

AUDIT AND GOVERNANCE COMMITTEE

Date: Wednesday 10 November 2021
Time: 5.30 pm
Venue: The Customer Service Centre, Civic Centre, Exeter

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

Due to the current social distancing restrictions brought about by the Corona Virus outbreak, any members of the public wishing to attend the meeting please contact the Democratic Services Team committee.services@exeter.gov.uk in advance as there is limited capacity for public attendance. If you have an enquiry regarding any items on this agenda, please contact Sharon Sissons, Democratic Services Officer on 01392 265115.

Membership -

Councillors Wardle (Chair), Atkinson (Deputy Chair), Begley, Hannaford, Jobson, Mitchell, M, Martin, A, Moore, D, Pearce, Quance, Sparkes and Warwick

Agenda

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

1 **Apologies**

To receive apologies for absence from Committee Members.

2 **Minutes**

To approve and sign the minutes of the meeting held on 29 September 2021.

(Pages 3 -
8)

3 **Declaration of Interests**

Councillors are reminded of the need to declare any discloseable pecuniary interests that relate to business on the agenda and which have not already been included in the register of interests, before any discussion takes place on the item. Unless the interest is sensitive, you must also disclose the nature of the interest. In accordance with the Council's Code of Conduct, you must then leave the room and must not participate in any further discussion on the item. Councillors requiring clarification should seek the advice of the Monitoring Officer prior to the day of the meeting.

4 **Local Government (Access to Information) Act - Exclusion of Press and Public**

It is considered that the Committee would be unlikely to exclude the press and public during the consideration of the items on this agenda, but if it should wish to do so, then the following resolution should be passed:

"**RESOLVED** that, under Section 100A (4) of the Local Government Act 1972, the press and public be excluded from the meeting for the particular item(s) of business on the grounds that it (they) involve the likely disclosure of exempt information as defined in the relevant paragraph(s) of Part 1, of Schedule 12A of the Act."

5 Audit Findings Report (ISA 260)

To consider the report of the External Auditor (Grant Thornton)

(Pages 9 -
44)

6 Management Letter of Representation

To consider the report of the Director Finance.

(Pages 45
- 48)

7 Statement of Accounts 2020/21

To consider the report of the Director Finance and Deputy Chief Finance Officer.

(Pages 49
- 200)

Date of Next Meeting

The next **Audit and Governance Committee** will be held on Wednesday 1 December 2021 at 5.30 pm

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AUDIT AND GOVERNANCE COMMITTEE

Wednesday 29 September 2021

Present:-

Councillor Tony Wardle (Chair)
Councillors Jobson, Mitchell, M, Martin, A, Moore, D, Sparkes and Warwick

Apologies:-

Councillors Atkinson, Begley, Hannaford, Pearce and Quance

Also Present:-

Director Finance, Audit Manager (HP) Corporate Manager (Executive Support) and Democratic Services Officer (SLS)

Julie Masci, Key Audit Partner , Grant Thornton

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MINUTES

The minutes of the meeting held on 28 July 2021 were taken as read, approved and signed by the Chair as correct.

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DECLARATION OF INTERESTS

No declarations of disclosable pecuniary interests were made.

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EXTERNAL AUDIT PROGRESS REPORT

The Key Audit Partner, Grant Thornton presented the progress report and provided Members with detail of their work as the Council's External Auditor as at September 2021, which included an update in relation to the audit in respect of the Council's 2020/21 financial statement, which was anticipated would be completed in two weeks. The continued remote working, new reporting standards and additional procedures in relation to value for money had all impacted on the delay.

The Key Audit Partner made the following responses to Members' questions:-

- there were specific regulators in respect of local government public sector auditing who effectively, audited the auditor, including the Financial Reporting Council (FRC) for local authorities.
- not every audit was subject to a separate independent check as the auditing regulators would not have that volume of staff available, but specific audits based on certain risk factors or high levels of concern would be prioritised with recurring spot checks for other audits of less concern. The public could be assured that the regulators issued an annual report on the quality of the reviews of the individual contractors.
- the general occurrence of fraud in the public sector was not high, but the context for determining the approach taken for management override controls testing was very much linked to specific circumstances in any public body and

driven on a risk based approach on certain factors. This was not a specific risk identified for Exeter.

- a revaluation of investment properties was made at the end of each accounting period, whereas other property as part of the Council's normal operations to deliver services was valued on a rolling evaluation basis. Market intelligence had helped form a view on the judgements and the assumptions made by the Council's valuer in conducting reviews of the Council's commercial properties this year. The Director Finance also commented on the Exeter context and the valuation of investment properties based on the rental income received or receivable. The Council had an interest in hospitality and retail which had been effected by Covid, whilst the valuation of the Council's industrial property had increased. Overall, there was a slight reduction from the previous year in the value of the total commercial portfolio, but this did not negatively impact on the Council's financial position due to a statutory override which protected the Council's General Fund Balance against fluctuations in market value of property.
- the accounts of other companies the Council was involved with, may not be consolidated specifically into the accounts because of materiality or the nature of control. Factors included the level of influence in terms of representation on those company boards, the decision making and direction of the company. Any company consolidated into the Council's group accounts would be subject to audit in accordance with the Companies Act. The Director Finance stated that the Council's accounts identified which companies were local authority controlled and their level of influence.

The Audit and Governance Committee noted the External Audit Progress Report.

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INTERNAL AUDIT PROGRESS REPORT

The Audit Manager (HP) presented the Internal Audit progress report for the first quarter, which conformed to the Public Sector Internal Audit Standards. She drew Members' attention to the key points and advised that there were no instances where remedial action was not agreed by management during that quarter. Progress against the annual plan was on target and the work programme had returned to normal following some adjustments made during the pandemic.

A summary of the audit reports undertaken throughout the year was attached as Appendix A to the report, and the detail of significant governance issues as Appendix B.

The Audit Manager responded to the following Members' questions:-

- copies of the full Internal Audit reports on Sundry Debtors and Commercialisation would be circulated as requested.
- the Internal Audit used a scoring method, with 10 different criteria as part of a risk based analysis to identify the higher risk areas. Every effort was made to coordinate audit work with the priorities of the relevant service team to keep disruption to a minimum. Following a request, the detail of the criteria would be circulated to Members for information.
- the audit on car parks was nearly completed and would cover the significant areas at risk to audit during that time.
- an audit of the Leisure Service would be carried out, once the service was fully operational.

- a draft report on partnerships was issued in March 2020 just prior to the Covid pandemic, and an initial meeting held with the officer responsible for partnerships. The report had been put on hold but had now been reviewed. The scope of the audit included selecting a sample of existing partnerships from the Central Register of Partnerships to check for compliance with the Council's approved partnership guidance. A meeting had been arranged with the relevant service lead to discuss future progress with time allocated in this year's audit plan.

The Audit and Governance Committee noted the Internal Audit Progress report.

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INTERNAL AUDIT CHARTER

The Audit Manager (HP) presented the Internal Audit Charter which defined the scope of the internal audit, its purpose and responsibility. The Charter was required to be reviewed and updated every two years or following a change in the service. There had been few changes since the Audit Charter was last approved by Members.

In response to a Member's question, the Audit Manager explained that there was no requirement to visit an individual staff member's home in the normal course of events. Specific arrangements would be made following any request for a staff member to use the Whistleblowing Policy. The Director Finance added that it would not be normal practice to visit an individual staff member's home, unless such as individual had made a request and in such cases, two members of the Internal Audit team would attend. The Member suggested consideration might be given to updating the Whistleblowing Policy to reflect that, in exceptional circumstances, so that staff understand they have other opportunities to pursue that. The Audit Manager agreed to look into that consideration.

The Director Finance referred to a Member's enquiry on the scope of Internal Audit's work in relation to scrutiny of the Council's progress on meeting the Council's commitment to be carbon neutral by 2030. He advised that Internal Audit were independent of management and their role was not as part of the monitoring and management of the Council's priorities, but rather to assess the system of internal control and ensure the Council was operating effectively. The Member stated she would welcome the opportunity for further discussion on an internal audit approach to understand the risk on this matter as every activity will have an implication for achieving Net Zero 2030.

RESOLVED that the Audit and Governance Committee approved the updated Internal Audit Charter.

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LOCAL GOVERNMENT OMBUDSMAN'S ANNUAL REVIEW OF COMPLAINTS 2020-21

The Corporate Manager (Executive Support) presented the report, which explained the role of the Local Government Ombudsman (LGO) in investigating and resolving complaints about councils. There was a legal duty to communicate the LGO's annual review and details of complaints to Members. The report presented to the meeting included details of the complaints received by Exeter City Council and the decisions made by the LGO for the year ending 31 March 2021. Details of the complaints received by the LGO about Exeter City Council, and the decisions made by the LGO on those complaints, were set out in Annex A of the report presented to the Committee. Members noted that complaints were upheld in two cases. A copy of the LGO's final reports on each complaint relating to Environmental Health and Planning were attached at Annex B to the report.

The Corporate Manager (Executive Support) responded to Members' questions and confirmed he would in future also include previous year's statistics, in his report to enable Members to see the areas of service, any trends and comparisons with other similar councils in terms of the numbers of complaints.

The Audit and Governance Committee noted the report for the Local Government Ombudsman's Annual Review of Complaints 2020/21.

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REVIEW OF CORPORATE GOVERNANCE RISK REGISTER

The Audit Manager (HP) presented the report and referred to the coordinating role in drawing the updated Corporate Risk Register together, to advise the Audit and Governance Committee of the Council's risk management process. Following the quarterly review by the Strategic Management Board, (SMB) a proposed update on each risk was included in the appendix to the report.

The Director Finance advised that following the quarterly review of the Risk Register by the SMB, any action was reported at the subsequent Audit and Governance Committee. He offered further context to the following proposed changes which included:-

- *Lack of leadership capacity to effectively deliver additional Council objectives and priorities (Risk ref 3)* - for the risk to be removed, following a number of interventions, including early engagement with the challenges of the Medium Term Financial Plan resulting in the risk mitigation set to low.
- *Inability to deliver carbon neutral operations for Exeter City Council by 2022 (Risk ref 8)* for the risk to be removed, as this was unachievable. It was noted that it had been established that there was no Council resolution to this specific commitment in relation to operations ahead of the 2030 Net Zero date. Should the Council pass any further resolution to set a target for the Council's own operations, then SMB would reassess the risk.
- *Increased cost of all capital building projects (Risk ref 9)* the risk to be expanded to cover all Council building projects. The global market for materials, and particularly in construction was challenging with prices having increased significantly. Although the impact on St Sidwell's Point was now less, the £37 million budget for the Condition Survey Capital Programme presented a financial risk for the Council. This would continue to be monitored.

A Member referred to *(Risk ref 8)* which was also a goal set out in a previous Corporate Plan, and statement from a report by Exeter City Futures relating to a Carbon Plan 2017 to 2022. She suggested a further discussion on this matter would be appropriate as the resolution by the Council in July 2020, which approved the Net Zero 2030 plan, needed to inform all of the work of the Council. She was concerned about the level of consistent information published on the carbon baseline for the city, and the lack of assessment of the ability for that target to be achieved. She would welcome the opportunity for an additional Risk Register specifically on the Council's ability to meet the Net Zero Target for 2030. The Director Finance gave an assurance that if a resolution on the 2022 date was found, that risk would be reinstated on the Risk Register, but it should be noted that SMB would have to highlight the extraordinary challenges of meeting that target in the next 3 to 15 months.

Councillor Mitchell proposed a separate Risk Register be introduced to monitor the Council's ability to meet the 2030 target for the delivery of a Net Zero Council. This was seconded by Councillor Jobson, put to the vote and carried.

The Director Finance requested that the Exeter City Futures Delivery Group team be in place to enable the additional Risk Register to be presented to Committee. He anticipated the team would be in place by the March 2022 meeting of the Audit and Governance Committee. He also advised that an update from the Net Zero team on their progress plans for delivery of a Net Zero Council would also be requested to be made to the most appropriate Committee, at the most appropriate time.

A Member referred to (*Risk ref 3*) concerns in relation to the governance oversight of the Exeter Liveable Programme, how its associated funds are managed, and the lack of published minutes for the decisions made by the Exeter Liveable Place Board. The Director of Finance stated that the Board did not pose a risk as it had no decision making powers and was predominantly funded by grants from the Ministry of Housing, Communities and Local Government (MCLG) as part of the Garden City programme. He did not provide any financial information to the Board, and monitoring of all of the financial expenditure relating to the Exeter Liveable Programme was through the Executive and Council.

The Member considered it was appropriate to ask if the Exeter Liveable Place Board received financial expenditure reports against the programme. There should be some clarity over the lack of transparency and governance and the level of resources in servicing the Board to establish whether value for money was being achieved in delivering against Council objectives. The Director Finance advised that the management of the Exeter Liveable Programme was overseen on a day to day basis by an officer of the Council, and the programme managed and reported as part of the overall budget to Members. Any specific issue relating to the financial position was reported to Members. He would ensure the comments were passed back to SMB colleagues to make them aware of the Member's concerns.

The Director Finance also responded to the following questions relating to (*Risk ref 9*):-

- financial risk due to delays as well as the possibility of labour shortages and consideration of this was included in determining the risk. Quarterly capital programme monitoring reports detail the risk to individual projects and any remedial action taken was reported to Members.
- robust contractual arrangements were in place for St Sidwell's Point. There were a small number of specific risks around the specialist beams for the roof and the associated exchange rate risk, but the opportunity was taken to lock into the procurement arrangement at an agreed price. Covid had presented exceptional circumstances and had resulted in further negotiations with the contractor, as it was not appropriate for them to carry all of the additional costs incurred. The Council's legal team were continuing to negotiate on this matter. He was not able to confirm the timescale for the completion of negotiations.
- prioritisation of the capital programme would be made for those matters where there was a risk for both the general public and staff, with any budgetary adjustments made accordingly. Officers had the ability in conjunction with the relevant Portfolio Holders to vire sums up to £50k between Council projects, although it was likely any virements would be required in excess of that sum. The Corporate Property team continued to assess all Council buildings regularly to ensure that they meet all health and safety standards.

RESOLVED that:-

- (1) the Audit and Governance Committee reviewed and noted the Corporate Risk Register; and
- (2) a separate Risk Register be introduced as soon as the Net Zero team were in place to monitor the Council's ability to meet the 2030 target for the delivery of a Net Zero Council.

(The meeting commenced at 5.30 pm and closed at 7.00 pm)

Chair

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The Audit Findings for Exeter City Council

Year ended 31 March 2021

Exeter City Council
October 2021

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Your key Grant Thornton team members are:

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Section

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2. Financial statements
3. Value for money arrangements
5. Independence and ethics

Appendices

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- B. Audit adjustments
- C. Fees
- D. Audit Opinion
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Audit and Governance Committee

Name : Julie Masci
For Grant Thornton UK LLP
Date : 29 October 2021

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Exeter City Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely during August-November. Our findings are summarised on pages 6 to 23. At this stage we have not identified any adjustments to the financial statements. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

The following areas are currently outstanding:, subject to the following outstanding matters;

- receipt of management representation letter
- review of the final set of financial statements.
- receipt of responses from two solicitors
- completion of rights and obligations testing on other land & buildings and council dwellings
- completion of detailed work on land and buildings, investment property and HRA valuations.
- finalisation of work on pension liability
- review of group auditors audit file and finalisation of consolidation review and final group procedures
- receipt of managements going concern assessment
- closedown of final queries on the minimum revenue provision

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by January 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of Financial Sustainability. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in January 2022. **WGA

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit and Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the Council's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that we required specific procedures on material balances to be performed by the component auditor
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting on 10 November 2021, as detailed in Appendix E. These outstanding items are set out on page 3.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

Signed:



2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan in July 2021.

We detail in the table below our determination of materiality for Exeter City Council

	Group Amount (£)	Council Amount (£)
Materiality for the financial statements	2.1 million	2 million
Performance materiality	1.58 million	1.57 million
Trivial matters	0.1 million	0.1 million



2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. .

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

We:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness

Findings

Our review of journals is still on-going. We have received all evidence from management in respect of journals testing and are finalising our review of these.



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

The revenue cycle includes fraudulent transactions

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted for Exeter City Council, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited the culture and ethical frameworks of local authorities, including Exeter City Council, mean that all forms of fraud are seen as unacceptable.

We have not rebutted the risk of revenue recognition in our group audit for the income relating to Exeter City Living Ltd.

Our risk assessment of the risk of revenue is deemed to continue to be appropriate.

As per our group audit scope set out in the audit plan, we did not rebut the risk of fraud in revenue recognition for the group audit due to the main income streams relating to house sales and this being outside of the normal nature of income received by Council.

Our review of the component auditors file, including the work completed on the revenue recognition risk is currently in progress.

Valuation of land and buildings

The Authority revalues its land and buildings using a full revaluation method on a rolling five-yearly basis., although all land and buildings are subject to a desktop review each year. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£437m including Housing Revenue Account as at 31 March 2020) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.

We:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- wrote to the valuer to confirm the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested revaluations made during the year to see if they have been input correctly into the Council's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management had satisfied themselves that these are not materially different to current value.
- engaged our own valuer to assess the instruction to the Authority's valuer and the Authority's valuer's report.

Findings:

Our work is still in progress at this time. At this stage, we have no issues to report to management.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of Investment Properties

The Authority revalue its investment property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£53m as at 31 March 2021) and the sensitivity of this estimate to changes in key assumptions.

Management have engaged the services of the Council's internal valuer to estimate the current value as at 31 March 2021.

We therefore identified valuation of investment property, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

We:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- wrote to the valuer to confirm the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- engaged our own valuer to assess the instruction to the Authority's valuer, the Authority's valuer's report and the assumptions
- tested revaluations made during the year to see if they have been input correctly into the Council's asset register; and
- evaluated the assumptions made by management for those assets not revalued during the year and how management had satisfied themselves that these are not materially different to current value.
- engaged our own valuer to assess the instruction to the Authority's valuer, the Authority's valuer's report and to review the assumptions which underpin the material investment properties held by the Council.

Findings:

Our work is still in progress at this time. At this stage, we have no issues to report to management.

Valuation of the pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£135 million liability in the Authority's balance sheet at 31.3.21) and the sensitivity of the estimate to changes in key assumptions.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rate.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk of material misstatement due to the assumptions used in the calculations.

We:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report
- obtained assurances from the auditor of the Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Findings:

We received assurances from the pension fund auditor on the 28 October 2021 and therefore our work in this area is still in progress. At this stage, we have no issues to report to management.

2. Financial Statements – Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Exeter City Council	Grant Thornton UK LLP	Included within this report.	No issues identified which impact on the Group Audit.
Exeter City Group Limited (including Exeter City Living Limited)	PKF Francis Clark	<p>We issued group auditor instructions to PKF Francis Clark who have responded with all the required information to inform our group audit.</p> <p>We are currently in the process of reviewing the audit working papers of PKF Francis Clark in relation to the audit of Exeter City Group Limited in order to support our group opinion.</p>	This work is still in progress, however no issues have been noted at this stage in respect to the group audit opinion.

2. Financial Statements – new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<p>IFRS 16 implementation</p> <ul style="list-style-type: none"> Although the implementation of IFRS 16 has been delayed to 1 April 2022, audited bodies still need to include disclosure in their 2020/2021 statements to comply with the requirement of IAS 8 para 31. As a minimum, we expected audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases 	<p>We have reviewed the accounting policies for the Council to gain assurance that unadopted accounting standards have been appropriately disclosed within the statement of accounts.</p>	<p>No issues noted.</p>
<p>Recognition and Presentation of Grant Income</p> <ul style="list-style-type: none"> The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income 	<p>We have undertaken detailed sample testing for COVID grants, other grant income and grants received in advance, considering the agent / principal judgements, any outstanding conditions, terms that would indicate any capital, ringfenced or non specific grant income and the statutory accounting requirements for the grants.</p>	<p>Our work is now complete in this area and we found no discrepancies in the council's treatment of grant income and the accounting of this in the statement of accounts.</p>
<p>IT Control deficiencies</p> <ul style="list-style-type: none"> From our review of journal controls we identified a control deficiency regarding super users. 	<p>The council has a large number of system superusers (13). This is significantly higher than we would expect for a Council of Exeter's size. The greater the number of people with system administrator accounts, the higher the risk of the accounts being used inappropriately.</p>	<p>Our view is that the Council has too many superusers giving the size of the Council. We have made a recommendation within the action plan regarding this.</p>

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £126 million	<p>The Council undertakes its revaluation on its land and buildings on a rolling five-yearly basis with assets subject to a full revaluation over the five year cycle. All assets which are not part of the full revaluation have been subject to a desktop revaluation as at 31 March 21. This means all assets within land and buildings are subject to some form of revaluation each year, be it a full revaluation or a desktop revaluation.</p> <p>The total year end valuation of land and buildings was £126m, a net decrease of £1.6m from 2019/20 (£128m).</p>	Our work in this area is still ongoing.	To be confirmed

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment property valuations – £53 million	<p>The Council revalue it's investment property on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. The Council has a significant investment portfolio covering a number of different classes of properties, the most significant being retail and office.</p> <p>The total year end valuation of investment properties was £53m, a net decrease of £1m from 2019/20 (£54m).</p>	Our work in this area is still ongoing.	To be confirmed

Assessment

- [Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £135 million	<p>The Council's net pension liability at 31 March 2021 is £135m (PY £106m) – comprising of the Local Government and unfunded defined benefit pension scheme obligations.</p> <p>The Council uses Barnett Waddington to provide actuarial valuations of the Council's assets and liabilities derived from these schemes.</p> <p>A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2019. A roll forward approach is used in the intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p> <p>There has been an increase of £28m in the net actuarial loss during 2020/21</p>	<p>We reviewed the detail of your assessment of the estimate, considering the:</p> <ul style="list-style-type: none"> Assessment of your management's expert, Barnett Waddington; Completeness and accuracy of the underlying information used to determine the estimate; Reasonableness of the Council's share of LGPS assets; Reasonableness of the overall increase in the estimate; and Adequacy of the disclosure of the estimate in the financial statements. <p>External auditors are provided with assurance in the form of an auditor's expert report from PwC to assess the assumptions made by the Actuary, the table below sets out the key assumptions</p> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2%</td> <td>1.95% - 2.04%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.80%</td> <td>2.80% - 2.85%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.8%</td> <td>3.80% - 3.85%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>Pensioners: 22.6 years Non-pensioners: 24.0 years</td> <td>21.9 - 24.4 20.5 – 23.1</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>Pensioners: 23.9 years Non-pensioners: 25.4 years</td> <td>24.8 – 26.4 23.3 – 25.0</td> <td>●</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2%	1.95% - 2.04%	●	Pension increase rate	2.80%	2.80% - 2.85%	●	Salary growth	3.8%	3.80% - 3.85%	●	Life expectancy – Males currently aged 45 / 65	Pensioners: 22.6 years Non-pensioners: 24.0 years	21.9 - 24.4 20.5 – 23.1	●	Life expectancy – Females currently aged 45 / 65	Pensioners: 23.9 years Non-pensioners: 25.4 years	24.8 – 26.4 23.3 – 25.0	●	To be confirmed
Assumption	Actuary Value	PwC range	Assessment																								
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Our work in this area is still ongoing. At this stage there are no issues to report.																											

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for bad debts	<p>The Council makes a provision every year for the impairment of doubtful debts for Council Tax, Business Rates, Housing Benefit and Sundry Debt.</p> <p>The Council adopts a calculation methodology based upon past experience and the age of debts to make an allowance for the non-collectable amount of the reported debts.</p> <p>Management has reviewed the amounts collected in year against the provision at 31 March 2021.</p>	We have reviewed the Council's methodology and recalculated the provision. We have challenged the movements in the provisions since the prior year and are in the progress of concluding our work on this.	To be confirmed
Land and Buildings – Council Housing - £264 million	The Council has a large portfolio of Council dwellings made up of 4,793 properties, 15 shared ownership properties and 823 garages. The Council's housing stock was last fully valued as a whole on 1 April 2019 with a desktop revaluation taking place each year, the latest as at 31 March 2021. The Council use the beacon methodology to value Council dwellings and there are 25 beacons used by the Council.	Our detailed testing of the beacon approach to revaluation of Council dwellings is in progress and we are currently working through this.	To be confirmed

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation £81.278 million	The Council has received material COVID grants in 2020/21 and has undertaken a detailed exercise to determine the accounting treatment for these e.g. whether the Council are an agent or principal for each of the different grant streams and whether there are any conditions / restrictions to the grants.	<p>The audit team obtained the Council's working paper detailing the judgements on accounting treatment of the COVID grants, reviewed the rationale and undertook detailed sample testing.</p> <p>Our sample testing of COVID grant income covered both grants where the council determined they were acting as an agent and principal to ensure grants had been correctly included or excluded from the accounts. The Council was able to support its principal / agent judgements for the grants we selected for testing and the treatment of the grants deemed to be reasonable.</p> <p>We also considered whether there were any conditions / restriction to grants and we were able to obtain sufficient evidence to support the conclusions.</p> <p>The accounting entries of the grants within the statement of accounts were also considered to ensure the classification and statutory accounting requirements were correct.</p> <p>We have finalised our work on COVID grants and there are no issues to report to management.</p>	Light purple

Assessment

- **Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £0.979m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £0.979 million, a net increase of £0.286 million from 2019/20.</p> <p>The Council's minimum revenue policy sets out the Council's approach to reclaim prior year voluntary revenue provision. The Council made voluntary payments totalling £5.02 million from 2013/14 – 2018/19 and is reclaiming the total amount over a three year period covering 2019/20 – 2021/22. We have undertaken work to give us sufficient assurance that the voluntary payments were made as detailed above and that it is appropriate for the Council to reclaim these based on the statutory guidance. We were able to conclude the approach taken by the Council is in line with the statutory guidance and reasonable.</p>	<ul style="list-style-type: none"> The approach taken by the Council to reclaim prior year voluntary payments is reasonable. Our work on current year provision is still in progress. 	To be Confirmed

Assessment

- Dark Purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey** We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - Internal Control

Assessment	Issue and risk	Recommendations
●	Declarations of interest were only made by two senior officers in 2020/21. The system used to make declarations does not require senior officers to complete a declaration where this is a nil disclosure. There is a risk that related parties are not declared by all senior officers.	See page 28 for the recommendations within the action plan.
●	On a small number of occasions, finance staff have used their superuser ID to post journals into the system. It is the Councils policy that the superuser ID should not be used for this purpose. There is a risk of inappropriate use of superuser ID.	See page 28 for the recommendations within the action plan.

Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

2. Financial Statements - other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group, which is included in the Audit and Governance Committee papers

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	<p>We requested from management permission to send confirmation requests to bank and investment institutions. This permission was granted and the requests were sent. Of these requests all were returned with positive confirmation.</p> <p>We requested from management permission to send confirmation requests to those solicitors who worked with the Council during the year. As at 28 October we are awaiting two responses for solicitors. We have requested management to follow up the outstanding responses.</p>
Accounting practices	<p>We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures.</p>
Audit evidence and explanations/significant difficulties	<p>All information and explanations requested from management was provided.</p>

2. Financial Statements - other communication requirements



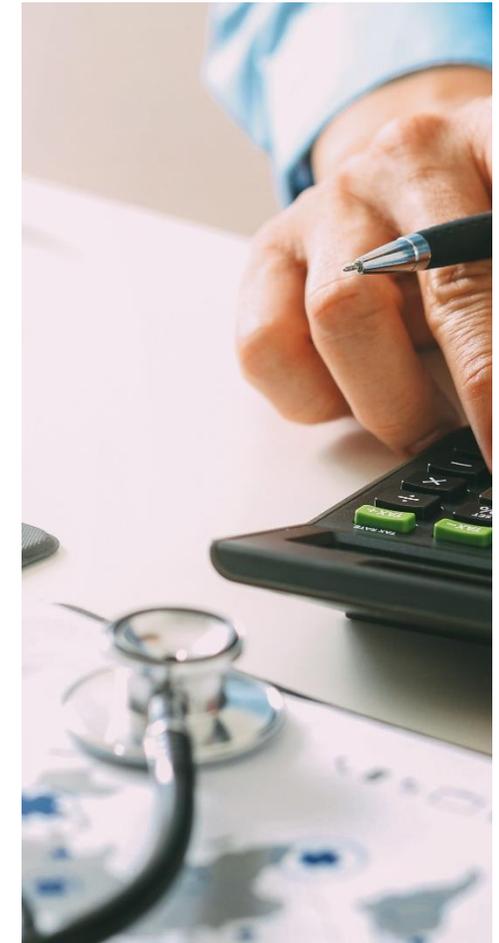
Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management’s going concern assessment. <p>Our work in this area is incomplete as we are awaiting managements going concern assessment.</p>

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We currently have a query outstanding on our review of the AGS.</p> <p>There are no other matters to report.</p>



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> Note that detailed work is not required as the Council does not exceed the threshold
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2020/21 audit of Exeter City Council in the audit report, as detailed in Appendix E, due to the delay in the completion of the value for money work and final Whole of Government Accounts procedures.</p>

3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix E to this report. We expect to issue our Auditor's Annual Report by January 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the following risk in our audit plan – Financial Sustainability, risk to the delivery of the financial plan. No further significant risks have been identified at this stage.

5. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

5. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Capital Receipts Grant	£3,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim	£17,298 (proposed fee)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £17,298 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Audit of the Harbour Accounts	£950	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £950 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 3 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

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Assessment	Issue and risk	Recommendations
●	Declarations of interest were only made by two senior officers in 2020/21. The system used to make declarations does not require senior officers to complete a declaration where this is a nil disclosure. There is a risk that related parties are not declared by all senior officers.	<ul style="list-style-type: none"> We recommend all senior officers should be required to submit an annual declaration of interests, including where this is a nil disclosure <p>Management response</p> <p>Agreed. Senior officers will be asked to submit an annual declaration of interests, including a nil disclosure, if appropriate.</p>
●	The Council has a large number of finance staff with superuser access to the system. There is a risk of misuse of these access and this not being picked up due to the large number.	<ul style="list-style-type: none"> We recommend the Council review the user accounts identified with administration privileges and revoke those that do not require this. <p>Management response</p> <p>Agreed. A review of super users has been performed and officers that are no longer deemed super users due to a change in their role have had their access permissions updated. An annual review of all super users will be undertaken.</p>
●	On a small number of occasions, finance staff have used their superuser ID to post journals into the system. It is the Councils policy that the superuser ID should not be used for this purpose. There is a risk of inappropriate use of superuser ID.	<ul style="list-style-type: none"> We recommend the Council ensure no further journal postings are made via superuser IDs. <p>Management response</p> <p>Agreed. A reminder has been sent to officers with super user access to highlight that journals should not be posted when logged in as a super user, as this access right is for system administration purposes only.</p>

Controls

B. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

At this stage of the audit, there are no adjusted misstatements to report.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Auditor recommendations	Adjusted?
The collection fund adjustment account shows a significant movement year on year due to the extent of reliefs giving to businesses during the pandemic	<p>We recommend a comment is added to the note to explain the reason for the movement to aid users of the accounts understanding giving the significance of the movement.</p> <p>Management response</p> <p>Agreed. A note has been added to explain the reason for the significant increase in the Collection Fund Adjustment Account compared to the prior year.</p>	✓

B. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

At this stage there are no unadjusted misstatements to report.

Impact of prior year unadjusted misstatements

There are no prior year unadjusted misstatements to report.



C. Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	£67,023	TBC
Additional fee in respect of review of subsidiary company Exeter City Group Limited	£3,500	£3,500
Total audit fees (excluding VAT)	£70,523	TBC

Audit related fees includes a £950 fee for the audit of the harbour accounts which was not included within the audit plan.

The fees reconcile to the financial statements, with a £6k difference due to the council accruing for additional expected fees for housing benefits based on prior experience of the actual fees.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services	£21,198	TBC
Total non-audit fees (excluding VAT)	£21,198	TBC

D. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the group with an unmodified audit report.

To Be added

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E. Audit letter in respect of delayed VFM work

Chair of the Audit and Governance Committee
Civic Centre
Paris Street
Exeter
Devon
EX1 1JN

Dear Chair of the Audit and Governance Committee

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than January 2022.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Julie Masci
Director

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Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

Civic Centre, Paris Street, Exeter, EX1 1JN
www.exeter.gov.uk

Please ask for:

Direct Dial: 01392 265292

Email: David.hodgson@exeter.gov.uk

Our ref:

Date: 10 November 2021

Dear Sirs,

Exeter City Council Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Exeter City Council and its subsidiary undertakings, Exeter City Group Limited and Exeter City Living Limited, for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

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:

Financial Statements

- We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the

Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits 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 post-employment benefits have been identified and properly accounted for.
- Except as disclosed in the group and Council financial statements:
 - there are no unrecorded liabilities, actual or contingent
 - none of the assets of the [group and]Council has been assigned, pledged or mortgaged
 - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- 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.
- All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards .
- We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
 - a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

- We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of your audit; and
 - access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic from whom you determined it necessary to obtain audit evidence.
- We have communicated to you all deficiencies in internal control of which management is aware.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- 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 financial statements.
- We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- 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.

Narrative Report

- The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 10 November 2021.

Yours faithfully

Name Councillor A J Wardle

Position Chair - Audit and Governance Committee

Date 10 November 2021

Signature

Name Dave Hodgson

Position Director Finance (Section 151 Officer)

Date 10 November 2021

Signature

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 10 November 2021

Report of: Director Finance

Title: Statement of Accounts 2020/21

Is this a Key Decision?

No

Is this an Executive or Council Function?

Council

1. What is the report about?

1.1 To seek Members' approval of the Council's Statement of Accounts for 2020/21.

2. Recommendations:

2.1 It is recommended that the Audit and Governance Committee approve the audited Statement of Accounts for 2020/21.

3. Reasons for the recommendation:

3.1 The publication of audited Statement of Accounts is a statutory requirement, in accordance with the Local Audit and Accountability Act 2014, supported by the Accounts and Audit Regulations 2015.

4. What are the resource implications including non-financial resources?

4.1 The Statement of Accounts is intended to give a 'true and fair' view of the financial position and transactions of the Council, including group financial statements, as at 31 March 2021.

5. Section 151 Officer Comments:

5.1 The Statement of Accounts have been updated following the audit. At the time of writing, I am pleased to report that no issues have been identified that impact on the Council's balances reported to Council in July.

5.2 The audit of the accounts continues to be challenging and has again been delayed by factors outside the control of the Council. The finance team (along with colleagues in Corporate Property and other audit) delivered the accounts on time, albeit to a later deadline. The audit contract is due to be retendered next year and it is hoped that some of the problems in the current audit market will be addressed.

6. What are the legal aspects?

- 6.1 The Statement of Accounts has been prepared in accordance with the statutory framework established for England by the Accounts and Audit (England) Regulations 2015.
- 6.2 As part of the Government's response to Sir Tony Redmond's review of the effectiveness of external audit and transparency of financial reporting of local authorities, the accounts publication deadlines have been amended for two financial years.

The Accounts and Audit (Amendment) Regulations 2021 amended the 2015 regulations for the 2020/21 and 2021/22 financial years, as follows:

Draft accounts published	Deadline moved from 30 May to 31 July
Public inspection period	Start date moved from first working day of June to first working day of August
Audited accounts	Deadline moved from 31 July to 30 September

- 6.3 The audit of the accounts has been undertaken in accordance with the statutory framework established by section 20 of the Local Audit and Accountability Act 2014, by the Council's external auditors, Grant Thornton.

7. Monitoring Officer's Comments:

Given the significant impact of Covid resulting in hundreds of additional transactions, an 'anticipated unqualified audit' is a welcome endorsement of the hard work put in by Exeter City Council staff.

8. Report Details:

8.1 EXTERNAL AUDIT OF THE 2020/21 STATEMENT OF ACCOUNTS

8.1.1 Appointed Auditor

Public Sector Audit Appointments Ltd (PSAA) is responsible for appointing an auditor to principal local government and police bodies that have chosen to opt into its national auditor appointment arrangements. Exeter City Council opted into this arrangement.

On 14 December 2017, the PSAA board approved the appointment of Grant Thornton (UK) LLP to audit the accounts of Exeter City Council for a period of five years, covering the accounts from 1 April 2018 to 31 March 2023. This appointment is made under regulation 13 of the Local Audit (Appointing Person) Regulations 2015.

8.2 Statement of Accounts 2020/21

The purpose of a local authority's published Statement of Accounts is to give electors, those subject to locally levied taxes and charges, members of the authority,

employees and other interested parties clear information about the authority's finances.

The draft Statement of Accounts were received by the auditors on 16 July 2021, before the revised national publication deadline of 31 July 2021. The period for the public inspection of the accounts ran from Monday 19 July 2021 to Friday 27 August 2021.

Information contained in the Statement of Accounts will be consolidated into the Whole of Government Accounts.

8.2.1 Presentation of the Statement of Accounts

The Code of Practice on Local Authority Accounting (the Code) provides guidance on the format and content of the Statement of Accounts and means that they have to conform to a national standard.

8.2.2 Main Changes to the Accounts

The Code did not adopt any new accounting standards for the 2020/21 financial year, which enabled the accounts to be prepared on a consistent basis with the prior year. However, the 2020/21 financial year has been a full year dominated with financial issues generated by the ongoing pandemic, which have had a range of reporting impacts.

- **Reporting issues that have arisen as a result of the Covid-19 pandemic**

The government provided a range of financial support measures both to the local authority to support the cost of services or offset certain income losses and also grant packages to be paid out to support businesses and citizens.

It has been necessary to consider the appropriate accounting treatment on a scheme by scheme basis, which has required significant judgements to be made. The facts and circumstances of each grant scheme have been considered in order to establish whether the local authority is acting as principal or agent.

Agent

Where an authority is acting as a distribution point for grant monies and has no control over the amount of grant allocated to a recipient, then the authority has been deemed to be acting as an agent. Transactions are not reflected in the authority's financial statements, except for any sums due to or from the authority for differences between the grant funding and actual costs.

As at 31 March 2021, the Council had received grant funding of £45.98 million for distribution as an agent, of which it had paid out £37.43 million and held £8.55m as a creditor provision for awards in next financial year.

Principal

Where the authority has some control over the distribution or amounts awarded it has been deemed to be acting as a principal. Transactions are reflected in the authority's financial statements (Comprehensive Income and Expenditure Statement).

As at 31 March 2021, the Council had received grant funding of £6.348m where it had some discretion over the amounts awarded and the criteria for eligibility, of

which it had paid out £4.392m and held £1.956m in earmarked reserves for funding future amounts awarded.

- **Presentation of Material Transactions**

The Accounting Code requires material items (either in their nature and/or their amount) of income or expenditure to be disclosed separately. During 2020/21 the Council had many exceptional Covid-19 related transactions and these have been disclosed separately throughout the notes to the accounts, wherever appropriate, so that readers can compare current and prior year figures and easily identify the non-recurring Covid-19 related amounts.

8.2.3 Audit Findings

At the time of writing, our external auditors anticipate issuing an unqualified audit opinion on the Authority's financial statements and their findings are as follows:

- **Material Misstatements**

No material misstatements were identified during the course of the audit.

- **Audit Adjustments**

A note to explain the significant balance on the Collection Fund Adjustment Account (page 79) was recommended to aid readers understanding. This has been actioned.

Overall, the amendments to date have had no impact on either the General Fund balance or the Housing Revenue Account balance, which remain as reported to Council. The overall financial performance of the Council for 2020/21 was reported to Executive on 6 July 2021 and to Council on 20 July 2021.

9. How does the decision contribute to the Council's Corporate Plan?

The Statement of Accounts set out the financial position at the end of the 2020/21 and the transactions of the Council during 2020/21, both of which help underpin delivery of the Corporate Plan.

10. What risks are there and how can they be reduced?

The risks relate to overspending the Council budget and are mitigated by regular reporting to the Strategic Management Board and Members. There is also a risk of failing to implement key accounting changes in accordance with approved accounting standards, but this is mitigated by the external audit of the Statement of Accounts.

11. Equality Act 2010 (The Act)

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and

- foster good relations between people by tackling prejudice and promoting understanding.
- 11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.
- 11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.
- 11.4 In recommending this proposal no potential impact has been identified on people with protected characteristics as determined by the Act because: because

11.4.1 The report is for information only.

12. Carbon Footprint (Environmental) Implications:

- 12.1 No direct carbon/environmental impacts arising from the recommendations.

13. Are there any other options?

Not applicable

Director Finance

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:

None

Contact for enquiries:
Democratic Services (Committees)
Room 2.3
(01392) 265115

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STATEMENT OF ACCOUNTS

2020-2021



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Narrative Report

1. Background

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

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

This Narrative Report provides information about Exeter, including the key issues affecting the Council and its accounts. It also provides a summary of the financial position at 31 March 2021 and is structured as follows:

- An introduction to Exeter
- Key information about Exeter City Council
- The Corporate Plan
- Financial Performance 2020/21
- Non-Financial Performance 2020/21
- Future Financial Plans
- Statement from Director Finance

2. Introduction to Exeter

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

Below are some key facts about Exeter:

Population: Exeter, the capital city of Devon, has an estimated population of 131,400 and is at the heart of a travel to work area of over 470,000 residents.

Employment: 75,200 of Exeter’s residents are employed or self-employed. The city’s wider area includes much of the district council areas of East Devon, Teignbridge and Mid Devon. 288,100 of these residents are of working age and just under 241,300 are employed. Well over half the workforce is well qualified, substantially higher than the national average.

Commuters: Approximately 37,000 people commute into Exeter on a daily basis.

Geography: Exeter is one of two large urban centres within the rural county of Devon, Plymouth being the other. Exeter is ranked as one of the greenest locations in the UK (9th), thanks to the city’s high density of parks and green spaces.

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

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

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

Narrative Report

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

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

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

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

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

Exeter City Football Club is a professional association football club, which was founded in 1904. The team play in League Two, the

fourth tier of the English football league system and have reached the play-off finals in 2017, 2018 and 2020.

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

3. Key Information about Exeter City Council

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

Political Structure

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

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

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

Narrative Report

Exeter's Vision 2040

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

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



Narrative Report

Climate Emergency

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

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

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



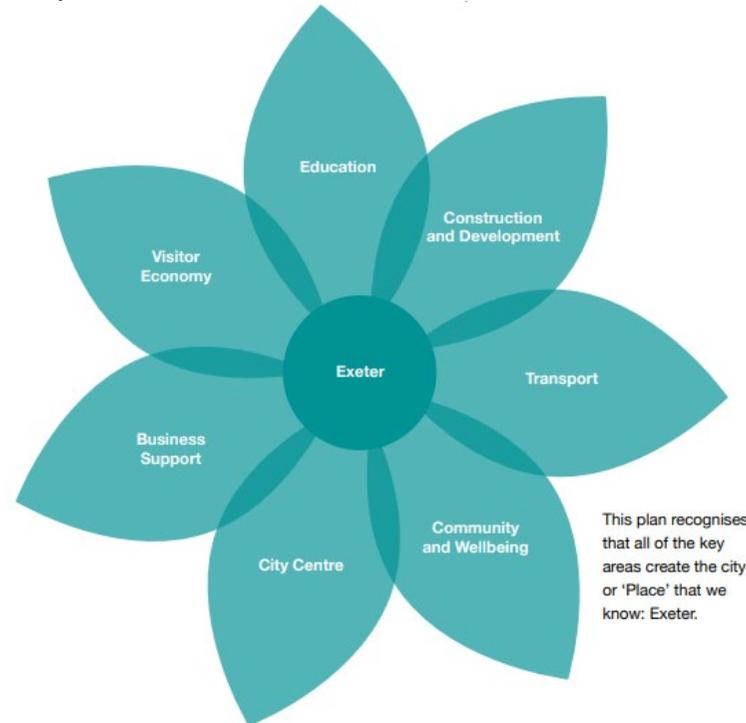
Narrative Report

Building Exeter Back Better

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

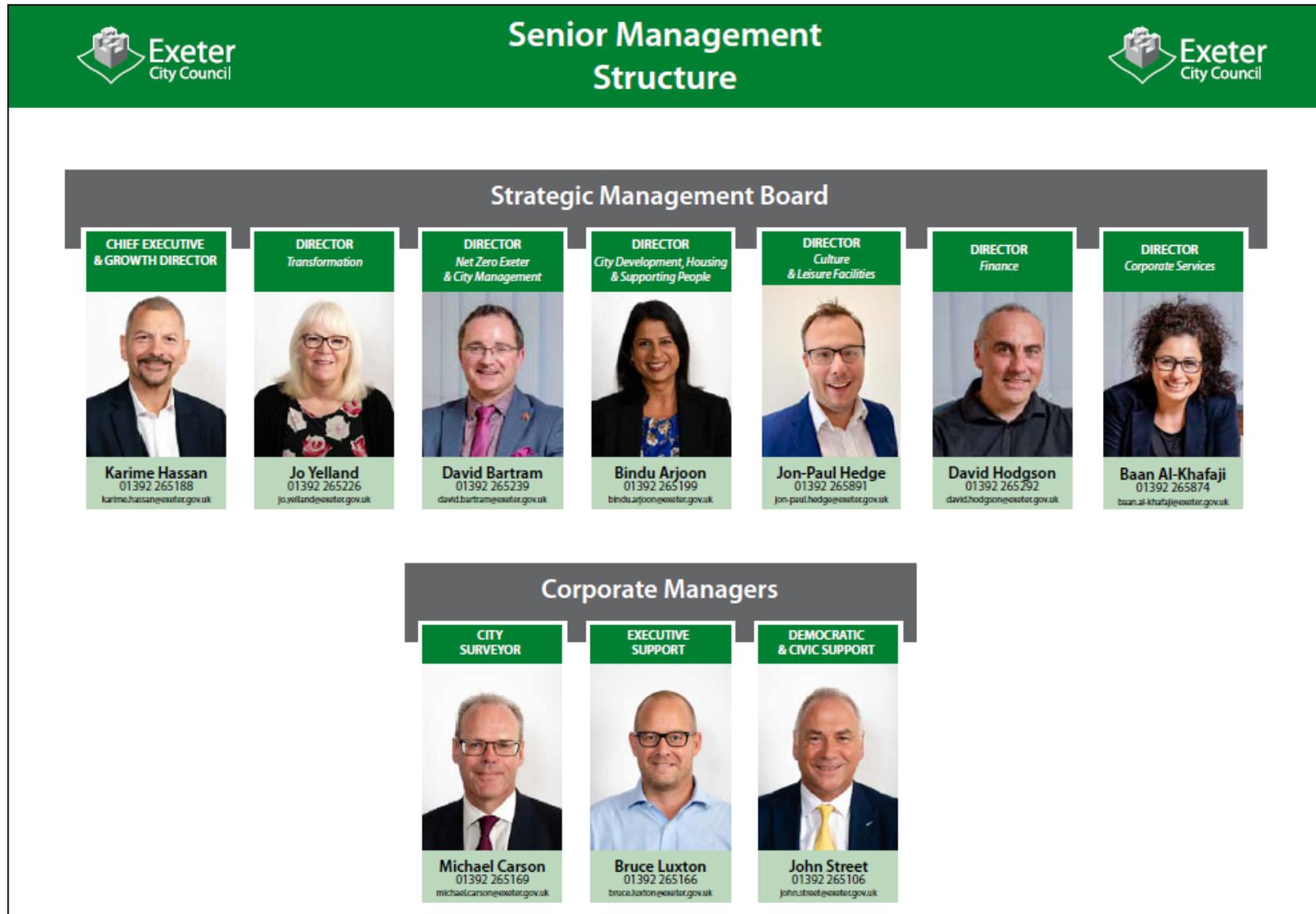
- Work on the basis of a 'Build Back Better' strategy, avoiding sub-optimal quick fixes or recovery that recreates the pre-Covid-19 status quo
- Aim for innovation and transformation, seeking progress on key priorities for the city, e.g. climate emergency
- Plan with robust evidence of damage and needs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

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



Narrative Report

Exeter City Council's Senior Management Structure:



Narrative Report

Council Employees

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

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

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

The pay policy for 2020/21 reflected the following:

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

The Council has 13 staff who are union representatives, with one officer spending at least 50% of their working hours on union activities.

4. The Council's Corporate Plan 2018-2021

In addition to the Building Exeter Back Better recovery plan, one of the key strategic documents that frames the actions of the Council is the Corporate Plan. The Corporate Plan is a list of priorities for the next few years and our plans to work alongside our partners and communities to continue to make Exeter a happy and healthy place to live for everyone.

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

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

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

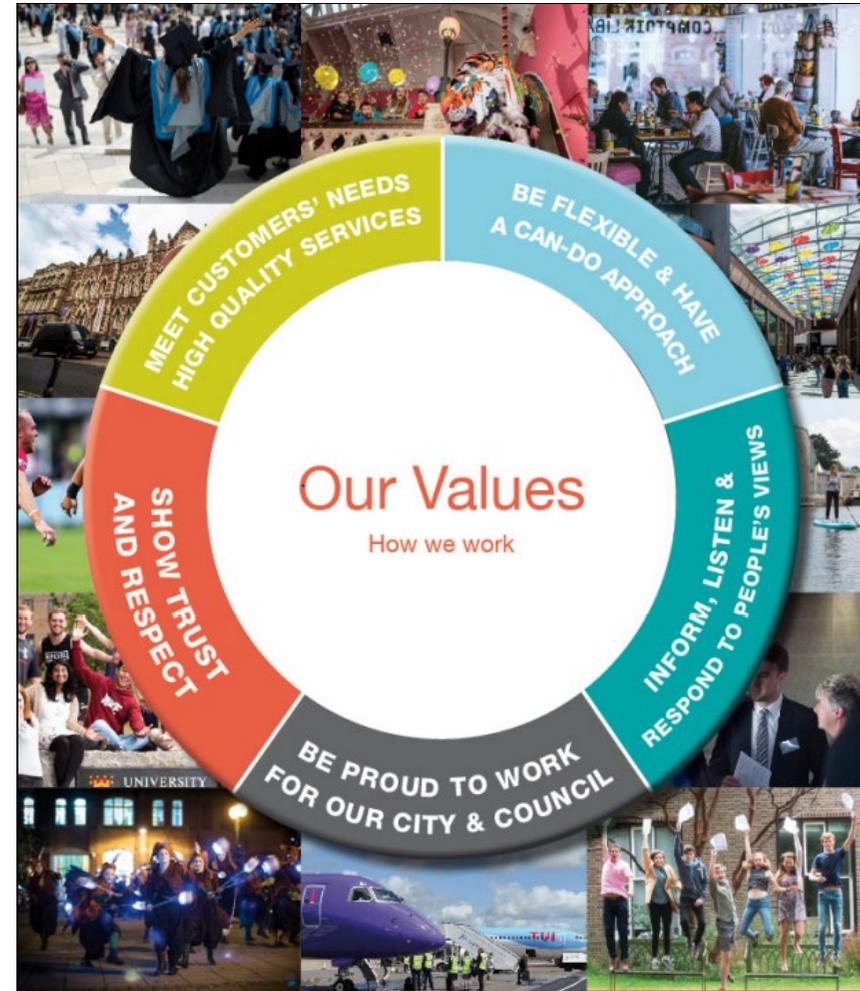
The Council's corporate priorities, which guide everything we do are:

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

Narrative Report

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

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



Narrative Report

How we performed

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

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

What's next?

Lead a Well Run Council
- The City of Exeter's recovery plan, Building Exeter Back Better, sets out seven key areas that have been most keenly affected by the pandemic. The Council will work in conjunction with key stakeholders to support the city's recovery as well as supporting regional recovery
- Completion of the Exeter Bus Station is set to open in Summer 2021, which will provide first class facilities to support those travelling to and from the city and is set to be a vital transport link/hub for the South West
Provide Value-for-Money Services
- The outturn position for 2020/21 has allowed the Council to set aside monies to protect against income losses in 2021/22, which are inevitable as a result of Covid-19 restrictions. However, savings of £6m are required to be identified over the medium term
- Building on the successful roll-out of the Agile and Flexible programme, work on how the Council might enhance our offer of digital services to our customers has started and ensuring that the Council has a fit for purpose organisation
Promoting Active & Healthy Lifestyles
- The Riverside Leisure Centre is set to re-open on July 24 after a massive rebuilding programme. Key workers will be the first to be offered a swim at the new look centre when it reopens
- St Sidwell's Point is expected to open Summer 2021, with three swimming pools and modern high-quality spa and gym facilities. The centre will complement a number of other leisure facilities provided by the Council
- Continue with the Exeter and Cranbrook Local Delivery Pilot. In December 2017 Exeter and Cranbrook was chosen by Sport England to work on a bold new approach to build healthier, active communities
- Wild City - now over 10 years old - sees Exeter City Council working closely with Devon Wildlife Trust to encourage nature into the city. Roadside verges, roundabouts and various patches of land are having wild flower seeds sown throughout Exeter as part of the Wild City project
Delivering Net Zero Exeter 2030
- Exeter will strive to become a carbon-neutral city by 2030. Exeter City Council has partnered with Devon County Council, Exeter College, University of Exeter, Global City Futures and the Royal Devon and Exeter NHS Trust to create Exeter City Futures, a community interest company to target cleaner air, renewable energy and improved transport systems
- Our new homes will be climate resilient and built to Passiv-haus and Building Biology standards
Building Great Neighbourhoods
- The Council has been successful in securing Government funding of £600,000 to target the retrofit of 120 properties to improve their energy performance rating
- Continue to progress the Liveable Exeter programme, with a view to delivering up to 12,000 new homes for the city in sustainable, inclusive and highly accessible new communities
- The council's housing development programme now has nine priority sites which are actively being investigated and progressed. The current target is to deliver 500 properties over the next 10 years

Narrative Report

5. Financial Performance 2020/21

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

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

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

Narrative Report

Key changes since approving the Emergency Budget

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

Covid-19 Grant

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

Sales, Fees and Charges

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

Support to Businesses Reported in the Council's Outturn Report

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

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

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Business Rates

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

General Fund Working Balance

The 2020/21 emergency budget was set to achieve the requirement to maintain a minimum balance in excess of £3 million. The Council's current policy is such that the minimum level of the General Fund Balance will remain above £3 million. This is considered prudent taking into account the potential level of financial risk facing the Council in the medium term.

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

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

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

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

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2020/21 Capital Outturn

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

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

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

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

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Key achievements in 2020/21 Capital Programme:

- **New Leisure Complex & Bus Station**

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

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



St Sidwell's Point

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

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



New Exeter Bus Station

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



How the redeveloped bus station site will look

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- **Salmonpool Bridge**

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



Salmonpool Bridge

- **Next Steps Accommodation Programme**

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

- **Riverside Leisure Centre**

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

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

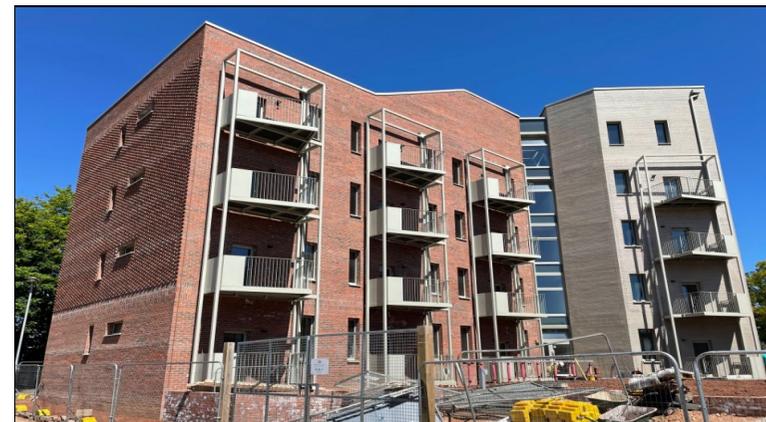
new Health Suite with a steam room, sauna and spa pool, modern spectator seating installed and new plant serving the main and learner pools.



Riverside pool

- **Extra Care Scheme**

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



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Housing Revenue Account

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

During 2020/21 the HRA reported an operating surplus of £2.711m. The surplus was transferred to the HRA working balance.

The Council's current policy is such that the minimum level of the HRA working balance will remain at no less than £4 million, as a contingency against financial risks. As at 31 March 2021, the working balance was £13.267m, considerably higher than the minimum level. This is predominantly due to delays with certain capital schemes, including kitchen and bathroom replacements, the Hamlin Gardens development and the Vaughan Road development. Significant revenue contributions will be required over the next 2 years towards financing the capital schemes, which will reduce the working balance.

The lifting of the 'debt cap' in October 2018 meant that local authorities are now able to borrow for housebuilding in accordance with the Prudential Code. During 2020/21, works started on Phase 1 of a new HRA House-building programme, which provides for four development schemes that will deliver 100 new homes into the HRA.

Key achievements

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

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

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

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

HRA Benchmarking

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

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

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Pension Fund

The Council has net pension liabilities of £134.706 million in the Balance Sheet. This reflects the value of pension liabilities which the Council is required to pay in the future as they fall due, offset by the value of assets invested in the pension fund. A full actuarial valuation was undertaken as at 31 March 2019 to review the contribution levels of the Council for the period 1 April 2020 to 31 March 2023 which was set at 17.6% of pensionable pay for future service plus a monetary amount in respect of the pension deficit (£4.337m). The Council opted to pay the next 3 years past service deficit amounts up front during 2020/21 at a cost of £4.143m, saving £0.194m.

Borrowing

The Capital Financing Requirement is £160.236 million of which £73.242 million relates to the HRA.

Actual borrowing is £124.672m, which comprises the principal outstanding on long-term loans from the PWLB. The original loans include; £9.35m on-lent to Exeter City Living Ltd, £72.244m in respect of the HRA, £36m for the new leisure centre and £8.8m for capital acquisitions. The rest of the requirement is managed via internal borrowing.

6. Non-Financial Achievements 2020/21

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

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

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

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



Exeter Ship Canal

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Significant Projects and Matters

Sport England

Exeter and Cranbrook are one of 12 Local Delivery Pilots working on bold new approaches to build healthier, more active communities. Following an award of £4,721,000 million in June 2019 by Sport England, Exeter City Council embarked on a delivery programme to achieve the Local Delivery Pilot outcomes, named 'Live & Move'. A further £1,883,476m has been awarded to continue delivery of the programme in line with the Sport England strategy 'Uniting the Movement' to March 2025.



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

The focus is on the 20 geographic areas with the highest concentrations of those most at risk of inactivity and poor health. The long term aims are to: narrow the stubborn health inequalities gap; improve inclusivity and sense of community belonging; a reduction in congestion through more walking and cycling; an embedded analytical approach.

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

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

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

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

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

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



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Liveable Exeter

Vision

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

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

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



Narrative Report

Future Financial Plans

Revenue

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

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

Risk assessment

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

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

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

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

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

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

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

Narrative Report

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

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

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

Capital Programme (2021/22 – 2024/25)

GENERAL FUND - CAPITAL PROGRAMME 2021/22 AND FUTURE YEARS				
SCHEMES LISTED WITHIN COUNCIL PURPOSES	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
Chief Executive & Growth Director Transformation	1,152	54	54	54
Net Zero Exeter and City Management	9,439	-	-	-
City Development, Housing & Supporting People	10,432	4,794	3,803	2,264
Communications, Culture and Leisure Facilities	2,379	-	-	-
Finance	5,210	-	-	-
	36,332	7,055	2,760	4,982
TOTAL GENERAL FUND CAPITAL PROGRAMME	64,944	11,903	6,617	7,300
FINANCING:				
Capital Receipts	4,545	104	104	50
Disabled Facility Grant	811	800	800	800
New Homes Bonus	15	-	-	-
Community Infrastructure Levy	-	-	-	-
Revenue Contributions to Capital Outlay	143	-	-	-
Other Grants & Contributions	5,237	160	160	160
Prudential Borrowing	54,193	10,839	5,553	6,290
TOTAL GENERAL FUND CAPITAL FINANCING	64,944	11,903	6,617	7,300
HOUSING REVENUE ACCOUNT - CAPITAL PROGRAMME 2021/22 AND FUTURE YEARS				
	2021/22	2022/23	2023/24	2024/25
	£'000	£'000	£'000	£'000
City Development, Housing & Supporting People	31,107	18,885	10,778	9,436
TOTAL HRA CAPITAL PROGRAMME	31,107	18,885	10,778	9,436
FINANCING:				
Major Repairs Reserve	5,360	12,625	6,492	5,586
Capital Receipts	4,110	3,510	1,086	800
Commuted Sums	759	-	-	-
Other Grants and Contributions	592	-	-	-
Revenue Contributions to Capital	8,397	2,000	2,450	2,300
Prudential Borrowing	11,889	750	750	750
TOTAL HRA CAPITAL FINANCING	31,107	18,885	10,778	9,436

Narrative Report

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

The Council is undertaking an ambitious capital programme, most notably the development of its new state of the art leisure centre, St Sidwell's Point. The complex will be the first in the UK built to rigorous environmental passiv-haus standards, meaning a saving of around 70% on energy costs compared to similar sized leisure developments.



Further examples of our major schemes are:

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



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

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



Solar farm and storage project

Narrative Report

Message from Dave Hodgson, Director Finance

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

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

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

The Council does however, have to address a significant gap in its resources over the life of the medium term financial plan, with a requirement to identify a further £6 million of savings over the next three financial years, This will require a shift in the way the Council generates resources as well as programmes to streamline the way the Council is run.

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

Dave Hodgson CPFA
Director Finance

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

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

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

Councillor A J Wardle
Chair – Audit and Governance Committee

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The authority is required to:

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

The Chief Finance Officer's Responsibilities

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

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

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

Certification of Accounts

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

Dave Hodgson CPFA
Director Finance
10 November 2021

Explanation of the Core Financial Statements

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

Core Financial Statements

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

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

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

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

Core Financial Statements

Comprehensive Income and Expenditure Statement

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

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

Core Financial Statements

Movement in Reserves Statement

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

Core Financial Statements

Movement in Reserves Statement

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

Core Financial Statements

Balance Sheet

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

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

Dave Hodgson, CPFA, Director Finance

Core Financial Statements

Cash Flow Statement

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

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1. Accounting Policies

General Principles

The Statement of Accounts summarises the authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS) and statutory guidance.

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

Accruals of income and expenditure

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

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

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

Capitalisation of borrowing costs; the authority has a policy of capitalising borrowing costs. No borrowing costs have been capitalised by the Council up to 2020/21.

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

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

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

Creditors and Debtors

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

Capital receipts

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

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

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

Notes to the Financial Statements

Cash and cash equivalents

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

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

Contingent assets and liabilities

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

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

Council tax and non-domestic rates (NDR)

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

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

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

Accounting for Council Tax and NDR

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

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

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

Pool of Authorities for Non Domestic Rates

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

Employee benefits

Benefits payable during employment

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

Termination benefits

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

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

Post-employment benefits

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

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

- The liabilities of the pension fund attributable to the authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of future earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate that equates to the annualised Merrill Lynch AA rated corporate bond yield curve.
- The assets of the pension fund attributable to the authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unlisted securities - current bid price
 - property – market value

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

Service cost

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

Notes to the Financial Statements

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

Re-measurements

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

Contributions paid to the pension fund

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

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

McCloud Judgement

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

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

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

Discretionary Benefits

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

Events after the Balance Sheet date

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

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

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

Notes to the Financial Statements

Financial instruments

Financial Liabilities

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

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

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

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

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

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

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

Notes to the Financial Statements

Fair value measurements of financial assets

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

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

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

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

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

Expected Credit Loss Model

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

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

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

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

Government grants and contributions

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

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

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

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

Notes to the Financial Statements

Business Improvement District (BID)

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

Community Infrastructure Levy (CIL)

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

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

Heritage assets

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

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

Museum Exhibits / Art / Civic Regalia – A non-electronic register of the assets is held by the Museum and Guildhall and from this an insurance valuation has been produced. The Council will use the insurance valuation, as at 31 March 2021, as a measurement of the valuation of the assets. The assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation. Impairments and disposals are treated as per the policy on property, plant and equipment.

Interest in companies and other entities

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

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

Inventories

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

Investment properties

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

Measurement

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

Notes to the Financial Statements

Valuations

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

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

Valuation Technique

Three valuation techniques can be applied:

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

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

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

Income from Investment Properties

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

Joint operations

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

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

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

Leases

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

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

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

Notes to the Financial Statements

The Authority as Lessee

Finance Leases

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

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Authority as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

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

Operating Leases

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

Notes to the Financial Statements

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

Overheads and support services

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

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

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

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

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

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

Property, plant and equipment

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

Recognition

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

Measurement

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

Donated Assets

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

Notes to the Financial Statements

Balance Sheet Valuation

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

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

Revaluations

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

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

A decrease in value is accounted for by:

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

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

Impairment

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

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

Depreciation

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

Notes to the Financial Statements

The following policies are used for depreciation:

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

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

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

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

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

Components

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

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

Disposals

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

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

Non-current Assets Held for Sale

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

Notes to the Financial Statements

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

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

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

Provisions

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

Reserves

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

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

Revenue charges for non-current assets

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

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

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

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

Revenue expenditure funded from capital under statute

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

Notes to the Finance Statements

2. Expenditure and Funding Analysis

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

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

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

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

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

Notes to the Financial Statements

Expenditure and Funding Analysis

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

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

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

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

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

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

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

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

4. Critical Judgements in Applying Accounting Policies

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

Covid-19 Pandemic

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

Group Accounts

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

Joint Operation

Strata Service Solutions Ltd is a registered company which has been established to assist the three authorities; Exeter City Council, East Devon District Council and Teignbridge District Council, in the provision and operation of shared ICT services. It is deemed to be a joint operation due to the inherent rights to the

Notes to the Financial Statements

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

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

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

5. Events after the Reporting Period

The Statement of Accounts was authorised for issue by the Director Finance, D Hodgson CPFA, on 11 November 2021. Events taking place after this date are not reflected in the 2020/21 financial statements or notes. Where events took place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events, which took place after 31 March 2021, as they provide information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date:

- The announcement of Government support after 31 March for losses incurred and additional spending pressures arising from Covid-19.
- Evidence of market conditions after 31 March that show recovery or worsening of the value of assets at that date.
- Longer term regulations on social distancing that will significantly reduce the extent to which assets can be used.

Notes to the Financial Statements

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

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

Item	Uncertainties	Effect if actual result differs from Assumptions
<p>Pensions liability</p>	<p>Estimates of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. Those assumptions are detailed in Note 42 to the accounts. The carrying value of this long term liability at the end of the reporting period was £134.706m.</p> <p>For 2020/21, the actuarial report was requested using February cash-flows and March asset values (rather than the usual February asset values) due to the impact of the Covid-19 pandemic on pension fund investments and market volatility, in order to reduce the risk of material differences.</p> <p>As with last year, an allowance has also been made for the Court of Appeal judgement in relation to the McCloud and Sargeant cases which relate to age discrimination, which has been re-measured as at 31 March 2021. The impact on LGPS members' past and present service benefits will only be known once the Government publish the final set of remedial regulations.</p>	<p>The impact of a change in the actuarial assumptions will be to increase or decrease the net pension liability shown in the Balance Sheet. For example, a 0.1% increase in the discount rate would result in a decrease of £5.549m in the pension liability and £0.357m in the Projected Service Cost. However the assumptions interact in a complex way. During the year the actuaries have increased the liability by £57.715m as a result of assumptions being updated.</p> <p>These changes do not have an impact on the Council's General Fund position as the Council is not required to fund such non-cash charges from council tax.</p>

Notes to the Financial Statements

Item	Uncertainties	Effect if actual result differs from Assumptions
Valuation of Property, Plant and Equipment	<p>The Council operates a rolling programme of valuation reviews which ensures all assets are revalued at intervals no greater than five years with; 20% of assets revalued each year, the top 4 highest value assets revalued every year and a desktop valuation undertaken for those assets not subject to the rolling revaluation.</p> <p>The Council's in-house valuer applies professional judgement in respect of the current value of assets including assumptions on property condition where no inspection data is available, that properties meet minimum EPC rating requirements, properties are not contaminated and are free of radon gas. Valuations are undertaken in accordance with Royal Institute of Chartered Surveyors (RICS) guidance.</p> <p>Due to the outbreak of Covid-19 it was not possible to inspect every asset due to restrictions imposed by the Government, however the valuer maintains knowledge of property conditions through their ongoing involvement with Corporate Property management services.</p>	<p>In 2020/21 £391.328 million of PPE was subject to a revaluation and a variation of 1% in the value of these assets would result in a change in the carrying amount of £3.9 million in the Balance Sheet.</p>
Expected Credit Losses	<p>At 31 March 2021, the authority had a balance of £19.136m for short-term debtors (excluding NDR deficit amounts). A review of significant balances suggested that a loss allowance for doubtful debts totalling £3.346m was appropriate.</p> <p>The loss allowance was based upon historically observed rates of recovery adjusted for future expectations of recovery for each type of debtor. The economic outlook for the authority's financial assets as a result of the Covid-19 pandemic was taken into account using available evidence of the impact on collection rates. However, the Council cannot be certain that this impairment allowance is sufficient to offset any losses through non-payment debts. This is due to the uncertainty around which organisations and individuals may become economically unviable due to the impact of the pandemic.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of impairment of doubtful debts would require an additional £3.346m to be set aside as an allowance.</p>

Notes to the Financial Statements

Item	Uncertainties	Effect if actual result differs from Assumptions
Investment Properties	<p>Investment properties are required to be measured at fair value, reflecting market conditions at the end of the reporting period (i.e. 31 March 2021). The Authority uses significant unobservable inputs to measure the fair value of its investment properties including assumptions regarding rent growth and yield.</p> <p>The Council's in-house valuer applies professional judgement in respect of the fair value of assets including assumptions on property condition where no inspection data is available, that properties meet minimum EPC rating requirements, properties are not contaminated and are free of radon gas. Valuations are undertaken in accordance with Royal Institute of Chartered Surveyors (RICS) guidance.</p>	<p>Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.</p> <p>As at 31 March 2021, investment properties were valued at £53.388m and a variation of 1% in the value of these assets would result in a change in the carrying amount of £0.533 million in the Balance Sheet.</p>
Business rates	<p>The Council receives income from business rates which forms part of its funding of its revenue budget. Due to the uncertain impact of Covid-19 on businesses and potential rateable value appeals it is possible that current assumptions may not be fully accurate.</p> <p>The NDR arrears balance of £3.001m at the Balance Sheet date is deemed to be at risk of material adjustment within the next year due to current economic circumstance which may result in some businesses struggling to pay. A review of arrears suggested that an impairment of doubtful debts of 36.3% (£1.090m) was appropriate. However, in the current economic climate it is not certain that such an allowance will be sufficient.</p>	<p>Whilst the uncertainty around Covid-19 means any estimate of the impact would be highly uncertain, the impact would feed through in to the collection fund balance which would then be taken account of in future years' budgets.</p> <p>If collection rates were to deteriorate further, a doubling of the amount of the impairment of doubtful debts would require an additional £1.090m to be set aside as an allowance.</p>

Notes to the Financial Statements

7. Note to the Expenditure and Funding Analysis

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

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

Notes to the Financial Statements

Note 7.1: Adjustments for Capital Purposes

Adjustments for capital purposes reflect:

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

Note 7.2: Net Change for the Pensions Adjustments

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

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

Note 7.3: Other Differences

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

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

Notes to the Financial Statements

8. Segmental Reporting

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

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

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

Notes to the Financial Statements

9. Expenditure and Income Analysed by Nature

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

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

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

9A. Revenue from Contracts with Service Recipients

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

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

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

Notes to the Financial Statements

10. Adjustments between Accounting Basis and Funding Basis under Regulations

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Grants Unapplied

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

Capital Receipts Reserve

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

Notes to the Financial Statements

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

Notes to the Financial Statements

11. Movements in Earmarked Reserves

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

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

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

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

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

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

Notes to the Financial Statements

12. Other Operating Expenditure

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

13. Financing and Investment Income and Expenditure

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

14. Taxation and Non-specific Grant Income

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

Notes to the Financial Statements

15. Property, Plant and Equipment

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

Notes to the Financial Statements

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

Notes to the Financial Statements

Revaluations

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

	Council Dwellings and Garages £'000s	Other Land and Buildings £'000s	Vehicles, Plant & Equipment £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Surplus Assets £'000s	Assets under Construction £'000s	Total Property, Plant and Equipment £'000s
Carried at historical cost	-	-	22,878	5,561	5,242	-	54,807	88,488
Valued at current value as at:								
31 March 2017	-	-	-	-	-	-	-	0
31 March 2018	-	-	-	-	-	-	-	0
31 March 2019	-	-	-	-	-	-	-	0
31 March 2020	-	-	-	-	-	-	-	0
31 March 2021	263,989	126,359	-	-	-	980	-	391,328
Gross Book Value At 31 March 2021	263,989	126,359	22,878	5,561	5,242	980	54,807	479,816

Capital Commitments

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

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

Notes to the Financial Statements

16. Investment Properties

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

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

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

Fair Value Hierarchy

Details of the authority's investment properties and information about fair value hierarchy as at 31 March 2021 and comparatives as at 31 March 2020 are as follows:

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

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

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

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

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

Significant Observable Inputs – Level 3

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

Notes to the Financial Statements

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

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

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

Highest and Best Use of Investment Properties

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

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

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

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

Property type	Lease type	Rent type	Fair value as at 31 March 2021 £'000	Valuation technique used to measure fair value	Unobservable inputs	Range / percentage used	Sensitivity
Industrial	Commercial	Market	1,518	Income approach	Rent & Yield	Rent £3.50 - £8 psf Yield 8 - 10%	Significant changes in rental levels or yield will result in a significantly lower or higher fair value
	Ground	Nominal	1,561	Income approach	Rent & Yield	Rent £3.50 - £8 psf Yield 5 - 6%	Significant changes in rental levels or yield will not result in a significant difference to the fair value
	Ground	Geared	2,169	Income approach	Yield	Yield 5 - 6%	Significant changes in yield will result in a significantly lower or higher fair value
Retail	Commercial	Market	10,548	Income approach	Rent & Yield	Rent £13.50 (neighbourhood)- £51 (city centre secondary)psf ITZA. Yield 10 - 15%	Significant changes in rental levels or yield will result in a significantly lower or higher fair value
	Ground	Nominal	2,694	Income approach	Rent & Yield	Rent £15 (out of town)- £150 (High St) psf ITZA. Yield 6 - 10.5%	Significant changes in rental levels or yield will not result in a significant difference to the fair value
	Ground	Geared	13,368	Income approach	Yield	Yield 5 - 7%	Significant changes in yield will result in a significantly lower or higher fair value
Leisure	Commercial	Turnover	3,111	Income approach	Yield	Yield 10 - 17%	Significant changes in yield will result in a significantly lower or higher fair value
Office	Commercial	Market	14,126	Income approach	Rent & Yield	Rent £16 - £17.30 psf Yield 6-7%	Significant changes in rental levels or yield will result in a significantly lower or higher fair value
Other commercial	Commercial	Market	3,710	Income approach	Rent & Yield	Rent £5 - £10 psf Yield 10 - 15%	Significant changes in rental levels or yield will result in a significantly lower or higher fair value
	Ground	Geared	125	Income approach	Yield	Yield 7.5%	Significant changes in yield will result in a significantly lower or higher fair value
	Ground	Nominal	458	Income approach	Yield	Yield 5.5 - 12%	Significant changes in yield will not result in a significant difference to the fair value

Notes to the Financial Statements

17. Heritage Assets

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

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

18. Further Information on the Collections

St Nicholas Priory

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

Guildhall

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

Royal Albert Memorial Museum

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

Other Heritage Assets

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

Notes to the Financial Statements

19. Financial Instruments

Classification of Financial Instruments

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

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

Categories of Financial Instruments

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

Financial Assets

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

Notes to the Financial Statements

Financial Liabilities

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

Material Soft Loans Made by the Authority

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

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

Valuation Assumptions

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

Notes to the Financial Statements

Reclassification of Financial Instruments

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

Income, Expense, Gains and Losses

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

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

Changes in the valuation technique

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

Notes to the Financial Statements

Fair Value of Financial Assets

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

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

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

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

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

Notes to the Financial Statements

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

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

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

Fair Value Disclosure of PWLB Loans

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

Notes to the Financial Statements

20. Debtors

Long-term		Short-term	
2019-20	2020-21	Restated 2019-20	2020-21
£'000	£'000	£'000	£'000
-	- Trade Debtors	3,095	3,394
-	- Less impairment allowance	(728)	(904)
-	- Trade Debtors	2,367	2,490
-	- Overpaid Housing Benefits	2,063	1,862
-	- Less impairment allowance	(1,111)	(1,316)
-	- Overpaid Housing Benefits	952	546
-	- Rents - General and HRA	580	857
-	- Less impairment allowance	(335)	(508)
-	- Rents - General and HRA	245	349
-	- Collection Fund amounts	1,776	29,210
-	- Section 31 Grant Prepayment	1,024	-
-	- Covid-19 funding	-	2,222
-	- VAT	1,043	1,354
-	- Housing Benefit Subsidy	17	1,565
-	- Other receivable amounts	2,364	4,929
-	- Prepayments	387	430
-	- Debtors of Strata Service Solutions Ltd	919	740
13,871	14,029 Finance lease debtors	138	140
1,007	1,068 Exeter Science Park	-	-
208	193 Exeter Council for Voluntary Service	-	-
9,032	8,821 Exeter City Living Ltd	203	213
48	47 Other loans	-	-
24,166	24,158	11,435	44,188

21. Debtors for Local Taxation

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

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

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

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

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

Notes to the Financial Statements

22. Assets Held for Sale

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

23. Cash and Cash Equivalents

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

24. Short Term Creditors

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

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

25. Provisions

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

Notes to the Financial Statements

26. Usable Reserves

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

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

27. Unusable Reserves

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

Revaluation Reserve

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

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

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

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

Notes to the Financial Statements

Capital Adjustment Account (CAA)

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

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

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

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

Notes to the Financial Statements

Financial Instruments Adjustment Account

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

2019-20 Financial Instruments Adjustment Account £'000	2020-21 £'000
(313) Balance at 1 April	(411)
Statutory reversal of movements in Financial Instruments held at Fair	
(175) Value through Profit and Loss	(34)
Transfer to Capital Adjustment 44 Account - soft loan write off	-
Amount by which finance costs charged to CIES differ from finance 33 costs charged in year under statute	34
(411) Balance at 31 March	(411)

Pensions Reserve

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

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

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

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

Notes to the Financial Statements

Deferred Capital Receipts Reserve

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

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

Collection Fund Adjustment Account

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

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

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

Accumulated Absences Account

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

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

Notes to the Financial Statements

28. Cash Flow Statement – Operating Activities

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

29. Cash Flow Statement – Investing Activities

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

30. Cash Flow Statement – Financing Activities

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

31. Reconciliation of Liabilities arising from Financing Activities

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

Notes to the Financial Statements

32. Members Allowances

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

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

33. Officers' Remuneration

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

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

*Additional £930 paid in respect of Returning Officer duties

Notes to the Financial Statements

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

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

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

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

Notes to the Financial Statements

34. Termination Benefits

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

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

35. Audit Costs

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

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

36. Grants, Contributions and Donations

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

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

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

Notes to the Financial Statements

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

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

37. Related Parties

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

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

Council Members – have direct control over the council's financial and operating policies. The total of member allowances paid in 2020/21 is shown in Note 32. During the financial year, the Council paid grants to organisations totalling £141,430 (£176,847 2019/20) in which eight members had an interest. In all instances, the grants were made with proper considerations of declarations of interest. The relevant members did not take part in any discussion relating to the grants. Payments totalling £177,746 (£144,703 2019/20) were also made to organisations in which fourteen members had an interest in respect of goods and services.

Notes to the Financial Statements

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

Entities Controlled or Significantly Influenced by the Authority

Exeter City Group Ltd and Exeter City Living Ltd

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

Exeter Business Centre Ltd

Exeter Business Centre Ltd's (EBC) main purpose is the letting of affordable business units to support small businesses. The Authority controls EBC through its ownership of 100% of the shares in the Company and it is deemed to be a subsidiary. EBC had net assets of £133,209 as at 31 March 2021 (£140,754 as at 31 March 2020).

Exeter Canal and Quay Trust Ltd

Exeter Canal and Quay Trust Ltd (ECQT) has a charitable status and its main objectives are to preserve and develop the Exeter Canal and Quay area. ECQT is deemed to be an associate company, as the company is limited by guarantee and the Council has significant influence through its representation on the Trust Board. The Council leases a number of assets to ECQT on a long term basis at nil rent, with the exception of Double Locks Hotel

whereby rent is 5% of turnover divided equally between ECQT and the Council (£35,423 in 2020/21). ECQT also contributed £86,120 towards Council costs mostly in respect of running the Custom House Visitor Centre.

Exeter Science Park Ltd

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

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

Exeter City Futures Community Interest Company

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

Notes to the Financial Statements

Monkerton Heat Company Ltd

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

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

Dextco Ltd

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

Dextco Limited is deemed to be a joint venture, as it is a separate legal entity with shareholders that have equal and collective control with decisions made unanimously. No financial transactions took place with the company during 2020/21.

38. Interests in Joint Operations

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

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

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

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

Notes to the Financial Statements

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

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

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

Notes to the Financial Statements

39. Capital Expenditure and Capital Financing

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

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

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

Notes to the Financial Statements

40. Leases

Council as Lessee

Finance Leases

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

Operating Leases

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

Rental payments made in the year amounted to £313,585 (2019/20 £386,040).

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

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

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

Council as a Lessor

Finance Leases

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

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

The gross investment is made up of the following amounts:

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

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

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

Notes to the Financial Statements

Operating Leases

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

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

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

41. Impairments and Downward Valuations

During 2020/21, the Council recognised impairment losses of £4.662 million in relation to its council dwellings and operational land and buildings. Impairment losses of £75k charged to the Surplus and Deficit on the Provision of Services in previous financial years were reversed.

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

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

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

Notes to the Financial Statements

42. Defined Benefit Pension Scheme

Participation in Pension Scheme

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

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

Basis for Estimating Assets and Liabilities

The most recent valuation was carried out as at 31 March 2019 and has been updated by Barnett Waddingham, independent actuaries to the Devon County Council Pension Fund as at 31 March 2021.

To assess the value of the liabilities at 31 March 2021, the actuaries have rolled forward the value of the Employer's liabilities calculated for the funding valuations as at 31 March 2019, using financial assumptions that comply with IAS 19

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

Scheduled Contributions

Exeter City Council's contribution rate during 2020/21 was 17.6% of pensionable pay. The contribution rates certified for the Council at 31 March 2019 valuation are as follows:

Future Service Pay

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

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

The Council opted to pay the 3 years past service deficit amounts up front during 2020/21, which has reduced the net pension liability. However, the payment will be spread over the respective three financial years, in accordance with proper accounting practice. This treatment does lead to a temporary imbalance between the Net Pensions Liability and the Pensions Reserves.

Notes to the Financial Statements

Local Government Pension Scheme Assets Comprised:

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

Significant Assumptions used by the Actuary:

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

Transactions Relating to Post-employment Benefits

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

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

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

Notes to the Financial Statements

Pension Assets and Liabilities Recognised in the Balance Sheet:

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

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

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

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

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

Notes to the Financial Statements

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

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

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

Notes to the Financial Statements

43. Charitable and Trust Funds

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

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

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

Notes to the Financial Statements

44. Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the annual investment strategy. The Council's latest Treasury Management Strategy, incorporating the Annual Investment Strategy was approved on 23 February 2021, which is available on the Council's website (use search function for the 2021/22 Budget Book).

Credit Risk Management Practices

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

Impact of Covid-19 on Credit Risk Exposure

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

Notes to the Financial Statements

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

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

Notes to the Financial Statements

Impairment Loss Allowances

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

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

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

Notes to the Financial Statements

Credit Risk Exposure

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

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

* Credit risk rating – Other

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

Exposure to Credit Risk on Guarantees

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

Notes to the Financial Statements

Liquidity Risk

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

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

	31 March 2020	31 March 2021
	£'000	£'000
Less than 1 year	925	941
1 - 2 years	942	959
2 - 5 years	2,925	2,949
+ 5 years	105,557	119,935
	110,349	124,784

Market risk

Interest rate risk

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

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

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

Notes to the Financial Statements

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

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

If on the 31 March 2021 the interest rates are 1% higher than the actual interest rates the financial impact would be:

Borrowing:

As at 31 March 2021, the Council had a number of long-term loans with the PWLB amounting to £125m. A 1% increase in interest rates would increase the cost of borrowing by £1.25m a year. However, the Council is protected from interest rate rises in respect of these arrangements due to the fixed rates of borrowing.

Investments:

In respect of the fixed term deposits of £30m a 1% increase in interest rates would increase interest receivable by £300k. The impact of a 1% fall in interest rates would be the same, but with the movements being reversed.

Price Risk

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

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

The Council has investments in pooled investment funds, which are classified as fair value through profit and loss, including £21.001m in money market funds and a £5m investment in the CCLA Local Authorities' Property Fund. At the end of each financial year the value of the local authority's investment is adjusted to equal the number of units held multiplied by the published bid price, with the gain or loss charged to the Surplus or Deficit on the Provision of Services. However, the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003, allows local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds. This statutory reversal will remain in place until 31 March 2023.

Foreign Exchange Risk

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

Notes to the Financial Statements

45. Statutory Harbour Authority

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

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

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

Group Accounts

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

Composition of the Group:

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

Group Accounts

Non Material Interests

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

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

Group Accounts

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

The Group Accounts have been prepared by combining Exeter City Living Ltd.'s income and expenditure and assets and liabilities with those of the Council on a line-by-line basis, eliminating intra-group transactions. Copies of Exeter City Living Ltd.'s accounts to 31 March 2021 can be obtained from Exeter City Living Ltd, Civic Centre, Paris Street, Exeter, EX1 1JN.

Exeter City Group Ltd and Exeter City Living Ltd

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

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

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

Accounting Policies

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

Group Comprehensive Income & Expenditure Statement

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

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

Group Movement in Reserves Statement

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

Group Balance Sheet

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

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

Dave Hodgson, CPFA, Director Finance

Group Cash-Flow Statement

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

Group Notes to the Accounts

1. Financial Instruments

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

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

Group Notes to the Accounts

2. Inventories

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

3. Cash and Cash Equivalents

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

4. Cash flow Statement – Investing Activities

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

HRA Income & Expenditure Statement

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

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

HRA Income & Expenditure Statement

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

Movement on the HRA Statement

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

Notes to the HRA Statements

1. HRA Dwellings

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

2. Vacant Possession Value of Dwellings

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

3. Council Own Build Scheme

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

4. Impairment Charges

Impairment charges of £4.243m (£2.841m 2019/20) were debited to the HRA Income and Expenditure Account in 2020/21 although they were reversed out in the Statement of Movement on the HRA Balance, to avoid having an impact on rent levels, in accordance with the Code of Practice.

5. HRA Capital Receipts

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

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

Notes to the HRA Statements

6. Balance Sheet Valuation of Assets

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

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

7. HRA Capital Expenditure

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

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

Notes to the HRA Statements

8. Depreciation

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

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

Collection Fund

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

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

Notes to the Collection Fund

1. Council Tax base

The council tax base, for tax setting purposes, is calculated by reference to the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings. The figures for 2020/21 were:

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

2. Income from Business Rates

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



Exeter City Council

Annual Governance Statement

2020-21

Scope of Responsibility

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

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

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

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

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

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

Annual Governance Statement

The Purpose of the Governance Framework

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

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

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

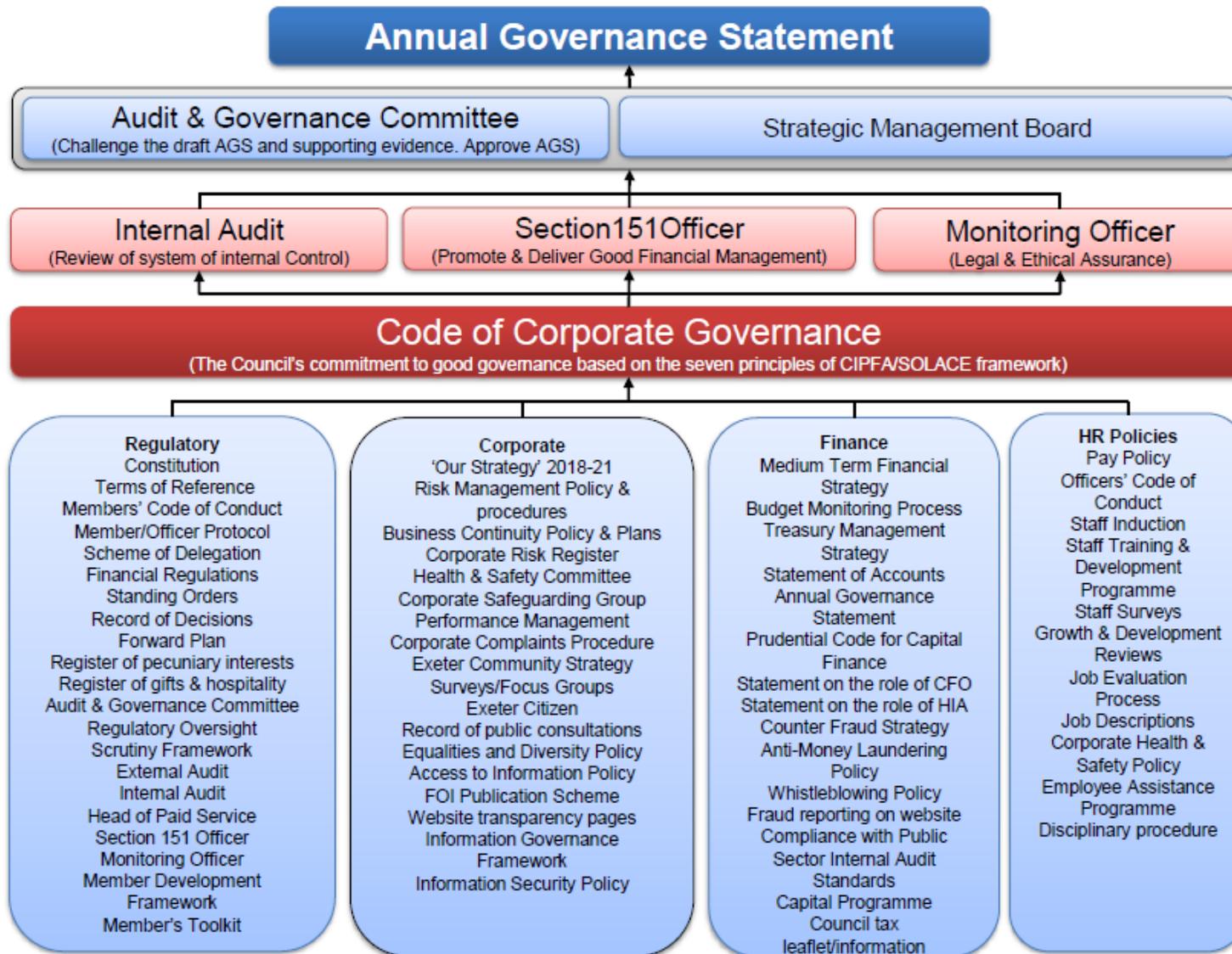
The Governance Framework

The Council's Governance Framework addresses the way the Council is controlled and managed, both strategically and operationally, and how it will deliver its services. The Framework recognises that the Council's business is focussed upon its corporate priorities and seeks to facilitate delivery to our local communities of the goals set out in the Council' Strategy 2018-21 (updated Autumn 2020) The structures and processes, risk management and other internal control systems, such as standards of conduct, form part of this Framework, which is about managing the barriers to achieving the Council's objectives.

The local Code of Corporate Governance is reviewed annually through the Audit and Governance Committee and was last reviewed and recommended for approval by Council on 11 March 2020. Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal. This task is managed by the Strategic Management Board (SMB) which comprises the Chief Executive and Growth Director, Directors Chief Finance Officer (Section 151), Director Corporate Services (Monitoring Officer).

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

Annual Governance Statement



Annual Governance Statement

Review of effectiveness

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

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

Risk Management

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

Annual Governance Statement

Financial Management Arrangements

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

Internal Audit

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

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

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

External Audit

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

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

Corporate Complaints

In 2020/21 the Council responded to 73 (2019/20 – 100) corporate customer complaints. All complaints were responded to by the relevant Director or Corporate Manager so that any issues identified could be actioned.

Annual Governance Statement

Performance Management

The Council 's Corporate Plan 'Our Strategy 2018-21' was approved by Executive on 9th October 2018 (updated Autumn 2020). To support this strategy, the Council's Operational Management Board were tasked with devising and implementing a performance management framework to show how the Council is progressing towards achieving strategic objectives and to prioritise resources. This framework has been drafted for approval by the Strategic Management Board. However, the global pandemic meant that this work was subsequently put on hold. As recovery from the pandemic continues, performance management will form an integral part of the 'One Exeter' programme.

Annual Governance Statement

Key Issues 2020-21

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

Issue No.	Issue Identified	Summary of Action to be Taken
1	Financial position - Due to the Covid19 pandemic and the lockdown measures that were put in place in March 2020, the Council is facing increased cost and demand pressures at the same time as seeing a significant drop in income. Support from Central Government has mitigated some of the pressures, but the longer term impact could still be damaging to the Council's financial position.	<p>The Government have provided grants to cover expenditure pressures.</p> <p>The Government have committed to covering most of the losses from sales, fees and charges.</p> <p>The Council has taken an emergency budget to be considered on 21 July 2020, identifying ways to ensure a balanced budget</p> <p>The Council is setting aside funds to mitigate ongoing impacts on income to protect against a further emergency budget being required in 2021-22.</p>
2	Information security in the expanded work environment - The rapid widespread shift to homeworking amid national lockdowns in 2020 brought with it a unique data security challenge. Lacking personal interaction, staff can be more susceptible to social engineering ploys as they cannot immediately sense-check emails with nearby co-workers. Given that the Council is likely to keep a greater degree of remote and flexible working arrangements in place going forward, it is more important than ever that information security culture is promoted throughout every level of the organisation to raise awareness and ensure the integrity of staff behaviour.	<p>Information Security Forum to look at:</p> <ul style="list-style-type: none"> • how the newly expanded work environment has impacted information security controls in different parts of the organisation and update the Information Security Risk Register accordingly • how best to raise staff awareness of key information security threats and provide guidance on what staff should look out for • whether staff information security training needs to be updated in light of changes to the working environment and IT infrastructure.

Annual Governance Statement

Key Issues 2020-21

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

Annual Governance Statement

Key Issues 2020-21

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

Annual Governance Statement

Key Issues 2020-21

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

Approval of the Annual Governance Statement

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

Signed: **Date:**

Councillor Wardle
Chair of Audit & Governance Committee

Signed: **Date:**

Dave Hodgson CPFA
Director Finance & Section 151 Officer

Signed: **Date:**

Councillor Bialyk
Leader of the Council

Signed: **Date:**

Karime Hassan
Chief Executive & Growth Director

Auditors Report

Auditors Report

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Auditors Report

Glossary of Terms

Accounting Period

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

Accrual Basis

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

Actual

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

Appointed Auditors

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

Associate Companies

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

Balances

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

Budget

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

Capital Expenditure

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

Capital Financing

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

Glossary of Terms

Capital Grants

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

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

Collection Fund

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

Community Assets

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

Contingent Liability or Assets

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

Council Tax Requirement

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

Creditors

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

Current Service Cost

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

Current Assets

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

Glossary of Terms

Current Liabilities

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

Curtailement

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

Debtors

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

Deferred Liabilities

This represents the liability for principal repayments on finance leases.

Depreciation

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

Earmarked Reserves

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

Employee Costs

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

External Audit

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

Fair Value

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

Glossary of Terms

Final Accounts

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

Finance Lease

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

Financial Instruments

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

Financial Year

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

Financial Regulations

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

Government Grants

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

Housing Benefit

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

Housing Revenue Account

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

Impairment

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

Glossary of Terms

Interest

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

Inventories

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

Investment Properties

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

Materiality

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

Minimum Revenue Provision (MRP)

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

Non Domestic Rates (NDR)

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

Net Book Value

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

Non-Current Assets

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

Operating Lease

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

Glossary of Terms

Precepts

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

Prior Period Adjustments

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

Property, Plant and Equipment (PPE)

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

Public Works Loan Board (PWLB)

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

Revenue Contribution to Capital Outlay (RCCO)

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

Revenue Expenditure Financed by Capital under Statute (REFCUS)

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

Revenue Support Grant

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

Subsidiary

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

Value for Money

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



Exeter
City Council

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