - other								0
Other movements								
At 31 March 2013	<u>(9,513)</u>	<u>(7,628)</u>	<u>(9,817)</u>	<u>(2,348)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(29,306)</u>
Balance Sheet amount at 31 March 2013	<u>191,049</u>	<u>96,192</u>	<u>4,424</u>	<u>4,143</u>	<u>4,260</u>	<u>0</u>	<u>862</u>	<u>300,930</u>
Balance Sheet amount at 1 April 2012	<u>191,167</u>	<u>88,339</u>	<u>4,707</u>	<u>3,593</u>	<u>4,107</u>	<u>0</u>	<u>716</u>	<u>292,629</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:

Acquisition value

£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 Property Manager)

- Key components of council dwellings are depreciated on a straight line basis and assume the following life expectancies:

Kitchens and Bathrooms	30 years
Windows	30 years
Roofs	60 years

Capital Commitments

At 31 March 2014, the Council has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2014/15 at a cost of £7.103m. Similar commitments at 31 March 2013 were £5.624m. The major commitments are:

	£'000
Property refurbishment and improvement	2,036
New Construction	4,020
Infrastructure	31
Information Technology	10
Vehicles and equipment	<u>1,006</u>
	<u>7,103</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 Property Manager, 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. The effective date of the valuation is 1 April 2013.

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:					
2013-14	198,914	-	-	-	198,914
2012-13	-	91,542	-	-	91,542
2011-12	191,167	-	-	-	191,167
2010-11	-	-	-	-	-
2009-10	-	-	-	-	-
2008-09	-	71,743	-	-	71,743
2007-08	292,846	-	-	-	292,846

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.

	2012-13	2013-14
	£'000	£'000
Rental income from investment property	3,713	3,443
Direct operating expenditure arising from investment property	(811)	(657)
Net gain / (loss)	2,902	2,786

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.

	2012-13	2013-14
	£000s	£000s
Balance at 1 April	42,093	41,265
Additions :		
Purchases		
Construction		
Subsequent expenditure	23	0
Disposals		
Net gains / losses from fair value adjustments	(100)	1,039
Transfers:		
to/from Inventories		
to/from Property, Plant & Equipment	(751)	(10,339)
Other changes		
Balance at 31 March	41,265	31,965

NOTES TO THE FINANCIAL STATEMENTS

14. HERITAGE ASSETS – Reconciliation of the Carrying Value of Heritage Assets

	2012-13	2013-14
	£'000	£'000
Opening Balance	22,436	22,436
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	196
Guildhall	0	26
St Nicholas Priory	0	0
Total	0	222
Impairment Recognised in the Revaluation Reserve		
Museum Exhibits	0	0
Guildhall	0	0
St Nicholas Priory	0	(43)
Total	0	(43)
Closing Balance	22,436	22,615

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. 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. The intangible assets include both purchased licences and internally developed software.

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:

	2012-13 £000s	2013-14 £000s
Balance at 1 April		
Gross carrying amounts	7,213	7,338
Accumulated amortisation	(6,298)	(6,711)
Net carrying amount at 1 April	915	627
Additions :		
Internal development	40	63
Purchases	85	70
Assets reclassified as held for sale		
Other disposals		
Revaluations - increases / decreases		
Impairment - Revaluation Reserve		
Impairment - CIES		
Impairment reversals - CIES		
Amortisation charge	(413)	(283)
Other changes		
Balance at 31 March	627	477

NOTES TO THE FINANCIAL STATEMENTS

17. 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 2013 £'000s	31 March 2014 £'000s	31 March 2013 £'000s	31 March 2014 £'000s
Financial liabilities at amortised cost	58,108	59,572	27,335	32,523
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	<u>58,108</u>	<u>59,572</u>	<u>27,335</u>	<u>32,523</u>
Loans and Receivables	13,730	12,456	11,180	22,274
Available-for-sale financial assets	-	-	-	-
Total investments	<u>13,730</u>	<u>12,456</u>	<u>11,180</u>	<u>22,274</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 Comprehensive Income and Expenditure Account in relation to Financial Instruments for Investments and Borrowing are made up as follows.

	2012-2013			2013-2014		
	Financial Liabilities	Financial Assets		Financial Liabilities	Financial Assets	
	Measured at Amortised Cost £'000s	Loans and Receivables £'000s	Total £'000s	Measured at Amortised Cost £'000s	Loans and Receivables £'000s	Total £'000s
Interest Expenses	2,041	0	2,041	2,125	0	2,125
Loss on Derecognition	0	0	0	0	0	0
Reduction in fair value	0	0	0	0	0	0
Impairment Losses	0	0	0	0	0	0
Total Expense	2,041	0	2,041	2,125	0	2,125
Interest Income	0	(62)	(62)	0	(109)	(109)
Interest income on impaired assets	0	0	0	0	0	0
Increase in fair value	0	(30)	(30)	0	(2)	(2)
Gains on Derecognition	0	0	0	0	(91)	(91)
Total income	0	(92)	(92)	0	(202)	(202)
Gains on Revaluation	0	0	0	0	0	0
Losses on Revaluation	0	0	0	0	0	0
Amounts recycled after impairment	0	(62)	(62)	0	0	0
Surplus/Deficit on Revaluation	0	(62)	(62)	0	0	0
Net (Gain)/Loss for the year	2,041	(154)	1,887	2,125	(202)	1,923

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
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 2014;
- 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 2013		31 st March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial Assets				
- Investments	0	0	0	0
- Fixed Term Investments	1,738	1,738	448	448
Sub Total - Note 1	1,738	1,738	448	448
- Trade and other receivables	6,972	6,972	9,542	9,542
Financial Liabilities				
- Long term Creditors	(51)	(51)	(52)	(52)
- Capital Grants Received in Advance	(1,151)	(1,151)	(2,614)	(2,614)
- Trade and other payables	(12,320)	(12,320)	(14,490)	(14,490)
- Short-term Borrowing	(15,015)	(15,015)	(18,033)	(18,033)
- Long-term Borrowing	(56,906)	(62,176)	(56,906)	(58,384)

Note 1: The fair value of the investments is the same as the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

18. INVENTORIES

	Tourism		Corn Exchange		Exton Road		Other Stock		Total	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balance at 1 April	23	15	5	7	115	163	13	7	156	192
Purchases	17	17	64	65	167	172	8	46	256	300
Expense in year	(25)	(10)	(62)	(65)	(119)	(161)	(14)	(47)	(220)	(283)
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	15	22	7	7	163	174	7	6	192	209

19. CONSTRUCTION CONTRACTS

The Council has no construction contracts in respect of building assets for a third party in place at 31 March 2014.

NOTES TO THE FINANCIAL STATEMENTS

20. SHORT TERM DEBTORS

	2012-13	2013-14
	£'000	£'000
Government Departments	2,737	3,820
Other Local Authorities	330	1,440
NHS Bodies	5	0
Public Bodies	0	0
Sundry Debtors	5,672	6,467
	<u>8,744</u>	<u>11,727</u>
Provision for bad debts	(1,772)	(2,185)
Total Debtors	6,972	9,542

21. CASH AND CASH EQUIVALENTS

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

	2012-13	2013-14
	£'000	£'000
Cash held by the Council	11	9
Bank current accounts	(986)	230
Short-term investments	0	3,001
Short-term call accounts	4,944	9,044
Total cash and cash equivalents	3,969	12,284

22. ASSETS HELD FOR SALE

	Current		Non-Current	
	2012-13	2013-14	2012-13	2013-14
	£'000s	£'000s	£'000s	£'000s
Balance at 1 April	45	1,635	0	0
Assets newly classified:				
Property, plant and equipment	1,230	609	0	0
Intangible assets	0	0	0	0
Other assets / liabilities	0	0	0	0
Revaluation losses	(7)	0	0	0
Revaluation gains	367	0	0	0
Impairment losses	0	(384)	0	0
Assets declassified:				
Property, plant and equipment	0	(52)	0	0
Intangible assets	0	0	0	0
Other assets / liabilities	0	0	0	0
Assets sold	0	(1,199)	0	0
Transfers between current and non-current	0	0	0	0
Other movements	0	0	0	0
Balance at 31 March	1,635	609	0	0

NOTES TO THE FINANCIAL STATEMENTS

23. SHORT TERM CREDITORS

	2012-13	2013-14
	£'000	£'000
Government Departments	3,481	3,090
Other Local Authorities	980	2,458
NHS Bodies	0	0
Public bodies	5	302
Sundry Creditors	7,854	8,640
	12,320	14,490

24. PROVISIONS

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

	Injury and Damage Compensation claims 2012-13 £'000	Injury and Damage Compensation claims 2013-14 £'000
Balance at 1 April	50	83
Additional provisions made	83	87
Amounts used	(50)	(83)
Unused amounts reversed	0	0
Balance at 31 March	83	87

25. USABLE RESERVES

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

	2012-13	2013-14
	£'000	£'000
General Fund Balance	3,358	3,365
Housing Revenue Account	6,364	6,067
Capital Receipts Reserve	1,623	2,306
Major Repairs Reserve	2,270	3,794
Earmarked Reserves	3,020	6,440
Capital Grants Unapplied	961	683
Balance at 31 March	17,596	22,655

NOTES TO THE FINANCIAL STATEMENTS

26. UNUSABLE RESERVES

	2012-13	2013-14
	£'000	£'000
Revaluation Reserve	61,929	67,552
Capital Adjustment Account	215,888	218,181
Financial Instrument Adjustment Account	(51)	(58)
Deferred Capital Receipts Reserve	11,602	11,574
Pensions Reserve	(73,738)	(75,530)
Collection Fund Adjustment Account	24	(1,914)
Accumulated Absences Account	(434)	(468)
Total Unusable Reserves	215,220	219,337

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

2012-13		2013-14
£'000		£'000 £'000
53,154	Balance at 1 April	61,929
14,212	Upward revaluation of assets	8,346
	Downward revaluation of assets and impairment losses not charged	
(4,925)	to CIES	(1,615)
9,287	Surplus / deficit on revaluation	6,731
	Difference between fair value depreciation and historical cost	
(512)	depreciation	(629)
0	Prior year adjustment	(454)
0	Accumulated gains on assets sold	(25)
(512)	Amount written off to CAA	(1,108)
61,929	Balance at 31 March	67,552

NOTES TO THE FINANCIAL STATEMENTS

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.

2012-13		2013-14	
£'000		£'000	£'000
219,061	Balance at 1 April		215,888
	Charges for depreciation and		
(13,789)	impairment of non-current assets	(7,874)	
(413)	Amortisation of intangible Assets	(284)	
	Revenue expenditure funded from		
(723)	capital under statute	(568)	
	Amounts of non-current assets		
	written-off on disposal or sale as		
(930)	part of the gain/loss on disposal	(2,040)	
(15,855)			(10,766)
513	Adjusting amounts to Revaluation		
	reserve		1,108
	Net amount written out of the cost		
203,719	of non-current assets in year		206,230

NOTES TO THE FINANCIAL STATEMENTS

2012-13 £'000	2013-14 £'000	2013-14 £'000
Capital finance applied in year:		
998 Use of Capital receipts reserve	2,126	
4,553 Use of the Major Repairs Reserve	809	
Capital Grants and contributions		
258 applied - CIES	336	
Capital Grants and contributions		
317 applied - CGU Account	226	
Statutory provision for financing		
1,107 capital	1,437	
Capital Expenditure charged		
directly to the General Fund and		
4,536 HRA	5,974	
11,769		10,908
Movements in the market value of		
(100) Investment Properties		1,039
Movement in the Donated Assets		
658 Account		130
(158) Repayment of Long Term Debtors		(126)
215,888 Balance at 31 March		218,181

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.

2012-13 £'000	2013-14 £'000	£'000
(41) Balance at 1 April		(51)
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 (10) costs charged in year under statute	(7)	(7)
(10)		
(51) Balance at 31 March		(58)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Account as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The 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.

2012-13 £'000	2013-14 £'000	£'000
(69,606) Balance at 1 April		(73,738)
Remeasurements of the net (609) defined benefit liability/(asset)		1,931
Reversal of items relating to (7,015) retirement benefits in the CIES		(7,423)
Employers pension contributions 3,492 and direct payments to pensioners		3,700
(73,738) Balance at 31 March		(75,530)

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.

2012-13 £'000	2013-14 £'000	£'000
5,806 Balance at 1 April		11,602
Transfer of Finance Lease		
5,839 Premium to CIES	(4)	
Transfer to Capital Receipts		
(43) Reserve upon receipt of cash	(24)	(28)
11,602 Balance at 31 March		11,574

Collection Fund Adjustment Account

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

2012-13 £'000	2013-14 £'000	£'000
(7) Balance at 1 April		24
Amount by which council tax and NNDR income credited to CIES differs from that calculated for the 31 year under statute	(1,938)	(1,938)
24 Balance at 31 March		(1,914)

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.

2012-13 £'000	2013-14 £'000	2013-14 £'000
(478) Balance at 1 April		(434)
Settlement / cancellation of 478 previous year's accrual	434	
(434) Amounts accrued at the end of	(468)	
Amount by which remuneration charged to CIES differs from remuneration charged for the year		
44 under statute		(34)
(434) Balance at 31 March		(468)

27. CASHFLOW STATEMENT – OPERATING ACTIVITIES

	2012-13 £'000	2013-14 £'000
Net (surplus) / deficit on provision of Services	1,060	(515)
Depreciation	(6,349)	(4,982)
Impairment	(8,901)	(2,892)
Amortisation	(414)	(284)
Investment (losses) / gains	90	93
Donated assets	659	131
Pension liability	(3,523)	(3,723)
Carrying amount of non-current assets sold	(961)	(2,040)
Movement in investment properties	(100)	1,039
Capital grants applied	259	0
Finance lease income	5,839	4
Other	1,172	(1,980)
Movement in inventories	38	15
Movement in debtors	(610)	1,557
Movement in creditors	(358)	705
less		
Items classified elsewhere	1,841	3,052
	(10,258)	(9,820)

NOTES TO THE FINANCIAL STATEMENTS

28. CASHFLOW STATEMENT – INVESTING ACTIVITIES

	2012-13	2013-14
	£'000	£'000
Purchase of non-current assets	17,503	12,301
Purchase of short and long-term investments	33,100	135,000
Other payments for investing activities	0	0
Proceeds from the sale of non-current assets	(1,841)	(3,052)
Proceeds of short and long-term investments	(33,676)	(136,421)
Other receipts for investing activities	(978)	(1,954)
Net cash flows from investing activities	14,108	5,874

29. CASHFLOW STATEMENT – FINANCING ACTIVITIES

	2012-13	2013-14
	£'000	£'000
Cash receipts of short and long-term borrowing	(15,000)	(18,000)
Other receipts for financing activities	270	(1,369)
Cash payments for the reduction of liabilities relating to finance leases	0	0
Repayments of short and long-term borrowing	8,000	15,000
Other payments for financing activities	0	0
Net cash flows from financing activities	(6,730)	(4,369)

NOTES TO THE FINANCIAL STATEMENTS

30. 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:

	2012-13	2013-14
Directorate Net Expenditure	£'000	£'000
Community & Environment	13,842	10,168
Economy & Development	(3,240)	(690)
Corporate Services	5,883	5,679
HRA	0	0
less		
Notional Capital Charges	(3,081)	(2,931)
IAS Pension Adjustment	0	0
Net Expenditure	13,404	12,226

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.

	2012-13 £'000	2013-14 £'000
Net expenditure in the Directorate analysis	13,404	12,226
Net expenditure of services not included in the analysis	3,431	3,891
Amounts in the CIES not reported to management in the analysis	9,570	1,134
Amounts included in the analysis not included in the CIES cost of services	(5,581)	(3,027)
Cost of Services in CIES	20,824	14,224

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
2013-14	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees & charges	(19,780)			2,808		(16,972)		(16,972)
Interest & Investment income						0	(4,157)	(4,157)
Income from Council Tax						0	(4,457)	(4,457)
Government grants & contributions	(46,860)					(46,860)	(11,347)	(58,207)
Total Income	(66,640)	0	0	2,808	0	(63,832)	(19,961)	(83,793)
Employees	21,153	960		(541)		21,572		21,572
Other expenses	57,713		618	(5,294)		53,037	67	53,104
Support Service recharges						0		0
Depreciation, amortisation & impairment	0	2,931	516			3,447	384	3,831
Interest payments						0	5,380	5,380
Payments to Housing Pool						0	363	363
Gain / loss of disposal of assets						0	(972)	(972)
Total Expenditure	78,866	3,891	1,134	(5,835)	0	78,056	5,222	83,278
Surplus / deficit on the provision of services	12,226	3,891	1,134	(3,027)	0	14,224	(14,739)	(515)

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
2012-13	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees & charges	(39,273)			2,884		(36,389)		(36,389)
Interest & Investment income						0	(9,554)	(9,554)
Income from Council Tax						0	(4,788)	(4,788)
Government grants & contributions	(51,041)					(51,041)	(10,599)	(61,640)
Total Income	(90,314)	0	0	2,884	0	(87,430)	(24,941)	(112,371)
Employees	19,203	350		(393)		19,160		19,160
Other expenses	82,351		609	(8,072)		74,888	467	75,355
Support Service recharges						0		0
Depreciation, amortisation & impairment	2,164	3,081	8,961			14,206		14,206
Interest payments						0	5,273	5,273
Payments to Housing Pool						0	317	317
Gain / loss of disposal of assets						0	(880)	(880)
Total Expenditure	103,718	3,431	9,570	(8,465)	0	108,254	5,177	113,431
Surplus / deficit on the provision of services	13,404	3,431	9,570	(5,581)	0	20,824	(19,764)	1,060

NOTES TO THE FINANCIAL STATEMENTS

31. MEMBERS ALLOWANCES

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

	2012-13	2013-14
	£'000	£'000
Salaries	17	18
Allowances	248	252
Expenses	1	2
Total	266	272

32. OFFICERS REMUNERATION

The number of employees whose remuneration (excluding employer's pension contributions), was £50,000 or more in bands of £5,000 were:

Remuneration Band	Number of Employees	
	2012-13	2013-14
£50,000 - £54,999	1	0
£55,000 - £59,999	3	3
£60,000 - £64,999	6	8
£65,000 - £69,999	0	0
£70,000 - £74,999	0	0
£75,999 - £79,999	0	0
£80,000 - £84,999	2	0
£85,000 - £89,999	0	1
£90,000 - £94,999	1	0
£95,000 - £99,999	0	0
£100,000 - £104,999	0	0
£105,000 - £109,999	0	1
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	0	1

NOTES TO THE FINANCIAL STATEMENTS

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

2013-14

Post	Remuneration	Expenses	Taxable Benefits	Compensation for Loss of Office	Total Remuneration	Employers Pension Contributions	Total
Chief Executive (left 31/07/14)	28,875	0	0	99,680	128,555	5,919	134,474
Chief Executive & Growth Director	105,500	202	0	0	105,702	21,627	127,329
Deputy Chief Executive	87,166	202	0	0	87,368	17,869	105,237
Assistant Director Economy	64,000	618	0	0	64,618	13,120	77,738
Assistant Director Environment	64,028	0	0	0	64,028	13,126	77,154
Assistant Director Customer Access	64,000	16	0	0	64,016	13,120	77,136
Assistant Director Finance (left 31/05/14)	10,167	0	497	0	10,664	2,084	12,748
Assistant Director Finance	60,928	0	0	0	60,928	12,490	73,418
Assistant Director City Development	64,000	59	0	0	64,059	13,120	77,179
Assistant Director Housing	64,000	0	0	0	64,000	13,120	77,120
Assistant Director Public Realm	64,000	363	0	0	64,363	13,120	77,483
Corporate Manager - Legal	58,745	202	0	0	58,947	12,020	70,967

2012-13

Post	Remuneration	Expenses	Taxable Benefits	Compensation for Loss of Office	Total Remuneration	Employers Pension Contributions	Total
Chief Executive	93,776	308	0	0	94,083	17,438	111,521
Strategic Director	83,000	258	0	0	83,258	17,015	100,273
Strategic Director	83,000	176	0	0	83,176	17,015	100,191
Assistant Director Economy	64,000	982	0	0	64,982	13,120	78,102
Assistant Director Environment	64,000	289	0	0	64,289	13,120	77,409
Assistant Director Business Transformation	64,000	41	0	0	64,041	13,120	77,161
Assistant Director Finance	60,999	240	3,143	0	64,382	12,505	76,887
Assistant Director City Development	64,000	0	0	0	64,000	13,120	77,120
Assistant Director Housing	54,021	428	0	0	54,449	11,074	65,524
Assistant Director Public Realm	64,000	0	0	0	64,000	13,120	77,120
Corporate Manager - Legal	58,745	61	0	0	58,806	12,020	70,826

NOTES TO THE FINANCIAL STATEMENTS

33. EXTERNAL AUDIT COSTS

In 2013-14 Exeter City Council incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2012-13 £'000	2013-14 £'000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	76	76
Audit Commission rebate	(5)	(10)
Fees payable to Grant Thornton for the certification of grant claims and returns	15	15
Fees payable in respect of other services provided by the appointed auditor**	5	6
	91	87

** Charge for submission of a VAT claim in respect of canal mooring fees (£5,000 - 2012/13) and advice in respect of IT (£5,999 – 2013/14)

34. GRANT INCOME

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

	2012-13 £'000	2013-14 £'000
Credited to Taxation and non-specific grant income		
Council taxpayers	(4,788)	(4,457)
Revenue Support Grant	(159)	(4,860)
New Homes Bonus	(1,323)	(2,205)
Council Tax Freeze Grant	(119)	(119)
Local Services Support Grant	(505)	(503)
NNDR	(8,217)	(3,365)
Other Capital Grants	(160)	0
Other Capital Contributions	(116)	(295)
Total	(15,387)	(15,804)
Credited to Services		
Benefit Subsidy	(47,587)	(39,676)
NNDR Cost of Collection	(226)	(224)
Supporting People	(269)	(274)
CT/HB Admin Grant	(849)	(811)
Other Grants	(2,110)	(1,370)
Total	(51,041)	(42,355)

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:

	2012-13	2013-14
	£'000	£'000
Capital Grants receipts in advance		
Crossmead Public Open Space	(103)	0
Land at Beacon Avenue	(97)	(97)
Environmental Cont - Rydon Lane	(13)	(13)
Leisure Contribution - Cowick St	(13)	0
Affordable Housing - Cowick St	(714)	(581)
Community Facility - Western Way	(45)	(37)
Leisure Contribution - Hill Barton	0	(91)
Local Energy Networks	0	(152)
Leisure Contribution - Newcourt	0	(352)
Community Facility - Newcourt	0	(130)
Extracare - St Loyes	0	(1,006)
Other Grants	(166)	(155)
Total	(1,151)	(2,614)

35. RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence or to be controlled or 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 significant influence over the general operations of the Council, providing the statutory framework, the majority of the funding, and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits).

Council Members – have direct control over the council's financial and operating policies. The total of member allowances paid in 2013/14 is shown in Note 31. During the financial year, the Council paid grants to organisations totalling £103,625 in which two members had positions on the governing body.

Officers – no disclosures

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

Companies – details can be found in the Group Accounts.

NOTES TO THE FINANCIAL STATEMENTS

36. 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 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.

	2012-13 £'000	2013-14 £'000
Opening Capital Financing Requirement	86,503	89,826
Capital Investment		
Intangible Assets	125	133
Property, Plant and Equipment	13,978	9,950
Investment Properties	23	0
Long Term Debtors	344	392
REFCUS	1,389	1,355
Sources of Finance		
Capital Receipts	(998)	(2,126)
Government grants and other contributions	(1,176)	(1,349)
Sums set aside from revenue	(9,089)	(6,784)
Minimum Revenue Provision	(1,107)	(1,437)
Repayment of Long Term Debtors	(166)	0
Closing Capital Financing Requirement	89,826	89,960

NOTES TO THE FINANCIAL STATEMENTS

	2012-13 £'000	2013-14 £'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)	3,323	134
Assets acquired under finance leases		
Increase/(decrease) in Capital Financing Requirement	3,323	134

NOTES TO THE FINANCIAL STATEMENTS

37. LEASES

Council as a Lessee

Finance Leases

The Council has acquired a number of its investment properties and some small items of equipment under 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 fifteen 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 £785,185 (2012/13 £812,939). Rental Payments due in 2014/15 can be broken down as follows:

Due to expire in 2014/15 (or on 1 year rolling agreements)	£28,869
2 – 5 Years	£756,316
5+ Years	0

NOTES TO THE FINANCIAL STATEMENTS

Council as a Lessor

Finance Leases

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

Twenty six of the leases were entered into prior to 2010 and therefore the Council has taken advantage of the statutory regulations allowing the income received to be retained as revenue income.

The gross investment is made up of the following amounts

	2012/13 £'000	2013/14 £'000
Finance Lease Debtor		
• Current	112	113
• Non-current	11,420	11,416
Unearned finance income	11,532	11,529
Unguaranteed Residual Value	15,036	15,356
Gross investment in Lease	26,568	26,885

Operating Leases

The Council leases out approximately 730 Commercial Premises. Investment income totalling £2,785,811 has been received in respect of these properties, during 2013-14 (£2,902,343 2012/13).

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.

Due to expire in 2013-14 (or on 1 year rolling agreements)	£277,770
2 – 5 Years	£473,816
5+ Years	£2,034,225

NOTES TO THE FINANCIAL STATEMENTS

38. IMPAIRMENT LOSSES

During 2013/14, the Council has recognised impairment losses of £1.992 million and £0.516 million in relation to its Council dwellings and operational land and buildings respectively.

39. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2013/14, incurring liabilities of £578,481 in redundancy payments (£489,840 – 2012/13) and £270,515 in pension strain payments (£99,939 – 2012/13).

These are broken down as follows:

Band	Number of Employees	
	2012-13	2013-14
Compulsory Redundancy		
Less than £20,000	2	2
£20,000 - £39,999	2	1
£40,000 - £59,999	2	1
£60,000 - £79,999	0	0
£80,000 - £99,999	0	0
Voluntary Redundancy		
Less than £20,000	12	13
£20,000 - £39,999	5	5
£40,000 - £59,999	2	3
£60,000 - £79,999	0	0
£80,000 - £99,999	0	1
£100,000 - £149,999	0	1
£150,000 - £199,999	0	0
£200,000 - £249,999	0	0

NOTES TO THE FINANCIAL STATEMENTS

40. 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 and benefits accrued up to 31 March 2014 are based on final salary and length of service on retirement.
- 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 as at 31 March 2013 rolled forward to take into account changes in the intervening period.

The most recent valuation was carried out as at 31 March 2013, 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 2014. 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 2013 valuation are as follows:

Future Service Pay

April 2014 to March 2015	14.1% of pensionable pay
April 2015 to March 2016	14.1% of pensionable pay
April 2016 to March 2017	14.1% of pensionable pay

Past Service Deficit

April 2014 to March 2015	£1.286 million
April 2015 to March 2016	£1.332 million
April 2016 to March 2017	£1.393 million

The estimated value of employer contributions for 2014-15 is £3.279m.

The estimated asset allocation as at 31 March 2014 is as follows:

Asset Share	2012-13		2013-14	
	£'000	%	£'000	%
Equities	57,858	61	25,315	26
Overseas Equities	-	-	33,104	34
Infrastructure	-	-	1,947	2
Gilts	12,330	13	6,816	7
Other Bonds	-	-	4,868	5
Property	7,588	8	8,763	9
Cash	2,845	3	1,947	2
Target Return Portfolio	14,227	15	14,605	15
Total	94,848	100	97,365	100

NOTES TO THE FINANCIAL STATEMENTS

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

	2012-13	2013-14
Discount rate for scheme liabilities	4.5% pa	4.4% pa
Discount rate for pension cost	4.5% pa	4.4% pa
Rate of increase in salaries	4.8% pa	4.6% pa
Rate of increase in pensions in payment	2.6% pa	2.8% pa
Rate of increase in deferred pensions	2.6% pa	2.8% pa
Rate of inflation - RPI	3.4% pa	3.6% pa
- CPI	2.6% pa	2.8% pa
<i>Mortality assumptions</i>		
Longevity at 65 – current pensioners		
Men	20.6	22.7
Women	24.6	26.0
Longevity at 65 – future pensioners		
Men	22.6	24.9
Women	26.5	28.3
Avg long term expected rate of return	5.4% pa	
Conversion of pension into lump sum		
Pre April 2008 permitted amount	50%	50%
Post April 2008 permitted amount	50%	50%

The expected rate of return and the interest cost has been replaced with a single net interest cost, which effectively sets the expected return equal to the discount rate.

Actual Return on Fund Assets

Actual return on fund assets for 2013-14 was £4.374m (£10.745m 2012-13).

Transactions Relating to Post-employment Benefits

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

CIES	2012-13 £m	2013-14 £m
<i>Net Services Cost</i>		
Current Service Cost	3.676	3.908
Loss / (gain) on curtailment	0.166	0.211
<i>Other Operating Expenditure</i>		
Administration expenses	0.043	0.053
<i>Financing and Investment Income and Expenditure</i>		
Net interest on the defined liability (asset)	<u>3.130</u>	<u>3.251</u>
	7.015	7.423
Movement in Reserves Statement		
Reversal of net charges	(7.015)	(7.423)
Employers contributions	3.492	3.700

NOTES TO THE FINANCIAL STATEMENTS

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

	2012-13	2013-14
	(£m)	(£m)
Opening fair value of assets	85.901	94.848
Interest income	3.912	4.221
Remeasurement gains / (loss)	6.832	0.491
Administration expenses	(0.042)	(0.053)
Contributions by the employer	3.325	3.293
Contributions by participants	0.926	0.907
Net benefits paid out	<u>(6.006)</u>	<u>(6.342)</u>
Closing fair value of assets	<u>94.848</u>	<u>97.365</u>

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

	2012-13	2013-14
	(£m)	(£m)
Opening present value of liabilities	155.507	168.586
Current service cost	3.676	3.908
Interest cost	7.042	7.472
Contributions by participants	0.926	0.907
<i>Remeasurement (gains) and losses:</i>		
Change in demographic assumptions	-	0.995
Change in financial assumptions	7.130	6.206
Experience loss(gain)	0.145	(9.048)
Benefits paid out	(5.722)	(6.059)
Past service cost, including curtailments	0.166	0.211
Unfunded pension payments	<u>(0.284)</u>	<u>(0.283)</u>
Closing present value of liabilities	<u>168.586</u>	<u>172.895</u>

NOTES TO THE FINANCIAL STATEMENTS

Pension Assets and Liabilities Recognised in the Balance Sheet:

	2012-13	2013-14
	(£m)	(£m)
Present value of defined benefit obligations	168.586	172.895
Fair Value of Scheme Assets	<u>(94.848)</u>	<u>(97.365)</u>
Net Liability in Balance Sheet	73.738	75.530

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

	Increase in assumption	Decrease in assumption
	(£m)	(£m)
Longevity +/- 1 year	166.828	179.017
Salaries +/- 1%	173.328	172.465
Pensions +/- 1%	175.584	170.255
Discount rate +/- 1%	169.874	175.972

Prior Year Adjustment

For the 2013-14 Statement of Accounts the Council has implemented changes to the accounting requirements for the defined benefit pension scheme, in accordance with IAS 19, that impact on the comparative figures for 2012-13 in the Comprehensive Income and Expenditure Statement (CIES). The effect on the CIES is set out below:

		Restatements				
	2012-13	Pension	Expected	Interest	Net	2012-13
	CIES	administration	Return on	Cost	Interest on	Restated
	£'000	expenses	Fund	£'000	the	CIES
		£'000	Assets		Defined	£'000
Other operating expenditure	(139)	43				(96)
Financing and investment income and expenditure	(4,983)		4,614	(7,042)	3,130	(4,281)
Remeasurement of the net defined benefit liability	1,354	(43)	(4,614)	7,042	(3,130)	609

NOTES TO THE FINANCIAL STATEMENTS

41. 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 1.4.13	Expenditure	Income	Value of fund at 31.3.14
	£'000	£'000	£'000	£'000
Reynolds Chard Bequest	362	(14)	13	361
Veitch Bequest	21	0	0	21
Dorothy Holman Trust	40	0	0	40
Bowling Green Marshes	(1)	(3)	3	(1)
Topsham Recreation Ground	17	0	0	17
	439	(17)	16	438

42. FINANCIAL INSTRUMENTS – INVESTMENTS IN ICELANDIC BANKS

Early in October 2008, the Icelandic banks Landsbanki and Glitnir collapsed. The authority had £5m deposited across 2 of these institutions, with varying maturity dates and interest rates as follows:

Amount Invested (£m)	Carry Value 01/04/13 (£m)	Repayment 2012-13 (£m)	Carry Value 31/03/14 (£m)	Impair- ment (£m)
£3.0	£1.286	£1.379	£0	(£0.093)
£2.0	£0	£0	£0	£0

The current situation is set out below:

Glitnir Bank hf

Glitnir has been repaid in full. An investment of £0.447m is held in escrow in the new Glitnir bank, which represents funds repaid in Krona that cannot be recovered yet due to ongoing currency controls.

Landsbanki Islands hf

The Council sold at auction the remaining balance of funds held in Landsbanki during the year, including the amount held in Escrow. A small investment gain was used to write off the capitalised impairment.

NOTES TO THE FINANCIAL STATEMENTS

43. 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. The latest Strategy was approved on 25 February 2014.

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 UK institutions with the highest rating of rates F1+ have a maximum investment of £3 million for up to 364 days, Foreign institutions that deal in Sterling and are rated F1+ have a maximum investment of £2 million for up to 180 days, whilst the lowest rating the Council will accept (F1 and P1) have a maximum investment of £1 million for up to 90 days. For the two major UK clearing banks Barclays and Lloyds Group and Nationwide, which are rated F1 and P1 (£3 million can be invested for up to 90 days). Up to £5 million can be invested in a money market fund.

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 31/03/2014 £'000	Historical experience of default %	Historic experience adjusted for market conditions at 31/03/2014 %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks and other financial institutions	448	4.3	5	22
Trade and other Receivables – Sundry Debt	9,286	10	15	1,393
Other statutory debts	256	10	15	38
Total	9,990			1,453

NOTES TO THE FINANCIAL STATEMENTS

The Council has varying credit terms for customers. In reviewing the Council's sundry debt (which does not include Council Tax, Business Rates or money owed by the Government in respect of Business Rates etc): Out of the £6.467m sundry debt in note 20, some £3.8 million is invoiced debt. £2.4 m of this invoiced debt is past its due date for payment. The past due amount can be analysed by age as follows:

	£'000
Less than 3 months	660
Three to six months	101
Six months to one year	588
More than one year	1,059
Total	2,408

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.

If on the 31 March 2014 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 31/03/2014 was taken out over a maximum of one year. A 1% increase in interest rates would increase the cost by £150,000 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 £105,000 over a year. In respect of the fixed term deposits of £3m an increase of 1% would have decreased the fair value by £30,000.

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 three 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 2014 and a foreign currency gain has been charged against the Comprehensive Income and Expenditure Statement. A 1% reduction in the value of the Kroner will mean a reduction of £4,700 in the value of the investments.

NOTES TO THE FINANCIAL STATEMENTS

44. 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. The value of any claim is in the region of £598,000. A part payment of £88,830 was received in April 2014 in respect of this claim.

45. CONTINGENT LIABILITY

The Council is obliged to keep information on Environmental Information regulations and, where possible, to make that information freely available. Case law has indicated that local authorities may have charged for information that should have been provided free of charge, but the situation is still evolving. The Council may be subject to claims for refunds of fees incorrectly paid. It is not possible to accurately estimate an amount but it is not considered to be material.

46. STATUTORY HARBOUR AUTHORITY

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

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

	2012/13 £'000	2013/14 £'000
Income		
Fees and Charges	(61)	(76)
	(61)	(76)
Expenditure		
Employees	26	30
Premises	61	52
Supplies and Services	32	37
Transport	17	11
Support Services	21	22
Capital Charges	5	5
	162	157
Net cost of Harbour Activities as included in the Comprehensive Income and Expenditure Statement	101	81

HRA INCOME & EXPENDITURE ACCOUNT

2012-2013		2013-2014
£'000	Income	£'000
(17,568)	Dwelling rents	(18,177)
(489)	Non dwelling rents	(466)
(738)	Charges for services and facilities	(685)
(126)	Supporting People Subsidy	(129)
(18,921)	Total Income	(19,457)
	Expenditure	
4,863	Repairs and maintenance	6,171
3,491	Supervision and management	3,548
12	Rents, rates, taxes and other charges	22
7,186	Depreciation and impairment of non-current assets	4,326
8	Debt management costs	8
26	Increase/(decrease) in bad debt provision	10
15,586	Total Expenditure	14,085
(3,335)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	(5,372)
151	HRA share of Corporate and Democratic Core	163
(3,184)	Net Cost of HRA Services	(5,209)

HRA INCOME & EXPENDITURE ACCOUNT

2012-2013		2013-2014
£'000		£'000
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	
(672)	(Gain) or loss on sale of HRA non-current assets	(608)
1,988	Interest payable and similar charges	1,984
(44)	Interest and investment income	(48)
187	Net interest on the net defined benefit liability (asset) and administration expenses	199
(84)	Capital grants and contributions receivable	(122)
(1,809)	(Surplus)or deficit for the year on HRA services	(3,804)

Movement on the HRA Statement

2012-2013		2013-2014
£'000		£'000
(5,793)	Housing Revenue Account surplus brought forward	(6,364)
(1,809)	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	(3,804)
1,238	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	4,101
(571)	(Increase) or decrease in the HRA Balance	297
(6,364)	Housing Revenue Account surplus carried forward	(6,067)

HRA – NOTES TO THE ACCOUNT

1. HRA DWELLINGS

	Flats	Houses and Bungalows	Total
At 31 March 2013	2,619	2,422	5,041
At 31 March 2014	2,603	2,409	5,012

2. VACANT POSSESSION VALUE OF DWELLINGS

At 1 April 2014 the vacant possession value of the dwellings was £637.800 million, this compares to the tenanted market value in the Balance Sheet of £197.718 million. The difference of £440.082 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 2013-14 were as follows:

	2012-13	2013-14
Income	£'000	£'000
Balance at 1 April	3,149	2,270
Transfer from the HRA	3,674	2,333
	<u>6,823</u>	<u>4,603</u>
Expenditure		
Financing HRA Capital Expenditure		
Land	-	-
Houses	4,553	809
Other Property	-	-
	<u>4,553</u>	<u>809</u>
Balance at 31st March	<u>2,270</u>	<u>3,794</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 2013	189,985	1,064	102	2	853	894	192,900
At 31 March 2014	197,718	1,196	196	1	1,290	609	201,010

Within the valuation of Council dwellings as at 31 March 2014 of £197.718m, £100.068m was attributable to the value of land (2012/13 £96.361m) and £97.650m to buildings (2012/13 £93.624m).

6. HRA CAPITAL EXPENDITURE

HRA capital expenditure amounted to £7.453m during 2013/14 (£8.945m 2012/13), 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						
Houses	7,329	809	5,484		214	822
Other Property	124		124			
Total	<u>7,453</u>	<u>809</u>	<u>5,608</u>	<u>0</u>	<u>214</u>	<u>822</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:

	2012-13 £'000	2013-14 £'000
Land	0	40
Dwellings	1,650	1,939
Repayment of discounts		
	<u>1,650</u>	<u>1,979</u>
Less amount pooled	<u>(317)</u>	<u>(363)</u>
	<u>1,333</u>	<u>1,616</u>

8. IMPAIRMENT CHARGES

Impairment charges of £1.992 million were debited to the HRA Income and Expenditure Account in 2013/14 although they were reversed out in the Statement of Movement on the HRA Balance, to avoid having an impact on rent levels, in accordance with the Code of Practice.

9. DEPRECIATION & AMORTISATION

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

	2012-13 £'000	2013-14 £'000
Intangible assets	1	1
Operational assets		
Dwellings	2,178	2,286
Garages	14	14
Equipment	30	34
Depreciation and amortisation charged for the period	<u>2,223</u>	<u>2,335</u>
Less depreciation written off in respect of disposals	(11)	(10)
Less depreciation written off in respect of revaluations	(1,149)	(2,003)
Less depreciation written off in respect of impairments	(1,032)	(287)
Total depreciation and amortisation	<u>31</u>	<u>35</u>

HRA – NOTES TO THE ACCOUNT

10. RENT ARREARS

The rent arrears at 31 March 2014, amounted to £0.339m (31 March 2013, £0.302m) and the aggregate Balance Sheet provision in respect of uncollectable HRA debts is £0.171m (31 March 2013, £0.161m).

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.

2012-2013		2013-2014		
		Council Tax	NNDR	Total
£'000		£'000	£'000	£'000
	Income from:			
48,766	Council tax	51,076	0	51,076
7,943	Transfers from General Fund: Council Tax Benefit	0	0	0
0	Transitional Protection - sums due to the Council	0	78	78
72,105	NNDR	0	75,490	75,490
128,814		51,076	75,568	126,644
	Expenditure			
	Demands on the Fund by:			
6,086	Police and Crime Commissioner for Devon and Cornwall	5,510	0	5,510
2,817	Devon & Somerset Fire and Rescue Service	2,550	763	3,313
42,535	Devon County Council	37,755	6,865	44,620
4,757	Exeter City Council	4,391	30,512	34,903
71,879	Central Government	0	38,139	38,139
226	Costs of Collection Allowance	0	224	224
	Bad and doubtful debts			
187	Write offs	84	366	450
(30)	Impairment for Uncollectable Debt	30	30	60
0	Provisions for Appeals	0	3,679	3,679
128,457		50,320	80,578	130,898
(357)	(Surplus) / Deficit	(756)	5,010	4,254
	Add			
84	Fund balance b/f	(273)	0	(273)
(273)	Fund Balance c/f	(1,029)	5,010	3,981

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 2013/14 were :

Band	Dwellings	Less Discounts	Conversion Factor	Band D equivalents
A relief	17	2	5/9ths	8
A	9,461	3,936	6/9ths	3,683
B	13,879	3,557	7/9ths	8,028
C	12,500	2,102	8/9ths	9,243
D	7,288	792	9/9ths	6,496
E	3,540	262	11/9ths	4,006
F	1,597	112	13/9ths	2,145
G	791	49	15/9ths	1,237
H	24	2	18/9 ^{ths}	44
Band D equivalent				<u>34,890</u>
Less Hardship relief (Band D)				<u>(24)</u>
Total Band D equivalent				<u>34,866</u>
Collection rate @ 97%				<u>(1,046)</u>
Tax base				<u>33,820</u>

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 (£186.175m at March 2014) multiplied by a uniform rate 47.1p (46.2p for those receiving small business relief) for 2013-2014.

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.

Additionally the Council owns a 21.5% shareholding in Exeter Science Park Limited. The principal activity of the company is to ensure the successful delivery of the Science Park by enabling the market for the Science Park to be developed through connections with the knowledge base at the University of Exeter, the Met Office and the Peninsula College of Medicine and Dentistry. The largest shareholder is Devon County Council (49.9%), with University of Exeter (21.5%) and East Devon District Council (7.1%) also holding shares.

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 £2.230 million based on company accounts, which are subject to audit (in the case of the Science Park and ECQT). Exeter Business Centre's accounts are considered exempt from audit under s.477 of the Companies Act 2006. 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

2012-2013				2013-2014		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Service	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
10,908	(8,386)	2,522	Central Services to the Public	2,976	(936)	2,040
11,607	(2,912)	8,695	Cultural and Related Services	10,069	(4,049)	6,020
7,586	(1,058)	6,528	Environmental and Regulatory Services	10,013	(3,671)	6,342
3,989	(1,390)	2,599	Planning Services	3,921	(1,243)	2,678
49,500	(45,572)	3,928	Housing Services	49,459	(46,114)	3,345
3,783	(6,309)	(2,526)	Highways and Transport Services	3,731	(6,876)	(3,145)
2,403	(130)	2,273	Corporate and Democratic Core	2,727	(655)	2,072
166	0	166	Non Distributed Cost	211	0	211
19,541	(22,876)	(3,335)	Housing Revenue Account - Other	14,366	(19,738)	(5,372)
109,483	(88,633)	20,850	Cost of Services	97,473	(83,282)	14,191
			(96) Other operating expenditure			(542)
			(4,281) Financing and investment income and expenditure			1,607
			Share of (Surplus) / Deficit on the Provision of			
			40 Services by the Science Park			38
			(15,387) Taxation and non-specific grant income			(15,804)
			1,126 (Surplus) or Deficit on Provision of Services			(510)

GROUP COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

2012-2013			2013-2014		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
		(9,339) (Surplus) or deficit on revaluation of property, plant and equipment			(6,811)
		(186) Share of Other Comprehensive Income and Expenditure of the Science Park			(400)
		609 Actuarial (gains)/losses on pensions assets / liabilities			(1,930)
		<u>(8,916)</u> Other Comprehensive Income and Expenditure			<u>(9,141)</u>
		<u>(7,790)</u> Total Comprehensive Income and Expenditure			<u>(9,651)</u>

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 2012 carried forward	(4,285)	(2,115)	(1,892)	(5,793)	(896)	(3,149)	(1,262)	(19,392)	(209,375)	(228,767)
<i>Movement in Reserves 2012-13</i>										
(Surplus) / deficit on the provision of services	2,869	(120)	0	(1,809)	0	0	0	940	0	940
Other Comprehensive Income & Expenditure		0	0	0	0	0	0	0	(8,730)	(8,730)
Total Comprehensive Income & Expenditure	2,869	(120)	0	(1,809)	0	0	0	940	(8,730)	(7,790)
Adjustments between Accounting basis and funding basis under regulations	(3,070)	0	0	1,238	(727)	879	301	(1,379)	1,379	0
Net Increase / Decrease before Transfers to Earmarked Reserves	(201)	(120)	0	(571)	(727)	879	301	(439)	(7,351)	(7,790)
Transfers to / from Earmarked Reserves	1,128	0	(1,128)	0	0	0	0	0	0	0
(Increase) / Decrease in 2012-13	927	(120)	(1,128)	(571)	(727)	879	301	(439)	(7,351)	(7,790)

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 2013 carried forward	(3,358)	(2,235)	(3,020)	(6,364)	(1,623)	(2,270)	(961)	(19,831)	(216,726)	(236,557)
<i>Movement in Reserves 2013-14</i>										
(Surplus) / deficit on the provision of services	3,289	5	0	(3,804)	0	0	0	(510)	0	(510)
Other Comprehensive Income & Expenditure		(400)	0	0	0	0	0	(400)	(8,741)	(9,141)
Total Comprehensive Income & Expenditure	3,289	(395)	0	(3,804)	0	0	0	(910)	(8,741)	(9,651)
Adjustments between Accounting basis and funding basis under regulations (note 7)	(6,716)	0	0	4,101	(683)	(1,524)	278	(4,544)	4,544	0
Net Increase / Decrease before Transfers to Earmarked Reserves	(3,427)	(395)	0	297	(683)	(1,524)	278	(5,454)	(4,197)	(9,651)
Transfers to / from Earmarked Reserves	3,420		(3,420)	0	0	0	0	0	0	0
(Increase) / Decrease in 2013-14	(7)	(395)	(3,420)	297	(683)	(1,524)	278	(5,454)	(4,197)	(9,651)
Balance at 31 March 2014 carried forward	(3,365)	(2,630)	(6,440)	(6,067)	(2,306)	(3,794)	(683)	(25,285)	(220,923)	(246,208)

GROUP BALANCE SHEET

2012- £'000	2013-2014 £'000	Notes
301,295 Property, Plant and Equipment	319,373	
43,225 Investment Property	34,005	1
22,436 Heritage Assets	22,615	
627 Intangible Assets	477	
2,099 Long Term Investments	0	
188 Investment in Associate	551	
12,231 Long Term Debtors	12,456	
382,101 Total Long-Term Assets	389,477	
194 Inventories	209	
7,210 Short-Term Debtors	9,597	
489 Short-Term Investments	1,048	
1,635 Assets Held for Sale	609	
4,516 Cash & Cash Equivalents	13,261	
14,044 Total Current Assets	24,724	

GROUP BALANCE SHEET

2012- £'000	2013-2014 £'000	Notes
(15,015) Short-Term Borrowing	(18,033)	
(12,424) Short-Term Creditors	(14,557)	
(27,439) Total Current Liabilities	(32,590)	
(56,906) Long term borrowing	(56,906)	
(1,151) Capital Grants Receipts in Advance	(2,614)	
(354) Long-Term Creditors	(353)	
(73,738) Pension Scheme Liability	(75,530)	
(132,149) Total Long-Term Liabilities	(135,403)	
<u>236,557</u> Net Assets	<u>246,208</u>	
Financed by:		
19,831 Usable Reserves	25,285	
216,726 Unusable Reserves	220,923	
<u>236,557</u> Total Reserves	<u>246,208</u>	


DAVE HODGSON CPFA
ASSISTANT DIRECTOR FINANCE

GROUP CASHFLOW STATEMENT

2012-2013		2013-2014
£'000		£'000
1,126	Net (surplus) or deficit on the provision of services	(510)
(13,288)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(12,542)
1,575	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	2,781
(10,587)	Net cashflows from Operating Activities	(10,271)
15,224	Investing Activities	5,895
(6,730)	Financing Activities	(4,369)
(2,093)	Net (Increase) or decrease in cash and cash equivalents	(8,745)
2,423	Cash and cash equivalents at the beginning of the reporting period	4,516
4,516	Cash and cash equivalents at the end of the reporting period	13,261

GROUP NOTE TO THE ACCOUNTS

1. INVESTMENT PROPERTIES

	2012-13	2013-14
	£'000	£'000
Rental income from investment property	3,979	3,686
Direct operating expenditure arising from investment property	(921)	(732)
Net gain / (loss)	3,058	2,954

	2012-13	2013-14
	£000s	£000s
Balance at 1 April	44,033	43,225
Additions :		
Purchases		
Construction		
Subsequent expenditure	23	0
Disposals		
Net gains / losses from fair value adjustments	(80)	1,119
Transfers:		
to/from Inventories		
to/from Property, Plant & Equipment	(751)	(10,339)
Other changes		
Balance at 31 March	43,225	34,005



Exeter City Council

APPENDIX B

Annual Governance Statement

2013/14

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This statement explains how Exeter City Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2011, paragraph 4(3), which requires all relevant bodies to prepare an Annual Governance Statement.

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

1. Creating and implementing a local vision
2. A common purpose for Members and Officers
3. Upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions
5. Developing the capacity and capability to be effective
6. Ensuring robust public accountability

A copy of the Council's code is available on our website at
<http://www.exeter.gov.uk/Code>

ANNUAL GOVERNANCE STATEMENT

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its 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.

The 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 the Council's aims and objectives, but it seeks to provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on going process designed to identify, prioritise and manage the risks to the achievement of the Council's aims and objectives.

The governance framework has been in place at Exeter City Council for the year ended 31 March 2014 and up to the date of approval of the annual statement of accounts.

The Governance Framework

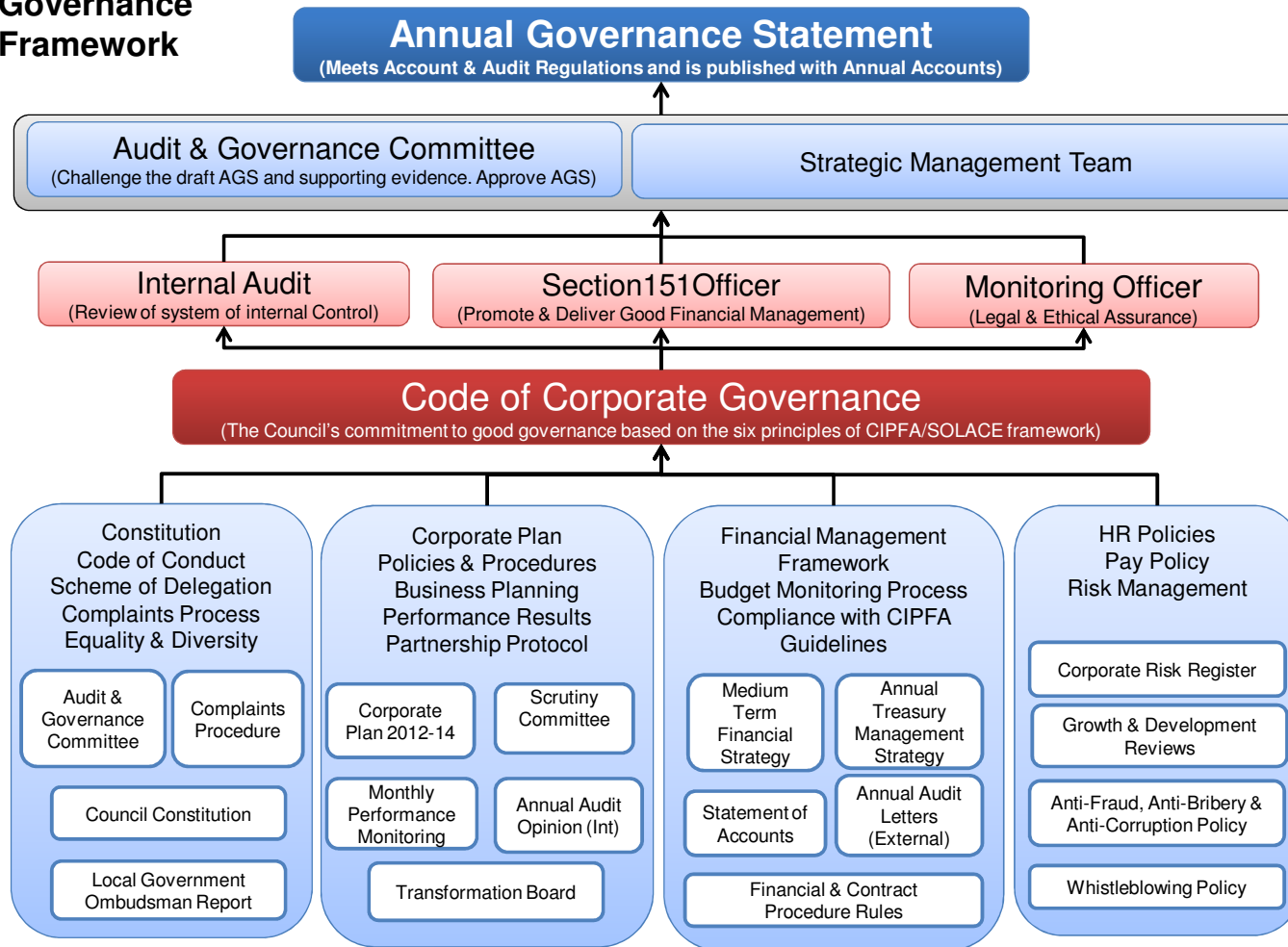
The Council's Governance Framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The Framework recognises that the Council's business is focussed upon its corporate priorities and seeks to facilitate delivery to our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

The local Code of Corporate Governance is reviewed annually through the Audit and Governance Committee. This last happened on 26 June 2013 and will be reviewed on 25 June 2014. Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Strategic Management Team (SMT) which comprises the Chief Executive and Growth Director, Deputy Chief Executive, Assistant Directors, Corporate Managers and a Business Manager.

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

ANNUAL GOVERNANCE STATEMENT

Governance Framework



ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness

Exeter 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:

- ✓ the work of the Strategic Management Team who have responsibility for the development and maintenance of the governance environment;
- ✓ the Audit Manager's annual report;
- ✓ comments made by the external auditors and other review agencies and inspectorates; and
- ✓ the Audit & Governance Committee review the elements of the governance framework that are in place and to ensure that it is effective complies with the 6 principles. They also reviewed the system of internal audit and concluded it was effective and remained a key source of assurance for the Council in 2013/14.

The Council's Monitoring Officer has a legal responsibility to look into matters of potential unlawfulness within the Council. The role is undertaken by the Corporate Manager Legal who attends every Full Council Meeting along with the Section 151 Officer, who is responsible for ensuring that all expenditure approved is legal.

Other key officers have also been consulted for their views on the standards of governance within the Council – specifically the

- ✓ Section 151 Officer,
- ✓ Monitoring Officer and
- ✓ Audit Manager.

The Audit & Governance Committee has monitored standards of conduct of Members and advised the Council on probity issues. Changes to, and entries made in the Register of Members' Interests were reviewed by the Monitoring Officer.

The Performance Management Framework has improved during the year. Monitoring information on key areas of performance has been provided to the Strategic Management Team for review and action, with key issues reported to the Transformation Board. Budget monitoring reports have been presented to all three Scrutiny Committees along with the Executive.

The Constitution is reviewed regularly to ensure it is up to date, and reflects best practice and legal requirements. The Monitoring Officer review Standing Orders during 2013-14. The Constitution is approved by Full Council.

In 2013/14 the Council responded to 522 customer complaints. All complaints were responded to by the relevant Assistant Director or Corporate Manager so that any issues identified could be actioned.

ANNUAL GOVERNANCE STATEMENT

Review of Effectiveness

Internal Audit assessed corporate governance arrangements by measuring the Council against the requirements of the governance framework outlined in the CIPFA / SOLACE publication "Delivering Good Governance in Local Government", and the results of this have been reported to the Audit and Governance Committee. The review of the effectiveness of the governance framework by the Audit and Governance Committee noted that there was some improvement required.

The Council's Risk Management arrangements have been monitored throughout the year by the Audit & Governance Committee. Service risk registers are not yet in existence to underpin sound risk management. However there has been a major review of risk in respect of the Council's key project – the leisure complex. Internal Audit will be completing a review of risk management during 2014-15.

All key systems were audited in 2013/14 and a total of 34 audit reports were provided to management and the Audit & Governance Committee.

The Code of Governance was found by Internal Audit to be out of date. The 2014/15 Code is to be approved by the Audit and Governance Committee in June 2014.

Based on the assurance work undertaken by Internal Audit, the Audit Manager has provided an opinion on the adequacy of the control environment which concluded that the key systems are operating soundly and that there are no fundamental breakdowns of controls resulting in material discrepancy. It should, however, be noted that all risks of failure cannot be eliminated, and the assurance given is therefore reasonable and not absolute. Isolated areas in which controls were below the required standard are reported initially to the relevant Assistant Director who ensures prompt corrective action is taken, and ultimately to the Audit and Governance Committee who monitor progress with improvements via follow up reports from Internal Audit.

In September 2013 the Council's external auditor (Grant Thornton) provided the Council with an unqualified opinion on the Council's accounts within their Annual Audit and Inspection letter, and a positive value for money opinion has been received in their Annual Governance Report.

In the 2012/13 Annual Governance Statement, four key issues were identified.

- Establish Audit & Governance Committee – complete
- Address recommendations by External Audit – complete (except authorisation of journals)
- Update risk register – complete
- Internal Audit recommendations – ongoing.

ANNUAL GOVERNANCE STATEMENT

Significant Governance Issues

This Statement is intended to provide reasonable assurance. It is stressed that no system of control can provide absolute assurance against material misstatement or loss. In concluding this overview of the Council's governance arrangements, seven issues have been identified that need to be addressed to ensure continuous improvement in the Governance Framework. The aim is to address these weaknesses during the 2014/15 financial year, by way of an action plan for improving the governance framework and system of internal control. This will be subject to regular monitoring by the Committee.

Issue No.	Issue Identified	Summary of Action Proposed
1	The Code of Corporate Governance is out of date and requires updating.	An updated Code of Corporate Governance will be submitted for approval to Full Council by July 2014.
2	During the year a number of internal audit reports identified some data quality issues, some more significant than others.	Managers are reminded of the importance of accuracy within data input, whenever the issue arises.
3	With considerable changes to the structure of the Council as it transforms the way in which services are delivered; separation of duties continues to be an area of concern.	Managers will continue to review the arrangements for separation of duties as a matter of course. No fundamental weaknesses have yet been identified.
4	The debtors system was found to have a fundamental weakness as reported to this committee on 27 November 2013. A follow up audit has amended the finding to significant improvement required.	The whole area of sundry debtors is to be subject to a review reporting back by the end of the 2014-15 financial year.

ANNUAL GOVERNANCE STATEMENT

Significant Governance Issues

Issue No.	Issue Identified	Summary of Action Proposed
5	There are currently no service operational risk registers in place. This could mean that not all operational risks are being identified and managed.	As the corporate risk register beds in, services will be required to set up their own risk registers during this financial year.
6	The Council currently does not have a protocol for partnership working.	It has been agreed that this will be a priority for the Policy Unit. This will be reviewed by Internal Audit during the second quarter of 2014-15.
7	Although under review, the Council does not have an agreed Business Continuity process in place leaving the Council at risk of service delivery failure in the event of an incident.	The Council, with support from Zurich municipal is developing a detailed Business Continuity Plan during the 2014-15 financial year.

ANNUAL GOVERNANCE STATEMENT

Approval of the Annual Governance Statement

Through the action referred to on the previous page, we propose over the coming year to address the issues that have been identified, with a view to further enhancing our governance arrangements. These steps will identify improvements that are needed and we will monitor their implementation and operation as part of our next annual review.

Signed: Date:
Councillor Greg Sheldon
Chair of Audit & Governance Committee

Signed: Date:
Dave Hodgson CPFA
Assistant Director Finance & Section 151 Officer

Signed: Date:
Councillor Pete Edwards
Leader of the Council

Signed: Date:
Karime Hassan
Chief Executive & Growth Director

AUDITORS REPORT

AUDITORS REPORT

AUDITORS REPORT

AUDITORS REPORT

GLOSSARY OF TERMS

Accounting Period	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local authority accounts.	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.		
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.	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.
Actual	Actual, as opposed to budget, expenditure and income directly attributable to an accounting period, generally referred to as actuals.	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.
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)	NNDR is also referred to as business rates; it is a tax on the occupation of non-domestic property. Authorities can voluntarily form a business rate retention pool, where all authorities in the pool can benefit from keeping a proportion of business rate revenue as well as growth on the revenue that is generated in their area to spend on local services.		

GLOSSARY OF TERMS

Value for Money	<p>An expression describing the benefit obtained (not just in financial terms) for a given input of cash.</p> <p>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.</p>
Work in Progress	<p>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.</p>



Exeter City Council

Civic Centre

Exeter EX1 1JN

Tel: 01392 277888

www.exeter.gov.uk



Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

Please ask for: Dave Hodgson
Direct Dial: 01392 265292
Email: david.hodgson@exeter.gov.uk
Our ref: DH20140924
Your ref:
Date: 24 September 2014

Dear Sirs

Exeter City Council
Financial Statements for the year ended 31 March 2014

This representation letter is provided in connection with the audit of the group financial statements of Exeter City Council and its subsidiary undertakings as shown in appendix I to this letter for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the group financial statements give a true and fair view in accordance with International Financial Reporting Standards.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Group Financial Statements

- i We have fulfilled our responsibilities for the preparation of the group financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the group financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the group financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. In particular, we have made sufficient enquiries to satisfy ourselves that Property, Plant and Equipment not formally revalued in the year is fairly stated.

- vi We are satisfied that the material judgements used by us in the preparation of the group financial statements are soundly based, in accordance with the Code, and adequately disclosed in the group financial statements. There are no further material judgements that need to be disclosed.
- vii Except as stated in the group financial statements:
 - a there are no unrecorded liabilities, actual or contingent
 - b none of the assets of the Council has been assigned, pledged or mortgaged
 - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- x All events subsequent to the date of the group financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii We have adjusted the misstatements brought to our attention in the Audit Findings Report, as they are considered to be material to the results of the Council and its financial position at the year-end. The group financial statements are free of material misstatements, including omissions.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group financial statements.
- xiv We believe that the group financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group's needs. We believe that no further disclosures relating to the group's ability to continue as a going concern need to be made in the group financial statements.

Information Provided

- xv We have provided you with:
 - a access to all information of which we are aware that is relevant to the preparation of the group financial statements such as records, documentation and other matters;
 - b additional information that you have requested from us for the purpose of your audit; and
 - c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.
- xvii All transactions have been recorded in the accounting records and are reflected in the group financial statements.
- xviii We have disclosed to you the results of our assessment of the risk that the group financial statements may be materially misstated as a result of fraud.

- xix We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a management;
 - b employees who have significant roles in internal control; or
 - c others where the fraud could have a material effect on the financial statements.
- xx We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's group financial statements communicated by employees, former employees, regulators or others.
- xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing group financial statements.
- xxii We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group financial statements.

Annual Governance Statement

- xxiv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 24 September 2014.

Signed on behalf of the Council

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

List Of Exeter City Council Owned Companies

- Exeter Canal & Quay Trust
- Exeter Business Centre

List of Associates

- Exeter Science Park