

# STATEMENT OF ACCOUNTS

2018-2019



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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 2019 and is structured as follows:

- An introduction to Exeter
- Key information about Exeter City Council
- The Corporate Plan
- Financial Performance 2018/19
- Non-Financial Performance 2018/19
- Future Financial Plans
- Statement from Chief Finance Officer

### 2. Introduction to Exeter

Exeter’s history goes back to Roman times with 2/3rds 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 129,800 and is at the heart of a travel to work area of over 470,000 residents.

**Employment:** 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 35,000 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.

**Total companies:** 4,877 registered for business rates.

**Average City Centre footfall:** 1,364,000 people per month.

**Economy:** Exeter is predicted to be one of the fastest growing cities in the UK over the next 3 years. The main driver for expected economic growth are its IT, professional services and energy, particularly renewable energy

**Exeter specialisms:** The largest number of meteorologists and climate change specialists in the UK are based in Exeter.

## NARRATIVE REPORT

**Education:** Exeter University is amongst the top 150 universities worldwide according to the Times Higher Education World University Rankings and The Times and Sunday Times Good University Guide ranks Exeter in 14<sup>th</sup> position in the UK.

Exeter College was established in 1970 and was the first tertiary college in England. It is in the top 10% nationally for the outstanding progress of its A Level learners.

**Culture:** The Council's Royal Albert Memorial Museum (RAMM) won both the Leisure and Tourism Award and overall Platinum Award at the 2019 Exeter Living Award and celebrated its 150<sup>th</sup> anniversary in 2018. The city also has a beautiful Cathedral, four theatres and a popular quayside.

**Retail:** Exeter has many well-known national stores including John Lewis, Debenhams, Waterstones and Apple. There are also award-winning restaurants and smaller independent stores. On the outskirts of Exeter, Ikea opened its new 29,000 square metre store in Spring 2018.

**Sport:** Exeter Chiefs play in Premiership Rugby, England's top division of rugby. The Chiefs won the English Premiership for the first time in their history in the 2016/17 season, topped the season table in 2017/18, which entitled them to compete in the 2018/19 European Rugby Champions Cup. Founded in 1871, the club play their home games at Sandy Park, which is located on the outskirts of the city. England Women played Italy at Sandy Park as part of the 2019 Six Nations on 9 March.

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.

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. A public consultation ran from 25 March to 3 May 2019 on the Council's vision for Exeter to become the most active city in England.

### 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.

#### Exeter City Council's Mission Statement

'We will enhance Exeter as the regional capital working with our partners to improve the quality of life for all people living, working in and visiting the city'.

#### Political Structure in the 2018/19 Municipal Year

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

Labour	28
Conservative	8
Liberal Democrat	1
Green Party	1
Vacancy	1

The Council holds elections by thirds over a four-year cycle; one third of seats being contested in each of the three years and elections to Devon County Council taking place in the fourth.

# NARRATIVE REPORT

## Senior Management Structure



### Senior Management Structure



**Strategic Management Board**

<b>CHIEF EXECUTIVE &amp; GROWTH DIRECTOR</b>	<b>DIRECTOR</b>	<b>DIRECTOR</b>	<b>DIRECTOR</b>	<b>DIRECTOR</b>	<b>CHIEF FINANCE OFFICER</b>	<b>CITY SOLICITOR &amp; HUMAN RESOURCES</b>
						
Karime Hassan 01392 265188 karime.hassan@exeter.gov.uk	Jo Yelland 01392 265226 jo.yelland@exeter.gov.uk	David Bartram 01392 265239 david.bartram@exeter.gov.uk	Bindu Arjoon 01392 265199 bindu.arjoon@exeter.gov.uk	Jon-Paul Hedge 01392 265891 jon-paul.hedge@exeter.gov.uk	David Hodgson 01392 265292 david.hodgson@exeter.gov.uk	Baan Al-Khafaji 01392 265874 baan.al-khafaji@exeter.gov.uk

**Corporate Managers**

<b>CITY SURVEYOR</b>	<b>EXECUTIVE SUPPORT</b>	<b>DEMOCRATIC &amp; CIVIC SUPPORT</b>
		
Michael Carson 01392 265169 michael.carson@exeter.gov.uk	Bruce Luxton 01392 265166 bruce.luxton@exeter.gov.uk	John Street 01392 265106 john.street@exeter.gov.uk

## NARRATIVE REPORT

### Council Employees

The Council employs 701 people in full time and part time contracts (March 2019). 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.

With effect from 1 January 2014, the Council adopted the Living Wage as its minimum pay scale, which ensures that all staff are paid at least a living wage or more.

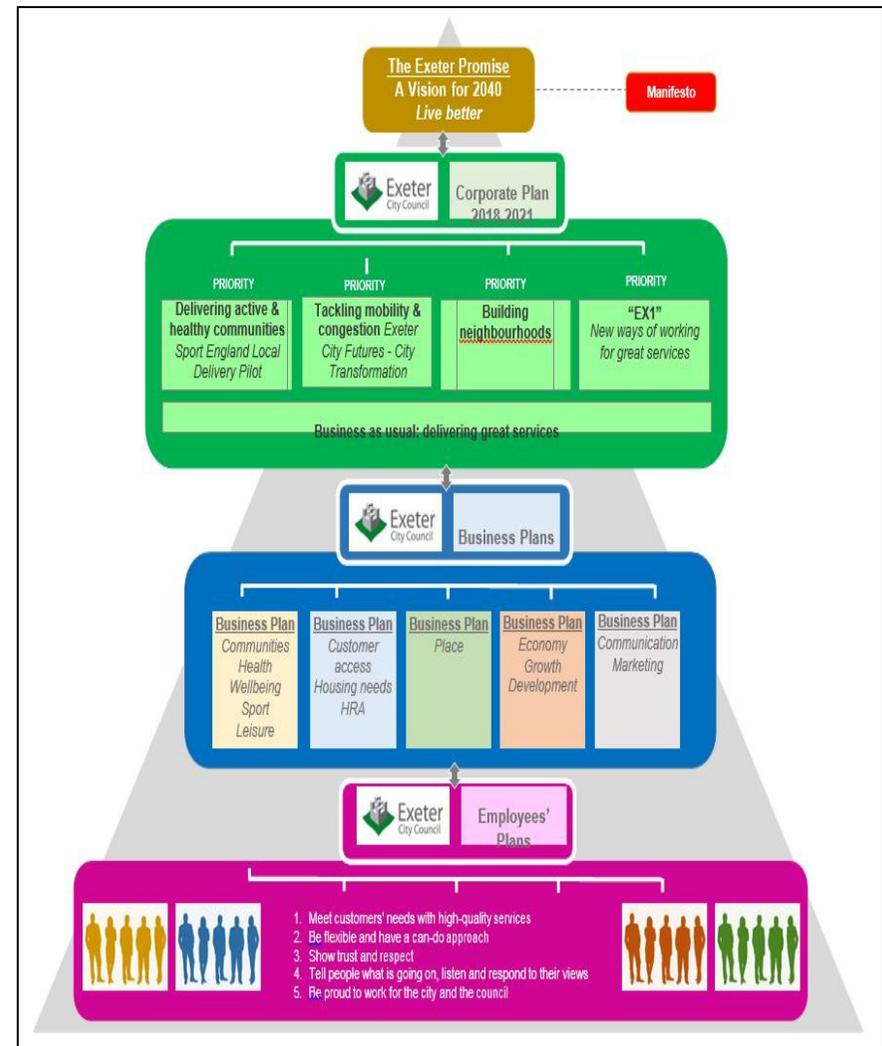
The Council has 17 staff who are union representatives, with one officer spending at least 50% of their working hours on union activities.

#### 4. The Council's Corporate Plan 2018-21

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. We will:

- Help deliver the emerging Exeter Vision 2040, by providing services and developments that build on Exeter's growth and success and meet local communities' aspirations
- Tackle congestion and accessibility
- Promote active and healthy lifestyles
- Build great neighbourhoods
- Provide value-for-money services despite continuing central government budget reductions
- Lead a well-run council

The hierarchy below sets out the ambitions and priorities of the Council for 2018-2021.





# OUR STRATEGY 2018-21

## TACKLING CONGESTION & ACCESSIBILITY

We will work with our partners to make Exeter a city where active travel is promoted and where transport is not a barrier to accessing education, jobs, services or social activities and where sustainable means of travel are safer, cheaper, quicker and more convenient than private car ownership.

## BUILDING GREAT NEIGHBOURHOODS

We will strive to ensure that every resident has a home that is secure, affordable and healthy in a neighbourhood where local services support wellbeing and promote community cohesion.

EXETER  
LIVE BETTER



## PROVIDING VALUE-FOR-MONEY SERVICES

We will continue to improve the way we deliver services to meet residents' day-to-day needs recognising that financial constraints are placing a premium on efficient and customer-focused services.

## LEADING A WELL-RUN COUNCIL

To run the council well and deliver our strategy we will ensure effective governance, accountable decision making and good management of our business, assets and people. We will continue to seek opportunities to add value by working in partnership with others.



## PROMOTING ACTIVE & HEALTHY LIFESTYLES

We will strive to make Exeter the most active city in England with a high-quality and accessible built environment and green spaces that encourage active and healthy lifestyles in communities that support wellbeing and reduce social isolation.

## NARRATIVE REPORT

### How we performed

#### Lead a Well Run Council

- Exeter has passed strict tests to be able to continue exporting card collected from residents to China for recycling. The high standards of sorting mean that the local authority can continue to benefit from much higher prices paid by China, compared to those offered in the UK

- Officers have been supporting customers affected by the transfer to Universal Credit since its full roll-out in Exeter in September 2018. Since then, all claims to legacy benefits are now claims to Universal Credit  
- A 26-bed night shelter, The Junction, was provided by the Council for homeless people between November and the end of March and run by local charity Julian House

#### Provide Value-for-Money Services

- The shared ICT service with East Devon and Teignbridge District Council's, Strata Service Solutions Ltd, distributed savings of £620,000 in 2018/19.  
- A new Procurement Function was established in order to comply with legislation and delivery of value for money for the Council  
- More and more of the Council's fleet of vehicles are being replaced with electric vehicles, replacing its diesel fleet and making the city greener and saving the Council money on its fuel

#### Promoting Active & Healthy Lifestyles

- A new skate park facility at Arena Park with its design chosen by a group of local pro skaters, featuring ramps, quarterpipes, flatbanks, ledges and rails was opened in December 2018  
- New gym equipment was unveiled in leisure centres across Exeter, as part of a £3m investment in the city's sports facilities

- Exeter was listed 9th healthiest on the Royal Society for Public Health league table, which ranks 70 of Britain's major towns and cities by the impact of their high streets on the public's health and well-being  
- The Council has acquired a total of 13 acres of land within its valley parks to allow people to enjoy Exeter's green spaces

#### Tackling Congestion & Accessibility

- Exeter City Council and Devon County Council signed a Clear Streets Charter to ensure the city's streets, pavements and walkways are kept free of clutter and obstacles and accessible to people affected by sight loss or mobility issues.

#### Build on Exeter's Growth & Success

- Exeter is the only city in the UK where the number of business closures fell last year. The Centre for Cities Outlook report for 2019 shows Exeter as bucking the trend  
- The Council is working in a 'Building Greater Exeter' partnership with the construction sector to help address anticipated labour and skills shortages in the industry and to inspire new people into the sector and help upskill those already in it

#### Building Great Neighbourhoods

- More than 10,000 trees have been planted in Exeter since 2000, with many trees planted as part of the Council's Urban Woodland project and others introduced into parks and open spaces  
- The Wild City project between the Council and Devon Wildlife Trust to encourage more nature into the city has resulted in wildflowers springing up around the city  
- The Council established a new housing development company, Exeter City Living Ltd, to deliver new high-quality housing for sale on the open market, to help meet acute housing needs and to generate an economic return for the Council  
- Work formally started on the Council's Extra Care Scheme at St Loye's in December '18, a development which will provide independent living for older people with more than 50 affordable apartments built to Passivhaus standards

### What's next?

#### Lead a Well Run Council

- Exeter is one of 54 authorities across England to receive funding from the Government to help get homeless people off the street and into homes. The money will help address the issue of accessing private rented homes and reaching landlords who may not normally let to homeless households

#### Provide Value-for-Money Services

- To undertake asset transfers that achieve wider benefits to the community and a reduction in operating costs.  
- Support transformation and other projects that will help deliver savings over the next 2 years, from more efficient working to enable increased income generation  
- Identify savings of £2.9m in the period up to 2020/21  
- Continue to practise good budget discipline

#### Promoting Active & Healthy Lifestyles

- New play equipment for toddlers through to young teens will be installed at 11 sites across the city including swings, see-saws, carousels and climbing frames

- 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  
- Work started on the new state-of-the-art, Passivhaus leisure complex, St Sidwell's Point, and the new Exeter Bus Station, in January '19 which are expected to be completed in around two years

#### Tackling Congestion & Accessibility

- Exeter will strive to become a carbon-neutral city by 2030. The Council is already on track to deliver an energy-neutral council by 2022. Exeter City Council has partnered 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  
- Car parking charges increased by 10% from April 2019 to support the Council's aim of reducing congestion, while helping it to balance its budget

#### Build on Exeter's Growth & Success

- A new £300m vision to redevelop the Exeter Bus Station site includes housing, offices, restaurants and retail, as well as the possibility of a new multi-use entertainment venue. It would sit alongside the planned new state-of-the-art Passivhaus leisure complex St Sidwell's Point and a new Exeter Bus Station, which are both being funded by the Council  
- Exeter Live Better is a place based brand designed to help recognise the city's strengths, celebrate success and foster civic pride. Designed to be used as a tool for businesses that uses the collective power of the brands within our City  
- Government funding has been secured to explore ways of regenerating land around St David's Station, as part of its One Public Estate programme. In conjunction with Devon County Council, Network Rail, Great Western Railway, University of Exeter and Exeter College, a new gateway to the city including new homes, offices and retail in St David's will be explored

#### Building Great Neighbourhoods

- Liveable Exeter, a transformational Housing Delivery Programme in Exeter from 2020 to 2040 for the greater Exeter area, which will inform the Greater Exeter Strategic Plan

- Exeter is among five cities selected to work with the National Infrastructure Commission, to develop strategies to improve transport connections, unlock job opportunities and deliver much-needed new homes. Working with strategic partners, Exeter wants to deliver 50,000 new homes by 2040

**5. Financial Performance 2018/19**

The 2018/19 revenue budget process was influenced and framed by the continued need to make significant budget reductions whilst delivering Council priorities, due to reductions in funding from central government. This process of budget reductions is ongoing and will be continuously reviewed as the Council develops a stronger understanding of the financial challenges it faces, which include:

**Government Announcements:**

- **Fair Funding Review**

The Government are undertaking a 'Fair Funding Review', which will set new baseline funding allocations for local authorities by delivering an up-to-date assessment of their relative needs and resources. The outcomes of the review are planned to be implemented in 2020/21, following the end of the current four year settlement.

- **Business Rate Retention**

The government plans to increase the share of business rates English councils retain from 50% to 75% in 2020/21 and is piloting 100% retention in parts of the country. The fair funding review will consist of a 'reset' of the starting point of the business rate retention system, based on a needs assessment.

All authorities in Devon took part in the Business Rate pilot for the 100% retention of Business Rates during 2018/19. They also applied to be a 75% pilot during 2019/20, but unfortunately were not successful.

- **Brexit**

The UK had been due to leave on 29 March 2019, but EU leaders agreed a six-month extension to 31 October 2019. The UK may leave before this date if the withdrawal agreement is ratified by the UK and the EU before then. A transition period will then follow to allow time to prepare for new post-Brexit rules between the UK and EU to begin. The impact on the authority's income, expenditure and the balance sheet is highly uncertain and therefore presents a financial risk.

- **New Homes Bonus**

Changes to the new homes bonus scheme were announced as part of the Local Government Finance Settlement in December 2016. The number of years for which payments are made reduced from six to five years in 2017/18 and from five years to four years in 2018/19. Further changes to the scheme represents a financial risk, as it remains a significant source of funding.

- **Council Tax Referendums**

Each year the Secretary of State may set thresholds for local authorities. If an authority wishes to raise its council tax by more than the threshold set, it must gain approval in a local referendum. In 2019/20, for district councils, the threshold was 3% or more, or more than £5.00 on a Band D property.

## NARRATIVE REPORT

### 2018/19 Service Revenue Outturn

The 2018/19 budgets were set to achieve the requirement to maintain a minimum balance in excess of £3 million. The Medium Term Financing Plan recognised additional savings in 2019/20 and 2020/21, which is a significant reduction requiring detailed planning.

The outturn for 2018/19 resulted in a £0.297m transfer from the General Fund Working Balance.

The Council's current policy is such that the minimum level of the General Fund Balance will remain above £3 million. This is considered prudent taking into account the potential level of financial risk facing the Council in the medium term.

	Revised Annual Budget £'000	Year End Outturn £'000	Variance to Budget £'000
SCRUTINY - PEOPLE	3,514	3,594	79
SCRUTINY - PLACE	10,481	7,538	(2,943)
SCRUTINY - CORPORATE	8,016	7,965	(49)
Less Notional Capital Charges	(6,722)	(5,957)	765
<b>Service Committee Net Expenditure</b>	<b>15,288</b>	<b>13,138</b>	<b>(2,150)</b>
Net Interest	100	(216)	(316)
New Homes Bonus	(2,591)	(2,591)	(0)
Revenue Contribution to Capital	150	701	551
Minimum Revenue Provision	720	608	(112)
Voluntary Revenue Provision	1,000	423	(577)
<b>General Fund Expenditure</b>	<b>14,668</b>	<b>12,064</b>	<b>(2,604)</b>
Transfer To/(From) Working Balance	(2,006)	(297)	1,709
Transfer To/(From) Earmarked Reserves	(818)	1,717	2,535
<b>General Fund Net Expenditure</b>	<b>11,844</b>	<b>13,484</b>	<b>1,640</b>
<b>Met By:</b>			
Formula Grant	(4,842)	(4,904)	(62)
Business Rates Growth / Pooling Gain	(1,379)	(2,484)	(1,105)
CIL Income	0	(474)	(474)
Council Tax	(5,624)	(5,623)	1
	0	0	0
	March 2018	March 2019	
<b>Working Balance</b>	<b>4,692</b>	<b>4,395</b>	

### 2018/19 Capital Outturn

The Council spent £17.033m on its Capital Programme in 2018/19 compared to the revised forecast spend of £21.112m. The capital expenditure, by corporate priorities, and financing of this expenditure is set out below.

The variance between the outturn forecast and actual outturn for the year was £4.079m. This will require the re-profiling of planned expenditure into future years and therefore does not present any financial issues for the Council.

	2018/19 Forecast Outturn £'000	2018/19 Outturn £'000	Variance £'000
<b>Capital Expenditure</b>			
Tackling congestion & accessibility	563	352	(211)
Building great neighbourhoods	10,988	9,533	(1,455)
Promoting Active & Healthy Lifestyles	7,548	6,512	(1,036)
Leading a Well Run Council	2,004	613	(1,391)
Providing value for money services	9	23	14
<b>Total Expenditure</b>	<b>21,112</b>	<b>17,033</b>	<b>(4,079)</b>
<b>Resources</b>			
Major Repairs Reserve	289	94	(195)
Capital Receipts	2,802	1,586	(1,216)
Grants and Contributions	3,309	2,586	(723)
Community Infrastructure Levy (CIL)	2,874	3,868	994
Revenue Contributions	5,193	4,701	(492)
Prudential Borrowing	6,645	4,198	(2,447)
<b>Total Financing</b>	<b>21,112</b>	<b>17,033</b>	<b>(4,079)</b>

### Key achievements in 2018/19 Capital Programme:

- **Extra Care Scheme**

Work formally started at the Council's pioneering Extra Care Scheme at St Loye's, off Topsham Road. Councillors and officers joined contractors and members of the local community for a turf cutting ceremony in mid-December.



- **Skatepark at Exeter Arena**

The skatepark facility was opened in mid-December, containing ramps, quarterpipes, flatbanks, ledges and rails and viewing area.



- **Chester Long Court**

Work completed in respect of Chester Long Court; a development of 26 new one and two-bedroom apartments for people over the age of 60 in housing need. The apartments are designed and built to the low energy Passiv-haus environmental standard and all of the apartments have been let.

- **Leisure Centre Enhancements**

In June 2018 the Council allocated £3 million to refurbish and improve leisure facilities at Exeter Arena and ISCA centre, Wonford Sports Centre and Riverside Swimming Pool and Leisure Centre, of which nearly £800,000 was spent in 2018/19.

- **New Leisure Complex and Bus Station**

Work started on the major city centre redevelopment which will see a new leisure complex and bus station created in the heart of Exeter. The state-of-the-art, passiv-haus leisure complex, St Sidwell's Point, and the new Exeter Bus Station, are expected to be completed in around two years.



A formal ground breaking ceremony took place on 18 January. Pictured - Council Leader Peter Edwards and Kier's Managing Director, Anthony Irving, on site.

## NARRATIVE REPORT

### Housing Revenue Account

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

During 2018/19 the HRA reported an operating deficit of £0.215m, this was after making a £4m revenue contribution to capital expenditure. The deficit was met from a transfer out of the HRA working balance.

The Council's current policy is such that the minimum level of the HRA working balance will remain at no less than £4 million, as a contingency against financial risks. As at 31 March 2019, the working balance was £10.254m, considerably higher than the minimum level. This is predominantly due to delays with certain capital schemes, including St Loyes Extra Care and Rennes House refurbishment. Significant revenue contributions will be required over the next 2 years towards financing the capital schemes, which will reduce the working balance.

In October 2018 the Government formally removed the HRA debt cap, which restricted the amount of borrowing stock-holding local authorities could have for the purposes of the HRA. The lifting of the 'debt cap' means that local authorities are now able to borrow for housebuilding in accordance with the Prudential Code. The Director and Service Leads for the HRA are working with an advisory group of Members to develop plans for the HRA's new-build programme, which seeks to make use of the new freedom to borrow and approval will be sought through the normal decision making committee cycle.

### Key achievements

In addition to the achievements in the Capital Programme, highlighted above, the HRA commenced the implementation of a new IT housing management system, OPENHousing, with a planned 'go live' in early 2020.

### 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 46 other local authorities. The results of the most recent exercise were:

Headline measures	Value	Quartile	Performance
<b>Cost headlines</b>			
Overheads as a % of direct revenue costs	13.0%	Top	Within top 25% of peer group
Total cost per property of Housing Management	£292.00	Top	Within top 25% of peer group
Total cost per property of Responsive Repairs & Void Works	£662.61	2nd	Better than average of the peer group
Total cost per property of Major Works & Cyclical Maintenance	£1,339.92	Top	Within top 25% of peer group
<b>Operation performance headlines</b>			
Total tenant arrears as % rent due (excluding voids)	1.48%	Top	Within top 25% of peer group
Average re-let in days (standard re-lets)	29.31	2nd	Better than average of the peer group
Rent loss due to empty properties (voids) as % rent due	1.02%	2nd	Better than average of the peer group
Average number of responsive repairs per property	2.5	Top	Within top 25% of peer group
Average number of calendar days taken to complete repairs	9	2nd	Better than average of the peer group
Percentage of repairs completed at the first visit	96.10%	2nd	Better than average of the peer group
Percentage of dwellings that are non-decent at the end of the year	1.60%	3rd	Below average of the peer group
Percentage of properties with a valid gas safety certificate	99.98%	3rd	Below average of the peer group
Staff turnover in the year %	8.50%	2nd	Better than average of the peer group
Sickness absence average working days lost per employee	11.80	2nd	Better than average of the peer group

### Pension Fund

The Council has net pension liabilities of £112.033 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 2016 to review the contribution levels of the Council which was set at 15.8% of pensionable pay for future service and a varying cash figure in respect of past service (£1.352m in 2018/19). The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period 1 April 2020 to 31 March 2023.

### Borrowing

The Capital Financing Requirement is £94.609 million of which £57.882 million relates to the HRA. The Government had previously put a limit on the amount of borrowing the authority could have for the purposes of the HRA, called the 'debt cap' and for Exeter its 'debt cap' was £57.882m. In October 2018 the Government formally removed the HRA debt cap, which means that the authority can now prudentially borrow within the HRA.

Actual borrowing is £10m in the form of a 2 year loan from another Local Authority (repayable in December 2019), a £2.2m 25 year loan with the PWLB in respect of a loan to Exeter City Living Ltd and a £56.884m 50 year loan with the PWLB in respect of the HRA. The rest of the requirement is managed via internal borrowing.

## 6. Non-Financial Achievements 2018/19

Although times are challenging for Exeter City Council and the Local Government sector as a whole, below are some of the positive outcomes during the last financial year:

- Seven council officers achieved the Level 3 Award in Leadership and Management during the year.

- The Council's new environmentally friendly housing complex, Chester Long Court, has been shortlisted in the South West Built Environment Awards, Project of the Year category. The complex has also been shortlisted for Residential Property of the Year in Michelmores Property Awards and two Royal Institute for Chartered Surveyors Awards – Design Through Innovation category and Residential category.



- The Council was highly commended in the Most Improved NLIS (National Land Information Service) Services category at the 2019 Land Data Local Land Charges Awards for Excellence Awards. Land Data recognised Exeter's achievement in considerably reducing the turnaround time it takes to complete local searches.
- The Council's Mayoralty Team were runners up in the National Civic Office of the Year awards, at the National Association of Civic Officers conference.
- Exeter's Royal Albert Memorial Museum and Art Gallery won the top award at the Exeter Living Awards 2019. The popular museum was named the winner of the overall Platinum Award, given to one of the 22 category winners.
- Exeter Tidy Group's Ambassador and Personality of the Year awards, recognised the work of the Council's street sweepers and grounds maintenance staff in keeping Exeter looking good.

## NARRATIVE REPORT

### Sport England

In 2018 Sport England selected 12 areas to work on bold new approaches to build healthier, more active communities. Exeter and East Devon's new town of Cranbrook, are one of the 12 places selected and will share in the £100million of National Lottery funding that Sport England will invest in the 12 Local Delivery Pilots (LDP) areas over four years.

Through this partnership with Sport England we have a unique opportunity to tackle the barriers to active lifestyles in the communities set to benefit the most. We will test whether taking a whole system and behaviour change approach, could really unlock something ground breaking for the whole country. 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.

Our desired long term impacts are:

1. Narrowing stubborn health inequality with improvements in the physical wellbeing of those least likely to take part in regular physical activity
2. Improved inclusivity and sense of community connectivity and belonging
3. A reduction in congestion and improved air quality influenced by more people walking and cycling
4. An embedded analytical approach, using integrated data to inform decision making and share learning

Sport England have agreed to invest around £5million in our LDP over the next 3 years and through this programme we intend to achieve population level change by encouraging 10,000 of the least active residents to lead regular active lifestyles. According to the 2018 Sport England "Active Lives" survey, Exeter is the most "active" Local Authority in England with nearly four in five (79%) adults saying they undertake more than 150 minutes activity each week. However in some areas in the city and in Cranbrook, physical activity levels are very low and some groups, like families on low incomes or people with disabilities, struggle to get the health benefits of active lifestyles.

We have identified 20 geographic areas with the highest concentrations of those most at risk of inactivity and poor health outcomes and over the next 3 years we will work in these communities through Community Builders and Community Connectors in Wellbeing Exeter; with local community groups and leaders and with schools and workplaces to really understand what the Council and our partners can do to encourage everyone to lead active and healthy lifestyles.

Using our analytical city approach we have also identified specific challenges in relation to short daily journeys to work that begin and end in Exeter. We now know that over 85% of these journeys can be attributed to the top six employment areas in the city and we have ranked each electoral ward area by their potential for active travel trips and we will be targeting specific work with these employers to better understand the barriers and opportunities to active travel.

**Performance Measures 2018/19**

We are developing our corporate dashboard (Power BI Report Server) to display our performance measures and metrics, which will form the performance framework. The corporate dashboard will include performance measures and data for:

- Our major transactions. For example volumes of, and channels used for, purchasing car park season tickets, ordering bulky waste collections, reporting graffiti and making noise complaints.
- Key financial and human resource data. For example income levels and staff numbers.
- Contextual information. For example statistics about Exeter, the economy and culture.
- Significant service-level indicators. For example business rates income. Individual services currently maintain their own suites of performance measures.
- Priorities in *Our Strategy 2018-21* - the council's corporate plan.

The three strategic programmes in our corporate plan (tackling congestion and accessibility, promoting active and healthy lifestyles and building great neighbourhoods) are developing suites of measures to track progress. These will be included in our annual update report on the corporate plan, which will be reported to our scrutiny committees and the executive later in 2019. The annual report will also cover progress on: Providing value-for-money services and Leading a well-run council.

Ahead of the suite of measures and annual report, the following table provides some of the performance statistics currently available for 2018/19:

<p><b>Services to Meet Customers Needs</b></p> <ul style="list-style-type: none"> <li>- 51,318 visitors to the Customer Service Centre</li> <li>- 15:52 minutes - average time to deal with customer at an advice desk in the Customer Service Centre</li> <li>- 93,280 calls received by the Main Call Centre (Switchboard, Benefits and Welfare, Council Tax, Council Tax Recovery, Devon Home Choice)</li> <li>- 35,335 calls received by the Env Health/Cleansing Team</li> <li>- 2,397,547 car park tickets sold</li> </ul>
<p><b>Reduce Operating Costs</b></p> <ul style="list-style-type: none"> <li>- 97% Council Tax collection rate</li> <li>- 98.4% NDR collection rate</li> <li>- 1.73% current tenant arrears in respect of HRA rents</li> <li>- Average re-let time for council dwellings of 30.43 days (standard voids)</li> </ul>
<p><b>Invest in the City</b></p> <ul style="list-style-type: none"> <li>- 35 major planning applications; 74% determined within statutory period or within period agreed with applicant</li> <li>- 654 minor/other planning applications; 80% determined with statutory period or within period agreed with applicant</li> </ul>
<p><b>Support Exeter's Communities</b></p> <ul style="list-style-type: none"> <li>- 39,270 tickets sold for 124 stage events at Exeter Corn Exchange</li> <li>- 333 events hosted at Exeter Corn Exchange</li> <li>- 251,983 visitors to the Royal Albert Memorial Museum</li> <li>- 107,602 customers using Exeter Visitor Information and Tickets Office</li> <li>- 21,862 visitors to the Underground Passages</li> <li>- 32,932 visitors to Custom House Visitor Centre</li> <li>- 11,477 visitors taking Red Coat Guide Tours</li> </ul>

## NARRATIVE REPORT

### Future Financial Plans

#### Revenue

During the settlement for 2016/17, the Government offered local authorities the opportunity to apply for a 4 year agreed settlement subject to producing an efficiency plan. The Council took up this offer and the Council's Medium Term Financial Plan (MTFP) reflects the 4 year settlement figures. The MTFP will maintain a minimum balance in excess of £3 million, but it is reliant on substantial reductions being delivered in order to maintain and strengthen the Working Balance to ensure the Council is able to cope with any issues arising from the fair funding review.

#### Medium Term Revenue Plan (2019/20 – 2022/23)

	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
<b>Resources</b>				
Revenue Support Grant	365	0	0	0
Business Rates Income (assumed by Government)	4,064	4,426	4,624	4,743
Business Rates growth	1,709	0	0	0
Business Rates pooling / pilot benefit	150	0	0	0
NDR Deficit to Cover	(474)	0	0	0
CIL income	95	95	95	95
New Homes Bonus	2,518	2,414	2,327	2,478
Council Tax	5,831	5,979	6,228	6,480
<b>Likely resources</b>	<b>14,258</b>	<b>12,914</b>	<b>13,274</b>	<b>13,796</b>
<b>Expenditure</b>				
<b>Service expenditure</b>				
Committee expenditure base budget	12,975	12,697	10,522	10,486
Inflation	602	300	300	300
Potential increase/(decrease) in service costs	1,083	135	(43)	135
Budgeted reductions	(1,963)	0	0	0
	12,697	13,132	10,779	10,921
Net Interest	216	399	563	552
Repayment of debt	738	988	1,014	998
Additional repayment of debt	1,000	1,000	1,000	1,000
	14,651	15,519	13,356	13,471
<b>Other funding</b>				
Contribution to/ (from) earmarked reserves	(643)	(95)	(4)	147
Contribution to/ (from) balances - Other	250	100	215	178
	(393)	5	211	325
<b>Further reductions required</b>	<b>0</b>	<b>(2,400)</b>	<b>0</b>	<b>0</b>
<b>Potential reductions identified</b>	<b>0</b>	<b>(210)</b>	<b>(293)</b>	<b>0</b>
<b>Total Net Budget</b>	<b>14,258</b>	<b>12,914</b>	<b>13,274</b>	<b>13,796</b>
<b>Balanced Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Opening General Fund Balance	3,754	4,004	4,104	4,319
Closing General Fund Balance	4,004	4,104	4,319	4,497

Please note, the MTFP has been extracted from the 2019/20 published Budget Book and therefore projected General Fund Balances differ to balances reported, as at 31/3/19.

**HRA Medium Term Revenue Plan (2019/20 – 2022/23)**

	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Resources</b>				
Rents	18,435	18,250	18,925	19,625
1% Rent reduction	(185)	-	-	-
Service Charges	1,054	1,086	1,102	1,119
Other	719	660	682	705
Garage rent reduction - following site disposals	(62)	-	-	-
Inflation on income	35	713	739	766
<b>Likely resources</b>	<b>19,996</b>	<b>20,709</b>	<b>21,448</b>	<b>22,215</b>
<b>Expenditure</b>				
HRA expenditure base budget	12,513	12,844	12,793	13,057
Inflation on expenditure	283	141	146	151
Supplementary budgets	200	-	-	-
Repairs & Maintenance Programme uplift	-	201	106	347
New non-recurring budgets	-	-	-	-
Remove non-recurring budgets	(22)	(443)	(57)	-
Spending Pressure - Tree Maintenance	70	50	70	60
Depreciation	3,224	3,224	3,224	3,224
Revenue Contribution to Capital Outlay	2,500	3,100	4,500	3,400
Net interest	1,815	1,815	1,900	1,950
	20,583	20,932	22,681	22,189
<b>Other Funding</b>				
Contribution to / (from) HRA Working Balance	(387)	(223)	(1,233)	26
Contribution to / (from) HRA Working Balance - Supplementary budget	(200)			
<b>Balanced Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Opening HRA Working Balance	6,344	5,757	5,534	4,301
Closing HRA Working Balance	5,757	5,534	4,301	4,327

The HRA Medium Term Revenue Plan reflects the 1% reduction in social rents for 4 years from a 2015/16 baseline, in accordance with the Welfare Reform and Work Act 2016. Housing rents may be uplifted for inflation at the Consumer Price Index (CPI) plus 1% for 5 years from 2020.

Please note, the HRA MTFP has been extracted from the 2019/20 published Budget Book and therefore projected HRA Working Balances differ to balances reported, as at 31/3/19.

**Capital Programme (2019/20 – 2022/23)**

<b>GENERAL FUND - CAPITAL PROGRAMME 2019/20 AND FUTURE YEARS</b>				
<b>SCHEMES LISTED WITHIN COUNCIL PURPOSES</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Tackling congestion & accessibility	5,599	1,479	0	0
Building great neighbourhoods	9,097	520	520	500
Promoting Active & Healthy Lifestyles	22,374	20,359	14	0
Leading a Well Run Council	4,471	698	698	554
Providing value for money services	75	0	0	0
<b>TOTAL GENERAL FUND CAPITAL PROGRAMME</b>	<b>41,615</b>	<b>23,055</b>	<b>1,232</b>	<b>1,054</b>
<b>FINANCING:</b>				
Capital Receipts	382	-	-	-
Disabled Facility Grant	1,000	500	500	500
New Homes Bonus	91	-	-	-
Community Infrastructure Levy	2,957	-	-	-
Revenue Contributions to Capital Outlay	1,116	838	698	554
Other Grants & Contributions	619	617	-	-
Prudential Borrowing	35,450	21,100	34	-
<b>TOTAL GENERAL FUND CAPITAL FINANCING</b>	<b>41,615</b>	<b>23,055</b>	<b>1,232</b>	<b>1,054</b>
<b>HOUSING REVENUE ACCOUNT - CAPITAL PROGRAMME 2019/20 AND FUTURE YEARS</b>				
	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Building great neighbourhoods	26,825	14,745	10,470	8,920
Leading a Well Run Council	92	-	-	-
<b>TOTAL HRA CAPITAL PROGRAMME</b>	<b>26,917</b>	<b>14,745</b>	<b>10,470</b>	<b>8,920</b>
<b>FINANCING:</b>				
Major Repairs Reserve	10,949	7,121	5,070	3,920
Capital Receipts	5,288	2,787	900	1,600
Commutated Sums	3,784	1,737	-	-
Other Grants and Contributions	1,199	-	-	-
Revenue Contributions to Capital	5,697	3,100	4,500	3,400
<b>TOTAL HRA CAPITAL FINANCING</b>	<b>26,917</b>	<b>14,745</b>	<b>10,470</b>	<b>8,920</b>

## NARRATIVE REPORT

The Capital Programme, above, reflects the plans approved in the 2019/20 Budget Book along with budgets slipped from 2018/19 and the associated financing.

The Council is undertaking an ambitious capital programme, most notably the £42 million development of a new state of the art leisure centre, St Sidwell's Point, illustrated below.

The leisure complex will boast a 20-metre teaching pool, a confidence pool and an eight lane 25-metre pool with room for up to 250 spectators. 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.

This exciting scheme started on site in January 2019, and is promoting some of the highest quality of on-site construction works to meet the exacting Passivhaus standards.



Further examples of our major schemes are:

- £7.2 million approved investment in the new bus station. The new, modern bus station will replace the tired and dated bus station in Paris Street. Below is how the bus station might look:



- £14 million Extra Care development in St Loyes. This will be purpose built, self-contained, housing for older and disabled people with care and support needs.



### Message from Dave Hodgson, Chief Finance Officer

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 ability to maintain service provision, whilst embarking on an ambitious capital programme is evidence of the sound financial management approach adopted by the Council.

The 100% Business rates pilot has been a huge success, with the additional funds set aside to bring forward the rest of the bus station site for redevelopment and to support the work of Exeter City Futures over the next two years.

The Council does however, have to identify a further £2.4 million of savings over the next financial year, an ambitious agile and flexible working programme is underway, to secure reductions and additional rental income, by maximising the use of the space available within the Civic Centre.



**Dave Hodgson CPFA**  
**Chief Finance Officer**

The Council's new IT Company, Strata Service Solutions Ltd, set up in partnership with East Devon and Teignbridge District Councils has completed its fourth full year in operation and has delivered a refund significantly in excess of that agreed at the start of the financial year.

Exeter City Living, the Council's development company has commenced work on two sites and is on track to deliver new homes by the Autumn of 2019.

In delivering the accounts by the new statutory deadline, the finance team have once again shown their professionalism and commitment by dealing with ever more complex accounts and accounting frameworks in a shorter timeframe.

**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 Chief Finance Officer.
- 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 2019.



**Dave Hodgson CPFA**  
**Chief Finance Officer**  
**29 May 2019**

## EXPLANATION OF THE CORE FINANCIAL STATEMENTS AND EXPENDITURE AND FUNDING ANALYSIS

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 and Expenditure and Funding Analysis**

**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.

**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 committees. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure 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 STATEMENT

### Comprehensive Income and Expenditure Statement

Restated 2017-2018			2018-2019			Notes
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000	
46,646	(41,734)	4,912	44,803	(40,510)	4,293	
28,790	(17,250)	11,540	28,388	(18,714)	9,674	
11,038	(1,840)	9,198	16,099	(2,065)	14,034	
14,012	(20,817)	(6,805)	18,290	(20,229)	(1,939)	
1,021	(491)	530	883	(314)	569	38
<b>101,507</b>	<b>(82,132)</b>	<b>19,375</b>	<b>108,463</b>	<b>(81,832)</b>	<b>26,631</b>	
		(11,505)			(1,027)	13
		1,843			1,595	14
		(23,787)			(22,244)	15
		<b>(14,074)</b>			<b>4,955</b>	
		<b>Other Comprehensive Income and Expenditure</b>				
		(25,767)			(8,449)	27
		(218)			0	27
		(13,288)			(6,794)	27
		<b>(39,273)</b>			<b>(15,243)</b>	
		<b>(53,347)</b>			<b>(10,288)</b>	

## EXPENDITURE AND FUNDING ANALYSIS

### Expenditure and Funding Analysis

Restated 2017-18	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis (Note 8) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Scrutiny Committee - People	3,401	1,511	4,912
Scrutiny Committee - Place	3,140	8,400	11,540
Scrutiny Committee - Corporate	6,552	2,646	9,198
Housing Revenue Account	(1,694)	(5,111)	(6,805)
Strata Service Solutions Ltd	0	530	530
<b>Net Cost of Services</b>	<b>11,399</b>	<b>7,976</b>	<b>19,375</b>
Other income and expenditure	(12,520)	(20,929)	(33,449)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(1,121)</b>	<b>(12,953)</b>	<b>(14,074)</b>

<b>Opening General Fund and HRA Balance at 1 April 2017</b>	<b>(14,039)</b>
Add surplus on General Fund and HRA Balance in Year	(1,121)
<b>Closing General Fund and HRA Balance at 31 March 2018</b>	<b>(15,160)</b>

Analysed between General Fund and HRA Balances	General Fund	HRA	Total
Opening Balance at 1 April 2017	(5,264)	(8,775)	(14,039)
(Surplus) or Deficit in Year	573	(1,694)	(1,121)
<b>Closing General Fund and HRA Balance at 31 March 2018</b>	<b>(4,691)</b>	<b>(10,469)</b>	<b>(15,160)</b>

## EXPENDITURE AND FUNDING ANALYSIS

### Expenditure and Funding Analysis

2018-19	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustments between Funding and Accounting Basis (Note 8) £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Scrutiny Committee - People	3,582	711	4,293
Scrutiny Committee - Place	1,942	7,732	9,674
Scrutiny Committee - Corporate	7,615	6,419	14,034
Housing Revenue Account	169	(2,108)	(1,939)
Strata Service Solutions Ltd	0	569	569
<b>Net Cost of Services</b>	<b>13,308</b>	<b>13,323</b>	<b>26,631</b>
Other income and expenditure	(12,842)	(8,834)	(21,676)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>466</b>	<b>4,489</b>	<b>4,955</b>

<b>Opening General Fund and HRA Balance at 1 April 2018</b>	<b>(15,160)</b>
Add surplus on General Fund and HRA Balance in Year	466
<b>Closing General Fund and HRA Balance at 31 March 2019</b>	<b>(14,694)</b>

Analysed between General Fund and HRA Balances	General Fund	HRA	Total
Opening Balance at 1 April 2018	(4,691)	(10,469)	(15,160)
(Surplus) or Deficit in Year	297	169	466
<b>Closing General Fund and HRA Balance at 31 March 2019</b>	<b>(4,394)</b>	<b>(10,300)</b>	<b>(14,694)</b>

**CORE FINANCIAL STATEMENT**
**Movement in Reserves Statement**

	General Fund Balance (£'000)	Earmarked Reserves (£'000)	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Total Usable Reserves (£'000)	Unusable Reserves (£'000)	Total Authority Reserves (£'000)
<b>Restated Balance at 31 March 2017</b>	<b>(5,264)</b>	<b>(5,395)</b>	<b>(8,775)</b>	<b>(6,287)</b>	<b>(8,764)</b>	<b>(4,084)</b>	<b>(38,569)</b>	<b>(254,727)</b>	<b>(293,296)</b>
<b><i>Movement in Reserves during 2017-2018</i></b>									
Total Comprehensive Income & Expenditure	(7,646)	0	(6,428)	0	0	0	(14,074)	(39,273)	<b>(53,347)</b>
Adjustments between accounting basis and funding basis under statutory provisions (Note 11)	5,800	0	4,734	(7,724)	(2,463)	(6,268)	(5,921)	5,921	<b>0</b>
Transfers to / (from) Earmarked Reserves	2,419	(2,419)	0	0	0	0	0	0	<b>0</b>
<b>(Increase) / Decrease in 2017-2018</b>	<b>573</b>	<b>(2,419)</b>	<b>(1,694)</b>	<b>(7,724)</b>	<b>(2,463)</b>	<b>(6,268)</b>	<b>(19,995)</b>	<b>(33,352)</b>	<b>(53,347)</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>(4,691)</b>	<b>(7,814)</b>	<b>(10,469)</b>	<b>(14,011)</b>	<b>(11,227)</b>	<b>(10,352)</b>	<b>(58,564)</b>	<b>(288,079)</b>	<b>(346,643)</b>

**CORE FINANCIAL STATEMENT**
**Movement in Reserves Statement**

	General Fund Balance (£'000)	Earmarked Reserves (£'000)	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Total Usable Reserves (£'000)	Unusable Reserves (£'000)	Total Authority Reserves (£'000)
<b>Balance at 31 March 2018 carried forward</b>	<b>(4,691)</b>	<b>(7,814)</b>	<b>(10,469)</b>	<b>(14,011)</b>	<b>(11,227)</b>	<b>(10,352)</b>	<b>(58,564)</b>	<b>(288,079)</b>	<b>(346,643)</b>
Reclassification of financial instruments (Note 20)	187	0	0	0	0	0	187	(187)	0
Statutory reversal for pooled investment funds	(187)	0	0	0	0	0	(187)	187	0
<b>Adjusted Balance at 1 April 2018</b>	<b>(4,691)</b>	<b>(7,814)</b>	<b>(10,469)</b>	<b>(14,011)</b>	<b>(11,227)</b>	<b>(10,352)</b>	<b>(58,564)</b>	<b>(288,079)</b>	<b>(346,643)</b>
<b><i>Movement in Reserves 2018-2019</i></b>									
Total Comprehensive Income & Expenditure	8,095	0	(3,140)	0	0	0	4,955	(15,243)	<b>(10,288)</b>
Adjustments between accounting basis and funding basis under statutory provisions (Note 11)	(9,507)	0	3,309	(1,916)	(3,101)	1,605	(9,610)	9,610	0
Transfers to / (from) Earmarked Reserves	1,708	(1,708)	0	0	0	0	0	0	0
<b>(Increase) / Decrease in 2018-2019</b>	<b>296</b>	<b>(1,708)</b>	<b>169</b>	<b>(1,916)</b>	<b>(3,101)</b>	<b>1,605</b>	<b>(4,655)</b>	<b>(5,633)</b>	<b>(10,288)</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>(4,395)</b>	<b>(9,522)</b>	<b>(10,300)</b>	<b>(15,927)</b>	<b>(14,328)</b>	<b>(8,747)</b>	<b>(63,219)</b>	<b>(293,713)</b>	<b>(356,932)</b>

## CORE FINANCIAL STATEMENT

### Balance Sheet

Restated 2017-18 £'000	2018-19 £'000	Note
414,118 Property, Plant and Equipment	419,201	16
39,942 Investment Property	40,144	17
22,643 Heritage Assets	22,643	18
601 Intangible Assets	546	
5,855 Long Term Investments	5,931	20
14,231 Long Term Debtors	16,591	20
<b>497,389 Total Long-Term Assets</b>	<b>505,056</b>	
209 Inventories	206	
17,030 Short-Term Debtors	13,585	20, 21 & 22
18,021 Short-Term Investments	20,063	20
924 Assets Held for Sale	818	23
22,666 Cash & Cash Equivalents	30,782	20 & 24
<b>58,849 Total Current Assets</b>	<b>65,455</b>	
(10,029) Short-Term Borrowing	(10,099)	20
(19,257) Short-Term Creditors	(23,406)	20 & 25
0 Provisions	(110)	
<b>(29,285) Total Current Liabilities</b>	<b>(33,615)</b>	
(56,906) Long term borrowing	(59,035)	20
(9,646) Capital Grants Receipts in Advance	(8,695)	20 & 36
(190) Long-Term Creditors	(200)	20
(113,568) Pension Scheme Liability	(112,033)	42
<b>(180,309) Total Long-Term Liabilities</b>	<b>(179,965)</b>	
<b>346,643 Net Assets</b>	<b>356,932</b>	
<b>Financed by:</b>		
58,564 Usable Reserves	63,219	26
288,079 Unusable Reserves	293,713	27
<b>346,643 Total Reserves</b>	<b>356,932</b>	

These financial statements are unaudited and may be subject to change. Responsible Financial Officer, Dave Hodgson, on 29 May 2019



**Dave Hodgson, CPFA, Chief Finance Officer**

## CORE FINANCIAL STATEMENT

### Cash Flow Statement

Restated 2017-18 £'000	2018-19 £'000	Notes
(14,074) Net (surplus) or deficit on the provision of services	4,955	
Adjustments to net surplus or deficit on the provision of services for non-cash		
(14,261) movements	(30,852)	
Adjustments for items included in the net surplus or deficit on the provision of		
17,465 services that are investing and financing activities	7,107	
<b>(10,870) Net cashflows from Operating Activities</b>	<b>(18,790)</b>	28
11,677 Investing Activities	14,705	29
(2,385) Financing Activities	(4,031)	30
<b>(1,578) Net (Increase) or decrease in cash and cash equivalents</b>	<b>(8,116)</b>	
<b>21,088 Cash and cash equivalents at the beginning of the reporting period</b>	<b>22,666</b>	
<b>22,666 Cash and cash equivalents at the end of the reporting period</b>	<b>30,782</b>	

## 1. ACCOUNTING POLICIES

### GENERAL PRINCIPLES

The Statement of Accounts summarises the authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19, 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. With effect from 1 April 2018, IFRS 15 *Revenue from Contracts with Customers* has been adopted, which resulted in no material impact to the Council's recognition of revenues.

**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 2018/19, except those capitalised by Exeter City Living Ltd and reflected in the Group Accounts.

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

A de minimis level has been agreed in respect of all capital receipts and any receipts from the sale of an asset which total less than £10,000 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.

### **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.

### **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.

### **Business Rates Pilot**

Local authorities in Devon were successful in applying to be a 100% Business Rate pilot for 2018/19. This means that 100% of the growth generated in the County will be kept and split according to the percentages agreed between the Councils (40% for Districts, 59% for the County and 1% for Fire). The Government provided a no detriment clause in the agreement, which meant that no Council will be worse off than they would have been under the 50% retention scheme.

### EMPLOYEE BENEFITS

#### Benefits Payable During Employment

Short-term employee benefits include 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. 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 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 is a defined benefit scheme (retirement lump sums and pensions) earned as employees worked for the authority.

The Pensions Fund's Actuary has provided updated figures for the year based on the last valuation in 2016.

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

Liabilities are discounted to their value at current prices using a discount rate 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 pensions liability is analysed into the following components:

#### Service cost

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

## 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.

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 of the nature and an estimate of the financial impact is made in the notes to the accounts, if material.

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

### 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. There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit and loss (FVPL)
- Fair value through other comprehensive income (FVOCI)

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 an 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

The fair value measurements of financial assets are 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. If the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been used, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account when they have been applied to 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 Council 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.

### 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 2019, 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.

### INTERESTS 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

## NOTES TO THE FINANCIAL STATEMENTS

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

### OVERHEADS AND SUPPORT SERVICES

The 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
Infrastructure, community assets and assets under construction	Depreciated 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	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. 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:

Kitchens and 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

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

Provisions are required to be recognised in the accounts when:

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

### 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.

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

Local authorities are required to report the impact of accounting changes that will be required by a new standard that has been issued but not yet adopted. For this disclosure, the standards introduced by the 2019/20 Code and effective from 1 April 2019, include:

- Amendments to IFRS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation

The impact of the 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.

### 3. CRITICAL JUDGMENTS 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:

#### Funding for Local Government

There is a high degree of uncertainty over the future levels of funding for local government. However the authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the authority might be impaired as a result of the need to close facilities and reduce levels of service provision.

#### EU Withdrawal (Brexit)

There is a high level of uncertainty regarding the impact of leaving the EU and the terms of the withdrawal agreement have not yet been ratified. The authority has judged there is insufficient detail to determine the impact on the authority's income, expenditure and the balance sheet.

#### Group Accounts

The Council is the sole shareholder of Exeter City Group Ltd and Exeter Business Centre, it has an associate interest in Exeter Canal and Quay Trust, a 19.9% shareholding in the Exeter Science Park Limited, 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 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 4. 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
<b>Pensions Liabilities</b>	Estimates of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects of changes in individual assumptions can be measured. For example, a 0.1% increase in the discount rate would result in a decrease of £4.395m in the pension liability and £0.143m in the Projected Service Cost. However the assumptions interact in a complex way. During the year the actuaries have reduced the liability by £2.657m as a result of assumptions being updated.
<b>Arrears</b>	At 31 March 2019, the authority had a balance of £16.327m for short-term debtors. A review of significant balances suggested that an impairment of doubtful debts totalling £3.137m was appropriate. However, in the current economic climate it is not certain that this will be sufficient.	If collection rates were to deteriorate, a doubling of the amount of impairment of doubtful debts would require an additional £3.137m to be set aside as an allowance.
<b>Valuation of Property, Plant and Equipment and Depreciation</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance (R&M) that will be incurred. The economic climate makes it uncertain that the Council can sustain its current spending on R&M bringing into doubt the useful lives assigned.	If the useful life is reduced depreciation will increase and the carrying value of asset will fall. It is estimated that the depreciation charge for other land and buildings will increase by £32,086 for every year that the useful life is reduced by.
<b>Fair Value Measurements – Investment Properties</b>	The Authority uses significant unobservable inputs to measure the fair value of some of its investment properties including assumptions regarding rent growth and yield.	Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for the investment properties.

### 5. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Chief Finance Officer, D Hodgson CPFA, on 29 May 2019. Events after this date have not been recognised in the 2018/19 Statement of Accounts. Where events took place before this date, which provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### 6. NON- ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2019 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:

#### Leaving the European Union

The UK had been due to leave on 29 March 2019, but EU leaders agreed a six-month extension to 31 October 2019. The UK may leave before this date if the withdrawal agreement is ratified by the UK and the EU before then. A transition period will then follow to allow time to prepare for new post-Brexit rules between the UK and EU to begin.

The Council will need to monitor events and consider any accounting and financial reporting implications including the impact of volatility in financial markets on investment strategies.

#### Reduce Social Housing Rents by 1% a year for 4 years

With effect from 1 April 2016, the Welfare Reform and Work Act 2016 require social housing landlords to reduce social housing rents by 1% a year for 4 years from a 2015/16 baseline. The financial year 2018/19 was Year 3 out of 4 of implementing the 1% rent cut.

Over the 4 year period the 1% reduction in rents is expected to reduce rental income by £7.9 million compared to income projections made prior to the Government's social rents policy change.

#### Business Rate Retention

The Government aims to increase the level of business rates retained by local government from the current 50% to 75% in April 2020. Local authorities were invited to pilot 75% Business Rates Retention in 2019/20, in order to test increased business rates retention and to aid the transition into a reformed business rates retention system in April 2020. Devon participated in an earlier pilot programme for 2018/19.

#### Fair Funding Review

The Government have committed to setting new baseline funding allocations for local authorities to reflect up-to-date assessments of their relative needs and resources. The Fair Funding Review will affect how funding is allocated and redistributed between local authorities from 2020 onwards. Indicative numbers for funding allocations to individual councils are to be available by spring-summer 2019 and the review is to be implemented in April 2020.

## NOTES TO THE FINANCIAL STATEMENTS

### 7. PRIOR PERIOD RESTATEMENT

Between 2009/10 and 2012/13 the Council provided funding to Wessex Resolutions CIC, a community interest company, to help support a home improvement loans programme, in partnership with 19 other local authorities. As at 1 April 2018, the Council held £915k in its Balance Sheet in respect of the home improvement loans within short term and long term debtors. However, due to the status of the company as a community interest company, the balances should be removed and accounted for as revenue expenditure funded from capital under statute (REFCUS), in accordance with proper accounting practice.

The Code requires retrospective restatement for material prior period errors/adjustments, which is achieved by restating the comparative amounts for the prior period in which the error/issue occurred.

The note below sets out the impact on the comparative figures:

Impact on Core Financial Statements	Published 2017/18 £'000	Restatement £'000	Restated 2017/18 £'000
<b>Comprehensive Income &amp; Expenditure Statement</b>			
Cost of Services (Scrutiny - People)	3,996	916	4,912
<b>Total Comprehensive Income and Expenditure</b>	<b>(54,263)</b>	<b>916</b>	<b>(53,347)</b>
<b>Balance Sheet</b>			
Long term debtors	14,718	(487)	14,231
Short term debtors	17,459	(429)	17,030
<b>Net Assets</b>	<b>347,559</b>	<b>(916)</b>	<b>346,643</b>
Usable reserves	(288,995)	916	(288,079)
<b>Total Reserves</b>	<b>(347,559)</b>	<b>916</b>	<b>(346,643)</b>

The comparative figures throughout the accounts have been restated, where appropriate. These are denoted by 'restated' in the header, such as the disclosure notes.

## NOTES TO THE FINANCIAL STATEMENTS

### 8. NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

<b>Restated Adjustments between Funding and Accounting Basis 2017-18</b>				
	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	(Note 8.1)	(Note 8.2)	(Note 8.3)	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Scrutiny Committee - People	872	643	(4)	1,511
Scrutiny Committee - Place	6,509	1,927	(36)	8,400
Scrutiny Committee - Corporate	638	(455)	2,463	2,646
Housing Revenue Account	(3,587)	229	(1,753)	(5,111)
Strata Service Solutions Ltd	-	-	530	530
<b>Net Cost of Services</b>	<b>4,432</b>	<b>2,344</b>	<b>1,200</b>	<b>7,976</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(21,672)</b>	<b>3,214</b>	<b>(2,471)</b>	<b>(20,929)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement</b>				
<b>Surplus or Deficit on the Provision of Services</b>	<b>(17,240)</b>	<b>5,558</b>	<b>(1,271)</b>	<b>(12,953)</b>

<b>Adjustments between Funding and Accounting Basis 2018-19</b>				
	<b>Adjustments for Capital Purposes</b>	<b>Net change for the Pensions Adjustments</b>	<b>Other Differences</b>	<b>Total Adjustments</b>
	(Note 8.1)	(Note 8.2)	(Note 8.3)	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Scrutiny Committee - People	(7)	606	112	711
Scrutiny Committee - Place	5,974	1,806	(48)	7,732
Scrutiny Committee - Corporate	4,203	(467)	2,683	6,419
Housing Revenue Account	(793)	218	(1,533)	(2,108)
Strata Service Solutions Ltd	-	-	569	569
<b>Net Cost of Services</b>	<b>9,377</b>	<b>2,163</b>	<b>1,783</b>	<b>13,323</b>
<b>Other income and expenditure from the Expenditure and Funding Analysis</b>	<b>(7,517)</b>	<b>2,933</b>	<b>(4,250)</b>	<b>(8,834)</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement</b>				
<b>Surplus or Deficit on the Provision of Services</b>	<b>1,860</b>	<b>5,096</b>	<b>(2,467)</b>	<b>4,489</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Note 8.1: 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 8.2: 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 8.3: 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

### 9. SEGMENTAL REPORTING

The net expenditure figures in the Expenditure and Funding Analysis for the Council's committees include the following particular amounts of income and expenditure:

	People £'000	Place £'000	Corporate £'000	Housing Revenue Account £'000
<b>2017-18</b>				
<b>Expenditure</b>				
Benefit payment	37,984	-	-	-
Revenue Contribution to Capital	-	-	-	3,797
Net interest expense	-	-	-	1,750
Depreciation & impairment	-	6,580	-	3,224
<b>Income</b>				
Benefit subsidy	(35,931)	-	-	-
Car park income	-	(7,362)	-	-
Revenues from other external sources	(3,882)	(8,716)	(1,496)	(20,469)
Revenues from transactions with other operating segments of the authority	(330)	(846)	(1,651)	(235)
<b>2018-19</b>				
<b>Expenditure</b>				
Benefit payment	36,541	-	-	-
Revenue Contribution to Capital	-	-	-	4,000
Net interest expense	-	-	-	1,534
Depreciation & impairment	-	5,974	3,896	6,401
<b>Income</b>				
Benefit subsidy	(34,616)	-	-	-
Car park income	-	(8,334)	-	-
Revenues from other external sources	(3,335)	(8,742)	(1,523)	(19,954)
Revenues from transactions with other operating segments of the authority	(324)	(745)	(1,682)	(90)

### 10. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

	Restated 2017-18 £'000	2018-19 £'000
<b>Expenditure</b>		
Employee benefits expenses	25,630	27,240
Other service expenses	65,164	64,533
Depreciation, amortisation, impairment	10,713	16,690
Interest payments	2,517	2,461
Net interest on the net defined benefit liability	3,219	2,854
Pension Fund administration expenses	63	79
Impairment losses	-	44
Payments to Housing Capital Receipts Pool	431	1,037
<b>Total expenditure</b>	<b>107,737</b>	<b>114,938</b>
<b>Income</b>		
Fees, charges and other service income	(42,764)	(42,478)
Interest and investment income	(3,893)	(3,689)
Income from council tax, non-domestic rates	(10,249)	(14,328)
Government grants and contributions	(44,485)	(42,481)
Capital grants and contributions	(8,421)	(4,789)
Movements in Financial Instruments held at Fair Value through Profit and Loss	-	(75)
Gain on the disposal of assets	(11,999)	(2,143)
<b>Total income</b>	<b>(121,811)</b>	<b>(109,983)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>(14,074)</b>	<b>4,955</b>

**11. 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.

**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.

**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.

## NOTES TO THE FINANCIAL STATEMENTS

	Usable Reserves									
	Restated 2017-2018					2018-2019				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments to the Comprehensive Income and Expenditure Statement</b>										
Amounts by which income and expenditure included in the CIES are different from revenue for the year calculated in accordance with statutory requirements:										
~ Pension costs (transferred to or from the Pensions Reserve)	(5,269)	(527)	-	-	-	(4,754)	(505)	-	-	-
~ Financial instruments (transferred to the Financial Instruments Adjustment Account)	29	-	-	-	-	105	-	-	-	-
~ Council Tax and NDR (transfers to or from the Collection Fund)	(1,337)	-	-	-	-	1,380	-	-	-	-
~ Holiday pay (transferred to the Accumulated Absences Reserve)	16	3	-	-	-	-	-	-	-	-
~ 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)	4,674	(5,191)	-	-	(6,816)	(7,061)	(7,788)	-	-	29
<b>Total Adjustments to the Comprehensive Income and Expenditure Statement</b>	<b>(1,887)</b>	<b>(5,715)</b>	<b>0</b>	<b>0</b>	<b>(6,816)</b>	<b>(10,330)</b>	<b>(8,293)</b>	<b>0</b>	<b>0</b>	<b>29</b>
<b>Adjustments between Revenue and Capital Resources</b>										
Reserve	6,436	3,690	(10,126)	-	-	128	4,462	(4,589)	-	-
~ Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-	(52)	52	-	-	-	(55)	55	-	-
~ Payments to the Government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(431)	-	431	-	-	(1,037)	-	1,037	-	-
~ Posting of HRA resources from revenue to the Major Repairs Reserve	-	3,014	-	(3,014)	-	-	3,195	-	(3,195)	-
~ Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	648	-	-	-	-	608	-	-	-	-
~ Voluntary provision for the repayment of debt (transfer from the Capital Adjustment Account)	117	-	-	-	-	423	-	-	-	-
~ Adjustment to Long Term Debtor Repayments	-	-	(82)	-	-	-	-	-	-	-
~ Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	917	3,797	-	-	-	701	4,000	-	-	-
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>7,687</b>	<b>10,449</b>	<b>(9,725)</b>	<b>(3,014)</b>	<b>0</b>	<b>823</b>	<b>11,602</b>	<b>(3,497)</b>	<b>(3,195)</b>	<b>0</b>
<b>Capital Financing Adjustments</b>										
~ Use of the Capital Receipts Reserve to finance capital expenditure	-	-	2,009	-	-	-	-	1,584	-	-
~ Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	551	-	-	-	-	94	-
~ Application of capital grants to finance capital expenditure	-	-	-	-	548	-	-	-	-	1,576
~ Cash payments in relation to deferred capital receipts	-	-	(8)	-	-	-	-	(3)	-	-
<b>Total Capital Financing Adjustments</b>	<b>0</b>	<b>0</b>	<b>2,001</b>	<b>551</b>	<b>548</b>	<b>0</b>	<b>0</b>	<b>1,581</b>	<b>94</b>	<b>1,576</b>
<b>Total Adjustments</b>	<b>5,800</b>	<b>4,734</b>	<b>(7,724)</b>	<b>(2,463)</b>	<b>(6,268)</b>	<b>(9,507)</b>	<b>3,309</b>	<b>(1,916)</b>	<b>(3,101)</b>	<b>1,605</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 12. 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 2017 £'000s	Transfers in £'000s	Transfers out £'000s	Balance 31 March 2018 £'000s	Transfers in £'000s	Transfers out £'000s	Balance 31 March 2019 £'000s
New Homes Bonus	1,983	1,642	(2,646)	979	566	(688)	857
Transformation	51	1,449	-	1,500	-	(229)	1,271
Capital Fund	725	65	-	790	-	-	790
Other Planning Reserves	146	-	0	146	914	-	1,060
Leisure Reserves	701	56	(133)	624	364	(131)	857
Economic Development	40	-	-	40	-	-	40
Housing GF Reserves	99	105	-	204	11	(105)	110
Redundancy Reserve	120	199	(119)	200	250	(161)	289
Museum Reserves	437	-	(21)	416	1,018	(60)	1,374
NNDR Deficit	334	1,317	-	1,651	-	(1,090)	561
Other Earmarked Reserves	477	654	(151)	980	1,223	(165)	2,038
Strata Usable Reserves	282	2	-	284	-	(9)	275
<b>Total</b>	<b>5,395</b>	<b>5,489</b>	<b>(3,070)</b>	<b>7,814</b>	<b>4,346</b>	<b>(2,638)</b>	<b>9,522</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 13. OTHER OPERATING EXPENDITURE

	2017-18 £'000	2018-19 £'000
Pension Fund Administration Expenses	63	79
Payment to the Government's Housing Capital Receipt Pool	431	1,037
(Gain) / losses on the disposal of non-current assets *	(12,000)	(2,143)
(Gain) / losses on disposal of assets - Strata Service Solutions Ltd	1	0
	<b>(11,505)</b>	<b>(1,027)</b>

\*The £12 million gain on the disposal of non-current assets was exceptionally high during 2017/18 and includes a £2.943m gain in respect of an exchange transaction with commercial substance and a £4.140m lease premium on the grant of a long lease.

### 14. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2017-18 £'000	2018-19 £'000
Interest payable and similar charges	2,517	2,461
Net interest on the net defined benefit liability	3,151	2,792
Net interest on the net defined benefit liability - Strata Service Solutions Ltd	68	62
Interest receivable	(685)	(994)
Income and expenditure in relation to investment properties and changes in their fair value	(3,334)	(2,823)
Other investment income and expenditure	128	131
Movements in Financial Instruments held at Fair Value through Profit and Loss	-	(75)
Impairment losses	-	44
Interest receivable - Strata Service Solutions Ltd	(2)	(3)
	<b>1,843</b>	<b>1,595</b>

### 15. TAXATION AND NON-SPECIFIC GRANT INCOME

	2017-18 £'000	2018-19 £'000
Council tax income	(5,350)	(5,604)
Non-domestic rates	(4,899)	(8,724)
Non-ringfenced government grants	(5,117)	(3,127)
Capital grants and contributions	(8,421)	(4,789)
	<b>(23,787)</b>	<b>(22,244)</b>

**NOTES TO THE FINANCIAL STATEMENTS**
**16. PROPERTY, PLANT AND EQUIPMENT**

	Council Dwellings and Garages £'000s	Other Land and Buildings £'000s	Vehicles, Plant & Equipment £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Surplus Assets £'000s	Assets under Construction £'000s	Total Property, Plant and Equipment £'000s
<b>Cost or valuation</b>								
As at 1 April 2017	246,330	125,498	17,660	4,236	4,838	-	6,471	<b>405,033</b>
Additions	3,572	554	1,553	16	96	-	5,218	<b>11,009</b>
Donations	39	-	35	-	-	-	-	<b>74</b>
Revaluations - Revaluation Reserve	13,524	3,573	-	-	-	-	-	<b>17,097</b>
Revaluations - CIES	-	147	-	-	-	-	-	<b>147</b>
Impairments - CIES	(210)	(423)	-	-	-	-	-	<b>(633)</b>
Derecognition - disposals	(1,504)	(621)	(878)	-	-	-	-	<b>(3,003)</b>
Reclassifications - held for sale	(609)	-	-	-	-	-	-	<b>(609)</b>
Other movements - Strata Service Solutions Ltd	-	-	(111)	-	-	-	-	<b>(111)</b>
<b>Gross Book Value At 31 March 2018</b>	<b>261,142</b>	<b>128,728</b>	<b>18,259</b>	<b>4,252</b>	<b>4,934</b>	<b>0</b>	<b>11,689</b>	<b>429,004</b>
<b>Depreciation and impairments</b>								
At 1 April 2017	-	(1,188)	(10,814)	(2,520)	-	-	-	<b>(14,522)</b>
Depreciation Charge	(2,897)	(5,647)	(1,237)	(183)	-	-	-	<b>(9,964)</b>
Depreciation written out to Revaluation Reserve	2,879	5,783	-	-	-	-	-	<b>8,662</b>
Impairment - CIES	-	97	-	-	-	-	-	<b>97</b>
Derecognition - disposals	18	3	820	-	-	-	-	<b>841</b>
<b>Accumulative Depreciation At 31 March 2018</b>	<b>0</b>	<b>(952)</b>	<b>(11,231)</b>	<b>(2,703)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(14,886)</b>
<b>Balance Sheet amount at 31 March 2018</b>	<b>261,142</b>	<b>127,776</b>	<b>7,028</b>	<b>1,549</b>	<b>4,934</b>	<b>0</b>	<b>11,689</b>	<b>414,118</b>
<b>Balance Sheet amount at 1 April 2017</b>	<b>246,330</b>	<b>124,310</b>	<b>6,846</b>	<b>1,716</b>	<b>4,838</b>	<b>0</b>	<b>6,471</b>	<b>390,511</b>

**NOTES TO THE FINANCIAL STATEMENTS**

	<b>Council Dwellings and Garages £'000s</b>	<b>Other Land and Buildings £'000s</b>	<b>Vehicles, Plant &amp; Equipment £'000s</b>	<b>Infrastructure Assets £'000s</b>	<b>Community Assets £'000s</b>	<b>Surplus Assets £'000s</b>	<b>Assets under Construction £'000s</b>	<b>Total Property, Plant and Equipment £'000s</b>
<b>Cost or valuation</b>								
As at 1 April 2018	261,142	128,728	18,259	4,252	4,934	0	11,689	<b>429,004</b>
Additions	4,850	3,758	967	573	157		5,211	<b>15,516</b>
Donations	210							<b>210</b>
Revaluations - Revaluation Reserve	(267)	(3,265)				5,076		<b>1,544</b>
Revaluations - CIES		20						<b>20</b>
Impairments - CIES	(3,251)	(3,962)						<b>(7,213)</b>
Derecognition - disposals	(1,696)	(259)	(43)					<b>(1,998)</b>
Reclassifications - held for sale	(818)							<b>(818)</b>
Reclassifications - surplus	(170)	(4,555)				4,754	(29)	<b>0</b>
Reclassifications - AUC	3,619	1,626					(5,245)	<b>0</b>
Other movements - Strata Service Solutions Ltd			(34)					<b>(34)</b>
<b>Gross Book Value At 31 March 2019</b>	<b>263,619</b>	<b>122,091</b>	<b>19,149</b>	<b>4,825</b>	<b>5,091</b>	<b>9,830</b>	<b>11,626</b>	<b>436,231</b>
<b>Depreciation and impairments</b>								
At 1 April 2018	-	(952)	(11,231)	(2,703)	-	-	-	<b>(14,886)</b>
Depreciation Charge	(3,075)	(4,530)	(1,362)	(187)				<b>(9,154)</b>
Depreciation written out to Revaluation Reserve	3,010	3,895						<b>6,905</b>
Impairment - CIES	44	3						<b>47</b>
Derecognition - disposals	21	0	37					<b>58</b>
<b>Accumulative Depreciation At 31 March 2019</b>	<b>0</b>	<b>(1,584)</b>	<b>(12,556)</b>	<b>(2,890)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(17,030)</b>
<b>Balance Sheet amount at 31 March 2019</b>	<b>263,619</b>	<b>120,507</b>	<b>6,593</b>	<b>1,935</b>	<b>5,091</b>	<b>9,830</b>	<b>11,626</b>	<b>419,201</b>
<b>Balance Sheet amount at 1 April 2018</b>	<b>261,142</b>	<b>127,776</b>	<b>7,028</b>	<b>1,549</b>	<b>4,934</b>	<b>0</b>	<b>11,689</b>	<b>414,118</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Revaluations

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

	Council Dwellings and Garages £'000s	Other Land and Buildings £'000s	Vehicles, Plant & Equipment £'000s	Infrastructure Assets £'000s	Community Assets £'000s	Surplus Assets £'000s	Assets under Construction £'000s	Total Property, Plant and Equipment £'000s
<b>Carried at historical cost</b>	-	-	19,149	4,825	5,091	-	11,626	<b>40,691</b>
<b>Valued at current value as at:</b>								
31 March 2015	-	37,228	-	-	-	-	-	<b>37,228</b>
31 March 2016	-	31,801	-	-	-	-	-	<b>31,801</b>
31 March 2017	-	17,668	-	-	-	-	-	<b>17,668</b>
31 March 2018	-	10,246	-	-	-	-	-	<b>10,246</b>
31 March 2019	263,619	25,148	-	-	-	9,830	-	<b>298,597</b>
<b>Gross Book Value At 31 March 2019</b>	<b>263,619</b>	<b>122,091</b>	<b>19,149</b>	<b>4,825</b>	<b>5,091</b>	<b>9,830</b>	<b>11,626</b>	<b>436,231</b>

### Capital Commitments

At 31 March 2019, the authority has entered into a number of contracts for the construction or enhancement of property, plant and equipment in 2019/20 and future years budgeted to cost £51.71m. Similar commitments at 31 March 2018 were £3.38m. The major commitments are:

- £33.66m St Sidwells Point Leisure Complex
- £12.14m Extra Care Scheme
- £3.29m Refurbishment works to HRA properties
- £2.62m Other (grants, vehicles and equipment, IT and property improvements)

## NOTES TO THE FINANCIAL STATEMENTS

### 17. 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:

	2017-18	2018-19
	£'000	£'000
Rental income from investment property	3,068	3,158
Direct operating expenditure arising from investment property	(602)	(549)
<b>Net gain</b>	<b>2,466</b>	<b>2,609</b>

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

#### Fair Value Hierarchy

Details of the authority's investment properties and information about fair value hierarchy as at 31 March 2019 and comparatives as at 31 March 2018 are as follows:

Class of Asset	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2018 £'000
Industrial	3,787	3,787
Retail	28,942	28,942
Leisure	3,196	3,196
Other Commercial	4,017	4,017
<b>Total</b>	<b>39,942</b>	<b>39,942</b>

Class of Asset	Significant unobservable inputs (Level 3) £'000	Fair value as at 31 March 2019 £'000
Industrial	4,012	4,012
Retail	28,577	28,577
Leisure	3,626	3,626
Other Commercial	3,929	3,929
<b>Total</b>	<b>40,144</b>	<b>40,144</b>

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

	2017-18	2018-19
	£'000	£'000
Balance at 1 April	39,256	39,942
Additions:		
Purchases	-	-
Construction	-	-
Subsequent expenditure	-	-
Disposals	(183)	(12)
Net gains / losses from fair value adjustments	868	214
Transfers:		
to/from Property, Plant & Equipment	1	-
<b>Balance at 31 March</b>	<b>39,942</b>	<b>40,144</b>

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

#### Significant Observable Inputs – Level 3

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

### Highest and Best Use of Investment Properties

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

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

	Fair value as at 31 March 2019				
	Industrial	Retail	Leisure	Other Commercial	March 2019
Level 3 fair value measurements	£'000	£'000	£'000	£'000	£'000
Balance at 1 April	3,787	28,942	3,196	4,017	39,942
Gains/(losses) recognised in the CIES resulting from changes in the fair value	225	(365)	430	(76)	214
Additions/Transfers					0
Disposals				(12)	(12)
<b>Level 3 balance at 31 March</b>	<b>4,012</b>	<b>28,577</b>	<b>3,626</b>	<b>3,929</b>	<b>40,144</b>

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

Property type	Lease type	Rent type	Fair value as at 31 March 2019 £'000	Valuation technique used to measure fair value	Unobservable inputs	Range / percentage used	Sensitivity
Industrial	Commercial	Market	1,434	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	1,160	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	1,419	Income approach	Yield	Yield 5 - 6%	Significant changes in yield will result in a significantly lower or higher fair value
Retail	Commercial	Market	10,955	Income approach	Rent & Yield	Rent £13.50 (neighbourhood)- £52 (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	2,709	Income approach	Rent & Yield	Rent £20 (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	14,913	Income approach	Yield	Yield 5 -7%	Significant changes in yield will result in a significantly lower or higher fair value
Leisure	Commercial	Turnover	3,626	Income approach	Yield	Yield 10 - 17%	Significant changes in yield will result in a significantly lower or higher fair value
Other commercial	Commercial	Market	3,504	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	133	Income approach	Yield	Yield 7.5%	Significant changes in yield will result in a significantly lower or higher fair value
	Ground	Nominal	291	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

### 18. HERITAGE ASSETS

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

	Museum Exhibits £'000	Civic Regalia and Paintings at the Guildhall £'000	Artefacts at St Nicholas Priory £'000	Total £'000
<b>Cost or Valuation</b>				
1 April 2017	19,817	2,663	163	22,643
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
<b>31 March 2018</b>	<b>19,817</b>	<b>2,663</b>	<b>163</b>	<b>22,643</b>
<b>Cost or Valuation</b>				
1 April 2018	19,817	2,663	163	22,643
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
<b>31 March 2019</b>	<b>19,817</b>	<b>2,663</b>	<b>163</b>	<b>22,643</b>

### 19. FURTHER INFORMATION ON THE COLLECTIONS

#### St Nicholas Priory

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

#### Guildhall

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

#### Royal Albert Memorial Museum

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

#### Other Heritage Assets

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

## NOTES TO THE FINANCIAL STATEMENTS

### 20. FINANCIAL INSTRUMENTS

#### Reclassification and re-measurement of financial assets at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the re-measurements of carrying amounts then required.

	Carrying amount b/fwd at 1 April £'000	New Classifications		
		Amortised cost £'000	Fair value through other comprehensive income £'000	Fair value through profit and loss £'000
<b>Previous classifications</b>				
Loans and receivables	66,946	66,946	-	-
Available for sale	10,857	982	-	9,875
Fair value through profit or loss	-	-	-	-
<b>Reclassified amounts</b>	<b>77,803</b>	<b>67,928</b>	<b>-</b>	<b>9,875</b>
Remeasurements		-	-	-
<b>Remeasured carrying amounts</b>		<b>67,928</b>	<b>-</b>	<b>9,875</b>

#### Effect of reclassification on the Balance Sheet at 1 April 2018

	New classifications				Total Balance sheet carrying amount £'000
	Amortised cost £'000	Fair value through other comprehensive income £'000	Fair value through profit and loss £'000	Non- financial instrument balances £'000	
Remeasured carrying amounts at 1 April 2018	67,928	-	9,875	-	77,803
<b>Incorporated into the Balance Sheet:</b>					
Long-term investments	982	-	4,873	-	5,855
Long-term debtors	14,231	-	-	-	14,231
Short-term investments	18,021	-	-	-	18,021
Current debtors	4,229	-	-	12,801	17,030
Cash & cash equivalents	17,664	-	5,002	-	22,666

## NOTES TO THE FINANCIAL STATEMENTS

### Application of classification requirements at 1 April 2018

The following judgements were made in reclassifying financial instruments at 1 April 2018:

- A long-term investment in the CCLA Property Fund was reclassified from available for sale to 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 have been reclassified from available for sale to 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 have been reclassified from available for sale to amortised cost, as 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 assets have been reclassified from loans and receivables to amortised cost on the basis that the Council holds the financial assets until it collects contractual cash-flows

### Categories of Financial Instruments

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

	Long-term				Current			
	Borrowings		Creditors		Borrowings		Creditors	
	31 March 2018 £'000	31 March 2019 £'000						
Fair value through profit or loss	-	-	-	-	-	-	-	-
Amortised cost	56,906	59,035	-	-	10,029	10,099	19,257	23,406
<b>Total Financial Liabilities</b>	<b>56,906</b>	<b>59,035</b>	-	-	<b>10,029</b>	<b>10,099</b>	<b>19,257</b>	<b>23,406</b>
Non-financial liabilities	-	-	9,836	8,895	-	-	-	-
<b>Total</b>	<b>56,906</b>	<b>59,035</b>	<b>9,836</b>	<b>8,895</b>	<b>10,029</b>	<b>10,099</b>	<b>19,257</b>	<b>23,406</b>

## NOTES TO THE FINANCIAL STATEMENTS

	Long-term				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2018 £'000	31 March 2019 £'000						
<b>Financial Assets</b>								
Fair value through profit or loss	4,873	4,949	-	-	5,002	13,010	-	-
Amortised cost	982	982	14,231	16,591	35,685	37,835	4,229	3,800
Fair value through other comprehensive income - designated equity instruments	-	-	-	-	-	-	-	-
Fair value through other comprehensive income - other	-	-	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>5,855</b>	<b>5,931</b>	<b>14,231</b>	<b>16,591</b>	<b>40,687</b>	<b>50,845</b>	<b>4,229</b>	<b>3,800</b>
Non-financial assets	-	-	-	-	-	-	12,801	9,785
<b>Total</b>	<b>5,855</b>	<b>5,931</b>	<b>14,231</b>	<b>16,591</b>	<b>40,687</b>	<b>50,845</b>	<b>17,030</b>	<b>13,585</b>

### Material Soft Loans Made by the Authority

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

	2017-18 £'000s	2018-19 £'000s
<b>Balance at start of year</b>	<b>838</b>	<b>893</b>
New loans granted in the year	-	-
Fair value adjustment on initial recognition	-	-
Accrued interest	55	56
<b>Nominal value at 31 March</b>	<b>893</b>	<b>949</b>

### Valuation Assumptions

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

## NOTES TO THE FINANCIAL STATEMENTS

### Reclassification of Financial Instruments

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

### Fair Value Disclosure of PWLB Loans

The fair value of Public Works Loan Board (PWLB) loans of £59.084m 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. The difference between the carrying amount and fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates, due to a reduction in interest rates since loan inception.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from PWLB. If a value is calculated on this basis, the carrying amount of £59.084m would be valued at £78.581m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the exit price, including a penalty charge, would be £99.917m.

### 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.

	2017-2018 Surplus or Deficit on the Provision of Services £'000s	2018-2019 Surplus or Deficit on the Provision of Services £'000s
Net gains/losses on:		
Financial assets measured at fair value through profit and loss	(218)	(75)
Financial assets measured at amortised cost	-	-
Financial liabilities measured at fair value through profit and loss	-	-
Financial liabilities measured at amortised cost	-	-
<b>Total net gains/losses</b>	<b>(218)</b>	<b>(75)</b>
Interest receivable:		
Financial assets measured at fair value through profit and loss	287	349
Financial assets measured at amortised cost	398	645
<b>Total interest receivable</b>	<b>685</b>	<b>994</b>
<b>Interest payable</b>	<b>2,517</b>	<b>2,461</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Fair Value of Financial Assets

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

	Fair Value Level	Valuation technique used to measure fair value	Balance Sheet	Fair Value	Balance Sheet	Fair Value
			31 March 2018 £'000	31 March 2018 £'000	31 March 2019 £'000	31 March 2019 £'000
<b>Financial Assets Held at Fair Value</b>						
Financial instruments classified as fair value through profit and loss:						
Money market funds	1	Unadjusted quoted prices in active markets for identical shares	5,002	5,002	13,010	13,010
Local Authorities' Property Fund	1	Unadjusted quoted prices in active markets for identical shares	4,873	4,873	4,949	4,949
<b>Total</b>			<b>9,875</b>	<b>9,875</b>	<b>17,959</b>	<b>17,959</b>

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

	Fair Value Level	Balance Sheet 31 March 2018 £'000	Fair Value 31 March 2018 £'000	Balance Sheet 31 March 2019 £'000	Fair Value 31 March 2019 £'000
<b>Financial Assets Held at Amortised Cost</b>					
Unquoted equity investment	3	982	982	982	982
Loans made for service purposes	2	1,170	1,170	3,358	3,358
Lease receivables	3	13,061	13,061	13,233	13,233
Short term investments	2	35,043	35,043	36,133	36,133
Cash (including bank accounts)	2	642	642	1,702	1,702
Short term debtors	3	4,229	4,229	3,800	3,800
<b>Total Financial Assets</b>		<b>55,127</b>	<b>55,127</b>	<b>59,208</b>	<b>59,208</b>
<b>Financial Liabilities Held at Amortised Cost</b>					
Long term loan from PWLB	2	56,906	75,227	59,035	78,581
Short term borrowing	2	10,029	9,926	10,099	10,022
Long term creditors	3	190	190	200	200
Capital grants receipts in advance	3	9,646	9,646	8,695	8,695
Short term creditors	3	19,257	19,257	23,406	23,406
<b>Total Financial Liabilities</b>		<b>96,028</b>	<b>114,246</b>	<b>101,435</b>	<b>120,904</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 21. SHORT TERM DEBTORS

	Restated		2018-19	
	2017-18	2017-18	2018-19	2018-19
	£'000	£'000	£'000	£'000
Trade Debtors	2,625		2,538	
Less impairment allowance	(526)		(665)	
<b>Trade Debtors</b>		<b>2,099</b>		<b>1,873</b>
Overpaid Housing Benefits	2,300		2,220	
Less impairment allowance	(746)		(923)	
<b>Overpaid Housing Benefits</b>		<b>1,554</b>		<b>1,297</b>
Rents - General and HRA	1,076		585	
Less impairment allowance	(732)		(350)	
<b>Rents - General and HRA</b>		<b>344</b>		<b>235</b>
Collection Fund amounts		3,986		2,571
VAT		628		956
Housing Benefit Subsidy		1,214		1,696
Other receivable amounts		3,346		1,797
Prepayments		1,512		689
Debtors of Strata Service Solutions Ltd		232		395
<b>Total Short Term Debtors</b>		<b>14,915</b>		<b>11,509</b>

The 2017/18 comparatives have been restated following the removal of the requirement to analyse debtor balances by public sector organisations.

### 22. DEBTORS FOR LOCAL TAXATION

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

	Restated		2018-19	
	2017-18	2017-18	2018-19	2018-19
	£'000	£'000	£'000	£'000
Less than 1 year	1,294		1,388	
Less impairment allowance	(405)		(412)	
<b>Less than 1 year</b>		<b>889</b>		<b>976</b>
Over 1 to 5 years	1,892		1,636	
Less impairment allowance	(753)		(683)	
<b>Over 1 to 5 years</b>		<b>1,139</b>		<b>953</b>
Over 5 to 10 years	88		208	
Less impairment allowance	(37)		(96)	
<b>Over 5 to 10 years</b>		<b>51</b>		<b>112</b>
Over 10 to 15 years	26		25	
Less impairment allowance	(5)		(6)	
<b>Over 10 to 15 years</b>		<b>21</b>		<b>19</b>
Over 15 years	16		18	
Less impairment allowance	(1)		(2)	
<b>Over 15 years</b>		<b>15</b>		<b>16</b>
<b>Total Debtors for Local Taxation</b>		<b>2,115</b>		<b>2,076</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 23. ASSETS HELD FOR SALE

	Current	
	2017-18	2018-19
	£'000s	£'000s
<b>Balance at 1 April</b>	<b>1,047</b>	<b>924</b>
Assets newly classified:		
Property, plant and equipment	797	818
Intangible assets	-	-
Other assets / liabilities	-	-
Revaluation losses	-	-
Revaluation gains	8	-
Impairment losses	-	-
Assets declassified:		
Property, plant and equipment	(188)	-
Intangible assets	-	-
Other assets / liabilities	-	-
Assets sold	(740)	(924)
Transfers between current and non-current	-	-
Other movements	-	-
<b>Balance at 31 March</b>	<b>924</b>	<b>818</b>

### 24. CASH AND CASH EQUIVALENTS

	2017-18	2018-19
	£'000	£'000
Cash held by the Council	15	16
Bank current accounts	118	1,242
Money Market Funds	5,002	13,010
Short-term investments	17,022	16,070
Short-term call accounts	6	6
Strata - Cash at bank and in hand	503	438
<b>Total cash and cash equivalents</b>	<b>22,666</b>	<b>30,782</b>

### 25. SHORT TERM CREDITORS

	Restated	
	2017-18	2018-19
	£'000	£'000
Trade Payables	1,220	706
Collection Fund amounts	8,491	11,027
Income in Advance	3,371	3,499
Other Payables	6,030	7,864
Creditors of Strata Service Solutions Ltd	145	310
<b>Total Short Term Creditors</b>	<b>19,257</b>	<b>23,406</b>

The 2017/18 comparatives have been restated following the removal of the requirement to analyse creditor balances by public sector organisations.

### 26. USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 11.

	2017-18	2018-19
Usable Reserve	£'000	£'000
General Fund Balance	4,691	4,394
Housing Revenue Account	10,469	10,300
Capital Receipts Reserve	14,011	15,927
Major Repairs Reserve	11,227	14,328
Earmarked Reserves	7,814	9,522
Capital Grants Unapplied	10,352	8,748
<b>Balance at 31 March</b>	<b>58,564</b>	<b>63,219</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 27. UNUSABLE RESERVES

	Restated	
	2017-18	2018-19
Unusable Reserve	£'000	£'000
Revaluation Reserve	152,198	155,921
Capital Adjustment Account	238,572	237,289
Financial Instrument Adjustment Account	(419)	(313)
Deferred Capital Receipts Reserve	13,194	13,367
Pensions Reserve	(113,568)	(112,032)
Collection Fund Adjustment Account	(1,441)	(62)
Accumulated Absences Account	(457)	(457)
<b>Total Unusable Reserves</b>	<b>288,079</b>	<b>293,713</b>

#### Revaluation Reserve

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

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

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

2017-18 Revaluation Reserve £'000	2018-19	
	£'000	£'000
130,209	Balance at 1 April	152,198
28,057	Upward revaluation of assets	23,366
	Downward revaluation of assets and impairment losses not charged to	
(2,290)	CIES	(14,917)
25,767	Surplus / (deficit) on revaluation	8,449
	Difference between fair value depreciation and historical cost	
(3,190)	depreciation	(3,926)
(588)	Accumulated gains on assets sold	(800)
(3,778)	Amount written off to CAA	(4,726)
<b>152,198</b>	<b>Balance at 31 March</b>	<b>155,921</b>

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

2017-18 Capital Adjustment Account £'000	2018-19 £'000    £'000	
235,229 Balance at 1 April		238,572
(10,491) Charges for depreciation and impairment of non-current assets	(16,441)	
(222) Amortisation of intangible assets	(251)	
(890) Revenue expenditure funded from capital under statute	(274)	
0 Capital loan loss allowance	(110)	
776 Amounts of non-current assets written-off on disposal or sale as part of the gain/loss on disposal	(1,900)	
(10,827)		(18,976)
3,191 Adjusting amounts to Revaluation reserve		3,926
Net amount written out of the cost of non-current assets in year		<b>223,522</b>
<b>227,593</b>		
<b>Capital finance applied in year:</b>		
2,025 Use of Capital Receipts Reserve	1,587	
552 Use of the Major Repairs Reserve	94	
1,532 Capital Grants and contributions applied - CIES	4,357	
548 Capital Grants and contributions applied - Capital Grants Unapplied Account	1,576	
648 Statutory provision for financing capital	608	
117 Voluntary provision for financing capital	423	
4,713 Capital Expenditure charged directly to the General Fund and HRA	4,701	
10,135		13,346
868 Movements in the market value of Investment Properties		214
74 Movement in the Donated Assets Account		209
(98) Repayment of Long Term Debtors		(2)
<b>238,572</b> Balance at 31 March		<b>237,289</b>

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

2017-18 Financial Instruments Adjustment Account £'000	2018-19 £'000    £'000	
(260) Balance at 1 April		(419)
(187) Balance at 1 April from Available for Sale Financial Instruments Reserve		
Statutory reversal of movements in Financial Instruments held at Fair Value through Profit and Loss	75	
0		75
Amount by which finance costs charged to CIES differ from finance costs charged in year under statute		31
<b>(419)</b> Balance at 31 March		<b>(313)</b>

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's

## NOTES TO THE FINANCIAL STATEMENTS

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

2017-18 Pensions Reserve £'000	2018-19 £'000
(121,060) Balance at 1 April	(113,568)
13,288 Remeasurements of the net defined benefit liability/(asset)	6,794
(9,827) Reversal of items relating to retirement benefits in the CIES	(9,479)
4,031 Employers pension contributions and direct payments to pensioners	4,221
<b>(113,568) Balance at 31 March</b>	<b>(112,032)</b>

### Deferred Capital Receipts Reserve

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

2017-18 Deferred Capital Receipts Reserve £'000	2018-19 £'000
11,594 Balance at 1 April	13,194
1,608 Transfer of Finance Lease Premium to CIES	175
(8) Transfer to Capital Receipts Reserve upon receipt of cash	(2)
<b>13,194 Balance at 31 March</b>	<b>13,367</b>

### Collection Fund Adjustment Account

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

2017-18 Collection Fund Adjustment Account £'000	2018-19 £'000
(104) Balance at 1 April	(1,441)
Amount by which council tax and NNDR income credited to CIES differs from that calculated for the year under statute	1,379
<b>(1,441) Balance at 31 March</b>	<b>(62)</b>

### Accumulated Absences Account

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

2017-18 Accumulated Absences Account £'000	2018-19 £'000
(476) Balance at 1 April	(457)
476 Settlement / cancellation of previous year's accrual	457
(457) Amounts accrued at the end of year	(457)
Amount by which remuneration charged to CIES differs from remuneration charged for the year	0
<b>(457) Balance at 31 March</b>	<b>(457)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 28. CASHFLOW STATEMENT – OPERATING ACTIVITIES

	2017-18	2018-19
	£'000	£'000
<b>Net (surplus) / deficit on provision of Services</b>	(14,074)	4,955
<b>Adjusted for non-cash movements:</b>		
Depreciation	(10,102)	(9,294)
Impairment	(389)	(7,146)
Amortisation	(222)	(250)
Investment (losses) / gains	0	0
Donated assets	74	210
Pension liability	(5,796)	(5,259)
Carrying amount of non-current assets sold	(3,085)	(2,878)
Movement in investment properties	868	214
Finance lease income	1,608	175
Other	1,034	1,423
Movement in inventories	11	(2)
Movement in debtors	4,634	(4,146)
Movement in creditors	(2,896)	(3,899)
<b>Items classified as investing and financing activities</b>		
Proceeds from the sale of property, plant & equipment	11,693	4,549
Items classified elsewhere	5,772	2,558
<b>Net cashflows from Operating Activities</b>	<b>(10,870)</b>	<b>(18,790)</b>

### 29. CASHFLOW STATEMENT – INVESTING ACTIVITIES

	2017-18	2018-19
	£'000	£'000
Purchase of non-current assets	11,321	13,117
Purchase of short and long-term investments	218,200	200,000
Other payments for investing activities	2,075	2,070
Proceeds from the sale of non-current assets	(11,693)	(4,549)
Proceeds of short and long-term investments	(200,200)	(191,000)
Other receipts for investing activities	(8,026)	(4,933)
<b>Net cash flows from investing activities</b>	<b>11,677</b>	<b>14,705</b>

### 30. CASHFLOW STATEMENT – FINANCING ACTIVITIES

	2017-18	2018-19
	£'000	£'000
Cash receipts of short and long-term borrowing	(10,000)	(2,200)
Other receipts for financing activities	(2,385)	(1,831)
Cash payments for the reduction of liabilities relating to finance leases	-	-
Repayments of short and long-term borrowing	10,000	-
Other payments for financing activities	-	-
<b>Net cash flows from financing activities</b>	<b>(2,385)</b>	<b>(4,031)</b>

### 31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The total of Financing cash flows of £4.031m reconciles to the movement in borrowings in the Balance Sheet of £2.200m, because the cash-flow figure includes £1.831m in respect of Collection Fund cash-flows. 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:

	2017-18	2018-19
	£'000	£'000
Salaries	9	9
Allowances	311	333
Expenses	-	-
<b>Total</b>	<b>320</b>	<b>342</b>

### 33. OFFICER REMUNERATION

The table below sets out the remuneration paid to or receivable by the authority's Council's Strategic Management Board.

	Salary, fees & allowances	Expenses	Taxable Benefits	Compensation for Loss of Office	Total Remuneration	Employers Pension Contributions (inc. strain payments)	Total
<b>2018-19</b>							
Chief Executive & Growth Director	114,455	295	-	-	<b>114,750</b>	18,025	<b>132,775</b>
Director	81,600		-	-	<b>81,600</b>	12,830	<b>94,430</b>
Director	81,600	194	-	-	<b>81,794</b>	12,830	<b>94,624</b>
Director	81,600		-	-	<b>81,600</b>	12,830	<b>94,430</b>
Director (formerly Communications Director)	81,600	96	-	-	<b>81,696</b>	12,300	<b>93,996</b>
Chief Finance Officer	76,500	10	-	-	<b>76,510</b>	12,087	<b>88,597</b>
City Solicitor & HR	71,510	16	-	-	<b>71,526</b>	11,243	<b>82,769</b>
City Surveyor	59,433		-	-	<b>59,433</b>	9,350	<b>68,783</b>
Corporate Manager - Executive Support	59,593	55	-	-	<b>59,648</b>	9,362	<b>69,010</b>
Corporate Manager - Democratic/Civic Support *	59,543	193	-	-	<b>59,736</b>	9,362	<b>69,098</b>

\*Additional £4,482 allowance, £9 expenses and £708 employers pension contributions receivable in respect of Returning Officer duties

## NOTES TO THE FINANCIAL STATEMENTS

	Salary, fees & allowances	Expenses	Taxable Benefits	Compensation for Loss of Office	Total Remuneration	Employers Pension Contributions (inc. strain payments)	Total
<b>2017-18</b>							
Chief Executive & Growth Director	112,211	214	-	-	<b>112,425</b>	17,729	<b>130,154</b>
Deputy Chief Executive (0.80 FTE) *	73,251	112	-	76,093	<b>149,456</b>	17,841	<b>167,297</b>
Director	80,000	160	-	-	<b>80,160</b>	12,640	<b>92,800</b>
Director (started 31/07/2017)	53,548	116	-	-	<b>53,664</b>	8,461	<b>62,125</b>
Director (started 14/08/2017)	50,538	-	-	-	<b>50,538</b>	7,985	<b>58,523</b>
Communications Director	70,000	153	-	-	<b>70,153</b>	11,060	<b>81,213</b>
Chief Finance Officer	75,000	59	-	-	<b>75,059</b>	11,850	<b>86,909</b>
City Solicitor & HR	70,000	76	-	-	<b>70,076</b>	11,060	<b>81,136</b>
City Surveyor	58,268	-	-	-	<b>58,268</b>	9,206	<b>67,474</b>
Corporate Manager - Executive Support	58,488	465	-	-	<b>58,953</b>	9,241	<b>68,194</b>
Corporate Manager - Democratic/Civic Support **	58,378	206	-	-	<b>58,584</b>	9,224	<b>67,808</b>

\*Redundancy agreed during 2017/18

\*\*Additional £12,034 allowance and £2,193 employers pension contributions receivable in respect of Returning Officer duties

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

Remuneration band	Number of employees	
	2017-18	2018-19
£50,000 - £54,999	2	4
£55,000 - £59,999	-	4
£60,000 - £64,999	-	1
£65,000 - £69,999	1	-
£70,000 - £74,999	-	1
£75,000 - £79,999	-	-
£80,000 - £84,999	-	1
£85,000 - £89,999	-	1
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	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 £339,264 has been charged to the Comprehensive Income and Expenditure Statement in 2018/19.

Exit Package Cost Band	Number of employees		Total Cost of exit packages in each band	
	2017-18	2018-19	2017-18 £'000	2018-19 £'000
<b>Compulsory Redundancies</b>				
Less than £20,000	-	3	-	31
£20,001 - £39,999	2	2	48	56
£40,000 - £59,999	-	-	-	-
£60,000 - £79,999	-	1	-	63
£80,000 - £99,999	-	1	-	93
<b>Other Departures Agreed</b>				
Less than £20,000	1	2	13	29
£20,001 - £39,999	-	2	-	67
£40,000 - £59,999	-	-	-	-
£60,000 - £79,999	-	-	-	-
£80,000 - £99,999	1	-	82	0
<b>Total</b>	<b>4</b>	<b>11</b>	<b>143</b>	<b>339</b>

### 35. EXTERNAL AUDIT COSTS

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

	2017-18 £'000	2018-19 £'000
Core Audit Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	58	45
Fees payable to KPMG for the certification of grant claims and returns	19	19
<b>Total</b>	<b>77</b>	<b>64</b>

### 36. GRANTS, CONTRIBUTIONS AND DONATIONS

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

	2017-18 £'000	2018-19 £'000
<b>Credited to Taxation and non-specific grant income</b>		
Council taxpayers	(5,350)	(5,604)
Revenue Support Grant	(1,329)	(62)
New Homes Bonus	(3,597)	(2,591)
NDR	(4,899)	(8,724)
Community Infrastructure Levy	(191)	(474)
Other Capital Grants & Contributions	(8,421)	(4,789)
<b>Total</b>	<b>(23,787)</b>	<b>(22,244)</b>
<b>Credited to Services</b>		
Benefit Subsidy	(35,931)	(34,616)
NDR Cost of Collection	(216)	(216)
CT/HB Admin Grant	(624)	(539)
Other Grants and Contributions	(2,597)	(3,983)
<b>Total</b>	<b>(39,368)</b>	<b>(39,354)</b>

## 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:

	2017-18	2018-19
Capital Grants receipts in advance	£'000	£'000
Land at Beacon Avenue	(5)	(6)
Environmental Cont - Rydon Lane	(7)	0
Community Facility - Western Way	(45)	(5)
Community Facility - Newcourt	(357)	(360)
Local Energy Networks	-	(27)
Affordable Housing - Newcourt	(251)	(253)
Affordable Housing - Cowick St	(132)	0
Affordable Housing - Earls Park	(924)	-
Affordable Housing - Holland Park	(318)	(183)
Affordable Housing - Bishops Court	-	(101)
Affordable Housing - Millbrook Village	-	(320)
Affordable Housing - Pinhoe	-	(454)
Extracare - St Loyes	(5,321)	(5,371)
Leisure Contribution - Earls Park	(29)	(19)
Leisure Contribution - St Loyes	(283)	(285)
Leisure Contribution - Hill Barton	(65)	(5)
Leisure Contribution - Newcourt	(529)	(536)
Leisure Contribution - Holland Park	(68)	(54)
Leisure Contribution - Rydon Lawns	(17)	(11)
Leisure Contribution - Kingfisher House	(36)	-
Leisure Contribution - Harrington Lane	(264)	-
Leisure Contribution - Monkerton	(152)	(89)
Leisure Contribution - Rydon Place	(181)	(182)
Leisure Contribution - Bishops Court	(531)	(296)
Leisure Contribution - Tithebarn Green	-	(58)
Other Grants	(131)	(80)
<b>Total</b>	<b>(9,646)</b>	<b>(8,695)</b>

## 37. RELATED PARTIES

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

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

**Council Members** – have direct control over the council's financial and operating policies. The total of member allowances paid in 2018/19 is shown in Note 32. During the financial year, the Council paid grants to organisations totalling £288,356 (£332,025 2017/18) in which five 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 £86,088 were also made to organisations in which five members had an interest in respect of goods and services.

**Officers** – during 2018/19, the Chief Executive & Growth Director declared a pecuniary interest in accordance with Section 117 of the Local Government Act 1972 on the formation of Exeter City Group Ltd, due to their appointment as a Director (up to 6 July 2018) and did not take part in any discussion or decision relating to the establishment of the group.

## 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**

During 2018/19 the Council established Exeter City Group Ltd (holding company) and Exeter City Living Ltd (housing development company), which are subsidiary companies due to the Council's 100% shareholding in the group. 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. The Council provided a 25 year loan of £2.2m on 11 January 2019 in order to implement the Year 1 business plan to Exeter City Living Ltd with a further £2.15m loan to be advanced in April 2019.

#### **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 £127,109 as at 31 March 2019 (£116,248 as at 31 March 18).

#### **Exeter Canal and Quay Trust Ltd**

Exeter Canal and Quay Trust (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 (£30,857 in 2018/19). ECQT also contributed £80,560 towards Council costs mostly in respect of running the Quay House Visitors 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.

#### **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 2018/19 the authority incurred expenditure of £124,750 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 low carbon energy projects across Devon 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 2018/19.

## 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:

	Accumulative to 2017-18 £'000's	In Year 2018-19 £'000's
<b>Adjustments to CIES</b>		
Fees	(7,836)	(2,515)
Cost of sales	3,670	1,173
Admin expenses	5,302	1,910
Transfer of pension scheme liability	1,136	0
<b>Cost of Services</b>	<b>2,272</b>	<b>568</b>
Loss/(Gain) on disposal of assets	(159)	2
Net interest on the net defined benefit liability	183	61
Interest receivable	(9)	(3)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>2,287</b>	<b>628</b>
Remeasurement of the net defined benefit liability	700	(143)
<b>Total CIES</b>	<b>2,987</b>	<b>485</b>
	Accumulative to 2017-18 £'000's	In Year 2018-19 £'000's
<b>Adjustments to Balance Sheet</b>		
Property, plant & equipment	284	(34)
Intangible assets	601	(55)
Investment in Strata removed upon consolidation and replaced with proportional share of assets and liabilities	(1,970)	(245)
<b>Total Long Term Assets</b>	<b>(1,085)</b>	<b>(334)</b>
Inventories	5	(1)
Short Term Debtors	232	163
Cash & cash equivalents	503	(65)
<b>Total Current Assets</b>	<b>740</b>	<b>97</b>
Short Term Creditors	(145)	(165)
<b>Total Current Liabilities</b>	<b>(145)</b>	<b>(165)</b>
Capital Grants Receipts in Advance	(71)	0
Pension Scheme Liability	(2,426)	(83)
<b>Total Long Term Liabilities</b>	<b>(2,497)</b>	<b>(83)</b>
<b>Net assets</b>	<b>(2,987)</b>	<b>(485)</b>
Financed by:		
Usable Reserves	284	(9)
Unusable Reserves	(3,271)	(476)
<b>Total Reserves</b>	<b>(2,987)</b>	<b>(485)</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 39. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2017-18	2018-19
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>90,269</b>	<b>88,075</b>
<b>Capital Investment</b>		
Intangible Assets		
Property, Plant and Equipment	11,009	15,516
Investment Properties	-	-
Long Term Debtors	26	2,218
Long Term Investments	200	-
REFCUS	652	1,040
<b>Sources of Finance</b>		
Capital Receipts	(2,026)	(1,587)
Government grants and other contributions	(2,544)	(6,453)
Sums set aside from revenue	(5,264)	(4,795)
Minimum Revenue Provision	(648)	(608)
Voluntary Revenue Provision	(117)	(423)
Repayment of Long Term Debtors	(3,482)	1,626
<b>Closing Capital Financing Requirement</b>	<b>88,075</b>	<b>94,609</b>

<b>Explanation of movements in year</b>		
Increase in underlying need to borrow (unsupported by Government financial assistance)	(2,194)	6,534
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(2,194)</b>	<b>6,534</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 40. LEASES

#### Council as a Lessee

##### Finance Leases

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

In respect of investment properties, there are fifteen assets, which have been leased in under finance leases, owing to the length of the lease. However, none of the fifteen leases attracted a lease premium payment, nor is there an annual lease payment due. The assets therefore have been initially recognised in the accounts at zero, being the lower of the net present value of the lease payments or the fair value of the asset. Where appropriate the assets have been revalued to reflect the value to the Council of the lease, were the Council to sell it at market value.

The Council therefore has no minimum lease payments in respect of finance leases.

##### Operating Leases

The Council holds some capital assets, principally property, plant and equipment under operating lease agreements. The majority of the lease payments represent rent payments to property owners who have provided property on short term lease arrangements (3-5 years) for temporary accommodation. Rental payments made in the year amounted to £488,031 (2017/18 £613,145).

The future minimum lease payments due under non-cancellable leases in 2019/20 can be broken down as follows:

	£'000
Not later than one year	47
2 - 5 Years	25
5+ Years	-

Future minimum lease payments are lower than previous years, as most short term leases for temporary accommodation have moved to periodic leases that provide for either party to terminate the lease with 3 months' notice, following the end of their original fixed lease term.

## NOTES TO THE FINANCIAL STATEMENTS

### Council as a Lessor

#### Finance Leases

The Authority has fifty 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:

	2017-18 £'000	2018-19 £'000
Finance Lease Debtor		
• Current	129	131
• Non-current	13,061	13,234
Unearned finance income	13,190	13,366
Unguaranteed Residual Value	24,953	24,890
<b>Gross investment in Lease</b>	<b>38,143</b>	<b>38,256</b>
<b>Minimum lease payments are:</b>		
5 + Years	657	666

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.

#### Operating Leases

The Council leases out approximately 350 commercial premises. Net investment income totalling £2,609,219 has been received in respect of these properties during 2018/19 (£2,466,856 in 2017/18).

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

	£'000
Not later than one year	2,900
2 - 5 Years	9,662
5+ Years	143,544

Note 17 sets out the value of the investment properties in the accounts. As they are investment properties, they are carried at their fair value and no depreciation is charged.

## NOTES TO THE FINANCIAL STATEMENTS

### 41. IMPAIRMENT LOSSES AND REVERSALS

During 2018/19, the Council recognised impairment losses of £7.2m in relation to its council dwellings and operational land and buildings. Impairment losses of £20k 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:

- 2018/19 saw the completion of 26 high quality new units for Exeter's social tenants at Chester Long Court. The total construction cost of these units was £4m, however, the tenanted market value of these properties is only £1.3m resulting in an impairment of £2.7m
- The Council also purchased four dwellings during the year for use as social housing, the tenanted value of these properties was £360k less than the market value.
- Substantial works have been carried out by developers in 2018/19 providing two new stands and improved facilities at St James Park, however, the value of the grounds remains largely unchanged. These works were carried out to improve the facilities offered and address some health and safety issues. The value of the premises in existing use is based on turnover and this has not altered significantly.
- St Nicholas Priory has been leased to Exeter Historic Buildings Trust for 99 years, this has significantly reduced the value of the asset held by Exeter City Council.

The impairment reversals reflect an upward movement in market yield.

The impairments are reflected in Note 16 which reconciles the movement over the year in the Property, Plant and Equipment balances.

## NOTES TO THE FINANCIAL STATEMENTS

### 42. DEFINED BENEFIT PENSION SCHEMES

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.
- Although the Council participates in the Local Government Pension Scheme, a number of early retirements mean that there is an element of unfunded liabilities for the Council to cover.
- The Pension Reserve shows the City Council's current deficit in the Devon County Council Pension Fund. The figure has been derived from an actuarial valuation as at 31 March 2016 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 2016 and has been updated by Barnett Waddingham, independent actuaries to the Devon County Council Pension Fund as at 31 March 2019.

To assess the value of the liabilities at 31 March 2019, the actuaries have rolled forward the value of the Employer's liabilities calculated for the funding valuations as at 31 March 2016, using financial assumptions that comply with IAS 19.

To calculate the asset share the actuaries have rolled forward the assets at 31 March 2016 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 over the accounting period was 15.8% of pensionable pay. The contribution rates certified for Exeter City Council at 31 March 2019 valuation are as follows:

#### Future Service Pay

April 2019 to March 2020	15.8% of pensionable pay
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#### Past Service Deficit

April 2019 to March 2020	£1.357 million
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The estimated value of employer contributions for 2019-20 is £3.695m.

## NOTES TO THE FINANCIAL STATEMENTS

### Local Government Pension Scheme Assets Comprised:

Asset Share	2017-18		2018-19	
	£'000	%	£'000	%
Equities	26,456	24	21,143	22
Overseas Equities	45,671	34	54,895	34
Infrastructure	4,425	4	4,838	4
Gifts	3,878	3	4,148	3
Other Bonds	2,522	3	2,470	2
Property	11,483	9	11,523	9
Cash	3,014	3	2,189	3
Target Return Portfolio	18,429	15	18,384	16
Alternative Assets	6,703	5	6,887	6
Private Equity	821	0	2,150	1
<b>Total</b>	<b>123,402</b>	<b>100</b>	<b>128,627</b>	<b>100</b>

### Significant Assumptions used by the Actuary:

	2017-18	2018-19
Discount rate for scheme liabilities	2.55% pa	2.4% pa
Rate of increase in salaries	3.8% pa	3.9% pa
Rate of increase in pensions	2.3% pa	2.4% pa
Rate of inflation - RPI	3.3% pa	3.4% pa
- CPI	2.3% pa	2.4% pa
Longevity at 65 - current pensioners		
Men	23.5	22.4
Women	25.6	24.4
Longevity at 65 - future pensioners		
Men	25.7	24.1
Women	27.9	26.2
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 is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out via the Movement in Reserves Statement as follows:

CIES	2017-18 £'000	2018-19 £'000
<b>Net Service Cost</b>		
Current Service Cost	6,316	6,194
Loss / (Gain) on curtailment	228	236
(Gain) / Loss from Settlements	-	115
<b>Other Operating Expenditure</b>		
Administration expenses	64	81
<i>Financing and Investment Income and Expenditure</i>		
Net Interest on the net defined benefit liability	3,219	2,853
	<b>9,827</b>	<b>9,479</b>
<b>Movement in Reserves Statement</b>		
Reversal of net charges	(9,827)	(9,479)
Employers contributions	4,031	4,221

## NOTES TO THE FINANCIAL STATEMENTS

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

	2017-18 £'000	2018-19 £'000
Opening fair value of assets	117,610	120,827
Opening fair value of Strata assets	2,341	2,575
Interest income	3,223	3,130
Re-measurement gains / losses	1,681	4,116
Administration expenses	(64)	(81)
Contributions by the employer	4,362	4,242
Contributions by participants	995	1,055
Net benefits paid out	(6,746)	(7,396)
Settlement prices received / (paid)	-	159
<b>Closing fair value of assets</b>	<b>123,402</b>	<b>128,627</b>

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

	2017-18 £'000	2018-19 £'000
Opening present value of liabilities	236,182	231,969
Opening present value of Strata liabilities	4,829	5,001
Current service cost	6,316	6,194
Interest cost	6,441	5,984
Contributions by participants	995	1,055
<i>Re-measurement (gains) and losses:</i>		
Change in demographic assumptions	-	(13,577)
Change in financial assumptions	(11,275)	10,920
Experience loss (gain)	-	-
Benefits paid out	(6,479)	(7,138)
Past service cost, including curtailments	228	236
Liabilities assumed / (extinguished) on settlements	-	274
Unfunded pension payments	(267)	(258)
<b>Closing present value of liabilities</b>	<b>236,970</b>	<b>240,660</b>

## NOTES TO THE FINANCIAL STATEMENTS

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

	2017-18 £'000	2018-19 £'000
Present Value of defined benefit obligations	236,970	240,660
Fair Value of Scheme Assets	(123,402)	(128,627)
<b>Net liability arising from defined benefit obligation</b>	<b>113,568</b>	<b>112,033</b>

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)	249,805	231,861
Rate of increase in salaries (increase or decrease by 1%)	241,096	240,227
Rate of increase in pensions (increase or decrease by 1%)	244,701	236,693
Rate for discounting scheme liabilities (increase or decrease by 1%)	236,265	245,141

### 43. CHARITABLE AND TRUST FUNDS

The Council administers 6 charitable/trust funds related to Leisure and Museum services, principally from legacies left by individual Exeter inhabitants over a period of years.

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

The funds are:

	Value of fund at 31 March 2018 £'000	Expenditure £'000	Income £'000	Value of fund at 31 March 2019 £'000
Reynolds Chard Bequest	416	-	9	425
Veitch Bequest	22	-	-	22
Dorothy Holman Trust	26	-	-	26
Bowling Green Marshes	1	-	-	1
Topsham Recreation Ground	17	-	-	17
King George Playing Field Trust	14	(25)	28	17
	<b>496</b>	<b>(25)</b>	<b>37</b>	<b>508</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 44. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

#### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the annual investment strategy. The Council's latest Treasury Management Strategy, incorporating the Annual Investment Strategy was approved on 26 February 2019.

#### 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.

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

## NOTES TO THE FINANCIAL STATEMENTS

Asset Type	Credit Risk Management Practice	Estimation of Impairment Loss Allowance
Loans to businesses and voluntary organisations	<p>Loans are subject to internal credit risk assessment, based on audited accounts, match funding secured or management accounts.</p> <p>Loans are treated as credit impaired where the borrower defaults on the terms of the loan or there is evidence of significant financial difficulties.</p> <p>Balances are not written off until there is no realistic prospect of recovery.</p>	<p>12 month expected credit losses have been calculated in respect of loans where the credit risk has not increased significantly, using a probability of default approach.</p> <p>Lifetime expected credit losses have been calculated in respect of loans where the credit risk has increased significantly, i.e. when default has occurred, using probability weighted outcomes.</p>
<p>Short term investments:</p> <p>Loans to other local authorities</p> <p>Investments with banks and building societies</p>	<p>Investments guaranteed by statute - no credit risk</p> <p>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.</p> <p>Consideration is given to recalling any existing investments when an institution has been downgraded</p>	<p>No allowance required</p> <p>12 month expected credit losses are calculated applying risk factors provided by the Council's treasury management advisers, Link Asset Services.</p>
Sundry debtors	<p>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:</p> <ul style="list-style-type: none"> <li>- Trade receivables</li> <li>- Recovery of overpaid housing benefits</li> <li>- Council Tax and NDR</li> </ul> <p>Balances are not written off until all debt recovery actions have been taken and there is no realistic prospect of recovery</p>	<p>Trade receivables &amp; recovery of overpaid housing benefits - Expected credit losses are calculated using provision matrices based on historical data in respect of aged debt, adjusted for projections on forward looking estimates.</p> <p>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.</p>

## 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 for assets originated or acquired	Allowance for assets de- recognised	Assets switching measurement basis	Changes in models/risk parameters	Allowance at 31 March 2019
	£'000	£'000	£'000	£'000	£'000
<b>Deposits with bank and building societies</b>					
12-month expected credit losses	-	-	-	-	-
<b>Loans to business and voluntary organisations</b>					
12-month expected credit losses	-	-	-	25	<b>25</b>
Lifetime expected credit losses	-	-	-	85	<b>85</b>
<b>Other debtors</b>					
Sundry debtors	<b>526</b>	-	-	139	<b>665</b>
Overpaid Housing Benefits	<b>746</b>	-	-	177	<b>923</b>
Housing rents	<b>732</b>	-	-	(382)	<b>350</b>
Council Tax and NDR	<b>1,201</b>	-	-	(2)	<b>1,199</b>
<b>Total Loss Allowances</b>	<b>3,205</b>	-	-	<b>42</b>	<b>3,247</b>

## NOTES TO THE FINANCIAL STATEMENTS

### Credit Risk Exposure

The authority has the following exposure to credit risk at 31 March 2019:

	Credit risk rating	Gross carrying amount
		£'000
<b>Deposits with bank and building societies</b>		
12-month expected credit losses	Low	3,008
<b>Loans to business and voluntary organisations</b>		
12-month expected credit losses	Low	1,106
Lifetime expected credit losses	High	217
<b>Other debtors</b>		
Sundry debtors	Other *	2,538
Overpaid Housing Benefits	Other *	2,220
Housing rents	Other *	585
Council Tax and NDR	Other *	3,275
<b>Total amount exposed to credit risk</b>		<b>12,949</b>

#### \* Credit risk rating – Other

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

### 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. The Council has two long-term loans. The first was taken out on 28 March 2012 to cover the HRA self-financing payment and is not due for repayment until 2062. The second loan was taken out to provide funding to Exeter City Living Ltd on 11 January 2019, repayable by half yearly annuity up to 2043. A short term loan of £10m is due to be repaid in December 2019. All trade and other payables are due to be paid in less than one year.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 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 2019 the interest rates are 1% higher than the actual interest rates the financial impact would be:

#### **Borrowing:**

The Council has one short term and two long term borrowing arrangements. As at 31 March 2019, the Council had a £10m short term fixed rate loan with another local authority; a 1% increase in interest rates would increase the cost by £100,000 per annum. The Council also has two fixed rate long-term loans with the PWLB, which are due to mature in 2044 and 2062 respectively. A 1% increase in interest rates would increase the cost of borrowing by £590,840 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 £36m a 1% increase in interest rates would increase interest receivable by £360,000. The impact of a 1% fall in interest rates would be the same, but with the movements being reversed.

## NOTES TO THE FINANCIAL STATEMENTS

### 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 £13.010m 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, a new regulation 30K has been added to the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003, which requires 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.

	2017-18	2018-19
	£'000	£'000
<b>Income</b>		
Fees and Charges	(79)	(77)
	<b>(79)</b>	<b>(77)</b>
<b>Expenditure</b>		
Employees	38	54
Premises	90	60
Supplies and Services	32	32
Transport	14	13
Capital Charges	2	2
	<b>176</b>	<b>161</b>
<b>Net cost of Harbour Activities as included in the Comprehensive Income and Expenditure Statement</b>	<b>97</b>	<b>84</b>

### 46. CONTINGENT ASSETS

The Council has an outstanding claim in respect of the re-development of the Royal Albert Memorial Museum. An independent arbitrator has been appointed, who will set out the process and timetable in order for the arbitrator to reach a decision. The timing and outcome of the claim is uncertain at this stage and no provision has therefore been made in the accounts.

## GROUP ACCOUNTS

The Code sets out a requirement to prepare Group Accounts where the authority has interests in subsidiaries, associates and/or joint ventures, subject to consideration of materiality. As at 31 March 2019, the authority has the following interests (please also refer to Note 37, Related Parties, for more information):

### Composition of the Group:

Entity	Purpose	Significant judgements	Relationship with the Exeter City Council	Accounting	Materiality
Exeter City Group Ltd and Exeter City Living Ltd	Housing development company to sell homes on the open market, to tackle housing needs in Exeter and to improve the provision of quality homes	100% shareholding	Subsidiary	Line-by-line consolidation of assets, liabilities, income and expenditure	<b>Material</b> 2018/19 is the first year of trading for the company with the largest item for consolidation of £1.4m work in progress and a loss of £253k for Year 1, as sales are not expected to complete until 2019/20
Exeter Canal and Quay Trust Ltd	Charitable status and its main objectives are to preserve and develop Exeter Canal and Quay area	The company is limited by guarantee and the Council has significant influence through its representation on the board	Associate	Equity method	<b>Not material</b> The Council has significant influence but no interest in the net assets of the charity and no rights to the profits
Exeter Business Centre Ltd	Main purpose is the letting of affordable business units to support small businesses	100% shareholding	Subsidiary	Line-by-line consolidation of assets, liabilities, income and expenditure	<b>Not material</b> Largest item for consolidation is turnover of £200k (17/18) and net assets of £116k (17/18) and £223k turnover (18/19) and net assets of £127k (18/19)
Exeter Science Park Ltd	Principal activity is to ensure the successful delivery of the Science Park by enabling the market for the Science Park to be developed through connections with the knowledge base at the University of Exeter, the Met Office and the Peninsula College of Medicine and Dentistry	19.9% ownership interest and significant influence through its representation on the board	Associate	Equity accounting	<b>Not material</b> Accounts to 31 March 2018 show Council's equity share at £71k profit and (£337k) net liabilities and draft accounts to 31 March 2019 show Council's equity share of loss at (£55k) and (£392k) net liabilities
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 inward investment decisions	Joint Venture	Equity method	<b>Not material</b> Accounts to 31 March 2017 show Council's equity share at nil profit/loss and £5k net assets and remains the same at 31 December 2018 at nil profit/loss and £5k net assets
Monkerton Heat Company Ltd	Set up to facilitate the formation of a district heating network, as part of planning requirements relating to five major residential developments at Monkerton	16.66% shareholding with significant influence due to representation on the board	Associate	Equity accounting	<b>Not material</b> The company is deemed to be a dormant company with no transactions to recognise

## GROUP ACCOUNTS

### Non Material Interests

As set out in the previous table, the authority has applied judgement in respect of materiality (both singly and in aggregate) and assessed that its interests in Exeter Canal and Quay Trust, 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 2019 can be obtained from Exeter City Living Ltd, Civic Centre, Paris Street, Exeter, EX1 1JN.

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

During 2018/19 the Council established Exeter City Group Ltd (holding company) and Exeter City Living Ltd (housing development company), which are subsidiary companies due to the Council's 100% shareholding in the group. 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.

Exeter City Living's first year has got off to a flying start with the commencement of two housing developments at Anthony Rd and Thornpark Rise set to deliver 12 new passivhaus homes for sale. The three new homes at Anthony Rd have reached roof level and will be completed by September 2019 and work is progressing steadily at Thornpark Rise with 2 homes completed to roof level and 8 homes rapidly coming out of the ground. Works at Thornpark Rise are scheduled to be completed in February 2020.

Exeter City Living's 2nd Year Business Plan received Full Council Approval in February 2019, this consolidates the development work that has commenced to date as well as developments at Hamlin Gardens and Bovermoors Lane which will deliver a further 31 new homes.

### Accounting Policies

The Group Accounts have been prepared using consistent accounting policies.



## GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance (£'000)	Earmarked Reserves (£'000)	Housing Revenue Account (£'000)	Capital Receipts Reserve (£'000)	Major Repairs Reserve (£'000)	Capital Grants Unapplied (£'000)	Council's share of Reserves of Subsidiary (£'000)	Total Usable Reserves (£'000)	Unusable Reserves (£'000)	Total Authority Reserves (£'000)
<b>Balance at 31 March 2018 carried forward</b>	<b>(4,691)</b>	<b>(7,814)</b>	<b>(10,469)</b>	<b>(14,011)</b>	<b>(11,227)</b>	<b>(10,352)</b>	<b>0</b>	<b>(58,564)</b>	<b>(288,079)</b>	<b>(346,643)</b>
Reclassification of financial instruments (Note 20)	187	0	0	0	0	0	0	187	(187)	0
Statutory reversal for pooled investment funds	(187)	0	0	0	0	0	0	(187)	187	0
<b>Adjusted Balance at 1 April 2018</b>	<b>(4,691)</b>	<b>(7,814)</b>	<b>(10,469)</b>	<b>(14,011)</b>	<b>(11,227)</b>	<b>(10,352)</b>	<b>0</b>	<b>(58,564)</b>	<b>(288,079)</b>	<b>(346,643)</b>
<b>Movement in Reserves 2018-2019</b>										
Total Comprehensive Income & Expenditure	8,817	0	(3,140)	0	0	0	138	5,815	(15,243)	(9,428)
Adjustments between Accounting basis and funding basis under statutory provisions (note 12)	(9,507)	0	3,309	(1,916)	(3,101)	1,605	0	(9,610)	9,610	0
Transfers to / (from) Earmarked Reserves	1,708	(1,708)	0	0	0	0	0	0	0	0
<b>(Increase) / Decrease in 2018-2019</b>	<b>1,018</b>	<b>(1,708)</b>	<b>169</b>	<b>(1,916)</b>	<b>(3,101)</b>	<b>1,605</b>	<b>138</b>	<b>(3,795)</b>	<b>(5,633)</b>	<b>(9,428)</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>(3,673)</b>	<b>(9,522)</b>	<b>(10,300)</b>	<b>(15,927)</b>	<b>(14,328)</b>	<b>(8,747)</b>	<b>138</b>	<b>(62,359)</b>	<b>(293,713)</b>	<b>(356,072)</b>

## GROUP BALANCE SHEET

Restated 2017-18 £'000	2018-19 £'000	Note
414,118 Property, Plant and Equipment	419,201	
39,942 Investment Property	40,144	
22,643 Heritage Assets	22,643	
601 Intangible Assets	546	
5,855 Long Term Investments	5,931	1
14,231 Long Term Debtors	14,469	1
<b>497,389 Total Long-Term Assets</b>	<b>502,934</b>	
209 Inventories	1,015	2
17,030 Short-Term Debtors	13,631	1
18,021 Short-Term Investments	20,063	1
924 Assets Held for Sale	818	
22,666 Cash & Cash Equivalents	31,509	1 & 3
<b>58,849 Total Current Assets</b>	<b>67,037</b>	
(10,029) Short-Term Borrowing	(10,099)	
(19,257) Short-Term Creditors	(23,726)	
0 Provisions	(110)	
<b>(29,285) Total Current Liabilities</b>	<b>(33,935)</b>	
(56,906) Long term borrowing	(59,035)	
(9,646) Capital Grants Receipts in Advance	(8,695)	
(190) Long-Term Creditors	(200)	
(113,568) Pension Scheme Liability	(112,033)	
<b>(180,309) Total Long-Term Liabilities</b>	<b>(179,965)</b>	
<b>346,643 Net Assets</b>	<b>356,072</b>	
<b>Financed by:</b>		
58,564 Usable Reserves	62,359	
288,079 Unusable Reserves	293,713	
<b>346,643 Total Reserves</b>	<b>356,072</b>	

These financial statements are unaudited and may be subject to change. Responsible Financial Officer, Dave Hodgson, on 29 May 2019



**Dave Hodgson, CPFA, Chief Finance Officer**

## GROUP CASHFLOW STATEMENT

Restated 2017-18 £'000	2018-19 £'000	Notes
(14,074) Net (surplus) or deficit on the provision of services	5,815	
Adjustments to net surplus or deficit on the provision of services for non-cash		
(14,261) movements	(30,239)	
Adjustments for items included in the net surplus or deficit on the provision of		
17,465 services that are investing and financing activities	6,503	
<b>(10,870) Net cashflows from Operating Activities</b>	<b>(17,921)</b>	
11,677 Investing Activities	13,109	4
(2,385) Financing Activities	(4,031)	
<b>(1,578) Net (Increase) or decrease in cash and cash equivalents</b>	<b>(8,843)</b>	
<b>21,088 Cash and cash equivalents at the beginning of the reporting period</b>	<b>22,666</b>	
<b>22,666 Cash and cash equivalents at the end of the reporting period</b>	<b>31,509</b>	

## GROUP NOTES TO THE ACCOUNTS

### 1. FINANCIAL INSTRUMENTS

	Long-term				Current			
	Investments		Debtors		Investments		Debtors	
	31 March 2018	31 March 2019						
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial Assets</b>								
Fair value through profit or loss	4,873	4,949	-	-	5,002	13,010	-	-
Amortised cost	982	982	14,231	14,469	35,685	38,562	3,800	3,846
Fair value through other comprehensive income - designated equity instruments	-	-	-	-	-	-	-	-
Fair value through other comprehensive income - other	-	-	-	-	-	-	-	-
<b>Total Financial Assets</b>	<b>5,855</b>	<b>5,931</b>	<b>14,231</b>	<b>14,469</b>	<b>40,687</b>	<b>51,572</b>	<b>3,800</b>	<b>3,846</b>
Non-financial assets	-	-	-	-	-	-	13,230	9,785
<b>Total</b>	<b>5,855</b>	<b>5,931</b>	<b>14,231</b>	<b>14,469</b>	<b>40,687</b>	<b>51,572</b>	<b>17,030</b>	<b>13,631</b>

	Fair Value Level	Balance Sheet		Balance Sheet	
		31 March 2018	Fair Value 31 March 2018	31 March 2019	Fair Value 31 March 2019
		£'000	£'000	£'000	£'000
<b>Financial Assets Held at Amortised Cost</b>					
Unquoted equity investment	3	982	982	982	982
Loans made for service purposes	2	1,170	1,170	1,236	1,236
Lease receivables	3	13,061	13,061	13,233	13,233
Short term investments	2	35,043	35,043	36,133	36,133
Cash (including bank accounts)	2	642	642	2,429	2,429
Short term debtors	3	3,800	3,800	3,846	3,846
<b>Total Financial Assets</b>		<b>54,698</b>	<b>54,698</b>	<b>57,859</b>	<b>57,859</b>

## GROUP NOTES TO THE ACCOUNTS

### 2. INVENTORIES

	Exeter City Council consumables 2017/18 £'000s	Exeter City Council consumables 2018/19 £'000s	Strata proportional share of stock 2017/18 £'000s	Strata proportional share of stock 2018/19 £'000s	Subsidiary work in progress 2017/18 £'000s	Subsidiary work in progress 2018/19 £'000s	Total 2017/18 £'000s	Total 2018/19 £'000s
Balance at 1 April	195	204	2	5	-	-	197	209
Purchases	302	345	3	-	-	809	305	1,154
Expense in year	(293)	(347)	-	(1)	-	-	(293)	(348)
Written off balances	-	-	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
<b>Balance at 31 March</b>	<b>204</b>	<b>202</b>	<b>5</b>	<b>4</b>	<b>0</b>	<b>809</b>	<b>209</b>	<b>1,015</b>

### 3. CASH & CASH EQUIVALENTS

	2017-18 £'000	2018-19 £'000
Cash held by the Council	15	16
Bank current accounts	118	1,242
Money Market Funds	5,002	13,010
Short-term investments	17,022	16,070
Short-term call accounts	6	6
Strata - Cash at bank and in hand	503	438
Subsidiary - Cash at bank and in hand	0	727
<b>Total cash and cash equivalents</b>	<b>22,666</b>	<b>31,509</b>

### 4. CASHFLOW STATEMENT - INVESTING ACTIVITIES

	2017-18 £'000	2018-19 £'000
Purchase of non-current assets	11,321	10,917
Purchase of short and long-term investments	218,200	200,000
Other payments for investing activities	2,075	2,070
Proceeds from the sale of non-current assets	(11,693)	(3,979)
Proceeds of short and long-term investments	(200,200)	(191,000)
Other receipts for investing activities	(8,026)	(4,899)
<b>Net cash flows from investing activities</b>	<b>11,677</b>	<b>13,109</b>

## HRA INCOME & EXPENDITURE STATEMENT

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

2017-18		2018-19	
£'000	Income	£'000	£'000
(19,068)	Dwelling rents	(18,532)	
(532)	Non dwelling rents	(514)	
(869)	Charges for services and facilities	(908)	
<b>(20,469)</b>	<b>Total Income</b>		<b>(19,954)</b>
	<b>Expenditure</b>		
5,542	Repairs and maintenance	6,371	
4,736	Supervision and management	5,016	
17	Rents, rates, taxes and other charges	26	
3,224	Depreciation and impairment of non-current assets	6,401	
10	Debt management costs	21	
(39)	Increase/(decrease) in bad debt provision	-	
<b>13,490</b>	<b>Total Expenditure</b>		<b>17,835</b>
<b>(6,979)</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(2,119)</b>
174	HRA share of Corporate and Democratic Core		180
<b>(6,805)</b>	<b>Net Cost of HRA Services</b>		<b>(1,939)</b>

## HRA INCOME & EXPENDITURE STATEMENT

2017-18		2018-19
£'000	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:	£'000
(1,412)	(Gain) or loss on sale of HRA non-current assets	(1,807)
1,989	Interest payable and similar charges	1,840
(239)	Interest and investment income	(306)
298	Net interest on the net defined benefit liability (asset) and administration expenses	286
(259)	Capital grants and contributions receivable	(1,214)
<b>(6,428)</b>	<b>(Surplus) or deficit for the year on HRA services</b>	<b>(3,140)</b>

### Movement on the HRA Statement

2017-18		2018-19
£'000		£'000
(8,775)	Housing Revenue Account surplus brought forward	(10,469)
(6,428)	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	(3,140)
4,734	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	3,309
<b>(1,694)</b>	<b>(Increase) or decrease in the HRA Balance</b>	<b>169</b>
<b>(10,469)</b>	<b>Housing Revenue Account surplus carried forward</b>	<b>(10,300)</b>

## NOTES TO THE HRA STATEMENTS

### 1. HRA DWELLINGS

	Flats	Houses and Bungalows	Total
At 31 March 2018	2,550	2,356	<b>4,906</b>
At 31 March 2019	2,558	2,333	<b>4,891</b>

### 2. VACANT POSSESSION VALUE OF DWELLINGS

At 1 April 2019 the vacant possession value of the dwellings was £742.168 million, this compares to the tenanted market value in the Balance Sheet of £259.759 million. The difference of £482.409 million represents the economic cost to the Government of providing council housing at less than open market rents.

### 3. COUNCIL'S OWN BUILD SCHEME

The Council's Own Build scheme involves the development of 21 homes at Sivell Place and Merlin Crescent. Whilst 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 £3.251m (£0.210 million 2017/18) were debited to the HRA Income and Expenditure Account in 2018/19 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:

	2017-18 £'000	2018-19 £'000
Land	-	650
Dwellings	3,573	3,759
Repayment of discounts	73	0
	<b>3,646</b>	<b>4,409</b>
Less amount pooled	(431)	(1,037)
	<b>3,215</b>	<b>3,372</b>

## NOTES TO THE HRA STATEMENTS

### 6. BALANCE SHEET VALUATIONS OF ASSETS

	Dwellings	Garages	Vehicles, Plant & Equipment	Assets Under Construction	Assets Held for Sale	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2018	257,023	4,120	322	5,564	924	267,953
At 31 March 2019	259,759	3,860	214	3,155	818	267,806

Within the valuation of Council dwellings as at 31 March 2019 of £259.759m, £131.512m was attributable to the value of land (2017/18 £130.182m) and £128.247m to buildings (2017/18 £126.841m).

### 7. HRA CAPITAL EXPENDITURE

HRA capital expenditure amounted to £6.197 million during 2018/19 (£6.265 million 2017/18), the expenditure and sources of finance were as follows:

	Sources of Finance					Total Expenditure
	Major Repairs Reserve	Revenue Contributions	Borrowing	Grants & Other Contributions	Capital Receipts	
	£'000	£'000	£'000	£'000	£'000	
Land	-	-	-	-	-	-
Houses	94	3,892	-	1,578	525	6,089
Other	0	108	-	-	-	108
<b>Total</b>	<b>94</b>	<b>4,000</b>	<b>-</b>	<b>1,578</b>	<b>525</b>	<b>6,197</b>

## NOTES TO THE HRA STATEMENTS

### 8. DEPRECIATION

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

	2017-18	2018-19
	£'000	£'000
Operational assets		
Dwellings	2,842	3,020
Garages	55	55
Equipment	117	120
<b>Total depreciation charged</b>	<b>3,014</b>	<b>3,195</b>
Less depreciation written off - disposals	(18)	(21)
Less depreciation written off - revaluations	(2,879)	(3,054)
Less depreciation written off - impairments	-	-
<b>Total depreciation</b>	<b>117</b>	<b>120</b>

## COLLECTION FUND

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

2017-2018			2018-2019		
Council Tax £'000	NDR £'000	Total £'000	Council Tax £'000	NDR £'000	Total £'000
<b>Income from:</b>					
61,941	-	61,941	65,788	-	65,788
-	(4,961)	(4,961)	-	(1,953)	(1,953)
-	79,285	79,285	-	81,531	81,531
61,941	74,324	136,265	65,788	79,578	145,366
<b>Expenditure</b>					
Demands on the Fund by:					
6,489	-	6,489	7,051	-	7,051
3,003	733	3,736	3,150	730	3,880
46,649	6,599	53,248	49,861	44,051	93,912
5,250	29,327	34,577	5,484	29,195	34,679
-	36,659	36,659	-	(988)	(988)
-	216	216	-	216	216
88	-	88	139	-	139
Bad and doubtful debts					
316	217	533	352	(73)	279
43	360	403	(10)	0	(10)
-	3,586	3,586	-	2,950	2,950
61,838	77,697	139,535	66,027	76,081	142,108
<b>(103)</b>	<b>3,373</b>	<b>3,270</b>	<b>239</b>	<b>(3,497)</b>	<b>(3,258)</b>
(2,623)	834	(1,789)	(2,726)	4,207	1,481
<b>(2,726)</b>	<b>4,207</b>	<b>1,481</b>	<b>(2,487)</b>	<b>710</b>	<b>(1,777)</b>

## NOTES TO THE COLLECTION FUND

### 1. Council Tax base

The council tax base, for tax setting purposes, is calculated by reference to the number of chargeable dwellings in each valuation band, adjusted for dwellings where discounts apply, converted to an equivalent number of Band D dwellings. The figures for 2018/19 were:

Band	Dwellings	Less Discounts	Technical Changes	Conversion Factor	Band D equivalents
A Relief	25	13	-	5/9ths	7
A	9,557	3,605	(6)	6/9ths	3,964
B	14,109	3,046	(10)	7/9ths	8,597
C	12,758	1,825	(8)	8/9ths	9,711
D	7,836	731	(5)	9/9ths	7,100
E	3,818	257	(2)	11/9ths	4,350
F	1,836	112	(1)	13/9ths	2,489
G	883	47	1	15/9ths	1,395
H	32	2	2	18/9ths	64
<b>Band D equivalent</b>					<b>37,677</b>
Less Hardship Relief (Band D)					0
<b>Total Band D equivalent</b>					<b>37,677</b>
Collection rate					97%
<b>Tax base</b>					<b>36,547</b>

### 2. Income from Business Rates

Under the arrangements for uniform business rates, the Council collects non-domestic rates for its area, which are based on local rateable values (£190.623m at March 2019) multiplied by a uniform rate 49.3p (48.0p for those receiving small business relief) for 2018/19.



Exeter City Council

# Annual Governance Statement

2018-19

### 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 <https://exeter.gov.uk/Code>

### 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 2019 and up to the date of the approval of the annual statement of accounts.

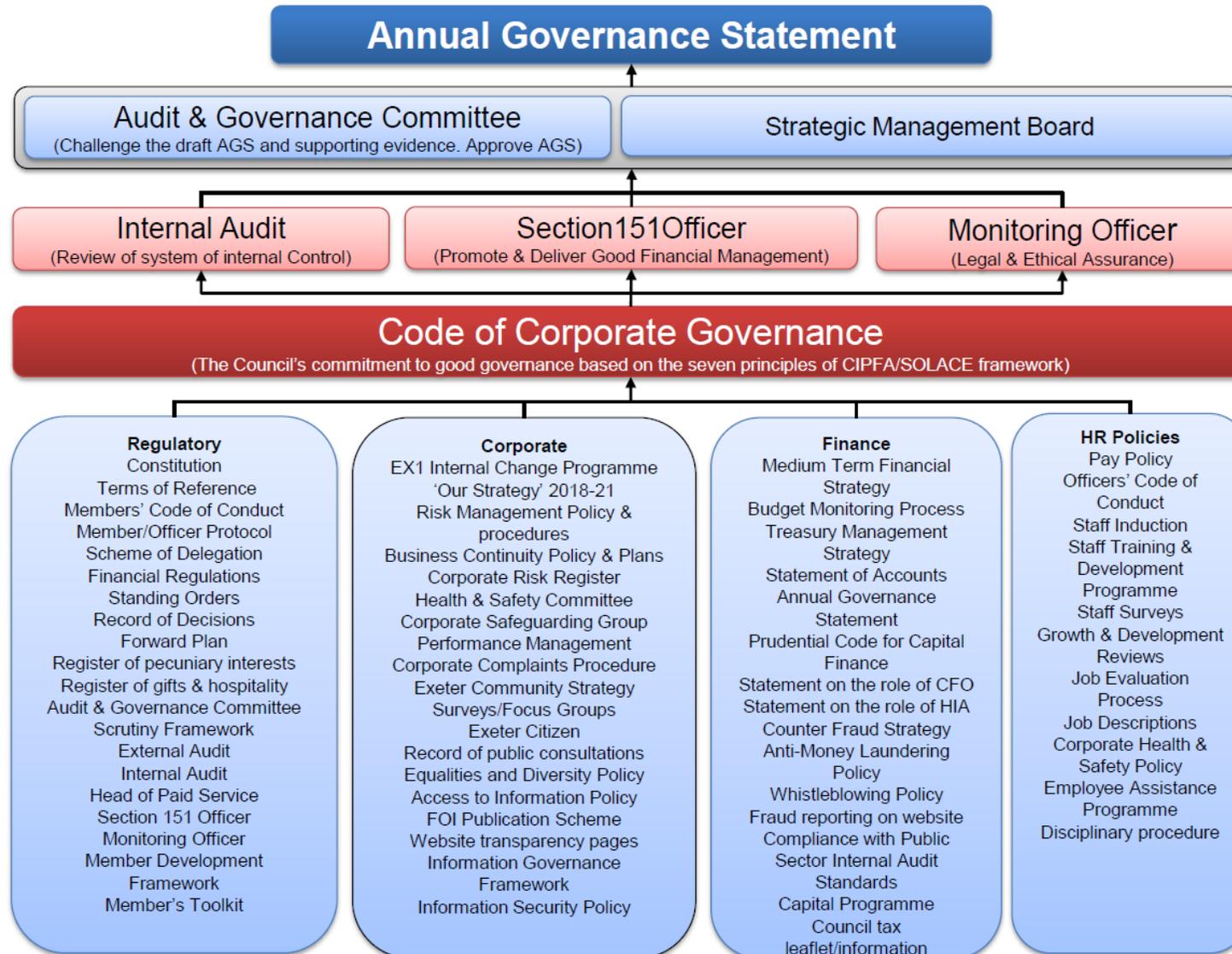
### The Governance Framework

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. 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 13 March 2019. 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), Head of Legal and HR (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



### 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 Corporate Services Scrutiny Committee 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 Review

In March 2018, Internal Audit undertook a review of the Council's Risk Management Framework. The basis of the review was taken from risk management best practice including the Committee of Sponsoring Organizations of the Treadway Commission (COSO) which is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence. The work undertaken concluded that Risk management within Exeter City Council has improved and evolved since the last audit undertaken in 2015 and the results of this review were reported to the Audit and Governance Committee in July 2018.

Since then, Internal Audit have been assisting the Executive Support Unit in reviewing and updating the Council's framework and guidance around risk management. In addition, Internal Audit continue to work with Service leads to develop their operational risk registers with services being prioritised in accordance with the corporate plan.

## 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. As required by regulations, an annual review on the effectiveness of Internal Audit was undertaken in March 2019 in the form of a self-assessment against both the PSIAS and the Application Note using CIPFA's checklist. The results of the review confirm that the Internal Audit Service conforms with the PSIAS and that there are no issues of 'non-conformance' that need to be included in this statement. All key systems were audited in 2018/19 and a total of 24 audit reports have been provided to management and the Audit and Governance Committee.

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 July 2018 the Council's external auditor (KPMG) issued an unqualified audit opinion on the Authority's financial statements and a part qualified audit opinion in respect of Value for Money in that they concluded that the Authority has made proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned sustainable outcomes for taxpayers and local people **except for** its arrangements for procuring supplies and services effectively with partners and third parties.

### Corporate Complaints

In 2018/19 the Council responded to 84 (2017/18 – 101) corporate customer complaints. All complaints were responded to by the relevant Director or Corporate Manager so that any issues identified could be actioned.

### Performance Management

The Council's Corporate Plan 'Our Strategy' was approved by Executive on 9<sup>th</sup> October 2018. A strategic dashboard is currently being built by Strata to enable reporting and monitoring across multiple indicators. Monitoring of corporate plan priorities and associated measures will be reported to members in the next round of committees.

## ANNUAL GOVERNANCE STATEMENT

### Key Issues 2018-19

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 identified for 2018-19 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	The Council continues to make changes to its organisational structures and ways of working as it transforms the way in which services are delivered within the financial constraints of the current economic climate. This has kept the overall risk to the internal control environment high with changes in staff responsibilities and the reduction of available resources.	This will continue to be monitored as part of the internal audit plan and any issues arising will be reported to Audit and Governance Committee quarterly.
2	The Council now has a fully functioning Procurement Team in place which is effectively managing Council procurements. The next phase is to ensure that contract management is an integral part of the procurement cycle to ensure that it is undertaken effectively and consistently across the Council's contracts.	A contract management training plan to be implemented along with contract management guidance to assist contract managers to properly manage contracts by addressing transition management, performance monitoring and by helping to ensure that both parties fulfil their commercial and contractual commitments

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

**Signed:** ..... **Date:** .....  
Dave Hodgson CPFA  
**Chief Finance Officer & Section 151 Officer**

**Signed:** ..... **Date:** .....  
Councillor Philip 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

<b>Accounting Period</b>	The period of time covered by the accounts, normally a period of twelve months, commencing on 1 April for local authority accounts.	<b>Balances</b>	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.
<b>Accrual Basis</b>	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	<b>Budget</b>	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.
<b>Actual</b>	Actual, as opposed to budget, expenditure and income directly attributable to an accounting period, generally referred to as actuals.	<b>Capital Expenditure</b>	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.
<b>Appointed Auditors</b>	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.	<b>Capital Financing</b>	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.
<b>Associate Companies</b>	An associate is an entity over which the Council has significant influence.		

## GLOSSARY OF TERMS

<b>Capital Grants</b>	Grants specifically towards capital expenditure on a specific service or project.		charges, General Fund Balances, specific grants and any funding from reserves.
<b>Chartered Institute of Public Finance and Accountancy (CIPFA)</b>	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.	<b>Creditors</b>	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.
<b>Collection Fund</b>	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.	<b>Current Service Cost</b>	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.
<b>Community Assets</b>	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.	<b>Current Assets</b>	Assets that can be expected to be consumed or realised during the next accounting period.
<b>Contingent Liability or Assets</b>	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.	<b>Current Liabilities</b>	Amounts that will become due or could be called upon during the next accounting period.
<b>Council Tax Requirement</b>	This is the estimated revenue expenditure on General Fund services that will be financed from the Council Tax after deducting income from fees and	<b>Curtailment</b>	The cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.
		<b>Debtors</b>	Amounts due to the Council that have not been received at the balance sheet date.
		<b>Deferred Liabilities</b>	This represents the liability for principal repayments on finance leases.

## GLOSSARY OF TERMS

<b>Depreciation</b>	This is the measure of the wearing out, consumption or other reduction in the useful economic life of property, plant and equipment.	<b>Finance Lease</b>	A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.
<b>Earmarked Reserves</b>	The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.	<b>Financial Instruments</b>	A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.
<b>Employee Costs</b>	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.	<b>Financial Year</b>	The local authority financial year commences 1 April and finishes 31 March the following year.
<b>External Audit</b>	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.	<b>Financial Regulations</b>	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.
<b>Fair Value</b>	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.	<b>Government Grants</b>	Payments by central government towards local authority expenditure. They must be specific e.g. Housing Benefits, or general e.g. Revenue Support Grant.
<b>Final Accounts</b>	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.	<b>Housing Benefit</b>	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.

## GLOSSARY OF TERMS

<b>Housing Revenue Account</b>	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.	<b>Non Domestic Rates (NDR)</b>	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.
<b>Impairment</b>	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.		
<b>Interest</b>	An amount receivable or payable for the use of a sum of money when it is invested or borrowed.	<b>Net Book Value</b>	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.
<b>Inventories</b>	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.	<b>Non-Current Assets</b>	Assets that can be expected to be of use or benefit to the Authority in providing its service for more than one accounting period.
<b>Investment Properties</b>	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.	<b>Operating Lease</b>	A lease under which ownership of the asset remains with the lessor; the lease costs are revenue expenditure to the Authority.
<b>Materiality</b>	Information is material if omitting it or misstating it could influence the decisions that users make on the statement of accounts.	<b>Precepts</b>	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.
<b>Minimum Revenue Provision (MRP)</b>	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.		

## GLOSSARY OF TERMS

<b>Prior Period Adjustments</b>	These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.	<b>Subsidiary</b>	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.
<b>Property, Plant and Equipment (PPE)</b>	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.	<b>Value for Money</b>	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.
<b>Public Works Loan Board (PWLB)</b>	An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities		
<b>Revenue Contribution to Capital Outlay (RCCO)</b>	The mechanism by which items of capital expenditure can be financed by the General Fund or Housing Revenue Account		
<b>Revenue Expenditure Financed by Capital under Statute (REFCUS)</b>	Expenditure which has been legally capitalised but which does not produce a fixed asset for the council, e.g. renovation grants for homeowners.		
<b>Revenue Support Grant</b>	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.		



Exeter  
City Council



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